

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

In the Matter of the Application of Kansas City Power & Light Company for Authority to Extend the Transfer of Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.)
) File No. EO-2012-0135
)
)

In the Matter of the Application of KCP&L Greater Missouri Operations Company for Authority to Extend the Transfer of Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.)
) File No. EO-2012-0136
)
)

JOINT RESPONSE TO COMMISSION ORDER DIRECTING FILING

COME NOW Evergy Metro Inc. d/b/a Evergy Missouri Metro and Evergy Missouri West, Inc. d/b/a Every Missouri West (collectively, the “Company”)¹, the Office of Public Counsel (“OPC”), the Staff of the Missouri Public Service Commission (“Staff”), (collectively, the “Respondents”) and hereby file their response to the Missouri Public Service Commission’s (“Commission”) *Order Directing Filing* issued in the above-captioned dockets on October 11, 2019 (“Order”), stating as follows:

1. In accordance with the previous order of the Commission in EO-2012-0135, and taking into account the high cost estimate(s) of doing a full study to measure the benefits of the Company remaining in SPP, the Company and the other parties should produce, using cost-efficient methods, methodologies of calculating an estimate of the benefits of the Company remaining in SPP versus the next best option. Parties may evaluate alternative methodologies, and cost estimates of such methodologies, of estimating the benefits and costs of the Company remaining in SPP, including the possibility of one of the alternatives being a load ration share approximation methodology and/or updating the inputs from the original benefit cost study of 2013 justifying the Company’s participation in SPP.

RESPONSE: The Respondents propose to obtain an estimate of the benefits and costs of remaining in SPP by looking at the load ratio share approximation methodology as suggested by the Commission in its Order. SPP has produced a number of studies that

¹ Effective October 7, 2019, Evergy Metro Inc. d/b/a Evergy Missouri Metro adopted the service territory and tariffs of KCP&L and Evergy Missouri West, Inc. d/b/a Evergy Missouri West adopted the service territory and tariffs of GMO.

evaluate the costs and benefits of RTO participation. As a rough approximation of the costs and benefits to Evergy Missouri Metro and Evergy Missouri West's SPP participation, the Company will ask SPP to calculate a load ratio share of the costs and benefits to the Missouri portion of the SPP footprint, Evergy Missouri Metro and Evergy Missouri West (separately) for both the Value of Transmission Study and Integrated Marketplace Benefits studies. In addition, the Missouri portion of the SPP footprint, Evergy Missouri Metro and Evergy Missouri West specific cost and benefit results can be provided from the Regional Cost Allocation Review II study. This data and evaluation will be submitted in conjunction with the Company's June 30, 2020 application regarding continued participation in SPP.

2. For example, could such a study be done internally at the Company at a lower cost?

RESPONSE: See response above.

3. Could the study be done at a lower cost if it only evaluated the option of becoming a member of the Midcontinent Independent System Operator (MISO) instead of SPP, rather than evaluating the option of operating under an ICT?

RESPONSE: See response above.

4. Should the study be postponed until a future date certain? Could a less extensive method be used to evaluate whether the benefits of remaining in SPP outweigh potential exit fees?

RESPONSE: See response above.

5. Do any other alternatives exist that would reduce the cost of performing the study, while still providing useful information for the Commission's consideration.

RESPONSE: See response above. In addition, the Respondents would like to offer copies of joint comments submitted by Kansas utilities, as well as a report and recommendation prepared by the Kansas Corporation Commission ("KCC") staff, which were submitted as part of KCC Docket No. 17-SPPE-117-GIE titled, "General Investigation for the Purpose of Investigating Whether Annual or Periodic Cost/Benefit Reporting by SPP and Kansas Electric

Utilities that Participate in SPP is in the Public Interest.” These two documents are attached and/or linked, as follows:

Exhibit A: *Joint Comments*, KCC Docket No. 17-SPPE-117-GIE, August 13, 2019

Exhibit B: *Report and Recommendation KCC Staff Utilities Division*, KCC Docket No. 17-SPPE-117-GIE, December 20, 2017;

WHEREFORE, the Respondents respectfully request that the Commission consider this joint response to its Order.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served on all counsel of record either by electronic mail or by first class mail, postage prepaid, on this 24th day of October 2019.

/s/ Roger W. Steiner

Roger W. Steiner

**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.)

JOINT COMMENTS

COME NOW, 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. (“Midwest”), ITC Great Plains, LLC, and The Empire District Electric Company (collectively, the “Joint Commenters”), and respectfully provide the following Joint Comments to the State Corporation Commission of the State of Kansas (“Commission”) March 19, 2019, Order in Docket No. 17-SPPE-117-GIA (“Order”):

I. INTRODUCTION

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 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 the parties make comments regarding 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 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 by June 14, 2019.³

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

The Joint Commenters provide these Comments to the Commission to satisfy the requests outlined in the Order and to provide other additional information to aid the Commission in its determinations in this docket.

II. COST/BENEFIT STUDIES CREATED BY SPP

¹ *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, Kansas Corporation Commission, Docket No. 17-SPPE-117-GIE (May 19, 2017).

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).

Since SPP was approved by the Federal Energy Regulatory Commission (“FERC”) as a Regional Transmission Organization (“RTO”) in 2004,⁶ SPP performed or commissioned a number of studies that demonstrate the costs and benefits resulting from the various services or functions provided by the RTO.⁷ These studies calculate only the costs and benefits for a specific service(s) provided by SPP and do not necessarily calculate every benefit provided by membership in SPP. Some of the studies performed by SPP are backward-looking and use actual data to analyze the cost and benefits,⁸ while other studies are forward-looking and use projections to evaluate the future.⁹ The following is a list of some of the studies that SPP has performed or commissioned:

- A. Value of Transmission (“VOT”) Study
- B. Regional Cost Allocation Review (“RCAR”)
- C. SPP Independent Market Monitor’s Study of Energy Imbalance Market
- D. Integrated Marketplace Benefits
- E. 2018 Annual State of the Market Report
- F. Member Value Study

⁶ *Sw. Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh’g*, 110 FERC ¶ 61,137 (2005). A RTO is an electric power transmission system operator that coordinates, controls, and monitors a multi-state electric grid. As an RTO, SPP, oversees the bulk electric grid and wholesale power market in the central United States on behalf of a diverse group of utilities and transmission companies in 14 states. We ensure the reliable supply of power, adequate transmission infrastructure, and competitive wholesale electricity prices for a 546,000-square-mile region including more than 60,000 miles of high-voltage transmission lines.

⁷ The following are some of the services provided by SPP to its members: Reliability Coordination; Tariff Administration; Regional Scheduling; Transmission Expansion Planning; Market Operations; Training, and Contract Services.

⁸ See *Infra* Section II.A. (*Value of Transmission Report*); Section II.C. (*Energy Imbalance Study*); Section II.D. (*Integrated Marketplace*); Section II. E. (*SPP’s Independent Market Monitors Annual State of the Market Report*); and Section II. F. (*Member Value Statement*).

⁹ See *Infra* Section II.G. (*Integrated Transmission Planning Process*); and Section II.B. (*Regional Cost Allocation Review*).

G. Integrated Transmission Planning Process (“ITP”)

These studies are described in greater detail below.

A. Value of Transmission (“VOT”) Study¹⁰

SPP has approved the construction of significant transmission expansion since becoming an RTO in 2004. In the VOT study, SPP attempted to quantify the value of those transmission expansion projects placed in service from 2012 through 2014. A portion of the value quantified in the VOT report is based on an analysis of the first year of operation of the Integrated Marketplace (“IM”), which began March 1, 2014. While many large projects installed in 2012-2014 were not yet in service at the launch of the IM, the value of those projects in the mid-to-late portion of 2014 is partially captured in this assessment for the period of time those projects were actually in-service.

Traditional planning studies have previously estimated projected economic benefits of future transmission expansion projects. The VOT study, however, quantified the benefits of major projects in SPP by using actual market data to estimate the value of those transmission upgrades approved during different FERC-approved planning studies and processes.

From 2012 to 2014, SPP directed the construction of almost \$3.4 billion of transmission expansion projects. These SPP-directed projects include the major Extra High Voltage (“EHV”)¹¹ backbone projects approved from SPP’s Balanced Portfolio and Priority Projects studies. The actual cost to install EHV backbone facilities is roughly one-third the total cost of projects being built and installed by all other transmission system operators during the same time period.

¹⁰ *The Value of Transmission Report* (January 26, 2016).
(<https://www.spp.org/documents/35297/the%20value%20of%20transmission%20report.pdf>)

¹¹ Voltage at or above 345kV.

The VOT study, using actual operational information, determined production cost benefits realized from transmission expansion projects placed into service between 2012 and 2014. These production cost benefits were derived from operational models reflecting a subset of actual system conditions from March 2014 through February 2015. The estimated benefits from production cost savings are significant and greater than planning model projections. Based on actual experience during the IM's first year, Adjusted Production Cost ("APC")¹² savings were calculated at more than \$660,000 per day or \$240M per year.¹³ The net present value ("NPV") of these APC benefits is expected to exceed \$10 billion over the next 40 years, while the NPV of the projects' costs is expected to be less than \$5 billion over the same period.

In addition to APC savings, the VOT study also quantified benefits associated with reliability and resource adequacy, generation capacity cost savings, reduced transmission losses, increased wheeling revenues, and public policy benefits associated with optimal wind development. Additionally, there are some sources of value that were either only partially captured or that were not quantified at all.¹⁴

Overall, the NPV of all quantified benefits for the evaluated projects, including production cost savings, is expected to exceed \$16.6 billion over the 40-year period, which results in a benefit-to-cost ratio of 3.5 to 1. This benefit-to-cost ratio quantified by the VOT study only evaluated a subset of all transmission expansion approved by SPP.

¹² APC is a measure of the impact on Production Cost savings, by zone, accounting for purchases and sales of economic energy interchange.

¹³ These calculated APC savings do not include the full benefits of economically efficient interchange with neighbors. Had these benefits been included, the calculated savings would have been even greater.

¹⁴ These non-quantified benefits include environmental benefits, employment and economic development benefits, and other metrics like storm hardening and reduction in the costs of future transmission needs.

B. Regional Cost Allocation Review (“RCAR”)

In 2010, FERC accepted SPP’s proposed Highway/Byway cost allocation methodology, which amended SPP’s base plan funding methodology. The Highway/Byway cost allocation methodology moved away from allocating the costs of building new transmission facilities on a zonal basis and, instead, allocated the costs of facilities 300 kV or greater on a broader, region-wide basis.¹⁵ The revisions to the SPP Open Access Transmission Tariff (“Tariff”) that implemented the Highway/Byway cost allocation methodology also modified the unintended consequences review process, which was renamed the RCAR process. The RCAR process is dictated by Attachment J, Section III.D of SPP’s Tariff, and in general:

- required review of the Highway/Byway methodology and allocation factors at least every three years;¹⁶
- authorized the Regional State Committee (“RSC”)¹⁷ to recommend adjustments to cost allocations if a review showed an imbalanced cost allocation to one or more zones;
- required the RSC and SPP’s Market and Operations Policy Committee (“MOPC”) to define the analytical methods to be used during the review¹⁸; and

¹⁵ The Highway/Byway methodology allocates costs of future transmission facilities based on their voltage level, with the cost of EHV facilities (operating at or above 300kV) allocated 100 percent to the regional rate; the cost of mid-tier facilities (operating above 100 kV and below 300 kV) allocated on a one-third-regional/two-thirds-zonal basis; and the cost of low voltage facilities (operating at or below 100 kV) allocated entirely to the zone. By allocating costs in this manner the Highway/Byway methodology provides a tariff mechanism that appropriately allocates the costs of projects developed in a comprehensive regional planning process and ensures a correlation between the costs and benefits of the enhancements. ¹⁶ This has now changed to at least every six (6) years.

¹⁶ This has now changed to at least every six (6) years.

¹⁷ Southwest Power Pool, Inc., Bylaws, First Revised Volume No. 4, Section 7.2. The RSC has primary responsibility for determining regional proposals and the transition process in the following areas: (1) Cost allocation; (2) Financial transmission rights (also known specifically in SPP as transmission congestion rights, or TCRs); (3) Planning for remote resources; and (4) Regional resource adequacy

¹⁸ The Regional Allocation Review Task Force (“RARTF”), reports to the MOPC and is responsible for defining “the analytical methods to be used” to “review the reasonableness of the regional allocation methodology and factors (X% and Y%) and the zonal allocation methodology.” There are two state

- beginning in 2015, enabled member companies that think they have been allocated an imbalanced portion of costs to seek relief from the MOPC.

The first RCAR analysis (“RCAR I”) was completed in 2013¹⁹. The results of the RCAR I analysis showed a 1.39 to 1 benefit-to-cost ratio for projects issued a notification to construct (“NTC”) since June 2010 (i.e., Highway/Byway projects). While the overall benefit-to-cost ratio was positive at 1.39 to 1, six zones were below the 0.80 benefit-to-cost ratio threshold established by the RARTF; and five additional zones were greater than the 0.80 to 1 ratio threshold but below a 1.0 to 1 ratio.

The second RCAR analysis (“RCAR II”) was completed in 2016²⁰. The RCAR II Report demonstrated a 2.46 to 1 overall benefit-to-cost ratio to the SPP region for projects approved for construction since June 2010 under the Highway/Byway cost allocation methodology. This analysis illustrated a strong increase in region-wide benefits compared to RCAR I. In addition, only one zone was below the 0.80 to 1 benefit-to-cost ratio threshold established by the RARTF and only two additional zones were greater than the 0.80 to 1 ratio threshold but below 1.0 ratio.

C. SPP Independent Market Monitor’s Study of Energy Imbalance Market²¹

After SPP became an RTO in 2004, SPP began the process of creating a real-time balancing market. Before FERC approved SPP’s proposed real-time balancing market, which would become

Commissioners from the RSC that are included as voting members on the RARTF. Currently, Commissioner Albrecht from the Kansas Corporation Commission serves on the RARTF.

¹⁹ RCAR I Report (October 8, 2013).

<https://www.spp.org/documents/37781/rcar%20report%20final%20clean.pdf>

²⁰ RCAR II Report (July 11, 2016).

<https://www.spp.org/documents/46235/rcar%20%20report%20final.pdf>

²¹ SPP Independent Market Monitor’s Study of Energy Imbalance Market (found on pages 157-159 of the Board of Director’s Meeting Minutes on April 22, 2008).

<https://www.spp.org/documents/7621/bod042208.pdf>.

known as the Energy Imbalance Market (“EIM”), a study was produced by Charles River Associates (“CRA”) that estimated the net benefits of the first year of the EIM to be \$83 million.

After the EIM went into operation, the SPP Board of Directors (“Board”) requested the SPP Independent Market Monitor to provide an estimate of the net trade benefits resulting from the first 12 months of the EIM. Importantly, the Board asked that the estimates be based on actual EIM results rather than on simulation models. The study estimated the net trade benefits within the initial 12 months of the EIM to be \$103 million. This value is about 20% higher than estimated with the 2005 CRA cost/benefit study. This difference is primarily attributed to higher actual natural gas prices than the price forecast for 2007 in the CRA study.

D. Integrated Marketplace Benefits²²

On April 7, 2009, Ventyx, a third party engaged by SPP to conduct a cost-benefit analysis related to the IM,²³ issued its report entitled “Cost Benefit Study for Market Design”. The report stated that the benefits (net of the costs) of the IM to both SPP and its Market Participants would average approximately \$100 million per year. These benefits reflect projected reductions in total energy costs through the use of centralized unit commitment, pooling, and co-optimization of Energy and Operating Reserve. The model that Ventyx used was based on a number of assumptions, particularly those regarding future fuel prices, US environmental policy, and the amount of new wind capacity built in SPP.

²² SPP Press Release, Feb. 28, 2019. (<https://www.spp.org/newsroom/press-releases/as-it-turns-five-southwest-power-pool-s-integrated-marketplace-is-saving-billions-and-enabling-big-changes-in-energy-dispatch/>)

²³ The Integrated Marketplace launched in 2014 and includes a Day-Ahead Market with Transmission Congestion Rights, a Reliability Unit Commitment process, a Real-Time Balancing Market replacing the EIS Market and the incorporation of price-based Operating Reserve procurement. The Integrated Marketplace also consolidated the SPP footprint's sixteen legacy Balancing Authorities into the SPP Balancing Authority.

Yearly, SPP produces a new study, using a different methodology than the Ventyx model, to calculate the annual benefits of the IM. This study essentially measures the benefits produced by lowered production costs, reductions to excess capacity requirements, and other efficiencies facilitated by SPP's robust market processes.²⁴

E. 2018 Annual State of the Market Report²⁵

SPP's Independent Market Monitor's Annual State of the Market report for 2018 presents an overview of market design and market outcomes, assesses market performance, and provides recommendations for improvements to the market. The purpose of this report is to provide SPP market participants with reliable and useful analysis and information to use in making market-related decisions. SPP's Independent Market Monitor emphasizes that economics and reliability are inseparable and that an efficient wholesale electricity market provides the greatest benefit to the end user both presently and in the years to come. Throughout this report, SPP's Independent Market Monitor gives details on specific costs and benefits produced by the markets in the prior year.

F. Member Value Study ("MVS")²⁶

Yearly, SPP produces a MVS to calculate the value produced by services provided by SPP as compared to the expenses paid by SPP members. As shown in the most recent MVS, transmission planning, market administration, reliability coordination, and other professional

²⁴ The latest study estimated the Integrated Marketplace produces an average annual savings of \$570 million to SPP market participants.

²⁵ SPP's Market Monitory Unit's Annual State of the Market report for 2018. (<https://www.spp.org/documents/59861/2018%20annual%20state%20of%20the%20market%20report.pdf>).

²⁶ *14-1 The Value of Trust* (2019). (<https://www.spp.org/documents/58916/14-to-1%20value%20of%20trust%2020190524%20web.pdf>).

services provide net benefits to SPP's members in excess of \$2.239 billion and the annual costs (Net Revenue Requirement) were \$153.9 million, which is a 14.55 to 1 benefit-to-cost ratio. This study does not break down the benefits or costs by member, pricing zone, or state, nor does this study provide any information related to cost savings resulting from transmission in Kansas.

G. Integrated Transmission Planning Process (“ITP”)²⁷

The ITP process is Southwest Power Pool's iterative study process that includes 20-Year, 10-Year and Near-Term Assessments. The 20-Year Assessment identifies transmission projects, generally above 300 kV, needed to provide a grid flexible enough to provide benefits to the region across multiple scenarios. The 10-Year Assessment (“ITP10”) focuses on facilities 100 kV and above to meet system needs over a 10-year horizon.

The Near-Term Assessment is performed annually and assesses system upgrades, at all applicable voltage levels, required in the near-term planning horizon to address reliability needs. Along with the Highway/Byway cost allocation methodology, the ITP process promotes transmission investments that will meet reliability, economic, and public policy needs intended to create a cost-effective, flexible, and robust transmission network that will improve access to the region's diverse generating resources.

In each ITP10, SPP proposes a portfolio of projects to address the reliability needs of the SPP region. The ITP10 estimates the engineering and construction costs if the proposed portfolio of projects are completed and put into service. The ITP10 also includes benefit metrics, based on a number of future assumptions, to measure the value and economic impacts of the portfolio of

²⁷ For example, see ITP10, *2017 Integrated Transmission Plan 10-Year Assessment Report* (January 20, 2015). (https://www.spp.org/documents/51179/2017_itp10_report_board%20approved_april2017_final.pdf).

projects. The benefits to cost ratios for the portfolio of projects are calculated for each zone within SPP.

III. COMMENTS

A. CAN SPP OR THE KANSAS UTILITIES PROVIDE THE COMMISSION WITH A METHOD BY WHICH THE COMMISSION CAN BACK-CAST OR HISTORICALLY EVALUATE WHETHER PROJECTED COSTS AND BENEFITS WERE ACHIEVED?

The Commission has requested the parties in this docket comment on whether there is a possible approach or method that would allow the Commission to assess any projection on which such future studies might be based, to validate whether or not the projected cost savings actually came to fruition.²⁸ The Commission made it clear in its Order that it was not looking for an approach or method that is a historical look from the present moment back to 2010 or to any particular date in the past.²⁹ The Commission stated they were looking for a method or approach to provide the Commission with measurable data, not mere projections, by which to assess the veracity of the purported cost savings stemming from SPP membership.³⁰

The Joint Commenters appreciate the Commission's desire to create a method or approach that would provide the Commission with an analysis to quantify whether certain benefits and costs projected by a study actually came to fruition. If possible, this type of approach could provide validation regarding whether the projections from a past study were valid. Unfortunately, the Joint Commenters are not aware of a method or approach that would allow the Commission to measure, accurately or with any degree of mathematical certainty, whether the benefits projected by a particular study came to fruition.

²⁸ Order at ¶59.

²⁹ *Id.* at ¶58.

³⁰ *Id.* at 57.

All studies produced by SPP include a vast number of underlying and interdependent assumptions in modeling that result in an ultimate determination of costs and benefits. A change in any assumption without changes to the multitude of other interdependent assumptions will result in invalid or impractical set of assumptions. Any attempt to rerun a past study using actual data instead of projected data will result in an invalid comparison, because the changes in one or more assumptions will create an entirely new scenario. Further, the Kansas utilities are not aware of SPP's capability, or the resulting cost to the SPP membership, to rerun models with alternate assumption.

For an example, the costs for the economic projects for the 2012 Integrated Transmission Plan 10-Year Assessment Report ("2012 ITP10")³¹ were estimated to be \$206 million in engineering and construction costs. These same projects were expected to provide net benefits of approximately \$596 million over the life of the projects, which results in a 2.8 to 1 benefit-to-cost ratio. These costs and benefits were based on the entire portfolio of economic projects being built and put into service. Since all of these transmission projects were not constructed, there is no way to verify that the exact benefits projected from the 2012 ITP10 came to fruition. Actual construction costs and market results are always known after they happen, but without the construction of all transmission projects in the 2012 ITP10, the use of actual data to validate the benefits of the prior study is problematic. Other assumptions used in the 2012 ITP10 also changed, such as wind generation, gas prices, and load, which would also render any back-casting of the 2012 IPT10 impossible.

³¹ 2012 Integrated Transmission Plan 10-Year Assessment Report (January 31, 2012). (<https://www.spp.org/documents/16691/20120131%202012%20itp10%20report.pdf>).

Another example of the impossibility of verifying whether projected costs from a particular study came to fruition is the study done by Ventyx relating to the benefits projected for the Integrated Marketplace. As stated above,³² Ventyx projected that both SPP and its Market Participants would average approximately \$100 million per year in savings due to implementation of the Integrated Marketplace. Ventyx made a number of assumptions in the study relating to future fuel prices, US environmental policy, and the amount of new wind capacity built in SPP. An attempt to verify Ventyx's study results today, using actual data, would result in invalid results. In 2009, SPP did not anticipate the amount of wind generation that would be added to SPP's generation portfolio. If the 2009 Ventyx study was rerun by changing the wind generation assumption to the actual wind generation dispatched, the study could not be replicated, because a number of other assumptions would also change, causing, in turn, other assumptions to change. This cascading effect of invalidation of past assumptions renders the updated study useless. The Ventyx benefit-to-cost ratio projected is only valid when based on the assumptions used at that time the study was completed.

Although the Joint Commenters are not aware of any method to back-cast or historically evaluate whether a study's projected benefits actually came to fruition, there could be value in creating a new study to evaluate specific benefits that occurred in the past. The new study's results could then be used to verify the reasonableness of any past study evaluating the same benefits. As stated above, SPP has previously created studies to evaluate the benefits created by the implementation of the EIM and the IM.³³ Both of these new studies were used to validate the benefits accumulated from the first year of the EIM and the IM, and both studies were also used

³² See Section II.D.

³³ See Section II.C. and II.D.

evaluate the reasonableness of the projected benefits from past studies that quantified the same benefits.

Although a new study that uses actual historical data may provide value to the Commission in quantifying certain benefits, a new study created to quantify each specific benefit exclusively relating to Kansas utilities membership in SPP would be very expensive for Kansas ratepayers. An estimated cost to complete each new study would be from \$500,000 to \$1,000,000. The information that the Commission will receive from such a study might not be cost effective, especially since there are other studies that are already completed by SPP that could provide the Commission with comparable information.

B. DO THE JOINT COMMENTERS BELIEVE IT IS POSSIBLE TO CAPTURE BENEFITS USING OPERATIONAL DATA FROM THE INTEGRATED MARKETPLACE AS PROPOSED BY MIDWEST IN ITS REPLY COMMENTS?

Midwest proposed on page 4 of its Reply Comments filed in this docket, “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.”

The Joint Commenters believe this proposal by Midwest is possible. The RARTF, of which Commissioner Albrecht is currently a voting member, is proceeding toward recommending this

type of approach to use in RCAR III, but the RARTF has not officially voted to adopt this process.³⁴ After final approval of this process from the RARTF, there will be some lag time between the approval of the new RCAR approach and when SPP can start re-running the market engine both with the inclusion of the new transmission and then without, because there will be personnel and IT additions necessary. Once the market engine is re-run, this data can be provided for the Commission's review. It should be noted again that the RCAR process only evaluates the cost/benefit of projects approved under the Highway/Byway cost allocation methodology and, not all costs and benefits of participation in SPP.

C. CAN SPP PROVIDE THE COMMISSION THE KANSAS-SPECIFIC PORTION, BY KANSAS MEMBER UTILITY, FOR EACH OF THE MOST RECENTLY CREATED SPP REPORTS THAT EVALUATE THE COST/BENEFIT OF KANSAS UTILITY PARTICIPATION IN SPP?

SPP does not currently produce any studies or reports that evaluate the costs and benefits of Kansas utility participation in SPP specific to Kansas member utilities or specific to any other individual state or utility. However, SPP does a number of studies that project costs and benefits to the entire footprint (or by zone for the RCAR studies) from the many services provided by the RTO.³⁵ Although SPP does not break any of its study cost/benefit analyses down to the state level, SPP could approximate the costs and benefits to each of the Kansas utilities using the load ratio share of each of these utilities as it relates to their SPP load in Kansas ("Load Ratio Share Approximation Methodology"). The Load Ratio Share Approximation Methodology allows the Commission to see at a high-level what benefits and costs would accrue to each individual Kansas utility based on that specific utility's load they serve in SPP's Kansas footprint.

³⁴ All meeting materials of the RARTF that discuss this proposal can be found at this link: <https://www.spp.org/spp-documents-filings/?id=20900>.

³⁵ See Section II.

The concern with using the Load Ratio Share Approximation Methodology is that this approach is not based on any of the specific assumptions or methodologies that were used in the previous study. The benefit and cost estimates resulting from the Load Ratio Share Approximation Methodology should only be used as a rough calculation by the Commission to see the benefits and costs, at a high level, for each Kansas Utility. The Joint Commenters request that the results of the Load Ratio Share Approximation Methodology not be used for any other purpose outside those used by the Commission in this docket or other related Commission dockets.

Below on Table 1, provides the representation of the load ratio share of the Kansas utilities. Also below, in Tables 2-3, provides the benefits and costs, using the Load Ratio Share Approximation Methodology, that each of the Kansas Utilities accrued because of its membership in SPP. Lastly, in Table 4 below, is the annual savings generated by the Integrated Marketplace for each Kansas Utility using the Load Ratio Share Approximation Methodology. The following studies were used to produce the results shown Tables 2-4: Value of Transmission, , RCAR II, Integrated Marketplace Benefits.³⁶

³⁶ Attached to the Comments, for the ease of the Commission, is a hard copy of these studies.. A digital link to these studies is provided above in Section II footnotes.

Table 1: Load Ratio Share of Kansas’s Utilities’ Load in SPP’s Kansas Footprint.⁴⁰

NAME OF THE UTILITY ³⁷	LOAD RATIO SHARE IN SPP’S KANSAS FOOTPRINT
Empire District Electric ³⁸	0.12%
Kansas City Power & Light Company ³⁹	3.40%
Midwest Energy, Inc.	0.75%
Mid-Kansas Electric Company, Inc.	1.25%
Sunflower Electric Cooperative, Inc.	0.93%
Westar Energy	10.07%
Total Load Ratio Share of Kansas Utilities in Southwest Power Pool	16.52%

³⁷ Joint Commenters Kansas Municipal Energy Agency, Kansas Electric Power Cooperative, and Kansas Power Pool are Transmission Using Members of SPP, as defined under SPP’s Bylaws, and their load is included into the utilities load listed on this Table.

³⁸ The Kansas load for EDE in the EDE zone is approximately 5% of the total load in the EDE zone..

³⁹ The Kansas load for KCP&L, KMEA, & KEPCo in the KCP&L zone is approximately 45% of the total load in the KCP&L zone..

⁴⁰ The Load Ratio Share percentages come from the July 2019 Revenue Requirements and Rates (“RRR”) File posted to the SPP website on July 12, 2019.

Table 2: Value of Transmission: Costs and Benefits for each Kansas Utility⁴¹

NAME OF THE UTILITY	BENEFITS 40-YR NPV (\$ MILLIONS)	COST 40-YR NPV (\$ MILLIONS)	BENEFIT-TO-COST RATIO
Empire District Electric	\$19.7	\$5.6	3.49
Kansas City Power & Light Company	\$564.3	\$161.5	3.49
Midwest Energy, Inc.	\$124.8	\$35.7	3.49
Mid-Kansas Electric Company, Inc.	\$207.9	\$59.5	3.49
Sunflower Electric Cooperative, Inc.	\$153.7	\$44.0	3.49
Westar Energy	\$1,671.9	\$478.2	3.49
Total Kansas Benefits and Costs	\$2,741.6	\$784.5	3.49

⁴¹ The Value of Transmission Study estimated that for the entire SPP footprint that the net present value (NPV) of benefits over a forty-year timeframe was \$16.603 billion and the costs were \$4.751 billion, which is a 3.49 to 1 ratio.

Table 3: RCAR II: Costs and Benefits for each Kansas Utility⁴²

NAME OF THE UTILITY	BENEFITS 40-YR NPV (\$ MILLIONS)	COST 40-YR NPV (\$ MILLIONS)	BENEFIT-TO-COST RATIO
Empire District Electric	\$4.8	\$5.9	0.81
Kansas City Power & Light Company	\$504.9	\$170.1	2.97
Midwest Energy, Inc.	\$190.0	\$66.0	2.89
Mid-Kansas Electric Company, Inc.	\$306.0	\$239.0	1.28
Sunflower Electric Cooperative, Inc.	\$283.0	\$76.0	3.73
Westar Energy	\$2,011.0	\$930.0	2.16
Total Kansas Benefits and Costs	\$3,299.7	\$1,487.0	2.22

⁴² RCAR II estimated that for the entire SPP footprint that the 40- year NPV benefits were \$17.599 billion and the costs were \$7.180 billion, which is a 2.45 to 1 benefit/cost ratio.

Table 4: Integrated Marketplace: Costs and Benefits for each Kansas Utility⁴³

NAME OF THE UTILITY	ANNUAL SAVINGS (\$ MILLIONS)
Empire District Electric	\$0.7
Kansas City Power & Light Company	\$19.4
Midwest Energy, Inc.	\$4.3
Mid-Kansas Electric Company, Inc.	\$7.1
Sunflower Electric Cooperative, Inc.	\$5.3
Westar Energy	\$57.4
Total Kansas Annual Savings	\$94.1

⁴³ The Integrated Marketplace study estimated that SPP members average \$570 million in annual savings.

WHEREFORE, the Joint Commenters respectfully request that Commission consider these Comments in this matter.

Respectfully submitted,

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**VERIFICATION
K.S.A. 53-601**

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I verify under penalty of perjury that the foregoing is true and correct.

/s/ Thomas E. Wright
Thomas E. Wright

Executed on August 13, 2019.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above pleading was sent via email, this 13th day of August, 2019, to the following:

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/s/ Thomas E. Wright
Thomas E. Wright

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

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

NOTICE OF FILING

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) and files its Report and Recommendation regarding the Commission's General Investigation to examine whether annual or periodic reporting by the Southwest Power Pool (SPP), and by Kansas utilities that participate in SPP, is in the public interest.

WHEREFORE Staff respectfully requests the Commission accept this Report and Recommendation, and for any other relief as the Commission may deem appropriate.

Respectfully submitted,

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Attorney for Commission Staff

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Pat Apple
Commissioner Shari Feist Albrecht
Commissioner Jay Scott Emler

FROM: Christine Aarnes, Chief of Telecommunications and SPP Affairs
Chad Unrein, Senior Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Utilities Division Director

DATE: December 20, 2017

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

EXECUTIVE SUMMARY

Staff does not believe it is necessary to conduct a Kansas-specific study to evaluate the benefits of participating in the Southwest Power Pool (SPP) at this time. Rather, Staff recommends the Commission order SPP to provide Kansas-specific data and, to the extent possible, utility-specific data for all reports and studies conducted by SPP now and in the future related to the costs and benefits of participation in SPP. Staff further recommends a compliance docket be opened for the filing of these reports. If, after reviewing the compliance filings, Staff has any concerns or sees a possible need for a Kansas-specific study, Staff will recommend such to the Commission at that time.

BACKGROUND:

On January 19, 2017, the Commission issued an *Order Opening General Investigation* (Order), seeking comments from the parties as to whether annual or periodic reporting by SPP, and Kansas utilities that participate in SPP, is in the public interest. The Order sought comment from the parties on sixteen detailed questions, as well as any other questions or information that parties deem relevant to the issue of the costs and benefits of continued participation in SPP. The Order

set a deadline for initial comments to be filed within thirty days of the date of the Order and provided for two rounds of reply comments to be due within additional thirty day intervals.

On February 9, 2017, Midwest Energy, Inc. (Midwest Energy), Kansas City Power & Light Company (KCP&L); Westar Energy, Inc. (Westar); Kansas Municipal Energy Agency (KMEA); Kansas Electric Power Cooperative, Inc. (KEPCo); Kansas Power Pool (KPP); Sunflower Electric Power Corporation (Sunflower); Mid-Kansas Electric Company, LLC (Mid-Kansas); ITC Great Plains, LLC (ITC); The Empire District Company (Empire) and SPP (collectively, the Joint Movants) filed a Joint Motion for Extension of Time to File Comments, requesting an additional sixty days from the initial comment deadline. On February 28, 2017, the Commission issued an Order granting the Joint Movants' request for additional time. Therefore, the revised schedule required initial comments to be filed by April 21, 2017; the first round of reply comments to be filed by May 22, 2017; and the second round of reply comments to be filed by June 21, 2017.

On or before April 21, 2017, initial comments were filed by KCP&L, Empire, and Westar; Sunflower and Mid-Kansas; Midwest Energy; ITC; KMEA; KPP; SPP; and Citizens' Utility Ratepayer Board (CURB). Initial reply comments were filed on May 22, 2017, by Commission Staff (Staff) and CURB. Second round of reply comments were filed on or before June 21, 2017, by SPP; Midwest Energy; KMEA; Sunflower and Mid-Kansas; and KCP&L, Empire, and Westar.

ANALYSIS:

The general comments filed by the parties are summarized below and the parties' responses to the sixteen individual questions posed by the Commission are summarized and attached hereto as Appendix A.

Initial Comments

KCP&L/Empire/Westar opine that SPP conducts studies to evaluate the costs and benefits and the value of SPP membership that provide a reasonable basis for gauging the value of SPP participation. Furthermore, given the study challenges, uncertainty, study costs, existing evaluations, and potential SPP exit fees, an additional study is unnecessary at this time. However, if the Commission were to determine that a study should be conducted, the Companies suggest that only one study be done and for the study to be conducted by an outside consultant and facilitated through Commission Staff. Based on discussions with a consultant, the Companies estimate that it would cost approximately \$600,000 to conduct such a study.¹

Sunflower/Mid-Kansas concur that an additional study is not necessary at this time.² Sunflower/Mid-Kansas point to a variety of reports and studies that SPP conducts that evaluate the cost and benefits to SPP members, which include:

¹ Initial Comments of KCP&L, Empire and Westar, ¶¶ 20-25.

² Initial Comments of Sunflower and Mid-Kansas, ¶ 16.

- Regional Cost Allocation Report (RCAR), which is a long-term snapshot that is completed every three years³ and systematically assesses the cost and benefits to each utility of transmission build out and upgrades in the regional bulk electric system; and
- Rate Impact Analysis (RIA), which is a short-term snapshot that converts the costs and quantitative benefits associated with SPP transmission expansion plans into impacts on retail ratepayers.⁴

Although Sunflower/Mid-Kansas raise concerns about some of SPP's processes, the Companies suggest that they are not a reason to conclude that the costs outweigh the value of SPP membership. The savings from reduced manpower, system-wide transmission planning, economic dispatch and the spreading of the risk of significant load loss all support the value of SPP without the necessity of new reports or studies. Furthermore, due to the breadth and width of regional transmission planning, they suggest that it is difficult to quantify the value in dollars that Sunflower and Mid-Kansas have received. Although value in some cases can be measured, Sunflower/Mid-Kansas suggest it is equally important to assess the value on a qualitative basis as well, such as the important and beneficial regional transmission planning process.⁵

SPP, Midwest Energy, KMEA, and KPP agree that there are a number of SPP studies and reports related to the costs and benefits of participation in SPP and an additional study may not be needed. Existing studies documenting the benefits and costs of SPP participation include:

- Value of Transmission;
- RCAR;
- Market savings studies for both the Energy Imbalance System (EIS) market and Integrated Marketplace (IM);
- Annual State of the Market Report; and
- Reduced Reserve Margin Studies.

SPP, Midwest Energy, KPP, and KMEA suggest that these existing studies can be utilized and SPP can work with member companies to provide Kansas-specific information from the existing reports, study, and data.⁶ Additionally, the Companies suggest that the Commission consider requiring SPP to file with the Commission certain reports currently produced after the reports are finalized and published. Based upon these filings, the Commission can decide if additional analysis or information is needed.⁷

Similarly, CURB urges the Commission to take advantage of all information that is available and usable from existing studies and to require additional studies only to the extent that the available information fails to address the needs of the Commission with respect to the costs and benefits of

³ At the time the comments were filed, the RCAR was to be completed no less than every three years. Through the SPP stakeholder process, SPP has since revised the timeframe to complete the RCAR to no less than every six years, although members may request that an RCAR analysis be conducted at any time.

⁴ Id. at ¶¶ 10-11.

⁵ Id. at ¶¶ 6-16.

⁶ Initial Comments of SPP, ¶¶ 6-7, ¶ 28. Initial Comments of Midwest Energy, ¶¶ 7-10. Initial Comments of KPP, p. 4. Initial Comments of KMEA, ¶¶ 6-9.

⁷ Initial Comments of SPP at ¶ 29. Initial Comments of KPP, p. 4. Initial Comments of KMEA, ¶¶ 6-9.

SPP membership. Further, if alternatives to SPP membership are futile, potential benefits of studies may be purely academic and would pose no real benefit to Kansas ratepayers.⁸

First Round of Reply Comments

In its Reply Comments, CURB provides more detailed responses to four of the initial sixteen questions posed by the Commission, which are summarized in Appendix A.

In its Reply Comments, Staff requests additional information from the parties related to the parties' Initial Comments. Staff's questions fall into the following five broad categories: 1) current SPP studies and how they can be used to assist the Commission; 2) the associated exit fees if Kansas utilities were to leave SPP; 3) cost estimation of a Kansas-specific study; 4) requirements for a Kansas RTO; and 5) Integrated Marketplace (IM) access.

Second Round of Reply Comments

Current SPP Studies

Staff inquired as to which of the various costs and benefits have been captured, quantified, and/or monetized and requested the parties to include specific additional data that can be supplemented with Kansas-specific data that could help the Commission determine whether Kansas customers are benefitting from Kansas utility membership in SPP.

SPP and Midwest Energy explain that the RCAR analysis is a 40-year study of the benefits and costs of the transmission system built under the highway/byway cost allocation methodology. The RCAR examines the adjusted production cost (APC) savings from the build out of the transmission system, as well as other benefits. To accomplish this, a technical analysis is performed to calculate the APC in 5, 10, and 20-year future cases and compares those to the system with the base-case having the 2010 topology. Additional benefits are described in the RCAR II report and all of the combined benefits are then offset by the current costs for the projects to determine a zonal benefit-to-cost (B/C) ratio.⁹

Sunflower/Mid-Kansas opine that it is clear from looking at the RCAR II study and the 2017 Integrated Transmission Planning 10-year assessment study (ITP10) that over 90 percent of Mid-Kansas' energy related benefits comes from wind congestion. This is apparent because the 2017 ITP10 study projected impact on Mid-Kansas from building the new proposed transmission reduces Mid-Kansas' APC benefits by 92 percent of the benefit projected in RCAR II. According to Sunflower/Mid-Kansas, this can only occur if wind congestion is being reduced, which demonstrates that the 40-year projected APC benefits in the RCAR II study were only good until the next transmission project and unlikely to be sustained over the 40-year study period.¹⁰

Sunflower/Mid-Kansas further explain that the first two RCAR studies were completed utilizing an entirely prospective approach. In developing RCAR II, a situation existed in the model where

⁸ Initial Comments of CURB, ¶ 16.

⁹ Reply Comments of SPP, ¶ 3. Reply Comments of Midwest Kansas, p. 3.

¹⁰ Reply Comments of Sunflower/Mid-Kansas, p. 2.

the wind generation built in Sunflower/Mid-Kansas would show to be “trapped” due to the lack of transmission in the base case used in that analysis.¹¹ SPP, Midwest Energy, and Sunflower/Mid-Kansas explain that due to limitations in the current approach, such as that trapped wind issue, an initiative has been undertaken to redefine the methodology for future RCAR studies. A possible new approach would capture historical benefits and future benefits could then be predicted in a similar way that RCAR has been completed in the past. By combining these two methodologies, it would be possible to generate results using actual historical results and prospective future results and not results based solely on a prospective modeled approach.¹²

KCP&L/Empire/Westar agree with SPP’s comments and further opine that the RCAR process fails to capture the opportunity cost to the generator due to curtailments. As the RCAR is only looking at the APC differential to the whole market, it fails to fully account for the lost revenue associated with Production Tax Credits (PTCs) for Kansas-owned wind generation when evaluating the B/C ratio. As such, it does not reflect true costs to the market, market participants, and to Kansas’ interests as a whole.¹³

KCP&L/Empire/Westar suggest that a Kansas-specific B/C ratio can be calculated for Kansas and filed by SPP with the Commission following the completion of any RCAR or ITP study.¹⁴

SPP further explains that the RIA was completed in December 2016 to look at the cost impacts of the transmission build out on average retail customers. The RIA looks at a single year where the transmission costs are the highest for the entire SPP footprint. With regard to CURB’s desire for a straightforward, transparent calculation of the retail ratepayer C/B associated with SPP participation, SPP and Midwest Energy suggest that the underlying assumptions and methodologies applied in such studies can be made available in order to facilitate verification of the results and provide transparency.¹⁵

KMEA does not have any additional information to submit in response to Staff’s questions, but repeats that it continues to believe there is sufficient information already available from SPP and its Kansas utility members for the Commission to determine that participation is in the public interest. KMEA further opines that the Commission only consider a study as a last resort after a thorough review of existing information.¹⁶

Exit Fees

Staff requested the parties provide further information regarding how the parties derived the estimated fees that would be incurred if the Kansas utilities exited SPP. Midwest Energy states that the associated fees that would be incurred and paid are negotiated between SPP and the individual parties to each agreement. Midwest, SPP, Sunflower/Mid-Kansas state that the exit fee estimates provided include potential Schedule 11 revenues as an offsetting element. The parties

¹¹ Reply Comments of Sunflower/Mid-Kansas, p. 2.

¹² Reply Comments of Sunflower/Mid-Kansas, pp 2-4. Reply Comments of Midwest Energy, p. 3. Reply Comments of SPP, ¶ 4.

¹³ Reply Comments of KCP&L, Empire, and Westar, p. 2.

¹⁴ Reply Comments of KCP&L, Empire, and Westar, P. 2.

¹⁵ Reply Comments of SPP, ¶¶ 6-7. Reply Comments of Midwest Energy, p. 4.

¹⁶ Reply Comments of KMEA, ¶¶ 6-7.

further point to Section 8.7.2 of SPP's Bylaws, which includes a formula for computation of a Members Existing Obligation, which would be due from the existing member within 30 days of its Termination date.¹⁷

Cost Study Estimate

KCP&L/Empire/Westar provided a cost study estimate of \$600,000 in its Initial Comments; therefore, Staff requested additional information related to how the cost estimate was derived.

KCP&L/Empire/Westar state that its \$600,000 cost estimate was based on a scope of work substantially equal to the scope of work provided in the Companies' response to the Commission's first question. Due to competitive bidding concerns, the consultant that provided the \$600,000 cost estimate prefers not to be identified.¹⁸

SPP states that it has engaged different consultants to assist it in the completion of large studies that determine costs and benefits to the study participants and, in general, these studies cost in the hundreds of thousands of dollars.¹⁹

Kansas RTO

Staff requested information from the parties related to what services currently provided by SPP would be required to be replicated through a new regional planning entity if the utilities were to exit SPP.

If Kansas utilities exit SPP, the parties state that FERC Order 2000 established four minimum characteristics and eight minimum functions for a transmission entity to qualify as an RTO. The minimum RTO characteristics established in Order 2000 are: 1) independence from market participants; 2) appropriate scope and regional configuration; 3) possession of operational authority for all transmission facilities under the RTO's control; and 4) exclusive authority to maintain short-term reliability. The eight minimum RTO functions are: 1) tariff administration and design; 2) congestion management; 3) parallel path flow; 4) ancillary services; 5) Open Access Same-Time Information System (OASIS) and total transmission capability and available transmission capability; 6) market monitoring; 7) planning and expansion; and 8) interregional coordination.²⁰

IM Access

Staff requested a detailed comparison of all SPP IM activities available to SPP Members vs. non-members. SPP stated that the key distinction is not between companies that have become SPP Members by signing the Membership Agreement and those that have not. Rather, the key distinction is whether or not the company has registered load and/or generation in the SPP IM.

¹⁷ Reply Comments of SPP, ¶¶ 15-16. Reply Comments of Sunflower/Mid-Kansas, pp 6-8. Reply Comments of Midwest Energy, pp. 6-8.

¹⁸ Reply Comments of KCP&L, Empire and Westar, pp. 2-3.

¹⁹ Reply Comments of SPP, ¶ 16.

²⁰ Reply Comments of SPP, ¶¶ 17-19. Sunflower/Mid-Kansas, pp. 9-11. Reply Comments of Midwest Energy, pp. 8-11.

The load and generation registered in the market are included in the SPP Balancing Authority Area and have available the full range of SPP market activities and services. Companies that do not have registered load or generation can participate in the SPP IM, but such participation is materially limited and is accompanied by higher transmission costs. Companies without loads or resources registered in the SPP IM do not participate in the bids and offers used to determine locational marginal prices; therefore, they are price-takers and their power supply and demand are not managed through the SPP IM's unit commitment and economic dispatch processes.²¹ Midwest Energy concurs with SPP's response.²²

Staff's Analysis

After reviewing the comments filed by the parties, Staff agrees that a separate study does not appear to be necessary at this time and the costs associated with such study would likely not be worth the benefits achieved by conducting such study. As noted by the parties, numerous studies exist today that analyze the costs and benefits of joining SPP, and SPP is able to provide Kansas-specific data to aid the Commission in its evaluation of whether ratepayers are better off today from Kansas utilities participating in SPP.

Staff suggests that SPP be required to file the Kansas-specific portion, by Kansas member utility if possible, for each of the most recently created SPP reports that evaluate the C/B of SPP. Furthermore, Staff suggests that SPP be required to file the Kansas-specific portion, by Kansas member utility if possible, as soon as practical after future SPP C/B reports are released. Finally, Staff agrees with the parties in that, based upon the filings, the Commission can later decide if additional analysis or information is needed.

RECOMMENDATION:

Staff recommends the Commission order SPP to provide Kansas-specific data and, to the extent possible Kansas utility-specific data, for all reports and studies currently conducted by SPP and any reports or studies conducted by SPP in the future related to the costs and benefits of participation in SPP. These reports and studies include, but are not limited to the studies identified in this report and recommendation. Staff further recommends a compliance docket be opened for the filing of these reports. If, after reviewing the compliance filings, Staff has any concerns or sees a possible need for a Kansas-specific study, Staff will recommend such to the Commission at that time.

²¹ Reply Comments of SPP, ¶¶ 8-13.

²² Reply Comments of Midwest Energy, pp. 5-6.

Comments filed on the sixteen questions posed by the Commission.

1. 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?

SPP asserts that a Commission-directed study should recognize all services that bring value to members, including both quantitative and qualitative benefits, and cost should be a consideration. An assessment should include: (1) costs and benefits of transmission system upgrades; (2) administrative fees for SPP services; (3) net savings from market operations, commitment, and dispatch; (4) operating reserve sharing; (5) provision of ancillary services; (6) change in energy losses and capacity savings associated with losses; (7) reduction in market transaction costs; (8) reliability coordination services; (9) tariff administration services; (10) transmission provider services; (11) transmission planning services, including interregional planning; (12) consolidated Balancing Authority; (13) capacity margin reduction; (14) elimination of pancaked rates; (15) generator interconnection services; (16) facilitation of wind power; (17) limitations of generator source options; (18) mitigation of seams issues; (19) implementation of Order No. 1000; (20) interconnection capacity between Kansas utilities and SPP as compared to other regions considered; and (21) market power.¹

Midwest Energy's list mirrors SPP's list, except Midwest Energy's list does not include: 1) limitations on generator source options and 2) market power.² KMEA states it supports SPP's comments generally and specifically with respect to the information currently available to the Commission on the costs and benefits of participation in SPP.³

KPP asserts that any study must consider the alternative to SPP membership for all entities in Kansas. This should consider the costs of transmission service and market inefficiencies without SPP transmission service or without the SPP IM.⁴

ITC suggests that, should the Commission determine a study is required, the parameters should be broad and comprehensive.⁵

Sunflower/Mid-Kansas suggest that current studies are prospective in nature and lack an assessment to determine if the projected costs and benefits actually occurred. If a study is required, the study parameters should include an evaluation of the actual results to the projections and adjust for significant changes in underlying assumptions.⁶

KCP&L/Empire/Westar suggest any study include a 20-year cost/benefit projection and assume any transition from SPP would be complete by January 1, 2021. Options that should be considered

¹ Initial Comments of SPP, ¶ 9. Initial Comments of SPP, Attachment 1(a). Staff notes that Attachment 1(a) cites to SPP's response to Section III; however, Staff believes SPP intended to cite to Section II, as this is the Section that addressed this question.

² Initial Comments of Midwest Energy, ¶ 12(a).

³ Initial Comments of KMEA ¶ 6.

⁴ Initial Comments of KPP, p. 4.

⁵ Initial Comments of ITC, p. 1.

⁶ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(a).

are: SPP, Midcontinent Independent System Operator (MISO), and an Independent Coordinator of Transmission (ICT). Global uncertainties should be considered as well as cost/benefit considerations. Cost/benefit considerations should include: (1) fuel, purchased power, off-system sales impacts; (2) emission costs; (3) transmission congestion costs, transmission congestion rights/financial transmission rights revenues; (4) transmission revenues; (5) Regional Transmission Organization (RTO)/ICT administration fees; (6) FERC fee impacts, if any; (7) internal cost impacts (labor, systems, etc.); (8) market power impacts, if any; (9) reserve sharing group impacts; (10) losses; (11) SPP exit fees; (12) planning reserve margin requirements; (13) transmission service costs, including wheeling costs; (14) transmission system upgrades; (15) transition costs; (16) market transaction costs; and (17) ancillary service revenues and costs.⁷

In its Initial Comments, CURB suggests limiting the parameters of a study of continued SPP membership in Kansas to the costs and benefits of the SPP IM and transmission system. Study parameters should encompass an appropriate time horizon relative to the SPP programs being measured. Parameters of the study concerning the pertinent “savings” areas can be determined based on input from the Kansas utility members. Furthermore, a study should capture clear and concise, quantifiable data.⁸ In its Reply Comments, CURB reiterates that a comprehensive study may be costly; therefore, limiting the study to IM and transmission benefits and costs is not unreasonable. Such a study should be limited to 2015 and forward, to coincide with the implementation of the IM.⁹

2. Should the study be limited to a comparison of production cost savings associated with the IM versus the increased transmission expense and SPP Administration expense associated with membership in SPP?

Midwest Energy and KCP&L/Empire/Westar suggest that any study should not be limited to a comparison of production cost savings associated with the IM versus the transmission and administrative expenses, and point to their respective responses to Question 1 for a full listing of other items that should be considered.¹⁰

Sunflower/Mid-Kansas concur with Midwest Energy’s full list of services that should be studied to fully assess the value of SPP’s services.¹¹

SPP cited to its response to question 1.¹²

ITC suggests that in addition to production cost savings, parameters could include reliability and resource adequacy benefits, generation capacity cost savings, reduced transmission losses, increased wheeling revenues, public policy benefits associated with wind development, environmental benefits, employment and economic development benefits, and storm hardening

⁷ Initial Comments of KCP&L, Empire, and Westar, ¶ 3.

⁸ Initial Comments of CURB, ¶¶ 17-29.

⁹ Reply Comments of CURB, ¶¶ 7-9.

¹⁰ Initial Comments of KCP&L/Empire/ Westar, ¶ 4. Initial Comments of Midwest Energy, ¶ 12(b).

¹¹ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(b).

¹² Initial Comments of SPP, Attachment 1(b).

efforts. Additionally, the comprehensive set of costs associated with membership in SPP as well as the costs associated with alternatives to SPP and exit fees should be considered.¹³

KPP asserts that such a study would not only include the cost savings associated with the IM but also a valid comparison of costs without a regional transmission tariff. KPP suggests the Commission would first need to determine if it is even possible to reliably operate the transmission system if each individual Kansas transmission owner were to operate its own system and somehow individually coordinate transmission service to handle the vast amounts of interruptible generation currently interconnected in Kansas and the region. Any study must compare at least two cases.¹⁴

CURB states that it believes it is reasonable (but not essential) to limit the study to a comparison of production cost savings in association with the IM versus the increased transmission expense and SPP administration expense associated with Kansas SPP membership. However, CURB recognizes that SPP offers its members various services other than energy and transmission savings that add value to Kansas utilities, which could also be measured against the cost of membership in SPP. CURB suggests it is incumbent upon the Kansas utilities to inform the Commission about the relative importance of these additional services.¹⁵

3. Should two separate costs/benefit studies be completed with one on the cost/benefits of the IM and the other on the cost/benefits of the transmission system?

SPP, KCP&L/Empire/Westar, ITC and Midwest Energy assert that the two are intertwined and should not be considered separately.¹⁶ Sunflower/Mid-Kansas suggest that any such study should be inclusive of both.¹⁷ KPP concurs and further states that the Commission would first need to do a study to determine the alternative or null case for comparison.¹⁸ CURB, similarly, states that the SPP transmission system is integrally tied to the costs/benefits of the IM and should be measured as a whole.¹⁹

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

SPP and Midwest Energy suggest that, if required, such a study should be conducted as a joint effort including SPP, the Kansas utilities and an independent third party. SPP suggests that the benefits of a joint study include the utilization of a common set of assumptions, the use of common models, and consistency in the development of benefits and costs for the group of Kansas entities as a whole. However, SPP cautions that the costs of the study and the investment of resources by SPP will likely be substantial.²⁰

¹³ Initial Comments of ITC, pp. 1-2.

¹⁴ Initial Comments of KPP, p. 5.

¹⁵ Initial Comments of CURB, ¶¶ 30-31.

¹⁶ Initial Comments of SPP, Attachment 1(c). Initial Comments of KCP&L/Empire/Westar ¶ 5. Initial Comments of Midwest Energy, ¶ 12(c). Initial Comments of ITC, p. 2.

¹⁷ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(c).

¹⁸ Initial Comments of KPP, p. 5.

¹⁹ Initial Comments of CURB, ¶ 32.

²⁰ Initial Comments of SPP, Attachment 1(d). Initial Comments of Midwest Energy, ¶ 12(d).

Similarly, Sunflower/Mid-Kansas suggest that any such study should be conducted with the assistance of SPP, Kansas utilities and an independent party with the expertise to provide a valid analysis. Sunflower/Mid-Kansas suggest that as a more cost-effective alternative to an independent study, the KCC could recommend refinement to the current SPP studies to glean information that the KCC deems beneficial.²¹

KCP&L/Empire/Westar recommend an independent third-party consultant perform the study for all Kansas utilities if the Commission deems it is necessary. Furthermore, SPP should be required to participate in the study due to the large amount of input data that is only available to SPP.²²

KPP responds in the affirmative that the study should be performed by an independent third party consultant with internal expertise from the utilities.²³

ITC does not take a position on who should perform such a study, but avers that any study that is deemed required should be conducted in a collaborative manner and it is unlikely that any single entity would be able to complete a credible analysis alone.²⁴

CURB recommends that, to the extent that the Commission deems it necessary to supplement the studies which Kansas utilities are currently conducting with respect to savings through SPP membership, the Kansas utilities could provide these supplemental studies to the Commission. If the Commission desires some independent analysis, the reports could be provided to an independent third party or Commission staff for independent analysis.²⁵ CURB states in its Reply Comments that it believes Kansas utilities will be cooperative and that either a cooperative study by the utilities and an independent consultant or a study performed solely by an independent consultant would be reasonable.²⁶

5. How often should such a study be updated once performed?

SPP does not provide a concrete time period, but suggests the Commission consider the time and cost necessary when determining how often the study should be updated as well as whether it could utilize existing SPP studies.²⁷ Sunflower/Mid-Kansas suggest that if the initial study satisfies the concerns, it may not be necessary to revisit the study.²⁸ Once the data and resulting potential benefits and costs from the study are assessed, Midwest Energy similarly suggests that the Commission can then re-evaluate whether the study should be periodically updated and at what appropriate interval.²⁹

²¹ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(d).

²² Initial Comments of KCP&L/Empire/Westar, ¶ 6.

²³ Initial Comments of KPP, p. 6.

²⁴ Initial Comments of ITC, p. 2.

²⁵ Initial Comments of CURB, ¶¶ 35-38.

²⁶ Reply Comments of CURB, ¶ 12.

²⁷ Initial Comments of SPP, Attachment 1(e).

²⁸ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(e).

²⁹ Initial Comments of Midwest Energy, ¶ 12(e).

KCP&L/Empire/Westar assert that if the Commission finds it prudent to pursue such a study, updates should be performed only when circumstances dictate that an update is necessary. Should a utility or the Commission determine that a utility's participation is no longer beneficial to the point of considering a withdrawal, at that point another study could be conducted. Additionally, the various studies currently conducted by SPP can aid the Commission in identifying when customers are being potentially harmed.³⁰

Given the immense costs of unwinding the SPP RTO and the IM, KPP would not recommend any such study. However, if the Commission insists on such a study once should be more than sufficient.³¹

ITC suggests that any such study deemed necessary by the Commission should be updated as deemed necessary by the Commission.³²

In its Initial Comments, CURB suggests that the frequency of study updates should be dependent upon the dynamism of the wholesale and retail electric utility markets and environment. Further, CURB does not believe it is necessary to set any parameters around study updates, but avers that study updates should be limited to not more than one every three years.³³ In its Reply Comments, CURB reiterates that such reporting could reasonably be limited to one every three years. Furthermore, CURB believes that the Commission reasonably could require SPP and the utilities to provide required information on a regularly set schedule as determined by the Commission and avers that uniformity of periodic test reporting is important for trend analysis of reported savings and costs.³⁴

6. How quantifiable and objective would such an analysis be?

SPP and Midwest Energy suggest that the goal should be to make it as quantifiable and objective as possible.³⁵ If required, SPP suggests that the study should be performed only once and evaluated by the Commission before any subsequent requirements are evaluated.³⁶ Sunflower/Mid-Kansas similarly suggest any study required should be well thought out with quantifiable and measurable objectives.³⁷ KCP&L/Empire/Westar suggest that such a study can be objective; however, given the complexity of the transmission and energy markets these studies are challenging to conduct.³⁸ KPP asserts that one of the most important considerations of the study would be to develop a comparison case.³⁹ ITC suggests that while certain costs can be objectively quantified, many costs and benefits would be highly subjective and dependent upon the assumptions used in the study.⁴⁰

³⁰ Initial Comments of KCP&L, Empire, and Westar, ¶ 7.

³¹ Initial Comments of KPP, p. 6.

³² Initial Comments of ITC, p. 2.

³³ Initial Comments of CURB, ¶¶ 39-40.

³⁴ Reply Comments of CURB, ¶¶ 10-11.

³⁵ Initial Comments of Midwest Energy, ¶ 12(f).

³⁶ Initial Comments of SPP, Attachment 1(f).

³⁷ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(f).

³⁸ Initial Comments of KCP&L/Empire/Westar, ¶ 9.

³⁹ Initial Comments of KPP, p. 6.

⁴⁰ Initial Comments of ITC, p. 2.

CURB states that the study should undertake to gather clear and concise, quantifiable data to the fullest extent possible. However, CURB recognizes that certain relevant data may only be qualitative or mixed data.⁴¹

7. 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?

SPP asserts that substantial evidence exists today demonstrating the benefits of SPP. SPP further references its response to Question 1.⁴² Midwest Energy concurs with SPP's assessment that there currently is substantial evidence that demonstrates the benefits of participation in SPP and cautions that the development of a study specific to Kansas may not provide enough additional information to warrant the investment of resources by the Kansas stakeholders.⁴³ KCP&L/Empire/Westar similarly assert that, based on studies and analyses completed to date by SPP, it appears that Kansas retail electric customers, as a whole, are better off today being members of SPP. The studies that SPP has previously conducted that document the benefits of participating in the SPP RTO include: (1) Value of Transmission; (2) RCAR I and II; (3) Annual State of the Market Report and (4) Reduced Reserve Margin Studies.⁴⁴

As a general proposition, Sunflower/Mid-Kansas suggest that SPP provides significant value to its members. Because of the breadth and width of regional transmission planning, it is difficult to quantify the value in dollars that Sunflower/Mid-Kansas have received. Although value in some specific instances can be measured, qualitative value must be assessed as well. The savings from reduced manpower, system-wide transmission planning, economic dispatch and the spreading of the risk of significant load loss, all support the value of SPP without the necessity of new or additional reports or studies.⁴⁵

KPP believes its members are better off today than they were before the SPP RTO or IM. KPP again asserts that the only way any such study can be done with certainty is to develop the comparison case. However, KPP believes the results of any such study will always be somewhat subjective.⁴⁶

ITC suggests that the substantial benefits of being part of a RTO have been demonstrated in multiple studies and the positive B/C ratios of transmission investment in the SPP region have been re-affirmed in multiple studies. ITC further directs the Commission to review the RCAR and the SPP Value of Transmission Study prior to commissioning an additional study.⁴⁷

⁴¹ Initial Comments of CURB, ¶¶ 41-43.

⁴² Initial Comments of SPP, Attachment 1(g).

⁴³ Initial Comments of Midwest Energy, ¶ 12(g).

⁴⁴ Initial Comments of KCP&L/Empire/Westar, ¶ 10.

⁴⁵ Initial Comments of Sunflower/Mid-Kansas, ¶¶ 6, 16, and 17(g).

⁴⁶ Initial Comments of KPP, p. 7.

⁴⁷ Initial Comments of ITC, pp. 2-3.

In its Initial Comments, CURB asserts that a reasonable conclusion may not be drawn regarding whether or not ratepayers are better off today with Kansas electric utilities being members of SPP without conducting a study and further suggests that it would be beneficial for SPP to supply quantifiable data supporting any savings associated with the IM and transmission.⁴⁸ However, in its Reply Comments, CURB suggests that, if the purpose of the Commission's potential study is to determine that each utility has enjoyed some savings from SPP membership, there may not be a need for an additional study. On the other hand, CURB avers that if the Commission's potential study is to determine future benefits and costs of SPP membership, additional data and reporting is clearly necessary. CURB agrees with the parties that the data and reports which are typically generated by Kansas utilities potentially could be "tweaked" on a periodic basis to present the report which the Commission may require. CURB reiterates that the costs of any study should not outweigh the potential benefits derived by the study's conclusions.⁴⁹

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

SPP again asserts that substantial evidence exists today demonstrating the benefits of participation in the SPP RTO. SPP further references its response to Question 1.⁵⁰

KCP&L/Empire/Westar assert that the RCAR process looks at the benefits/costs ratio by zones within SPP. The most recently completed RCAR in 2016 showed just one zone within SPP to be below the threshold of below .8 benefit to cost ratio, and no Kansas utilities fell into that category.⁵¹

Sunflower/Mid-Kansas suggests that demonstrated savings in the IM is the primary driver for benefits to Kansas ratepayers. Kansas ratepayers also benefit from cost savings as a result of SPP performing functions that would cost more on an individual utility basis.⁵²

Midwest Energy suggests that the comments submitted by SPP contain numerous examples and evidence of the benefits of SPP membership to Kansas utilities and ratepayers. Among those that are noteworthy to Midwest Energy are: (1) centrally dispatched market provides Midwest Energy with access to various resources in SPP thereby ultimately reducing energy costs; (2) consolidating the balancing authority along with interconnection facilitation has allowed for additional wind in the region; (3) SPP's EIS and now IM markets have provided additional markets for owned or purchased generation; (4) tariff administration and reliability coordination has been beneficial; (5) operational planning studies have led to improved reliability; and (6) regional long-term transmission planning has been beneficial.⁵³

KPP refers to its previous comments.⁵⁴

⁴⁸ Initial Comments of CURB, ¶¶ 44-46.

⁴⁹ Reply Comments of CURB, ¶¶ 3-6.

⁵⁰ Initial Comments of SPP, Attachment 1(h).

⁵¹ Initial Comments of KCP&L/Empire/Westar, ¶ 11.

⁵² Initial Comments of Sunflower/Mid-Kansas, ¶ 17(h).

⁵³ Initial Comments of Midwest Energy, ¶ 12(h).

⁵⁴ Initial Comments of KPP, p. 7.

ITC avers that a case study of ITC provides clear evidence. ITC suggests that it has invested over \$500 million in transmission infrastructure in SPP over the past decade with 90 percent of that investment in Kansas. Under the SPP cost allocation methodologies, over 90 percent of ITC's Annual Transmission Revenue Requirement (ATRR) has been eligible for regional cost sharing. If not for regional cost sharing, ITC suggests that all of the ATRR associated with the facilities in Kansas would have been recovered from Kansas ratepayers. ITC further avers that investment in transmission infrastructure in Kansas facilitated by SPP has relieved persistent congestion in Kansas and eliminated the frequently constrained areas in both Northwest Kansas and the Kansas City area, which benefits Kansas ratepayers.⁵⁵

CURB suggests that the analysis and modeling currently conducted could be a starting point for additional (or more detailed) analysis of the issues outlined in this Docket.⁵⁶

9. 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?

SPP suggests that the study should be quantitative for the time period subsequent to the implementation of the SPP IM in March 2014 and qualitative for any time periods prior to that with the exception of the EIS benefits prior to the IM.⁵⁷ KPP states it doesn't have anything to add to SPP's response.⁵⁸ Midwest Energy concurs with SPP in that the study should cover the time period subsequent to the implementation of the IM.⁵⁹

Sunflower/Mid-Kansas suggest the time period depends on the goals of the study. If the study reviews energy savings only, the study period should not begin prior to when the IM was launched in 2014. If the study is to address a broader evaluation of costs and benefits, the study should have a start date that picks up the bulk of the projects at their in-service date, which would be prior to 2014.⁶⁰

Given that transmission investments are long-lived, KCP&L/Empire/Westar suggest that the study should be forward-looking and over a period of at least 20 years.⁶¹

ITC suggests that the horizon of the future time period to be covered in the study is more important than the historical period to be considered for such a study. While significant costs have been incurred in recent years, ITC states that the substantial benefits of those investments will only be realized over a longer time horizon. ITC avers it would be unwise to make a decision based solely on costs in a prior time period without considering the future benefits that will accrue from those investments.⁶²

⁵⁵ Initial Comments of ITC, p. 3.

⁵⁶ Initial Comments of CURB, ¶ 47.

⁵⁷ Initial Comments of SPP, Attachment 1(i).

⁵⁸ Initial Comments of KPP, p. 7.

⁵⁹ Initial Comments of Midwest Energy, ¶ 12(i).

⁶⁰ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(i).

⁶¹ Initial Comments of KCP&L/Empire/Westar, ¶ 12.

⁶² Initial Comments of ITC, p. 3.

CURB suggests that it is only necessary for the study to cover a time horizon beginning with the implementation of the IM. CURB further avers that the time horizon to be used in the study 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.⁶³

10. 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?

SPP points to its response to Question 9.⁶⁴ KPP again suggests it has nothing to add to SPP's response.⁶⁵

Sunflower/Mid-Kansas point to its response to Question 1 and further states that the RCAR II study is prospective in nature and, with certain refinements, it could be a useful tool.⁶⁶

KCP&L/Empire/Westar assert that if the study is conducted, at a minimum, it should be forward-looking.⁶⁷

Midwest Energy suggests that it is critical that the Kansas stakeholders reach early agreement on numerous study parameters in order to expect the study results to be of sufficient quality to be relied upon to support decisions regarding future RTO expansion.⁶⁸

ITC states that any study must rely on assumptions of future conditions because it is not realistic to assume that current circumstances will remain static for perpetuity.⁶⁹

To the extent that it is realistically and economically possible to anticipate future costs and benefits of SPP membership, CURB supports such a forecasted study. However, CURB notes that the parties may not be able to reach an agreement on the benefits and costs of future SPP membership.⁷⁰

11. What alternatives to SPP membership exist for Kansas electric utilities today?

SPP and Midwest Energy state that many options are available, such as withdrawing from SPP and joining another RTO, having utilities be stand-alone, or forming a Kansas-only RTO. However, any approval would be subject to approval by FERC.⁷¹ SPP further states that under SPP's governing documents, two obligations exist for exiting members. These include: (1) transmission costs and (2) the financial obligations of SPP. As transmission members, the

⁶³ Initial Comments of CURB, ¶¶ 48-49.

⁶⁴ Initial Comments of SPP, Attachment 1(j).

⁶⁵ Initial Comments of KPP, p. 7.

⁶⁶ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(j).

⁶⁷ Initial Comments of KCP&L/Empire/Westar, ¶ 13.

⁶⁸ Initial Comments of Midwest Energy, ¶ 12(j).

⁶⁹ Initial Comments of ITC, p. 3.

⁷⁰ Initial Comments of CURB, ¶¶ 50-51.

⁷¹ Initial Comments of Midwest Energy, ¶ 12(k).

financial obligations would have to be estimated for each entity separately, but would include the utilities' long-term commitments to bear a share of the cost of transmission facilities inside and outside of Kansas as well as a share of SPP's operational costs.⁷²

Sunflower/Mid-Kansas suggest there are a number of alternatives for Kansas utilities, but it would likely be a duplication of the current system and financially it would be difficult, if not impossible, to suggest a viable alternative.⁷³ Similarly, ITC states that while other alternatives may theoretically exist, ITC does not see a more viable alternative to SPP.⁷⁴

KCP&L/Empire/Westar assert that such an evaluation should include an evaluation of MISO including the exit fees for Kansas utilities to withdraw from SPP. However, from a practical and financial standpoint, KCP&L/Empire/Westar opine that these options are not feasible.⁷⁵

KPP suggests that abandonment of a regional transmission tariff and individual zone transmission service is an unacceptable alternative. Any alternative considered should be a different form of RTO, and KPP believes no alternative exists which is comparable to the benefits of SPP.⁷⁶

12. Should the study, if required, compare the costs and benefits of SPP to membership in the MISO?

If such a study is deemed necessary, SPP suggests that part of the analysis should include exit costs, as well as capacity to transfer power to another RTO.⁷⁷ KPP agrees with SPP's response and adds that it believes SPP is unique in its member driven process and that MISO would be a less acceptable alternative.⁷⁸

Sunflower/Mid-Kansas suggest that such a study would be cost prohibitive and of little value because no one is advocating for the utilities to leave SPP - as the cost of exiting SPP would be substantial.⁷⁹

Midwest Energy suggests that, if the Commission determines a study is necessary, the Commission has a number of options to consider, including withdrawing from SPP and joining other RTOs, having utilities be stand-alone, or forming a Kansas-only RTO. Part of any analysis must include the costs and obligations of withdrawal from SPP.⁸⁰

⁷² Initial Comments of SPP, Attachment 1(k), ¶¶ 10-11.

⁷³ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(k).

⁷⁴ Initial Comments of ITC, p. 3.

⁷⁵ Initial Comments of KCP&L/Empire/Westar, ¶ 15.

⁷⁶ Initial Comments of KPP, pp. 7-8.

⁷⁷ Initial Comments of SPP, Attachment 1(l).

⁷⁸ Initial Comments of KPP, p. 8.

⁷⁹ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(l).

⁸⁰ Initial Comments of Midwest Energy, ¶ 12(l).

ITC suggests that the Commission should recognize that any potential cost and benefit projections related to MISO membership would be highly speculative, particularly as they pertain to future transmission investments and cost allocation relief.⁸¹

13. What other Regional Transmission Organizations or regional transmission planning entities, if any, should be considered in the analysis of alternatives?

SPP and Midwest Energy suggest that if the Commission determines that a study or another RTO option is necessary, the study should evaluate all options available to the Kansas utilities.⁸²

Sunflower/Mid-Kansas suggest the Commission evaluate MISO and Energy Reliability Council of Texas (ERCOT)⁸³, and KCP&L/Empire/Westar suggest MISO be considered.⁸⁴

KPP suggests a Kansas-only RTO would be unacceptable to KPP as well as other Kansas utilities. Additionally, administrative costs of a Kansas-only alternative would likely be the same as SPP's costs, but spread over a much smaller group of utilities. Finally, KPP suggests that regardless of the Commission's authority in Kansas, it has a limited ability to influence entities outside of Kansas; therefore, it should not consider an alternative it cannot implement.⁸⁵

ITC states that this question presumes an analysis is required, which ITC does not stipulate to in its comments.⁸⁶

14. Is it feasible for Kansas to form its own regional transmission planning entity similar to what New York and California have done? If so, should the costs and benefits of that possibility be evaluated in this study?

SPP states that because no state has exited an existing RTO to its own single-state RTO, such an analysis would be speculative.⁸⁷

ITC states that the practical realities associated with Kansas forming its own RTO appear to make this alternative infeasible. ITC further directs the Commission to SPP's initial comments on this question.⁸⁸

Sunflower/Mid-Kansas suggest that it is highly likely that Kansas forming its own RTO would be cost prohibitive. Furthermore, the benefit of risk spreading and manpower saving would not justify the creation of a state-standalone RTO.⁸⁹ Similarly, KCP&L/Empire/Westar opine that the costs of such entity would likely outweigh the benefits as it would be very expensive for Kansas utilities

⁸¹ Initial Comments of ITC, p. 4.

⁸² Initial Comments of SPP, Attachment 1(m). Initial Comments of Midwest Energy, ¶ 12(m).

⁸³ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(m).

⁸⁴ Initial Comments of KCP&L/Empire/Westar, ¶ 16.

⁸⁵ Initial Comments of KPP, p. 8.

⁸⁶ Initial Comments of ITC, p. 4.

⁸⁷ Initial Comments of SPP, Attachment 1(n).

⁸⁸ Initial Comments of ITC, p. 4.

⁸⁹ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(n).

to leave SPP.⁹⁰ Midwest Energy further avers that the relatively small amount of Kansas load makes achieving economies of scale too difficult; therefore, forming an RTO in Kansas is not feasible or practical.⁹¹

KPP points to its response to Question 15.⁹²

15. If Kansas utilities were not members of SPP, would there still be opportunities to pursue economy energy sales/purchases from the IM? Would other entities or SPP still use transmission facilities owned by Kansas utilities? To what extent should this be included in the effects of a possible cost/benefit study?

SPP, ITC, Midwest Energy, and Sunflower/Mid-Kansas state that SPP membership is not required for participation in the SPP IM.⁹³ SPP and Midwest Energy further aver that use of facilities, both those owned by Kansas utilities and those owned by other SPP membership, should be evaluated during a study. However, study of this issue would need to address the additional costs associated with pancaked rates.⁹⁴

KCP&L/Empire/Westar state that non-SPP members can do bilateral transactions with other utilities, but they do not have access to the SPP market unless they are members of SPP. There would likely be unscheduled flows across a Kansas-only system that would not be compensated and such impacts would need to be considered in a cost/benefit study.⁹⁵

16. If Kansas utilities were not members of SPP, would there still be opportunities for Kansas utilities to sell transmission capacity on the facilities located in Kansas and owned by Kansas utilities? To what extent should this be included in the effects of a possible cost/benefit study?

SPP, ITC, and Midwest Energy state that under the FERC open access policy, available transmission capabilities must be sold on a non-discriminatory basis. The ability of the Kansas utilities to sell transmission capacity should be evaluated during a study. This should include what entity would be responsible for evaluating and granting service for transmission service requests.⁹⁶

KPP supports SPP's response to this question and agrees pancaked transmission rates would still be a major consideration. KPP remains concerned that the regional transmission system could reliably handle the huge amount of wind experienced in SPP. Finally, KPP states it has the same reliability concerns it expressed in response to Question 2.⁹⁷

⁹⁰ Initial Comments of KCP&L/Empire/Westar, ¶ 17.

⁹¹ Initial Comments of Midwest Energy, ¶ 12(n).

⁹² Initial Comments of KPP, p. 9.

⁹³ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(o).

⁹⁴ Initial Comments of SPP, Attachment 1(o). Initial Comments of Midwest Energy, ¶ 12(o). Initial Comments of ITC, p. 4.

⁹⁵ Initial Comments of KCP&L/Empire/Westar, ¶ 18.

⁹⁶ Initial Comments of SPP, Attachment 1(p). Initial Comments of Midwest Energy, ¶ 12(p). Initial Comments of ITC, p. 4.

⁹⁷ Initial Comments of KPP, p. 9.

Sunflower/Mid-Kansas assert that there may be opportunities for Kansas utilities to sell transmission capacity but it is doubtful that any sale of transmission capacity after withdrawal from SPP would overcome the financial obligation the utilities would incur from withdrawing from SPP.⁹⁸

KCP&L/Empire/Westar suggest that Kansas utilities would be able to sell their available transmission capacity directly to interested parties at their FERC-approved rates. However, they further note that SPP provides planning, scheduling, tariff administration, optimization of flows and investment to those entities that have placed their transmission assets under functional control of SPP. Kansas utilities would need to assume these responsibilities if they were no longer in SPP and those additional costs should be considered in any Kansas-RTO analysis.⁹⁹

KPP supports SPP's response to this question and voices the same reliability concerns stated in its responses to Questions 2 and 15.¹⁰⁰

⁹⁸ Initial Comments of Sunflower/Mid-Kansas, ¶ 17(p).

⁹⁹ Initial Comments of KCP&L/Empire/Westar, ¶ 19.

¹⁰⁰ Initial Comments of KPP, p. 9.

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17-SPPE-117-GIE

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