

Attachment AA Transmission Service Prepayment Cash Flow Procedures

Transmission Service Prepayment:

Attachment AA allows Transmission Customers to make Transmission Service prepayments for the Transmission Provider's use in expanding the Transmission System. Interested customers shall complete the Attachment AA Prepaid Transmission Service form as posted on OASIS to request specific flowgate upgrades and wire the prepayment to SPP.

Qualifications:

- Transmission Customers must have had at least \$50,000 in total charges during the prior calendar year to participate.

Prepayment Requirements and Balance Limits:

- A Customer's initial prepayment deposit must be not less than \$50,000.
- The total individual Transmission Customer prepayment shall be capped at the greater of either \$50,000 or the largest monthly aggregate charge paid by the Customer for services under Schedules 7 and 8 during the prior 6 months.
- As a Customer's prepayment funds are expended, the Customer may make additional prepayments up to the caps stated above.

Note: Customer's Schedule 7 and 8 charge amounts are posted on the SPP OASIS website.

The Transmission Provider shall use the prepayment made to improve the transmission system. The Transmission System improvements made shall relieve constraints that limit transmission service and shall be based on upgrading Available Transfer Capability. The Transmission Provider shall maintain a list of system flowgate upgrades on OASIS that would improve Available Transfer Capability. The Funds provided by the Transmission Customer under this procedure shall be deposited in an escrow account. Transmission Customers shall receive interest on the balance in the escrow account .

Once prepayment funds are received, the Transmission Provider shall study Customer requested flowgate upgrades along with SPP determined supplemental flowgates and post the results on OASIS. The decision to upgrade the recommended flowgates will be made by the Transmission Provider with input from the Transmission Customer and Transmission Owner.

Prepayment funds from various customers may be aggregated to provide adequate funds required for specific upgrades.

Cash Flow Procedure to Transmission Owners for Assigned Upgrades:

The Transmission Provider shall direct the Transmission Owner to construct the determined system upgrades via a letter of authorization to construct. This letter will be issued to the Transmission Owner by the Director of Engineering as soon as study recommendations are posted. This letter will list the assigned upgrades with associated cost estimates. The Transmission Provider and the Transmission Owner will coordinate the timing, costs, payment schedule and conditions for the upgrade.

The Transmission Owner shall upgrade the facilities and provide SPP the new flowgate Summer and Winter Rate B ratings along with the in-service date. This data shall be provided to SPP at the completion of the upgrade using the email address ENGModelChanges@spp.org. The Transmission Owner shall also provide SPP with actual costs (utilizing the attached SPP detailed cost estimate form) for reimbursement. These upgrades should be completed as soon as practicable. The Transmission Owner shall contact SPP if they cannot complete the upgrade requests within one calendar year of receipt of the authorization to construct.

Any SWPA Flowgate upgrades will require the prepayment be paid up front prior to construction. SWPA will provide a true up after completion of construction using the SPP cost estimate form.

After SPP Engineering reviews the actual cost breakdown, the form will be sent to SPP accounting for payment in the current month. Accounting will credit to transmission service billing the Transmission Owner actual costs and begin applying the customer's credits as detailed below.

In SPP staff's opinion, the payments made to the Transmission Owners for system upgrades under Attachment AA are not classifiable as Contribution in Aid of Construction (CIAC). These payments are for prepayment of transmission service under Attachment AA and as such are a pooling of funds from various Transmission Customers for upgrades that are not directly assignable to the benefit of one customer alone. Credits are provided for payments in excess of the normally applicable base rate and such payments are repaid as future transmission service is sold using the system upgrades.

Procedure to credit Transmission Customers who prepay for transmission services:

The Transmission Customers who make a prepayment shall receive future credit for transmission services provided under Schedules 7 and 8. The credit shall be provided at the same time and in the same amount as expenditures are made from the escrow account for the upgrades. If construction expenditures have not been made, the crediting shall begin one year after the date of receipt. The Transmission Customer shall receive a credit on all portions of schedule 7 and 8 service that do not already provide for system upgrades. This shall continue on a monthly basis until the Transmission Customer has received full credit back for the amount of prepayment made. Transmission Customers shall receive interest on the balance in the escrow account.

Example of Attachment AA service request

Customer X has \$1,000,000 in Sch 7 and 8 service in past 12 months and thus meets qualifications for prepayment transmission service.

The largest monthly payment in the past 6 months for Sch 7 and 8 is \$100,000.

Thus, the maximum amount customer X can keep in the account is \$100,000. This is the amount customer X wires to SPP.

Customer requested the following flowgates be upgraded:

- 1. Flowgate A \$90,000 estimate**
- 2. Flowgate B \$500,000**

SPP performs the study with input from customer and transmission owners and posts results on OASIS showing cost of upgrades and new limits.

Criteria used in the evaluation of upgrades includes :

- Substantially increases revenue stream**
- Reduces TLR**
- Adequate amount in aggregate of all customers' escrow accounts to fund upgrade**

SPP will also review supplemental flowgates upgrades in addition to those requested by customer to determine benefits achieved.

In this scenario, Flowgate A is selected after review with the Transmission Owners. The Transmission Owner is notified to construct the upgrade via a letter of authorization to construct. The letter will give a time frame when the upgrade is required along with request for the actual cost data.

The Transmission Owner completes the upgrade and submits SPP the cost breakdown form to Tariff Studies. The total cost is \$110,000. Tariff Studies provides this cost breakdown to Accounting for Transmission Owner reimbursement.

Since actual cost is more than the deposit, the Transmission Owner is repaid as follows:

SPP will take \$100,000 from Customer X's account and \$10,000 from Customer Y's prepayment account, if available, to repay the Transmission Owner. The payment will be made via ACH. If \$10,000 is not available from the aggregate total of all AA customer's account's then SPP would ask for \$10,000 more be added to the account from customer X.

Once the Transmission Owner is repaid, the total corresponding credits for future transmission service would be \$100,000 for customer X and \$10,000 for customer Y. Credits will be applied on a monthly basis for any schedule 7 or 8 service acquired until the total amount is reimbursed.

If customer X chooses to replenish the escrow account, they may do so in any amount up to the \$100,000 cap.

The transactions would be accounted by SPP as follows:

- 1. Customer X makes \$100,000 prepayment as deposit to SPP.*
SPP records asset as debit to cash and obligation as credit to customer deposit. Interest earned on the escrow account is distributed by SPP to the customer on a quarterly basis.
- 2. Transmission Owner completes upgrade and supplies actual cost data of \$110,000.*
SPP obtains additional \$10,000 from customer X and debits cash and credits customer deposit accounts. SPP transfers \$110,000 to transmission owner. SPP records \$110,000 credit to cash and debit to transmission customer deposit account.
- 3. Transmission Customer is credited \$110,000 for future transmission service.*
SPP credits accounts receivable and debits all transmission owner accounts in future months for Schedules 7 & 8 transmission service that does not already provide for facility upgrades, until customer X is fully credited for \$110,000. If \$10,000 of escrow had been available for customer Y, this amount would have been used to pay the Transmission Owner in full rather than requesting the additional payment from customer X. SPP would credit accounts receivable for customer Y and debit all transmission owner accounts in future months for Schedules 7 & 8 transmission service that does not already provide for facility upgrades, until customer Y is fully credited for \$10,000.

Request Form for Attachment AA Service as posted on OASIS

Attn: Dickie Hooton

SOUTHWEST POWER POOL

ATTACHMENT AA

PREPAID TRANSMISSION SERVICE

Attachment AA Prepaid Transmission Service will be implemented on July 1, 2004 subject to final FERC action in Docket ER04-833-000.

This form provides for the prepayment of transmission service where the funds will be used for the construction of transmission system improvements under Attachment AA of the Southwest Power Pool Tariff. Complete this form and email it to (dhooton@spp.org) or fax to 501-664-9553.

Customer Qualification:

- Customers are required to have paid at least \$50,000 in Schedules 7 and 8 charges during the past calendar year to participate in the Prepaid Transmission Service Program.

Prepayment Requirements and Balance Limits:

- A Customer's initial prepayment deposit must be not less than \$50,000.
- A Customer's prepayment balance cap will be at least \$50,000.
- A Customer's maximum prepayment balance cap is equal to the customer's largest monthly amount paid for Schedules 7 and 8 charges during the prior six months.
- As a Customer's prepayment funds are expended, the Customer may make additional prepayments up to the caps stated above.

Note:

- Customers' Schedule 7 and 8 charges amounts are posted on the SPP OASIS website.

Date: _____

Prepayment Amount: _____

Transmission Customer: _____

Customer Contact Information - Name: _____

Phone Number: _____

Wire payment to: US Bank

6320 West Markham Street

Little Rock, AR 72205

Routing/ABA Number: 082000549

To: Southwest Power Pool, Inc.

Account Number: *(Customer Prepayment Deposit Account Number)

* If this is your first time to make a deposit, we will open a new deposit account and contact you with the account number.

Requested Flow gate Upgrade:

Summary of Attachment AA process for Transmission Owners with Assigned Upgrades:

The Transmission Provider will request flowgate upgrade cost estimates from the Transmission Owners with associated new ratings.

Once prepayment funds are received, the Transmission Provider shall study the Customer requested flowgate upgrades along with SPP determined supplemental flowgates and post the results on OASIS. The decision to upgrade the recommended flowgates will be made by the Transmission Provider with input from the Transmission Customer and Transmission Owners.

After the upgrades have been assigned, the Transmission Provider shall direct the Transmission Owner to construct the determined system upgrades via a letter of authorization to construct. This letter will be issued to the Transmission Owner by the Director of Engineering as soon as study recommendations are posted. This letter will list the assigned upgrades with associated cost estimates. These upgrades should be done as soon as practicable. The Transmission Owner shall contact SPP if they cannot complete the upgrade requests within one calendar year of receipt of the authorization to construct.

The Transmission Owner shall upgrade the facilities and provide SPP Engineering with **the new flowgate Summer and Winter Rate B ratings, in- service date**, and actual costs (utilizing the attached SPP detailed cost estimate form) for reimbursement. The Transmission Owner may determine to send multiple cost reimbursement requests throughout the construction process. In any case, the final detailed breakdown of upgrade costs shall be returned within 60 days of completion of construction.

SPP Engineering will compare the actual cost breakdown to the original estimate for consistency. After this review, the actual cost data will be sent to SPP accounting for payment. Accounting will wire the upgrade reimbursement using ACH funds.



Transmission Network Upgrade Cost Estimate for Attachment AA

SPP Study Number

SPP-

Date of Estimate

5/1/04

Description of Network Upgrade

Replace Wavetrap

	<u>Additions</u>	<u>Retirements</u>
MATERIAL & SUPPLIES	\$ -	
COMPANY LABOR	-	
CONTRACT-LABOR	-	-
CONTRACT-TREE TRIMMING	-	
TRANSPORTATION	-	
LAND AND LAND RIGHTS	-	
FEEES	-	
OVERHEADS	-	
SALVAGE		-
TOTAL COST	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SPP is to be notified when upgrade is placed in service and final cost determined using this spreadsheet. Please provide final cost detail of upgrade within 60 days of in-service date.