BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

| | | |
|---|---|---|
| In the Matter of the Joint Application of GridLiance High Plains LLC (GridLiance HP), The City of Winfield, Kansas (Winfield) and the Kansas Power Pool (KPP) for Approval of GridLiance HP to Acquire Majority Interest in Electric Transmission Facilities Owned and Operated By Winfield Located in Cowley County, Kansas (Transmission Facilities) (Transaction); Issuance of a Certificate of Convenience and Authority to GridLiance HP Relating to the Transmission Facilities; and Issuance of a Certificate of Convenience and Authority to GridLiance HP Relating to the Upgrade of Those Transmission Facilities (NTC Project) and for Other Related Relief. | ) | Docket No. 19-GLPE-338-ACQ |

# DIRECT TESTIMONY

OF

## LARRY W. HOLLOWAY

ON BEHALF OF THE KANSAS POWER POOL

February 20, 2019

## I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Larry W. Holloway. My business address is 100 N Broadway, Suite L110, Wichita, KS 67202.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed by the Kansas Power Pool (KPP) as Assistant General Manager - Operations.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science degree in Civil Engineering and a Bachelor of Science degree in Mechanical Engineering from the University of Kansas in 1978, a Master of Engineering Management degree from Washington State University in 1988 and a Master of Science degree in Mechanical Engineering from the University of Kansas in 1997. I am a registered professional engineer in the disciplines of Mechanical and Civil Engineering in the State of Oregon, PE # 12,989. My professional experience began outside of the electric industry and includes one year as a field engineer for a natural gas utility and two years as a project engineer for an inorganic chemical plant. Since 1981, most of my professional experience has been in the electric industry. I have twelve years of construction, design, startup and operations engineering experience with power plants, primarily nuclear. In 1993, I started work at the Kansas Corporation Commission (KCC) as Chief of Electric Operations, Rates and Services. In 1998, I was promoted to Chief of Energy Operations. In March of 2009 I accepted the position of Operations Manager with KPP. In August of 2014 I was promoted to my current position with KPP.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes, While employed at the KCC, I have filed testimony in Docket Nos. 94-GIMX-462-GIV,

95-EPDE-043-COM, 96-KG&E-100-RTS, 96-WSRE-101-DRS, 96-SEPE-680-CON, 97-WSRE-676-MER, 98-KGSG-822-TAR, 99-WSRE-381-EGF, 99-WSRE-034-COM, 99-WPEE-818-RTS, 00-WCNE-154-GIE, 00-UCUE-677-MER, 01-WSRE-436-RTS, 01-WPEE-473-RTS, 01-KEPE-1106-RTS, 02-SEPE-247-RTS, 02-EPDE-488-RTS, 02-MDWG-922-RTS, 03-MDWE-001-RTS, 03-WCNE-178-GIE, 03-MDWE-421-ACQ, 03-KGSG-602-RTS, 04-AQLE-1065-RTS, 04-KCPE-1025-GIE, 05-EPDE-980-RTS, 05-WSEE-981-RTS, 06-WCNE-204-GIE, 06-SPPE-202-COC, 06-WSEE-203-GIE, 06-KCPE-828-RTS, 06-KGSG-1209-RTS, 06-MKEE-524-ACQ, 07-WSEE-616-PRE, 07-KCPE-905-RTS, 08-WSEE-309-PRE, 08-KMOE-028-COC, 08-WSEE-609-MIS, 08-MDWE-594-RTS, 08-WSEE-1041-RTS, 08-ITCE-936-COC, 09-KCPE-246-RTS, and 08-PWTE-1022-COC. While working at KPP I have filed testimony in Docket Nos. 09-MKEE-969-RTS, 11-GIME-497-GIE, 12-KPPE-630-MIS, 15-SPEE-161-RTS, 16-MKEE-023-TAR, 16-KPEE-470-PRE, 16-KCPE-593-ACQ, 17-KPPE-092-COM, 18-KCPE-095-MER, 18-KPPE-343-COC, and 19-SEPE-054-MER.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will describe KPP's role in the operation of the City of Winfield's (Winfield) transmission assets; a transmission project assigned to KPP; why, as part of this Transaction, KPP proposes to assign a transmission project assigned to KPP by the Southwest Power Pool, Inc. (SPP) in Notification to Construct (NTC) 200479 to GridLiance HP, also referred to in this matter as Project ID No. 51249; and why KPP believes the assignment of SPP NTC 200479 and other aspects of this Transaction are in the public interest.

## II. BACKGROUND

Q. CAN YOU PLEASE DESCRIBE KANSAS POWER POOL (KPP)?

A. Yes. KPP is a municipal energy agency formed in 2005 under K.S.A. 12-885, *et seq*. KPP provides wholesale electric service to Kansas municipal electric utilities that have signed the KPP Amended Operating Agreement (Operating Agreement). Currently KPP serves 24 Kansas municipal electric utilities under full requirements contracts (Members). Under the Operating Agreement members contribute their generation assets and power supply contacts to serve the entire membership and KPP arranges additional power supplies and transmission service. In addition to providing these "tight pool" type of generation and transmission services KPP also provides additional help and assistance to its members as needed. For example, KPP has issued bonds to finance electric distribution projects for the cities of Luray, Erie and Clay Center and these cities are directly assigned the costs associated with this financing as a supplement to these cities full requirements contract with KPP.

Q. HAS KPP PROVIDED ANY ADDITIONAL UNIQUE SERVICES TO WINFIELD?

A. Yes. In 2011 Winfield passed a resolution transferring functional control of its 69 kilovolt (kV) facilities to KPP to allow KPP to place these facilities under the SPP Open Access Transmission Tariff (OATT). This resolution is attached as ***Exhibit LWH-1***. Following this resolution, KPP transferred functional control of the Winfield 69 kV facilities to SPP to place under the SPP OATT and making KPP a transmission owner pursuant to the SPP membership agreement.[1]

Q. WHY DID WINFIELD WISH TO TRANSFER FUNCTIONAL CONTROL OF ITS 69 KV FACILITIES TO KPP?

A. KPP was formed in 2005 and is a municipal energy agency that was modeled after Oklahoma Municipal Power Authority (OMPA). There are two basic types of municipal energy agencies that

[1]Under the SPP membership agreement definition any entity that joins SPP and transfers Functional control of transmission facilities to SPP to place under the SPP OATT is a "transmission owner." Under the SPP bylaws a "Transmission Owning Member" must have placed more than 500 miles of transmission facilities above 60 kV under the SPP OATT, all other SPP members are described as "Transmission Using Members." Accordingly, KPP is a transmission owner under the SPP membership agreement and a Transmission Using Member under the SPP bylaws.

provide wholesale electric services to municipal electric utilities.[2] Unlike the other larger municipal energy agency (or MEA) in Kansas, Kansas Municipal Energy Agency (KMEA), KPP was formed as a "tight pool."[3]

Until 2013, OMPA served as KPP's facilitator and provided scheduling services, consulting services and advice to KPP and its members. Around 10 years ago OMPA placed two of its member Oklahoma municipal utilities transmission facilities under the SPP OATT. OMPA had identified that the City of Ponca City owned and operated 69 kV looped transmission facilities as an integral part of the Oklahoma Gas & Electric (OGE) transmission system and that the City of Altus owned and operated looped 138 kV transmission facilities as an integral part of the American Electric Power (AEP) transmission system. As KPP's facilitator, OMPA recognized that Winfield's looped 69 kV facilities were an integral part of the Westar Energy, Inc. (Westar) transmission system, and OMPA recommended that KPP provide the same service to Winfield that OMPA had provided to the Cities of Altus and Ponca City. KPP used a process similar to OMPA (including guidance from the same rate consultant) to assume functional control of Winfield's transmission facilities and to transfer that control to SPP. This process included KPP making the appropriate regulatory filings to begin recovery of revenue requirements for these facilities after they were placed under the SPP OATT.[4] These filings included approval of KPP's revenue requirements from the Commission in KCC Docket No.

[2]In the public power arena these types of municipal energy agencies are broadly known as "joint action agencies." The term municipal energy agency is the one used and defined under Kansas law.

[3]On the other hand, KMEA is known as a contract based MEA because its members primarily have partial requirement contracts for wholesale service through KMEA contracts.

[4]Except for regulatory costs incurred by KPP, the revenue requirements KPP recovers for these facilities under the SPP OATT are passed through to Winfield.

12-KPPE-630-MIS and in FERC Docket No. ER12-140.[5]

## III. SPP NTC 200479

Q. CAN YOU DESCRIBE THE SPP NTC PROCESS?

A. Yes. The SPP OATT describes an NTC as "a written notice from the Transmission Provider directing an entity that has been selected to construct one or more transmission project(s) to begin or continue implementation of the transmission project(s) in accordance with Attachment Y."[6] These projects can be identified by SPP through numerous processes or even by the transmission owner through local planning criteria. Nonetheless, Attachment Y describes the process SPP uses to determine the responsible party required to construct a transmission project.

Q. CAN YOU DESCRIBE SPP NTC 200479?

A. Yes. SPP NTC 200479 is attached as ***Exhibit LWH-2***. As described, this NTC states that SPP has identified a need to rebuild approximately 4 miles of 69 kV line from the City of Winfield's Tie substation to Westar's Oak substation. This 4-mile section of 69 kV line is owned and operated by Winfield and under KPP's SPP membership agreement. Furthermore, SPP has determined that KPP, as the qualified incumbent Designated Transmission Owner (DTO) under Section IV of Attachment Y of the SPP OATT is the appropriate entity to construct this project. This is a portion of a regional reliability project described by SPP as the "City of Winfield to Oak 69 kV Reconductor" with a need date of June 1, 2021, as shown in the following table:

[5]While the Commission determined that it had jurisdiction over KPP's transmission rates filed under the SPP OATT in 2011, changes to Kansas law in 2018 exempted municipal energy agencies such as KPP from Commission jurisdiction for "charges, fees or tariffs for transmission services recovered through the open access transmission tariff of a regional transmission organization which has its rates approved by the federal energy regulatory commission …"

[6]Transmission Provider is defined under the SPP OATT as SPP.

Table 1. City of Winfield to Oak 69 kV Reconductor as described in the SPP Project Tracking Report for 1st Quarter 2019

| ProjectOwner | Project Name | Current Cost Estimate | Project Description/Comments |
|---|---|---|---|
| KPP | Line - City of Winfield - Oak 69 kV Reconductor | $3,600,000 | Reconductor 4 miles of 69 kV transmission line from City of Winfield to Rainbow. |
| WR | Line - City of Winfield - Oak 69 kV Reconductor | $7,831,427 | Reconductor 5.1 miles of 69 kV transmission line from Oak to Rainbow. |

IV. NTC ASSIGNMENT

Q. CAN YOU DESCRIBE WHAT IS MEANT BY "NTC ASSIGNMENT?"

A. Yes. According to Section IV.4 of Attachment Y of the SPP OATT, a DTO may assign an NTC after acceptance:

"At any time after accepting an NTC, a DTO that was designated under this Section IV of Attachment Y may assign a project by arranging for another entity to build and own all or part of the project in its place subject to the conditions set forth in Section VII of this Attachment Y."

Section VII of Attachment Y of the SPP OATT goes on to state the necessary conditions for assignment of an NTC.

Q. DOES SPP HAVE ANY OTHER GUIDELINES FOR ASSIGNMENT OF AN NTC?

A. Yes. SPP OATT Business Practice 7070, "*Assignment and Novation*," attached as ***Exhibit LWH-3***, addresses the process for assigning and novating NTCs.

Q. WHAT IS THE DIFFERENCE BETWEEN ASSIGNMENT AND NOVATION OF AN NTC?

A. As shown, when a DTO accepts and then assigns an NTC, the DTO may transfer the legal right to

build a project, but the DTO is still under a legal obligation to ensure the project is built. On the other hand, if a DTO accepts and then "novates" an NTC, the new DTO will have both the right and the obligation to build the project.

Q. HAS KPP ACCEPTED SPP NTC 200479?

A. Yes. As shown on ***Exhibit LWH-4***, on April 23, 2018 KPP accepted the NTC.

Q. HAS KPP ASSIGNED SPP NTC 200479 TO GRIDLIANCE HP?

A. Yes, as shown on ***Appendix E*** of the Joint Application. The assignment is subject to SPP Board approval.

Q. WHY DID KPP ASSIGN SPP NTC 200479 TO GRIDLIANCE HP?

A. As described in paragraph 10 of the Joint Application, this assignment will allow GridLiance HP to develop the SPP NTC 200479 project and for Winfield to procure a 35% ownership share in the newly completed 69 kV facilities. By owning 35% of the completed NTC project, Winfield will be able to maintain the same approximate level of net transmission investment it has today after selling a 65% interest in its existing transmission facilities. Additionally, this will allow Winfield to use the proceeds from the sale of a portion of its transmission system to finance its participation in the NTC project.

Q. WHY DID KPP WISH TO ASSIGN AND NOT NOVATE SPP NTC 200479 TO GRIDLIANCE HP?

A. KPP believes it should remain obligated to complete the project. This project is a local reliability project and KPP does not want its construction delayed even if unforeseen regulatory or legal complications should arise. In fact, in 2016 KPP entered into SPP Aggregate Study 2016 AG2 to secure firm transmission service for generation units at the Cities of Kingman, Minneapolis and Ellinwood. These were units for which KPP members paid to install environmental upgrades,

essentially catalytic converters, to bring the units into compliance with new emission regulations.[7] In studying delivery of this generation to KPP load, SPP determined that in 2021 this additional transmission service would require completion of the City of Winfield to Oak 69 kV Reconductor project. Relevant portions of this study are attached as ***Exhibit LWH-5***.

Because this project is important to local reliability, and to KPP load in the area, KPP was concerned that the regulatory process or unanticipated litigation could hinder GridLiance HP from completing the project on time. In that event KPP wanted to make sure that Winfield could go ahead and complete the project as required. The Novation process would essentially remove KPP from the project entirely. The assignment process allows the project to be completed by KPP if, for whatever reason, GridLiance HP does not.

Q. DOES THIS IMPLY THAT KPP BELIEVES GRIDLIANCE HP CANNOT COMPLETE THE PROJECT?

A. Absolutely not. Instead KPP recognizes that there may be parties that would seek to litigate and delay the process.[8] In fact, KPP notes that when KPP filed for transmission rates to recover the costs of Winfield's 69 kV transmission facilities under the SPP OATT that the Commission allowed Sunflower and Mid-Kansas to intervene,[9] although the filing and the resulting rates had no effect on any transmission service outside of Westar Energy's transmission rate zone.[10] Simply put, it is difficult for KPP to predict the actions of those that seek to oppose that which benefits Kansas municipal utility

[7]This was the US Environmental Protection Agency's (EPA) National Emission Standard for Hazardous Air Pollutants (NESHAP) for Reciprocating Internal Combustion Engines (RICE") rules, known collectively as the EPA RICE NESHAP rules.

[8]See KPP's recent certificate for transmission rights only, KCC Docket No. 18-KPPE-343-COC as an example of utilities in Kansas with seemingly bottomless litigation resources.

[9]See KCC Docket No. 12-KPPE-630-MIS.

[10]Zonal recovery of costs for transmission facilities under 100 kV are generally recovered only from transmission customers in the pricing zone where the facilities are located under the SPP OATT.

customers. By assigning the NTC Project rather than novating the project, KPP keeps some control of the process despite intervention and interference from unaffected entities.

Q. DO YOU BELIEVE ASSIGNMENT OF SPP NTC 200479 TO GRIDLIANCE HP IS IN THE PUBLIC INTEREST?

A. Absolutely. This assignment is essential to the overall agreement between GridLiance HP and Winfield. It allows Winfield and its citizens to continue to participate in SPP transmission ownership and continue to maintain the 69 kV facilities essential to Winfield's retail service and for other transmission customers in the area. Additionally, this alliance between GridLiance HP and Winfield provides benefits for the KPP membership generally, as well as other customers in the Westar zone.

## V. THE ASSIGNMENT OF SPP NTC 200479 AND OTHER ASPECTS OF THIS TRANSACTION ARE IN THE PUBLIC INTEREST

Q. WHAT ARE SOME OF THE CHALLENGES FOR TRANSMISSION SERVICE TO KPP MEMBERS?

A. Most municipal electric utilities originally developed as distribution and generation utilities with limited transmission connections. While the transition to fully integrated utilities with remote generation supplies has been ongoing for the past few decades, most people are ultimately surprised to learn that full transmission service to municipal utilities has only recently been achieved, and in some cases is still limited. For example, in 2010 when KPP received its first SPP Network Integrated Transmission Service Agreement (NITSA) for load in the Westar and Midwest Energy area there were highly restrictive import limits[11] for the Cities of Ellinwood, Wellington, Winfield, Oxford, Erie, and Clay Center. Today, less than a decade later, none of these cities are required to generate just to serve load. Instead several of these cities, Wellington, Winfield and Clay Center offer their generation into

[11] In essence this meant these cities had to run internal generation to serve load during many hours of the year.

the SPP integrated market.

Q. DOES THIS MEAN TRANSMISSION ISSUES FOR KPP CITIES HAVE BEEN RESOLVED?

A. No. For example, while Wellington no longer has to run generation to control power flows in the local area, the Westar 69 kV line from Creswell to Gill that serves the area is loaded to near capacity even though it has been recently rebuilt. Even a modest increase in load will "trigger" the need for either additional transmission or must run generation. Furthermore, for KPP members in south central Kansas such as Augusta, Mulvane, Wellington and Winfield and other wholesale electric providers[12] in the area, possible industrial growth and expansion is limited until additional transmission or redundant transmission sources are made available. While service to these KPP members, for example, has greatly improved over the past decade, transmission service is still not on par with similar distribution networks for most Westar retail customers.

Q. HOW DOES THE TRANSACTION PROPOSED IN THE JOINT APPLICATION HELP KPP TO ADDRESS THESE ISSUES?

A. Yes. First, Winfield is KPP's biggest member and represents roughly one-third of KPP's load. As discussed, KPP is a "tight pool" and anything that benefits one of its members will benefit all its members. Second, this transaction represents the type of cooperative alliance that KPP can utilize to meet its members' needs in the future.

Q. PLEASE PROVIDE AN EXAMPLE OF HOW THIS ARRANGEMENT BENEFITS WINFIELD AND OTHER KPP MEMBERS?

A. KPP provides transmission services for Winfield, including use the Winfield transmission facilities under the SPP OATT. This has always been a challenge, but recent changes have made this increasingly difficult for an organization like KPP. For example, when KPP joined SPP as a

[12]Such as rural electric cooperatives.

transmission owner in 2011, in settlement KPP agreed to a fixed rate[13] for recovery of Winfield's transmission facilities. Since that time most entities have established a formula-based rate (FBR) to recover transmission costs. The accounting and associated regulatory filings associated with an FBR are difficult for an organization the size of KPP to administer without outside contract assistance.

At the same time, the need for a KPP FBR to recover the costs for Winfield's transmission investments is clear when one considers the SPP NTC 200479 project. This project alone, if Winfield were to complete it singularly, would be several times the size of the current Winfield net transmission plant. In the absence of an FBR cost recovery mechanism for this project, (not to mention similar future improvements mandated by SPP or local planning criteria) extensive FERC rate filings on a regular basis could be required. Additionally, the appropriate FBR mechanism would require KPP to develop and implement complex accounting practices for Winfield. While the current practice is to use a cost allocation mechanism to assign Winfield's city accounts to transmission accounts, a more formal method would need to be implemented and maintained to annually populate a proper KPP FBR.

The subject transaction addresses this concern. KPP intends to file an FBR for FERC approval. This FBR will be populated with the same accounting data that GridLiance HP will use to recover its costs for its 65% share of the Winfield transmission assets. As the asset operator under the transaction agreements, GridLiance HP will develop, maintain and update the accounting data related to the assets. The KPP FBR can then use the same data. This allows KPP to continue to operate efficiently and economically administer an FBR for recovery of Winfield's transmission investment. While KPP staff will still need to track its regulatory costs for recovery under the FBR mechanism, other KPP members benefit when existing KPP staff resources are used more efficiently and are available for other services.

[13] Referred to as a “stated rate” by the FERC.

Q. ARE THERE OTHER EXAMPLES OF HOW THIS TRANSACTION BENEFITS WINFIELD AND OTHER KPP MEMBERS?

A. This transaction represents a relationship with Winfield, GridLiance HP, and KPP that will provide direct benefits in planning, SPP participation, regulatory filings, and future compliance obligations.

Q. PLEASE EXPLAIN HOW THIS TRANSACTION HELPS WINFIELD AND KPP PLANNING?

A. GridLiance HP has an engineering and planning department and the expertise to assist KPP and Winfield. Furthermore, recent SPP requirements require transmission owners to develop and adopt local planning criteria. This transaction will allow Winfield and KPP to work with GridLiance HP and develop local planning criteria that makes the most sense for transmission service in the area. Additionally, this planning criteria can be expanded to help review and improve transmission service for other KPP members. Furthermore, KPP has already benefited from the transaction with assistance provide by GridLiance HP to develop KPP's current SPP NTC 200479 cost estimate.

Q. PLEASE EXPLAIN HOW THIS TRANSACTION HELPS WINFIELD AND KPP PARTICIPATE IN THE SPP PROCESS?

A. SPP has over 40 standing committees, task forces or working groups. A quick review of the SPP calendar for the month of February 2019, which is a short month and not a month for many of the SPP quarterly meetings, shows 38 scheduled meetings. KPP cannot efficiently participate in all meetings of interest. GridLiance HP participates in the SPP organizational groups important for transmission and operations and has helped keep KPP informed and aware of issues that affect KPP and its members. The relationship between KPP and GridLiance HP is already providing SPP participation benefits to KPP members, even before this transaction is concluded.

Q. HOW WILL THIS TRANSACTION PROVIDE ASSURANCE THAT KPP CAN MEET FUTURE COMPLIANCE OBLIGATIONS?

A. Currently transmission facilities under 100 kV are not required to comply with reliability requirements from the North American Electric Reliability Corporation (NERC) because they do not meet NERC's definition of Bulk Electric System. Nonetheless, GridLiance HP has the expertise necessary to meet these and any future NERC requirements that may be implemented. Having GridLiance HP responsible for NERC compliance of Winfield transmission facilities relieves KPP of this burden and provides benefits to all KPP members.

Q. ARE THERE OTHER BENEFITS FOR KPP MEMBERS PROVIDED BY THIS TRANSACTION?

A. As I have already discussed, successful and efficient services necessarily provided to KPP members necessitate partners with expertise in engineering, compliance, accounting and regulatory issues. This relationship with GridLiance HP provides just such a partner providing benefits to all KPP members.

Q. DOES THE PUBLIC BENEFIT WHEN KPP MEMBERS BENEFIT?

A. Yes. When KPP and its members have sufficient transmission service for access to economical generation markets and can serve load increases from industrial and commercial development, local economies thrive and Kansans benefit.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

## VERIFICATION OF LARRY W. HOLLOWAY

STATE OF KANSAS )
)ss:
COUNTY OF SEDGWICK )

I, Larry W. Holloway, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing Direct Testimony of Larry W. Holloway; that I have read the testimony and am familiar with its contents; and that the facts set forth therein are true and correct.

Larry W. Holloway

SUBSCRIBED AND SWORN to before me this 19 day of February 2019.

Notary Public

Appointment/Commission Expires:

OFFICIAL SEAL
VICKIE L. MATNEY
My Appointment Expires
Exp. 8/10/2019

Bill No. 1101 Resolution No. 0111

**A RESOLUTION**

**WHEREAS,** the City of Winfield, Kansas operates transmission facilities within its electric system; and

**WHERAS,** the City of Winfield appears to be eligible to receive revenue for its investment and maintenance of its current transmission facilities; and

**WHEREAS,** the City of Winfield can transfer functional control of the 69 kV facilities to the Kansas Power Pool (KPP) which will allow the Southwest Power Pool (SPP) to sell transmission service to third parties;

**NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF WINFIELD, KANSAS, THAT:**

Section 1. The Governing Body of the City of Winfield, Kansas, hereby approves the transfer of functional control of the City of Winfield's 69 kV facilities to KPP, effective upon completion of all necessary documents, revocable at the City of Winfield's discretion upon a two year notice to KPP.

Section 2. This resolution shall be in full force and effect from and after its adoption and upon execution.

**ADOPTED** this 3rd day of January, 2011.

(SEAL)

G. Thomas McNeish, Mayor

ATTEST

Brenda Peters, City Clerk

Approved as to form: William E. Muret, City Attorney

Approved for Governing Body action: Warren Porter, City Manager

**SPP-NTC-200479**

# SPP
# Notification to Construct

February 27, 2018

Mr. James Ging
Kansas Power Pool
100 N. Broadway
Wichita, KS 67202

RE: Notification to Construct Approved Reliability Network Upgrade

Dear Mr. Ging,

Pursuant to Section 3.3 of the Southwest Power Pool, Inc. ("SPP") Membership Agreement and Attachments O and Y of the SPP Open Access Transmission Tariff ("OATT"), SPP provides this Notification to Construct ("NTC") directing Kansas Power Pool ("KPP"), as the Designated Transmission Owner, to construct the Network Upgrade(s).

On May 12, 2017, SPP concluded that the project is required to fulfill Transmission Service Requests as detailed in Aggregate Facility Study SPP-2016-AG2-AFS-2. On June 30, 2017, SPP received all Transmission Service Agreements associated with the upgrade listed below.

## New Network Upgrade

**Project ID:** 51249
**Project Name:** Line - City of Winfield - Oak 69 kV Reconductor
**Need Date for Project:** 6/1/2021
**Estimated Cost for Project:** $9,298,511 (this project cost contains a Network Upgrade not included in this NTC)

**Network Upgrade ID:** 71954
**Network Upgrade Name:** City of Winfield - Rainbow 69 kV Ckt 1
**Network Upgrade Description:** Reconductor 4 miles of 69 kV transmission line from City of Winfield to Rainbow.
**Network Upgrade Owner:** KPP
**MOPC Representative(s):** Larry Holloway
**TWG Representative:** James Ging
**Categorization:** Regional Reliability

**SPP-NTC-200479**

**Network Upgrade Specification:** All elements and conductor must have at least an emergency rating of 46 MVA.
**Network Upgrade Justification:** Identified in SPP-2016-AG2-AFS-2.
**Estimated Cost for Network Upgrade (current day dollars):** $1,467,084
**Cost Allocation of the Network Upgrade:** Base Plan
**Estimated Cost Source:** SPP
**Date of Estimated Cost:** 2/28/2017

**Commitment to Construct**

Please provide to SPP a written commitment to construct the Network Upgrade(s) within 90 days of the date of this NTC, in addition to providing a construction schedule and an updated ±20% cost estimate, NTC Project Estimate, in the Standardized Cost Estimate Reporting Template for the Network Upgrade(s). Failure to provide a sufficient written commitment to construct as required by the SPP OATT could result in the Network Upgrade(s) being assigned to another entity.

**Mitigation Plan**

The Need Date represents the timing required for the Network Upgrade(s) to address the identified need. Your prompt attention is required for formulation and approval of any necessary mitigation plans for the Network Upgrade(s) included in the Network Upgrade(s) if the Need Date is not feasible. Additionally, if it is anticipated that the completion of any Network Upgrade will be delayed past the Need Date, SPP requires a mitigation plan be filed within 60 days of the determination of expected delays.

**Notification of Commercial Operation**

Please submit a notification of commercial operation for each listed Network Upgrade to SPP as soon as the Network Upgrade is complete and in-service. Please provide SPP with the actual costs of these Network Upgrades as soon as possible after completion of construction. This will facilitate the timely billing by SPP based on actual costs.

**Notification of Progress**

On an ongoing basis, please keep SPP advised of any inability on KPP's part to complete the approved Network Upgrade(s). For project tracking, SPP requires KPP to submit status updates of the Network Upgrade(s) quarterly in conjunction with the SPP Board of Directors meetings. However, KPP shall also advise SPP of any inability to comply with the Project Schedule as soon as the inability becomes apparent.

All terms and conditions of the SPP OATT and the SPP Membership Agreement shall apply to this Project, and nothing in this NTC shall vary such terms and conditions.

**SPP-NTC-200479**

Don't hesitate to contact me if you have questions or comments regarding these instructions. Thank you for the important role that you play in maintaining the reliability of our electric grid.

Sincerely,

Lanny Nickell
Vice President, Engineering
Phone: (501) 614-3232 • Fax: (501) 482-2022 • lnickell@spp.org

cc: Carl Monroe - SPP
Antoine Lucas - SPP
Jay Caspary - SPP
Larry Holloway - KPP

*7070 Assignment and Novation*
(return to TOC)

**(NOTE: The following is information that is requested to be provided by the DTO when Assignment or Novation is pursued by the DTO that has been issued an NTC. This information is not intended to be SPP OATT definitions.)**

# Business Practice

## *1. Assignment*

An "assignment" is the transfer of a DTO's legal right to build a project pursuant to a NTC issued by SPP. Although the DTO has transferred its legal right to build a project pursuant to an assignment, the original DTO is still under a legal obligation to ensure that the project is built.

## *2. Novation*

A "novation" is the release of the original DTO's obligation to ensure that a project is built. After the DTO's assignment of the right to build and the approval and execution of a novation, the new TO will have both the right and obligation to build the project. If the party receiving both an assignment and a novation fails to complete the project, the original DTO is not obligated to complete the project.

## *3. SPP Board Approval*

### 3.1. Assignments

#### 3.1.1. Criteria

The SPP Board shall approve Assignments conditioned only on the four specific criteria already identified in the SPP Tariff. Those criteria are:

a. The Entity's having obtained all state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project is located;
b. The Entity's meeting the creditworthiness requirements of the Transmission Provider;
c. The Entity's having signed, or capability and willingness to sign, the SPP Membership Agreement as a Transmission Owner upon the selection of its proposal to construct and own the project; and,
d. The Entity's meeting such other technical, financial and managerial qualifications as are specified in the Transmission Provider's business practices.

#### 3.1.2. Additional Information for Transparency Purposes

For transparency purposes SPP shall provide information regarding proposed assignments and supporting analysis to the RSC, MOPC, and Members Committee for review to increase transparency. This information will include:

a. The identification of the project proposed to be assigned;
b. The identification of the Transmission Owner making the assignment;
c. The identification of the entity receiving the assignment;
d. The identification and status of pertinent matters before FERC or state commissions related to the project including the assignment (this shall include the status of any certification proceeding, approvals, etc.);
e. A comparison of the DTO and proposed recipient of Assignment relating to each (assuming that party constructs the project) as applicable:
    i. Actual or Projected debt/equity ratios;

ii. Actual or Projected cost of capital;
iii. Actual or Projected return on equity or applicable measure;
iv. Actual or Proposed type and amount of construction financing costs, i.e. Interest rate, AFUDC or CWIP;
v. S&P and Moody's credit ratings;
vi. Estimated Net Plant Carrying Charge (NPCC) or Annual Transmission Revenue Requirement (ATRR) for the life of the project after it is placed in-service; and
vii. An explanation describing the difference in the ATRR;

f. A comparative analysis as to whether assignment changes the ROE, weighted cost of capital, and overall costs for the project, whether any performance guarantees between the parties exists and whether any consideration between the parties is included in the ATRR;
g. Whether the Assigning Party will own, operate and maintain the facility; and

Detail on what process was used in selecting the potential DTO.

Assignments between affiliates are subject to the same criteria noted in Section 3.1.1; however, once an affiliate has provided the information to SPP it shall not be required to be resubmitted with each project thereafter provided there are no substantive information changes from the previous submission.

### 3.2. Novations

The SPP Board shall approve novations conditioned upon the information required in Section 3.1.1 above. If not already provided, the information provided in Section 3.1.2 above, as well as the following information:

- The identification and status of pertinent matters before FERC related to the novation of the project(s).

| Dept | Doc ID | Document Title | Current Version | Current Rev Date |
|---|---|---|---|---|
| Tariff Administration | 0810pcsBP7070 | Assignment and Novation | 1.0 | 4/4/2012 |

**Revision History**

| Ver No: | Rev. Date: | Eff. Date: | By | Summary of Changes |
|---|---|---|---|---|
| 1.0 | 4/4/2012 | 1/1/2012 | kq/ cs | Assignment and Novation |

**Approval**

**Primary Owner: Jimmy Womack**

Jimmy Womack

Digitally signed by Jimmy Womack
DN: cn=Jimmy Womack, o=SPP, Inc., ou=RTO-TA, email=jwomack@spp.org, c=US
Date: 2012.04.04 10:21:12 -05'00'

*Signature date supercedes prior approval dates*

Dear Mr. Nickell,
KPP accepts SPP-NTC-200479 (PID 51249, UID 71954) described as follows:

## New Network Upgrade

**Project ID:** 51249
**Project Name:** Line - City of Winfield - Oak 69 kV Reconductor
**Need Date for Project:** 6/1/2021
**Estimated Cost for Project:** $9,298,511 (this project cost contains a Network Upgrade not included in this NTC)

**Network Upgrade ID:** 71954
**Network Upgrade Name:** City of Winfield - Rainbow 69 kV Ckt 1
**Network Upgrade Description:** Reconductor 4 miles of 69 kV transmission line from City of Winfield to Rainbow.
**Network Upgrade Owner:** KPP
**MOPC Representative(s):** Larry Holloway
**TWG Representative:** James Ging
**Categorization:** Regional Reliability
**Network Upgrade Specification:** All elements and conductor must have at least an emergency rating of 46 MVA.
**Network Upgrade Justification:** Identified in SPP-2016-AG2-AFS-2.
**Estimated Cost for Network Upgrade (current day dollars):** $1,467,084
**Cost Allocation of the Network Upgrade:** Base Plan
**Estimated Cost Source:** SPP
**Date of Estimated Cost:** 2/28/2017

We expect the cost to be $3,600,00 based upon the need to rebuild rather than reconductor the line and possible airport restrictions. This estimate assumes that the airport restrictions can be satisfied without rerouting the line. Let me know if you have any questions.

Sincerely;

James Ging
Kansas Power Pool
Director of Engineering Services
100 N. Broadway, STE L110
Wichita, Ks. 67202
P. 316-425-0446
C. 620-222-8181

**Table 3 - Additional Details for Each Request Including All Facility Upgrades Required and Allocated Costs for Each Upgrade**

| Customer | Study Number |
|---|---|
| KPP | AG2-2016-007 |

| Customer | Reservation | POR | POD | Requested Amount | Requested Start Date | Requested Stop Date | Deferred Start Date Without Redispatch | Deferred Stop Date Without Redispatch | Potential Base Plan Funding Allowable | Point-to-Point Base Rate | Allocated E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KPP | 83796263 | SECI | WR | 5 | 7/1/2017 | 7/1/2027 | 7/1/2017 | 7/1/2027 | $ 27,382 | $ - | $ 27,382 | $ 121,704 |
| | | | | | | | | | $ 27,382 | $ - | $ 27,382 | $ 121,704 |

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available | Allocated E & C Cost | Total E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|---|
| 83796263 | None | | | | | $ - | $ - | $ - |
| | | | | | Total | $ - | $ - | $ - |

Reliability Projects - The requested service is contingent upon completion of the following upgrades. Cost is not assignable to the transmission customer.

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available |
|---|---|---|---|---|---|
| 83796263 | CITY OF WINFIELD - RAINBOW - OAK 69KV CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | CRESWELL (CRSW TX-1) 138/69/13.2KV TRANSFORMER CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | CRESWELL (CRSW TX-2) 138/69/13.2KV TRANSFORMER CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | HOYT - JEFFREY ENERGY CENTER 345KV CKT 1 | 6/1/2018 | 6/1/2020 | | |

Planned Projects

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available |
|---|---|---|---|---|---|
| 83796263 | Furley Tap-Towanda-Midian 69 kV | 6/1/2021 | 6/1/2021 | 1/1/2018 | |

Credits may be required for the following Network Upgrades in accordance with Attachment Z2 of the SPP OATT.

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available | Allocated E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|
| 83796263 | FLATRDG3 - HARPER 138KV CKT 1 | 6/20/2013 | 6/20/2013 | | | $ 7,784 | $ 37,513 |
| | MEDICINE LODGE 138/115KV TRANSFORMER CKT 1 | 2/1/2013 | 2/1/2013 | | | $ 6,506 | $ 32,754 |
| | NORTHWEST - WOODWARD 345KV CKT 1 | 3/30/2010 | 3/30/2010 | | | $ 10,268 | $ 48,068 |
| | Woodward EHV 138kV Phase Shifting Transformer circuit #1 | 6/1/2017 | 6/1/2017 | | | $ 2,824 | $ 3,368 |
| *Note: CPOs may be calculated based on estimated upgrade cost and are subject to change. | | | | | Total | $ 27,382 | $ 121,704 |

**Table 3 - Additional Details for Each Request Including All Facility Upgrades Required and Allocated Costs for Each Upgrade**

| Customer | Study Number |
|---|---|
| KPP | AG2-2016-008 |

| Customer | Reservation | POR | POD | Requested Amount | Requested Start Date | Requested Stop Date | Deferred Start Date Without Redispatch | Deferred Stop Date Without Redispatch | Potential Base Plan Funding Allowable | Point-to-Point Base Rate | Allocated E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KPP | 83796275 | WR | WR | 2 | 7/1/2017 | 7/1/2027 | 7/1/2017 | 7/1/2027 | $ 2,123 | $ - | $ 2,123 | $ 10,093 |
| | | | | | | | | | $ 2,123 | $ - | $ 2,123 | $ 10,093 |

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available | Allocated E & C Cost | Total E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|---|
| 83796275 | None | | | | | $ - | $ - | $ - |
| | | | | | Total | $ - | $ - | $ - |

Reliability Projects - The requested service is contingent upon completion of the following upgrades. Cost is not assignable to the transmission customer.

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available |
|---|---|---|---|---|---|
| 83796275 | CITY OF WINFIELD - RAINBOW - OAK 69KV CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | CRESWELL (CRSW TX-1) 138/69/13.2KV TRANSFORMER CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | CRESWELL (CRSW TX-2) 138/69/13.2KV TRANSFORMER CKT 1 | 6/1/2021 | 6/1/2021 | | |

Credits may be required for the following Network Upgrades in accordance with Attachment Z2 of the SPP OATT.

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available | Allocated E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|
| 83796275 | MEDICINE LODGE 138/115KV TRANSFORMER CKT 1 | 2/1/2013 | 2/1/2013 | | | $ 443 | $ 2,232 |
| | NORTHWEST - WOODWARD 345KV CKT 1 | 3/30/2010 | 3/30/2010 | | | $ 1,679 | $ 7,861 |
| *Note: CPOs may be calculated based on estimated upgrade cost and are subject to change. | | | | | Total | $ 2,123 | $ 10,093 |

**Table 3 - Additional Details for Each Request Including All Facility Upgrades Required and Allocated Costs for Each Upgrade**

| Customer | Study Number |
|---|---|
| KPP | AG2-2016-009 |

| Customer | Reservation | POR | POD | Requested Amount | Requested Start Date | Requested Stop Date | Deferred Start Date Without Redispatch | Deferred Stop Date Without Redispatch | Potential Base Plan Funding Allowable | Point-to-Point Base Rate | Allocated E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KPP | 83796278 | WR | WR | 4 | 7/1/2017 | 7/1/2027 | 7/1/2017 | 7/1/2027 | $ 7,783 | $ - | $ 7,783 | $ 36,026 |
| | | | | | | | | | $ 7,783 | $ - | $ 7,783 | $ 36,026 |

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available | Allocated E & C Cost | Total E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|---|
| 83796278 | None | | | | | $ - | $ - | $ - |
| | | | | | Total | $ - | $ - | $ - |

Reliability Projects - The requested service is contingent upon completion of the following upgrades. Cost is not assignable to the transmission customer.

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available |
|---|---|---|---|---|---|
| 83796278 | CITY OF WINFIELD - RAINBOW - OAK 69KV CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | CRESWELL (CRSW TX-1) 138/69/13.2KV TRANSFORMER CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | CRESWELL (CRSW TX-2) 138/69/13.2KV TRANSFORMER CKT 1 | 6/1/2021 | 6/1/2021 | | |
| | HOYT - JEFFREY ENERGY CENTER 345KV CKT 1 | 6/1/2018 | 6/1/2020 | | |

Credits may be required for the following Network Upgrades in accordance with Attachment Z2 of the SPP OATT.

| Reservation | Upgrade Name | DUN | EOC | Earliest Start Date | Redispatch Available | Allocated E & C Cost | Total Revenue Requirements |
|---|---|---|---|---|---|---|---|
| 83796278 | FLATRDG3 - HARPER 138KV CKT 1 | 6/20/2013 | 6/20/2013 | | | $ 2,478 | $ 11,945 |
| | FLATRDG3 - MEDICINE LODGE 138KV CKT 1 | 1/20/2014 | 1/20/2014 | | | $ 858 | $ 3,890 |
| | MEDICINE LODGE - PRATT 115KV CKT 1 | 5/16/2014 | 5/16/2014 | | | $ 2,381 | $ 10,427 |
| | MEDICINE LODGE 138/115KV TRANSFORMER CKT 1 | 2/1/2013 | 2/1/2013 | | | $ 271 | $ 1,363 |
| | NORTHWEST - WOODWARD 345KV CKT 1 | 3/30/2010 | 3/30/2010 | | | $ 1,795 | $ 8,401 |
| *Note: CPOs may be calculated based on estimated upgrade cost and are subject to change. | | | | | Total | $ 7,783 | $ 36,026 |