

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of KCP&L	)	
Greater Missouri Operations Company for	)	
Authority to Transfer Functional Control of	)	
Certain Transmission Assets to the	)	
Southwest Power Pool, Inc.	)	Case No. EO-2009-0179
	)	
	)	
In the Matter of the Application of Kansas	)	
City Power & Light Company for Authority	)	
to Transfer Functional Control of Certain	)	Case No. EO-2006-0142
Transmission Assets to Southwest Power	)	
Pool, Inc	)	

**SUBMISSION OF INTERIM REPORT REGARDING  
PARTICIPATION IN SOUTHWEST POWER POOL**

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively the “Companies”), pursuant to Stipulations filed in the above dockets, and submit an Interim Report containing a study and analysis comparing the estimated benefits and costs of participation in Southwest Power Pool (“SPP”). In support of the Interim Report, the Companies state:

1. KCP&L and GMO received approval from the Missouri Public Service Commission (“MPSC” or “Commission”) to transfer functional control of their transmission facilities and participate in SPP’s Regional Transmission Organization (“RTO”) in MPSC Case Nos. EO-2006-0142 and EO-2009-0179, respectively. The two dockets were resolved by Commission-approved Stipulations with substantively identical provisions for both Companies. The Stipulations allow participation in SPP during an “Interim Period” that terminates effective October 1, 2013 and requires the Companies to file two years prior to the end of the Interim Period an Interim Report addressing benefit-cost analysis for participating in the SPP Energy

Imbalance Services (“EIS”) market. The Stipulations direct the Companies to collaborate with MPSC Staff and Office of Public Counsel as to the nature and scope of analysis to be used for the Interim Report.

2. The Companies met with MPSC Staff and Office of Public Counsel on several occasions in early 2011 to discuss the scope of the Interim Report and agreed to expand the original scope of the Interim Report from a test year analysis of the EIS market to a comprehensive benefit-cost analysis for a range of SPP RTO activities over a multi-year period (extending up to 2017).

3. The Study shows a projected net benefit for continued participation in SPP of approximately \$23 million per year for both Companies together. The overall benefit-cost results were developed using a combination of existing benefit-cost studies and new analyses performed by the Companies to estimate and project the net benefits associated with the various SPP RTO service and cost categories. The benefits and costs of functioning within the SPP RTO were compared to those associated with operation of KCP&L and GMO on a stand-alone basis without membership in an RTO. The broad categories analyzed in the Study are: (i) reliability services, (ii) power markets, (iii) transmission facility upgrades, (iv) RTO exit fees, (v) administrative costs, and (vi) additional factors.

4. For both Companies together, the projected annual net benefits of participating in SPP vary from approximately negative \$4 million in the low case to positive \$50 million in the high case, yielding a mid-point net benefit of about \$23 million per year. These numeric results do not capture the full range of benefits that are and can be achieved through SPP membership because many of the benefits are not readily quantifiable. The benefits of SPP membership include, but are not limited to the following:

- The power markets administered by the SPP RTO create trade and competitive efficiencies that cannot be attained through the older industry model of bilateral power trading by individual parties.
- The sharing of resources for reserves and balancing functions through the SPP RTO reduces the cost of these services for all member companies.
- The SPP RTO's region-wide view and responsibility in the development of transmission system expansion plans result in solutions to transmission problems that otherwise would not be feasible through individual company action.
- The expanded grid resulting from SPP RTO planning and cost-sharing produces trade benefits, a higher level of system reliability, and greater strength to withstand adverse events such as storms and forced outages of major generating plants.
- The SPP RTO can create economies of scale in the provision of transmission administrative and reliability services that individual companies cannot achieve.
- The enhanced regional transmission system provides greater flexibility to respond to future developments in the power markets, new technologies, and new environmental standards that are established.
- The enhanced regional transmission system allows access to renewable resources that enable member companies to more efficiently meet their renewable energy targets and mandates.
- Because of the regional nature of existing energy markets and transmission expansion plans there is a regional set of benefits and costs to spread among RTO member utilities. Consequently, RTO membership allows the Companies to share in the benefits and costs attributable to regional transmission infrastructure instead of

incurring the costs of direct transmission projects within the Companies' service territory.

- The Companies' SPP RTO membership meets the regional planning and cost allocation mandates set forth in FERC Order No. 890 and 1000.
- FERC Order No. 1000 requires incumbent utilities to compete with stand-alone transmission entrants for transmission infrastructure opportunities which are now required to be planned on a regional and inter-regional basis. Being an SPP member allows the Companies to participate in developing and implementing the regional and inter-regional planning processes.

5. The Stipulations also require the Companies to state whether a service agreement between the Companies and SPP should be executed prior to the end of the Interim Period. The Companies believe that a service agreement similar to the agreement in effect during the Interim Period will no longer be required for the following reasons:

- Based on the Companies experience using a service agreement during the Interim Period, the service agreement creates uncertainty around the Companies' involvement in the SPP RTO.
- Retail rate treatment of transmission costs can and should be addressed only in the context of rate proceedings before the Commission and Commission-approved rate mechanisms. Other costs that are affected by Federal regulation (e.g., environmental, reliability, and financial) are handled in that manner and transmission costs should be treated similarly.

- Having a service agreement in only one of KCP&L's two state jurisdictions creates asymmetry and lack of clarity in the position of KCP&L under the terms and conditions of the SPP Open Access Transmission Tariff.
- If the benefit-cost ratio in SPP moves in an unfavorable direction in the future, the Companies do not require a service agreement to enable them exit the RTO.
- The service agreement's rate provisions are becoming less effective in the context of increased regional funding of transmission projects and development of energy and ancillary service markets, all of which result in cost recovery for third party service providers.
- Even without a service agreement, the Commission will have oversight with regard to the Companies' RTO participation and can initiate dockets to address such issues.

WHEREFORE, for the forgoing reasons, the Companies request that the Commission accept the attached Interim Report for filing and issue an order approving the continued participation of KCP&L and GMO in SPP beyond October 1, 2013, without a service agreement.

Respectfully submitted,

*/s/ Roger W. Steiner*

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Attorneys for Kansas City Power & Light Company  
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Dated: September 30, 2011

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, on this 30<sup>th</sup> day of September, 2011, to all counsel of record.

*/s/ Roger W. Steiner*

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Roger W. Steiner

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