

A stylized teal mountain range graphic with white outlines, set against a teal background with white curved lines.

UPDATE ON MOUNTAIN WEST TRANSMISSION GROUP

UVIG Meeting

Nashville, TN

October 12, 2017

Disclaimer

- This material is being presented for discussion purposes only
- This is a summary overview and not the entire detail of the MWTG/SPP stakeholder proposal
- A more complete public version will be provided for the SPP Stakeholder Process kickoff meetings (visit www.spp.org for details)



License-Plate Rates

- Current transmission service billing:
 - Network Load cost for own system plus point-to-point for use on any other system
 - This results in pancaked rates and inefficient operations
- Future transmission service billing:
 - No intra-market transmission pancake
 - Local network zone rate (“Zonal License Plate”) plus Regional cost allocation for future facilities built through the regional grid planning process (“Regional Cost Allocation”)
 - Grid export fees are charged to non-network users
 - Called “Regional Through and Out Rate” or “RTOR”



Cost of Lost Pancakes

- Elimination of pancaking results from collapsing 9 Tariffs into one
 - Revenue extinguished on the order of millions annually due to eliminating internal point-to-point service
- “Cost-shift Mitigations” have been negotiated by the utilities to address this lost revenue
 - Preferential distribution of grid export fees (RTOR)
 - Seven-year transition period



AC System Cost Allocation

- The SPP would have a single transmission tariff, but would use separate cost-allocation formulas for the East and West sides
 - Existing east-side is called “highway/byway” and allocates cost using load-ratio share concepts
 - Proposed west-side is similar, but adds a benefit test and benefits-related allocation and does not allocate projects less than 200kV

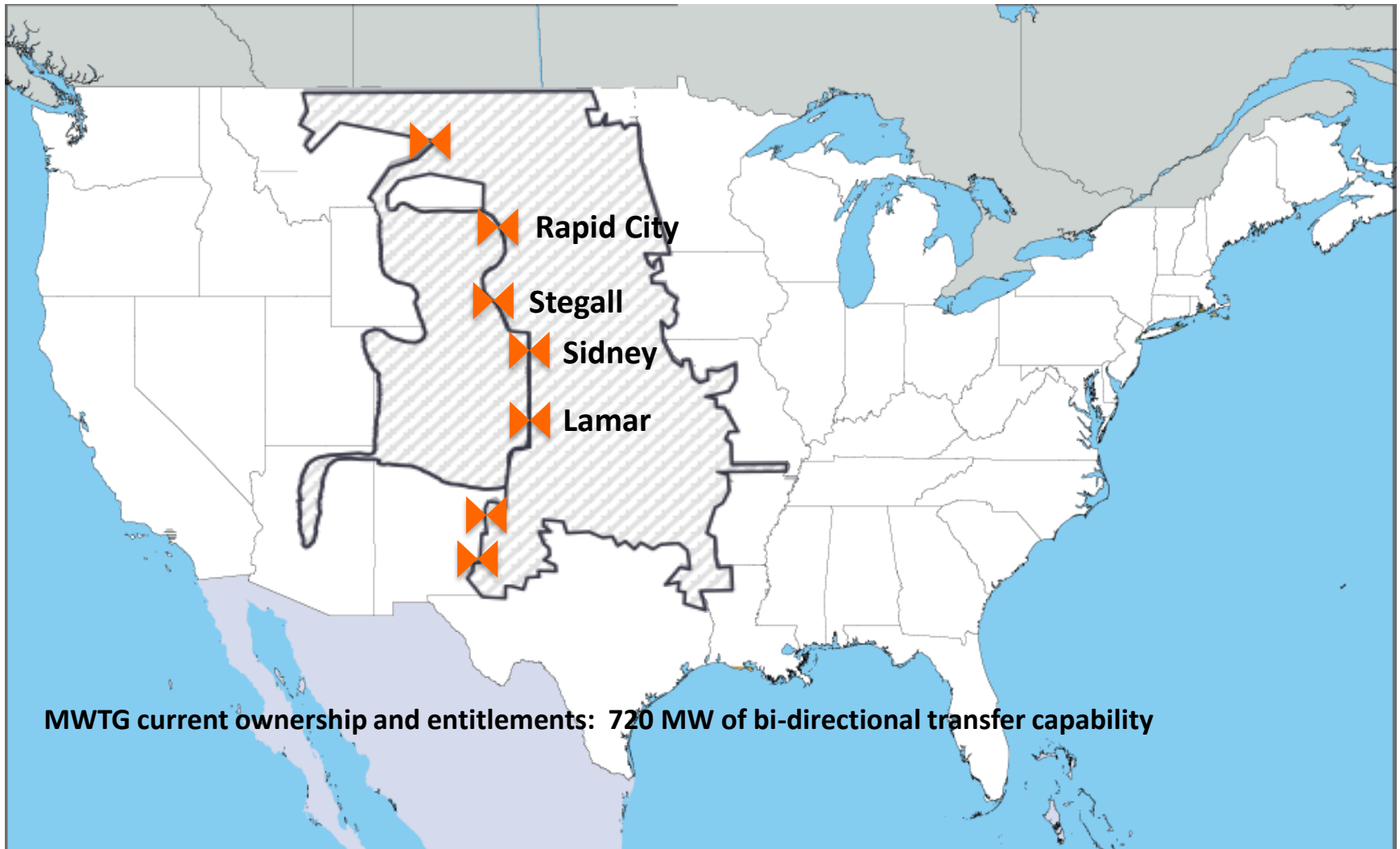


Special Proposal for DC Ties

- The combined transmission cost for the participating DC Ties between SPP East and West is ~ \$19M per year
- In recognition of the combined efficiency benefits to SPP East and West of eliminating DC Tie rate pancakes, the utilities are proposing full east and west load ratio cost allocation of the ties



MWTG and SPP Footprint (with DC Ties)



Special Treatment for Federal Transmission

- The Western Area Power Administration Upper Great Plains Region (“UGP”) is already a member of SPP East
- UGP is exempted from most regional transmission cost allocation because its Federal delivery obligations are fixed and unchanging
- A similar concept has been negotiated for the WAPA projects participating in Mountain West
 - Loveland Area Project (LAP)
 - Colorado River Storage Project (CRSP)



Regional Grid Planning Process

- The SPP would have a single regional planning process and set of scenarios, but market input components (e.g. gas price) may differ between East and West
- The AC system facilities selected under the plan would follow the cost allocation established for East or West respectively
- If DC Tie expansion or replacements are selected under a regional plan, then the load ratio method between East and West continues unless the SPP stakeholder process invokes a change



Discounted RTO Fees

- The RTO administrative fees would decrease overall with the addition of the West-side members
- In recognition of this and as an overall component of cost-shift mitigation in the negotiated deal, the admin fee would phase-in over three years



Protecting the Mitigations

- In order to protect the benefits of this voluntary negotiation, a west-side transmission owners committee (“WestTOC”) is established
- Certain deal terms are protected and require consent of the WestTOC in order to change:
 - West-side transmission cost allocation
 - Zonal entry/exit criteria during the mitigation period and for new member entry
 - RTOR rate design
- The utilities are seeking from FERC an acknowledgement of these terms as protected under the “Mobile-Sierra” standard of regulatory review



Competitive Transmission Criteria

- To be eligible for competitive development, a project must be regionally cost-allocated, greater than 50 miles (if transmission) or greater than \$25 million otherwise



State Regulatory Impacts

- A single Regional State Committee (“RSC”) that includes both east and west is proposed, with separate divisions for local-specific policy determinations and a shared role for common policy issues
 - Separate bylaws from SPP
 - Certain delegated rights from SPP to RSC



Key Project Schedule Dates

- SPP public process for regional expansion kickoff scheduled for 10/13/17 in Denver and 10/16/17 in Little Rock; six-month process
- SPP Board of Directors ratification of west-side membership terms around May, 2018
- Federal filings summer of 2018
- State filings following federal
- Go-live target date in fall of 2019



END

