

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

Before Commissioners:

Pat Apple, Chairman
Shari Feist Albrecht
Jay Scott Emler

In the Matter of a General Investigation for)
the Purpose of Investigating Whether Annual)
or Periodic Cost/Benefit Reporting by SPP) Docket No. 17-SPPE-117-GIE
and Kansas Electric Utilities that Participate)
in SPP is in the Public Interest.)

COMMENTS OF SOUTHWEST POWER POOL, INC.

COMES NOW, Southwest Power Pool, Inc. (“SPP”), by and through its counsel, and hereby submits its initial comments in response to the Order Opening General Investigation issued on January 19, 2017.¹

I. Introduction

1. SPP is a Regional Transmission Organization (“RTO”) approved by the Federal Energy Regulatory Commission (“FERC”).² SPP has also received a certificate of convenience and authority from the Kansas Corporation Commission (“Commission”) for the limited purpose of managing and coordinating transmission facilities for Kansas utilities.³ SPP is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. SPP has ninety-five Members, including sixteen investor-owned utilities, fourteen municipal systems, twenty generation and transmission cooperatives, eight state agencies, fourteen independent

¹ Docket No. 17-SPPE-117-GIE, *Order Opening General Investigation*, at ordering paragraph A (January 19, 2017) (“January 19 Order”).

² *Sw. Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh’g*, 110 FERC ¶ 61,137 (2005).

³ See Docket Nos. 06-SPPE-202-COC and 06-WSEE-203-MIS, *Order Adopting Stipulation and Agreement and Granting Applications*, Ordering Clause E (September 19, 2006) (“September 2006 Order”).

power producers, twelve power marketers, ten independent transmission companies, and one federal agency. As an RTO, SPP administers open access transmission service over approximately 60,000 miles of transmission lines covering portions of Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming, across the facilities of SPP's Transmission Owners,⁴ and administers the Integrated Marketplace, a centralized day ahead and real-time energy and operating reserve market with locational marginal pricing and market-based congestion management.⁵

2. SPP appreciates the Commission giving SPP, as well as other interested stakeholders, the opportunity to comment on “whether annual or periodic reporting by SPP, and Kansas utilities that participate in SPP, is in the public interest.”⁶ As has been SPP's practice in multiple states over the years, SPP is prepared to provide the Commission with any information it needs to exercise its regulatory duties. SPP can and will assist in providing information and resources necessary to provide reports and/or studies to the Commission as it relates to the benefits of continued membership in SPP for Kansas utilities.

II. SPP's Comments to the Commission's Questions and Requests in Paragraph 9

3. As requested by the Commission, in Attachment 1 to this filing SPP provides comments to the sixteen individual questions posed by the Commission and the Commission Staff Report and Recommendation. In the Commission's Order opening this docket, the Commission stated that:

The Commission desires a thorough and thoughtful discussion as to whether such reporting is in the public interest, and if so, what information the report and any associated study should entail. Therefore, the Commission seeks comment from the parties on the following questions from Staff's [Report and Recommendation], along with any other questions or information the parties deem relevant to the issue of the costs and benefits of continued participation in SPP.⁷

⁴ See *Sw. Power Pool, Inc.*, 89 FERC ¶ 61,084 (1999); *Sw. Power Pool, Inc.*, 86 FERC ¶ 61,090 (1999); *Sw. Power Pool, Inc.*, 82 FERC ¶ 61,267, *order on reh'g*, 85 FERC ¶ 61,031 (1998).

⁵ *Sw. Power Pool, Inc.*, 146 FERC ¶ 61,130 (2014) (order approving the start-up and operation of the Integrated Marketplace effective March 1, 2014).

⁶ January 19 Order at ordering paragraph A.

⁷ Docket No. 17-SPPE-117-GIE, *Order Opening General Investigation*, at paragraph 9 (January 19, 2017).

4. In accordance with the Commission request for comment, in addition to the responses to the sixteen questions contained in Attachment 1, SPP offers the following information for consideration as a part of the Commission's "thorough and thoughtful discussion."

A. Studies about RTO Participation

5. There are a number of studies and reports related to the costs and benefits of participation in an RTO. These studies and reports have been conducted for a variety of reasons which include:

- Consideration of joining one or more RTOs,⁸
- The costs and benefits of particular aspects of RTO participation,
- Requirements of, or filings with, state commissions,⁹ and
- FERC study and report requirements as specified in SPP's FERC-approved Tariff.¹⁰

6. In light of SPP's extensive experience in participating and engaging in studies and reports related to RTO participation, SPP offers the following thoughts as the Commission considers whether such a study is in the public interest. An additional study may not be needed for the Commission to make an evaluation about the benefits of continued participation in the

⁸ Charles River Associates filed various studies regarding Entergy joining an RTO in APSC Docket No. 10-011-U on March 11, 2011 posted at: http://www.apscservices.info/EFilings/Docket_Search_Documents.asp?Docket=10-011-U&DocNumVal=338. The Brattle Group conducted the study titled Integrated System Nodal Study: Costs & Revenues of ISO Membership posted at: http://www.brattle.com/system/publications/pdfs/000/005/195/original/Integrated_System_Nodal_Study_-_Costs_and_Revenues_of_ISO_Membership.pdf?1439310635. The Mountain West Transmission Group published a report titled Production Cost Savings Offered by Regional Transmission and a Regional Market in the Mountain West Transmission Group Footprint posted at: https://www.wapa.gov/About/keytopics/Documents/Brattle-Final-Mountain-West-Report_031217.pdf.

⁹ See generally APSC Docket No. 04-137U; MoPSC Docket Nos. EO-2012-0135, EO-2012-0136, EO-2012-0269; NMPRC Docket Nos. 10-00143-UT, 13-00031-UT.

¹⁰ See Tariff at Attachment J Section III.D (Review of Base Plan Allocation Methodology); Tariff at Attachment O (containing transmission planning reporting requirements) (recent transmission planning reports may be found on SPP's website at: <https://www.spp.org/engineering/transmission-planning/>); Tariff at Attachment AG (requiring the SPP Market Monitoring Unit to review and report on market performance) (the most recent annual report was filed on August 25, 2016 in FERC Docket No. ZZ16-4; annual reports may be found at <https://www.spp.org/spp-documents-filings/?id=18512> and quarterly reports may be found at: <https://www.spp.org/spp-documents-filings/?id=18590> on SPP's website).

SPP RTO by Kansas utilities when considering the information and data currently available, such as completed studies and reports about the costs and benefits of RTO participation. The existing information and data, as well as completed reports, can provide significant and valuable information for the Commission. This information and data can be used as the basis to provide more details specific to Kansas if needed for the Commission's assessment.

7. Existing studies documenting these benefits and costs of SPP participation include the following:

- Value of Transmission,¹¹
- Regional Cost Allocation Review ("RCAR") I and II,¹²
- Market savings studies for both the EIS market and Integrated Marketplace,¹³
- Annual State of the Market Report, and¹⁴
- Reduced Reserve Margin Studies.¹⁵

As a result, SPP believes that sufficient information is available in these analyses and other data to demonstrate the net benefits to SPP regional load resulting from SPP services. Where possible, SPP can work with member companies to provide Kansas-specific information from existing reports, study, and data.

B. New Study or Report

8. If the Commission determines that a new more comprehensive Kansas-specific study is desired, SPP recommends that such study encompass the full spectrum of SPP's RTO services. Many of the benefits and costs associated with SPP's services can be quantified, but

¹¹ The Value of Transmission Report is posted at:
<https://www.spp.org/documents/35297/the%20value%20of%20transmission%20report.pdf>.

¹² The RCAR I final report is posted at:
<https://www.spp.org/documents/37781/rcar%20report%20final%20clean.pdf>.
The RCAR II final report is posted at:
<https://www.spp.org/documents/46235/rcar%202%20report%20final.pdf>.

¹³ For example, *see* Submission of Tariff Revisions to Implement SPP Integrated Marketplace of Southwest Power Pool, Inc. FERC Docket No. ER12-1179-000 (February 29, 2012) at Exhibit No. SPP-2 (Ventyx's Cost Benefit Study for Future Market Design) (estimating costs and benefits of SPP's future market design for the SPP Integrated Marketplace).

¹⁴ Annual State of the Market Reports are posted at: <https://www.spp.org/spp-documents-filings/?id=18512>.

¹⁵ *See* Board of Directors/Members Committee Meeting Minutes No. 168, dated April 26, 2016, at pages 136-166 (including Deliverability Study, Load Responsible Entity for Planning Reserve Margin Obligation, and Planning Reserve Assurance Policy) posted at:
https://www.spp.org/documents/37863/bod_mc%20minutes%2020160426_full.pdf.

other services do not lend themselves readily to quantitative assessment. A Commission-directed study should recognize all services that bring value to members, including both quantitative and qualitative benefits. Such a study should also consider costs.

9. A full assessment of the benefits and costs associated with participation in the SPP RTO should include the following:

- Costs and benefits of transmission system upgrades,
- Administrative fees for SPP services (Schedule 1-A),
- Net savings from market operations, commitment, and dispatch,
- Operating reserve sharing,
- Provision of ancillary services,
- Change in energy losses and capacity savings associated with losses,
- Reduction in market transaction costs,
- Reliability coordination services,
- Tariff administration services,
- Transmission provider services,
- Transmission planning services, including interregional planning,
- Consolidated Balancing Authority,
- Capacity margin reduction,
- Elimination of pancaked rates,
- Generator interconnection services,
- Facilitation of wind power,
- Limitations on generator source options,
- Mitigation of seams issues,
- Implementation of Order No. 1000,
- Interconnection capacity between Kansas utilities and SPP as compared to other regions considered, and
- Market power.

In addition to the RTO services and benefits, there are other services that could be affected and may require consideration in the analysis, such as participation in the SPP Regional Entity.

C. New Studies and Reports Comparing Alternatives to SPP

10. One suggestion from the Commission's questions is the possibility of Kansas utilities exiting SPP for an alternative to SPP. A new analysis of the costs and benefits associated with exiting the SPP RTO and replacing with alternative arrangements for such transmission services is a complex challenge and is critically dependent on the underlying assumptions and study methodology. An important component of any analysis of the transfer of facilities and load out of SPP's functional control also would have to address the existing obligations of the exiting entities as both transmission owners and transmission customers. Under SPP's FERC-approved governing documents¹⁶ two obligations exist for exiting members. These include: (1) transmission costs¹⁷ and (2) the financial obligations of SPP.¹⁸

11. As Transmission Owners, the companies, both Kansas and non-Kansas companies, have made commitments to construct, maintain, and operate transmission facilities to serve to the benefit of customers across the SPP region. These commitments to both current and future transmission upgrades would have to be addressed. As Transmission Customers, the exiting companies have made long-term commitments to bear a share of the cost of transmission facilities both inside and outside of Kansas in addition to a share of SPP's operational costs. These cost commitments of exiting companies would have to be addressed through exit fees in order to hold the remaining SPP customers harmless from the costs that otherwise would be stranded. The financial obligations of exiting would have to be estimated for each entity separately and would have to recognize the project life-cycle costs associated with each entity's obligation. The cost associated with transmission obligations for exiting members of RTOs to join another RTO has resulted in lengthy disputes at FERC that have also been litigated in appellate courts.¹⁹

¹⁶ See generally FERC Docket Nos. ER13-2031 and ER13-2033.

¹⁷ Southwest Power Pool, Inc., Membership Agreement, First Revised Volume No. 3 at Section 4.3.3A (Financial Obligations for Transmission Facilities).

¹⁸ Southwest Power Pool, Inc. Bylaws, First Revised Volume No. 4 at Section 8.7 (Financial Obligation of Withdrawing Members).

¹⁹ For example, Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. ("Duke Energy") estimated their fee to exit the Midcontinent Independent System Operator, Inc. ("MISO") would be approximately \$14.4 million, with an additional \$1.8 million to resolve a dispute between Duke Energy and MISO (*PJM Interconnection, L.L.C., et al.*, 139 FERC ¶ 61,068, at PP 25-26 (2012)). Further, Duke Energy's witness estimated their obligation for legacy MISO Transmission Expansion Plan (MTEP) costs at \$501.2 million (Submission of Intra-PJM Tariff/OATT, OA, RAA of PJM Interconnection, L.L.C., Duke Energy Ohio,

12. In addition to challenges associated with determining transmission costs related to exiting an RTO, SPP members have an obligation to pay for SPP existing obligations incurred on their behalf.²⁰ Although this obligation is significantly less costly and easier to calculate than the abovementioned transmission obligation, these are costs that should be a part of any study or analysis associated with exiting SPP.

13. Another consideration is that the exit from SPP of all FERC-jurisdictional utilities would require the approval of the FERC. In addition, regulatory filings with the FERC would be necessary to establish the transmission revenue requirements and rates of these companies in whatever form of organization they ultimately would be part of. Companies that cross a state boundary may also be required to obtain the approval of the other state's regulatory body in order to exit SPP membership. The potential varying results of the proceedings in other states and at FERC should be considered as a part of any study to exiting the SPP RTO and replacing its services with any alternative arrangement.

14. In addition to the exit costs and regulatory uncertainty with the exit SPP option, one of the central challenges is the uncertainty of key parameters of a study evaluating the alternative options. For example, in order to analyze the potential transfer of transmission facilities and load to MISO, it is important to know what terms and conditions would be attached to such transfer and what operating parameters would be applicable. The following are some relevant questions:

- What methods would be used to allocate the cost of MISO's current and future transmission upgrades to the transferring entities?

Inc. and Duke Energy Kentucky, Inc., FERC Docket No. ER12-91-000 (October 14, 2011) at Attachment D Direct Testimony and Exhibits of Robert B. Stoddard, p. 9). In addition, American Transmission Systems, Inc. ("ATSI") estimated that its obligation to exit MISO was approximately \$35 million, which did not include transmission project cost-related withdrawal obligations (*PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,198, at P 28 (2011)). Lastly, there is ongoing litigation regarding MISO's Multi-Value Project ("MVP") recovery costs from ATSI and Duke Energy. MISO's witness estimated that ATSI's share of the estimated cost of one project was \$136.0 million and estimated that Duke Energy's share of the estimated total cost of all the MVPs approved before its withdrawal was \$514.2 million (*See Public Version of Prepared Direct Testimony and Exhibits of Witness Jennifer Curran*, Docket No. ER12-715-003, at Exhibit No. MTO-1, p. 30 (September 26, 2012)). This issue regarding ATSI's and Duke Energy's responsibility for a share of MISO's MVP costs is currently before the United States Court of Appeals for the Sixth Circuit in Case No. 16-3791 (*MISO Transmission Owners, Petitioner v. Federal Energy Regulatory Commission, Respondent*).

²⁰ See *supra* at n. 17, 18.

- What costs would be associated with the use of neighboring transmission providers' facilities in order to support power market transactions?
- What conditions would be necessary in order to facilitate any future SPP use of the facilities being transferred?
- Would other regulatory jurisdictions approve the transfer of facilities owned by multi-jurisdictional companies, and if so, under what conditions?

Assumptions would have to be made regarding these and numerous other critical factors in order to develop a credible study. Although the study's value is critically dependent on the accuracy of these assumptions, a degree of uncertainty associated with each of them is unavoidable. These are factors the Commission should take into consideration during its deliberations.

15. The uncertainty associated with options other than MISO, such as forming a Kansas RTO or turning control over to an independent coordinator of transmission, would be at least as challenging as analysis of the MISO or another RTO alternative option. Because of this uncertainty, the results of any study would have to be treated as an educated estimate rather than as a clear indicator of future outcomes. This is highlighted by the fact that no state has exited an existing RTO to form its own RTO.²¹

D. Kansas RTO Option

16. One option posited in the Commission's questions, that of forming a Kansas-specific RTO, has no close parallel. Although New York, Texas, and California each has a transmission organization that serves a substantial portion of its state's electrical load, the circumstances in each case are different from that of Kansas. These states' transmission organizations expanded and developed their services over a period of years, and at times, with trial and error.²² However, they did not successfully launch a fully-formed RTO or Independent

²¹ Texas and New York have RTOs that are completely located within their state boundaries. The history of these organizations pre-date the establishment of RTOs in the United States. The Electric Reliability Council of Texas ("ERCOT") was founded in 1970 (after existing previously as the Texas Interconnected System since 1941) and the New York Independent System Operator ("NYISO") was founded in 1999. As a result, no state has exited an RTO to form its own RTO; so, no historical example exists to compare estimated costs and benefits.

²² California Independent System Operator, Inc.: <https://www.caiso.com/about/Pages/OurLeadership/Default.aspx>;
ERCOT: <http://www.ercot.com/about/profile/history>;
NYISO: <https://home.nyiso.com/who-we-are/>.

System Operator (“ISO”) in one step. It required years of development to arrive at the position they maintain today, as contrasted with the current situation with Kansas where the SPP member utilities currently rely upon on a full suite of RTO services. A further consideration is that the costs of these three states’ transmission organizations are spread over a larger base of load and generation capacity than what is available in the state of Kansas. Because of this economy of scale, the per-unit cost of operating the organization can be lower in more populated states such as California, New York and Texas. In addition, FERC approval would be necessary in order for Kansas to form its own transmission organization due to the fact that, unlike the ERCOT region of Texas that has only direct current ties with the eastern interconnection, Kansas has alternating current ties.

E. KCC Dockets Approving Participation in the SPP RTO

17. On September 19, 2006, the Commission issued its *Order Adopting Stipulation and Agreement and Granting Applications* in Docket Nos. 06-SPPE-202-COC and 06-WSEE-203-MIS.²³ The September 2006 Order approved SPP’s request for a certificate of convenience and authority for the limited purpose of managing and coordinating the use of certain Kansas utilities’ transmission facilities. The Commission also authorized certain utilities, Westar Energy, Inc.; Kansas Gas and Electric Company (KG&E); Empire; KCP&L; Aquila, Inc.; Midwest Energy, Inc.; and SPS to transfer functional control of their transmission facilities to SPP. In the September 2006 Order, the Commission stated that, “Staff concluded the [Regional State Committee Cost Benefit Study] quantifies net benefits to Kansas utility customers if the Commission approves transfer of operational control of transmission facilities of the Kansas utilities to SPP. Staff further concluded Kansas electric customers will receive substantial benefits that are not quantified by the study and that can only be realized by approval of this transfer and subsequent establishment of the SPP EIS market.”²⁴ Additionally, Commission staff found that, “the SPP RTO and an SPP EIS market will help maximize use of Kansas energy resources, particularly to the extent SPP RTO may assist in developing Kansas wind resources.”²⁵

²³ September 2006 Order.

²⁴ September 2006 Order at paragraph 24.

²⁵ September 2006 Order at paragraph 34.

18. One option SPP recommends for the Commission to evaluate is reexamining the Commission’s September 2006 Order and underlying rationale that the Commission found as the basis to approve SPP’s certificate of convenience and authority and Kansas utilities’ participation in the SPP RTO. This would give the Commission the ability to “look back” to see whether or not the anticipated benefits have come to fruition more than a decade later.

19. A quick review of current data appears to confirm the expected benefits to the Kansas utilities discussed by the Commission in the September 2006 Order have been realized. For example, in 2006, Kansas had 260 MW wind. In 2017, the number has increased to 4,571 MW. SPP currently has more than 8,000 MW of wind facilities located in Kansas in its Generator Interconnection Queue that will add more wind facilities to Kansas. Additionally, participation in SPP has led to the construction of \$1.3 billion in transmission facilities in Kansas with another \$587 million planned. In 2007, SPP implemented its EIS market, as contemplated in the September 2006 Order. In March 2014, SPP implemented the Integrated Marketplace, which expanded SPP’s market operation and market benefits. As announced in October of 2016, the Integrated Marketplace has already reduced the cost of electricity in the SPP footprint by more than \$1 billion since its implementation.²⁶

20. A “look back” evaluation of the September 2006 Order is an option the Commission may want to consider.

F. Study Costs

21. It has been documented that comprehensive studies about RTO participation and the costs and benefits about participation do come at a cost.²⁷ When the Commission evaluates the various options, the Commission should evaluate the cost of a new study compared with using existing studies and data for a cost benefit determination.

²⁶ See Press Release posted at: <https://www.spp.org/about-us/newsroom/total-savings-from-spp-s-markets-cross-the-1-billion-mark/>.

²⁷ For example, see Finance Committee Meeting Minutes dated September 27, 2016 at page 49 (costs of the RCAR I and RCAR II) posted at: <https://www.spp.org/documents/43746/fc%20minutes%2020160927.pdf>.

III. Reporting and Studies Requirements in Other RTO States

22. At various points in the execution of their regulatory duties, state commissions have required studies associated with participation in SPP. Of the fourteen states in which SPP operates, three have required some level of reporting or studies. Currently, two states require studies. Below is a summary of the history of these three states' reporting requirements related to participation in RTOs that may be of interest to the Commission in its deliberation.

A. Arkansas

23. On August 10, 2006, the Arkansas Public Service Commission ("APSC") issued Order No. 6 in Docket No. 04-137-U directing Oklahoma Gas and Electric Company, Southwestern Electric Power Company, and The Empire District Electric Company ("Empire") (collectively, the "Arkansas Utilities") to track costs and revenue data related to participation in the SPP RTO and the Energy Imbalance Service ("EIS") Market for three years and requiring APSC approval before participating in any additional markets beyond the EIS.²⁸ In early 2010, the Arkansas Utilities submitted applications for approval to continue their membership in the SPP RTO citing savings to ratepayers for the first three years of the EIS Market. On June 2, 2010, the APSC issued Order No. 9 finding that participation in the SPP RTO should continue and directing Arkansas utilities to file annual reports showing the net benefits or costs of participation in SPP.²⁹ On September 21, 2012, the Arkansas Utilities filed a joint petition seeking approval to participate in the SPP Integrated Marketplace. On December 7, 2012, the APSC issued Order No. 10 authorizing the Arkansas Utilities to participate in the Integrated Marketplace.³⁰ As described in Order No. 10, the Arkansas Utilities sought, among other things, a declaration by the APSC that certain conditions found in Order No. 9 were no longer applicable, including requiring each Arkansas utility to track and report annually its costs and revenues related to SPP participation versus Arkansas utility estimates of continued stand-alone operation. APSC staff recommended the APSC grant the declaration and agreed that once the Integrated Marketplace was implemented, the specified conditions would no longer be

²⁸ APSC Docket No. 04-137-U, *Order No. 6* at Section V (August 10, 2006) posted at:

http://www.apscservices.info/pdf/04/04-137-u_51_1.pdf.

²⁹ APSC Docket No. 04-137-U, *Order No. 9* (June 2, 2010) posted at:

http://www.apscservices.info/pdf/04/04-137-u_70_1.pdf.

³⁰ APSC Docket No. 04-137-U, *Order No. 10* (December 10, 2012) posted at:

http://www.apscservices.info/pdf/04/04-137-u_86_1.pdf.

applicable. The APSC agreed with the issuance of Order No. 10. As a result, Arkansas' SPP members are no longer required to track and report annually costs and revenues related to their SPP participation.

B. Missouri

24. On August 28, 2013, in Case No. EO-2012-0269 before the Missouri Public Service Commission ("MoPSC"), Empire, filed and was granted, a Motion for Approval of Stipulation and Agreement, which would require Empire to conduct a cost/benefit study examining continued participation in SPP versus operation as a stand-alone utility for completion by May 1, 2018. The MoPSC approved the stipulation and agreement that provided for Empire's continued participation in SPP through August 1, 2019. However, a few years later, on October 27, 2016, Empire met with representatives of the MoPSC staff, as well as the Missouri Office of Public Counsel, to discuss the Preliminary Analysis Plan pursuant to the August 28, 2013 Stipulation and Agreement. It was deemed that there was only limited value to conducting the cost/benefit study and that any such limited value did not offset the cost associated with the study.³¹ The parties requested that the MoPSC issue an order stating that Empire is not required to perform the cost/benefit study associated with the 2018 Interim Report and that Empire is not required to produce the 2018 Interim Report. On March 1, 2017, the MoPSC issued such Order,³² granting the aforementioned request. The MoPSC also determined the interim and conditional approval of Empire's membership in SPP would be extended by three years to August 1, 2022, with an Interim Report due by April 30, 2021.

Similarly, on August 22, 2016, in Case Nos. EO-2012-0135 and EO-2012-0136 before the MoPSC, Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") jointly filed a motion to modify the MoPSC-approved requirements in stipulations and agreements, specifically requesting that the MoPSC modify previously approved stipulations so that KCP&L and GMO are no longer required to perform an analysis and to produce a 2017 Interim Report from that analysis as previously ordered. The

³¹ Case No. EO-2012-0269, *Joint Motion of The Empire District Electric Company, the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel to Modify Stipulation and Agreement and Order Granting Motion for Approval of Unanimous Stipulation and Agreement*, at paragraph 4 (February 15, 2017).

³² MoPSC Case No. EO-2012-0269, *Order Modifying Stipulation and Agreement* (March 1, 2017) posted at: <https://psc.mo.gov/CMSInternetData/ON/Orders/2017/030117269.pdf>.

MoPSC agreed and subsequently issued an Order³³ excusing KCP&L and GMO from the requirement to perform an analysis needed to produce a 2017 Interim Report.

C. New Mexico

25. The New Mexico Public Regulation Commission (“NMPRC”) requires an annual report of several utilities including Lea County Electric Cooperative, Incorporated (“LCEC”) and Southwestern Public Service Company (“SPS”). As to LCEC, in Case No. 10-00143-UT, the NMPRC granted approval for LCEC to transfer certain transmission assets under SPP’s Open Access Transmission Tariff (“Tariff”)³⁴ and adopted the Uncontested Stipulation, filed on October 1, 2010,³⁵ on December 16, 2010.³⁶ In accordance with the Uncontested Stipulation, on or before June of each year, LCEC must file with the NMPRC a report showing any of the following charges assessed to LCEC: (a) the SPP administrative charges for the prior calendar year, (b) the ancillary services charges reimbursed to LCEC for the prior calendar year, (c) the charges related to SPP cost allocation for transmission upgrades required for reliability purposes (to maintain compliance with the North American Electric Reliability Corporation (“NERC”) and other applicable reliability standards) during the prior calendar year, (d) the charges related to SPP cost allocation for transmission upgrades required for purposes other than to meet reliability requirements that are determined through SPP planning processes assessed to LCEC for the prior calendar year, (e) costs and revenues related to the operation of the SPP EIS Market for the prior calendar year, (f) allocation of SPP FERC assessment fees, and (g) the charges from SPP to LCEC for ancillary services not self-provided by LCEC for the prior calendar year. Section 4 of the Uncontested Stipulation required LCEC to file an Interim Report two years before the conclusion of the Interim Period. LCEC submitted the Interim Report on December 17, 2013.³⁷

³³ MoPSC Case No. EO-2012-0135, *Order Granting Motion to Relieve KCP&L and GMO of Stipulation Requirements* (September 14, 2016) posted at: <https://psc.mo.gov/CMSInternetData/ON/Orders/2016/091416135.pdf>.

³⁴ Southwest Power Pool, Inc., *Open Access Transmission Tariff*, Sixth Revised Volume No. 1.

³⁵ NMPRC Case No. 10-00143-UT, *Uncontested Stipulation* (October 1, 2010).

³⁶ NMPRC Case No. 10-00143-UT, *Final Order Adopting Certification of Stipulation* (December 16, 2010).

³⁷ NMPRC Case No. 10-00143-UT, *Compliance Report of Lea County Electric Cooperative, Inc.* (December 17, 2013).

26. As to SPS, in Case No. 13-00031-UT, in accordance with Section 8 of the Unopposed Stipulation filed on January 31, 2014,³⁸ and adopted by the NMPRC on May 21, 2014,³⁹ on or before June of each year, SPS must file with the NMPRC a report showing: (a) the SPP administrative charges for the prior calendar year, (b) the SPP Schedule 11 charges and revenues related to SPP cost allocation for transmission upgrades required for reliability purposes assessed to SPS for the prior calendar year, (c) other Schedule 11 charges and revenues related to SPP cost allocation for transmission upgrades assessed to SPS for the prior calendar year, (d) net costs and revenues related to the markets in SPP's Integrated Marketplace (or successor market), (e) allocation of SPP's FERC assessment fees for the prior calendar year, and (f) the charges and revenues from SPP to SPS for ancillary services for the prior calendar year. SPS' current Interim Period ends on December 31, 2029 in accordance with Section 2 of the Unopposed Stipulation, with an Interim Report due by July 1, 2028 in accordance with Section 3 of the Unopposed Stipulation.

IV. Recommendations

27. Based upon the evidence available demonstrating the benefits of participation in SPP, SPP recommends that the Commission find that reporting by SPP and the Kansas utilities regarding the costs and benefits to Kansas utilities and ratepayers afforded by continued SPP membership can be found with existing data and information or exists with various reports produced without a new reporting requirement or conducting an extensive and costly new study.

28. SPP recommends that the Commission have SPP and Kansas utilities provide existing information to the Commission as to the benefits of participation in the SPP RTO. These should include both quantitative and qualitative benefits.

29. Additionally, the Commission should consider having SPP file with the Commission certain reports currently produced by SPP after these reports are finalized and published on the schedule required under Tariff requirements.⁴⁰ These reports can be filed with the Commission. Based upon these filings, the Commission can decide if additional analysis or

³⁸ NMPRC Case No. 13-00031-UT, *Unopposed Stipulation* (January 31, 2014).

³⁹ NMPRC Case No. 13-00031-UT, *Final Order Adopting Certification of Stipulation* (May 21, 2014).

⁴⁰ These filings can include the tariff required reports such as RCAR reports, Annual State of the Market Reports, and SPP Transmission Expansion Plan (STEP) Reports.

information is needed. Upon such a determination by the Commission, SPP and Kansas utilities can provide the additional information needed.

WHEREFORE, SPP respectfully requests the Commission consider these comments in this matter.

Respectfully submitted,



John R. Wine, Jr. KS # 10016
410 NE 43rd Street
Topeka, Kansas 66617
Telephone: (785) 220-7676
Facsimile: (785) 246-0339
Email: jwine2@cox.net

and

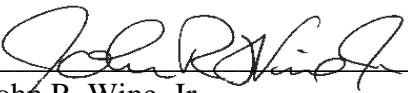
Tessie Kentner AR # 2007240
Managing Attorney
Kandi N. Hughes AR # 2010029
Attorney
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, Arkansas 72223
Telephone: (501) 688-1782
Facsimile: (501) 482-2022
Email: tkentner@spp.org
khughes@spp.org

Attorneys for Southwest Power Pool, Inc.

VERIFICATION
K.S.A. 53-601

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I verify under penalty of perjury that the foregoing is true and correct.



John R. Wine, Jr.

Executed on April 21, 2017.

Attachment 1

Questions

The Commission seeks comment from the parties on the following questions from Staff's R&R, along with any other questions or information the parties deem relevant to the issue of the costs and benefits of continued participation in SPP:

- (a) In the event that the Commission requires a study to determine the costs and benefits associated with continued membership in SPP, what specific parameters should be included in the study?

Response:

See Section III above.

- (b) Should the study be limited to a comparison of production cost savings associated with the Integrated Market (IM) versus the increased transmission expense and SPP Administration expense associated with membership in SPP?

Response:

See Response to (a).

- (c) Should two separate cost/benefit studies be completed with one on the cost/benefits of the IM and the other on the cost/benefits of the transmission system?

Response:

No. The two are intertwined and should not be considered separately.

- (d) Should the study be performed by an independent third party consultant, or can this analysis be performed by internal expertise within the utilities?

Response:

This type of study, if required, should be conducted as a joint effort including SPP, the Kansas entities and an independent third party. Among numerous benefits of a joint study would be the utilization of a common set of base assumptions, the use of common models, and consistency in the development of benefits and costs for the group of Kansas entities as a whole. The cost of having a third party consultant assist with the study will most likely be substantial, as will the investment of resources by SPP.

(e) How often should such a study be updated once performed?

Response:

The Commission should consider the time and cost necessary to perform such a study when determining how often the study should be updated. The Commission should also consider evaluating existing studies currently performed as required by the Tariff.

(f) How quantifiable and objective would such an analysis be?

Response:

This depends upon the scope of the study and how it is performed. The goal should be to make it as quantifiable and objective as possible. If required, this study should be required only once and evaluated by the Commission before any subsequent requirements are evaluated.

(g) Without a study, is it possible to say with certainty whether Kansas ratepayers are better off today with Kansas electric utilities being members of SPP? Would it be possible after the study?

Response:

Substantial evidence exists today demonstrating the benefits of participation in the SPP RTO. *See* Section III above.

- (h) What evidence exists today regarding the costs/benefits of SPP membership that *Kansas* ratepayers are benefitting from Kansas utility participation in SPP?

Response:

Substantial evidence exists today demonstrating the benefits of participation in the SPP RTO. *See* Section III above.

- (i) Over what time period should the study cover? Should the study cover the last five years, ten years, or only since the implementation of the IM?

Response:

The study should be quantitative for the time period subsequent to the implementation of the SPP Integrated Marketplace in March 2014 and qualitative for any time periods prior to that with the exception the EIS benefits prior to the IM.

- (j) Should the study attempt to reflect the anticipated costs and benefits of continued SPP membership for the foreseeable future using data that is known or that can be determined with certainty today?

Response:

See response to (i) above.

- (k) What alternatives to SPP membership exist for Kansas electric utilities today?

Response:

Many options are available, such as withdrawing from SPP and joining another RTO, having utilities be stand-alone, or forming a Kansas-only RTO. However, any option would be subject to approval by FERC. *See* discussion in Section III.

- (l) Should the study, if required, compare the costs and benefits of SPP to membership in the Midwest Independent System Operator (MISO)?

Response:

If the Commission determines that a study is necessary, the Commission has a number of options to consider, including withdrawing from SPP and joining other RTOs, having utilities be stand-alone, or forming a Kansas-only RTO. If such a study is determined by the Commission, part of the analysis should include exit cost. If the study involves another RTO, capacity to transfer power to another RTO should be part of the analysis. *See* discussion in Section III.

- (m) What other Regional Transmission Organizations or regional transmission planning entities, if any, should be considered in the analysis of alternatives?

Response:

If the Commission determines that a study of another RTO option is necessary, the study should evaluate all options available to the Kansas utilities.

- (n) Is it feasible for Kansas to form its own regional transmission planning entity similar to what New York and California have done? If so, should the costs and benefits of that possibility be evaluated in this study?

Response:

Because no state has exited an existing RTO to its own single state RTO, such an analysis would be very speculative. *See* discussion in Section III.

- (o) If Kansas utilities were not members of SPP, would there still be opportunities to pursue economy energy sales/purchases from the IM? Would other entities or SPP still use transmission facilities owned by Kansas utilities?

To what extent should this be included in the effects of a possible cost/benefit study?

Response:

SPP membership is not required for participation in the SPP Integrated Marketplace. Use of facilities, both those owned by Kansas utilities and those owned by other SPP members, should be evaluated during a study. However, study of this issue would need to address the additional cost associated with pancaked rates.

- (p) If Kansas utilities were not members of SPP, would there still be opportunities for Kansas utilities to sell transmission capacity on the facilities located in Kansas and owned by Kansas utilities? To what extent should this be included in the effects of a possible cost/benefit study?

Response:

Under FERC open access policy, available transmission capabilities must be sold on a non-discriminatory basis. The ability of the Kansas utilities to sell transmission capacity should be evaluated during a study. This should include what entity would be responsible for evaluating and granting service for transmission service requests.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above Comments was sent via email, this 21st day of April, 2017, to the following:

W. ROBERT ALDERSON, JR., ATTORNEY
ALDERSON ALDERSON WEILER CONKLIN BURGHART & CROW LLC
2101 SW 21ST STREET (66604)
TOPEKA, KS 66604
BOBA@ALDERSONLAW.COM

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
jflaherty@andersonbyrd.com

THOMAS J. CONNORS, Attorney at Law
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
tj.connors@curb.kansas.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
D.NICKEL@CURB.KANSAS.GOV

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
d.smith@curb.kansas.gov

SHONDA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
sd.smith@curb.kansas.gov

BRENT BAKER
EMPIRE DISTRICT ELECTRIC COMPANY
602 S JOPLIN AVE (64801)
PO BOX 127
JOPLIN, MO 64802
BBaker@empiredistrict.com

ANGELA CLOVEN
EMPIRE DISTRICT ELECTRIC COMPANY
PO BOX 127
602 S JOPLIN AVENUE
JOPLIN, MO 64802-0127
acloven@empiredistrict.com

AARON DOLL
EMPIRE DISTRICT ELECTRIC COMPANY
602 S JOPLIN AVE (64801)
PO BOX 127
JOPLIN, MO 64802
ADoll@empiredistrict.com

FRED MEYER
EMPIRE DISTRICT ELECTRIC COMPANY
602 S JOPLIN AVE (64801)
PO BOX 127
JOPLIN, MO 64802
FMeyer@empiredistrict.com

BRYAN OWENS, ASSISTANT DIRECTOR OF PLANNING & REGULATORY
EMPIRE DISTRICT ELECTRIC COMPANY
602 S JOPLIN AVE (64801)
PO BOX 127
JOPLIN, MO 64802
bowens@empiredistrict.com

DOUGLAS L. HEALY, ATTORNEY AT LAW
HEALY LAW OFFICES, LLC
3010 E BATTLEFIELD STE A
SPRINGFIELD, MO 65804
doug@healylawoffices.com

TERRY M. JARRETT, ATTORNEY AT LAW
HEALY LAW OFFICES, LLC
3010 E BATTLEFIELD STE A
SPRINGFIELD, MO 65804
terry@healylawoffices.com

HEATHER H STARNES, ATTORNEY
HEATHER H STARNES
12 PERDIDO CIRCLE
LITTLE ROCK, AR 72211
heather@healylawoffices.com

JAMES W. BIXBY, ATTORNEY - REGULATORY & LEGISLATIVE
ITC GREAT PLAINS, LLC
601 THIRTEENTH STREET NW
STE 710S
WASHINGTON, DC 20010
jbixby@itctransco.com

HOLLY FISHER, ATTORNEY-CAP. PROJECTS & MAINTENANCE
ITC GREAT PLAINS, LLC
3500 SW FAIRLAWN RD STE 101

TOPEKA, KS 66614-3979
hfisher@itctransco.com

DENISE M. BUFFINGTON, CORPORATE COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 19th FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
DENISE.BUFFINGTON@KCPL.COM

ROBERT J. HACK, LEAD REGULATORY COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 19th FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
ROB.HACK@KCPL.COM

ROGER W. STEINER, CORPORATE COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 19th FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
roger.steiner@kcpl.com

MARY TURNER, MANAGER REGULATORY AFFAIRS
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL 1200 MAIN ST (64105)
PO BOX 418679
KANSAS CITY , MO 64141-9679
MARY.TURNER@KCPL.COM

ANTHONY WESTENKIRCHNER, SENIOR PARALEGAL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 19th FLOOR (64105)
PO BOX 418679
KANSAS CITY, MO 64141-9679
anthony.westenkirchner@kcpl.com

MICHAEL DUEÑES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
m.duenes@kcc.ks.gov

ANDREW FRENCH, SENIOR LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
a.french@kcc.ks.gov

STEPHAN SKEPNEK, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
s.skepnek@kcc.ks.gov

PAUL MAHLBERG, GENERAL MANAGER
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
MAHLBERG@KMEA.COM

SAM MILLS, DIRECTOR PROJECT AND ASSETS MANAGEMENT
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
MILLS@KMEA.COM

MARK CHESNEY, CEO & GENERAL MANAGER
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
mchesney@kansaspowerpool.org

JAMES GING, DIRECTOR ENGINEERING SERVICES
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
jging@kansaspowerpool.org

LARRY HOLLOWAY, ASST GEN MGR OPERATIONS
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
lholloway@kansaspowerpool.org

CURTIS M. IRBY, GENERAL COUNSEL
KANSAS POWER POOL
LAW OFFICES OF CURTIS M. IRBY
200 EAST FIRST ST, STE. 415
WICHITA, KS 67202
CMIRBY@SBCGLOBAL.NET

ANNE E. CALLENBACH, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
acallenbach@polsinelli.com

FRANK A. CARO, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
fcaro@polsinelli.com

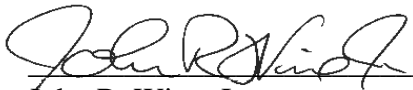
MARK D. CALCARA, ATTORNEY
WATKINS CALCARA CHTD.
1321 MAIN ST STE 300
PO DRAWER 1110
GREAT BEND, KS 67530
MALCARA@WCRF.COM

TAYLOR P. CALCARA, ATTORNEY
WATKINS CALCARA CHTD.
1321 MAIN ST STE 300
PO DRAWER 1110
GREAT BEND, KS 67530
TCALCARA@WCRF.COM

MO AWAD, DIRECTOR, REGULATORY COMPLIANCE
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
mo.awad@westarenergy.com

JEFFREY L. MARTIN, VICE PRESIDENT, REGULATORY AFFAIRS
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
JEFF.MARTIN@WESTARENERGY.COM

PATRICK T. SMITH, CORPORATE COUNSEL
WESTAR ENERGY, INC.
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
PATRICK.SMITH@WESTARENERGY.COM



John R. Wine, Jr.
Attorney for Southwest Power Pool, Inc.