

In the Matter of the Application of Kansas Power Pool for a ) Docket No.  
Certificate of Convenience and Authority to Transact the ) 18-KPPE-343-COC  
Business of an Electric Public Utility in the State of Kansas )  
for Transmission Rights Only in Cross Service Territory of )  
Southern Pioneer Electric Company and Ninnescah Rural )  
Electric Company. )

CROSS-ANSWERING TESTIMONY

PREPARED BY

LEO M. HAYNOS

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

July16, 2018

**Cross-Answering Testimony Prepared by Leo M. Haynos**  
**Docket No. 18-KPPE-343-COC**

**Q. Would you please state your name and business address?**

**A.** My name is Leo M. Haynos. My business address is 1500 Southwest Arrowhead Road,  
Topeka Kansas, 66604.

**Q. Are you the same Leo M. Haynos who filed direct testimony in this docket?**

**A.** Yes, I am.

**Q. What is the purpose of your cross-answering testimony?**

**A.** My testimony responds to the direct testimonies of nine witnesses representing the  
interveners in this docket. The interveners are Southern Pioneer Electric Company  
(SPEC) and Mid-Kansas Electric Company, Inc. (MKEC) or collectively the interveners.  
Testimony for MKEC was filed by its contractor, Sunflower Electric Power Corporation  
(Sunflower) on behalf of MKEC.

**Q. Do the two intervening companies share the same position in this docket?**

**A.** Yes. Although the companies are separate entities, for all intents and purposes they  
operate as one company because their decisions and policies are aligned and closely  
interconnected. SPEC is one of six member-owners of MKEC. SPEC is also a  
subsidiary of Pioneer Electric Cooperative which is one of six member-owners of  
Sunflower. MKEC and Sunflower provide wholesale power supply and transmission  
services for its members and other customers. MKEC has no employees but contracts  
with Sunflower to provide all services for the company.

**Q. Please summarize the direct testimonies of the interveners.**

**A.** The interveners filed 202 pages of testimony from nine witnesses that rebuts the direct  
testimony of Larry Holloway who is the witness for the Applicant. On the whole, I  
conclude the interveners provided well written and thought provoking testimony. The

1 interveners also provided an economic model comparing the proposed Kingman Direct  
2 Connection (KDC) to the proposed SPEC Semcrude substation expansion project. With  
3 the exception of how to treat the impact of SPEC's ongoing Local Access Delivery  
4 Service (LADS) charge as well as Justin Grady's comments on the economic model, I  
5 believe overall the interveners present a valid model of the comparison. The interveners  
6 also raise other issues that are worthy of further discussion that were not considered by  
7 me in my direct testimony.

8 **Q. What is the impact of including the SPEC LADS charge as a parameter in the**  
9 **economic model?**

10 **A.** It is the fundamental parameter in the model. If the current LADS charge is included in  
11 the economic analysis, the KDC is the lowest cost solution. In fact, SPEC could build the  
12 Semcrude substation expansion at no charge to the Applicant, and if the LADS charge is  
13 included in the economic model presented by the interveners, the KDC would still be the  
14 lowest cost solution.<sup>1</sup>

15 **Q. Is the LADS charge an appropriate parameter to consider when calculating the**  
16 **lowest cost solution?**

17 **A.** Yes, because KPP has the option of acquiring wholesale service from another provider,  
18 or taking no wholesale service at all. The only reason the LADS charge would not be  
19 considered in the analysis of the economic impact would be if the charge applied to both  
20 the KDC and the Semcrude substation expansion. In other words, the customer would be  
21 required to take service from SPEC.

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<sup>1</sup> Conclusion was reached combining LADS charges from Mr. Holloway's economic model with the model proposed in the interveners' economic model found in work paper HDR-1 of Intervenors' witness Davis Rooney.

1   **Q.     Please describe the outcome of the economic model comparing the KDC and**  
2       **Semcrude substation expansion options if the wholesale customer is required to take**  
3       **service from SPEC.**

4   **A.     In that case, the proposed KDC could not occur because the Applicant (KPP) would not**  
5       build a facility it could not use. Under this scenario, KPP's options would be continue to  
6       operate under the 6MW restriction it has today, agree to pay its share of the SPEC  
7       Semcrude substation expansion and the LADS charges found in the current SPEC tariff,  
8       return Kingman to self-generating all of its power needs, or build a second transmission  
9       line to another source.

10  **Q.     Do you consider it a detriment to the public interest if KPP stops taking service**  
11       **from SPEC?**

12  **A.     Such a decision by KPP would return the SPEC system to the same condition it had prior**  
13       to KPP electing to build a line to acquire an interconnect with SPEC. Using that  
14       perspective, KPP disconnecting from SPEC would have no net negative effect on the  
15       public interest as it pertains to SPEC, but it does have a positive effect on Kingman and  
16       KPP. In that sense, therefore, I contend the KDC *promotes* the public interest.

17  **Q.     Do you consider it to be a detriment to the public interest if KPP is allowed to**  
18       **connect to another public utility that is an open access provider of transmission**  
19       **service?**

20  **A.     In the case of KPP, it is my understanding that as a municipal energy agency, the**  
21       legislature has defined the public interest by defining KPP's purpose in part as,  
22       "...planning, studying and developing supply, transmission and distribution facilities and  
23       programs and for the purpose of securing an adequate, economical and reliable supply of

1 electricity and other energy and transmitting the same for distribution through the  
2 distribution systems of such cities..."<sup>2</sup> I acknowledge KPP connecting to another utility  
3 may increase LADS rates in the future for SPEC remaining customers, but that impact as  
4 a public interest concern must be balanced against the legislature's intent in creating  
5 municipal energy agencies in the first place. Additionally, as discussed above, there is no  
6 negative impact on SPEC or its customers from a historical perspective. If KDC  
7 disconnects from SPEC, the SPEC 34.5kV system will simply return to its operational  
8 state prior to 2005 when KPP/Kingman was not contributing to the costs necessary to  
9 serve other Southern Pioneer customers.

10 **Q. If KPP were allowed to take service from a source other than SPEC, would SPEC**  
11 **incur unexpected stranded costs?**

12 **A.** The Interveners raise several points in testimony that SPEC will incur stranded costs if  
13 KPP discontinues power purchases from the Cunningham interconnect.<sup>3</sup> SPEC and  
14 MKEC state there are investments that would not have been made in order to serve the  
15 Semcrude pumping station if Kingman had not been a customer at the time that Semcrude  
16 requested service. For example, the Interveners contend the cost of building a substation  
17 to serve Semcrude was an investment that would have been unnecessary if the 6 MW of  
18 capacity committed to Kingman had been available for providing service to Semcrude.  
19 However, no analysis was presented by the Interveners to quantify those investments or  
20 consider the KPP payment of SPEC LADS charges over the last 13 years that would  
21 offset a portion of the stranded costs.

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<sup>2</sup> K.S.A. 12-885.

<sup>3</sup> Page 31, Direct Testimony of Randall D. Magnison.

1 **Q. Is SPEC or MKEC required to provide wholesale sales to customers that request**  
2 **service?**

3 **A.** As Kansas public utilities, SPEC and MKEC would be required to provide service to  
4 potential customers under the terms of their Commission approved tariffs and any tariffs  
5 under the FERC approved SPP OATT.

6 **Q. Do you consider it equitable that a wholesale customer may leave its current**  
7 **provider in order to purchase service from a different provider while the utility**  
8 **must provide service to all requests?**

9 **A.** While on face value the inconsistency seems unfair, the fact that customers purchase a  
10 variable amount of service over time or cease taking service altogether is a reality of any  
11 business. In my opinion, I believe tariff provisions could be structured to mitigate the  
12 effect exiting wholesale customers will have on the remaining rate base.

13 **Q. Does SPEC or MKEC have such a tariff provision in effect?**

14 **A.** No, but in Docket 18-MKEE-160-TAR, MKEC has proposed an exit fee to counter the  
15 effect that exiting wholesale customers would have on the remainder of the ratepayers.  
16 In this docket, however, no evidence has been presented to analyze how a just and  
17 reasonable exit fee would be structured for KPP. Moreover, the purpose of this docket is  
18 to determine whether a transmission rights-only certificate should be granted – not  
19 whether MKEC's Open Access Transmission Tariff should be amended.

20 **Q. Are there other mechanisms the Interveners could offer KPP to remove its incentive**  
21 **to disconnect from SPEC?**

22 **A.** Yes. This situation is a classic example that utilities typically address by using special  
23 contracts rather than published tariffs. In such circumstances, the special contract is

1 reviewed by the Commission in the context of the circumstances that require the contract.

2 The Commission may then approve the contract if it finds it to be in the public interest.

3 **Q. Has SPEC offered KPP a special contract regarding the Semcrude substation**  
4 **expansion project?**

5 **A.** To my knowledge, no.

6 **Q. Earlier in your testimony, you mentioned the interveners had raised other issues**  
7 **that were worthy of discussion. Please explain those other issues.**

8 **A.** There are two other issues brought up in the testimonies of the interveners that I believe  
9 need further discussion. The first is the question of the competency and capability of  
10 KPP to operate a 115kV substation and 31 miles of 34.5kV transmission line. The  
11 second issue which requires more discussion is the public interest impact of potentially  
12 uplifting the KDC and Kingman line to the Mid-Kansas pricing zone of the Southwest  
13 Power Pool.

14 **Capabilities of KPP to Operate a Transmission System**

15 **Q. What are the concerns raised regarding the ability of KPP to operate a transmission**  
16 **system?**

17 **A.** Two of the interveners' witnesses questioned the ability of KPP to perform operations  
18 and maintenance work on the 34.5kV system and on a 115kV substation.<sup>4</sup> They also  
19 expressed concern regarding the ability of Kingman – as KPP's operator – to perform  
20 emergency response for the KDC. The witnesses explain the complexities of working on

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<sup>4</sup> See Direct Testimony of Brian D. Beecher and Clarence D. Suppes.

1 high voltage transmission facilities and note that Sunflower and SPEC have the  
2 manpower and technical expertise to perform this type of work.<sup>5</sup>

3 **Q. Do you agree with the above stated claims?**

4 **A.** I have no doubts that SPEC and Sunflower are better equipped and have more expertise  
5 to conduct field operations on electric transmission systems than KPP. In response to  
6 discovery questions from the interveners, KPP states that it plans to hire consultants to  
7 perform many of the more complicated tasks on the system, and they explain that  
8 Kingman personnel have many years of experience working on electric distribution and  
9 34.5kV facilities.

10 **Q. Do you have any concerns about KPP's capabilities in this regard?**

11 **A.** Yes. However, at this time, KPP has represented that it will be able to acquire sufficient  
12 expertise through contractors and no evidence has been presented to suggest otherwise.  
13 Although the testimony of Mr. Beecher implies Kingman may not have the technical  
14 ability to maintain its 26-mile 34.5kV Cunningham to Kingman transmission line,<sup>6</sup> Staff  
15 has no evidence that Kingman is unable to provide appropriate maintenance. I note that  
16 KPP also has 24 municipal electric utilities that are members of KPP and will have  
17 manpower that can offer support. In K.S.A. 66-183, the Kansas legislature obliges the  
18 Commission to prescribe reasonable rules and regulations with respect to the stringing  
19 and maintaining of [electric] wires. The Commission has responded to this obligation by  
20 adopting the National Electric Safety Code in K.A.R. 82-12-2. If KPP is unable to safely

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<sup>5</sup> Footnote testimony of Beecher and susse?

<sup>6</sup> Page 14, lines 13-22, direct testimony of Brian D. Beecher.



1 operate the KDC or the 26 miles of 34.5 kV of transmission owned by Kingman, the  
2 Commission will have authority to enforce minimum safety requirements.

3 **Public Interest of Placing the KDC under SPP**

4 **Q. In your Direct Testimony, you state that you did not consider the public policy**  
5 **impact on Kansas ratepayers that would occur if KPP requested SPP to consider the**  
6 **KDC and existing Cunningham-Kingman transmission facilities to be part of the**  
7 **SPP integrated network. Do you have additional comments regarding this topic?**

8 **A.** Yes. First of all, I would direct the Commission's attention to the testimony of MKEC  
9 witness Davis Rooney which provides a stark description of the impact of socializing the  
10 costs of electric transmission construction across SPP local pricing zones.<sup>7</sup> Mr. Rooney  
11 points out in his testimony the negative impact such a strategy may have on a relatively  
12 small rate-base such as the Mid-Kansas pricing zone in western Kansas.

13 **Q. In its Application or supporting testimony, has KPP stated that it plans to uplift the**  
14 **KDC and the 26-mile transmission line into the SPP?**

15 **A.** Yes. In the Direct Testimony of Larry Holloway, he states that KPP "stands ready,  
16 willing, and able to [place] applicable portions of the Kingman Direct Connection and  
17 Kingman's existing 34.5kV line under the SPP OATT"<sup>8</sup> if Commission approves the  
18 Application in this docket.

19 **Q. In your Direct Testimony, you state the public interest ramifications of including the**  
20 **KDC in the Mid-Kansas pricing zone of SPP were not considered in your analysis**  
21 **because rolling up the KPP facilities to SPP would be a FERC matter and beyond**

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<sup>7</sup> Pages 31-39, Direct Testimony of Davis Rooney.

<sup>8</sup> Page 23 lines 24-25, page 24 lines 1-6, Direct Testimony of Larry Holloway.

1           the Commission's jurisdiction. Is there a way for the Commission to consider the  
2           *potential* impact of inclusion of the KDC as part of the SPP OATT in its analysis of  
3           the project's impact on the public interest?

4    A.    I do not believe it would be appropriate to deny the TRO application based on a future  
5           application that KPP *might* make at FERC because of its *potential* impact on Kansas  
6           ratepayers.

7    Q.    Would it be possible to place a condition on the TRO approval that would require  
8           KPP to seek Commission approval prior to taking any action to uplift its facilities to  
9           the SPP OATT?

10   A.    Similar to the Commission's merger standards, I believe the Commission has the latitude  
11           to adopt any condition that it finds reasonable in defining the public interest in this  
12           matter. However, as noted in my direct testimony, the Commission does not appear to  
13           have authority over charges that are recovered under an open access tariff approved by  
14           FERC.<sup>9</sup> If that is the case, a TRO condition regarding approval of a future OATT filing  
15           would offer no protection to the public interest because of the inability of the  
16           Commission to enforce a decision on placement in the SPP OATT. As stated in my  
17           direct testimony, I do not believe the Commission would have recourse over a FERC  
18           matter other than protesting the merits of the project in a FERC proceeding.

19   Q.    Do you agree with Mr. Rooney's portrayal of this transmission business model?

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<sup>9</sup> Page 16, Direct Testimony of Leo Haynos.

1   **A.**     In general, yes. I note Mr. Rooney’s portrayal comes from the viewpoint of a utility that  
2           is on the “paying” end of the described business plan. Also, because Mr. Rooney speaks  
3           for MKEC, his perspective may not accurately reflect the strategy of KPP’s future plans.

4   **Q.**     **Are you aware of any projects in which MKEC was on the “receiving” end of the**  
5           **transmission business plan as described by Mr. Rooney?**

6   **A.**     I believe there is at least one example that I could point to at this time in which MKEC  
7           received the benefit of socializing costs of transmission projects across the Mid-Kansas  
8           pricing zone. It is my understanding that the 115kV radial line supplying SPEC’s  
9           Semcrude substation and potentially supplying the KDC is an example of a radial  
10          transmission line that is included in the SPP Mid-Kansas pricing zone.<sup>10</sup> In this case,  
11          the radial line serves two transmission customers of MKEC at the end of the line.  
12          Although only two wholesale customers of MKEC (SPEC and KEPCo) receive the  
13          benefits from transmission service across this line, the line is included in the SPP Mid-  
14          Kansas pricing zone. As such, all MKEC customers pay the MKEC share of the revenue  
15          requirement (65%) associated with acquiring this line and the other transmission owners  
16          in the Mid-Kansas pricing zone pay the remaining 35%.

17 **Q.**     **Do you have a recommendation regarding this consideration?**

18 **A.**     Yes. I recommend the Commission approve the requested Transmission Rights Only  
19          certificate for the KDC.

20 **Q.**     **Does this conclude your testimony?**

21 **A.**     Yes.

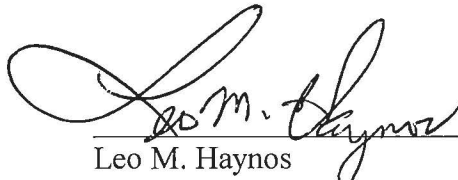
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<sup>10</sup> Response to Staff Data Requests 12 and 16. The transmission owners in the Mid-Kansas Pricing Zone are:  
MKEC=65%; KEPCo=19%; KMEA= 12; KPP=2.7; Westar=0.1%; Sunflower=0.3%.

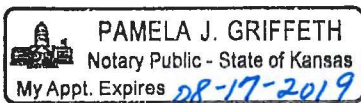
STATE OF KANSAS                     )  
  ) ss.  
COUNTY OF SHAWNEE             )


**VERIFICATION**

Leo M. Haynos, being duly sworn upon his oath deposes and says that he is the Pipeline Safety Chief Engineer in the Utilities Division of the Kansas Corporation Commission, that he has read and is familiar with the foregoing *Cross-Answering Testimony* and that the statements contained therein are true to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Leo M. Haynos  
Chief Engineer, Utilities Division  
Kansas Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 16th day of July, 2018.



  
\_\_\_\_\_  
Notary Public

My Appointment Expires: August 17, 2019

## CERTIFICATE OF SERVICE

18-KPPE-343-COC

I, the undersigned, certify that a true and correct copy of the above and foregoing Cross-Answering Testimony was served by electronic service on this 16th day of July, 2018, to the following:

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