



David L. Eves
President
Colorado

1800 Larimer Street, 11th Floor
Denver, CO 80202

November 27, 2017

Rodney Bailey
Western Area Power Administration
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111

Re: Southwest Power Pool Membership

Delivered Via E-Mail Attachment

Dear Mr. Bailey:

Public Service Company of Colorado (“PSCo”), a utility operating company of Xcel Energy Inc., appreciates the opportunity to provide commentary on the effort of the Western Area Power Administration (“WAPA”), on behalf of its Colorado River Storage Project (“CRSP”) and Loveland Area Projects (“LAP”), to join the Southwest Power Pool (“SPP”). This effort has developed through WAPA’s participation in the Mountain West Transmission Group (“MWTG”), an informal collaboration of utility service providers.

For several years, PSCo has recognized the benefits of wholesale energy markets to improve efficiency and reliability of the bulk electric system. Similar to WAPA, we have affiliates already operating in regional markets. Regional markets can yield more efficient energy dispatch, reduce planning and operating reserve obligations, and by pooling resources can enhance reliability and improve the efficiency of renewable resource integration.

In this regard we have considered several options. We analyzed participation in the California ISO Energy Imbalance market, which we elected not to pursue. We evaluated and established the Joint Dispatch agreement for the PSCo Balancing Area. Joint Dispatch enables a subset of the Mountain West utilities – PSCo, Black Hills Colorado Electric and Platte River Power Authority – to dispatch our systems in a real-time pool, but lacks the full benefits and operating features of a modern regional wholesale electricity market.

Our evaluation of Mountain West indicates positive results through participation in the SPP RTO market, with its full menu of wholesale market services including expanded transmission access, co-optimization of energy with ancillary services, reliability optimization in unit commit and dispatch and more efficient regional oversight of resource adequacy.

PSCo has been engaged in the MWTG effort since the informal group was established in the summer of 2013. Initially, PSCo, WAPA LAP and Tri-State Generation and Transmission Association (“Tri-State”) convened to determine whether it would be feasible to combine our open access transmission tariffs (“OATTs”) so generation dispatch could be provided more efficiently within our region. Eventually, participation expanded to include the current group of companies. Through this participation, the MWTG utilities have undertaken several major initiatives that led us to where we are, including:

- Determining the cost shifts to transmission customers arising from collapsing nine OATTs into one
- Performing benefit studies to evaluate single tariff administration and combined system optimization under a RTO-styled market design
- Soliciting and receiving proposals from existing RTOs
- Performing benefit studies to evaluate joining the SPP and MWTG systems through dispatch across the four AC-DC-AC ties without delivery hurdle rates
- Determining the terms and conditions required by MWTG before we would agree to entertain membership in an RTO
- Engaging in initial discussions with the Southwest Power Pool RTO (“SPP”) to clarify the terms and conditions under which the MWTG utilities would consider membership in SPP.

As these initiatives unfolded, each of the MWTG utilities has made concessions in order for the group to remain together and committed to our ultimate goals of efficiency and reliability. All along, PSCo has remained committed to the philosophy that the MWTG would not be possible and will not proceed without including the major transmission and generation systems of the participants. PSCo believes that both the LAP and CRSP systems fall clearly within this definition and, as such, the non-WAPA MWTG participants have agreed to a number of concessions to help LAP and CRSP remain committed to the effort. The major concessions are:

- **Cost Shift Mitigation:** The CRSP system will be made whole for the transmission customer cost shifts caused by the single tariff, on the order of \$6.5 million per year, for the seven year term of the cost shift mitigation being finalized by the MWTG utilities.

- Administrative Fee Mitigation: CRSP will be made whole for its administrative costs of becoming a member of SPP, on the order of \$5.1 million per year, for the term of the cost shift mitigation agreement.
- Federal Service Exemption (FSE): Both LAP and CRSP will enjoy the federal service exemption already granted the WAPA Upper Great Plains region in the SPP. The benefits of the FSE to WAPA are considerable and include:
 - Waiver of the regionally-allocated costs of future transmission upgrades
 - Waiver of congestion costs and marginal transmission losses associated with LAP and CRSP sales of federal hydropower to preference customers

We congratulate WAPA on the experience and expertise it has brought to this effort. PSCo believes that WAPA should continue to participate in the MWTG effort with SPP and, assuming the project is completed, join SPP to help bring the benefits of organized wholesale markets to the Western interconnection. Thank you for your consideration of our comments.

Sincerely,



David Eves
President, Xcel Energy - Colorado