

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

FEB 17 2012

In the Matter of the Application of)
The Kansas Power Pool ("KPP"), A)
Municipal Energy Agency, for Approval)
of Its Annual Transmission Revenue)
Requirement (ATRR) For Its Transmission)
Facilities)

by
State Corporation Commission
of Kansas

Docket No. **12-KPPE-630-MIS**

APPLICATION

COMES NOW, The Kansas Power Pool ("KPP"), a municipal energy agency, and pursuant to a certain Letter Agreement, as discussed below, hereby files this Application with the State Corporation Commission of the State of Kansas ("Commission"). The Application consists of KPP's formula template for determining its Annual Transmission Revenue Requirement (ATRR) to be included in the rates charged by the Southwest Power Pool, Inc. (SPP) for transmission service in the transmission pricing zone of Westar Energy (Westar), and supporting testimony and exhibits. In support of the Application, KPP states as follows:

I. INTRODUCTION AND BACKGROUND

1. KPP was created by its member municipal electric systems pursuant to statutory authority (K.S.A. 12-885 through K.S.A. 12-8,111). KPP is a quasi-municipal corporation with its principal place of business located in Wichita, Kansas. KPP is made up of 41 member cities, 34 of which take services including both electric power and transmission service from KPP. A list of those member cities and those taking service is attached hereto, and incorporated herein by reference as Attachment 1.

2. Pursuant to K.S.A. 12-895, KPP is possessed of certain powers as set forth therein. Among those powers are: (A) to establish, revise, and collect rates or charges

for electric power and other energy and all other services, facilities and commodities sold, furnished or supplied by the agency; (B) to enter into franchises, contracts and agreements for the planning, development, construction or operation of any facility for the production and/or transmission of electricity or other energy, and (C) to make or enter into any contracts or agreements necessary or incidental to the performance of its duties and the execution of its powers under this act, including contracts for the purchase, sale, transmission or exchange of power and other energy with the United States or with other energy systems.

3. In addition to the undersigned, copies of all pleadings, documents, and correspondence in this Docket should be sent to:

Colin Whitley
CEO/General Manager
Kansas Power Pool
200 W. Douglas, Suite 601
Wichita, Kansas 67202
Phone: 316-264-3116
E-mail: cwhitley@kansaspowerpool.org

Larry Holloway
Operations Manager
Kansas Power Pool
200 W. Douglas, Suite 601
Wichita, Kansas 67202
Phone: 316-264-3116
E-mail: lholloway@kansaspowerpool.org

Margaret A. McGoldrick
Spiegel & McDiarmid LLP
1333 New Hampshire Ave. NW
Washington, D.C. 20036
Phone: 202-879-4000
E-mail: margaret.mcgoldrick@spiegelmc.com

4. Since its formation in 2005, KPP has been the subject of only one previous proceeding before this Commission. On September 11, 2008, KPP, at the request of then Director of Utilities, Mr. Don Low, filed an original and seven copies of its Amended Operating Agreement with the Commission, in Docket No. 09-KPPE-255-CON, "In the matter of Kansas Power Pool (KPP), a Municipal Energy Agency Seeking Approval of Its Contract For an Amended Operating Agreement." The Commission, on March 10, 2009, issued an Order approving the Amended Operating Agreement between KPP and its members and advising KPP to notify the Commission within thirty days, of any change in KPP's membership. At the request of the Commission Staff, KPP also submitted in those proceedings, copies of its power supply agreements and contracts entered into by KPP; however, no action was taken by the Commission with respect to those other agreements.

5. SPP provides regional transmission service throughout Kansas and several other states. Under the SPP regional Open Access Transmission Tariff (OATT), transmission customers pay "zonal" rates for service, depending on the location of their points of delivery. Each zonal rate is based on the costs of the transmission facilities that SPP uses to provide service in that zone. Many of the SPP rate zones, including Westar's, include facilities of more than one owner. In such a multi-owner zone, the zonal rates are based on the costs of all transmission owners within the zone that have transferred functional control of their transmission facilities to SPP and provided SPP with their ATRR's to be included in the zonal rates. SPP then distributes among the transmission owners, within such zone, the revenues it collects from charging the zonal rates, in proportion to the owners' ATRR's.

6. KPP's member, the City of Winfield, owns certain 69kV transmission facilities that support SPP's ability to provide transmission service within the Westar zone. It is to the benefit of KPP and its members to have SPP recognize the contribution these facilities make to the SPP system by including the costs of these facilities in the SPP transmission rates for the Westar zone. Accordingly, Winfield and KPP have taken the necessary steps to transfer functional control of these facilities to SPP and to provide SPP with the related ATRR. Because KPP anticipates that it may in the future wish to transfer control of other transmission facilities to SPP and recover the costs of other facilities in the Westar zone which could be owned by either member cities or KPP itself, KPP chose to develop a formula template for determining its ATRR for all such facilities as they are placed under SPP's functional control from time to time.

7. In FERC Docket No. ER 12-140-000, SPP filed before the Federal Energy Regulatory Commission (FERC) proposed modifications to the SPP OATT to incorporate KPP's formula template and include KPP's ATRR in the Westar zonal rates. The Kansas Commission intervened, arguing that KPP should have sought the Commission's approval of KPP's ATRR before SPP made its filing before the FERC.

8. The FERC accepted SPP's filing of KPP's ATRR formula template, subject to nominal suspension, and set the matter for hearing. However, it assigned a settlement judge and ordered the parties to attempt to resolve the issues before hearing procedures commence.

9. KPP and Commission Staff, after extensive negotiation, entered into a Letter Agreement dated January 23, 2011, which is attached as Attachment 2 to this Application. The instant Application has been prepared based upon that Letter

Agreement and specifically, Paragraphs 1, 4, 5, and 6.

10. KPP has advised the FERC settlement judge of KPP's intent to file this Application and its expectation, based on Paragraph 6 of the Letter Agreement, that this proceeding will be resolved within 150 days from the date of filing. The FERC settlement judge is, at this juncture, willing to view these proceedings as a vehicle for resolution of some or all of the issues that will need to be resolved in the FERC proceeding. Accordingly, the settlement judge will at present require only periodic reports regarding the progress of this proceeding. However, he retains the power to require KPP and the other participants in the FERC proceeding, including the Commission, to actively participate in settlement processes at the FERC if he deems necessary.

II. OVERVIEW OF THE APPLICATION

11. KPP now files its proposed formula template for determining KPP's ATRR, as well as the calculation of KPP's current ATRR, based on 2010 costs for the 69 kV transmission facilities owned by the City of Winfield.

12. The current annual KPP transmission revenue requirement based on the 2010 data related to the Winfield facilities, which would be included in SPP's transmission rates for the Westar zone until July 31, 2012, is \$432,438.00. The development of the formula template and the calculation of the current ATRR are described in the testimony and exhibits of KPP's witness, Paul D. Reising.

13. KPP's Application also includes a set of "protocols" – *i.e.* procedures to be followed by KPP and interested parties in connection with the annual update of KPP's revenue requirement. These protocols are described and supported in the testimony and

exhibits of KPP's witness, Larry W. Holloway.

14. KPP respectfully submits that its annual transmission revenue requirement is consistent with applicable policies established by this Commission and the FERC.

15. Submitted with this application, is the testimony of KPP witnesses, Mr. Paul D. Reising, of Reising and Reising, Inc., and Mr. Larry W. Holloway, KPP Operation Manager. Each witness provides supporting exhibits to his testimony.

16. Mr. Holloway testifies as to the reasons for KPP making this Application and the importance of establishing an ATRR for KPP. In addition, as noted previously, Mr. Holloway's testimony supports the protocols KPP proposes to use for annual updates of its ATRR.

17. Mr. Reising testifies as to the development of KPP's ATRR formula template generally and the calculation of the current ATRR for the Winfield line. Mr. Reising's testimony is basically the same testimony and exhibits which were offered at the FERC. Mr. Reising's testimony and exhibits have, however, been revised to reflect several corrections and updates. It is the most accurate information available regarding KPP's proposed ATRR.

18. Witness-specific exhibits are as follows:

Sponsored by Mr. Holloway

Exhibit ____ (LWH-1) Table 1 of Attachment H SPP Tariff

Exhibit ____ (LWH-2) KPP Application to join SPP

Exhibit ____ (LWH-3) KPP Protocols

Sponsored by Mr. Reising:

Exhibit ____ (PDR-1) Professional resume of Paul D. Reising

Exhibit ____ (PDR-2) Winfield 69 kV system 1-Line diagram

Exhibit ____ (PDR-3) KPP initial annual transmission revenue requirement

Exhibit ____ (PDR-4) Consulting engineer's reproduction cost estimate

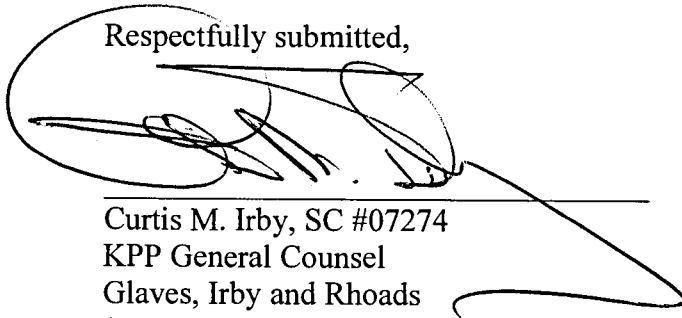
Exhibit ____ (PDR-5) SPP Regional Tariff Attachment AI

Exhibit ____ (PDR-6) KPP Blank ATRR template

19. The formula template, protocols and current ATRR included in this Application constitute just and reasonable inputs into the SPP zonal rates, and are necessary to assure continuing, adequate, efficient and reliable service, and to maintain the financial integrity of KPP and its members by allowing KPP and its members to appropriately recover current and future costs of the transmission facilities they transfer to SPP's functional control.

Wherefore, Applicant prays that the Commission accept KPP's Annual Transmission Revenue Requirement and adopt the template presented by KPP.

Respectfully submitted,

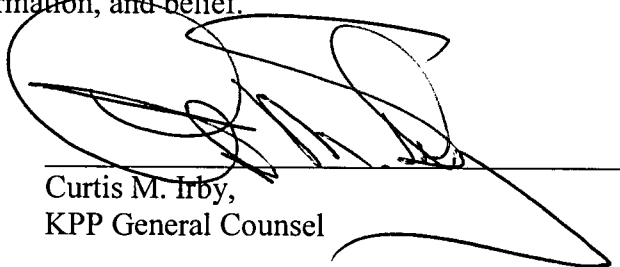
A handwritten signature in black ink, appearing to read "C. Irby", is written over a horizontal line. The signature is stylized and somewhat cursive.

Curtis M. Irby, SC #07274
KPP General Counsel
Glaves, Irby and Rhoads
155 N. Market, Suite 1050
Wichita, Kansas 67202
Telephone: 316-262-5181
E-mail: cmirby@sbglobal.net

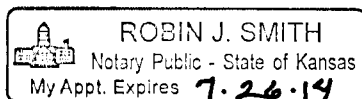
STATE OF KANSAS)
)ss.
COUNTY OF SEGWICK)

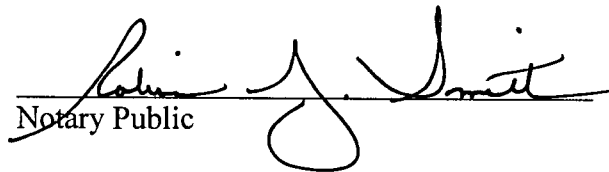
VERIFICATION

Curtis M. Irby, being duly sworn upon his oath deposes and states that he is the General Counsel of The Kansas Power Pool, that he has read and is familiar with the foregoing Application and attests that the statements contained therein are true and correct to the best of his knowledge, information, and belief.


Curtis M. Irby,
KPP General Counsel

Subscribed and sworn to before me this 16th day of February, 2012.




Notary Public

My Appointment Expires:

7.26.2014

ATTACHMENT 1

SIGNATORS TO THE AMENDED OPERATING AGREEMENT

ZONE – DATE SERVICE COMMENCED OR ANTICIPATED – DATE OF SERVICE

KPP City	Balancing Authority (Current Settlement Location)	Service Date
* Arcadia	Westar	6/1/2008
Attica	MKEC	11/8/2006
Augusta	Westar	1/1/2005
Burlington	Westar	1/1/2005
Centralia	Westar	5/1/2008
Clay Center	Westar	1/1/2008
Ellinwood	MWE	6/1/2008
* Erie	Westar	1/1/2005
* Fredonia	Westar	1/1/2005
Girard	Westar	1/1/2008
Greensburg	MKEC	11/1/2008
Haven	Westar	1/1/2008
* Hillsboro	Westar	1/1/2008
Holton	Westar	1/1/2008
Holyrood	MKEC	5/1/2010
Horton	Westar	6/1/2008
* Iola	Westar	1/1/2005
Kingman	MKEC	1/1/2005
Lucas	MKEC	1/1/2010
Luray	MKEC	1/1/2010
Minneapolis	Westar	1/1/2008
Mt Hope	Westar	2/1/2008
Neodesha	Westar	1/1/2005
* Oxford	Westar	8/1/2008
Sabetha	Westar	1/1/2008
St Marys	Westar	1/1/2008
* Scranton	Westar	1/1/2008
Seneca	Westar	6/1/2008
Sterling	MWE	6/1/2008
* Udall ¹	Westar	11/1/2009
Wellington	Westar	1/1/2005
Winfield	Westar	1/1/2005

¹ Initially Served by
Winfield

* Signators to the Amended Operating Agreement since previously reported to the Commission and covered by the Order issued in Docket No. 09-KPPE-255-CON on March 10, 2009

LETTER AGREEMENT

Kansas Power Pool (KPP) and the Staff of the Kansas Corporation Commission (KCC Staff or Staff) agree that:

1. KPP will file an application with the Kansas Corporation Commission (KCC) which would consist of and include the following components:

KPP will file proxies currently contained in the KPP formula rate as filed before the Federal Energy Regulatory Commission (FERC) consisting of:

- A. A rate of return based upon the host transmission zone.
- B. A depreciation rate based upon the host transmission zone.
- C. An initial operation and maintenance cost recovery based upon the host transmission zone.
- D. KPP shall be able to file estimated original costs.
- E. KPP may request to recover payments made in lieu of taxes.

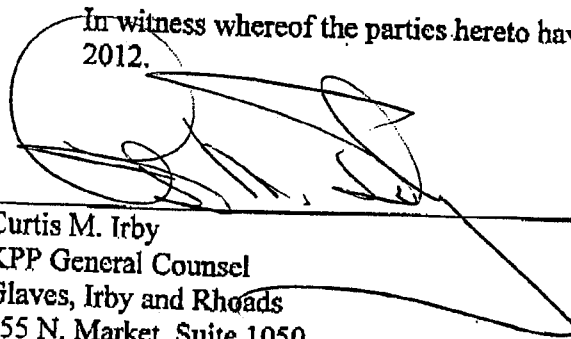
The Staff agrees the foregoing components are appropriate for filing and further agrees that Staff will not oppose or object to said filing. Staff reserves its right to conduct discovery and request additional information regarding the filing.

2. KPP will use actual recorded repair, replacement, upgrade, maintenance and other operating costs in subsequent annual updates of its formula based rate.
3. All parties in the proceeding contemplated by the filing of KPP's application will have the ability and access to review all calculations and data used for development of the formula rate.
4. KPP shall file an original application which shall include testimony from at least one KPP witness and shall include the testimony, exhibits, and documentation filed in support of the filing made through SPP in FERC Docket No. ER12-140-000.
5. The parties (KPP and the KCC Staff) additionally agree that KPP in its application will request an expedited hearing and a pre-hearing conference to be held as soon as possible.
6. The parties further agree that the proceedings contemplated by the parties will be completed within 150 days from the date of filing, subject to the Commission's approval of a procedural schedule.
7. The parties agree that immediately after the filing KPP and the KCC staff will meet to discuss the case and agree upon a procedural schedule.
8. The parties agree that they will jointly recommend to the Chief Judge of the FERC in Docket No. ER12-140-000, that the proceedings before the FERC should be held in abeyance pending resolution of the KCC proceeding and further agree that KPP shall be entitled to continue to collect the rate authorized by the FERC subject to refund during the time that these

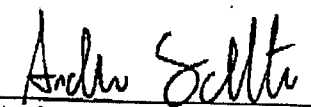
proceedings are held in abeyance. The KCC Staff has been authorized to approve this paragraph on behalf of the KCC who is the party to Docket No. ER-12-140-000.

9. The parties further agree that they will cooperate in every reasonable way to expeditiously resolve the filing to be made before the Kansas Corporation Commission, assist each other in communicating with intervenors and other interested parties in both the FERC proceedings and before the KCC to avoid delay and expedite the resolution of proceedings before both bodies.
10. KPP advises the KCC Staff that it has vetted its proposal to hold the FERC proceeding in abeyance to both Mid-Kansas Electric Company and Westar and has not as of yet had any major opposition from either party.
11. The parties further agree that if this Agreement is not implemented as a part of the procedural schedule in accordance with the agreement of the parties all parties are released from this agreement and this Agreement shall be of no further force and effect unless the parties affirm their intent to be bound by any changes to this agreement. KPP will be able to terminate this Agreement in the event of any of the following circumstances;
 - a. If the KCC establishes a procedural schedule which exceeds 150 days;
 - b. If the KCC Staff deviates from paragraph No. 1 of this Agreement by opposing KPP filing the components contained specifically in paragraph 1.(A-E) of this Agreement.
 - c. If the FERC or an Administrative Law Judge acting for and on behalf of that agency does not approve the abeyance as contemplated in paragraph No. 8 above.
12. KPP will file its application with the Kansas Corporation Commission no later than February 17, 2012, unless the parties mutually agree to an extension.

In witness whereof the parties hereto have entered into this Letter Agreement this 23rd day of January, 2012.



Curtis M. Irby
KPP General Counsel
Glaves, Irby and Rhoads
155 N. Market, Suite 1050
Wichita, KS 67202
Phone: 316-262-5181
E-mail: cmirby@sbcglobal.net



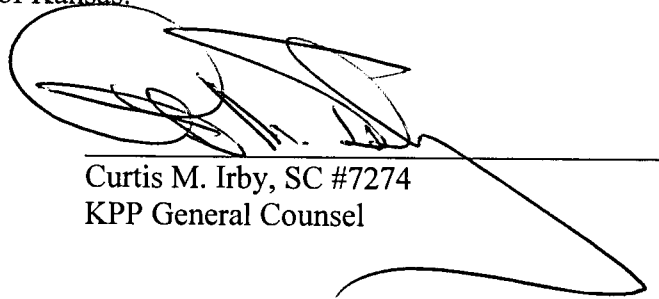
Andrew Schulte
Litigation Counsel
1500 SW Arrowhead Road
Topeka, KS 66604
Phone: 785-271-3273
Email: a.schulte@kcc.ks.gov
Attorney for Commission Staff

CERTIFICATE OF SERVICE

I, Curtis M. Irby, hereby certify that on this 16th day of February, 2012, I caused the original and 7 copies of:

1. The Application
2. The Pre-filed Testimony and Exhibits of Paul D. Reising
3. Pre-filed Testimony and Exhibits of Larry W. Holloway

to be sent for overnight delivery and filing with the Executive Director of the Kansas Corporation Commission of the State of Kansas.



Curtis M. Irby, SC #7274
KPP General Counsel

LAW OFFICES OF
GLAVES, IRBY AND RHOADS
155 NORTH MARKET
SUITE 1050
WICHITA, KANSAS 67202

JACK GLAVES
CURTIS M. IRBY
THOMAS M. RHOADS

PHONE: 316-262-5181
FAX: 316-264-6860
E-MAIL: cmirby@sbcglobal.net

February 16, 2012

Received
on

Patti Petersen-Klein, Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

FEB 17 2012

by
State Corporation Commission
of Kansas

Re: KPP Application for Approval of Its Annual Transmission Revenue Requirement
(ATRR) for Its Transmission Facilities

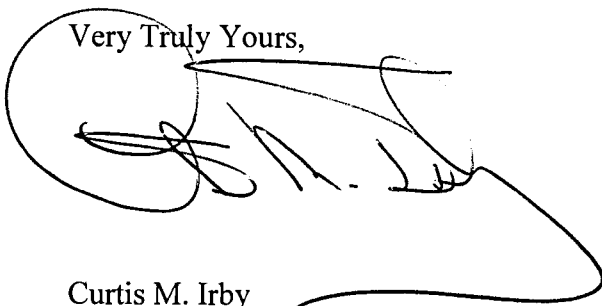
Dear Ms. Petersen-Klein:

Attached hereto, please find the original and eight (8) copies of The KPP Application for Approval of Its ATRR. With each application, are the Testimony and Exhibits of Paul D. Reising and Larry W. Holloway. Of course, the original application has with it the original testimony of the two parties.

Please assign a Docket No. to the application and send me a file-stamped copy of the application and two witnesses testimony in the self-addressed stamped envelope, enclosed for that purpose.

Thank you for your time and trouble in handling this matter on our behalf.

Very Truly Yours,



Curtis M. Irby
KPP General Counsel
Glaves Irby and Rhoads
155 N. Market, Suite 1050
Wichita, Kansas 67202

cc: All parties of record

CMI:rjs