

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

In the Matter of the Application of Sunflower Electric)
Power Corporation for an Order Approving (i) Continued)
Use of the Target Financial Metric Ratio Levels Used in,) Docket No. 17-SEPE-415-TAR
and (ii) Amendments to, its Commission-Approved)
Formula-Based Rate for Recovery of Transmission)
Costs)

SUPPLEMENTAL APPLICATION

COMES NOW Sunflower Electric Power Corporation (“Sunflower”) and files this Supplemental Application requesting that the Commission approve (i) continued use of the current levels of Debt Service Coverage (“DSC”) and Times Interest Earned Ratio (“TIER”) target metrics in Sunflower’s Formula-Based Rate for Recovery of Transmission Costs (the “TFR”), which was previously approved by the Commission in Docket No. 13-SEPE-701-TAR (the “13-701 Docket”), and (ii) amendments to the TFR to allow adjustments for Southwest Power Pool, Inc. (“SPP”) competitively bid transmission projects compelled by Federal Energy Regulatory Commission (“FERC”) Order 1000.

In support of its Supplemental Application, Sunflower states as follows:

I. BACKGROUND

1. On March 16, 2017, Sunflower filed an application in this docket requesting the approval of the aforementioned items (“Application”). As stated in the Application, Sunflower had an outstanding obligation from the 13-701 Docket to make a refile of its TFR to support continued use of, or revise, the DSC and TIER levels. Through informal discussions with the staff of the Commission (“Staff”), it is Sunflower’s understanding that Staff supports Sunflower’s request for continued use of the current

levels of DSC and TIER in the TFR. This Supplemental Application makes no revision to the original request regarding the same, but now amends Sunflower's request regarding amendments to the TFR to allow for adjustments for SPP competitively bid FERC Order 1000 transmission projects. For the avoidance of doubt, Sunflower hereby reaffirms its request in the Application regarding the continued use of the current levels of DSC and TIER in the TFR.

II. REVISED FERC ORDER 1000 PROJECT TFR ADJUSTMENTS

2. At the filing of the Application, Sunflower understood that its request for TFR competitive bid adjustments was unique and complex. In addition, given that there has only been one FERC Order 1000 competitively bid project in the SPP region since the inception of FERC Order 1000, the concepts contained in the request address issues that are new to the Commission. For that reason, Staff and Sunflower engaged in several lengthy informal discussions regarding the request and the reasons for it.

3. Initially, Staff had reservations about the requested adjustments to the TFR. However, after the aforementioned discussions, Staff became comfortable with the proposal, subject to Sunflower incorporating a few changes. After additional discussions between the parties, Staff and Sunflower were able to agree on an adjustment format that addressed Staff's current concerns while giving Sunflower additional flexibility in its TFR to address the issues presented by the competitive bidding process. Staff agrees that compelling arguments exist to approve the revised TFR adjustments. However, because nearly all of the activity in this docket has been undertaken in informal telephone conferences, this proceeding's record does not contain the typical amount of support for each party's position. Therefore, Sunflower

now files this Supplemental Application to describe specific revisions to its request regarding TFR adjustments for competitively bid projects and the support for the same.

4. Sunflower has made several revisions to its original request in order to narrow the scope of the adjustments. First, Sunflower will modify the “Revised Sunflower TFR Template”¹ to include a new tab (tab A-13) showing the calculation of project costs for the specific FERC Order 1000 project that is being accounted for. If no costs for a particular project are capped or fixed or discounted from average cost in the bid, the costs for the project will be treated as normal on tab A-7, and calculations on tab A-13 are not needed. In addition to adding tab A-13, Sunflower has agreed to eliminate the “Transmission Related Competitive Bid Adjustment” column in tabs A-7, A-8 and A-10 of the template. However, Sunflower has agreed to keep the “Non-Transmission Related Competitive Bid Adjustment” column in tab A-7 to use as proposed in the Application. Additionally, at this time, Sunflower will only make adjustments to competitively bid projects that are located in the Sunflower transmission zone. Finally, the Commission and zonal transmission customers can review each adjustment each year in Sunflower’s annual TFR update filing. For a more detailed description of the changes, see the Direct Testimony of Mr. James Brungardt as filed November 22, 2017. The revised formula template is attached to Mr. Brungardt’s testimony in **Amended Exhibit 1**.

5. As discussed in the Application, FERC Order 1000 has created a major change to the process for determining what entity will build certain transmission lines.

¹ Exhibit 1 to the Direct Testimony of James Brungardt, March 16, 2017

Certain regionally-funded transmission projects are required to be competitively bid to determine which organization is allowed to build and own the project. The bidding process is elaborate, and facilitated through SPP. Appropriately, the SPP bid process seeks to identify the incremental (not average) cost of a new project. To facilitate the bidding process, Sunflower is requesting an amendment to its TFR to enable Sunflower to appropriately recover the incremental costs associated with any fixed or capped or discounted average costs proposed in the competitive bidding process for projects awarded to Sunflower.

6. Sunflower's current TFR is designed to calculate each transmission project's revenue requirement using the average cost of the entire transmission system. However, Sunflower, like other bidders, may choose to provide certainty to SPP around its incremental costs by fixing or capping or discounting certain average costs in its bid cost on a FERC Order 1000 project. By doing so, Sunflower may commit to recover a cost for that specific project at a rate that is different than the average cost determined by the TFR. The proposed adjustments allow Sunflower to appropriately recover the costs agreed to in its bid. Without a mechanism to appropriately handle incremental costs that are fixed or capped, Sunflower is handicapped in its ability to bid on projects in relation to other bidders. FERC has already approved bid-capping for these types of projects, and provided mechanisms to allow incremental project costs. Without the proposed adjustments, Sunflower's ability to bid on projects on a level playing field with those who cap costs will be diminished. Sunflower desires to add flexibility in its TFR to allow for proper recovery of transmission projects that are awarded pursuant to the SPP

competitive bid process, to ultimately provide the same bidding flexibility enjoyed by other bidders.

7. There are certainly a lot of unknowns at both FERC and SPP at this point regarding competitively bid projects, so Sunflower desires additional flexibility in its TFR that would help it remain competitive in the bidding process for FERC Order 1000 projects. As referenced above, FERC already permits bidders to discount their cost of capital. In addition, Sunflower has seen in the new FERC Order 1000 world the creation of many different stand-alone transmission companies that are formed to bid on projects (generically, a "Transco"). Often, these entities are wholly-owned subsidiaries of existing utilities. If a Transco wins a competitive bid, its formula rate can reflect the incremental cost of the project because the project would be the Transco's only recoverable asset. Each Transco has the flexibility to recover the incremental costs, and only the incremental costs, of the project in its one-asset formula rate.

8. If a separately incorporated Transco can create a formula rate to only recover the incremental cost, then from a policy perspective, the substance of the TFR must be acceptable to regulatory agencies that have reviewed such formula rates. If the concepts are acceptable from a policy perspective, then Sunflower posits that it would be reasonable to incorporate the same aspects into its formula rate to ensure a level playing field in the bidding world.

9. While Sunflower could conceivably form a separate entity for each competitive bid, such an approach would be much less efficient from an administrative perspective, as well as from a regulatory perspective. New formula rates would need to be approved for each entity, along with the annual updates and true-ups, which would

all require Commission approval. In order to efficiently achieve the flexibility necessary to remain competitive for FERC Order 1000 projects, Sunflower requests the revised adjustments to the current formula.

WHEREFORE, for the reasons set forth above, Sunflower Electric Power Corporation respectfully requests that the Commission approve (i) continued use of the current DSC of 1.3345 and TIER of 1.6979 in Sunflower's TFR, (ii) Sunflower's revised proposed amendments to the TFR to address competitively bid FERC Order 1000 projects, and (iii) such other relief as the Commission deems appropriate.

Respectfully submitted



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**COUNSEL FOR SUNFLOWER ELECTRIC
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VERIFICATION

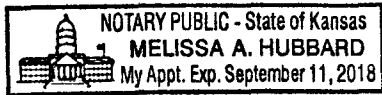
STATE OF KANSAS)
COUNTY OF BARTON) ss:


Taylor P. Calcara, of lawful age, being first duly sworn on oath, states:

That he is an attorney for Sunflower Electric Power Corporation; that he has read the above and foregoing Supplemental Application and knows the contents thereof; and that the statements contained therein are true.


Taylor P. Calcara

SUBSCRIBED AND SWORN to before me this 22nd day of November, 2017.




Notary Public

Commission Expires: 9-11-2018

CERTIFICATE OF SERVICE

I do hereby certify that on the 22nd day of November, 2017, I electronically filed via the Kansas Corporation Commission's Electronic Filing System, a true and correct copy of the above and foregoing Supplemental Application with a copy emailed to:

/s/ Renee K. Braun

Service List last as of 11/22/17 and last modified 3/17/17

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