

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

Before Commissioners:

Dwight D. Keen, 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 MIDWEST ENERGY, INC.

COME NOW, Midwest Energy, Inc. ("Midwest"), and respectfully provides the following Comments to the State Corporation Commission of the State of Kansas ("Commission") March 19, 2019, Order in Docket No. 17-SPPE-117-GIE ("Order"):

I. INTRODUCTION

1. On March 19, 2019, the Commission requested the parties provide certain documentation relating to the costs and benefits of Kansas utility participation in the SPP by May 24, 2019. Specifically, "the Commission request[ed] the parties comment on possible methods or approaches whereby Kansas utilities and/or SPP can provide a back-cast or historical evaluation of *future* cost/benefit studies (not limited solely to "[Regional Cost Allocation Review ("RCAR"))]" studies).¹ The Commission requested "comment on methods or approaches that will allow for the procurement of empirical data, so that the Commission can

¹ Docket 17-SPPE-117-GIE, *Order On General Investigation as to Whether Annual or Periodic Reporting by SPP, and Kansas Utilities that Participate in SPP, is in the Public Interest*, at ¶59 (May 19, 2017).

assess any projections on which such future studies might be based, to validate whether or not the projected cost savings actually came to fruition.” The Commission also requested that the parties make comments on whether they believed that the approach proposed by Midwest in its Reply Comments filed in this docket was possible.² Lastly, the Order requested SPP file with the Commission the Kansas-specific portion, by Kansas member utility, for each of the most recently created SPP reports that evaluate the costs and benefits of the Kansas utilities participation in SPP by June 14, 2019.³

2. On June 14, 2019, the Parties in the docket requested a sixty-day extension from the deadlines established in the Order.⁴ The Commission granted the extension request stating that all the filings requested in the Order would be due Tuesday, August 13, 2019.⁵

II. MIDWEST COMMENTS

3. Midwest Energy generally concurs with the Joint Comments filed the same date of this filing by the Southwest Power Pool, Inc. (“SPP”), along with Kansas City Power & Light Company, Westar Energy, Inc., Kansas Municipal Energy Agency, Kansas Electric Power Cooperative, Inc., Kansas Power Pool, Sunflower Electric Power Corporation, Mid-Kansas Electric Company, Inc., Midwest Energy, Inc., ITC Great Plains, LLC, and The Empire District Electric Company (collectively, the “Joint Commenters”). Midwest Energy and the other Joint Commenters collaborated with SPP on the Joint Comments and provided input to the Joint Comments prior to the filing date.

² *Id.* (citing to Midwest Reply Comments, p. 4).

³ Order at ¶6.1

⁴ *Joint Motion for Extension of Time*, Kansas Corporation Commission, Docket No. 17-SPPE-117-GIE (May 16, 2019).

⁵ *Order Granting Joint Motion for Extension of Time*, Kansas Corporation Commission, Docket No. 17-SPPE-117-GIE (May 14, 2019).

4. Though Midwest Energy concurs with the Joint Comments, Midwest believes that several statements contained in the Joint Comments may benefit from brief clarification. Midwest Energy therefore offers the following additional comments to augment the Joint Comments.

5. In Section II.F of the Joint Comments, SPP notes that the annual Member Value Study calculates the value produced by services provided by SPP compared to the expenses incurred by SPP members. SPP further states that the current Member Value Study provides net benefits to SPP members in excess of \$2.2 billion annually at a benefit-to-cost ratio of more than 14 to 1, while noting that the study does not break down benefits or costs by member, pricing zone, or state. Midwest Energy believes that the recent benefit-to-cost ratio of 14 to 1 is significant. How these benefits accrue to individual members requires a different analysis to look at generation, imports, and load in a particular zone and aggregate the benefits and costs of the joint dispatch of all units in the integrated market over an extended period of time. A study of this nature, if even feasible, would be extremely complex to perform.

6. In Section III.A of the Joint Comments, SPP responds to the Commission's request for a method or approach to provide the Commission with measurable data by which to assess the veracity of the purported cost savings stemming from SPP membership. Noting the inherent difficulties with a method or approach that would allow the Commission to accurately measure whether the benefits projected by a particular study actually came to fruition, SPP stated that an attempt to rerun a past study using actual data rather than projected data would likely result in an invalid comparison because changes in one or more assumptions will create an entirely new scenario. As an example, SPP discusses the expected costs and net benefits for the projects contemplated in the 2012 Integrated Transmission Plan 10-Year Assessment Report, and states that the projected costs and benefits were based on the assumption that the

entire portfolio of projects were built and put into service. Since not all projects were actually constructed, verifying whether the projected benefits came to fruition is extremely difficult. Midwest Energy concurs with SPP's conclusions, and further notes that while actual construction expenditures and actual market results are known at this time, comparing actual market results with what the results would have been without certain transmission construction projects is complex and based upon entirely new assumptions. Perhaps the more efficient comparison would be to compare actual market results with the transmission that was actually constructed to the study case market results that assumed the entire portfolio of transmission was built. Such a comparison, if even possible, is also not without its inherent difficulties and limitations.

7. Section III.B of the Joint Comments discusses the "Midwest Proposal." In its Reply Comments in this proceeding, Midwest Energy noted that "A possible new approach would capture benefits utilizing operational data from the Integrated Marketplace for the time up to the actual study date. This approach would include re-running the market engine both with the inclusion of the new transmission and then without. The differences in production costs would be captured and provide a historical benefit of the transmission based on the differences in production costs between the market runs. The future benefits could then be predicted in a similar or same way that that RCAR has been completed in the past. By combining these two methodologies it would be possible to generate RCAR results that show actual historical results and prospective future results and not results based solely on a on a prospective modeled approach."

8. The Joint Comments note that the proposal offered by Midwest Energy is possible, and state that the RARTF is proceeding toward utilizing this approach in RCAR III. Midwest Energy would like to emphasize that while this approach may be feasible, and in fact

may be adopted for future RCAR analyses, it is crucial to understand its inherent limitation. This type of study will deal only with the benefits of transmission construction when compared to performance without those projects. The variety of other services provided by SPP are already included in the market data and cannot be explicitly isolated in this type of analysis.

9. Midwest Energy has several comments in addition to its concurrence with the Joint Comments and the above clarifying comments. In its March 19, 2019 Order, the Commission directed SPP to file the Kansas-specific portion, by individual Kansas member utility, for each of the most recently created SPP reports evaluating the costs and benefits of the Kansas utilities' participation in SPP. In this same vein, should the Commission be considering whether Kansas utilities' participation in an entity other than SPP might be beneficial, Midwest Energy believes that the alternatives to Kansas utilities belonging to an entity other than SPP are difficult to estimate for comparison to the benefits of belonging to SPP.

10. As an example, SPP provides a number of reliability benefits to transmission-owning members, including the real-time contingency analyses that are distributed throughout the day to transmission owners. For an entity like Midwest Energy, the value of those analyses lies in the fact that SPP can see the entire footprint, and understand the impact the next contingency event might have on the larger grid. For Midwest Energy to run such studies itself, with its limited view of the regional transmission system and regional generation, would deplete the value of the contingency studies. If some sort of Kansas-only RTO were created, it might have a similar limitation in the scope of the regional grid and regional generation it can see. Midwest Energy believes that this is an instance where a wider field of view is helpful.

11. In a similar fashion, and as another example, the Integrated Market that operates a consolidated balancing authority across the entire footprint of SPP market participants is able to dispatch the generation extremely efficiently, particularly when compared to the prior model

of individual control areas each dispatching their own generation alone, without benefit of access to more efficient resources located in other control areas. Again, creation of a different grouping of utilities, including a Kansas-only RTO, may lose some of the benefits of the consolidated balancing authority when it includes a small subset of generating resources.

12. In conclusion, Midwest Energy submits that while SPP engages in a variety of studies demonstrating the value of membership in SPP relative to the costs, such studies are performed on a region-wide basis across the SPP footprint. As such, it is difficult to isolate the costs and benefits to subunits defined by state boundaries. Given the limited alternatives available, these results, couple with other mechanisms designed to avoid unintended consequences (e.g. RCAR) adequately demonstrate the value of membership in SPP to Kansas utilities without the added expense and investment of resources to attempt to allocate costs and benefits on a state-by-state basis.

Respectfully submitted,

POLSINELLI PC



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ATTORNEYS FOR MIDWEST ENERGY,
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VERIFICATION

STATE OF Missouri)

COUNTY OF Jackson)

I, Anne E. Callenbach, being duly sworn, on oath state that I am counsel to Midwest Energy, Inc., that I have read the foregoing pleading and know the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge and belief.

By: A Callenbach

The foregoing was subscribed and sworn to before me this August 13, 2019.

Kim Sartain

Notary Public

My Commission Expires:

3-24-23

**KIM SARTAIN
NOTARY PUBLIC-NOTARY SEAL
STATE OF MISSOURI
JACKSON COUNTY
MY COMMISSION EXPIRES 3/24/2023
COMMISSION # 15424786**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing pleading have been faxed, hand-delivered and/or mailed, First Class, postage prepaid, this August 13, 2019, to:

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