5 Qualitative analysis of Energy Imbalance Market Impacts

This section explores impacts of SPP's implementing an Energy Imbalance Service (EIS) other than those impacts captured elsewhere in this report. (Section 3 addresses the potential energy market impacts that were determined quantitatively; Section 4 addresses expected SPP and market participant costs as part of the allocation.)

This assessment was made by comparing the existing imbalance energy provisions contained in SPP's Open Access Transmission Tariff with the filed tariff provisions and draft protocols describing the Imbalance Energy (IE) market. The following reference documents were relied upon:

Existing Settlement Provisions:

- Open Access Transmission Tariff (OATT) for Service Offered by the Southwest Power Pool, November 1, 2000
- Revised, SPP Board Approved, OATT Section 3 and Schedule 4-A
- Transmission Owner Tariff provisions for Imbalance Energy Settlement, as summarized by SPP staff, November 2004

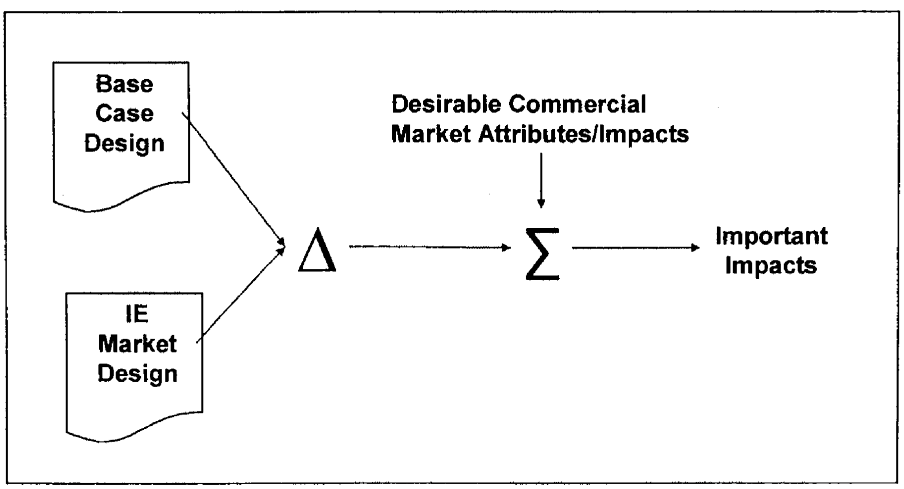
Future-State (EIS) Market Provisions:

- SPP Market Protocols (Draft) v2, January 6, 2005
- RTO Proposal of Southwest Power Pool, Inc., Volume I, October 25, 2003
- Market Working Group Meeting materials - various

5.1 Methodology

Figure 5-1 shows the general approach to assessing qualitative impacts associated with the EIS.

Figure 5-1 EIS Qualitative Assessment Methodology



Generally the existing and proposed EIS market designs were compared to identify significant design changes and underlying drivers of those changes. After a preliminary consideration of the potential impacts of the Significant Design Changes on SPP and the market participants, CRA grouped the potential impacts into nine categories of *Commercial Impacts*, which are listed and briefly described in Table 5-1.

The subsections that follow present the significant design changes and underlying drivers, followed by the Commercial impacts.

Table 5-1 Commercial Impacts

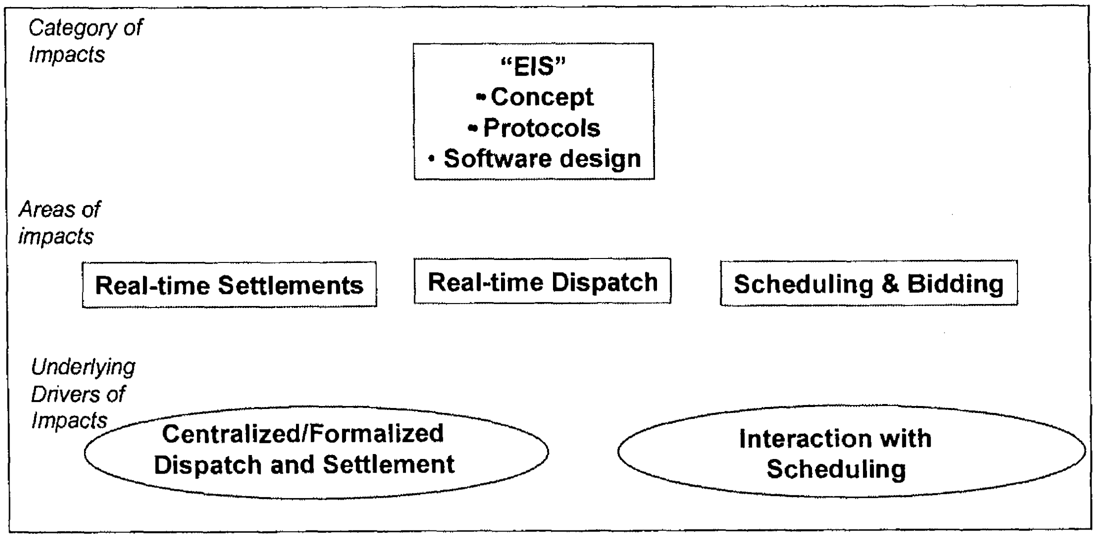
Commercial Impact	Illustrative Description
1. [Facilitate Development of] **Competitive Markets**	Does the Significant Design Change facilitate or hinder competition or market penetration (the ability of new retailers to compete for load)—for example, through complexity, volatility or cost shifting?
2. [Minimize] **Discriminatory Environment**	Does the Significant Design Change reduce perceived or actual barriers that unduly discriminate against small/large players, non-incumbents, etc.?
3. [Increase] **Efficiency of Production**	Does the Significant Design Change encourage the efficient use (dispatch, commitment) of existing facilities and/or promote economic efficiency in the consumption of electricity? (This considers microeconomic principles and also incorporates maximization of social welfare—the sum of consumer and producer surplus.)[35]
4. [Promote] **Efficient Resource Expansion**	Does the Significant Design Change provide proper incentives for resource investment (including Distributed Generation and Demand-Side Management)? This includes the need for site-specific pricing and resource siting signals, and changes in risk and/or uncertainty associated with nodal pricing.
5. [Promote] **Efficient Grid Expansion**	Does the Significant Design Change encourage or discourage investment in the grid by various entities? At the right locations? With the proper trade-offs between wires and resources/Demand Side Management?
6. [Neutralize] **Opportunities to Exercise Market Power**	Does the Significant Design Change increase or decrease the need for mechanisms to mitigate potential abuse of market power?
7. [Enhance] **Grid Reliability**	Does the Significant Design Change recognize the physical realities of the grid, reduce burdens on grid operators, and reduce the potential for (uneconomic) loss of load?
8. [Facilitate] **Ability to Conduct Business**	Does the Significant Design Change make it easier for entities to participate in the SPP market?
9. [Minimize] **Costs and Administrative Burdens**	Does the Significant Design Change reduce or increase costs (that are not already accounted for in the IIA) and burdens on market participants and on SPP?

[35] Note that this metric, as described, reflects Social Welfare generally. However, various impacts tend to affect producer surplus or consumer surplus. Given that which of these may be impacted may be relevant to various stakeholders (and it is not the consultant's role to judge the merits of how the social welfare is experienced), the discussions within the text identify, where possible, how the efficiency gains are expected to be experienced (for example, when Load Serving Entities are better off).

5.2 Market Rule Changes

While the EIS primarily relates to the settlement of imbalance energy, instituting a formal locational balancing energy has additional impacts. These impacts can be viewed on several levels, as shown in Figure 5-2.

Figure 5-2 EIS Changes - Various Views



There are several areas of impacts, and these have some common underlying drivers. The impact areas considered can be summarized as follows:

Real-time market: Impacts of Settlement using Locational Imbalance Pricing (LIP)

The most direct and obvious impacts related to instituting a formal Imbalance Energy market with locational pricing are associated with the changed settlement rules and processes; they include the impacts on loads and on generators of the change in pricing and settlement processes. For example, with the EIS:

- SPP manages, in a centralized way, settlements for inadvertent energy that were previously conducted bilaterally with each Control Area Operator (CAO).
- CAOs settle imbalance energy for load formally with SPP rather than simply load following or settling with neighboring control areas.
- Pricing between supply sources may be different than pricing of load.
- New metering reporting and management requirements are created.

While the fundamental impacts of the pricing changes are addressed in the MAPS modeling aspect of this study, and the infrastructure costs are addressed specifically, the movement to a formal EIS creates other non-monetized impacts.

Real-time: SPP Real-time Resource Deployment

In addition to the financial implications of LIP energy settlement, the EIS design includes the centralized optimization and dispatch of balancing energy sources. This creates the need for specific infrastructure from SPP, and likely for members, and it may substantially change the operational management of generator units in real-time. Each CAO no longer optimizes and deploys resources to balance its own system; instead, generation operators submit bid curves to SPP, which optimizes the balancing energy resources using a Security-Constrained Economic Dispatch (SCED) algorithm and (for units providing balancing energy) determines which units generate to what levels in real-time—providing formal dispatch notices.

Forward Market Impacts: Schedules and Bid Impacts

Given that the EIS creates the need for formal communication of system conditions and of individual participants' expected behavior and input data, the implementation of the EIS creates additional forward scheduling requirements. To operate an EIS, SPP needs specific and timely resource plan information. SPP will use a baseline of forward load and generation schedules as an allocation basis over which to allocate the financial results of the EIS market. Thus, the EIS creates different forward market requirements and may have different settlement impacts related to activities in the forward market. Application of uninstructed deviation charges or penalties to scheduled-to-real time difference and the use of the EIS to manage Firm schedules are examples of these types of impact. In some cases, these impacts are more significant during the period when there will be a locational market-based real-time congestion management system, but no forward congestion management system.[36]

5.3 Underlying Drivers

There appear to be two underlying drivers for the areas of impact just described, and these are essentially operational in nature:

1. Centralized/formal control of real-time balancing

   This driver relates to both operational control and pricing control and seems to be the strongest.

2. Relationship of real-time EIS coupled with scheduling

   The ultimate impacts are considered in the sense of these two underlying drivers.

5.4 Impacts of Underlying Drivers

This discussion presents those commercial impacts resulting from the fundamental drivers.

[36] For example, the issue of overscheduling or under-scheduling counterflow likely falls into this category in the sense that if SPP had a comparably-based congestion management system in the Day Ahead there would be more naturally balancing incentives for scheduling.

Facilitation of Competitive Markets

The long-run impacts of implementing a formal nodal EIS are expected to include improved transparency and improved price signals, and experience in other markets suggests that these will be the predominant impacts. Complexity produces adverse impacts during a transition period—for example, when parties are affected by locational balancing EIS prices yet do not have the operating history of what these prices and respective points' price spreads might be. Such impacts are expected to be alleviated with operating stability and history. That is, the market will eventually establish a pricing history that will provide market participants data reflecting expected pricing risks.

Applying explicit imbalance energy prices creates risks associated with not following schedules. The relative impact depends on the details of what is in place today regarding imbalance energy settlement with the CAOs. Whether the implementation of any test for schedule feasibility[37] when used in isolation without a formal day-ahead or hour-ahead congestion management market, will enhance or impede the competitiveness of the market depends on the effectiveness of the particular mechanisms implemented. Similarly, to the extent that the new centralized LMP algorithms or SCADA systems do not work correctly, there will be adverse impacts on the market until those issues are resolved.[38]

Market monitoring provisions offer the potential for more competitive markets, provided that they are not overly burdensome and that they do not create undue regulatory risk.

Minimize Potential Discriminatory Behavior

The movement to an explicit EIS should increase transparency, which would reduce the potential for discriminatory behavior and improve the competitiveness of markets generally.

Efficiency of Production

The production efficiency impacts of the EIS are measured by the MAPS modeling. To the extent that the EIS is cleared as efficiently as the model assumes, the numerical modeling results are expected to reflect the EIS benefits. To the extent that bilateral schedules do not directly reflect the efficient dispatch, and to the extent that the EIS is not used to manage congestion for the bilateral schedules, the predicted benefits may not be realized.

The movement with the EIS to the centralized management of inadvertent energy will likely have added production efficiencies that are not captured in the quantitative results of the MAPS modeling.[39]

[37] Note that some of the market design documents have contemplated the possibility that a "feasibility" test for schedules may be necessary to implement a workable real-time EIS. How "feasibility" will be determined, however has not yet been specified.
[38] That SPP intends to have policies related to the quality control and improvement of the EIS algorithms and SCADA systems is seen as a positive indication that any adverse software impacts will be minimized.
[39] The MAPS modeling assumes in all cases that inadvertent energy management is perfectly efficient at the seams of SPP, other than the financial effect of the boundary wheeling rates.

Resource Expansion

Location-specific and transparent pricing at nodes should provide improved price signals for siting. In other markets that CRA has observed, however, institutional barriers have emerged that prevented the market from responding appropriately to such price signals. These barriers include exogenous factors (e.g., NIMBY) that continue to have strong influences, and other market structures—such as capacity market implementation—that may dampen the price signals that are needed to overcome other factors. While specific nodal price signals should be beneficial, realizing their full benefit may take time while such other market structures are modified.

Grid Expansion

The implementation of the EIS is not likely to significantly improve grid planning or expansion. This is because long-term transmission investments must be justified primarily on the basis of anticipated future demand and long-term projections of future costs, rather than on specific historical uses and congestion costs. Most planners already use nodal information to determine the most appropriate transmission upgrades, so that the EIS nodal pricing for balancing energy seems to provide no direct advantage or disadvantage in the area of grid expansion.

Market Power

This study did not include an assessment of the propensity for any participant to exercise market power. One might expect that the EIS would reduce the ability to exercise vertical market power, given that SPP will be operating the EIS market. Participants may fear, however, that the ability to exercise horizontal market power might be greater, or perhaps more specifically that the consequence of the exercise of horizontal market power might be higher given that marginal pricing—as opposed to average pricing or returning "in-kind" energy for example—may have large pricing impacts in the EIS. While these factors are at play, it is not possible to determine whether the resulting impact, combined with the impacts of a market monitoring plan, would be positive or negative overall.

Grid Reliability

The grid is operated reliably today and it will be operated reliably under an EIS. This issue therefore addresses whether there are any factors that provide marginal additional levels of reliability. Here again balancing factors are likely at play. The movement to an SPP centralized real-time dispatch and balancing should afford more visibility and a broader perspective than does individual control area operations. This is a plus. At the same time, however, movement away from CAO balancing creates the possibility that specific knowledge of local grid issues will be lost over time. This loss of expertise is a disadvantage of the EIS in the sense of margins of reliability. Further, the EIS may result in exercise of the generation system in manners not previously experienced[40] and the centralized dispatch of resources may result in more rapid movements that require more regulation control. To the extent that this effect is strong, the reliability margin may be somewhat reduced.

It is not clear that either of these offsetting effects is significantly stronger than the other.

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[40] For example, with the fluid participation of independent generator resources in the EIS, the dispatch of the system will change; in addition, CAOs' regulation units will no longer be operated in conjunction with the CAO-controlled deployment of balancing energy resources.

Ability to Conduct Business and Administrative Burdens

This study quantitatively captures the costs to participate in the EIS. Both costs to SPP and costs to market participants are estimated. However, it is possible that these costs—especially those born by market participants—are not captured consistently across all market participants. Costs that may be outside the quantified values may include, for example, costs of increased scheduling needs, utilities' costs of hedging new EIS risks, and the costs of regulation unit owners associated with the price risk of regulation energy (the energy provided by the regulating units in real-time in response to frequency-control signals) relative to EIS energy. Similarly, parties that have in the past settled real-time imbalances with one more control areas will be relieved of the administrative costs of performing those settlements. It is not clear whether such costs were included in the quantifications of EIS costs.

5.5 EIS Qualitative Analysis Summary

Overall, it is expected that implementation of the EIS will create additional transparency and efficiency benefits. However the EIS will also increase administrative burdens, though it is likely that a significant fraction of these additional burdens will be transitional, meaning that they will return more or less to today's level once the EIS has been in place for some time (roughly 1 to 3 years). Further, it is likely that the administrative and infrastructure costs borne by participants for the EIS will be "lumpy," in the sense that allowing for the EIS requires significant infrastructure much of which will be useable also for the full day-ahead market and congestion management process if, and when, it is implemented.

6 Qualitative Analysis of Market Power Impacts

The SPP Regional State Committee has asked CRA to address market power issues that might arise in the context of the implementation of the EIS market, in particular. The question is whether the EIS market would provide an increased opportunity to exercise market power on the part of one or more owners of generation resources in the area. In this context, it is useful to recall that market power is the ability and incentive to increase market prices by a significant amount for an extended period. In particular, a generation owner must have both the ability and the incentive to exercise market power in order to be considered as possessing market power at all, regardless of whether it actually exercises that market power.

6.1 Market Monitoring

Market monitoring and mitigation is an essential function for RTOs and is required by FERC Order 2000. As part of the institution of an EIS market, SPP will implement a market monitoring process that includes the appointment of an independent contractor to oversee the safe and reliable operation of SPP's transmission system.

The principal functions of SPP's market monitoring process are the following: reporting on compliance and market power issues relating to transmission services, including compliance and market power issues involving congestion management and ancillary services; evaluation and recommendations respecting any required OATT revisions, standards or criteria; ensuring that market monitoring is performed in an independent manner; developing procedures to inform government agencies and others with respect to market activities; monitoring market behavior and market participants to determine whether any activity is constraining transmission or excluding competitors; and ensuring the non-discriminatory provision of transmission service by SPP.

SPP has proposed a Market Monitoring Plan intended to provide for the monitoring of SPP's market and for the mitigation of the potential exercise of horizontal and vertical market power by market participants. The plan will be implemented and maintained by two Market Monitors: a Market Monitoring Unit (MMU) internal to SPP, and an Independent Market Monitor (IMM).

The MMU has primary responsibility for implementing the Plan, with the advice and oversight of the IMM, by (a) continuously monitoring SPP's markets and services provided under SPP's OATT, (b) implementing approved market mitigation measures, (c) taking the lead in investigations and in compliance and corrective actions, and (d) collecting and retaining relevant data and information.

The IMM has several responsibilities. Among these, the IMM: (a) develops, reviews, and recommends updates to the monitoring and mitigation procedures and supports SPP in obtaining FERC approval for such procedures, (b) suggests revisions to the SPP market design and procedures, (c) advises the MMU and monitors its activities, (d) advises the SPP Board, and (e) periodically reports on SPP's market and services.[41]

Together, the SPP MMU and the IMM will monitor SPP's markets and services by analyzing market data and information such as the following: resource and ancillary service plans, schedules and offer curves submitted for generating units; commitment and dispatch of generating units; locational

[41] SPP Market Monitoring Plan, OATT Attachment, Draft 11/8/04

imbalance prices; control area data (e.g., net scheduled interchange, actual net interchange, and forecasts of operating reserves and peak demand); transmission services and rights (e.g., ATC, AFC, tariff administration, operation and maintenance of the transmission system, markets for transmission rights, and reservation and scheduling of transmission service); transmission congestion; and settlement data.[42]

Market participants or government agencies may submit confidential complaints or requests for investigation to the MMU or the IMM. The MMU and/or the IMM may engage in discussions to resolve issues informally, may issue demand letters requesting market participants to discontinue actions as necessary to achieve mitigation and/or compliance, and may implement any FERC-approved mitigation measure. A process is also in place for the MMU or the IMM to recommend changes in market design or procedures as needed to ensure just and reasonable prices. The IMM will publish annual state-of-the-market reports and quarterly reports on instances of market power, if any. The IMM will also provide an annual review of the activities of the MMU.[43]

SPP estimates that market monitoring will cost about $1 million per year, or about $0.005 per megawatt-hour of net annual energy for the SPP region.

6.2 Generation Market Power

CRA has not conducted a formal, quantitative review of the potential impact of the SPP Energy Imbalance Market on the likelihood that market power might be exercised in the generation market within SPP. Such an assessment would be hypothetical and difficult to quantify given the uncertainty concerning future economic conditions and future market behavior of participants.

In CRA's view, the implementation of the Energy Imbalance Market, by itself, is unlikely to increase significantly the likelihood of actual exercises of market power in the SPP generation market. This is because most power delivered within SPP will be subject to the continuation of cost-based retail rates. In addition, it is our understanding that much of the wholesale market is covered by long-term contracts for which a short-term increase in the spot price for power would be immaterial. In these circumstances, generation owners in SPP would have little, if any, incentive to withhold generation from the SPP Energy Imbalance Market for the purpose of increasing the market-clearing price in that market. This is because the output of the generating unit is committed to load under regulatory and contractual arrangements under which it is not possible to earn additional revenue merely because of an increase in the spot market price. Without the incentive to exercise market power, which would be lacking under cost-based regulation and long-term contracts, the issue of market power is likely to be a minor consideration under the SPP market conditions.

Nonetheless, it is important that the SPP Market Monitoring Unit and the SPP Independent Market Monitor review the performance of the SPP Energy Imbalance Market and report their findings to FERC as needed. The market monitoring function is an important deterrent to the exercise of whatever residual market power exists in the market.

Given the underlying economic fundamentals of regulation and long-term contracting in the SPP area, and SPP's plans for active and ongoing monitoring of the market, CRA believes that the potential for the exercise of market power in the SPP Energy Imbalance Market is not likely to be significant and

[42] Ibid.
[43] Ibid.

should not be considered a significant risk in the implementation of that market. We have not reviewed the costs versus the reduced-risks/benefits of the market monitoring function itself given that this function is required under current FERC guidelines in any case.

7 Aquila Sensitivity Cases

7.1 Aquila Sensitivity Cases—Methodology

The Aquila Sensitivity cases measured the wholesale energy modeling impact of Aquila being a part of SPP rather than of the MISO RTO during the simulation year 2006. In the balance of the study's wholesale energy modeling, Aquila was assumed to be part of MISO. The Base and EIS cases were simulated.

Aquila consists of two control areas, which in the study are designated as Missouri Public Service (MIPU) and WestPlains Energy (WEPL). To simulate the configuration of SPP with Aquila as a member, the following changes were made to the cases:

- **Wheeling rates.** Wheeling rates between Aquila and other SPP areas were eliminated, while wheeling rates were instituted between Aquila areas and MISO.
- **Reserves.** Because of the formula used to calculate reserve requirements in SPP (largest contingency plus one-half the next largest contingency) the total reserve requirements for SPP do not change between the two cases. With Aquila as a member, however, this requirement is spread over a greater load base, so the reserve requirement for each individual member company is reduced. Because MISO reserves are met on a system-wide basis as a percent of load, the total reserve requirement in MISO is also reduced if Aquila becomes part of SPP. (Though the average load share of reserves in MISO would remain the same.)
- **Commitment.** In the Aquila sensitivity case, units in WEPL and MIPU are committed against load in SPP.

Wholesale energy results were generated for the Aquila case for both the Base and EIS cases. No specific analysis of cost or benefit allocation (such as the allocations described in Section 4) was performed for the Aquila cases.

7.2 Aquila Sensitivity Cases—Results

This section presents the results of the Aquila sensitivity runs. Results are presented such that readers can both compare the impacts for either case (Base or EIS) of Aquila being part of MISO or of SPP, and also see the extent to which the benefits of the EIS case are sensitive to Aquila being in MISO or SPP.

Table 7-1 shows results for the combined SPP and Aquila footprint[44] for four fundamental physical and financial metrics:

- Generation
- Average per MWh generation cost
- Total generation cost, normalized to the generation levels of the Aquila in MISO, Base case
- Average regional spot price of energy

[44] For a consistent comparison, the results are shown inclusive of Aquila regardless of whether Aquila is in SPP or MISO.

Table 7-1 SPP and Aquila Regional Results

	Base Case			EIS Case			EIS - Base		
	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)
Generation in SPP + Aquila (GWh)	204,865	206,637	(1,772)	207,406	209,422	(2,016)	2,541	2,785	(244)
Average Generation Cost ($/MWh)	$ 19.07	$ 19.12	$ (0.05)	$ 18.68	$ 18.74	$ (0.06)	$ (0.39)	$ (0.38)	$ (0.01)
Normalized Generation Costs ($million)	$ 3,907	3,917	$ (10)	$ 3,827	3,839	$ (12)	$ (80)	$ (78)	$ (2)
Per MWh Spot Energy Cost	$ 40.59	$ 40.75	$ (0.16)	$ 38.10	$ 38.35	$ (0.26)	$ (2.49)	$ (2.40)	$ (0.09)

The simulations indicate that the region generates more if Aquila is located with SPP than it does if it is located within MISO under both the Base and EIS cases. Regional generation costs are simulated to be $10 million to $12 million lower if Aquila is in MISO, roughly 0.25% of the region's total generation cost. Spot marginal energy costs are expected to be $0.16/MWh less expensive with Aquila in MISO under the Base case and $0.26/MWh less expensive under the EIS case.

The column entitled EIS-Base, Difference (MISO-SPP) indicates, as shown by the relatively small values for each metric, the benefits of the EIS market for the region as measured in the modeling is not particularly sensitive to whether Aquila is in MISO or SPP.

Table 7-2 shows the impact similar to Table 7-1 on the Aquila companies only.

Table 7-2 Aquila Companies' Results

	Base Case			EIS Case			EIS - Base		
	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)
Generation Aquila (GWh)	6347	6295	52	6280	6307	(27)	(67)	12	(79)
Average Generation Cost Aquila ($/MWh)	$ 21.07	$ 20.80	$ 0.27	$ 20.79	$ 20.71	$ 0.08	$ (0.28)	$ (0.09)	$ (0.19)
Normalized Generation Costs Aquila ($million)	$ 133.72	$131.99	$ 1.73	$ 131.94	$131.43	$ 0.50	$ (1.79)	$ (0.56)	$ (1.22)

Table 7-2 indicates several characteristics of the Aquila impacts as given by the modeling:

- Aquila companies generate more if in MISO under the Base case, but more if in SPP if SPP has an Energy Imbalance market. (In both cases the change in Aquila generation is less than 1%).
- Based on generating costs, Aquila shows benefits of being a member of SPP, and those benefits are higher under the Base case than under the EIS case (1.3% and 0.3%, respectively)

Also notable from the information shown in Tables 7-1 and 7-2 is that while the SPP region's generating costs would be lower with Aquila in MISO ($10 million in the Base case), Aquila's generating costs would be lower with Aquila in SPP ($1.7 million in the Base case).

Table 7-3 shows the impact on NOx and SOx emissions. As with the generation costs, the impacts to the Aquila emissions behave opposite to that of the SPP region to whether Aquila is in SPP or MISO, and in this sense the impacts on emissions between Aquila and SPP are somewhat offsetting. In either case the impact to SPP or to Aquila is approximately a 1% change in emissions.

Both Aquila companies show benefits from being in SPP. Under both the Base and EIS cases, the generator net revenues for MIPU are higher if Aquila is in SPP ($2 million for the Base case, $2.7 million for the EIS case), but the load energy costs are lower if MIPU is in SPP ($2.6 million for the Base case, $2.2 million for the EIS case).

For WEPL, the magnitude of the increase in generation net revenues when WEPL is part of SPP is lower than it is for MIPU ($0.8 million for the Base case, $1.4 million for the EIS case). The impact to load is comparable, a saving if part of SPP of $2.4 million in the Base case, $2 million in the EIS case. Note that the energy cost impact for WEPL is a savings of approximately $1/MWh if Aquila is in SPP. This relatively significant savings is due to the fact that WEPL is entirely within the SPP footprint (as opposed to MIPU, which borders to some extent MISO).

Table 7-3 Emission Impacts of Aquila Cases

	Base Case NOx Emissions (Tons)			EIS Case NOx Emissions (Tons)			EIS - Base NOx Emissions (Tons)		
	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)
SPP	283,538	286,624	(3,086)	276,929	279,640	(2,711)	(6,608)	(6,984)	376
Aquila Companies	18,477	18,297	180	18,243	18,296	(52)	(233)	(1)	(232)
Total SPP+ Aquila	302,014	304,920	(2,906)	295,173	297,935	(2,763)	(6,842)	(6,985)	143

	Base Case SOx Emissions (Tons)			EIS Case SOx Emissions (Tons)			EIS - Base SOx Emissions (Tons)		
	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)	Aquila in MISO	Aquila in SPP	Difference (MISO-SPP)
SPP	449,349	454,883	(5,535)	449,010	453,982	(4,971)	(338)	(902)	563
Aquila Companies	22,173	22,102	71	22,049	22,144	(95)	(124)	43	(166)
Total SPP+ Aquila	471,521	476,985	(5,464)	471,059	476,126	(5,067)	(462)	(859)	397

Appendices 1-1, 1-2, 2-1, 3-1, 3-2, and 3-3

CHARLES RIVER ASSOCIATES

Appendix 1-1: Roster of SPP Regional State Committee (RSC)

RSC President:	Denise Bode Chairman, Oklahoma Corporation Commission
RSC Vice-President:	Sandra Hochstetter Chairman, Arkansas Public Service Commission
RSC Secretary:	Julie Parsley Commissioner, Public Utility Commission of Texas
RSC Member:	Steve Gaw Commissioner, Missouri Public Service Commission
RSC Member:	Brian Moline Chairman, Kansas Corporation Commission.

Appendix 1-2: Roster of SPP RSC Cost Benefit Task Force

Members:

Sam Loudenslager, Arkansas Public Service Commission * *Chairman*
James Watkins, Missouri Public Service Commission
John Cita, Kansas Corporation Commission
Ken Zimmerman/Joyce Davidson, Oklahoma Corporation Commission
Jess Totten, Public Utility Commission of Texas

Richard Spring, Kansas City Power & Light **Vice-Chairman*
Michael Desselle, American Electric Power
Darrell Gilliam, Southwestern Power Administration
Shah Hossain, Westar Energy
Robin Kittle, Xcel Energy
Mel Perkins, Oklahoma Gas and Electric

Jeffrey Price, Southwest Power Pool * *Secretary*

Associate Members:

Ryan Kind, Missouri Office of Public Counsel
Les Dillahunty, Southwest Power Pool

Others Actively Participating:

Burton Crawford, Kansas City Power & Light
Terri Gallup, American Electric Power
Bernard Liu, Xcel Energy
Alan Myers, Aquila
Rick Running, Southwest Power Pool
Mike Sheriff, Oklahoma Gas and Electric
Bary Warren, Empire District Electric Company

Appendix 2-1 Cost-Benefit Studies in Electric Industry Restructuring

Starting in the 1970s and continuing through the 1990s, a number of studies attempted to evaluate, by simulation and other means, the various benefits expected to arise from increased competition and the restructuring of the U.S. electric utility industry.[1]

On December 17, 1999, the Federal Energy Regulatory Commission (FERC) issued Order 2000 mandating that utilities join an RTO with certain minimum characteristics. FERC next proposed the creation of a set of RTOs, and in 2001 it commissioned a cost-benefit analysis of RTOs and their markets.[2] This was the first of a wave of specific studies on the benefits and costs of RTOs.[3] This section briefly surveys six of these studies[4] (references for these studies are listed in Appendix 2-2.

1. The ICF FERC Study
2. The CAEM PJM Study
3. The PJM Northeast RTO Study
4. The TCA RTO West Study
5. The CRA SEARUC Study
6. The CAEM PJM Study
7. The TCA ERCOT Study

These studies, summarized in Table 2-1, differ in a number of important respects, addressing different policy questions and comparing market restructuring at various stages of integration. Central to the comparison of these studies is the question being addressed. The ICF FERC study addresses the national policy question "Should we encourage RTO development?" The CRA RTO West and CRA SEARUC studies address the forward-looking benefits of initial new RTO formation. The PJM Northeast RTO Study addresses the integration of existing operational Independent System Operators (ISOs) and RTOs. The CAEM PJM Study is a historical retrospective study, and the TCA ERCOT Study examined a nodal market structure.

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[1] See the recent summary by Michaels (September 2004).

[2] ICF FERC Study.

[3] The CRA SEARUC Study, p. 97, has an appendix providing a detailed comparison of six different RTO studies.

[4] In addition to these, two additional studies are under way: one focusing on impacts of stages of RTO Implementation in the WestConnect region, and the measurement of benefits of SPP RTO as well as the measurement of potential benefits of implementing an Energy Imbalance market in that region.

This SPP CBA is similar to those past studies in one respect, namely in its consideration of movement from an RTO structure (the Base case) to the Stand-Alone case: the PJM NE RTO, TCA RTO West, and CRA SEARUC studies assessed the impacts of movement to an RTO.

The analysis of the implementation of the Energy Imbalance market in this CBA is unique in that it isolates impacts of the increased access to the transmission system by non-network resources in addition to measuring the impact of improved management of congested lines under a centralized market.

Table 1 Comparison of Select Industry Cost-Benefit Studies

	ICF FERC Study	PJM NE RTO Study	TCA RTO West Study	CRA SEARUC Study	CAEM PJM Study	TCA ERCOT Study
Market Focus	Nationwide	Integration of NE RTOs	RTO West (and impacts on rest of WSCC)	Formation of multiple sub-region RTOs	Historical examination of PJM benefits	ERCOT energy market
Key Issue Addressed	Economic benefits of FERC RTO Policy change	Economic benefits of ISO and RTO integration	Economic benefits of RTO formation	Economic benefits of RTO formation and coordination	Benefits of PJM RTO in historical context	Impacts of movement to a nodal market design
Benefits	Improvements in transmission system operations, inter-regional trade, congestion management, reliability and coordination; improved performance of energy markets, including greater incentives for efficient generator performance; and enhanced potential for demand response.	Improvements in production cost	Improvements in dispatch with reduction in transmission rate "pancaking"	Improvements in production cost, reflecting implications of transmission funding/ tariff alternatives	Benefits in wholesale, retail, capacity, and demand response markets, based on assumptions that restructuring dominated the price changes in the period and thus illustrate the benefits	Improvements in the ability to manage congestion given resource-specific bidding and scheduling, congestion pricing and generation siting
Costs	RTO formation cost	Cost of RTO/ISO integration	RTO formation costs	RTO formation costs	—	Infrastructure costs
Net Benefit Treatment	No separation of producer surplus gains/losses from consumer surplus impact	Total production cost less formation/integration cost	Gains/losses in producer and consumer surpluses	Native load benefits	Change in consumer surplus; rejects consideration of producer surplus impact	Gains/losses in producer and consumer surpluses less cost impacts
Sub-regional impacts	—	Included	Included	Included	PJM and adjacent states	Included

	ICF FERC Study	PJM NE RTO Study	CRA TCA RTO West Study	CRA SEARUC Study	CAEM PJM Study	TCA ERCOT Study
Long-run benefits	Estimates of improved generator efficiency and demand response	—	—	—	—	Generator Siting
Time Horizon	Forecast 2002–2021	Two years forecast, 2005 and 2010	Single-year forecast, 2004	Forecast 2004–2013	Historical analysis 1997–2002	2004-2014
Primary methodol-ogy	Nationwide LP simulation of power system, fuel markets, and environmental limitations	MAPS generation and transmission modeling	MAPS generation and transmission modeling	MAPS generation and transmission modeling	Ad hoc historical analysis	MAPS generation and transmission modeling, Rate impact allocation sharing trade benefits
Treatment of constraints reduced by shift in policy	Mostly technological change	—	Specific treatment of institutional changes and impact on dispatch	Specific treatment of institutional changes and transmission tariff development	—	Specific treatment of institutional changes and impact on dispatch
Key Conclusion s	Substantial but uncertain benefits from RTO development	Combination of 3 NE RTOs has no net benefit	Modest benefits in core RTO region	Benefits uncertain, negative in some sub-regions	—	Energy benefits seem to exceed cost impacts
Release date	February 2002	January 2002	March 2002	November 2002	Sept/Oct 2003	November 2004

Appendix 2-2: References for Other Cost Benefit Studies

Robert Michaels, "Vertical Integration and the Restructuring of the U.S. Electricity Industry", (Sept. 2004). http://ssrn.com/abstract=595565

Dr. Ronald J. Sutherland, "Estimating the Benefits of Restructuring Electricity Markets: An Application to the PJM Region," Version 1.1 (October 2003) Center for the Advancement of Energy Markets, http://www.caem.org [The CAEM PJM Study]

Mathew J. Morey, Laurence D. Kirsch, Steven Braithwait, B. Kelly Eakin, "Erecting Sandcastles From Numbers: The CAEM Study of Restructuring Electricity Markets or a Critique of 'Estimating The Benefits Of Restructuring Electricity Markets: An Application To The PJM Region,'" (December 3, 2003) Prepared for National Rural Electric Cooperative Association. Prepared by Laurits R. Christensen Associates, Inc., Madison, WI.

Charles River Associates, "The Benefits and Costs Of Regional Transmission Organizations and Standard Market Design in the Southeast," (November 6, 2002). Prepared for The Southeastern Association of Regulatory Utility Commissioners. [CRA SEARUC Study]

Steve Henderson, "RTO Cost Benefit Analysis" (May 2003). Presentation to Harvard Electricity Policy Group, Charles River Associates.

ICF Consulting, "Economic Assessment of RTO Policy," (February 26, 2002). Prepared for the Federal Energy Regulatory Commission. [ICF FERC Study]

Tabors Caramanis & Associates, "RTO West Benefit/Cost Study," (March 11, 2002). Final Report Presented to RTO West Filing Utilities. http://www.rtowest.com/Stage2BenCstMain.htm [TCA RTO West Study]

PJM, "PJM Cost/Benefit Analysis for Northeast RTO," (January 2002) [PJM NERTO Study]

Tabors Caramanis & Associates and KEMA Consulting, "Electric Reliability Council of Texas Market Restructuring Cost-Benefit Analysis," (November 30, 2004). http://www.ercot.com/TNT/default.cfm?func=documents&intGroupId=83&b= [TCA ERCOT Study]

Appendix 3-1: SPP MAPS Inputs

This appendix summarizes MAPS inputs and data sources for the SPP Cost Benefit study. Data sources include specific data from CBTF participants and from SPP and a database compiled from public sources by Charles River Associates (CRA) and Tabors Caramanis & Associates (TCA, now part of CRA). Public-domain data sources include FERC Forms 1, 714, and 715, Form EIA-411, the NERC ES&D and GADS databases, data from the US EPA, various trade press announcements, and planning data from NERC regions, control areas, and ISOs. In addition, CRA purchased transmission contingency constraint data for use outside of the SPP system from General Electric based on GE's in-depth PSS/E transmission system studies. CRA performed extensive in-house analysis to ensure data integrity and validity and to ensure consistency of the system representation with market developments.

Data Item **Page**

1. Load Inputs

Description. MAPS requires an hourly load shape and a forecast of annual peak load and total energy for each load-serving entity or zone. SPP provided CRA with EIA-411 load forecast data for each company within the study region for the study years 2005 through 2013. For 2014, CRA applied linear extrapolation to estimate the peak load and annual energy by company.

MAPS uses a historical hourly load shape for each load area to distribute energy over the course of each forecast year. SPP also provided historical hourly loads for each load area for the base year 2003. However, 2003 load shapes were not readily available for regions outside of SPP, and CRA believed that the use of inconsistent historical load shapes for different regions would lead to unrealistic patterns of interregional power flows. It was thus decided, in consultation with the CBTF, that CRA would apply 2002 load shapes (available from public sources) for all areas in SPP and outside to ensure inter-regional load consistency. MAPS uses hourly load shapes, combined with forecasts for peak load and annual energy for each company, to develop a detailed load forecast by company for each forecast year.

Data Sources. SPP provided EIA-411 data for peak load and annual energy by company, as well as hourly load shapes from FERC 714 filings by company.

2. Thermal Unit Characteristics

Description. MAPS models the operational characteristics of generation units in detail to predict hourly dispatch and prices. The following characteristics are modeled:

- Unit type (*e.g.*, steam cycle, combined-cycle, simple cycle, cogeneration)
- Heat rate values and curve (based on unit technology)
- Summer and winter capacity
- Variable operation and maintenance costs
- Fixed operation and maintenance costs
- Forced and planned outage rates
- Minimum up and down times
- Quick-start and spinning reserves capabilities
- Startup costs
- Emission rates

CRA's generation database reflects unit-specific data for each generating unit based on a variety of sources. For this study, each member company updated and/or validated CRA's list of units and unit characteristics for their own generating assets.

If unit-specific operational data were not available for a particular unit, representative values based on unit type, fuel, and size were used,**Error! Reference source not found.** and Table 2 documents these generic assumptions.[5] As was the case throughout the MAPS analysis, all prices are in real 2003 dollars.

Data Sources. The primary data source for generation units and characteristics is the NERC Electricity, Supply and Demand (ES&D) 2003 database, which contains unit type, primary and secondary fuel type, and capacity data for existing units. For units within SPP, SPP member

[5] Note that certain data types are specified on a plant-specific basis in CRA's database and therefore do not require corresponding generic data. These include full load heat rates and emissions data.

companies supplemented and/or updated these data as necessary. Heat rate data were drawn from prior ES&D databases where available. For newer plants, heat rates were based on industry averages for the technology of each unit. The NERC Generation Availability Data System (GADS) database published in October 2003 (data through 2001) was the source for forced and planned outage rates, based on plant type, size, and age.

Fixed and variable operation and maintenance costs are estimates based on plant type, size, and age. These estimates are supplemented by FERC Form 1 submissions where available. The fixed operations and maintenance cost (FOM) values include an estimate of $1.50/kW-yr for insurance and 10% of base FOM (before insurance) for capital improvements.

Table 1. Characteristics for Generic Thermal Units

Unit Type & Size	FOM ($/kW-yr)	VOM ($/MWh)	Minimum Downtime (hrs)	Minimum Uptime (hrs)	Heat Rate Shape
Combined Cycle	18.00	2.00	6	6	2 blocks, each 50%@FLHR
Combustion Turbine <100 MW	7.00	7.00	1	1	One block
Combustion Turbine >100 MW	7.00	3.50	1	1	One block
Steam Turbine [coal] <100 MW	38.00	2.00	6	8	4 blocks, 50% @ 106%FLHR, 15% @ 90%, 30% @ 95%, 5% @ 100%
Steam Turbine [coal] <200 MW	35.00	2.00	8	8	4 blocks, 50% @ 106%FLHR, 15% @ 90%, 30% @ 95%, 5% @ 100%
Steam Turbine [coal] >200 MW	35.00	1.00	12	24	4 blocks, 50% @ 106%FLHR, 15% @ 90%, 30% @ 95%, 5% @ 100%
Steam Turbine [gas] <100 MW	38.00	8.00	6	10	4 blocks, 25% @ 118%FLHR, 30% @ 90%, 35% @ 95%, 5% @ 103%
Steam Turbine [gas] <200 MW	35.00	6.00	6	10	4 blocks, 25% @ 118%FLHR, 30% @ 90%, 35% @ 95%, 5% @ 103%
Steam Turbine [gas] >200 MW	16.00	4.00	8	16	4 blocks, 25% @ 118%FLHR, 30% @ 90%, 35% @ 95%, 5% @ 103%
Steam Turbine [oil] <100 MW	38.00	8.00	6	10	4 blocks, 25% @ 118%FLHR, 30% @ 90%, 35% @ 95%, 5% @ 103%
Steam Turbine [oil] <200 MW	35.00	6.00	6	10	4 blocks, 25% @ 118%FLHR, 30% @ 90%, 35% @ 95%, 5% @ 103%
Steam Turbine [oil] >200 MW	16.00	4.00	8	16	4 blocks, 25% @ 118%FLHR, 30% @ 90%, 35% @ 95%, 5% @ 103%

CRA models recently constructed CCGT units at a heat rate of 7100 Btu/kWh. For future CCGT units, CRA generically assumes a lower heat rate of 6900 Btu/kWh. CRA recognizes that such a heat rate for CCGT may not be achievable if the unit operates in a cycling mode with minimum up and down time limited to 6 hours as shown in Table 1. Thus, it is possible that the efficiency of future CCGT generating units might be overstated. However, this will make nearly no impact on the results of this study, because as explained below, no newly constructed CCGT units were modeled within the SPP region.

Table 2. Characteristics for Generic Thermal Units

Unit Type & Size	Quick Start Capability (% of Capacity)	Spinning Reserves (% of Capacity)	Forced Outage Rate (% of Year)	Planned Outage Rate (% of Year)	Total Unavailability (% of Year)	Startup (MMBtu /MW)
Combined Cycle	0.00	30.00	1.50	6.82	8.32	5.00
Combustion Turbine <100 MW	100.00	90.00	4.34	5.21	9.55	0.00
Combustion Turbine >100 MW	100.00	50.00	2.53	7.50	10.03	0.00
Steam Turbine [coal] <100 MW	0.00	10.00	2.96	9.48	12.44	
Steam Turbine [coal] <200 MW	0.00	10.00	3.46	8.66	12.12	20.00
Steam Turbine [coal] >200 MW	0.00	10.00	4.51	9.79	14.30	
Steam Turbine [gas] <100 MW	0.00	10.00	3.09	7.27	10.36	
Steam Turbine [gas] <200 MW	0.00	10.00	3.69	10.50	14.19	10.00
Steam Turbine [gas] >200 MW	0.00	10.00	3.38	12.46	15.84	
Steam Turbine [oil] <100 MW	0.00	10.00	2.14	7.91	10.05	
Steam Turbine [oil] <200 MW	0.00	10.00	4.64	10.95	15.59	
Steam Turbine [oil] >200 MW	0.00	10.00	4.01	12.04	16.05	10.00

3. Nuclear Units

Description. CRA assumes that all nuclear plants run when available and that they have minimum up and down times of one week. Forced outage rates for each nuclear unit are drawn from the Energy Central database of unit outages. These plants do not contribute to quick-start or spinning reserves. Refueling and maintenance outages for each nuclear plant are also simulated. Outages posted on the NRC website or announced in the trade press for the near future are included. For later years, refueling outages for each plant are projected based on its refueling cycle, typical outage length, and last known outage dates. Since these facilities are treated as must-run units, CRA does not specifically model their cost structure.

Data Sources. Nuclear unit data were obtained from NRC publications, trade press announcements, and the Energy Central database.

4. Hydro Units

Description. MAPS has special provisions for modeling hydro units. For conventional or pondage units, CRA specifies a pattern of water flow, i.e., a minimum and maximum generating capability and the total energy for each plant. CRA assumes that hydro plants can provide spinning reserves of up to 50% of plant capacity. CRA assumes that the maximum capacity for each hydro unit is flat throughout the year, that the minimum capacity is zero (i.e., that there are no stream-flow or other constraints that force a plant to generate), and that the monthly capacity factor is 17%.

For hydro units in the SPP region, CRA developed hydropower schedules based on consultation with and/or data provided by hydro plant owners.

Data Sources. The list of hydro units and their maximum generating capacities is taken from the NERC ES&D database for 2003.

5. Wind Resources

Description. Individual wind resources were modeled either as zero-cost dispatchable energy resources with high (70%) outage rates or as hourly modifiers based on historical production data.

6. Capacity Additions and Retirements

Description. New entry is based on existing projects in development and on projects with signed interconnection agreements. These units are listed in Table 3. For study years 2010 and 2014, CRA had proposed to also add capacity based on economic and/or reliability criteria. However, due to a surplus of capacity in SPP no capacity balance units were required in the region during the study period.

Economic new capacity was added outside of the SPP region to balance regional markets in future years. New capacity was assumed to be based on combined-cycle gas turbines (CCGT) or simple-cycle gas turbines (SCGT), depending on market requirements and the relative economics of these options.

Discussions with the CBTF indicated that no units would be retired in SPP during the study period beyond those listed in Table 4, for which retirements have already been announced.

Table 3 New entry in SPP

Unit Name	State	Area	Type	Installation	Capacity (MW)	Heat Rate
Iatan 2	MO	KACP	STc	1/1/2010	800	9000

Table 4 Retirements in SPP

Unit Name	State	Type	Retirement	Capacity (MW)	Heat Rate
Teche 1	LA	STc	1/1/2008	23	13672
Teche 2	LA	STg	1/1/2008	48	12125
Teche 3	LA	Stgo	1/1/2008	359	10554
Rodemacher	LA	Stgo	1/1/2011	440	10316

Table 5 shows the resulting capacity balance for SPP.

Table 5 SPP Capacity Balance (MW)

Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Internal Demand	38,715	39,176	39,976	40,802	41,513	42,083	42,775	43,405	44,016	44,751
Interruptible Demand	1,010	1,014	1,021	1,026	1,030	1,033	1,039	1,044	1,052	1,056
Net Internal Demand	37,705	38,162	38,955	39,776	40,483	41,050	41,736	42,361	42,964	43,695
Required Reserve Margin (%)	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
Load + Reserve	42,833	43,352	44,253	45,186	45,989	46,633	47,412	48,122	48,807	49,637
Purchases	2,331	2,377	2,176	2,034	2,044	2,042	2,051	1,947	1,947	1,947
Sales	1,045	982	724	729	734	610	557	511	511	511
New Entry	30				800					
Retirement	-		430			440				
Installed Capacity	52,059	52,089	52,089	51,659	51,659	52,459	52,019	52,019	52,019	52,019
Balance	10,512	10,132	9,288	7,778	6,980	7,258	6,101	5,333	4,648	3,818

7. Fuel Price Forecasts

Description. MAPS requires monthly fuel prices for each generating unit in the model footprint. The fundamental assumption concerning participant behavior in competitive energy markets is that generators will bid their marginal cost into the energy market, including the marginal cost of fuel, variable operations and maintenance (O&M) and the costs associated with marginal emission of pollutants. The marginal cost of fuel is defined as either the opportunity cost of fuel purchased or the spot price of fuel at a location representative of the plant. If the fuel is purchased on a long term contract, it assumed that the opportunity cost of the fuel is the same as the price of fuel on the locational spot market. CRA uses forecasts of spot prices at regional hubs, and refines these prices on the basis of historical differentials between price points and their associated hubs. For fuel oil and coal, CRA uses estimates of the delivered price of fuel to generators on a regional basis.

Dual-fuel generators are simulated as follows:

- Natural Gas Primary. Units that primarily burn natural gas may burn fuel oil in at most one month of the year. Because natural gas prices are typically highest in January, the model allows the unit to switch to fuel oil for January if the oil price at that location is lower than the natural gas price.

- Fuel Oil Primary. Units that primarily burn oil may switch to natural gas whenever it is economically justified. CRA assumes that natural gas shortages prevent this from happening in the winter heating period, defined as November though March. A heat rate degradation of 3% is modeled when the unit switches to natural gas. Thus, the fuel type is switched to natural gas during April through October, whenever the price of natural gas plus 3% is less than the price of fuel oil.

Coal prices are drawn from a database provided by Resource Data International (RDI), which forecasts delivered coal prices, including transportation and handling, for each major coal plant in the United States.

Nuclear plants are assumed to run whenever available, so nuclear fuel prices do not impact commitment and dispatch decisions in the market simulation model. CRA therefore does not do a detailed analysis of nuclear fuel prices.

Specific oil and gas price forecasts used in this study are provided in Appendix 3-2.

8. Transmission System Representation

Description. The MAPS analysis is based on load-flow cases that include the entire eastern interconnect transmission system—transformers, lines, phase shifters, and buses—based on SPP's Market Development Working Group (MDWG) load flow cases for 2005 (used in the year-2006 analysis) and 2010 (used in the 2010 and 2014 analyses.) Potentially binding lines, interfaces, and contingency constraints are monitored. Within the SPP system, constraints and flow limits were represented as provided by SPP. Outside of SPP, constraints were drawn from the CRA database, which is derived and maintained from public data sources. Flow limits were based either on the thermal ratings of lines as provided in the load flow case (normal limit for interfaces, emergency limits for line-loss contingencies) or on regional reliability studies.

***Data Sources*.** Load flow cases from the MDWG process were provided by SPP. SPP flowgate constraints were applied for the SPP Region. Outside of SPP, an updated set of potentially binding contingencies was prepared under contract to CRA by General Electric, based on GE's exhaustive contingency analysis, and was updated and validated by CRA.

9. Environmental Regulations

***Description*.** For thermal generating units, variable operating and maintenance costs associated with installed scrubbers (SO_2 reduction) or with Selective Catalytic Reduction (SCR) processes for NO_x reduction are included in the marginal production cost and the unit energy bids. No fixed or capital costs of these emission control technologies are included in the calculation of marginal cost. CRA tracks industry announcements of units that are planning to install NO_x or SO_2 abatement technologies in the near future and models the resulting changes in emission rates and the variable and fixed costs associated with the new installations.

To account for SO_2 trading under EPA's Acid Rain Program, the model incorporates the opportunity cost of SO_2 tradable permits into the marginal cost bids, based on unit emission rates and forecast allowance trading prices for the time period of the simulation. MAPS allocates the cost of the SO_2 trading permits to energy throughout the year. NO_x emissions permit prices are based on market trading data published by Cantor Fitzgerald.

Emission quantities are do not account for any projected future environmental controls required under the current Clean Air Interstate Rules, Clean Air Mercury Regulations, nor were any additional environmental controls included for pending regulation and/or legislation.

***Data Sources*.** The EPA's Clean Air Markets database (2002) provides plant heat input, NO_x and SO_2 emissions, and emission rates. Capital costs for NO_x abatement technology are obtained from EPA's Regulatory Impact Assessment report for the NO_x Budget Program, originally provided by Bechtel Corporation. NO_x permit prices are obtained from a Cantor Fitzgerald on-line resource.

10. External Region Supply

Description. The modeling footprint includes SPP, SERC, FRCC, MISO, Western PJM (Allegheny, Duquesne, AEP, ComEd), Ontario, and those portions of ECAR and MAPP that are not in MISO nor in PJM West. CRA did not explicitly model regions external to this footprint, such as ERCOT, the WECC, and the northeast power pools such as Eastern MAAC, NYISO, and ISO NE. Economic transactions with these outlying pools were generally represented as price-sensitive supply and demand curves to reflect historical patterns. The power flows between SPP and the WECC were represented as an hourly flow schedule, as to agreed with the CBTF following its review of interregional flows from the first set of model runs. The switchable units within SPP's footprint (Kiowa and Gateway, switchable to ERCOT) were not considered to be SPP capacity for purposes of the wholesale market study. The Oklaunion unit was reflected as a jointly owned unit.

11. Dispatchable Demand (Interruptible Load)

Description. The presence of demand response is important to the energy and installed capacity markets. The value of energy to interruptible load caps the energy prices, and the capacity of interruptible load effectively replaces installed reserves and lowers the capacity value. For this study, the size of interruptible load is determined as a percentage of total load in SPP, based on Interruptible Demand and Direct Control Load Management as reported in the EIA-411 data provided by SPP. The dispatchable demand for each load area is modeled as a generator with a dispatch price of $600/MWh for the first block (50% of the area's dispatchable demand) and $800/MWh for the second block. These proxy units rarely run in the model, because the high prices they require indicate a supply shortfall and prompt new entry. Thus they play an insignificant role in the energy market, but they play an important role in the capacity market. If these loads can truly be interrupted during peak hours, they will be paid the capacity market-clearing price. Thus they have strong incentives to make themselves available during peak hours. When interruptible demand is included in the calculation of the required reserve margin, it reduces the requirement of installed capacity and thus reduces new entry and helps increase energy prices, consistent with market behavior.

Data Sources. Data were drawn from the EIA-411 report data, as provided by SPP.

12. Market Model Assumptions

- *Marginal Cost Bidding.* All generation units are assumed to bid marginal cost (opportunity cost of fuel plus non-fuel VOM plus opportunity cost of tradable emissions permits). To the extent that markets are not perfectly competitive, the modeling results will reflect the lower bound on prices expected in the actual markets.

- *Operating Reserves Requirement (spinning and standby).* Operating reserves are based on requirements instituted by SPP and are based on the sum of the largest single contingency and one-half of the second largest contingency in the system. This requirement is distributed through the system on a load-share basis to form individual company reserve requirements. The spinning reserves market affects the energy prices because when capacity is reserved for spin it is not available for electricity production to serve load. Energy prices are higher when reserves markets are modeled. Outside of SPP, reserve requirements were implemented on a pool-wide basis according to pool-specific operating requirements.

- *Transmission Losses.* Transmission losses are modeled at average rates.

Wheeling rates. Within SPP, no wheeling rates between control areas are assumed for the Base and EIS cases. Wheeling rates between control areas for the Stand-Alone case are based on company-specific firm transmission rates as detailed in the individual transmission tariffs. Wheeling rates do apply between Cleco and other SPP companies as well as between SPP and SERC, SPP and MISO, and between MISO and SERC. Region-to-region wheeling rates are detailed in Table 6; company-specific wheel-out rates for SPP companies (Stand-Alone case) are shown in Table 7.

Table 6 Wheeling rate overview

FROM		TO					
	Region	Scenario	SPP	MISO	SERC	Aquila	Cleco
	SPP	IE & BC	-	Tariff	Tariff	Tariff	Tariff
		SA	Tariff	Tariff	Tariff	Tariff	Tariff
	MISO	IE & BC	$2	-	$2	-	NA
		SA	$2	-	$2	-	NA
	SERC	IE & BC	$2	$2	-	$2	-
		SA	$2	$2	-	$2	-
	Aquila	IE & BC	Tariff	-	Tariff	-	NA
		SA	Tariff	-	Tariff	-	NA
	Cleco	IE & BC	$4	NA	$4	NA	-
		SA	$4	NA	$4	NA	-

Table 7 Wheel-out rates for SPP and Aquila companies

Company	Commitment	Dispatch
Public Service Company of Oklahoma and Southwestern Electric Power Company	$2	$2
City Utilities of Springfield, Missouri	$2	$3
Empire	$2	$2
Grand River Dam Authority	$3	$7
Kansas City Power and Light Company	$2	$2
Mid-West Energy	$4	$6
Oklahoma Gas & Electric Company	$2	$2
Southwestern Power Administration	$1	$2
Southwestern Public Service	$2	$3
Western Resources, Inc	$2	$2
Western Farmers Electric Cooperative	$3	$3
Aquila Companies		
Missouri Public Service	$1	$1
West Plaines	$2	$3

CRA CHARLES RIVER ASSOCIATES

Appendix 3-2: Fuel Price Assumptions

MEMORANDUM

TO:	SPP CBTF
FROM:	Alex Rudkevich, Charles River Associates
SUBJECT:	Fuel Price Forecast
DATE:	August 30, 2004

The purpose of this memo is to document the Base Case scenario for the electricity generation fuels price forecast. The forecast includes prices for natural gas, distillate (#2), residual (#6) fuel oil and coal. Note that all prices are in real 2003 dollars. Also all figures are detailed in the Excel workbook accompanying this memo along with the underlying numerical data.

Coal Price Forecast

Long-term forecast of coal prices by power plant has been provided by CRA which purchased this forecast from Platt's RDI. CRA will rely on this forecast in its entirety.

Fuel Oil and Natural Gas Price Forecast

CRA develops an in-house forecast of natural gas and fuel oil prices discussed in the balance of this memorandum.

Geographical Markets

The regionalization of fuel markets follows natural gas trading points rather than markets for fuel oil. The forecast covers the following areas in the US and Canada.

Table 1 Forecast Regions

Midwestern Regions	South Atlantic South	IA/MO/NE	Appalachia	South Atlantic East	Midcon	Canada
Illinois	Alabama	Iowa	Kentucky	Georgia	Kansas	East Ontario
Indiana	Arkansas	Missouri	Ohio	North Carolina	Oklahoma	West Ontario
Michigan	Louisiana	Nebraska	Pennsylvania	South Carolina		
Minnesota	Mississippi		West Virginia	Virginia		
Wisconsin	Tennessee			South Maryland		
				Delaware		
Florida	**Texas non-ERCOT**			DC		
Florida	East TX non ERCOT					
	North TX non ERCOT					

Forecasts Drivers

The principal drivers of CRA fuel forecasts are projected prices for crude oil (Light Sweet Crude) and for natural gas at Henry Hub and selected regional hubs traded forward on NYMEX. All other forecasts are derived from these driving projections using forecast and/or historical basis differentials as explained later in this memo.

Generally CRA develops the base case forecast of crude oil prices as a composition of NYMEX futures prices in the short term and EIA's forecast in the long-term as published in EIA's *Annual Energy Outlook 2004*.

Similarly, CRA develops the forecast for the spot price of natural gas at Henry Hub as a composition of futures prices in the near-term and a long-term forecast from EIA's *Annual Energy Outlook 2004*.[6] In addition, CRA relies on forward basis differentials for the following natural gas hubs traded on NYMEX Clearport (NYMEX hubs):

- ANR OK
- Chicago
- Columbia Gulf Onshore
- Dominion
- MichCon
- NGPL Midcon
- NGPL TexOk
- NGPL Louisiana

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6 *AEO-2004* does not forecast Henry Hub prices but instead predicts prices at the wellhead. A historical multiplication factor of 1.129 is used to derive the Henry Hub price forecast.

- Permian
- Northern Natural Demarcation
- Panhandle
- TCO (Columbia Gas)
- TETCO East LA
- TETCO Zone M3
- Transco Zone 3
- Transco Zone 6
- Ventura

Basis differentials to these hubs from the Henry Hub are traded for a relatively short period, typically between 12 and 24 months. For those periods, CRA derives summer and winter basis differentials to those hubs using NYMEX data. Beyond those periods, CRA scales these basis differentials in proportion to the Henry Hub price forecast. Forecast prices at each hub are derived as a sum of the Henry Hub price forecast and a hub-specific basis differential.

Natural Gas Pricing Points

For the purpose of modeling electricity markets, CRA recognizes multiple pricing points within each region. All pricing points are actual pipeline trading points surveyed and reported by Platt's Gas Daily. Some of these pricing points coincide with NYMEX hubs, hence the forecast for these pricing points are given by the forecast for NYMEX hubs described above. CRA derives forecasts for pricing points that do not coincide with NYMEX hub using regression models calibrated with historical data. Table 2 below lists all relevant pricing points and maps points to NYMEX hubs used as drivers for those points in the CRA regression model.

Table 2 Pricing Points

Natural Gas Regions	Pricing Points	NYMEX Hubs used for regression
E. Ontario	Niagara	MichCon Transco Z6
Midwest	Chicago	Chicago
	MichCon	MichCon
S. Atlantic South	Henry Hub	Henry Hub
IA/MO/NE	Ventura	Ventura
W. Ontario	Dawn	Dominion MichCon
Appalachia	Columbia Gas (TCO)	Columbia Gas (TCO)
	Dominion	Dominion
	CNGL	Dominion
Midcon	NGPL Midcon	NGPL Midcon
S. Atlantic East	FGTMB	Tetco East LA
	KochM	Transco Z3
	Tetco M-1	Tetco East LA
	TRS85	Tetco East LA
	Transco Z6 (Non-NY)	Transco Z6 Columbia Gas (TCO)
	TETCO M-3	TETCO M-3
Texas Non-ERCOT East	Carthage	Henry Hub
Texas Non-ERCOT North	NGPL Midcon	NGPL Midcon
	NGPL Permian	Permian
Florida	Florida Gas Transm	Henry Hub

Basis Forecasts

As stated earlier, the key underlying forecasts are projected prices for crude oil (WTI) and for natural gas (Henry Hub). All other forecasts are derived from these two basic forecasts using projected and/or historical basis differentials.

Figure 1 below presents the CRA proposed base case forecast of crude oil prices in comparison with:

- historical prices,
- NYMEX futures prices for the light sweet crude oil (as of August 26, 2004), and
- a long term forecast for crude oil prices from EIA's *Annual Energy Outlook-2004*.

As one can see, CRA's proposed forecast is a composition of futures prices in the short term (2005-2009) and EIA's forecast in the long-run (2013-2020). Years 2010 through 2012 are interpolated.

Similarly, Figure 2 presents the CRA proposed forecast for the spot price of natural gas at Henry Hub. The forecast is shown in comparison with average NYMEX futures prices (as of August 26, 2004[7]) and a long-term forecast per EIA's Annual Energy Outlook-2004.[8] CRA's proposed forecast is a composition of futures prices in the near-term (2005-2009), and EIA's long-term forecast in the long-run (2012-2020). Years 2010 and 2011 are interpolated.

Generation Fuel Prices

Generation fuel prices are derived from the basis forecasts. Figures 3 through 8 present comparisons of monthly generation fuel prices for the Midwestern region, South Atlantic South, South Atlantic East, Appalachia, Midcon and IA/MO/NE for the period 2005-2015. Figure 9 provides a comparison of regional natural gas prices. The methodologies associated with these forecasts are explained below.

Fuel Oil Prices – Methodology

To derive fuel oil prices for electric generation, an in-house linear regression model, which links crude oil prices with #6 and #2 fuel oil in the Northeastern US (New York Harbor), was used. For petroleum prices in other regions, state-specific basis differentials using EIA Form 423 data for 1997-2000 and historical spot prices for #2 and #6 fuel oil at New York Harbor were used. CRA assumes a modest seasonal pattern for #2 fuel oil prices, the same in all regions. Prices for #6 fuel oil are assumed flat. Table 3 shows the fuel oil basis differentials.

7 The NYMEX Clearport futures data available for the NYMEX hubs are usually one day old while the NYMEX futures data are available in real time.

8 *AEO-2003* does not forecast Henry Hub prices, instead it predicts prices at the wellhead. To come up with the Henry Hub price forecast a historical multiplication factor of 1.14 is applied.

Table 3 Basis Differentials from NY Harbor to the Burner-tip by State

State	FO2 Basis ($/MMBtu)	FO6 Basis ($/MMBtu)
IL	0.62	0.53
IN	0.52	
MI	0.39	0.38
MN	0.82	
WI	0.56	
AL	-0.10	
AR	0.42	
LA	0.37	0.05
MS	0.18	-0.31
TN	0.28	
FL	0.49	0.01
IA	0.39	
MO	0.38	-0.35
NE	0.69	
OH	0.38	
GA	0.48	0.18
SC	0.47	
NC	0.26	
DE	0.34	0.11
DC	0.38	
VA	0.33	-0.07
MD	0.23	0.10
PA	0.31	0.11
KY	0.85	
WV	0.77	
OK	0.21	
KS	0.54	-0.29
TX	0.37	0.81

Natural Gas Prices – Methodology

1. The burner-tip price for natural gas is a sum of two components – regional price and local delivery price.
2. Local delivery price is differentiated by state based on the American Gas Association's statistics. This price is applied **to existing plants only** (see Table 4 below for details).
3. For new gas-fired plants, the local component is set at $0.07/MMbtu to reflect pipeline lateral charges. (This is CRA's "best-guess" estimate.)
4. Forecast regional gas prices are derived from the NYMEX Hubs forecast using CRA in-house regression models calibrated on historical regional prices vs. prices at Henry Hub. The modeling structure by region is outline in Table 2.
5. Seasonal patterns are developed in the following manner:

   For Henry Hub, CRA uses seasonal pattern revealed in futures prices. Revealed pattern for 2009 is assumed for all years from 2010 onward.

Regional seasonal patterns appear automatically by applying the regression model to the monthly Henry Hub forecast.

Table 4. LDC Charges Applied for Older Gas-fired Plants by State

State	LDC Charge ($/MMBtu)
IL	0.09
IN	0.36
MI	0.59
MN	0.12
WI	0.49
AL	0.37
AR	0.23
LA	0.09
MS	0.19
TN	0.37
FL	0.23
GA	0.32
SC	0.96
NC	0.47
VA	0.52
MD	0
DE	0
DC	0
IA	0.31
MO	0.01
NE	0.13
OH	0.53
PA	0.11
KY	0.69
WV	0.26
OK	0.24
KS	0.31
TX	0.03

Figure 1. Crude Oil Prices: History and Projections (2003$/BBL)

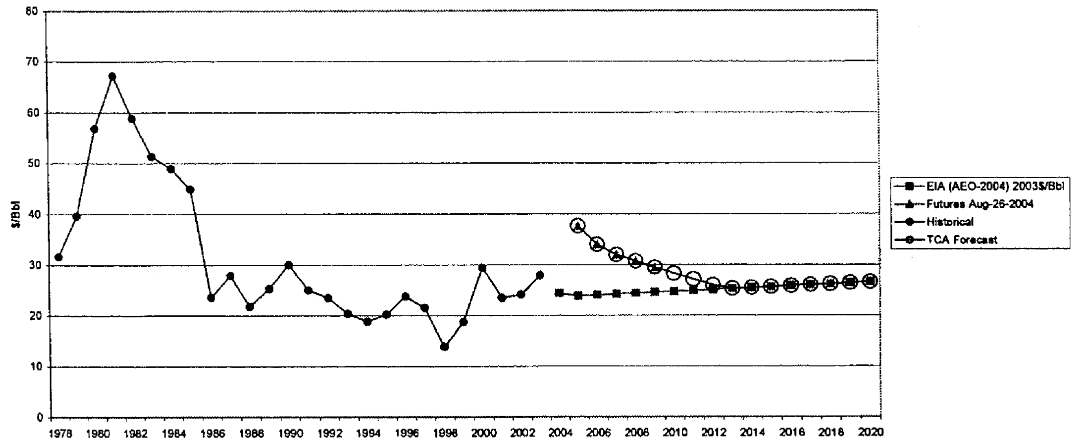

Figure 2. Natural Gas Spot Prices at Henry Hub: History and Projections (2003$/MMBtu)

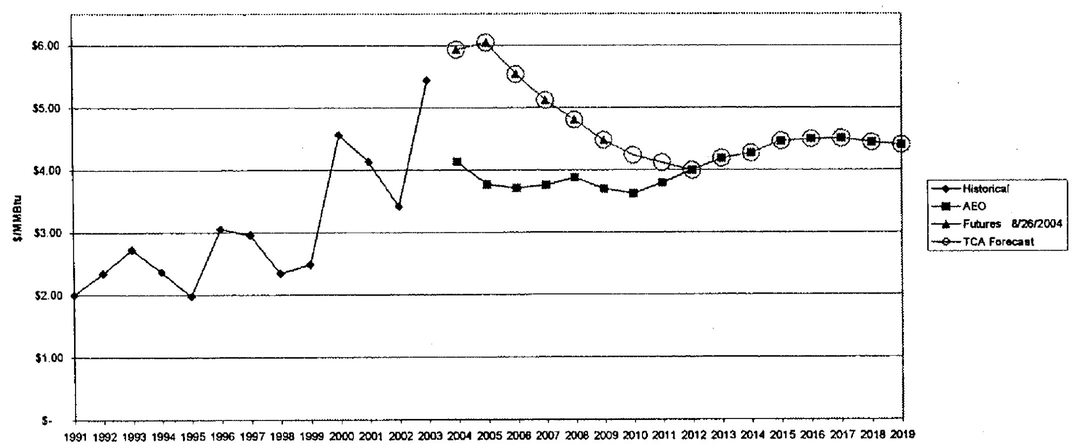

Figure 3. Fuel Price Forecast: Midwest Region (MI, IL, WI, IN, MN)

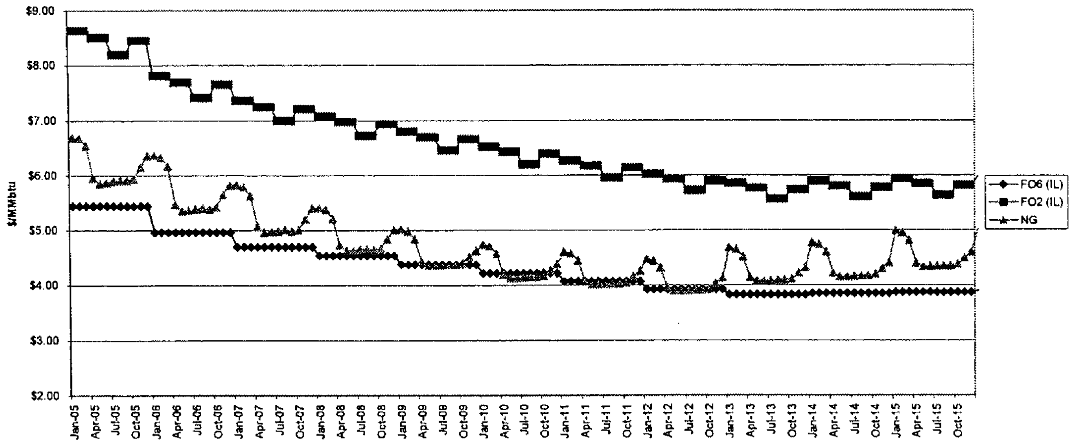

Figure 4. Fuel Price Forecast: South Atlantic - South (AL, AR, LA, MS, TN)

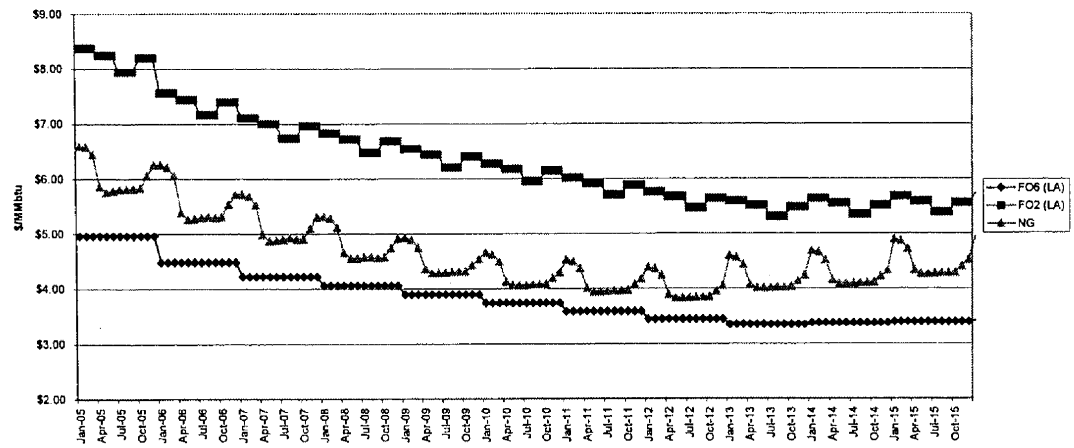

Figure 5. Fuel Price Forecast: South Atlantic East

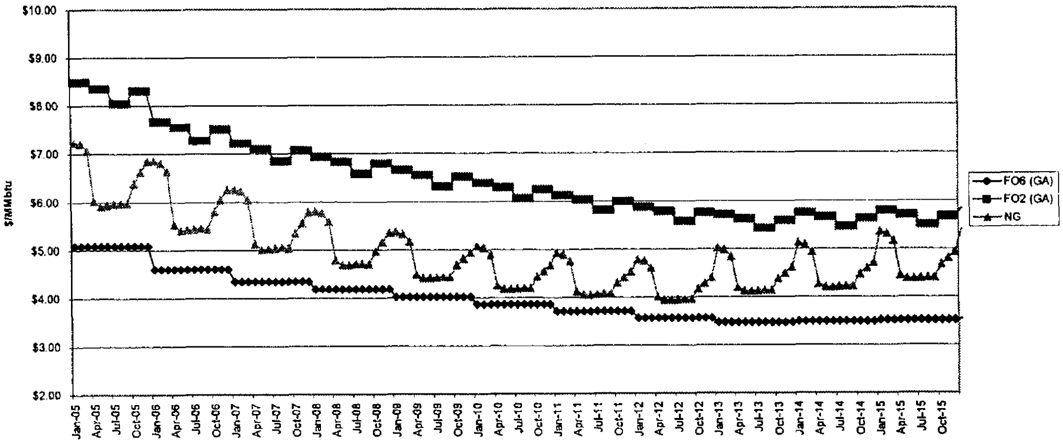

Figure 6. Fuel Price Forecast: Appalachia (W. PA, WV, OH, KY)

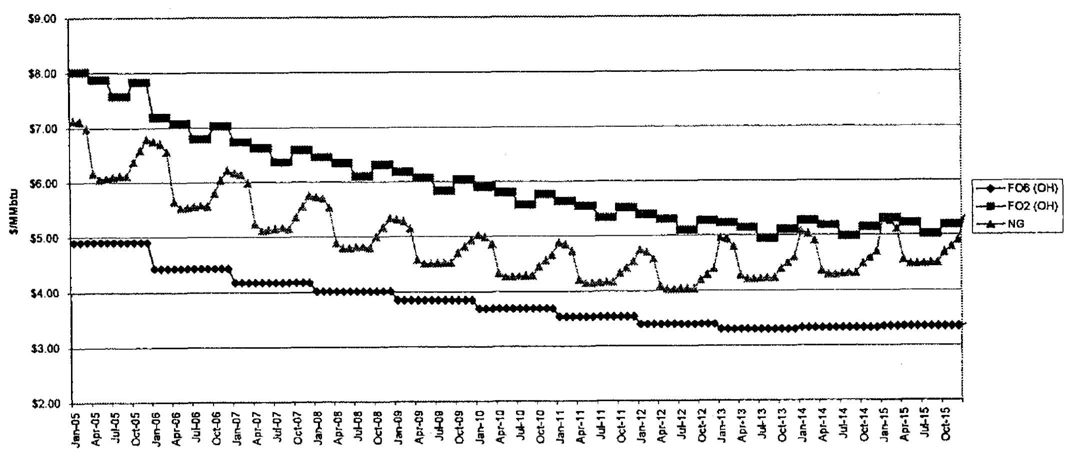

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Figure 7. Fuel Price Forecast: Midcon (OK, KS)

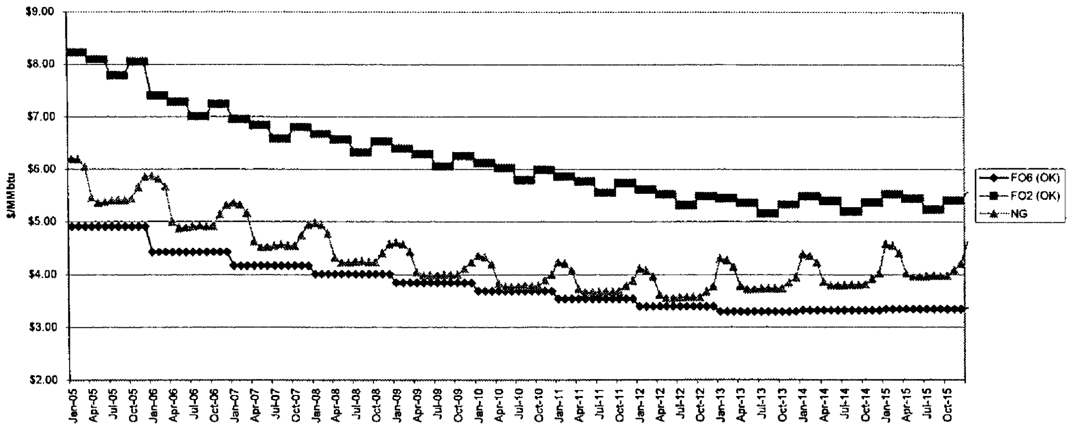


Figure 8. Fuel Price Forecast: Iowa-Missouri-Nebraska

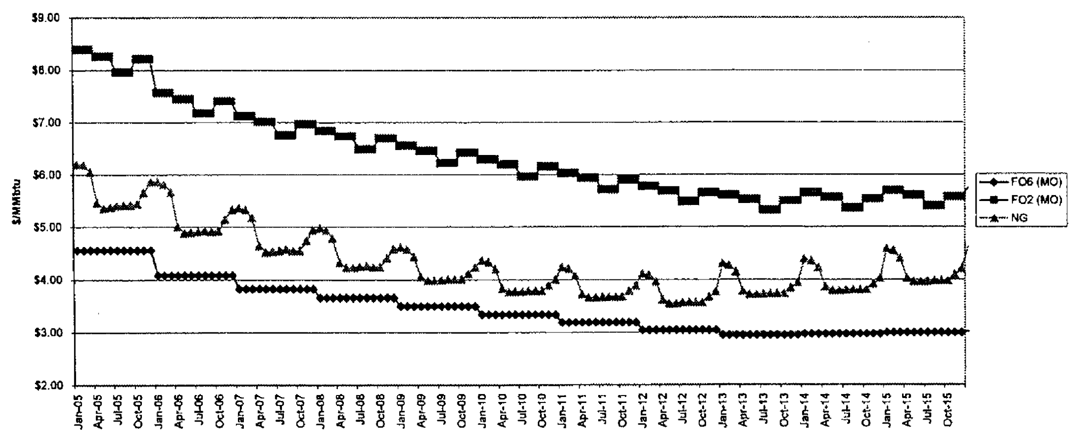
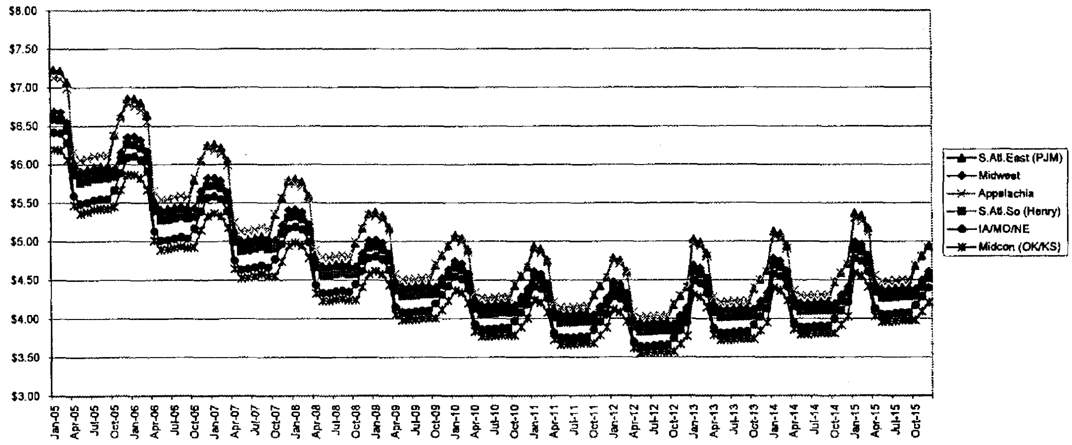


Figure 9. Comparison of Regional Monthly Natural Gas Prices (2005-2015)



Appendix 3-3: Wheeling Rates

Wheeling rates are "per MWh" charges for moving energy from one control area to another in an electric system. In MAPS, wheeling rates are applied to net interregional power flows and are used by the optimization engine in determining the most economically efficient dispatch of generating resources to meet load in each model hour. Wheeling rates are considered for both commitment and dispatch of generating units; however, the rates between any two areas may be different for commitment than for dispatch. For the current analysis, the wheeling rates for commitment were based on the day-ahead firm transmission rates in the individual companies' tariffs, while the rate for dispatch was based on the real-time rates. As it is impossible to precisely replicate the transmission tariffs in MAPS, the resulting rates were vetted for reasonableness with the CBTF.

Table 3-3.1 gives an overview of the wheeling rates between SPP, MISO, SERC and the Aquila and Cleco control areas for the Base and EIS cases; Table 3-3.2 shows these rates for the Aquila case. Table 3-3.3 shows control area specific wheel-out rates for SPP areas. These rates are used as the inter-area wheeling rates in the Stand Alone case.

Table 3-3.1 Wheeling Rates (Dispatch) in Base and EIS Cases

	TO						
	Region	Scenario	SPP	MISO	SERC	Aquila	Cleco
FROM	SPP	EIS & BC	-	Tariff	Tariff	Tariff	Tariff
		SA	Tariff	Tariff	Tariff	Tariff	Tariff
	MISO	EIS & BC	$2	-	$2	-	NA
		SA	$2	-	$2	-	NA
	SERC	EIS & BC	$2	$2	-	$2	-
		SA	$2	$2	-	$2	-
	Aquila	EIS & BC	Tariff	-	Tariff	-	NA
		SA	Tariff	-	Tariff	-	NA
	Cleco	EIS & BC	$4	NA	$4	NA	-
		SA	$4	NA	$4	NA	-

Table 3-3.2 Wheeling Rates (Dispatch) in Aquila Base and EIS Cases

	TO						
	Region	Scenario	SPP	MISO	SERC	Aquila	Cleco
FROM	SPP	EIS & BC	-	Tariff	Tariff	-	Tariff
	MISO	EIS & BC	$2	-	$2	$2	NA
	SERC	EIS & BC	$2	$2	-	$2	-
	Aquila	EIS & BC	-	$2	$2	-	NA
	Cleco	EIS & BC	$4	NA	$4	NA	-

Table 3-3.3 Wheel-out rates for SPP and Aquila companies

Company	Commitment	Dispatch
Public Service Company of Oklahoma and Southwestern Electric Power Company	$2	$2
City Utilities of Springfield, Missouri	$2	$3
Empire	$2	$2
Grand River Dam Authority	$3	$7
Kansas City Power and Light Company	$2	$2
Mid-West Energy	$4	$6
Oklahoma Gas & Electric Company	$2	$2
Southwestern Power Administration	$1	$2
Southwestern Public Service	$2	$3
Western Resources, Inc	$2	$2
Western Farmers Electric Cooperative	$3	$3
Aquila Companies		
Missouri Public Service	$1	$1
West Plaines	$2	$3

Appendices 4-1, 4-2, 4-3, and 4-4

Appendix 4-1 Benefits (Costs) by Company for the Stand-Alone Case

Table 1

Benefits/(Costs) of Moving from Base Case to Stand Alone Case

(2006-2015, thousands of January 2006 present value dollars; positive numbers are benefits)

	Source:	*Table 3*	*Table 6*	*Table 7*	*Table 8*	*Table 9*	*Table 10*	*Table 11*	
		Trade Benefits	**Wheeling Charges**	**Wheeling Revenues**	**Costs to Provide Functions**	**FERC Charges**	**Transm. Constr. Costs**	**With-drawal Oblig.**	**Total**
TOs Under SPP Tariff									
AEP	IOU	(8,259)	(139,645)	136,610	69	6,260	(5,502)	(12,377)	(22,845)
Empire	IOU	(3,565)	(40,370)	20,573	(707)	1,106	(829)	(1,803)	(25,595)
KCPL	IOU	(4,582)	(5,057)	73,733	(10,815)	3,166	(823)	(4,731)	50,891
OGE	IOU	(1,025)	(87,249)	76,844	(3,536)	5,383	(811)	(8,187)	(18,580)
SPS	IOU	(1,114)	(26,670)	76,126	(3,252)	5,239	1,400	(7,229)	44,500
Westar Energy	IOU	(471)	(67,678)	67,847	(13,614)	1,874	1,345	(6,183)	(16,879)
Midwest Energy	Coop	(10)	(2,818)	6,767	(7,822)	295	327	(670)	(3,931)
Western Farmers	Coop	(962)	(70,356)	17,903	1,071	1,684	1,543	(2,050)	(51,168)
SWPA	Fed	(26)	(33,261)	12,409	(9)	370	2,159	(1,297)	(19,655)
GRDA	State	(179)	(26,182)	20,201	(4,814)	1,087	603	(1,485)	(10,769)
Springfield, MO	Muni	(672)	(511)	6,574	(2,543)	853	1,080	(1,234)	3,547
Sub-Total		(20,864)	(499,797)	515,585	(45,970)	27,315	494	(47,246)	(70,484)
Other Typical Assessment Paying Members									
AECC	Coop	(3,133)	(10,344)	10,119	5	934	(405)	(1,298)	(4,121)
Kansas City, KS	Muni	(1,975)	(651)	9,487	(1,479)	652	-	(1,084)	4,950
OMPA	Muni	(666)	(8,378)	6,549	(160)	781	(89)	(1,022)	(2,985)
Independence, MO	Muni	(219)	(953)	(83)	(455)	344	-	(688)	(2,054)
Sub-Total		(5,993)	(20,326)	26,073	(2,089)	2,711	(494)	(4,092)	(4,210)
Total of Above		(26,857)	(520,124)	541,657	(48,060)	30,027	-	(51,338)	(74,694)
Others									
Cleco Power		(1,471)	(107)	(659)					(2,238)
City of Lafayette, LA		(68)	(21)	(132)					(221)
LEPA		(2)	(12)	(75)					(90)
Aquila - MPS/SJ		(464)	(5,694)	(494)					(6,653)
Sunflower		(144)	595	-					452
Aquila - West Plains		(561)	(6,427)	6,443					(545)
Merchants in SPP		(8,645)	-	-					(8,645)
Rest of Eastern Interconnect		(15,585)	(11,808)	(3,141)					(30,534)
Grand Total		(53,797)	(543,599)	543,599					

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 2
State Allocation for Multi-State Utilities
Benefits/(Costs) of Moving from Base Case to Stand Alone Case
(2006-2015, thousands of January 2006 present value dollars; positive numbers are benefits)

State Allocation for Multi-State Investor-Owned Utilities

		Retail							
	Wholesale	Arkansas	Louisiana	Kansas	Missouri	New Mexico	Oklahoma	Texas	Total
AEP	12.7%	10.8%	14.1%				44.6%	17.8%	100.0%
Empire	6.4%	3.0%		5.2%	82.7%		2.7%		100.0%
KCPL - Trade	1.0%			41.4%	57.7%				100.0%
KCPL - Other	13.5%			38.8%	47.7%				100.0%
OGE	9.4%	10.5%					80.1%		100.0%
SPS	40.1%			0.1%		13.3%	1.2%	45.3%	100.0%
Westar Energy	12.7%			87.3%					100.0%

Allocations are based on net energy for load, except for KCPL - Other which is based on 4 summer months coincident peak and applies to all KCPL cost-benefit components other than Trade Benefits
In the calculation below, AEP trade benefits are subdivided between PSO and Swepco using the generation of each operating company before the allocation by state. PSO is in Oklahoma only, and Swepco is in Arkansas, Lousiana and Texas.

Benefits/(Costs) of Moving from Base Case to Stand-Alone Case (K$)

		Retail							
	Wholesale	Arkansas	Louisiana	Kansas	Missouri	New Mexico	Oklahoma	Texas	Total
AEP	(2,901)	(2,307)	(3,012)				(10,822)	(3,802)	(22,845)
Empire	(1,633)	(773)		(1,326)	(21,167)		(696)	-	(25,595)
KCPL	7,430			19,637	23,824				50,891
OGE	(1,743)	(1,958)					(14,879)		(18,580)
SPS	17,853			44		5,914	521	20,167	44,500
Westar Energy	(2,144)			(14,735)					(16,879)
Total	16,863	(5,038)	(3,012)	3,621	2,657	5,914	(25,877)	16,365	11,492

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 3
Trade Benefits - Stand Alone Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	(8,259)	(2,267)	(1,860)	(1,433)	(985)	(516)	(667)	(823)	(987)	(1,158)	(1,185)
Empire	IOU	(3,565)	(1,077)	(866)	(644)	(413)	(170)	(235)	(304)	(376)	(451)	(461)
KCPL	IOU	(4,582)	(1,324)	(1,058)	(779)	(486)	(179)	(307)	(440)	(579)	(725)	(741)
OGE	IOU	(1,025)	(224)	(182)	(139)	(93)	(45)	(94)	(145)	(198)	(254)	(260)
SPS	IOU	(1,114)	(29)	(61)	(95)	(131)	(168)	(217)	(269)	(322)	(378)	(387)
Westar Energy	IOU	(471)	(148)	(116)	(82)	(47)	(10)	(24)	(39)	(55)	(71)	(73)
Midwest Energy	Coop	(10)	(4)	(3)	(2)	(1)	(0)	(0)	(1)	(1)	(1)	(1)
Western Farmers	Coop	(962)	(306)	(238)	(166)	(90)	(11)	(45)	(80)	(117)	(156)	(160)
SWPA	Fed	(26)	(5)	(5)	(4)	(3)	(2)	(3)	(4)	(4)	(5)	(5)
GRDA	State	(179)	(50)	(40)	(30)	(19)	(7)	(13)	(18)	(24)	(31)	(31)
Springfield, MO	Muni	(672)	(228)	(180)	(130)	(77)	(22)	(33)	(44)	(55)	(66)	(68)
Sub-Total		(20,864)	(5,662)	(4,608)	(3,503)	(2,345)	(1,131)	(1,638)	(2,167)	(2,719)	(3,296)	(3,372)
Other Typical Assessment Paying Members												
AECC	Coop	(3,133)	(976)	(780)	(575)	(359)	(134)	(191)	(252)	(315)	(380)	(389)
Kansas City, KS	Muni	(1,975)	(657)	(519)	(373)	(221)	(62)	(98)	(137)	(177)	(219)	(224)
OMPA	Muni	(666)	(204)	(162)	(118)	(72)	(23)	(40)	(57)	(75)	(94)	(96)
Independence, MO	Muni	(219)	(54)	(44)	(34)	(24)	(13)	(20)	(26)	(33)	(40)	(41)
Sub-Total		(5,993)	(1,891)	(1,505)	(1,100)	(676)	(232)	(349)	(472)	(600)	(733)	(750)
Total of Above		(26,857)	(7,553)	(6,113)	(4,603)	(3,021)	(1,363)	(1,987)	(2,638)	(3,319)	(4,029)	(4,122)
Others												
Cleco Power		(1,471)	(645)	(497)	(342)	(180)	(9)	(9)	(9)	(8)	(8)	(8)
City of Lafayette, LA		(68)	(26)	(20)	(14)	(7)	(1)	(2)	(3)	(5)	(6)	(6)
LEPA		(2)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)
Aquila - MPS/SJ		(464)	(108)	(90)	(71)	(52)	(31)	(44)	(58)	(73)	(88)	(90)
Sunflower		(144)	(30)	(26)	(23)	(18)	(14)	(17)	(19)	(22)	(24)	(25)
Aquila - West Plains		(561)	(206)	(161)	(113)	(64)	(12)	(19)	(28)	(36)	(45)	(46)
Merchants in SPP		(8,645)	1,473	1,355	1,230	1,100	962	(1,353)	(3,775)	(6,308)	(8,956)	(9,162)
Rest of Eastern Interconnect		(15,585)	(5,125)	(4,035)	(2,891)	(1,693)	(438)	(777)	(1,131)	(1,501)	(1,888)	(1,931)
Grand Total		(53,797)	(12,220)	(9,588)	(6,827)	(3,935)	(906)	(4,208)	(7,662)	(11,273)	(15,045)	(15,391)

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 4

Increase in Owned Generation Production Cost -- Moving from Base Case to StandAlone Case

(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	116,690	8,307	12,399	16,674	21,140	25,802	24,223	22,559	20,805	18,958	19,395
Empire	IOU	48,428	5,938	6,597	7,283	7,997	8,741	8,489	8,221	7,936	7,634	7,810
KCPL	IOU	(37,496)	(3,665)	(4,039)	(4,428)	(4,833)	(5,254)	(6,287)	(7,363)	(8,487)	(9,657)	(9,880)
OGE	IOU	(11,099)	440	(24)	(509)	(1,017)	(1,547)	(2,348)	(3,185)	(4,060)	(4,972)	(5,087)
SPS	IOU	39,436	1,355	3,241	5,213	7,273	9,426	8,927	8,401	7,846	7,261	7,428
Westar Energy	IOU	10,724	1,231	1,353	1,479	1,611	1,748	1,834	1,923	2,015	2,111	2,159
Midwest Energy	Coop	146	32	28	23	18	13	16	19	22	25	25
Western Farmers	Coop	7,313	2,175	1,395	577	(278)	(1,174)	(96)	1,032	2,212	3,445	3,525
SWPA	Fed	(2)	(0)	(0)	(0)	(1)	(1)	(1)	(0)	(0)	0	0
GRDA	State	(359)	(40)	(50)	(60)	(71)	(83)	(71)	(59)	(47)	(33)	(34)
Springfield, MO	Muni	(8,403)	(2,745)	(2,216)	(1,663)	(1,082)	(474)	(517)	(562)	(609)	(657)	(672)
Sub-Total		165,378	13,029	18,683	24,589	30,758	37,197	34,170	30,985	27,635	24,114	24,669
Other Typical Assessment Paying Members												
AECC	Coop	30,583	3,929	4,290	4,666	5,056	5,463	5,281	5,089	4,884	4,668	4,775
Kansas City, KS	Muni	(11,030)	(1,710)	(1,686)	(1,660)	(1,632)	(1,602)	(1,668)	(1,736)	(1,806)	(1,878)	(1,922)
OMPA	Muni	11,589	1,642	1,650	1,657	1,664	1,670	1,797	1,929	2,065	2,207	2,258
Independence, MO	Muni	3,840	481	516	553	591	630	645	661	677	693	709
Sub-Total		34,981	4,342	4,770	5,216	5,679	6,161	6,056	5,942	5,821	5,690	5,821
Total of Above		200,359	17,372	23,453	29,805	36,437	43,358	40,226	36,927	33,455	29,804	30,490
Others												
Cleco Power		(11,358)	(3,705)	(3,075)	(2,415)	(1,723)	(998)	(839)	(673)	(498)	(315)	(322)
City of Lafayette, LA		900	236	189	140	89	35	68	102	138	175	180
LEPA		(86)	(1)	(12)	(23)	(35)	(47)	(30)	(13)	6	26	26
Aquila - MPS/SJ		(9,371)	(1,571)	(1,623)	(1,676)	(1,731)	(1,788)	(1,544)	(1,289)	(1,020)	(739)	(756)
Sunflower		4,865	271	491	721	962	1,213	1,087	955	817	671	687
Aquila - West Plains		6,384	1,377	1,213	1,040	858	668	740	815	893	975	997
Merchants in SPP		(107,281)	(6,064)	(10,408)	(14,948)	(19,692)	(24,645)	(23,135)	(21,542)	(19,863)	(18,096)	(18,512)
Rest of Eastern Interconnect		(30,614)	4,306	(640)	(5,816)	(11,230)	(16,889)	(12,364)	(7,622)	(2,656)	2,543	2,602
Grand Total		53,797	12,220	9,588	6,827	3,935	906	4,208	7,662	11,273	15,045	15,391

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 5
Increase in Owned Generation -- Moving from Base Case to StandAlone Case
(Thousands of MWh)

		Total	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	5,243	337	425	513	600	688	634	579	525	470	470
Empire	IOU	1,946	160	177	193	210	226	215	205	194	183	183
KCPL	IOU	(2,479)	(197)	(208)	(218)	(229)	(239)	(253)	(267)	(281)	(294)	(294)
OGE	IOU	(683)	(33)	(40)	(46)	(53)	(60)	(70)	(81)	(92)	(103)	(103)
SPS	IOU	1,423	(4)	53	110	167	224	206	189	171	154	154
Westar Energy	IOU	209	22	20	18	15	13	17	21	25	29	29
Midwest Energy	Coop	3	1	0	0	0	0	0	0	0	0	0
Western Farmers	Coop	277	46	31	15	0	(15)	5	24	44	63	63
SWPA	Fed	(22)	(1)	(1)	(2)	(3)	(3)	(3)	(3)	(2)	(2)	(2)
GRDA	State	(99)	(7)	(8)	(8)	(9)	(9)	(10)	(11)	(12)	(13)	(13)
Springfield, MO	Muni	(299)	(34)	(33)	(32)	(31)	(30)	(29)	(28)	(28)	(27)	(27)
Sub-Total		5,519	289	416	542	669	796	712	628	545	461	461
Other Typical Assessment Paying Members												
AECC	Coop	1,616	145	153	162	170	178	172	166	160	155	155
Kansas City, KS	Muni	(884)	(98)	(94)	(90)	(86)	(82)	(84)	(85)	(87)	(89)	(89)
OMPA	Muni	334	30	31	31	31	31	33	35	36	38	38
Independence, MO	Muni	148	8	10	13	15	18	17	17	17	16	16
Sub-Total		1,214	86	100	115	130	145	139	132	126	120	120
Total of Above		6,733	375	516	658	799	941	851	761	671	581	581
Others												
Cleco Power		(302)	(96)	(75)	(54)	(33)	(13)	(10)	(8)	(6)	(3)	(3)
City of Lafayette, LA		21	4	3	2	1	1	1	2	2	3	3
LEPA		(1)	(0)	(0)	(0)	(0)	(1)	(0)	(0)	0	0	0
Aquila - MPS/SJ		(330)	(16)	(22)	(29)	(35)	(41)	(40)	(38)	(37)	(36)	(36)
Sunflower		122	4	8	12	15	19	17	14	12	10	10
Aquila - West Plains		203	31	27	23	19	16	16	17	18	18	18
Merchants in SPP		(4,432)	(156)	(276)	(395)	(514)	(633)	(582)	(532)	(482)	(432)	(432)
Rest of Eastern Inter/Other		(2,013)	(145)	(181)	(217)	(253)	(289)	(252)	(215)	(178)	(141)	(141)
Grand Total		-	-	-	-	-	-	-	-	-	-	-

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 6
Increase in Transmission Wheeling Charges -- Moving from Base Case to StandAlone Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	139,645	19,552	20,688	21,866	23,088	24,353	23,367	22,323	21,218	20,050	20,511
Empire	IOU	40,370	6,625	6,499	6,364	6,220	6,065	6,064	6,060	6,053	6,042	6,181
KCPL	IOU	5,057	1,002	902	798	688	572	632	694	758	825	844
OGE	IOU	87,249	14,408	13,998	13,562	13,098	12,606	12,883	13,166	13,455	13,750	14,067
SPS	IOU	26,670	2,337	2,996	3,684	4,401	5,150	5,106	5,057	5,002	4,943	5,057
Westar Energy	IOU	67,678	7,071	8,094	9,160	10,272	11,429	11,954	12,497	13,059	13,640	13,953
Midwest Energy	Coop	2,818	294	337	381	428	476	498	520	544	568	581
Western Farmers	Coop	70,356	8,952	9,542	10,154	10,789	11,448	11,744	12,047	12,358	12,676	12,968
SWPA	Fed	33,261	5,103	5,089	5,071	5,050	5,026	5,122	5,220	5,319	5,421	5,545
GRDA	State	26,182	2,821	3,178	3,551	3,939	4,343	4,567	4,799	5,039	5,288	5,409
Springfield, MO	Muni	511	205	135	61	(16)	(96)	(29)	41	114	191	196
Sub-Total		499,797	68,369	71,458	74,652	77,956	81,372	81,906	82,422	82,918	83,394	85,312
Other Typical Assessment Paying Members												
AECC	Coop	10,344	1,448	1,532	1,620	1,710	1,804	1,731	1,654	1,572	1,485	1,519
Kansas City, KS	Muni	651	129	116	103	88	74	81	89	98	106	109
OMPA	Muni	8,378	1,267	1,277	1,286	1,295	1,304	1,311	1,317	1,323	1,328	1,358
Independence, MO	Muni	953	123	131	139	147	155	159	162	165	169	173
Sub-Total		20,326	2,967	3,056	3,147	3,241	3,337	3,282	3,222	3,157	3,088	3,159
Total of Above		520,124	71,336	74,514	77,800	81,197	84,710	85,188	85,644	86,076	86,482	88,471
Others												
Cleco Power		107	(3)	2	8	14	20	24	29	34	39	40
City of Lafayette, LA		21	(1)	0	2	3	4	5	6	7	8	8
LEPA		12	(0)	0	1	2	2	3	3	4	4	5
Aquila - MPS/SJ		5,694	734	780	828	877	929	948	968	988	1,009	1,032
Sunflower		(595)	(26)	(50)	(76)	(103)	(130)	(128)	(126)	(124)	(121)	(124)
Aquila - West Plains		6,427	671	769	870	975	1,085	1,135	1,187	1,240	1,295	1,325
Merchants in SPP		-	-	-	-	-	-	-	-	-	-	-
Rest of Eastern Interconnect		11,808	1,529	1,573	1,618	1,665	1,712	1,881	2,057	2,240	2,431	2,487
Grand Total		543,599	74,241	77,588	81,050	84,630	88,332	89,057	89,768	90,465	91,147	93,243

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 7
Increase in Transmission Wheeling Revenues -- Moving from Base Case to Stand Alone Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	136,610	18,640	19,496	20,382	21,299	22,246	22,405	22,558	22,707	22,851	23,377
Empire	IOU	20,573	2,807	2,936	3,069	3,207	3,350	3,374	3,397	3,420	3,441	3,520
KCPL	IOU	73,733	10,061	10,523	11,001	11,496	12,007	12,092	12,175	12,256	12,334	12,617
OGE	IOU	76,844	10,485	10,967	11,465	11,981	12,514	12,603	12,689	12,773	12,854	13,150
SPS	IOU	76,126	10,387	10,864	11,358	11,869	12,397	12,485	12,571	12,654	12,734	13,027
Westar Energy	IOU	67,847	9,258	9,683	10,123	10,578	11,049	11,127	11,203	11,277	11,349	11,610
Midwest Energy	Coop	6,767	923	966	1,010	1,055	1,102	1,110	1,117	1,125	1,132	1,158
Western Farmers	Coop	17,903	2,443	2,555	2,671	2,791	2,915	2,936	2,956	2,976	2,995	3,064
SWPA	Fed	12,409	1,693	1,771	1,851	1,935	2,021	2,035	2,049	2,063	2,076	2,123
GRDA	State	20,201	2,756	2,883	3,014	3,150	3,290	3,313	3,336	3,358	3,379	3,457
Springfield, MO	Muni	6,574	897	938	981	1,025	1,071	1,078	1,086	1,093	1,100	1,125
Sub-Total		515,585	70,351	73,583	76,926	80,384	83,961	84,558	85,138	85,701	86,244	88,227
Other Typical Assessment Paying Members												
AECC	Coop	10,119	1,381	1,444	1,510	1,578	1,648	1,660	1,671	1,682	1,693	1,732
Kansas City, KS	Muni	9,487	1,294	1,354	1,415	1,479	1,545	1,556	1,567	1,577	1,587	1,623
OMPA	Muni	6,549	894	935	977	1,021	1,067	1,074	1,081	1,089	1,096	1,121
Independence, MO	Muni	(83)	(6)	(9)	(12)	(15)	(18)	(17)	(16)	(15)	(14)	(14)
Sub-Total		26,073	3,563	3,724	3,891	4,063	4,241	4,273	4,303	4,333	4,361	4,462
Total of Above		541,657	73,914	77,307	80,817	84,447	88,202	88,831	89,441	90,033	90,605	92,689
Others												
Cleco Power		(659)	(211)	(170)	(127)	(83)	(36)	(42)	(48)	(54)	(60)	(62)
City of Lafayette, LA		(132)	(42)	(34)	(25)	(17)	(7)	(8)	(9)	(11)	(12)	(12)
LEPA		(75)	(24)	(19)	(15)	(9)	(4)	(5)	(5)	(6)	(7)	(7)
Aquila - MPS/SJ		(494)	(36)	(53)	(70)	(88)	(107)	(102)	(95)	(89)	(82)	(84)
Sunflower		-	-	-	-	-	-	-	-	-	-	-
Aquila - West Plains		6,443	879	920	961	1,005	1,049	1,057	1,064	1,071	1,078	1,103
Merchants in SPP		-	-	-	-	-	-	-	-	-	-	-
Rest of Eastern Interconnect		(3,141)	(239)	(362)	(490)	(625)	(765)	(674)	(579)	(480)	(375)	(384)
Grand Total		543,599	74,241	77,588	81,050	84,630	88,332	89,057	89,768	90,465	91,147	93,243

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 8
Costs Incurred for Provision of SPP Functions, 2006-2015

			SPP Provides Functions	Transmission Owners Provide/Procure SPP Functions	Additional Cost Incurred If StandAlone	Additional Cost Net of Allocation Below
Transmission Owners Under SPP Tariff						
AEP	IOU		28,881	28,806	(75)	(69)
Empire	IOU		4,372	5,079	707	707
KCPL	IOU		13,846	24,661	10,815	10,815
OGE	IOU		22,570	26,292	3,722	3,536
SPS	IOU		21,589	24,842	3,252	3,252
Westar Energy	IOU		21,551	35,165	13,614	13,614
Midwest Energy	Coop		879	8,701	7,822	7,822
Western Farmers	Coop		5,020	3,924	(1,096)	(1,071)
SWPA	Fed		1,102	1,111	9	9
GRDA	State	A	3,241	8,055	4,814	4,814
Springfield, MO	Muni	A	2,542	5,085	2,543	2,543
	Total		125,595	171,720	46,125	45,970
Other Typical Assessment Paying Members:						
Control Area Operators:						
Kansas City, KS	Muni	A	1,944	3,424	1,479	1,479
Independence, MO	Muni	A	1,026	1,481	455	455

Others within Control Areas:

		Avg Load Ratio Share of Control Area				Allocated Share of Addtl Cost
		AEP	OGE	Westar	WFEC	
AECC	Coop	6.8%				(5)
OMPA	Muni	1.4%	5.0%		2.3%	160
	Total	8.1%	5.0%	0.0%	2.3%	155

	Additional Cost Incurred If StandAlone	Additional Cost Net of Allocation Below
Total of Above	48,060	48,060

A: Based on average $/MWh costs for MIDW, WFEC, and SWPA.

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 9
Savings in FERC Fees if Stand Alone and Not Part of SPP RTO
Thousands of Dollars

		FERC Fees Based on 1999-2003 Average		Allocated FERC Fees if Part of SPP RTO		Savings in FERC Fees if Not Part of SPP RTO	
		2006	PV2006-15	2006	PV2006-15	2006	PV2006-15
TOs Under SPP Tariff							
AEP	IOU	487	3,426	1,377	9,686	889	6,260
Empire	IOU	51	360	208	1,466	157	1,106
KCPL	IOU	210	1,477	660	4,643	450	3,166
OGE	IOU	311	2,186	1,076	7,569	765	5,383
SPS	IOU	285	2,001	1,029	7,240	745	5,239
Westar Energy	IOU	762	5,354	1,027	7,228	266	1,874
Midwest Energy	Coop	0	0	42	295	42	295
Western Farmers	Coop	0	0	239	1,684	239	1,684
SWPA	Fed	0	0	53	370	53	370
GRDA	State	0	0	155	1,087	155	1,087
Springfield, MO	Muni	0	0	121	853	121	853
Sub-Total		2,106	14,805	5,988	42,120	3,881	27,315
Other Typical Assessment Paying Members							
AECC	Coop	0	0	133	934	133	934
Kansas City, KS	Muni	0	0	93	652	93	652
OMPA	Muni	0	0	111	781	111	781
Independence, MO	Muni	0	0	49	344	49	344
Sub-Total		0	0	385	2,711	385	2,711
Total of Above		2,106	14,805	6,373	44,831	4,267	30,027

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 10

Savings/(Additional Costs) Under Stand Alone Cost Allocation Method vs. Base Case Method for 2006-2010 Transmission Projects

(thousands of revenue requirements dollars)

	2006-2010 Annual Average	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Present Value	Present Value Net of Allocation Below
Estimated Ramp-up (A)		20%	40%	60%	80%	100%	100%	100%	100%	100%	100%		
Transmission Owners Under SPP Tariff													
AEP	(1,274)	(255)	(509)	(764)	(1,019)	(1,274)	(1,274)	(1,274)	(1,274)	(1,274)	(1,274)	(5,990)	(5,502)
Empire	(176)	(35)	(70)	(106)	(141)	(176)	(176)	(176)	(176)	(176)	(176)	(829)	(829)
KCPL	(175)	(35)	(70)	(105)	(140)	(175)	(175)	(175)	(175)	(175)	(175)	(823)	(823)
OGE	(181)	(36)	(73)	(109)	(145)	(181)	(181)	(181)	(181)	(181)	(181)	(853)	(811)
SPS	298	60	119	179	238	298	298	298	298	298	298	1,400	1,400
Westar	286	57	114	172	229	286	286	286	286	286	286	1,345	1,345
Midwest Energy	70	14	28	42	56	70	70	70	70	70	70	327	327
Westar Energy	336	67	134	201	269	336	336	336	336	336	336	1,579	1,543
SWPA	459	92	184	275	367	459	459	459	459	459	459	2,159	2,159
GRDA	128	26	51	77	103	128	128	128	128	128	128	603	603
Springfield, MO	230	46	92	138	184	230	230	230	230	230	230	1,080	1,080
Total	-	-	-	-	-	-	-	-	-	-	-	-	494

Other Typical Assessment Paying Members

	Load Share of Control Area				Pres Value Allocated Share
	AEP	OGE	Westar	WFEC	
AECC	6.8%				(405)
OMPA	1.4%	5.0%		2.3%	(89)
	8.1%	5.0%	0.0%	2.3%	(494)

CRA assumed that the 2006-2010 transmission projects would enter service on a pro-rata annual basis over the 5-year period.

Appendix 4-1: Benefits (Costs) by Company for the Stand-Alone Case (cont.)

Table 11
SPP Withdrawal Obligations
(thousands of dollars)

Transmission Owners Under SPP Tariff		
AEP	IOU	12,377
Empire	IOU	1,803
KCPL	IOU	4,731
OGE	IOU	8,187
SPS	IOU	7,229
Westar Energy	IOU	6,183
Midwest Energy	Coop	670
Western Farmers	Coop	2,050
SWPA	Fed	1,297
GRDA	State	1,485
Springfield, MO	Muni	1,234
Sub-Total		47,246
Other Typical Assessment Paying Members		
AECC	Coop	1,298
Kansas City, KS	Muni	1,084
OMPA	Muni	1,022
Independence, MO	Muni	688
Sub-Total		4,092
Total of Above		51,338

Source: July 27, 2004 SPP Finance Committee Recommendation to the Board of Directors

Appendix 4-2 Benefits (Costs) by Company for the EIS Market Case

Table 1

Benefits/(Costs) of Moving from Base Case to EIS Market Case

(2006-2015, thousands of January 2006 present value dollars; positive numbers indicate benefits)

	Source:	*Table 3*	*Table 6*	*Table 7*	*Table 8*	*Table 9*	
		Trade Benefits	Transmission Charges Paid	Transmission Charges Collected	SPP IE Implementation Costs	Participant IE Implementation Costs	Total
TOs Under SPP Tariff							
AEP	IOU	106,541	17,012	(14,092)	(24,099)	(26,860)	58,502
Empire	IOU	61,646	(66)	(2,122)	(3,648)	(7,936)	47,874
KCPL	IOU	31,082	1,249	(7,606)	(11,553)	(15,328)	(2,156)
OGE	IOU	126,375	10,435	(7,927)	(18,833)	(14,739)	95,310
SPS	IOU	100,178	2,738	(7,853)	(18,015)	(7,676)	69,372
Westar Energy	IOU	73,009	(1,221)	(6,999)	(17,983)	(19,394)	27,412
Midwest Energy	Coop	925	(51)	(698)	(733)	(132)	(689)
Western Farmers	Coop	86,958	(722)	(1,847)	(4,189)	(4,989)	75,211
SWPA	Fed	5,627	239	(1,280)	(920)	(2,472)	1,194
GRDA	State	11,775	(6,992)	(2,084)	(2,705)	(4,967)	(4,971)
Springfield, MO	Muni	10,160	1,767	(678)	(2,121)	(3,135)	5,992
	Sub-Total	614,277	24,388	(53,185)	(104,801)	(107,629)	373,050
Other Typical Assessment Paying Members							
AECC	Coop	26,131	1,260	(1,044)	(2,325)	-	24,023
Kansas City, KS	Muni	6,209	161	(979)	(1,622)	-	3,768
OMPA	Muni	17,768	792	(676)	(1,943)	-	15,941
Independence, MO	Muni	3,200	(847)	(9)	(856)	-	1,487
	Sub-Total	53,308	1,365	(2,708)	(6,746)	-	45,220
Total of Above		667,585	25,754	(55,893)	(111,547)	(107,629)	418,270
Others							
Cleco Power		12,462	1,023	10,592			24,077
City of Lafayette, LA		2,106	204	2,116			4,426
LEPA		608	117	1,211			1,936
Aquila - MPS/SJ		1,811	(5,061)	(56)			(3,307)
Sunflower		451	(1,820)	-			(1,369)
Aquila - West Plains		3,640	(116)	(665)			2,860
Merchants in SPP		123,868	-	-			123,868
Rest of Eastern Interconnect		360,049	38,589	(15,995)			382,643
Grand Total		1,172,581	58,690	(58,690)			

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 2
State Allocation for Multi-State Utilities
Benefits/(Costs) of Moving from Base Case to EIS Market Case
(2005-2014, thousands of January 2006 present value dollars)

State Allocation for Multi-State Utilities

		Retail							
	Wholesale	Arkansas	Louisiana	Kansas	Missouri	New Mexico	Oklahoma	Texas	Total
AEP	12.7%	10.8%	14.1%				44.6%	17.8%	100.0%
Empire	6.4%	3.0%		5.2%	82.7%		2.7%		100.0%
KCPL - Trade	1.0%			41.4%	57.7%				100.0%
KCPL - Other	13.5%			38.8%	47.7%				100.0%
OG&E	9.4%	10.5%					80.1%		100.0%
SPS	40.1%			0.1%		13.3%	1.2%	45.3%	100.0%
Westar Energy	12.7%			87.3%					100.0%

Allocations are based on net energy for load, except for KCPL - Other which is based on 4 summer months coincident peak and applies to all KCPL cost-benefit components other than Trade Benefits
In the calculation below, AEP trade benefits are subdivided between PSO and Swepco using the generation of each operating company before the allocation by state. PSO is in Oklahoma only, and Swepco is in Arkansas, Lousiana and Texas.

Benefits/(Costs) of Moving from Base Case to EIS Case

		Retail							
	Wholesale	Arkansas	Louisiana	Kansas	Missouri	New Mexico	Oklahoma	Texas	Total
AEP	7,430	(2,942)	(3,840)				62,703	(4,848)	58,502
Empire	3,054	1,446		2,480	39,592		1,302	-	47,874
KCPL	(4,183)			(46)	2,073				(2,156)
OG&E	8,940	10,046					76,324		95,310
SPS	27,832			69		9,219	812	31,439	69,372
Westar Energy	3,481			23,930					27,412
Total	46,555	8,550	(3,840)	26,433	41,664	9,219	141,141	26,591	296,313

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 3
Trade Benefits - EIS Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	106,541	7,263	10,281	13,434	16,726	20,163	20,905	21,670	22,459	23,274	23,809
Empire	IOU	61,646	8,663	8,881	9,105	9,334	9,569	9,847	10,133	10,427	10,728	10,975
KCPL	IOU	31,082	3,284	4,132	5,018	5,943	6,907	6,121	5,295	4,428	3,518	3,599
OGE	IOU	126,375	12,900	15,050	17,292	19,630	22,066	22,700	23,352	24,022	24,710	25,279
SPS	IOU	100,178	7,468	10,428	13,521	16,751	20,122	19,902	19,660	19,397	19,112	19,551
Westar Energy	IOU	73,009	7,011	9,135	11,353	13,668	16,084	14,549	12,935	11,239	9,458	9,676
Midwest Energy	Coop	925	80	100	120	141	163	171	180	188	197	202
Western Farmers	Coop	86,958	7,603	9,406	11,288	13,252	15,300	16,075	16,877	17,708	18,568	18,995
SWPA	Fed	5,627	573	668	767	871	979	1,010	1,042	1,075	1,108	1,134
GRDA	State	11,775	1,021	1,286	1,564	1,853	2,155	2,212	2,270	2,330	2,391	2,446
Springfield, MO	Muni	10,160	821	1,081	1,353	1,636	1,932	1,956	1,980	2,004	2,028	2,074
Sub-Total		614,277	56,686	70,450	84,816	99,806	115,440	115,447	115,393	115,276	115,092	117,739
Other Typical Assessment Paying Members												
AECC	Coop	26,131	2,840	3,820	4,844	5,913	7,029	5,594	4,090	2,513	861	881
Kansas City, KS	Muni	6,209	1,378	1,290	1,197	1,100	997	842	679	509	330	338
OMPA	Muni	17,768	2,470	2,636	2,808	2,988	3,173	3,008	2,833	2,649	2,454	2,511
Independence, MO	Muni	3,200	259	329	404	481	562	598	635	674	715	731
Sub-Total		53,308	6,946	8,075	9,254	10,482	11,761	10,042	8,238	6,345	4,360	4,461
Total of Above		667,585	63,632	78,525	94,069	110,287	127,202	125,489	123,631	121,621	119,453	122,200
Others												
Cleco Power		12,462	1,835	1,587	1,326	1,053	766	1,511	2,289	3,103	3,953	4,044
City of Lafayette, LA		2,106	233	224	214	204	193	305	422	544	672	687
LEPA		608	28	49	71	94	119	125	132	139	146	150
Aquila - MPS/SJ		1,811	1,094	767	425	67	(308)	(209)	(106)	3	116	118
Sunflower		451	(136)	(101)	(64)	(25)	16	115	219	328	441	451
Aquila - West Plains		3,640	15	305	608	925	1,256	1,009	750	479	194	199
Merchants in SPP		123,868	4,184	9,353	14,757	20,406	26,306	26,785	27,273	27,769	28,274	28,924
Rest of Eastern Interconnect		360,049	34,304	42,047	50,129	58,559	67,352	67,200	67,005	66,766	66,480	68,009
Grand Total		1,172,581	105,189	132,756	161,537	191,571	222,901	222,330	221,616	220,751	219,729	224,783

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 4
Increase in Owned Generation Production Costs -- Moving from Base Case to EIS Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	(888,481)	(127,063)	(126,334)	(125,505)	(124,570)	(123,527)	(135,638)	(148,241)	(161,352)	(174,988)	(179,012)
Empire	IOU	(169,838)	(24,840)	(24,857)	(24,861)	(24,853)	(24,831)	(26,222)	(27,665)	(29,160)	(30,710)	(31,416)
KCPL	IOU	(71,448)	(6,856)	(8,991)	(11,219)	(13,546)	(15,973)	(14,330)	(12,603)	(10,788)	(8,884)	(9,088)
OGE	IOU	(699,283)	(98,264)	(98,391)	(98,472)	(98,505)	(98,487)	(107,805)	(117,499)	(127,583)	(138,067)	(141,243)
SPS	IOU	(340,068)	(31,438)	(39,043)	(46,982)	(55,266)	(63,905)	(63,893)	(63,847)	(63,765)	(63,645)	(65,109)
Westar Energy	IOU	(63,341)	(7,997)	(7,003)	(5,959)	(4,864)	(3,715)	(8,038)	(12,559)	(17,283)	(22,218)	(22,729)
Midwest Energy	Coop	(307)	(49)	(49)	(48)	(47)	(46)	(46)	(47)	(47)	(48)	(49)
Western Farmers	Coop	(304,676)	(31,269)	(35,139)	(39,171)	(43,369)	(47,740)	(52,557)	(57,571)	(62,788)	(68,214)	(69,783)
SWPA	Fed	(2)	(0)	(0)	(0)	(1)	(1)	(1)	(0)	0	0	0
GRDA	State	802	111	110	109	107	106	121	138	155	172	176
Springfield, MO	Muni	(32,096)	(4,936)	(4,807)	(4,670)	(4,524)	(4,369)	(4,753)	(5,151)	(5,565)	(5,996)	(6,134)
Sub-Total		(2,568,737)	(332,602)	(344,505)	(356,780)	(369,437)	(382,488)	(413,162)	(445,045)	(478,176)	(512,596)	(524,385)
Other Typical Assessment Paying Members												
AECC	Coop	(68,569)	(8,018)	(9,710)	(11,475)	(13,317)	(15,237)	(13,254)	(11,171)	(8,986)	(6,694)	(6,848)
Kansas City, KS	Muni	8,086	2,042	1,860	1,667	1,465	1,253	999	733	454	162	166
OMPA	Muni	(95,492)	(11,767)	(12,758)	(13,788)	(14,859)	(15,973)	(16,231)	(16,493)	(16,759)	(17,028)	(17,419)
Independence, MO	Muni	(11,562)	(966)	(1,186)	(1,415)	(1,654)	(1,904)	(2,101)	(2,307)	(2,521)	(2,743)	(2,806)
Sub-Total		(167,537)	(18,708)	(21,794)	(25,011)	(28,365)	(31,861)	(30,587)	(29,238)	(27,811)	(26,303)	(26,908)
Total of Above		(2,736,273)	(351,310)	(366,299)	(381,791)	(397,803)	(414,349)	(443,749)	(474,283)	(505,987)	(538,898)	(551,293)
Others												
Cleco Power		(337,351)	(44,777)	(49,600)	(54,620)	(59,845)	(65,281)	(59,740)	(53,908)	(47,777)	(41,336)	(42,286)
City of Lafayette, LA		(10,562)	(1,214)	(1,095)	(970)	(839)	(701)	(1,411)	(2,152)	(2,927)	(3,737)	(3,823)
LEPA		(4,351)	(233)	(374)	(522)	(677)	(838)	(880)	(923)	(968)	(1,015)	(1,038)
Aquila - MPS/SJ		(11,834)	(4,462)	(3,531)	(2,556)	(1,534)	(463)	(457)	(451)	(443)	(436)	(446)
Sunflower		(10,206)	(1,188)	(1,176)	(1,163)	(1,148)	(1,133)	(1,535)	(1,955)	(2,393)	(2,851)	(2,916)
Aquila - West Plains		(688)	(1,470)	(839)	(178)	514	1,237	853	451	29	(412)	(421)
Merchants in SPP		2,670,459	304,351	330,856	358,419	387,075	416,859	450,306	485,070	521,195	558,725	571,576
Rest of Eastern Interconnect		(731,775)	(4,886)	(40,698)	(78,155)	(117,314)	(158,232)	(165,718)	(173,464)	(181,479)	(189,771)	(194,136)
Grand Total		(1,172,581)	(105,189)	(132,756)	(161,537)	(191,571)	(222,901)	(222,330)	(221,616)	(220,751)	(219,729)	(224,783)

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 5
Increase in Owned Generation -- Moving from Base Case to EIS Case
(Thousands of MWh)

		Total	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	(27,688)	(2,351)	(2,426)	(2,502)	(2,578)	(2,654)	(2,790)	(2,926)	(3,063)	(3,199)	(3,199)
Empire	IOU	(6,483)	(688)	(661)	(633)	(606)	(579)	(609)	(639)	(669)	(700)	(700)
KCPL	IOU	(1,774)	(160)	(194)	(228)	(262)	(296)	(235)	(175)	(115)	(54)	(54)
OGE	IOU	(18,714)	(1,650)	(1,678)	(1,706)	(1,735)	(1,763)	(1,861)	(1,958)	(2,056)	(2,154)	(2,154)
SPS	IOU	(8,732)	(426)	(573)	(719)	(866)	(1,012)	(1,018)	(1,023)	(1,028)	(1,033)	(1,033)
Westar Energy	IOU	164	(66)	21	109	196	284	155	27	(102)	(230)	(230)
Midwest Energy	Coop	(7)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Western Farmers	Coop	(9,255)	(567)	(652)	(737)	(823)	(908)	(982)	(1,055)	(1,128)	(1,202)	(1,202)
SWPA	Fed	(282)	(24)	(25)	(25)	(26)	(26)	(28)	(30)	(31)	(33)	(33)
GRDA	State	(506)	(35)	(40)	(45)	(50)	(55)	(55)	(56)	(57)	(57)	(57)
Springfield, MO	Muni	(774)	(44)	(55)	(65)	(76)	(86)	(88)	(89)	(90)	(91)	(91)
Sub-Total		(74,052)	(6,012)	(6,283)	(6,554)	(6,825)	(7,096)	(7,510)	(7,925)	(8,339)	(8,754)	(8,754)
Other Typical Assessment Paying Members												
AECC	Coop	(3,114)	(242)	(307)	(373)	(438)	(503)	(413)	(322)	(232)	(142)	(142)
Kansas City, KS	Muni	645	116	104	92	80	68	57	46	35	24	24
OMPA	Muni	(3,166)	(274)	(292)	(310)	(328)	(346)	(338)	(330)	(322)	(314)	(314)
Independence, MO	Muni	(391)	(22)	(26)	(30)	(34)	(38)	(42)	(45)	(49)	(53)	(53)
Sub-Total		(6,027)	(422)	(521)	(621)	(720)	(820)	(736)	(652)	(568)	(484)	(484)
Total of Above		(80,079)	(6,433)	(6,804)	(7,175)	(7,545)	(7,916)	(8,246)	(8,577)	(8,907)	(9,238)	(9,238)
Others												
Cleco Power		(12,347)	(1,065)	(1,194)	(1,322)	(1,450)	(1,579)	(1,425)	(1,271)	(1,117)	(963)	(963)
City of Lafayette, LA		(275)	(20)	(18)	(16)	(15)	(13)	(22)	(31)	(40)	(50)	(50)
LEPA		(76)	(2)	(4)	(5)	(7)	(8)	(9)	(9)	(10)	(11)	(11)
Aquila - MPS/SJ		(315)	(114)	(84)	(55)	(26)	3	(1)	(5)	(8)	(12)	(12)
Sunflower		(263)	(18)	(18)	(19)	(19)	(19)	(25)	(30)	(35)	(40)	(40)
Aquila - West Plains		394	1	22	43	64	85	67	50	32	14	14
Merchants in SPP		115,285	8,309	9,102	9,895	10,689	11,482	12,082	12,682	13,281	13,881	13,881
Rest of Eastern Inter/Other		(22,324)	(657)	(1,002)	(1,347)	(1,691)	(2,036)	(2,422)	(2,809)	(3,196)	(3,582)	(3,582)
Grand Total		-	-	-	-	-	-	-	-	-	-	-

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 6
Increase in Transmission Wheeling Charges -- Moving from Base Case to EIS Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	(17,012)	(1,946)	(2,163)	(2,388)	(2,622)	(2,866)	(2,948)	(3,032)	(3,118)	(3,207)	(3,281)
Empire	IOU	66	122	89	55	18	(20)	(37)	(56)	(76)	(96)	(98)
KCPL	IOU	(1,249)	(121)	(143)	(166)	(189)	(214)	(225)	(236)	(248)	(260)	(266)
OGE	IOU	(10,435)	(746)	(985)	(1,235)	(1,496)	(1,768)	(1,956)	(2,152)	(2,356)	(2,568)	(2,627)
SPS	IOU	(2,738)	-	(161)	(329)	(504)	(688)	(663)	(637)	(608)	(579)	(592)
Westar Energy	IOU	1,221	240	228	214	200	185	171	157	141	125	128
Midwest Energy	Coop	51	10	9	9	8	8	7	7	6	5	5
Western Farmers	Coop	722	74	82	89	97	106	122	138	155	173	177
SWPA	Fed	(239)	37	13	(11)	(36)	(63)	(71)	(79)	(87)	(96)	(98)
GRDA	State	6,992	930	975	1,023	1,072	1,123	1,148	1,175	1,201	1,228	1,257
Springfield, MO	Muni	(1,767)	(104)	(126)	(149)	(172)	(197)	(299)	(405)	(516)	(632)	(646)
Sub-Total		(24,388)	(1,504)	(2,180)	(2,886)	(3,624)	(4,394)	(4,750)	(5,121)	(5,506)	(5,906)	(6,042)
Other Typical Assessment Paying Members												
AECC	Coop	(1,260)	(144)	(160)	(177)	(194)	(212)	(218)	(225)	(231)	(238)	(243)
Kansas City, KS	Muni	(161)	(16)	(18)	(21)	(24)	(28)	(29)	(30)	(32)	(33)	(34)
OMPA	Muni	(792)	(67)	(83)	(99)	(116)	(134)	(145)	(156)	(168)	(180)	(184)
Independence, MO	Muni	847	116	118	120	121	123	133	143	154	165	169
Sub-Total		(1,365)	(111)	(144)	(178)	(214)	(251)	(259)	(268)	(277)	(286)	(292)
Total of Above		(25,754)	(1,615)	(2,324)	(3,064)	(3,838)	(4,645)	(5,010)	(5,389)	(5,782)	(6,191)	(6,334)
Others												
Cleco Power		(1,023)	(10)	(54)	(100)	(148)	(199)	(222)	(246)	(271)	(297)	(304)
City of Lafayette, LA		(204)	(2)	(11)	(20)	(30)	(40)	(44)	(49)	(54)	(59)	(61)
LEPA		(117)	(1)	(6)	(11)	(17)	(23)	(25)	(28)	(31)	(34)	(35)
Aquila - MPS/SJ		5,061	694	704	714	724	734	794	856	921	988	1,011
Sunflower		1,820	80	157	237	321	408	396	383	369	354	362
Aquila - West Plains		116	23	22	20	19	18	16	15	13	12	12
Merchants in SPP		-	-	-	-	-	-	-	-	-	-	-
Rest of Eastern Interconnect		(38,589)	(6,159)	(6,268)	(6,380)	(6,493)	(6,608)	(6,167)	(5,702)	(5,212)	(4,696)	(4,804)
Grand Total		(58,690)	(6,990)	(7,781)	(8,605)	(9,462)	(10,354)	(10,262)	(10,160)	(10,047)	(9,925)	(10,153)

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 7
Increase in Transmission Wheeling Revenues -- Moving from Base Case to EIS Case
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	(14,092)	(2,046)	(2,120)	(2,197)	(2,276)	(2,357)	(2,296)	(2,230)	(2,160)	(2,086)	(2,134)
Empire	IOU	(2,122)	(308)	(319)	(331)	(343)	(355)	(346)	(336)	(325)	(314)	(321)
KCPL	IOU	(7,606)	(1,104)	(1,144)	(1,186)	(1,228)	(1,272)	(1,239)	(1,204)	(1,166)	(1,126)	(1,152)
OGE	IOU	(7,927)	(1,151)	(1,193)	(1,236)	(1,280)	(1,326)	(1,291)	(1,254)	(1,215)	(1,173)	(1,200)
SPS	IOU	(7,853)	(1,140)	(1,182)	(1,224)	(1,268)	(1,313)	(1,279)	(1,243)	(1,204)	(1,163)	(1,189)
Westar Energy	IOU	(6,999)	(1,016)	(1,053)	(1,091)	(1,130)	(1,171)	(1,140)	(1,108)	(1,073)	(1,036)	(1,060)
Midwest Energy	Coop	(698)	(101)	(105)	(109)	(113)	(117)	(114)	(110)	(107)	(103)	(106)
Western Farmers	Coop	(1,847)	(268)	(278)	(288)	(298)	(309)	(301)	(292)	(283)	(273)	(280)
SWPA	Fed	(1,280)	(186)	(193)	(200)	(207)	(214)	(209)	(203)	(196)	(189)	(194)
GRDA	State	(2,084)	(303)	(314)	(325)	(337)	(349)	(339)	(330)	(319)	(308)	(316)
Springfield, MO	Muni	(678)	(98)	(102)	(106)	(110)	(113)	(110)	(107)	(104)	(100)	(103)
Sub-Total		(53,185)	(7,723)	(8,002)	(8,291)	(8,589)	(8,895)	(8,664)	(8,416)	(8,153)	(7,873)	(8,055)
Other Typical Assessment Paying Members												
AECC	Coop	(1,044)	(152)	(157)	(163)	(169)	(175)	(170)	(165)	(160)	(155)	(158)
Kansas City, KS	Muni	(979)	(142)	(147)	(153)	(158)	(164)	(159)	(155)	(150)	(145)	(148)
OMPA	Muni	(676)	(98)	(102)	(105)	(109)	(113)	(110)	(107)	(104)	(100)	(102)
Independence, MO	Muni	(9)	(6)	(5)	(4)	(3)	(1)	0	2	3	5	5
Sub-Total		(2,708)	(398)	(411)	(424)	(438)	(453)	(439)	(425)	(410)	(395)	(404)
Total of Above		(55,893)	(8,121)	(8,413)	(8,715)	(9,027)	(9,348)	(9,103)	(8,842)	(8,564)	(8,268)	(8,458)
Others												
Cleco Power		10,592	1,695	1,487	1,269	1,040	800	1,298	1,819	2,364	2,932	3,000
City of Lafayette, LA		2,116	339	297	253	208	160	259	363	472	586	599
LEPA		1,211	194	170	145	119	91	148	208	270	335	343
Aquila - MPS/SJ		(56)	(37)	(30)	(23)	(16)	(8)	1	10	19	29	30
Sunflower		-	-	-	-	-	-	-	-	-	-	-
Aquila - West Plains		(665)	(97)	(100)	(104)	(107)	(111)	(108)	(105)	(102)	(98)	(101)
Merchants in SPP		-	-	-	-	-	-	-	-	-	-	-
Rest of Eastern Interconnect		(15,995)	(963)	(1,191)	(1,430)	(1,679)	(1,938)	(2,757)	(3,613)	(4,507)	(5,440)	(5,565)
Grand Total		(58,690)	(6,990)	(7,781)	(8,605)	(9,462)	(10,354)	(10,262)	(10,160)	(10,047)	(9,925)	(10,153)

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 8
Annual SPP Assessments for Implementation and Operation of EIS Market
(Thousands of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	24,099	3,806	4,492	4,491	3,574	3,610	3,649	3,080	3,151	3,224	3,298
Empire	IOU	3,648	576	680	680	541	547	552	466	477	488	499
KCPL	IOU	11,553	1,825	2,154	2,153	1,713	1,731	1,749	1,476	1,511	1,545	1,581
OGE	IOU	18,833	2,974	3,510	3,510	2,793	2,822	2,851	2,407	2,462	2,519	2,577
SPS	IOU	18,015	2,845	3,358	3,357	2,671	2,699	2,728	2,302	2,355	2,410	2,465
Westar Energy	IOU	17,983	2,840	3,352	3,352	2,667	2,694	2,723	2,298	2,351	2,406	2,461
Midwest Energy	Coop	733	116	137	137	109	110	111	94	96	98	100
Western Farmers	Coop	4,189	662	781	781	621	628	634	535	548	560	573
SWPA	Fed	920	145	171	171	136	138	139	118	120	123	126
GRDA	State	2,705	427	504	504	401	405	410	346	354	362	370
Springfield, MO	Muni	2,121	335	395	395	315	318	321	271	277	284	290
Sub-Total		104,801	16,550	19,534	19,532	15,541	15,701	15,867	13,392	13,702	14,019	14,343
Other Typical Assessment Paying Members												
AECC	Coop	2,325	367	433	433	345	348	352	297	304	311	318
Kansas City, KS	Muni	1,622	256	302	302	241	243	246	207	212	217	222
OMPA	Muni	1,943	307	362	362	288	291	294	248	254	260	266
Independence, MO	Muni	856	135	160	159	127	128	130	109	112	114	117
Sub-Total		6,746	1,065	1,257	1,257	1,000	1,011	1,021	862	882	902	923
Total of Above		111,547	17,616	20,792	20,789	16,541	16,711	16,889	14,254	14,584	14,921	15,266
Tariff Admin Fees by others		17,266	2,743	3,215	3,214	2,558	2,584	2,611	2,204	2,255	2,307	2,360
Total EIS Costs		128,813	20,359	24,007	24,003	19,098	19,295	19,500	16,458	16,839	17,228	17,626

Appendix 4-2: Benefits (Costs) by Company for the EIS Market Case (cont.)

Table 9
Costs Incurred Internally by EIS Market Participants
(Thousand of Dollars)

		Present Value	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transmission Owners Under SPP Tariff												
AEP	IOU	26,860	6,063	5,128	4,909	4,692	4,476	2,522	2,580	2,639	2,700	2,762
Empire	IOU	7,936	1,727	1,091	1,106	1,122	1,138	1,154	1,171	1,189	1,207	1,226
KCPL	IOU	15,328	2,624	2,203	2,232	2,283	2,291	2,343	2,397	2,453	2,509	2,567
OGE	IOU	14,739	2,524	2,366	2,356	2,357	2,359	2,021	2,067	2,115	2,163	2,213
SPS	IOU	7,676	1,638	1,452	1,404	1,356	1,308	748	766	783	801	820
Westar Energy	IOU	19,394	3,670	2,986	2,950	2,957	2,966	2,976	2,987	2,605	2,665	2,727
Midwest Energy	Coop	132	138	-	-	-	-	-	-	-	-	-
Western Farmers	Coop	4,989	931	691	707	723	739	756	774	792	810	829
SWPA (A)	Fed	2,472	479	354	353	360	366	371	375	379	383	388
GRDA (A)	State	4,967	942	697	707	721	736	749	763	777	791	805
Springfield, MO (A)	Muni	3,135	595	440	446	455	464	473	481	490	499	508
Sub-Total		107,629	21,330	17,407	17,169	17,026	16,844	14,114	14,361	14,221	14,529	14,844
Other Typical Assessment Paying Members												
AECC	Coop	-										
Kansas City, KS	Muni	-										
OMPA	Muni	-										
Independence, MO	Muni	-										
Sub-Total		-	-	-	-	-	-	-	-	-	-	-
Total of Above		107,629	21,330	17,407	17,169	17,026	16,844	14,114	14,361	14,221	14,529	14,844

A: Estimated based on the cost per mWh of Net Energy for Load of Western Farmers

Appendix 4-3 Costs Incurred for Provision of SPP's Current Functions

1. Introduction

In addition to its long-running role as a NERC reliability council, SPP performs six additional reliability/transmission provider functions for transmission-owning members: reliability coordination, tariff administration, OASIS administration, ATC/TTC calculations, scheduling agent, and regional transmission planning. As part of this cost-benefit study, CRA was asked to evaluate the costs and benefits to SPP transmission owners that result from SPP's provision of these additional functions.

Overall, SPP's provision of these additional functions is estimated to provide cost savings to the eleven transmission owners under the SPP tariff of $46.1 million (January 1, 2006 present value) over the 2006–2015 period. However, as discussed below, individual transmission owner savings vary depending in large part on the extent to which transmission provider functions and responsibilities have been transferred from the transmission owning member's facilities and resources to the SPP. The level of transmission provider functions and responsibilities maintained by an individual transmission owner provides the foundation for self-provision of all transmission provider functions. This foundation varies among the transmission owning members in the SPP.

To perform this evaluation, (1) the specific functions currently performed by SPP were defined, (2) the projected annual charges to each transmission owner for SPP to supply the additional reliability/transmission provider functions were estimated, (3) the annual costs each transmission owner would incur to perform or procure these additional reliability/transmission provider functions if SPP did not provide them were estimated, and (4) the difference between these two sets of costs was calculated to derive the cost saving that each transmission owner obtains from SPP provision of these additional functions. Each of these four steps is described in detail below.

1.1. Additional Functions Currently Performed by SPP

For purposes of this study, SPP's role as a NERC reliability council is defined as SPP Function 1, and it is assumed that SPP would continue to provide this function for member companies. The additional reliability/transmission provider functions currently performed by SPP are categorized as SPP Functions 2 through 7, defined below.

SPP Function 2: Reliability Coordination

As a NERC-recognized reliability coordinator, SPP maintains the reliability of the electric transmission system of its members and has the authority to direct actions required to maintain adequate regional generation capacity, adequate system voltage levels, and transmission system loading within specified limits. SPP also coordinates planned transmission and generation outages with its members and neighbors. The primary method utilized by SPP to relieve excessive loading on transmission facilities is NERC's Transmission Loading Relief (TLR) procedure.

SPP Function 3: Tariff Administration

SPP administers an Open Access Transmission Tariff (OATT) providing regional transmission service in all or part of eight southwestern states. Tariff-related services are as follows: calculating and posting ATC, which is broken out as a separate function below; processing requests for service; performing impact and facility studies; performing generation interconnection studies; providing tariff billing; providing revenue and transmission construction cost recovery distribution; and providing regulatory assistance.

SPP Function 4: OASIS Administration

SPP administers an Open Access Same-time Information System (OASIS) for administration of transmission service, including provision of qualified staff and supervision for day and night coverage and procurement and maintenance of the necessary telecommunications infrastructure to support the service. SPP also maintains and updates various transmission information and OATT business practice documents.

SPP Function 5: ATC/AFC/TTC Calculations

SPP calculates and maintains current and projected ATC/AFC/TTC/TRM figures. SPP utilizes these data to respond to requests for transmission service. SPP also maintain a "Scenario Analyzer" that allows a transmission customer to estimate available transmission capacity.

SPP Function 6: Scheduling Agent

SPP administers and approves regional scheduling through an electronic scheduling system known as RTO_SS (Regional Transmission Organization Scheduling System). SPP acts as a scheduling entity for all interchange transactions using SPP regional transmission service. For one transmission-owning member, SPP provides Control Area level scheduling approval service.

SPP Function 7: Regional Transmission Planning

SPP is responsible for planning, and for directing or arranging, transmission expansions, additions, and upgrades that will enable it to provide efficient, reliable, and non-discriminatory transmission service across the SPP region. SPP also coordinates planning efforts with transmission owners and appropriate state authorities.

1.2 SPP Charges to Transmission Owners for Provision of Functions 2 through 7

SPP estimated the costs it incurs to provide Functions 2 through 7 based directly on its annual budgeting process. In making this estimate, SPP deducted from its total annual budgeted expenditures the budgeted costs associated with the following:

1) Reliability council activities (SPP Function 1)
2) FERC fees that will be assessed directly to SPP rather than to SPP members once SPP is an RTO
3) SPP market development activities related to implementation of an energy imbalance market and other market/RTO development activities

As noted above, it is assumed for purposes of this study that SPP continues to serve as a NERC reliability council (SPP Function 1); these costs are therefore removed from the total SPP budget in arriving at the net cost for SPP provision of Functions 2 through 7. The FERC fees payable to FERC by member companies will be assessed directly to SPP when SPP is an RTO, and then in turn assessed by SPP to member companies. These fees must therefore be removed from the total SPP budget in arriving at the net cost for SPP provision of Functions 2 through 7. Finally, the SPP budget includes significant expenditures to develop and implement the Energy Imbalance market and further market/RTO development. These costs must therefore also be removed from the total SPP budget in arriving at the net cost for SPP provision of Functions 2 through 7.

The SPP budgets for 2006 and 2007 were analyzed. The total SPP budget for 2006 is $55.7 million. The net amount attributable to provision of SPP Functions 2 through 7 was estimated to be $21.6 million. Similarly, the total SPP budget for 2007 is $63.0 million, of which $23.2 million was estimated to be attributable to provision of SPP Functions 2 through 7. SPP annual budget projections are available only through 2007. Expenditures by SPP for Functions 2 through 7 thereafter are assumed to increase at the general rate of inflation.

The eleven transmission-owning members under the SPP tariff pay membership fees, NERC assessments, and SPP assessments to SPP. The membership fees and NERC assessments are intended to compensate SPP for expenditures related to reliability council activities (SPP Function 1). Remaining SPP expenditures are recovered through an SPP assessment for many SPP members (including all eleven transmission owners under the SPP tariff) along with Schedule 1 tariff fees for other SPP members and customers.[1]

The total SPP projected costs for Functions 2 through 7 were allocated individually to the eleven SPP transmission owners under the SPP tariff using each owner's share of the annual total SPP Assessment.[2] For example, American Electric Power was allocated 18.7%, or $4.0 million, of the $21.6 million in SPP costs incurred in providing Functions 2 through 7 in 2006.

1.3 Transmission Owner Costs to Perform/Procure SPP Functions 2 Through 7 if Not Provided by SPP

To perform this evaluation, each SPP transmission owner was asked to estimate the additional costs it would incur over the 2006–2015 period to perform or procure the six additional functions currently performed by SPP.

These additional costs were separated into salaries, benefits, other O&M, and capital additions. By default, SPP budget estimates for the provision of Functions 2 through 7 include administrative and general (A&G) expenditures (e.g., office space and supplies) incurred at SPP. A similar application of A&G expenditures must therefore be added to the transmission owner costs. Using historical A&G (net of benefits) to salary ratios at each transmission owner, A&G expenditures were estimated by applying these ratios to the salary costs estimated by each transmission owner.[3]

CRA converted these wage, benefits, other O&M, capital additions, and A&G inputs into the annual revenue that would be required for each transmission owner to perform or procure the six additional functions currently performed by SPP. To arrive at the annual revenue requirement, capital additions were depreciated over the expected book life of each asset acquired, and return, associated income taxes, and property taxes were applied.

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[1] Those members paying a SPP Assessment are also assessed Schedule 1 charges; payment of these Schedule 1 charges is credited against the member's SPP Assessment.

[2] Each member's SPP Assessment is based on the member's share of the total SPP Schedule 1 billing units and total SPP member load eligible to take, but not taking, Network Integration Transmission Service.

[3] A similar method is traditionally used to assign A&G expenditures to the transmission function in developing OATT transmission rates, meaning that these additional A&G costs would be assigned to transmission in determining transmission rates if these costs were incurred by the transmission owner. While it is plausible that incremental short-term expenditures at the transmission owner would not cause a commensurate increase in transmission owner A&G costs, given that this study encompasses a 10-year horizon and that transmission owner costs are being compared to SPP costs that include a full allocation of A&G, a full allocation of A&G was also applied to transmission owner costs.

To refine the data, CRA made follow-up data requests and met with respondents to evaluate the assumptions applied by each transmission owner.

Each transmission owner faces a unique situation in performing these additional functions, depending on the tasks it currently performs. Some transmission owners, such as Midwest Energy, perform little in the way of transmission-related operating functions, and would have to expend considerable sums to develop the capabilities to perform these functions. Others, based on particular aspects of their control area, continue to perform some transmission-related tasks, and adding new functions would require smaller incremental expenditures.

Summarized below are some of the key factors that drive the additional costs that would be incurred by each transmission owner.[4] The transmission owners are grouped first by those currently under the SPP tariff, and next by other responding transmission owners.

1.3.1 Transmission Owners Under the SPP Tariff

American Electric Power (AEP)

The AEP-west control area located in SPP comprises Public Service of Oklahoma, Southwestern Electric Power Company, and a small portion of AEP Texas North Company. For Functions 2 (Reliability Coordinator) and 5 (ATC/AFC calculations), AEP estimated its additional costs for the AEP-west control area if SPP did not provide these functions using the amounts it paid PJM to provide similar services in the AEP-east control area. For Function 3 (Tariff Administration), SPP had performed these services under contract for the AEP-east control area, and these costs were used as an estimate for the AEP-west control area. In addition, it was estimated that one full-time equivalent (FTE) employee would be required to perform the incremental billing functions associated with Function 3. With regard to Function 4 (OASIS Administration), AEP's hardware and support costs for the AEP-east OASIS were used to estimate the cost if AEP-west were to perform this function. AEP estimates that it would require eight additional FTEs in the AEP-west control area to perform Functions 6 (Scheduling) and 7 (Regional Transmission Planning). Due to the combined operation of the AEP-west control area, cost and staffing figures were developed jointly for the three individual AEP-west operating companies.

Empire

SPP provides complete tariff services for Empire. Empire's five transmission operators spend only a small fraction of their time on Reliability Coordination (Function 2), and approximately three Empire District FTEs complement the services SPP provides to Empire for Functions 3 through 7. If SPP were to not supply Functions 2 through 7 to Empire, the utility estimates that nine additional FTEs would be needed. In addition, $250,000 in capital costs would be incurred for computer hardware, software, and licenses in 2006.

Grand River Dam Authority

Grand River Dam Authority did not provide information for Part 1 of this study. For purposes of this study, costs were estimated using the average cost per net energy of load derived for the other non-investor-owned transmission owners under the SPP tariff (Midwest Energy, Southwestern Power Administration, and Western Farmers).

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[4] The assumptions provided are solely for the analytic purposes defined in this study, and do not imply that any entity would be adding or removing staff based upon any outcome of this study.

Kansas City Power & Light

Kansas City Power & Light currently sells only network service under its existing OATT. It estimates that its would require nineteen additional FTEs to perform the services now provided by SPP for Functions 2 through 7. In addition, $975,000 would be required for the purchase of OASIS, tariff administration, and accounting hardware and software in 2006.

Midwest Energy

Midwest Energy relies on SPP for provision of Functions 2 through 7, and has minimal staff and associated equipment related to these functions. Midwest Energy does not sell any new service under its existing tariff, and does not operate its own independent OASIS site. Midwest Energy estimates that it would require seven FTEs to perform these SPP functions internally. In addition, $670,000 in capital costs would be incurred for computer hardware and software in 2006.

Oklahoma Gas & Electric

Oklahoma Gas & Electric currently uses Open Access Technology International (OATI) and RTO_SS on its system, and estimates that it would require seventeen additional FTEs if it were to perform Functions 2 through 7 internally. Some additional payments to OATI would be required. In addition, an estimated $700,000 in start-up costs and expenditures for new computer hardware and software would be required in 2006.

Southwestern Public Service

An additional thirteen FTEs would be required at Southwestern Public Service to perform Functions 2 through 5 and Function 7. Scheduling (Function 6) would probably be procured from OATI at roughly $35,000 per year if not obtained from SPP. Some additional labor would be required to coordinate with OATI. OASIS administration would require labor for set-up and maintenance in addition to hardware/software expenses. Additional expenditures of $25,000 for computer hardware and software in 2006 also would be required to perform these functions.

Southwestern Power Administration

The costs that Southwestern Power Administration would incur for Function 2 (Reliability Coordination) and Function 4 (OASIS Administration) were estimated on the assumption that these functions would be procured from the Tennessee Valley Authority. Existing Southwestern Power Administration staff would perform the four other SPP functions without a further increase in staffing.

Springfield, Missouri

City Utilities of Springfield, Missouri did not provide information for Part 1 of this study. For purposes of this study, costs were estimated using the average cost per net energy of load derived for the other non-investor-owned transmission owners currently under the SPP tariff (Midwest Energy, Southwestern Power Administration, and Western Farmers).

Westar Energy

Westar Energy does not sell any new service under its existing tariff, performs few functions on its OASIS system, and does only minor work with respect to calculating ATC/AFC on its system.[5] It estimates that it would require nineteen additional FTEs, including IT support, to perform Functions 2 through 7. In addition, roughly $1 million in capital costs would be incurred for the purchase of OASIS, tariff administration, scheduling, and accounting hardware and software in 2006.

Western Farmers

Western Farmers estimates that it would require three additional FTEs, $35,000 per year in additional O&M, and capital investment of $160,000 to provide Functions 2 through 7.

1.3.2 Other Control Area Operators Paying a SPP Assessment

The Board of Public Utilities of Kansas City, Kansas, and City Power and Light, of Independence, Missouri, did not provide information for Part 1 of this study. For purposes of this study, costs were estimated using the average cost per net energy of load derived for the other non-investor-owned transmission owners currently under the SPP tariff (Midwest Energy, Southwestern Power Administration, and Western Farmers).

1.4 Results

Table 1 lists the cost savings over 2006–2015 that would result from the SPP provision of Functions 2 through 7.[6] The total cost savings to the Transmission Owners under the SPP Tariff are $46.1 million (January 2006 present value) over this period. Table 2 provides annual detail for the cost savings over the 2006-2015 period. Table 3 gives further details on the calculation of the SPP charges for Functions 2 through 7.

Savings vary from owner to owner because of the specific characteristics noted above regarding their respective control areas. Midwest Energy and Westar rely on SPP for nearly all responsibilities related to Functions 2 through 7 and thus would incur considerable additional costs if SPP were no longer to supply these functions. Oklahoma Gas & Electric and Southwestern Public Service continue to supply certain transmission-related functions that could be used as a foundation for performing Functions 2 through 7, and thus their resulting savings, while significant, are lower. On the low end of cost savings, AEP's costs to procure or supply Functions 2 through 7 are roughly in line with the costs that AEP would be charged by SPP for provision of these functions, and Western Farmers' costs would be somewhat lower under self-provision.

As a general observation, most transmission owner projections are based on a presumption that transmission functions currently performed internally by each owner would continue over the next 10 years. However, over the longer term, additional responsibilities might be transferred to SPP, creating opportunities for greater cost savings than estimated here.

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[5] Westar Energy administers only a few grandfathered Transmission Service Agreements. All new requests for transmission service in the Westar Energy system are submitted to and processed by SPP according to the SPP OATT.

[6] A discount rate of 10% was applied to obtain present values.

Table 1

Costs Incurred for Provision of SPP Functions 2 through 7, 2005-2014

Millions of January 1, 2006 Present Value Revenue Requirement Dollars

		SPP Provides Functions 2 to 7	Transmission Owners Provide/Procure Functions 2 to 7	Additional Cost If StandAlone
Transmission Owners Under SPP Tariff				
AEP	IOU	28.9	28.8	(0.1)
Empire District	IOU	4.4	5.1	0.7
Kansas City Power & Light	IOU	13.8	24.7	10.8
Oklahoma Gas & Electric	IOU	22.6	26.3	3.7
Southwestern Public Service	IOU	21.6	24.8	3.3
Westar	IOU	21.6	35.2	13.6
Midwest Energy	Coop	0.9	8.7	7.8
Western Farmers	Coop	5.0	3.9	(1.1)
Southwestern Power Authority	Fed	1.1	1.1	0.0
Grand River Dam Authority	State	3.2	8.1	4.8
City of Springfield	Muni	2.5	5.1	2.5
Total		125.6	171.7	46.1
Other Control Area Operators				
Board of Public Util.,Kansas City	IOU	1.9	3.4	1.5
City P&L, Independence, MO	IOU	1.0	1.5	0.5

Table 2: Cost Incurred for Provision of SPP Functions 2 Through 7

STAND ALONE COST FOR UTILITY TO PERFORM/PROCURE FUNCTIONS 2-7 (000$)

	PrValue	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOs Under the SPP Tariff											
IOU AEP	28,806	4,337	4,154	4,250	4,348	4,448	4,550	4,654	4,762	4,871	4,983
IOU Empire District	5,079	819	821	824	721	737	754	771	789	807	826
IOU KCPL	24,661	3,940	3,388	3,466	3,546	4,315	3,711	3,796	3,884	4,726	4,064
IOU OGE	26,292	4,008	4,011	4,065	3,881	3,969	4,051	4,144	4,240	4,337	4,437
IOU SPS	24,842	2,715	3,573	3,920	4,033	4,091	3,975	4,234	4,316	4,399	4,484
IOU Westar	35,165	5,190	5,269	5,357	5,386	5,487	5,438	5,563	5,691	5,822	5,956
Coop Midwest Energy	8,701	1,385	1,397	1,409	1,422	1,231	1,259	1,287	1,316	1,346	1,377
Coop Western Farmers	3,924	566	586	596	608	619	630	617	631	645	661
Fed SWPA	1,111	158	162	165	169	173	177	181	185	190	194
* State GRDA	8,055	1,237	1,258	1,273	1,290	1,186	1,211	1,223	1,251	1,279	1,309
* Muni City of Springfield	5,085	781	794	804	814	749	765	772	790	807	826
Total	171,720	25,137	25,413	26,131	26,217	27,006	26,521	27,245	27,854	29,230	29,116
Other Control Area Operators											
* Muni KACY	3,424	526	535	541	548	504	515	520	532	544	556
* Muni INDN	1,481	227	231	234	237	218	223	225	230	235	241

* *Based on average $/MWh costs for WesternFarmers, Midwest Energy and SWPA.*

SPP ASSESSMENT FOR FUNCTIONS 2-7 (000$)

	PrValue	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOs Under the SPP Tariff											
IOU AEP	28,881	4,035	4,350	4,289	4,388	4,488	4,592	4,697	4,805	4,916	5,029
IOU Empire District	4,372	611	659	649	664	680	695	711	727	744	761
IOU KCP&L	13,846	1,934	2,085	2,056	2,103	2,152	2,201	2,252	2,304	2,357	2,411
IOU OGE	22,570	3,153	3,399	3,352	3,429	3,508	3,588	3,671	3,755	3,842	3,930
IOU SPS	21,589	3,016	3,252	3,206	3,280	3,355	3,432	3,511	3,592	3,675	3,759
IOU Westar	21,551	3,011	3,246	3,200	3,274	3,349	3,426	3,505	3,586	3,668	3,753
Coop Midwest Energy	879	123	132	131	134	137	140	143	146	150	153
Coop Western Farmers	5,020	701	756	745	763	780	798	816	835	854	874
Fed SWPA	1,102	154	166	164	167	171	175	179	183	188	192
State GRDA	3,241	453	488	481	492	504	515	527	539	552	564
Muni City of Springfield	2,542	355	383	378	386	395	404	413	423	433	443
Total	125,595	17,548	18,916	18,651	19,080	19,519	19,968	20,427	20,897	21,378	21,869
Other Control Area Operators											
Muni KACY	1,944	272	293	289	295	302	309	316	324	331	339
Muni INDN	1,026	143	154	152	156	159	163	167	171	175	179

ADDITIONAL COST IF STANDALONE (000$)

	PrValue	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOs Under the SPP Tariff											
IOU AEP_SPP	(75)	302	(195)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
IOU EmpireDistrict	707	208	163	175	56	58	59	60	62	63	65
IOU KCPL	10,815	2,005	1,303	1,410	1,442	2,163	1,510	1,544	1,580	2,369	1,653
IOU OGE	3,722	854	611	713	452	461	463	473	484	495	507
IOU SPS	3,252	(301)	321	714	753	736	543	723	724	725	725
IOU Westar	13,614	2,179	2,023	2,157	2,112	2,138	2,012	2,058	2,105	2,154	2,203
Coop MWEnergy	7,822	1,263	1,265	1,279	1,289	1,094	1,119	1,144	1,170	1,197	1,224
Coop WesternFarmers	(1,096)	(135)	(170)	(149)	(155)	(161)	(168)	(199)	(204)	(209)	(213)
Fed SWPA	9	4	(4)	2	2	2	2	2	2	2	2
State GRDA	4,814	784	770	792	797	683	696	696	711	727	744
Muni City of Springfield	2,543	426	411	426	428	354	361	359	367	375	383
Total	46,125	7,589	6,497	7,480	7,137	7,487	6,553	6,818	6,957	7,852	7,247
Other Control Area Operators											
Muni KACY	1,479	254	242	252	253	202	206	204	208	213	218
Muni INDN	455	84	77	82	81	59	60	58	59	61	62

Table 3: SPP Assessments for SPP Functions 2 through 7

			2006 Projection			2007 Projection
Total SPP Budgeted Costs			55,675,550			63,043,003
less Member Fees			(1,100,000)			(1,100,000)
less NERC Assessment			(723,180)			(737,644)
less FERC Fees Assessment			(7,344,000)			(7,490,880)
less Miscellaneous Income			(1,080,000)			(1,080,000)
SPP Assessment Required			45,428,368			52,634,477
less Market Development costs			(23,842,553)			(29,388,064)
SPP Assessments for Functions 2-7			21,585,815			23,246,413

Members Paying SPP Assessment	2006 Assessments	Share	Cost for Functions 2-7	2007 Assessments	Share	Cost for Functions 2-7
AEP - SWEPCO & PSO	8,417,687	18.7%	4,035,126	9,848,694	18.7%	4,349,750
Oklahoma Gas & Electric Company	6,578,373	14.6%	3,153,427	7,696,696	14.6%	3,399,304
Southwestern Public Service Company	6,292,501	14.0%	3,016,391	7,362,226	14.0%	3,251,583
Westar Energy-(KGE&KPL)	6,281,445	13.9%	3,011,091	7,349,291	14.0%	3,245,870
Kansas City Power & Light Company	4,035,525	9.0%	1,934,480	4,721,564	9.0%	2,085,314
Western Farmers Electric Cooperative	1,463,161	3.2%	701,385	1,711,898	3.3%	756,073
Empire District Electric Company	1,274,376	2.8%	610,888	1,491,020	2.8%	658,520
Grand River Dam Authority	944,732	2.1%	452,869	1,105,336	2.1%	488,180
Arkansas Electric Cooperative Corporation	811,947	1.8%	389,217	949,978	1.8%	419,565
Southwestern Power Administration	321,233	0.7%	153,987	375,843	0.7%	165,994
City Utilities, Springfield, Missouri	740,965	1.6%	355,191	866,929	1.6%	382,886
Board of Public Util., Kansas City,KS	566,724	1.3%	271,666	663,067	1.3%	292,849
Oklahoma Municipal Power Authority	678,595	1.5%	325,293	793,956	1.5%	350,657
East Texas Electric Coop.	89,517	0.2%	42,911	104,735	0.2%	46,257
Northeast Texas Electric Coop.	775,511	1.7%	371,751	907,348	1.7%	400,737
Tex-La Electric Coop. of Texas	113,975	0.3%	54,635	133,351	0.3%	58,895
Kansas Electric Power Coop. (KEPCo)	279,516	0.6%	133,990	327,034	0.6%	144,437
City Power & Light, Independence,Missouri	298,920	0.7%	143,291	349,736	0.7%	154,464
Midwest Energy, Inc.	256,192	0.6%	122,809	299,745	0.6%	132,385
	40,220,895	89.3%	19,280,398	47,058,447	89.4%	20,783,720
Tariff Admin Fees paid by other customers	4,809,335	10.7%	2,305,416	5,576,030	10.6%	2,462,696
TOTAL	45,030,230	100.0%	21,585,814	52,634,477	100.0%	23,246,416

Appendix 4-4 Costs Incurred Internally by EIS Market Participants

In addition to assessments for SPP expenditures, participants in the EIS market will incur significant expenditures for increased labor and for computer hardware and software. In response to a data request by CRA, each potential EIS market participant provided a detailed estimate of the additional annual labor, O&M, and capital costs that would be required over the study period to participate in the EIS market. CRA converted these costs to annual revenue requirements and are summarized in Table 2-6 in Appendix 4-2.

CRA discussed the responses to its data request with respondents to help ensure consistency in approach. Table 1 summarizes the additional annual FTEs and labor and benefit costs for the year 2008 estimated by each participant. The table also lists the projected capital costs over the entire study period.

Table 1

Incremental Costs Incurred Internally by EIS Market Participants

(Thousands of 2005 Dollars)

Summary of 2008 Expenses by Company

	AEP	Empire	KCPL	OGE	SPS	Westar	WFEC
Incremental FTEs							
Project Management	-	-	1.0	-	-	-	-
Business	12.0	3.0	10.3	2.5	6.0	-	2.0
IT	3.0	3.0	2.5	1.8	1.0	4.0	1.0
Other	-	1.0	-	4.0	-	-	1.0
Total	15.0	7.5	13.8	8.3	8.3	15.0	4.0
Incremental Expenses (K$)							
Direct Labor (Wages)	800	450	1,089	796	420	1,245	250
Benefits	400	180	436	282	168	495	120
SubTotal	1,200	630	1,525	1,078	1,078	1,740	370
Other O&M							
Professional Services	-	50	30	-	-	25	250
Travel	-	10	38	10	15	7	10
Software/hardware	1,000	150	317	124	50	400	-
Other (specify)	-	5	175	-	-	-	-
SubTotal	1,000	215	560	134	65	432	260
Incremental A&G	-	-	-	551	-	-	30
Total Expenses	2,200	845	2,085	1,763	653	2,172	660

Summary of 2006-14 Capital Additions by Company

(including start-up capital spent in late 2005)

	AEP	Empire	KCPL	OGE	SPS	Westar	WFEC
Total Capital Additions	8,700	1,200	-	1,625	2,500	2,500	-

Cost estimates vary considerably from participant to ırticipant, in large part because each participant has a different perspective on how it will ıterface with the IES market and on the amount of risk it will take on in undertaking active nnagement of its IES market participation.

Three transmission owners under the SPP tariff (GRA, SWPA and City of Springfield) did not provide data, and their additional costs were estimad using the average cost per MWh for Western Farmers. No data are available for the costhat might be incurred by EIS market participants that are not transmission owners underne SPP tariff. While these costs likely exist, no cost has been included in this study for these pacipants.