

Southwest Power Pool

How's It Going?

Wind Power 2010
3rd Annual Nebraska Wind Conference
November 9 & 10, 2010

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Vice President and Chief Operating Officer



Observations

- Cut-over to SPP on April 1, 2009 went relatively smooth. Getting the market engine to restart was the major issue.
- NPPD had growing pains with the software that we are using to enter information into the market. All issues were ultimately resolved with assistance from TEA.
- Our move to SPP was in the midst of a retracement in natural gas prices (and hence off-system market prices).

NG F1 [10]

LAST: 4.147

CHANGE: ▼ 0.118

HIGH: 4.402

LOW: 4.138

11/1/2010



Observations

- Immediate transmission benefits were realized through the inclusion of several NPPD projects (including a 345 kV line) in SPP's base plan funding mechanism.
- One of NPPD's most troublesome constraints (Western Nebraska – Western Kansas) was included in SPP's Balanced Portfolio set of projects and is slated for in-service in late 2012.
- Operating in SPP is much more complex from many aspects. NPPD staff involved in many committees.

Observations

- Bottlenecks into SPP (including WNE – WKS and Cooper South) have caused extreme fluctuations in market prices, at times exposing NPPD to large negative pricing.
- Congestion and TLRs have increased, most likely due to more wind generation and hydro generation (WAPA).
Would exist whether we were in or out of SPP.
- Shortly after the Nebraska companies joined SPP, SPP embarked upon a complete redesign of their study and cost recovery efforts – ITP (planning) and highway/byway rate.

Observations

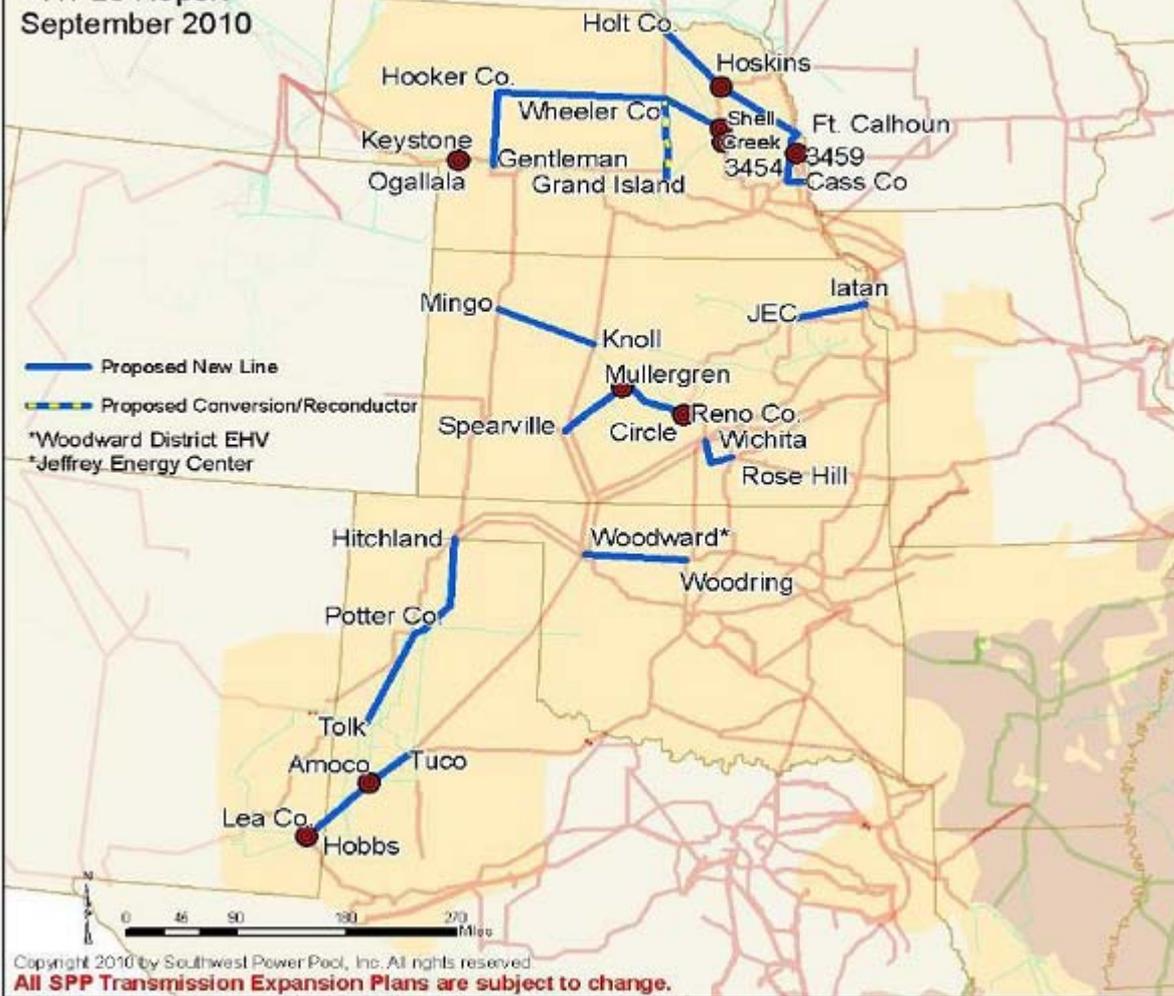
- Highway/byway methodology much like TransLink's highway/zone, except that SPP's highway costs would be spread 100% across all SPP members.
- Nebraska utilities and 10 other SPP members presented an alternate proposal that would share highway costs between the entire footprint AND local zones.
- Nebraska utilities and 2 Missouri SPP members filed a protest at FERC in an attempt to get the 100% allocation reduced. FERC accepted SPP's proposal & NPPD has asked for a rehearing.

What's Next

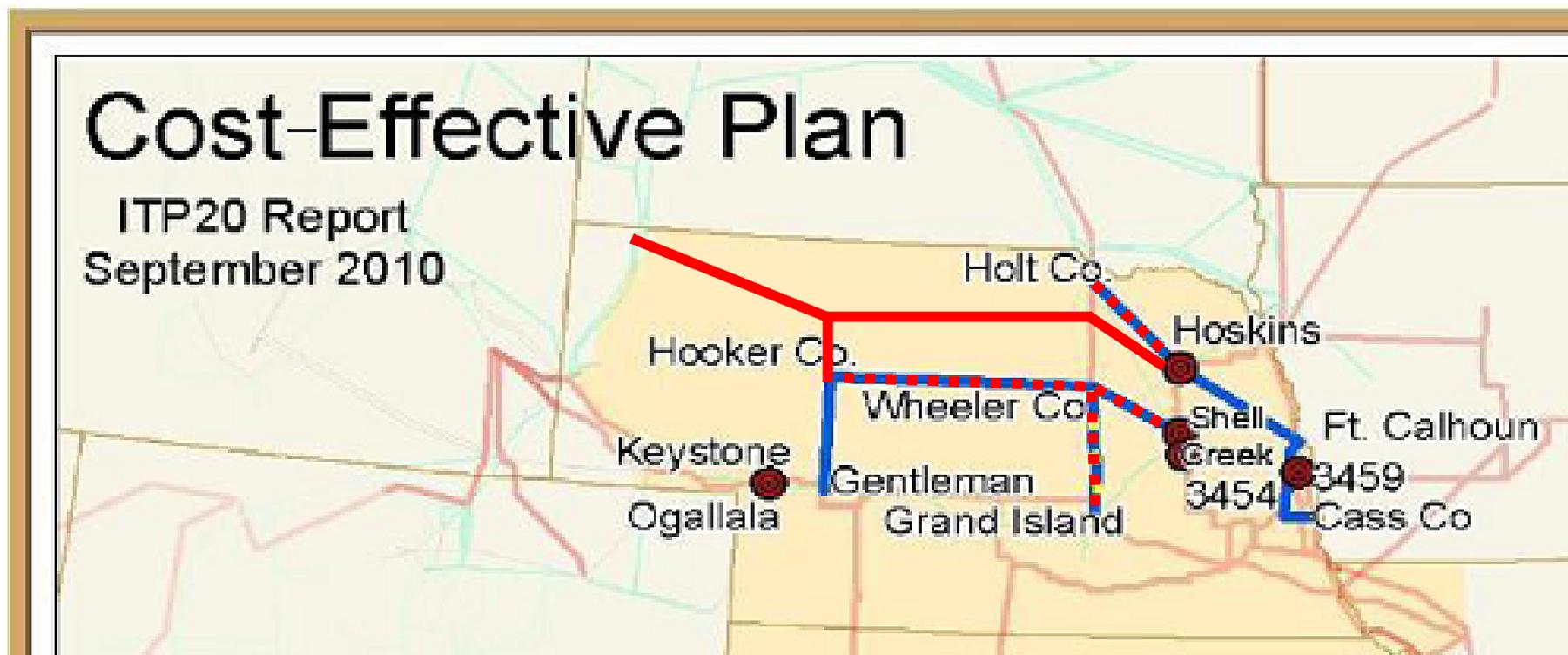
- SPP is moving ahead with the design of its “Day 2” market. Estimated cost of \$300M. Ensuring that the projected benefits (\$100M/year) justify the cost will be challenging.
- SPP appears committed to transmission expansion within the footprint. How the Integrated Transmission Planning process is implemented will be critical.
- Costs (transmission, market, new buildings) are beginning to get the Board's and RSC's attention.

Cost-Effective Plan

ITP20 Report
September 2010



NPPD's Suggested Changes



What's It All Mean?

- SPP's move to the Highway/byway rate has rocked the boat, but probably won't sink it.
- We're on course to fix bottlenecks that we've struggled with for years.
- SPP's Integrated Transmission Planning process may provide a pathway to the development of more transmission within Nebraska.

What's It All Mean?

- Given the uncertainty with carbon legislation and future fuel sources, transmission access is critical. We simply don't know what the favored fuel(s) will be, but we need to ensure that we have access to them and markets.
- While we don't agree with everything that's going on within the SPP, we believe that being on the inside with a vote is better than being on the outside.



Questions?

