

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

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

**COMMENTS OF CITIZENS' UTILITY RATEPAYER BOARD
ON SOUTHWEST POWER POOL MEMBERSHIP**

COMES NOW, the Citizens' Utility Ratepayer Board ("CURB"), and respectfully submits the following comments as requested by the Kansas Corporation Commission ("KCC" or "Commission") in its January 19, 2017 Order Opening General Investigation in the above-captioned docket:

I. Background

1. On August 31, 2005, Southwest Power Pool, Inc. (SPP) filed an application in Docket No. 06-SPPE-202-COC (Docket 06-202) for a Certificate of Convenience and Authority for the limited purpose of managing and coordinating the use of certain transmission facilities located within the state of Kansas.¹

2. Also on August 31, 2005, Westar Energy, Inc. (Westar), Kansas Gas and Electric company (KG&E), The Empire District Electric Company (Empire), Kansas City Power and Light Company (KCPL), Aquila, Inc. d/b/a Aquila-Networks-WPK (Aquila), Midwest Energy, Inc. (Midwest), and Southwestern Public Service Company d/b/a Xcel Energy Services (Southwestern Public Service) filed a Joint Application in Docket No. 06-WSEE-203-MIS

¹ Docket No. 02-SPPE-202-COC. Application (August 31, 2005).

(Docket 06-203) for authority to transfer functional control of certain transmission facilities to SPP.²

3. The Commission consolidated these dockets.³ The Commission recognized the direct relationship between each application, as follows:

“The Kansas utilities in Docket 06-203 seek authority to transfer operating control of transmission assets to SPP, which can only be exercised if SPP is granted the certificate sought in Docket 06- 202. Likewise, the certificate sought by SPP is of no meaning without the transfer of control sought by the Kansas utilities.”⁴

4. On July 14, 2006, the parties concurrently filed in the consolidated dockets a Joint Motion to Approve Stipulation and Agreement (Joint Motion) and the Stipulation and Agreement (Agreement).⁵ All parties joined in the Joint Motion except MISO and CURB; however, MISO and CURB stated on the record that they did not oppose the Agreement.⁶ By Order Adopting Stipulation and Agreement and Approving Application, issued by the Commission on September 19, 2006, the Commission approved both of the applications filed in the consolidated dockets.⁷

5. On June 9, 2014, in Docket No. 14-SPEE-563-SHO, the Commission issued a Show Cause Order; Discovery Order; Protective Order directing SPP to show cause why the costs associated with the proposed membership of Western Area Power Administration- Upper Great Plains Region (W APA-UGP), Basin Electric Power Cooperative (Basin), and Heartland Consumers Power District (Heartland) (collectively IS) are in the public interest of Kansas electric retail customers.⁸

² Docket No. 06-WSEE-203-MIS. Joint Application (August 31, 2005).

³ Docket No. 06-SPPE-202-COC. Docket No. 06-WSEE-203-MIS. Order Scheduling Technical Conference and Granting Intervention, Para. 9, p. 3 (November 18, 2005).

⁴ Id.

⁵ Docket No. 06-SPPE-202-COC. Docket No. 06-WSEE-203-MIS. Joint Motion to Approve Stipulation and Agreement (July 14, 2006) Stipulation and Agreement (July 14, 2006).

⁶ Docket No. 06-SPPE-202-COC. Docket No. 06-WSEE-203-MIS. Order Adopting Stipulation and Agreement and Approving Application, Para. 9, p. 3 (September 19, 2006).

⁷ Docket No. 06-SPPE-202-COC. Docket No. 06-WSEE-203-MIS. Order Adopting Stipulation and Agreement and Approving Application (September 19, 2006).

⁸ Docket No. 14-SPEE-563-SHO. Show Cause Order; Discovery Order; Protective Order (June 9, 2014).

6. On September 11, 2014, SPP submitted changes required to implement the integration of the IS entities in a filing with the Federal Energy Regulatory Commission (FERC) requesting approval of the proposed revisions to the SPP Open Access Transmission Tariff (ER14-2850) and Bylaws and Membership Agreement (ER14-2851).⁹ In light of SPP's filing in ERI 4-2850 and ERI 4-2851, the Commission closed Docket No. 14-SPEE-563-SHO and deferred any determinations regarding the public interest of Kansas Electric Retail Customers related to IS membership in SPP until after Orders were issued in FERC Dockets ER14-2850 and ER14-2851.¹⁰

7. The Commission filed for intervention and protest in FERC Dockets ER14-2850 and ER14-2851, but the FERC summarily rejected this Commission's objections in orders issued by the FERC on November 10, 2014 and October 15, 2015.¹¹ The Commission filed an appeal of the FERC orders on December 14, 2015, and the appeal is now pending.¹²

8. On September 29, 2016, the Commission Staff submitted a Report and Recommendation (R&R) to the Commission in which Staff recommended that the Commission issue an Order opening a docket for purposes of a general investigation into whether or not it is in the public interest to require annual or periodic reporting by SPP and Kansas utilities that participate in SPP concerning the costs and benefits of SPP membership.¹³ Staff's R&R outlined several questions which the Staff believed were germane to the general investigation.¹⁴ On January 19, 2017, the Commission issued an Order Opening General Investigation, in which the

9 Docket No. 14-SPEE-563-SHO. Order Closing Docket, Para. 4, p. 2 (October 7, 2014).

10 Docket No. 14-SPEE-563-SHO. Order Closing Docket, Para. 8, pp. 3-4 (October 7, 2014).

11 Docket No. 17-SPPE-117-GIE. Report and Recommendation Utilities Division, p. 2 (September 29, 2016).

12 Id.

13 Docket No. 17-SPPE-117-GIE. Report and Recommendation Utilities Division (September 29, 2016).

14 Docket No. 17-SPPE-117-GIE. Report and Recommendation Utilities Division, p. 3 (September 29, 2016).

Commission invited all parties to address the questions outlined in the Staff's R&R and set a procedural schedule with respect to the same.¹⁵

9. It is noteworthy that SPP has claimed to do a good job of providing system-wide savings across its members. Other claims of value circulated by SPP to the public, state legislatures, SPP members, state public utility commissions, and other like stakeholders indicate that "transmission planning, market administration, reliability coordination and other services provide net benefits to SPP's members in excess of more than \$1.4 billion at a benefit-to-cost ratio of more than 10-to-1."¹⁶ Additional statements in the company's "Value of Transmission" report indicate a benefit-to-cost ratio of 3.5-to-1 for 358 transmission projects initiated from 2012 through 2014.¹⁷

10. While these claimed ratios and system-wide benefits are impressive, they may not adequately address regional or state savings culminating from SPP services. Existing SPP claims and other information available do not provide readily available and transparent data or analysis that is useful to present and potential Kansas ratepayers; both SPP and Kansas member utilities should be able to substantiate Kansas membership benefits with clear and concise, quantifiable value reporting.

II. CURB's Responses to Issues in Order Opening General Investigation

11. CURB appreciates the opportunity to address the questions posed by the Commission. CURB believes that the costs and benefits of SPP membership have a material effect upon Kansas residential and small commercial ratepayers. Therefore the issues presented in this general investigation are important to CURB's constituents.

¹⁵ Docket No. 17-SPPE-117-GIE. Order Opening General Investigation (January 19, 2017).

¹⁶ *SPP101: An Introduction to Southwest Power Pool*. Southwest Power Pool, Jan. 2017, p. 6. spp.org/documents/31587/intro%20to%20spp.pdf.

¹⁷ *The Value of Transmission: A Report by Southwest Power Pool*. Southwest Power Pool, - 26 Jan. 2016, p. 21. spp.org/the-value-of-transmission/.

12. CURB is a very small Kansas governmental agency, with a very limited budget. Thus, it has not been feasible for CURB to assimilate detailed facts and statistics pertaining to each of the questions outlined in the Commission's Order Opening General Investigation. However, CURB believes that it is still important for Kansas residential and commercial utility ratepayers to have a voice in Kansas utility matters which affect them, such as the issues in this general investigation.

13. Thus, to the extent that it can provide general information relative to the perspective of Kansas residential and commercial ratepayers, CURB will address the questions outlined in the Order Opening General Investigation. There are areas of inquiry concerning which CURB does not have enough information to address questions posed by the Commission, even in a general manner. Those areas are noted below. Further, CURB has added two additional issues which it will address at the end of this document.

14. CURB's general answers to the questions posed in this docket are guided by a number of principles. First, the Commission is obligated to balance the interests of Kansas ratepayers (both present and future) with the interests of Kansas utilities in matters which come before it. In these regards, it is in the public interest to ensure that the costs and benefits of SPP membership are transparent to Kansas ratepayers so they can verify that continued SPP membership is valuable to them.

15. Secondly, the Commission sets policy in utility matters before it, not the SPP or any SPP utility member. Therefore, the Commission ultimately should decide whether or not the studies which have been (or are being) conducted by SPP and Kansas utilities with respect to net savings arising out of SPP membership are adequate for the Commission's purposes. In these regards, CURB understands that there is presently an issue concerning the allocation of costs

among SPP members (post IS membership in SPP) which may influence the measurement of the cost-benefit ratio of Kansas SPP membership. Further, the net savings associated with SPP membership can be measured through varying methodologies such that reasonable persons can come to different conclusions with respect to the available data. Therefore, it is important that a reasonable baseline be established with respect to net savings associated with SPP membership. The Commission should decide how that baseline is determined.

16. Third, the costs of the studies and reports required from SPP and/or Kansas utilities (collectively, “studies” or “study”) should be commensurate with the benefits to be derived from such studies. Kansas ratepayers will ultimately pay (as part of their rates) some share of the costs of the studies required through this docket. Therefore, CURB urges the Commission to take advantage of all information that is available and usable (from the past studies conducted by SPP and Kansas utilities in regards to SPP membership and other data), and to require additional studies only to the extent that the available information fails to address the informational needs of the Commission with respect to the costs and benefits of continued SPP membership. Further, if alternatives to continued SPP membership are futile, it would appear that the potential benefits of the studies may be academic; and such studies would pose no real benefit to Kansas ratepayers. Unnecessary study costs should be avoided.

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

17. Generally, if the Commission requires a study of the costs and benefits associated with continued membership in SPP, study parameters should be designed in such a manner to capture clear and concise, quantifiable data regarding the net rate savings (if any) enjoyed by Kansas SPP members through SPP membership. CURB believes that quantifiable rate savings obtained or obtainable by Kansas ratepayers in comparison to quantifiable SPP membership

costs are a critical aspect of any study. In these regards, it is important that an accurate baseline (from which savings can be determined) be established by the Commission.

18. Moreover, study parameters should encompass an appropriate time horizon relative to the SPP programs being measured. For example, if the scope of the study is limited to the costs and benefits of the IM, then data obtained for periods of time prior to the initiation of the SPP IM may not be particularly relevant and material (and could be misleading). CURB believes that the ultimate question to be determined (either through the accumulation and analysis of presently available data or through further studies) is whether or not Kansas ratepayers are receiving an appropriate level of benefits relative to costs of continued SPP membership; and the time horizon of any new studies should appropriately be set by the Commission to answer that question.

19. Finally, parameters of the study concerning the pertinent “savings” areas associated with Kansas SPP membership can be determined by the Commission based upon input from Kansas utility members. Kansas utilities can best outline the service areas in which they receive benefits and incur costs associated with SPP membership.

20. Indeed, even though the IM and transmission system of SPP are core values to SPP membership, a study of these other “savings” areas provided by SPP, relative to the costs of obtaining such savings may be reasonable. For example, SPP notes that Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs) exist to:

- Facilitate competition among wholesale suppliers;
- Provide non-discriminatory access to transmission by scheduling and monitoring the use of transmission;
- Perform planning and operations of the grid to ensure reliability;
- Manage the interconnection of new resources;
- Oversee competitive energy markets to guard against market power and manipulation; and

- Provide greater transparency of transactions on the system.¹⁸

Presumably, Kansas utilities utilize some of these services which can be shown to benefit Kansas ratepayers. Therefore, the costs of achieving the same level of these services independent of SPP could be one conceivable set of parameters of a cost/benefit study.

21. CURB does not believe that societal benefits, such as reduction of carbon emissions, are sufficiently measurable to be included in a study. Moreover, although there may be a number of membership benefits touted by SPP, some of these benefits may be too difficult to quantify or may be of such little significance that their inclusion in a study may not be worthwhile for the Commission's purposes.

22. In these regards, CURB submits that limiting the study to the costs and benefits of power generation savings through the SPP IM and transmission savings through SPP's transmission system would certainly be reasonable, given that these are core values of SPP membership. SPP asserts that it has saved its members \$422 Million through 2015 and over \$1 Billion in 2016 through the integrated marketplace.¹⁹ SPP also claims that it has saved its members costs relative to transmission, as noted above.

23. In view of its obligation to protect Kansas ratepayers from unnecessary costs, it would appear reasonable for the Commission to require SPP and/or Kansas utilities to periodically file with the Commission a report which quantifies and documents the net IM and transmission savings which have been specifically obtained by Kansas utilities through SPP membership. CURB notes that SPP and Kansas utilities already conduct studies which measure

¹⁸ Caspary, J. Director, R&D and Special Studies. Southwest Power Pool. *Electric Transmission 101: Markets, ISO/RTOs and Grid Planning/Operations*. Found at http://www.eesi.org/files/070913_Jay_Caspary.pdf.

¹⁹ Ross, M., Senior Vice President Government Affairs and Public Relations. *Overview of SPP – Kansas Legislature* (February 8, 2017) .

the benefits of SPP membership.²⁰ However, the scope and continued accuracy of these studies (particularly regarding the allocation of SPP costs after IS membership in SPP) may be a topic that is now ripe for discussion.

24. Limiting the parameters of the study to costs and benefits of the SPP IM and transmission system would eliminate costs associated with studying other (and less significant) services provided to Kansas utilities through SPP membership. The time horizons included in such a limited study could reasonably be confined to 2015 forward. CURB anticipates that data pertaining to claims of savings enabled by SPP membership should be reasonably transparent, usable and conclusive.

25. CURB notes that, in its comments in response to the technical conference held in Docket No. 06-SPPE-202-COC, CURB acknowledged that “CURB does not have the resources to devote to extensive involvement at the Federal level on RTO issues.”²¹ Thus, CURB has not investigated the reports of savings filed by Kansas utilities in various dockets, and cannot speak to their deficiencies (if any) relative to this general investigation. However, CURB is interested to hear the comments of the Commission Staff and Kansas utilities with respect to whether their reports are relevant, detailed and transparent enough to show ratepayers manner and the extent to which benefits of SPP membership enjoyed by Kansas ratepayers surpass SPP membership costs. CURB would also welcome a dialogue with SPP as to how Kansas residential and small commercial ratepayers benefit from Kansas utilities’ membership in SPP.

26. Additionally, the costs and benefits of reasonable alternatives to SPP membership regarding integrated marketplace and transmission savings would appear to be relevant. In this respect, Kansas and state member utilities could leave SPP to join another RTO. Alternatively,

²⁰ See, for example, Docket No. 16-WSEE-421-ACA.

²¹ Docket No. 06-SPPE-202-COC. Docket No. 06-WSEE-203-MIS. CURB’s Comments In Response to December 15, 2005 Order (December 23, 2005).

Kansas could leave SPP and form its own RTO. If the study were to encompass these costs and benefits, all costs associated with leaving SPP should obviously be measured.

27. Governance issues arising out of continued membership in SPP are relevant to a measurement of the costs and benefits of SPP and should be considered. If the SPP can make a decision which could negatively affect Kansans economically over a reasonable objection by this Commission, those potential consequences may override any potential benefits measured. These potential consequences affect the certainty of future savings. Having a Certificate of Convenience and Authority for the limited purpose of managing and coordinating the use of certain transmission facilities located within the state of Kansas, SPP must be able to show that it will operate these facilities in a manner consistent with the public interest of Kansans. Study data which is relevant and material to show whether or not SPP is meeting this burden are important to Kansas residential and small commercial ratepayers.

28. CURB notes that in Docket No. 06-SPEE-202-COC, the Commission measured the costs and benefits of SPP membership through modification of the merger standards.²² CURB believes that these standards outline certain parameters which could be considered relative to continued membership in SPP. However, a traditional cost-benefit analysis of continued SPP membership would appear to be sufficient.

29. In summary, CURB believes limiting the parameters of a study of continued SPP membership to Kansas costs and benefits of the SPP IM and transmission system is reasonable. Regardless of the scope of any new study, CURB believes that goal clarity regarding the purpose(s) of the study among stakeholders should be achieved *a priori*.

A study should result in timely, transparent and useful, quantitative information being obtained.

²² Docket No. 06-SPPE-202-COC. Docket No. 06-WSEE-203-MIS. Order Adopting Stipulation and Agreement and Approving Application (September 19, 2006).

Finally, the studies should be economically reasonable.

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

30. As set out in response to question (a), CURB believes it reasonable (but not essential) to limit the study to a comparison of production cost savings enjoyed by Kansas ratepayers in association with the Integrated Market (IM) versus the increased transmission expense and SPP Administration expense associated with Kansas SPP membership. Indeed, this measurement appears to be the center of the controversy. Kansas ratepayers should be able to verify the core benefits obtained and costs incurred through membership in SPP. Measuring these core benefits and costs in historic context would be helpful, as it allows some trend analysis.

31. As noted above, SPP offers its members various services other than energy savings and transmission savings. These services, to the extent that they add value to Kansas utilities, are benefits of membership in SPP and could be measured against costs of obtaining the same. CURB believes that, before the scope of this investigation is taken beyond a comparison of production cost savings enjoyed by Kansas ratepayers in association with the IM versus increased transmission expense and SPP Administration expense associated with Kansas SPP membership, it is incumbent upon Kansas utilities to inform the Commission about the relative importance of these additional services. Recognizing that some services which SPP provides may have more importance to Kansas ratepayers than other services, a factor weighting system could be employed.

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

32. CURB does not grasp how two separate cost/benefit studies, one of the IM and the other of the SPP transmission system, is necessary to determine whether or not continued SPP membership is in the public interest. It appears that the SPP transmission system is integrally tied to the cost/benefits of the IM, such that costs and benefits of both the SPP IM and SPP transmission system are relevant and material to the issue of whether or not continued SPP membership is in the public interest; the costs and benefits of both IM and transmission should be measured as a whole. CURB would rely on other parties to express a rationale to justify separate studies. CURB reiterates that the Commission may be able to take advantage of studies which have been conducted by SPP and Kansas utilities, but which may need to be updated to take into consideration IS membership in SPP and subsequent cost allocation of transmission system costs among SPP members. The Commission should establish the hypotheses which it desires to have measured through the study.

33. In these regards, CURB submits that one issue which may be pertinent to Kansas' continued membership in SPP is whether or not Kansas is incurring substantial costs over its benefits relative to the SPP transmission system, while other states are enjoying benefits which significantly outweigh their costs relative to the SPP transmission system. To the extent that Kansas is paying more for the SPP transmission system than other member states and there is no cost-justification of the same, it would appear that the SPP transmission cost-allocation structure may operate in an unduly discriminatory manner. Regulatory fairness dictates that one SPP member state should not be burdened with costs caused by another member state relative to the

SPP transmission system. Regardless of the savings which SPP membership enables, if costs associated with SPP membership are higher for Kansas than are justifiable under fundamental regulatory principles, this fact should be considered in maintaining SPP membership (particularly in view of the potential of moving to another RTO). Thus, this may be an appropriate parameter to be considered in a Commission study of the costs and benefits of SPP membership.

34. Indeed, if a state-comparative cost-benefit analysis shows that Kansas is bearing a larger share of transmission system costs relative to benefits of the system than are other member states, such an analysis could justifiably trigger a decision to leave the SPP. Such a study result could be seen as symptomatic of the future inability for Kansas to achieve an appropriate level of SPP benefits versus costs, particularly if fundamental regulatory fairness is not assured. In short, if it is determined that Kansas has paid or is paying more than a fair share of the transmission system costs, then discontinuing membership in SPP may be justified (even if savings over costs have been enjoyed to date) because governance issues may make future savings uncertain. It is not in the interest of the Kansas residential and small commercial ratepayer for Kansas utilities to remain in an organization which fails to meet the obligations of regulatory fairness. However, the cost of leaving SPP is a factor which must be considered and that cost may significantly affect Kansas utility ratepayers.

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

35. CURB believes that the study can be conducted best by the internal expertise within Kansas utilities. First, Kansas utilities best know their own systems and can use that knowledge to perform cost-benefit analyses of the SPP IM and transmission systems, as well as

other services which are provided by SPP to such utilities. If the study is conducted by an independent third party consultant, that consultant would need to assimilate knowledge about Kansas utilities in order to conduct the study. Thus, the broad use of an independent third party consultant appears to create unnecessary inefficiencies.

36. Second, one would anticipate that utilities may treat key aspects of their business operations (including dealings with SPP) as confidential and proprietary. An independent third party consultant would need to take steps to deal with such confidential information. Moreover, the consultant would likely not deal with such confidential information as easily and freely as would utilities dealing with their own proprietary data. Thus, if the study is conducted by an independent third party consultant, dealing with essential, but confidential information may be cumbersome and may hamper the results of the study. Kansas utilities can study the issues and present their findings at such a high level that confidential information is kept to a minimum.

37. On the other hand, if the studies are conducted by Kansas utilities, the Commission would need to assure that these studies are free from institutional bias. Moreover, if the studies are conducted by Kansas utilities, there could be very broad heterogeneity in study procedures, data inputs and results. It is also important that study costs be maintained at reasonable levels relative to the benefits of the study. By setting appropriate parameters, the Commission can avoid these issues.

38. CURB recommends that, to the extent that the Commission deems it necessary to supplement the studies which Kansas utilities now are conducting with respect to savings through SPP membership, the Kansas utilities could provide these supplemental studies to the Commission; coordination and uniformity of supplemental study results would be monitored by the Commission. In these regards, the Commission would set the scope and manner of the

studies to be conducted to ensure uniformity of results; the utilities would accordingly conduct their own studies. If the Commission desires some independent analysis, the Kansas utility reports can be provided to the independent third party consultant or to the Commission Staff for independent analysis.

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

39. The frequency of study updates should be dependent upon the dynamism of the wholesale and retail electric utility markets and environment. If the wholesale and retail electric utility markets and environment are stable, there is little benefit to study updates of the costs and benefits of SPP membership. However as these markets and environment change, the costs and benefits of SPP membership may likewise change, as could the parameters of the study issues then deemed to be pertinent.

40. CURB does not believe it to be necessary to set any parameters around study updates. Rather, as circumstances warrant, the Commission could require an update to the initial study and could (at the appropriate time) modify the study parameters to gather data which is pertinent to those circumstances. If the parties believe that study updates are necessary to maintain information on a current basis, CURB would suggest that study updates be limited to not more than one every three years.

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

41. As stated earlier, CURB believes that the study should undertake to gather clear and concise, quantifiable data to the fullest extent possible. Quantifiable data should be reasonably documentable and usable. If the Commission determines that SPP (and Kansas members) should provide a report of the benefits and costs of continued SPP membership, CURB believes that the Commission should outline the scope and nature of the data it would

expect to be included in the report(s). In short, the Commission would manage the data plan associated with the study.

42. CURB submits that a good data management plan should provide data to all stakeholders transparently and in a manner that is usable. It is also important that the data be trustworthy. Goal identification (relative to what data is sought and for what purpose) is part of a good data management plan. Importantly, a good data management plan allows stakeholders to be engaged and participate in the study.

43. Data obtained in any study can be quantitative data, qualitative data or mixed. While CURB believes that the study should utilize quantitative data to the extent possible, CURB realizes that certain relevant data may only be qualitative or mixed data. CURB suggests that qualitative and mixed data should not be ignored, but that the study design should take the type of data obtainable into account. Qualitative data is subjective by nature and its use should be noted in any study report.

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

44. There are a number of studies which have been conducted by SPP and Kansas utilities that tend to show that Kansas SPP membership has resulted in savings enjoyed by Kansas ratepayers. Without studies which are strongly supported by timely and quantitative data, a determination of the benefits of SPP membership would likely be subjective, leading to different conclusions. Thus, CURB believes that, without a study having parameters which are generally agreeable among various stakeholders and capable of obtaining quantifiable data, a reasonable conclusion may not be drawn regarding whether or not Kansas ratepayers are better off today with Kansas electric utilities being members of SPP.

45. Importantly, as noted above, Kansas utilities already conduct some modeling to determine the amount of savings which the SPP IM provides to Kansas ratepayers. However, as stated above, the data obtained through these studies may not be sufficient to allow the Commission to undertake the nature of the evaluation of SPP which it now desires. SPP should be held to account for savings and costs specifically associated with Kansas membership in SPP.

46. Therefore, CURB believes that a study of continued SPP membership, wherein SPP is required to supply quantifiable data supporting any savings associated with IM and transmission provided by SPP to Kansas members, would be beneficial. In these regards, it is important to establish a reasonable baseline from which to measure IM savings.

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

47. As set out earlier in these comments, Kansas utilities already conduct some modeling and analysis to determine the amount of savings which the SPP IM provides to Kansas ratepayers. KCC Staff has reviewed these models and has concluded that the SPP IM provides savings to Kansas ratepayers. As noted earlier, these models can be a starting point for additional (or more detailed) analysis of the issues outlined in this docket. CURB believes that information regarding SPP membership benefits and costs abound. However, the accuracy and relevance of that information to the issues framed in this general investigation may be drawn into question.

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

48. The time horizon to be used in the study clearly depends upon the issues which the Commission wishes to resolve through the study. Regardless of the issue, CURB submits that five years is a sufficient time horizon to be included in a study of SPP. The electricity wholesale market and regulatory environment are changing so quickly that historic data outside of five years may have little relevance or materiality.

49. However, as noted earlier, the core issues involved in SPP membership deal with the SPP IM and SPP transmission system, particularly the cost and benefits to be derived from them by Kansas ratepayers. Therefore, CURB suggests that to resolve this issue, it is only necessary for the study to cover a time horizon beginning with the implementation of the IM. It should also be noted that a shorter time horizon will make data collection easier and perhaps result in less disagreements as to data interpretation.

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

50. CURB believes that, depending upon the granularity of SPP's calculated savings data, benefit-cost data can be used to model potential savings through the integrated marketplace and transmission services for future years, if the Commission deems such information beneficial. A determination of potential future savings through Kansas SPP membership is helpful with respect to the issue how long Kansas SPP membership should be maintained.

51. Being able to forecast the costs and benefits of a course of action for a reasonable future period of time is the essence of strategic planning. To the extent that it is realistically and economically possible to anticipate future costs and benefits of SPP membership, CURB would

support such a forecasted study. However, forecasted studies likely would allow various reasonable opinions to be formed, such that no agreement on the benefits and costs of future SPP membership can be attained.

52. CURB is without sufficient information to provide comments on the remaining issues outlined in the Order Opening General Investigation. CURB will now turn to two additional issues concerning which it wishes to submit comments.

III. Additional Issues

(1) If Kansas utilities were not members of SPP, would there still be supplemental information validating SPP customer value that would be beneficial?

53. Supplemental reporting can be valuable to Kansas SPP stakeholders, particularly residential and small commercial ratepayers, provided that the report is relevant to the region, annotated, and presented in a format that is clear and easy to understand. The composition of the report is critical, as it must unequivocally answer the underlying concerns of Kansas consumers. As mentioned earlier, SPP claims it provides system-wide savings across its members through the IM and transmission services, along with other beneficial services.

54. Existing SPP reports appear to be breaking ground toward expression of value; however, these reports may not be fully developed or have limited suitability for understanding value. According to the Brattle Group, the company's "Value of Transmission" report is a "path-breaking effort" to more accurate estimates of total benefits of transmission infrastructure,²³ while SPP staff comment that "quantifying the benefits of bulk electric power transmission facilities is an art as much as a science."²⁴ This would indicate to CURB that there is room for

²³ The Value of Transmission, p. 26.

²⁴ The Value of Transmission, p. 7.

improvement in SPP reportage, which should be enhanced with benefits materially represented at the regional, end-use customer level.

55. Improvement in or the requirement of additional cost benefit analysis reporting should be of immediate advantage to stakeholders and SPP staff alike. CURB suggests that in addition to considering requirements for enhanced analysis, the Commission should encourage reporting that is highly accessible, uncomplicated, and relevant to the Kansas residential or small customer.

(2) SPP membership is complex; additional information provided might not [be enough to] address needed adjustments.

56. SPP is a Regional Transmission Organization (RTO), a voluntarily formed association that coordinates, controls, and monitors high voltage electricity and keeps it moving over large geographic areas that cross multiple state borders. Maintaining the grid effectively is a complex process that requires administration of three different but related sets of flows: the technical flow of electricity on the grid; the flow of information and exchange regarding power and the equipment necessary to transport it, and the flow of dollars between producers, marketers, transmission owners, buyers and others.²⁵ The SPP's recent addition of its "day-ahead" Integrated Marketplace in 2014 expands the complexity, as it mixes different regional economics to find the lowest possible cost for power while ensuring indiscriminate access to transmission.

57. The increasing complexities of SPP's RTO operations may defy Kansas consumer protection of local-sourced electricity that is affordable and reliable. CURB notes in prior comments that "the cost of simply administrating an RTO is large and growing, and [w]ill

²⁵ Vermont, State of, *Vermont Energy Glossary*, Vermont Legislature, Jan. 2017, p. 12.

ultimately be borne by consumers.²⁶ Of additional concern is that SPP transmission requirements can affect the generation investment decisions of Kansas utility companies. CURB's comments that "[K]ansas utilities will move, or sell the generation assets out of the regulated entity" represent CURB's ultimate fear of limited State generation capacity following an SPP deregulated market scenario.²⁷ System-wide actions by SPP at the RTO level can have a reverberating effect at the local level causing economic harm to small consumers who have little voice in the matter.

58. The complexity aspect may be a consequence of the fact that SPP is a cooperative venture required to work in concert with 14 regulatory commissions. It is possible that requiring additional reporting may not be a strong enough mechanism available to the KCC to protect Kansas consumers from the complex issues raised by SPP membership. High, or volatile market prices; increasing management costs of RTO operations; as well as the threat of generation investment erosion by State utilities are all items that may add costs to be passed along to Kansas customers and should to be considered for the long-term. Additional reporting may or may not provide the reassurance needed that Kansas consumers are receiving benefits for the investments they are contributing to, or the protection of additional options should SPP membership become undesirable.

IV. Summary

59. CURB appreciates the opportunity to address the issues outlined by the Commission in its Order Opening General Investigation. Although CURB does not have the resources to devote to extensive involvement at the Federal level on RTO issues, it hopes that its general perspective is valuable to the Commission, in particular with respect to the expectations

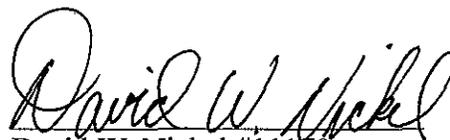
26 See CURB's Comments in Response to December 16, 2005 Order, Docket No. 06-SPPE-202-COC and Docket No. 06-WSEE-203-MIS, p. 3, para. 6.

27 See CURB's Comments in Response to December 16, 2005 Order, Docket No. 06-SPPE-202-COC and Docket No. 06-WSEE,-203-MIS, p. 3, para. 7.

of Kansas residential and commercial ratepayers. Generally, CURB believes that a study of the costs and benefits of SPP membership (and requiring transparent and usable reports from SPP and Kansas utilities) is timely and significant.

60. At the least, CURB believes that the study should entail the costs and benefits of power generation savings through the SPP IM and transmission savings through SPP's transmission system. CURB believes that Kansas SPP member utilities can provide needed guidance on the parameters of the Commission's study, and these utilities are in the best position to gather meaningful data with respect to the same.

61. CURB reiterates that maintaining the grid effectively is a complex process and that the data gathered and the reports generated by stakeholders should transparently show that Kansas ratepayers enjoy benefits over costs associated with Kansas membership in SPP. However, as noted earlier, additional reporting may or may not provide the reassurance needed that Kansas consumers are receiving benefits for the investments to which they are contributing.

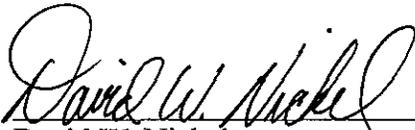


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VERIFICATION

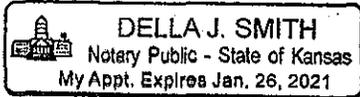
STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

I, David W. Nickel, of lawful age and being first duly sworn upon my oath, state that I am an attorney for the Citizens' Utility Ratepayer Board; that I have read and am familiar with foregoing **Comments of Citizens' Utility Ratepayer Board on Southwest Power Pool Membership** and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



David W. Nickel

SUBSCRIBED AND SWORN to before me this 21st day of April, 2017.





Notary Public

My Commission expires: 01-26-2021.

CERTIFICATE OF SERVICE

17-SPPE-117-GIE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 21st day of April, 2017, to the following:

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