

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

FEB 17 2012

by
State Corporation Commission
of Kansas

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

Docket No. 12-KPPE-630-MIS

DIRECT TESTIMONY OF LARRY W. HOLLOWAY

ON BEHALF OF THE KANSAS POWER POOL

1 **Q. Please state your name and business address.**

2 A. My name is Larry W. Holloway. My business address is 200 W. Douglas, Suite 601,
3 Wichita, KS 67202.

4 **Q. By whom and in what capacity are you employed?**

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

6 **Q. Please describe your educational background and professional experience.**

7 A. I received a Bachelor of Science degree in Civil Engineering and a Bachelor of
8 Science degree in Mechanical Engineering from the University of Kansas in 1978, a
9 Master of Engineering Management degree from Washington State University in
10 1988 and a Master of Science degree in Mechanical Engineering from the University
11 of Kansas in 1997. I am a registered professional engineer in the disciplines of
12 Mechanical and Civil Engineering in the State of Oregon, PE # 12,989. My
13 professional experience began outside of the electric industry and includes one year

1 as a field engineer for a natural gas utility and two years as a project engineer for an
2 inorganic chemical plant. Since 1981, the majority of my professional experience has
3 been in the electric industry. I have twelve years of construction, design, startup and
4 operations engineering experience with power plants, primarily nuclear. In 1993, I
5 started work at the Kansas Corporation Commission (KCC) as Chief of Electric
6 Operations, Rates and Services. In 1998, I was promoted to Chief of Energy
7 Operations. In March of 2009 I accepted the position of Operations Manager with
8 KPP.

9 **Q. Have you previously testified before the Commission?**

10 A. Yes, While employed at the KCC, I have filed testimony in Docket Nos. 94-GIMX-
11 462-GIV, 95-EPDE-043-COM, 96-KG&E-100-RTS, 96-WSRE-101-DRS, 96-SEPE-
12 680-CON, 97-WSRE-676-MER, 98-KGSG-822-TAR, 99-WSRE-381-EGF, 99-
13 WSRE-034-COM, 99-WPEE-818-RTS, 00-WCNE-154-GIE, 00-UCUE-677-MER,
14 01-WSRE-436-RTS, 01-WPEE-473-RTS, 01-KEPE-1106-RTS, 02-SEPE-247-RTS,
15 02-EPDE-488-RTS, 02-MDWG-922-RTS, 03-MDWE-001-RTS, 03-WCNE-178-
16 GIE, 03-MDWE-421-ACQ, 03-KGSG-602-RTS, 04-AQLE-1065-RTS, 04-KCPE-
17 1025-GIE, 05-EPDE-980-RTS, 05-WSEE-981-RTS, 06-WCNE-204-GIE, 06-SPPE-
18 202-COC, 06-WSEE-203-GIE, 06-KCPE-828-RTS, 06-KGSG-1209-RTS, 06-
19 MKEE-524-ACQ, 07-WSEE-616-PRE, 07-KCPE-905-RTS, 08-WSEE-309-PRE, 08-
20 KMOE-028-COC, 08-WSEE-609-MIS, 08-MDWE-594-RTS, 08-WSEE-1041-RTS,
21 08-ITCE-936-COC, 09-KCPE-246-RTS, and 08-PWTE-1022-COC. While working
22 at KPP I have filed testimony in Docket Nos. 09-MKEE-969-RTS and 11-GIME-497-
23 GIE.

1 **Q. Please describe the purpose of your testimony.**

2 A. My testimony will address several topics;

- 3 • Why the KPP has placed transmission facilities under the Southwest Power
4 Pool (SPP) Open Access Transmission Tariff (OATT);
- 5 • Why the KPP has filed its formula based Annual Transmission Revenue
6 Requirement (ATRR) with the Commission;
- 7 • How the KPP developed its ATRR; and
- 8 • Protocols KPP will use in the KPP ATRR Annual Update.
- 9

10 **KPP's Transmission Facilities**

11

12 **Q. Can you describe KPP?**

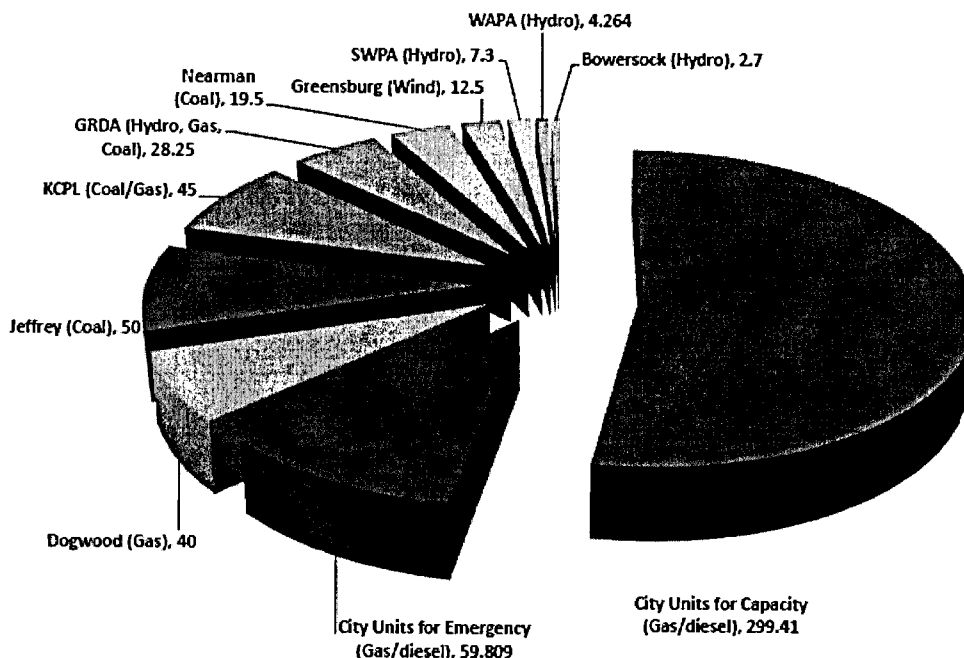
13 A. Yes. KPP is a municipal energy agency formed under K.S.A. 12-885 et al. While
14 any Kansas municipal electric utility may be a member of KPP, KPP provides
15 wholesale electric service to members that sign the Amended Operating Agreement.
16 Unlike some municipal energy agency agreements where the municipal energy
17 agency merely acts to arrange wholesale power agreements for cities, KPP arranges
18 for transmission service, generation scheduling and procurement of generation
19 supplies for all of its members. Currently KPP serves 34 Kansas municipal electric
20 utilities.

21 **Q. What generation resources does KPP use to serve its members?**

22 A. Last year KPP members had a peak load of over 380 Megawatts (MW). To provide
23 adequate generation capacity for this load, KPP used pooled member generation

1 resources of nearly 300 MW, member purchase power supplies of over 100 MW, as
2 well as generation resources directly procured by KPP of over 105 MW, including the
3 KPP purchase power agreement with the Greensburg Wind Farm. The KPP
4 generation mix is shown in Figure 1.¹

Figure 1 - KPP Generation Capacity by Resource



5
6 **Q. Can you provide more detail on how KPP's generation resources are provided?**

7 **A. Yes.** Some of the KPP resources are provided directly by member-owned
8 generation. The majority of this generation is gas/oil fired internal combustion
9 generators, though several KPP members have small gas fired steam or combustion
10 turbine units. Furthermore, per the KPP agreement, KPP members also pool their

¹ Note that Figure 1 shows a 12.5 MW capacity rating for the Greensburg Wind Farm. While this is the nominal rating of the equipment at the wind farm, actual accredited capacity for intermittent resources such as wind generators is far less for reliability requirements, in this case around 1 MW. Additionally, WAPA resources may be counted for pool capacity, but WAPA does not allow the city to reassign resources to the pool.

1 Purchase Power Agreements (PPA) to serve all pool members.² Additionally, KPP
 2 itself has entered into purchase power agreements to serve all pool members. Finally,
 3 KPP is in the process of purchasing a 7% share of the Dogwood Energy Center, a 650
 4 MW combined cycle unit. A summary of KPP's generation capacity for 2012 is
 5 shown in Table 1.

Table 1 - KPP Generation Resources by Owner or Purchase Power Signatory

Resources	Ownership or PPA	Owner or PPA Signatory	2012 Capacity in MW	Comments
City Units (Gas/diesel)	Owned	KPP Member	299.41	SPP NITS Network Resources
City Units (Gas/diesel)	Owned	KPP Member	59.809	Not used for SPP Network Resources
Dogwood (Gas)	Owned	KPP	40	Assuming purchase complete Spring of 2012
Jeffrey (Coal)	PPA	KPP	50	Unit participation contract
KCPL (Coal/Gas)	PPA	KPP Member	45	Purchase off system units
GRDA (Hydro, Gas, Coal)	PPA	KPP Member	28.25	Grand River Dam Authority system purchase
Nearman (Coal)	PPA	KPP Member	19.5	KCBPU unit participation contract
Greensburg (Wind)	PPA	KPP	12.5	Counts as ~ 1 MW for reliability purposes
SWPA (Hydro)	PPA	KPP Member	7.3	Southwestern Power Administration
WAPA (Hydro)	PPA	KPP Member	4.264	Western Area Power Administration
Bowersock (Hydro)	PPA	KPP	2.7	Independent Power Producer
Capacity Totals			568.733	

6 **Q. Is there anything unique about the generation resources of KPP?**

7 A. Yes. In Kansas KPP is the first municipal energy agency to provide pooled services
 8 to all of the members of the KPP operating agreement. With the acquisition of an
 9 ownership position in Dogwood, KPP will become the first municipal energy agency
 10 in Kansas to own generation to serve its members.

² With the exception of WAPA resources, which can be used to meet SPP capacity requirements for SPP's transmission service to KPP, but cannot be pooled for the use of all members per WAPA requirements.

1 **Q. But aren't there other municipal energy agency agreements in Kansas that**
2 **provide pooled services?**

3 A. As I understand it, these agreements are between the participating municipal utilities,
4 the incumbent vertically integrated transmission and generation owner, and a
5 municipal energy agency. In these cases these "pooled energy" agreements are
6 basically a wholesale PPA with the incumbent utility that allows selling (or sharing)
7 of city generation capacity among the municipal utilities involved. While the
8 municipal energy agency involved may charge the member cities for its services, each
9 member city is actually billed by the incumbent utility and the amount paid for energy
10 received may differ from one member to another. Additionally, as I understand it, the
11 transmission involved for these agreements is basically from rollover transmission
12 rights with the incumbent utility that existed from old grandfathered agreements.

13 KPP's operating agreement, approved by the Commission in Docket No. 09-
14 KPP-255-CON, adopts pool-wide rates whereby KPP pays all generation and
15 transmission and bills its member cities. The operating agreement is only between
16 KPP and its members, and does not involve third parties. Transmission access is
17 provided through the SPP OATT, and KPP is the SPP Network Integrated
18 Transmission Service (NITS) customer.

19 **Q. Is there a difference between the types of transmission service KPP provides its**
20 **members and that used by most other municipal electric utilities in Kansas?**

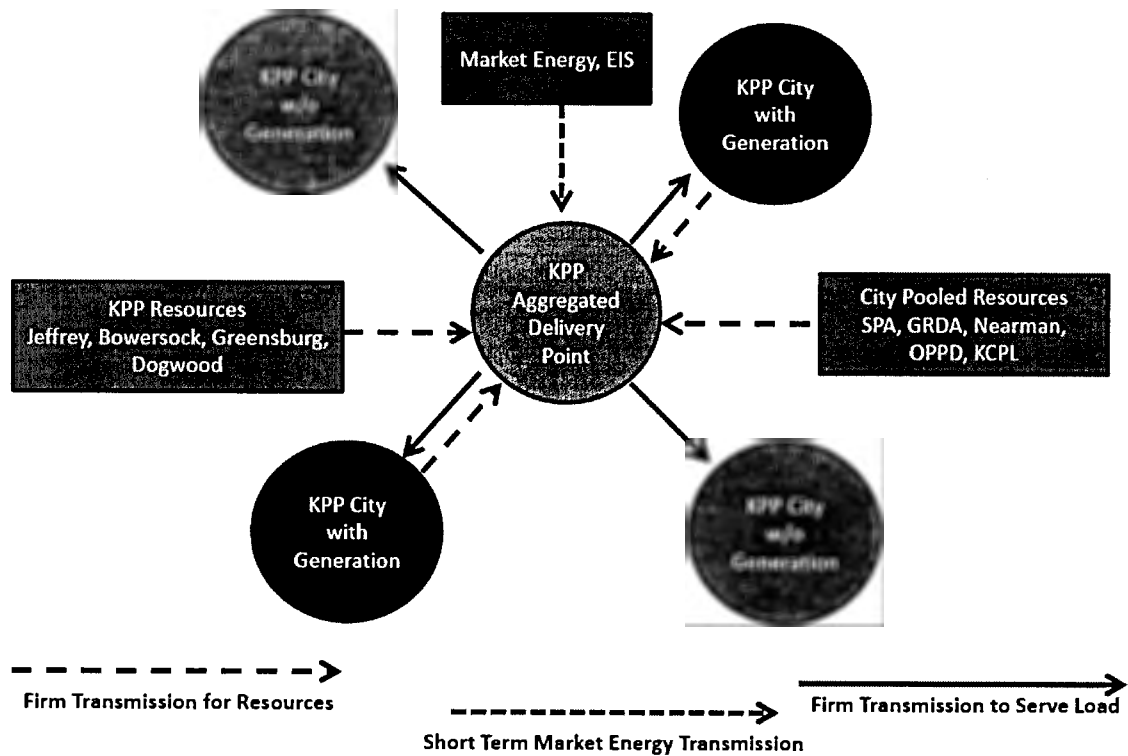
21 A. Yes. With the exception of KPP members, most, if not all, other Kansas municipal
22 electric utilities have their own individual transmission service agreements. A city
23 with its own generation resources, for example, may have SPP NITS or Point to Point

1 (PTP) transmission service for its purchase power supplies, but not have its entire
2 load covered by firm transmission rights. Instead many of these municipal utilities
3 rely on their internal generation to meet some of their capacity requirements.
4 Additionally, sales of generation capacity among energy pool members must be
5 coordinated with the incumbent utility, as firm transmission paths would not
6 otherwise exist.

7 KPP is different. KPP is the only municipal energy pool in Kansas with firm
8 transmission that provides a path between any of KPP's generation resources and any
9 of KPP's load.³ As stated, KPP is the SPP NITS customer and pools SPP
10 transmission for its members. All of KPP's generation resources may be used to
11 serve any KPP member's load. Additionally, KPP has members in three different
12 balancing authorities (BAs) and KPP's pooled generation has firm transmission
13 capacity to serve any of these members. This is accomplished by firm SPP NITS
14 such that KPP has a specific delivery point in each BA, and firm transmission paths
15 between BAs. This is illustrated in Figure 2.

³ There are a few exceptions, such as the City of Kingman and the City of Holton, where local equipment limits transmission delivery capacity.

Figure 2 - How KPP Utilizes SPP NITS for Its Members



1

2 **Q. Is KPP's pooled approach unique among municipal energy agencies?**

3 A. Only in Kansas. KPP's pooled approach to serve its members is similar to that of the
 4 Oklahoma Municipal Energy Agency (OMPA), the Missouri Joint Municipal Electric
 5 Utility Commission (MJMEUC), the Illinois Municipal Electric Agency (IMEA), and
 6 Municipal Energy Agency of Nebraska (MEAN), to name but a few examples in
 7 nearby states.

8

9 **KPP ATRR Filing**

10 **Q. Can you describe why KPP joined SPP as a Transmission Owner?**

11 A. Yes. KPP has had a long-term association with OMPA. Today OMPA provides KPP
 12 with transmission scheduling and settlement services, however in the past OMPA has

1 provided these services and in addition acted as KPP facilitator.⁴ As part of its
2 facilitator function, OMPA provided KPP with consulting services including filing
3 transmission service requests with SPP, filing SPP information, and representation of
4 KPP on SPP membership committees. OMPA had not only acted for KPP to make
5 the necessary initial filings for SPP NITS, OMPA had also made various
6 recommendations to KPP. As part of this review, OMPA recommended that under
7 the SPP OATT some of KPP's members' electric facilities provided transmission
8 service, and that KPP should seek recovery of the costs of ownership of those
9 facilities under the SPP OATT. In order to obtain such cost recovery, KPP must
10 transfer control of the transmission facilities to SPP.

11 **Q. Why was OMPA sensitive to the issue of recovering transmission costs under the**
12 **SPP OATT?**

13 A. Like KPP, OMPA provides wholesale power and energy to its member municipal
14 utilities in several different BA's in Oklahoma. In both the Oklahoma Gas Electric
15 (OGE) and American Electric Power – West (AEP-W) BA, OMPA owns
16 transmission facilities and recovers the costs of those facilities in the OGE and AEP-
17 W zonal rates, respectively.⁵

18 **Q. Can you describe OMPA's transmission facilities placed under the SPP OATT?**

19 A. Under the OGE revenue requirements in Attachment H, Table 1 of the SPP OATT,
20 OMPA recovers the cost of facilities owned by the City of Ponca City, OK, one of its
21 municipal utility members. These facilities include 69 kV facilities owned by the

⁴ It was in the role of KPP facilitator that Tom Littleton of OMPA filed direct testimony representing KPP in KCC Docket No. 06-SPPE-202-COC, on May 18, 2006.

⁵ Exhibit LWH-1 shows table 1 of Attachment H of the January 30, 2012 SPP OATT where the ATRR for these OMPA facilities is shown (and highlighted for illustration) under the OGE and AEP-W pricing zones.

1 City of Ponca City. In that case, the City of Ponca City transferred functional control
2 of these facilities to OMPA, and OMPA transferred functional control of these
3 facilities to SPP to become a transmission owner under the SPP OATT. In the AEP-
4 W zone, OMPA owns 138 kV transmission facilities that have been placed under the
5 SPP tariff through OMPA's role as a transmission owning member of SPP. In both
6 cases recovery of OMPA's revenue requirements for these transmission facilities was
7 approved by the FERC on January 11, 2010 in FERC Docket No. ER10-273.

8 **Q. What actions has KPP taken to place transmission facilities under the SPP**
9 **OATT?**

10 A. So far, the only transmission facilities that KPP has attempted to place under the SPP
11 OATT are 69 kV facilities, owned by the City of Winfield, a KPP member. As
12 shown on Exhibit _____LWH-2, on March 17, 2011, KPP sent an application to SPP
13 to join SPP as a transmission owning member, similar to OMPA. In June, 2011 SPP
14 sent KPP a request to provide SPP with additional testimony to support the necessary
15 FERC filing for KPP to recover the KPP ATRR for the Winfield transmission
16 facilities KPP had placed under the SPP tariff. On October 20, 2011, SPP filed with
17 the FERC for approval of the KPP ATRR in FERC Docket No. ER12-140.

18 **Q. Did KPP's actions differ from those of OMPA?**

19 A. No, KPP followed the same exact process that OMPA did when OMPA placed the
20 City of Ponca City's transmission facilities under the SPP tariff. First, KPP received
21 a transfer of functional control of the facilities from the City of Winfield. Then KPP
22 prepared a formula based ATRR for the transmission facilities similar to that prepared
23 by OMPA for the Ponca City facilities. Finally, KPP submitted this and additional

1 information describing the Winfield facilities with its application to SPP to join SPP
2 as a transmission owning member of SPP.⁶

3 **Q. What is the reason for KPP making its filing before the Commission in this**
4 **proceeding?**

5 A. KPP elected to make this filing in response to the Commission's objections raised in
6 the FERC proceeding. On November 10, 2011 the Commission intervened in the
7 FERC docket, expressing the belief that KPP was trying to circumvent the
8 Commission's jurisdiction:⁷

9 Thus, the KCC opposes SPP's filing as an attempt to improperly circumvent
10 the KCC's jurisdiction and authority over KPP, a Kansas municipal energy
11 agency that controls transmission facilities in the state of Kansas. The KCC is
12 not challenging FERC's jurisdiction over SPP. Instead, the KCC believes that
13 KPP's proposed rate recovery must first be filed with the KCC for its
14 approval, rather than first under the Tariff for the consideration and approval
15 of FERC. The KCC's primary interest in this proceeding is ensuring that only
16 just and reasonable costs are allocated to the Kansas ratepayers who
17 ultimately bear the burden of paying for public utility transmission service. As
18 noted earlier, KPP is a KCC-jurisdictional municipal energy agency and the
19 KCC has a statutory obligation for ensuring the regulation of the rates,
20 charges, and terms of conditions of service of such a Kansas public utility.
21

22 **Q. Why did KPP not seek the Commission's approval of the KPP ATRR before**
23 **filing at the FERC?**

24 A. KPP never considered that the Commission's approval was needed, because the KPP
25 ATRR is simply an input into rates charged by SPP, and those rates are subject to
26 FERC's exclusive jurisdiction. KPP is not charging any customer a rate for
27 transmission service. KPP is simply getting its costs included in the zonal

⁶ See Exhibit _____ LWH-2.

⁷ See the November 10, 2011 Motion to Intervene and Protest of the Kansas Corporation Commission in FERC Docket No. ER12-140.

1 transmission rates collected by SPP. It is possible, although not entirely clear, that
2 KPP might need to get Commission approval if *KPP itself* were to have its own
3 transmission tariff and charge customers for use of its facilities. But that is not the
4 situation here. All that is at issue is the costs that will be included in SPP's FERC-
5 regulated rates for the service SPP itself provides.

6 FERC had made this distinction very clear in a similar context, where Western
7 Farmers Electric Cooperative (WFEC) argued that FERC could not regulate its
8 charges:

9 [T]he services at issue are: provided by SPP, *i.e.*, a jurisdictional public
10 utility, and not by WFEC; pursuant to SPP's filed OATT, *i.e.*, a jurisdictional
11 rate schedule; and at rates identified in SPP's OATT, *i.e.*, at jurisdictional
12 rates. WFEC, although it owns the transmission facilities that are physically
13 used to provide that service, is a transmission-owning member of SPP, and its
14 facilities are under the control of SPP. ... So, while WFEC (because it is a
15 RUS-financed rural electric cooperative) may not itself be a public utility
16 subject to Commission regulation under the FPA, that fact is not relevant.
17 SPP is a jurisdictional public utility, and SPP (*and not WFEC*) is providing the
18 services at issue. It is SPP's tariff and rates (*and not WFEC's rates*) that are
19 at issue. *SPP's use of WFEC's facilities to provide the services and the fact*
20 *that SPP's rates may ultimately be traceable to WFEC do not make the*
21 *services or the rates at issue here WFEC services or rates.*
22

23 *Southwest Power Pool, Inc.*, 119 FERC ¶ 61,307, P11 (2007) (emphasis added,
24 footnotes omitted). Since there are no KPP rates to be reviewed, only SPP rates that
25 SPP has filed at FERC, KPP saw no basis for making a filing at this Commission.

26 **Q. What is the basis for your statement that FERC's view is that it has jurisdiction**
27 **over KPP's ATRR?**

28 A. In paragraph 15 of its December 15, 2011 Order Accepting and Suspending Formula
29 Rate, Subject to Refund, and Establishing Hearing and Settlement Procedures, in

1 FERC Docket ER12-140 (137 FERC ¶ 61,197, P 15, footnotes omitted), FERC

2 stated:

3 We disagree with the Kansas Commission's contention that the instant filing
4 is an attempt to circumvent the Kansas Commission's jurisdiction and
5 authority over KPP. As a municipal agency, KPP is not a public utility within
6 the meaning of section 201 of the FPA; hence, KPP is not within the
7 Commission's jurisdiction under FPA section 205. However, the Commission
8 does have jurisdiction under section 205 and 206 of the FPA over the rates for
9 transmission service provided by SPP, a regional transmission organization
10 (RTO) that is a public utility. Court decisions have made clear that when a
11 non-jurisdictional transmission owner voluntarily joins an RTO and has its
12 revenue requirement recovered as part of the RTO's rates, the Commission
13 can examine the non-jurisdictional utility's revenue requirement to ensure that
14 the RTO's rates will ultimately be just and reasonable. Thus, we find that,
15 based on the court's rulings, it is appropriate to apply the just and reasonable
16 standard of FPA section 205 to SPP's revisions to its OATT to implement
17 KPP's proposed formula rate for transmission service, including KPP's
18 revenue requirement in SPP's zonal rates. Accordingly, it is unnecessary to
19 require SPP to document why it isn't obligated to seek Kansas Commission
20 approval for the proposed rates, as Sunflower asserts. Our findings here are
21 not intended to make any determination as to KPP's obligations, if any, under
22 Kansas state law to make filings before the Kansas Commission. Our concern
23 is focused on the justness and reasonableness of proposed wholesale rates
24 under SPP's OATT. To determine the justness and reasonableness of these
25 rates, we find that, as discussed below, hearing and settlement judge
26 procedures are appropriate.

27
28 **Q. Why has KPP made this filing?**

29 **A.** While we are certainly not interested in being subject to more regulation and
30 bureaucracy than is legally required, we also are not interested in being in the center
31 of a tempest of jurisdictional litigation. KPP's hope is that by entering into the Letter
32 Agreement (which is Attachment 2 to KPP's Application) and voluntarily making the
33 filing in this case, we can address any concerns the Commission may have with
34 KPP's proposed ATRR formula in a way that will allow us to resolve the FERC
35 proceeding, which is currently in the settlement process.

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KPP's ATRR

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Q. Can you describe KPP's formula based ATRR?

4

A. KPP witness Paul D. Reising has provided direct testimony outlining KPP's ATRR. I will expand on two items. First, I will provide a more detailed description of how the City of Winfield's transmission facilities provide an integral part of the SPP transmission system, and have provided this function for years without compensation. The other thing I will expand upon is the basis for including a tax component – based on the Westar tax rate as a proxy – in KPP's ATRR.

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Q. How do Winfield's transmission facilities fit into the SPP transmission system?

11

A. Among the Westar-owned facilities that SPP controls are 69 kilovolt (kV) transmission facilities that run from its Weaver substation, near El Dorado, KS, to its Creswell Substation, near Arkansas City, KS, over 60 miles. While there are multiple 69 kV substations on the facilities between Weaver and Creswell, Weaver and Creswell are significant because this is where Westar's 69 kV lines are interconnected with Westar's 138 kV facilities. These 69 kV facilities connect many different wholesale and retail delivery points along the way. This is a closed loop system and power flows to these delivery points may be either north out of Creswell or south out of Weaver, depending on generation, transmission and load conditions.

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As the City of Winfield constructed its 69 kV system,⁸ several interconnections were made with Westar's 69 kV facilities. Because Winfield's 69 kV loop was newer and larger conductor than the older Westar 69 kV facilities,

⁸ Also operated as a closed loop system.

1 Westar disconnected a section of its 69 kV line,⁹ essentially requiring that all power
2 flows between Weaver and Creswell flow through Winfield's 69 kV looped facilities.
3 Winfield's facilities have provided this transmission service for years without
4 compensation, even though similar 69 kV transmission facilities, providing similar
5 service, that are owned by Westar have historically had costs recovered from all
6 Westar transmission customers and are now included in the SPP OATT.

7 **Q. Why is there a property tax component in KPP's ATRR?**

8 A. In the FERC proceeding, a question was raised by one of the interveners as to
9 whether it is appropriate for KPP to include a tax component in its ATRR, since
10 Winfield is a municipal utility and does not pay taxes. While it's true that Winfield
11 does not pay property taxes on electric property like entities such as Westar, the
12 Winfield municipal electric utility makes payments in lieu of taxes to the city's
13 general fund. For example, the City of Winfield maintains its electric utility fund
14 separate from its general fund, and the electric fund pays the general fund 6.9% of
15 utility retail sales revenue. Revenue that the City of Winfield receives from the KPP
16 ATRR property tax component will be used to provide much of the same types of
17 local services that would be provided by property tax revenue if the facilities were
18 owned, by Westar. For this reason it is reasonable to use the Westar property tax
19 proxy to provide Winfield the same revenue to support these local services.
20

21 **Protocols**

⁹ Roughly between points A and B as shown on the "Arkansas City Area One line Diagram" markup provided as part of KPP's SPP application in Exhibit ___LWH-2.

1 **Q. What protocols will KPP use for the annual updates of its formula based rate?**

2 A. KPP proposed protocols are shown in Exhibit ___LWH-3.

3 **Q. What are the purposes of protocols in a formula based transmission rate?**

4 A. As the transmission owner calculates annual updates of its transmission costs,
5 protocols outline the process for transmission customers and other interested parties
6 to review the update, ask questions, and raise issues before the updates go into
7 effect.¹⁰

8 **Q. Please provide a timeline of how the KPP annual update will occur per the**
9 **protocols.**

10 A. The Timeline will basically follow the following:

- 11 • KPP will post its Annual Update in a publicly accessible location on SPP's
12 website within 30 days of the Westar Posting Date.
- 13 ○ Upon request KPP will make a working copy of its ATRR Excel file
14 available to interested parties.
- 15 • Parties may request a KPP conference call with all interested parties within 10
16 days of the posting, such conference call will be held within 30 days of the
17 posting and notice of the call will be posted at least 15 days before the call.
- 18 • Interested parties may serve information requests on KPP regarding the update
19 until 45 days after the initial KPP posting of the annual update.
- 20 ○ KPP will make a good faith effort to respond to such information requests
21 within 15 days.

¹⁰ See the direct testimony of KPP witness Paul D. Reising for an explanation of how the KPP formula based ATRR will be updated annually.

Direct Testimony of Larry W. Holloway

- 1 • Interested parties will have until either 60 days after the initial posting of the
2 annual update, or until 15 days after KPP's last response to reasonable
3 information requests, whichever is later, to review the calculations of the Annual
4 Update and notify KPP of any specific challenge to the update.

5 **Q. Why do the protocols reference Westar's formula based rate updates?**

6 A. As described in the direct testimony of KPP witness Paul D. Reising, KPP's formula
7 based rate makes use of some proxy numbers used and published by Westar as part of
8 its annual formula rate update.

9 **Q. What are the proposed effective dates of KPP's Annual Update?**

10 A. The KPP ATRR will be in effect from August 1 of each year until the following July
11 31st.

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

13 A. Yes.

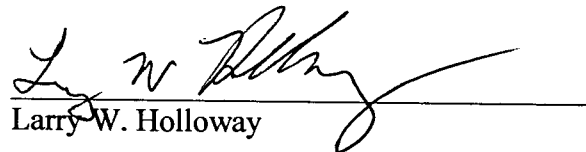
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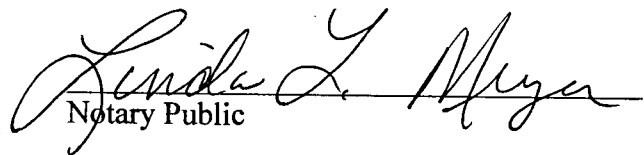
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SEDGIWCK) SS:

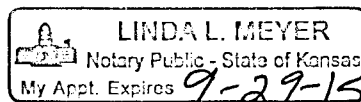
Larry W. Holloway, being first duly sworn, deposes and says that he is Larry W. Holloway, referred to in the foregoing document entitled "Direct Testimony of Larry W. Holloway" before the state Corporation Commission of the state of Kansas and that the statements therein were prepared by him, or under his direction, and are true and correct to the best of his information, knowledge and belief.


Larry W. Holloway

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


Notary Public

My commission expires:



**ATTACHMENT H
ANNUAL TRANSMISSION REVENUE REQUIREMENT FOR NETWORK
INTEGRATION TRANSMISSION SERVICE**

SECTION I: General Requirements

1. The Zonal Annual Transmission Revenue Requirement (“Zonal ATRR”) for each Transmission Owner for purposes of determining the charges under Schedule 9, Network Integration Transmission Service, is specified in Column (3) Section I, of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement (“Base Plan Zonal ATRR”) used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued a Notification to Construct (“NTC”) prior to June 19, 2010 is specified in Column (4) Section I, of Table 1. The Base Plan Zonal ATRR used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued an NTC on or after June 19, 2010 is specified in Column (5) of Section I, Table 1. The amount of Zonal ATRR and Base Plan Zonal ATRR that is included in Columns (3), (4), and (5) and reallocated to the Region-wide Annual Transmission Revenue Requirement (“Region-wide ATRR”), in accordance with Attachment J, is specified in Column (6) of Section I, Table 1.

Table 1
(See Note A below)

(1) Zone	(2)	(3) Zonal ATRR	(4) Base Plan Zonal ATRR	(5) Base Plan Zonal ATRR after June 19, 2010	(6) ATRR Reallocated to Balanced Portfolio Region-wide ATRR
1	American Electric Power –West (Total)	<i>See Att. H tab, posted RRR File</i>	<i>See Att. H tab, posted RRR File</i>	<i>See Att. H tab, posted RRR File</i>	<i>See Att. H tab, posted RRR File</i>
<i>1a</i>	American Electric Power (Public Service Company of Oklahoma and Southwestern Electric Power Company) See Section II.3	<i>See Att. H tab, posted RRR File</i>	<i>See Att. H tab, posted RRR File</i>		
<i>1b</i>	East Texas Electric Cooperative, Inc.	\$2,733,879			

1c	Tex-La Electric Cooperative of Texas, Inc.	\$588,874			
1d	Deep East Texas Electric Cooperative, Inc.	\$428,131			
1e	Oklahoma Municipal Power Authority	\$748,647			
1f	AEP West Transmission Companies (AEP Oklahoma Transmission Company, Inc and AEP Southwestern Transmission Company, Inc)	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
2	Reserved for Future Use				
3	City Utilities of Springfield, Missouri	\$8,651,509	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
4	Empire District Electric Company	\$14,075,000	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
5	Grand River Dam Authority	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
6	Kansas City Power & Light Company	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
7	Oklahoma Gas and Electric (Total)	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
7a	Oklahoma Gas and Electric	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
7b	Oklahoma Municipal Power Authority	\$368,501	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
8	Midwest Energy, Inc.	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
9	KCP&L Greater Missouri Operations Company	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
10	Southwestern Power Administration	\$13,107,700	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
11	Southwestern Public Service Company	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File

12	Sunflower Electric Power Corporation	\$14,484,045	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
13	Western Farmers Electric Cooperative	\$20,719,639	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
14	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy) (Total)		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
14a	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy)		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
14b	Prairie Wind Transmission, LLC.		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
14c	Kansas Power Pool		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
15	Mid-Kansas Electric Company (Total)		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
15a	Mid-Kansas Electric Company	\$15,142,441	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
15b	ITC Great Plains		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
15c	Prairie Wind Transmission, LLC.		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
16	Lincoln Electric System		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
17	Nebraska Public Power District		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
18	Omaha Public Power District		See Att. H tab, posted RRR File	See Att. H tab, posted RRR File	See Att. H tab, posted RRR File
19	Total				See Att. H tab, posted RRR File



March 17, 2011

Mr. Ryan Garrett
Customer Relations
Southwest Power Pool
415 North McKinley Street
#140 Plaza West
Little Rock, AR 72205-3020

RE: Application to Join SPP and Transfer of Functional Control – Transmission Facilities

Dear Mr. Garrett,

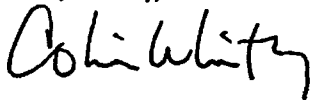
The Kansas Power Pool (KPP) is applying to the Southwest Power Pool (SPP) for membership as a Transmission Owner (TO) under the SPP tariff. KPP hereby transfers functional control of the attached identified transmission facilities owned or controlled by KPP for purposes of rate recovery under the SPP Tariff. KPP understands that this transfer of functional control allows SPP to sell transmission service to third parties. Furthermore, KPP agrees to provide "open access" to KPP's transmission facilities for SPP to provide transmission services to any third party.

In return for transferring functional control of its transmission system to SPP, KPP understands it may become eligible to receive revenue credits for the costs of the transmission facilities being transferred to SPP. The assets consist of identified overhead transmission lines and associated substation equipment and breakers that meet the definition of transmission facilities under Attachment O of the SPP Tariff. A detailed description of the transferred facilities is included in Attachment A, While a one-line of the facilities is included in Attachment B, as well as an illustration of how the facilities interconnect into Westar's system in Attachment C.

KPP understands that in the future other transmission assets, as they may be constructed, may become eligible for revenue credits and KPP will seek such credits as they become available. Current credits for the transferred facilities are calculated at \$528,917(Westar Energy zone) annually based upon the revenue requirements determinants. KPP understands these credits must be accepted and filed at the Federal Energy Regulatory Commission (FERC) before becoming effective.

Finally, KPP certifies that no service to third parties has been sold from these transmission assets¹; however, KPP utilizes these facilities to move power to and from its interconnected generating facilities to all KPP delivery points on the SPP system as identified in KPP's NITS agreement with SPP.

Respectfully,



Colin Whitley, CEO and General Manager

Attachments

CC: Nick Brown, CEO SPP
Carl Monroe, COO SPP
Pat Borne, Director of Regulatory Policy, SPP
Bill Dowling, SPP MOPC Chairman

¹ The City of Udall is served under the KPP NITS agreement with SPP.

Southwest Power Pool - Governing Documents Tariff

IN WITNESS WHEREOF, Member and SPP have caused their duly authorized representatives to execute this Agreement on their respective behalves.

MEMBER:

Kansas Power Pool
Name of Member
Transmission Owner
Type of Entity (Transmission Owner or Non-Transmission Owner)
Colin Whitley
Name of Authorized Representative
CEO and General Manager
Title of Authorized Representative
Colin Whitley
Signature of Authorized Representative
3-18-11
Date of Execution

SOUTHWEST POWER POOL, INC.:

Name of Authorized Representative

Title of Authorized Representative

Signature of Authorized Representative

Date of Execution

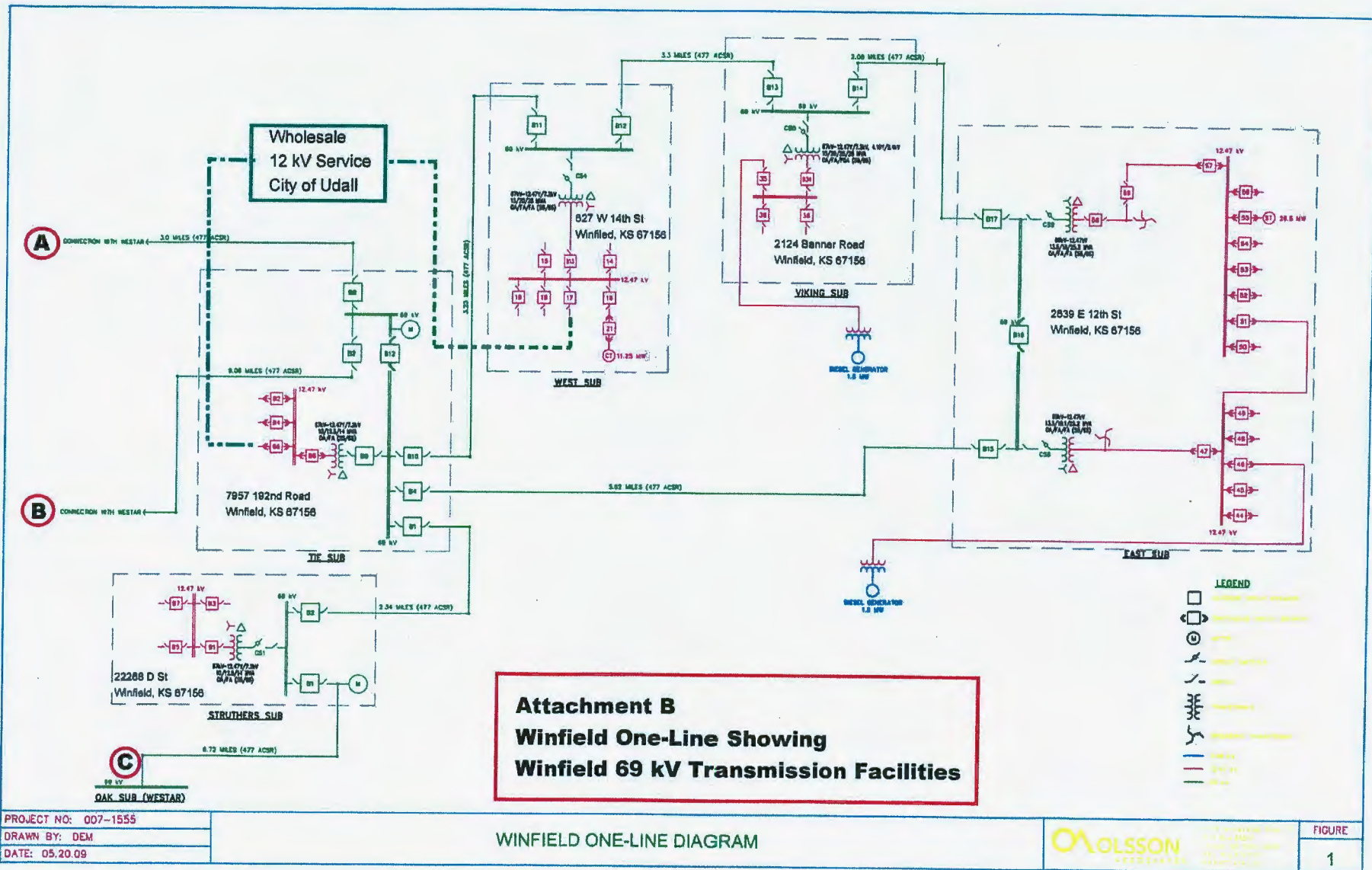
Attachments to KPP's Application for SPP Membership as a Transmission Owner

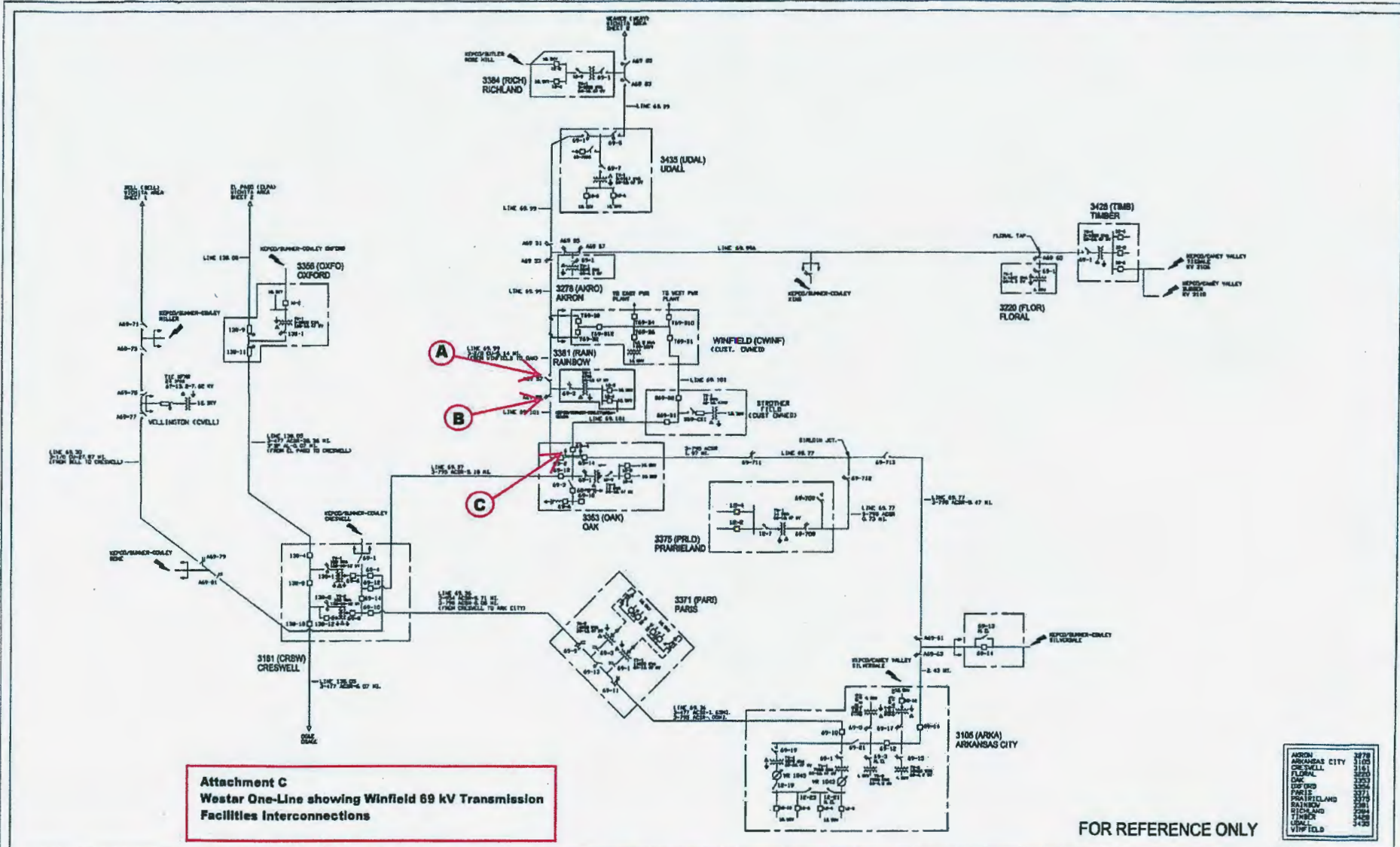
Attachment A	Description of KPP 69 kV Transmission Facilities
Attachment B	One-Line Showing Winfield 69 kV Transmission Facilities
Attachment C	Westar One-Line Markup Showing Winfield 69 kV Interconnection
Attachment D	KPP Revenue Requirements
Attachment E	City of Winfield Resolution Transfer of Functional Control
Attachment F	Other Items to be Included in Application

Attachment A - KPP 69 kV Transmission Facilities Transferred to SPP

<u>Description</u>		<u>Cost</u>
69 kV Lines		
West Sub to Viking Sub	3.30 miles	
Viking Sub to East Plant	2.08 miles	
East Plant to Tie Sub	5.62 miles	
Tie Sub to West Sub	3.23 miles	
Tie Sub to Strothers Sub	2.34 miles	
Strothers Sub to Westar Oak Sub	6.72 miles	
Tie Sub to Westar 69 kV (A)	3.00	
Tie Sub to Westar 69 kV (B)	9.06 miles	
Total lines	35.35 miles	\$2,564,823
Substations		
West Sub		
Viking Sub		
Tie Sub		
Strothers Sub		
East Sub		
Total Subs		\$2,374,561
Total Investment		\$4,939,384

DWG: C:\Users\j\Documents\Winfield One-Line\05.20.09\1.dwg
 DATE: Jan 07, 2011 12:29pm
 USER: JAC





Attachment C
Westar One-Line showing Winfield 69 kV Transmission
Facilities Interconnections

FOR REFERENCE ONLY

ARROW	3278
ARKANSAS CITY	3108
CRESWELL	3181
FLORAL	3220
OAK	3363
OXFORD	3366
PARO	3371
PRAIRIELAND	3378
RAINBOW	3381
RICHLAND	3384
TIMBER	3428
UDALL	3435
WINFIELD	3428

5 REVISIONS BY MAPPING	1/2004 TAN	9 REVISIONS BY MAPPING	2-2008 TJR	DESIGNED BY JASON JACKSON	DATE 1-1-99	SCALE NONE		TITLE ARKANSAS CITY AREA ONE LINE DIAGRAM	OFFICE NO. 52 SHEET NO. 1 of 1
6 REVISIONS BY MAPPING	3/2005 TJR	2 REVISIONS BY MAPPING	5-2001 J.L.L.	APPROVED BY	DATE	ARKA1			
7 REVISIONS BY MAPPING	1/2007 TJR	3 REVISIONS BY MAPPING	3-2002 J.L.L.						
8 REVISIONS BY MAPPING	1/2008 TJR	4 KEPCU CHANGES	2-2003 TAN						
REV.	REVISION DESCRIPTION	DATE	BY	REV.	REVISION DESCRIPTION	DATE	BY		

**Attachment D
Revenue Requirements**

Winfield Annual Transmission Revenue Requirements Analysis		Source	
Gross Plant in Service	4,939,384	Investment Analysis Worksheet	
Accumulated Depreciation	2,253,409	Investment Analysis Worksheet	
Net Plant in Service	2,685,975	Investment Analysis Worksheet	
ATRR Component			
	Amount		Value
Operation and Maintenance Expenses	\$ 98,826	Westar Transmission O&M as % of Gross Plant in Service	2.00%
A&G	38,750	Westar Transmission-Related A&G as % of Gross Plant in Service	0.78%
Depreciation	115,917	Westar Transmission Depreciation Exp. as % of Gross Plant in Service	2.40%
Property Taxes (in-lieu)	45,505	Westar Transmission-Related Property Taxes as % of Gross Plant in Service	0.92%
Return	<u>229,919</u>	Westar Weighted Cost of Capital Applied to Net Plant in Service	8.56%
Annual Transmission Revenue Requirement	<u>\$ 528,917</u>		
Resulting Ratio of ATRR to Gross Plant in Service - %	10.71%		
Westar Gross ATRR (before credits)/ Gross Plant in Service - %	13.19%	At 11.3 % ROE, 8.18% ROR	

**Attachment D
Revenue Requirements**

Winfield Transmission Investment:
Costs based upon present day re-production discounted to date of installation @
Using 2.40% Depreciation Rate

Line Section	length miles	Poles	Inst Date	Reproduction Cost New \$2010	HWI - Transmissi on Plant [2010 HWI = 617]	Estimated Original Installed Cost	Westar Proxy Depreciat ion Rate	Service Years (assume plant added at mid- year)	Estimated Accumulated Depreciation at 12/31/2010	Net Plant In Service at 12/31/2010	Annual Depreciation
WESTAR INTERCONNECTION - TIE SUB	3.00		1991	\$ 519,628	306	\$ 257,709	2.40%	18.5	\$ 114,407	\$ 149,301	\$ 6,184
WESTAR INTERCONNECTION - TIE SUB	9.06		1991	1,569,277	306	778,280	2.40%	18.5	345,510	432,770	18,676
WESTAR INTERCONNECTION - STROTHERS SUB	6.72		1991	1,163,967	306	577,267	2.40%	18.5	256,272	320,995	13,853
STROTHERS SUB - TIE SUB	2.34		1991	405,310	306	201,013	2.40%	18.5	89,238	111,775	4,824
TIE SUB - WEST SUB	3.23		1980	559,466	198	179,537	2.40%	29.5	127,095	52,442	4,308
TIE SUB - EAST SUB	5.62		1967	973,437	69	108,861	2.40%	42.5	108,861	-	-
WEST SUB - VIKING SUB	3.30		1991	571,591	306	283,479	2.40%	18.5	125,848	157,631	6,803
EAST SUB - VIKING SUB	2.08		1991	360,275	306	178,678	2.40%	18.5	79,322	99,356	4,288
Total lines	35.35			\$ 6,122,951		\$ 2,564,823			\$ 1,246,553	\$ 1,318,271	\$ 58,935
STROTHER SUBSTATION			1990	\$ 665,181	300	\$ 336,517	2.40%	19.5	\$ 157,469	\$ 179,048	\$ 8,075
TIE SUBSTATION											
Strother Tie 69 kV GCB			2007	60,000	568	\$ 55,235	2.40%	2.5	\$ 3,314	\$ 51,921	\$ 1,325
Oak Sub Tie 69 kV GCB			2005	60,000	485	\$ 47,164	2.40%	4.5	\$ 5,093	\$ 42,071	\$ 1,132
Transformer Breaker 69 kV GCB			2007	60,000	568	\$ 55,235	2.40%	2.5	\$ 3,314	\$ 51,921	\$ 1,325
Weaver Sub Tie 69 kV GCB			2006	60,000	528	\$ 51,345	2.40%	3.5	\$ 4,312	\$ 47,033	\$ 1,232
West Sub Tie 69 kV GCB			2007	60,000	568	\$ 55,235	2.40%	2.5	\$ 3,314	\$ 51,921	\$ 1,325
East Sub Tie 69 kV GCB			1990	60,000	300	\$ 29,173	2.40%	19.5	\$ 13,651	\$ 15,522	\$ 700
Bus Tie 69 kV GCB			1990	60,000	300	\$ 29,173	2.40%	19.5	\$ 13,651	\$ 15,522	\$ 700
Balance of Tie Sub 69 kV			1990	1,347,482	300	\$ 655,178	2.40%	19.5	\$ 305,582	\$ 348,596	\$ 15,722
WEST SUBSTATION			1990	665,181	300	\$ 323,427	2.40%	19.5	\$ 151,343	\$ 172,083	\$ 7,761
VIKING SUBSTATION			1990	672,581	300	\$ 327,025	2.40%	19.5	\$ 153,027	\$ 173,998	\$ 7,948
EAST SUBSTATION			1990	842,933	300	\$ 409,854	2.40%	19.5	\$ 191,786	\$ 218,068	\$ 9,835
Total Substations				\$ 4,613,359		\$ 2,374,561			\$ 1,006,856	\$ 1,367,705	\$ 56,982
Total Transmission Plant In Service				\$ 10,736,309		\$ 4,939,384			\$ 2,253,409	\$ 2,685,975	\$ 115,917

Bill No. 1101

Resolution No. 0111

A RESOLUTION

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

WHEREAS, 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

Other Items to be Included in Application

Attachment A includes a list of transmission facilities and their current net book value.

Attachment B is a one-line of the Winfield 69 kV transmission facilities being transferred, their location, meter points, and other design information regarding the capability of the facilities (length and size of lines). Attachment C is a Westar Energy one-line markup depicting interconnections of facilities within the Westar control area.

Points of demarcation of SPP control to KPP control will be the 69 kV switch on the high side of the 69kV to 12.4 kV transformers depicted on Attachment B.

Attachment D lists KPP revenue requirements.

Attachment E is the City of Winfield's resolution transferring functional control of facilities to KPP.

There are currently no additional KPP transmission facilities under construction.

There are no Grandfathered Agreements with service committed across the facilities.

The facilities are not presently subject to any interconnection agreements.

Meter locations are shown on Attachment B for Winfield facilities interface with the host BA (Westar). The meter for service to the City of Udall is located at 407 S. Clark St, Udall, KS 67146,

KPP's 69 kV facilities being transferred to SPP are currently used as part of Westar's transmission system, no separate loss factor calculation is necessary; losses are already captured in Westar's loss factor calculation.

KPP ATRR ANNUAL UPDATE PROTOCOLS

For the Kansas Power Pool ("KPP"), the annual transmission revenue requirement ("ATRR") for purposes of Network Integration Transmission Service, Base Plan Upgrades, and for the determination of Point-to-Point rates shall be calculated using the Formula Rate Template set forth in Attachment H - Addendum 16 of this Tariff.

Initially, the rates calculated pursuant to the formula-based rate template and incorporated into this SPP OATT will be in place through July 31, 2012. Thereafter, the ATRR and rates calculated pursuant to the formula rate template shall be revised annually, and in effect from August 1 of each year through July 31 of the following year ("Rate Year"). The annual update of KPP's ATRR shall be conducted in accordance with these Protocols.

For purposes of these Protocols, "Interested Parties" shall mean any Transmission Owner in whose SPP zonal rates KPP's ATRR will be included; any load serving entity whose customers will be allocated all or a portion of KPP's ATRR, and any state utility commission or consumer advocate operating in a state in which customers that will be allocated all or a portion of KPP's ATRR are located.

The timelines specified in these Protocols are based on the dates of posting on the Transmission Provider's website of (1) the "True-up Adjustment" for Westar Energy's ("Westar") annual transmission revenue requirements, which under the current version of Westar's rate update protocols are to be posted each year on June 15 (the "Westar Posting Date") and (2) KPP's updated ATRR under Section I.A below (the "KPP Posting Date"). If any deadline specified in these Protocols falls on a non-business day in a given year, the deadline shall be the next business day.

I. Annual Update

A. Each year, following the Westar Posting Date, KPP shall recalculate its ATRR for the upcoming Rate Year in accordance with the Formula Rate Template and the procedures contained in these Protocols ("Annual Update"). The results of such Annual Update shall be posted in a publicly accessible location on the Transmission Provider's website within 30 days of the Westar Posting Date. KPP will, upon request, make available to Interested Parties a fully-functioning Excel file containing the ATRR calculation for the upcoming Rate Year.

B. The Annual Update shall not seek to modify the Formula Rate Template formulas and shall not be subject to challenge for purposes of seeking to modify the Formula Rate Template.

C. Corrections of mistakes in the inputs to the Formula Rate Template (including any resulting from corrections to data in Westar's FERC Form No. 1 to the extent used as proxies in the Formula Rate Template) shall be reflected as adjustments to KPP's ATRR in the Annual Update for the next effective Rate Year, with interest determined in accordance with 18 C.F.R. § 35.19a.

II. Review of Annual Update

Each Annual Update of KPP's ATRR shall be subject to the following review procedures ("Annual Review Procedures"):

A. If requested (such requests to be submitted no later than ten (10) days after the KPP Posting Date), KPP shall host a conference call in which all Interested Parties may participate, to be held no later than thirty (30) days after the KPP Posting Date, to explain and answer questions regarding the Annual Update ("Conference Call"). The date, time, and dial-in information for the Conference Call shall be posted in a publicly accessible location on the Transmission Provider's website within fifteen (15) days after the KPP Posting Date. KPP shall modify the Annual Update to reflect any changes that it and Interested Parties all agree upon as a result of the Conference Call.

B. Interested Parties may, until forty-five (45) days after the KPP Posting Date, serve reasonable information requests on KPP. Such information requests shall be limited to what is necessary to determine if KPP has properly calculated the Annual Update under review (including, without limitation, whether the costs included in the Annual Update are appropriately recovered under the terms of the Formula Rate Template and whether the Formula Rate Template has been applied according to its terms) and may include any documents that are the source for inputs into the Formula Rate Template.

C. KPP shall make a good faith effort to respond to information requests pertaining to the Annual Update within fifteen (15) days of receiving such requests. Information requests received after 4 p.m. CPT shall be considered received the next business day.

D. Interested Parties shall have until the later of: (i) sixty days after the KPP Posting Date or (ii) fifteen (15) calendar days after KPP's last response to reasonable information requests submitted pursuant to Section II.B above (such later date being the "Notice Date"), to review the calculation of the Annual Update and to notify KPP in writing of any specific challenges to the Annual Update ("Issues"). Challenges to the Formula Rate Template itself shall not be considered "Issues" for purposes of these Annual Review Procedures.

III. Resolution of Challenges

For each Annual Update:

A. If KPP and Interested Parties have not resolved all Issues identified pursuant to Section II.E above within thirty (30) calendar days from the Notice Date, any Interested Party may file an action pursuant to Section 206 or Section 306 of the FPA challenging the Annual Update ("Formal Challenge"). Challenges to the Formula Rate Template itself shall not be considered "Formal Challenges" for purposes of these Annual Review Procedures.

B. Nothing in these Protocols shall be construed to limit any Interested Party's right to challenge any of the inputs to the Formula Rate Template. KPP acknowledges that if any Interested Party challenges any such inputs and the parties are unable to resolve any dispute in accordance with the provisions of these Protocols, any Interested Party may file an action pursuant to Section 206 or Section 306 of the FPA challenging any such inputs and shall bear the

threshold statutory burden for any such challenge. KPP shall bear the burden of demonstrating the justness and reasonableness of any input that may be the subject of any such challenge. KPP shall bear the burden of proving that it has reasonably applied the terms of the Formula Rate Template, and the applicable procedures in these Protocols, for that year's Annual Update.

C. Any refunds or surcharges resulting from a Formal Challenge shall be calculated, with interest determined in accordance with 18 C.F.R. § 35.19a, from the effective date of the challenged Annual Update, and shall be reflected in the Annual Update for the next effective Rate Year.