

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

In the Matter of an Investigation Into the)	
Possible Methods of Mitigating Identified)	
Harmful Effects of Entergy Joining MISO on)	File No. EW-2014-0156
non-MISO Missouri Utilities and Their)	
Ratepayers and Maximizing the Benefits)	
for Missouri Utilities and Ratepayers Along)	
RTO and Cooperative Seams)	

**KANSAS CITY POWER & LIGHT COMPANY AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY
RESPONSE TO COMMISSION QUESTIONS**

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) who hereby submit comments in the Missouri Public Service Commission’s (“Commission”) workshop proceeding established on November 26, 2013. KCP&L and GMO appreciate this Commission’s attention to these important matters and thank this Commission for the opportunity to provide our perspective on how this Commission can best serve Missouri retail electric customers along the Southwest Power Pool, Inc. (“SPP”) and Midcontinent Independent System Operator, Inc. (“MISO”) seam.

I. COMMENTS

As utilities operating along the MISO/SPP seam, KCP&L and GMO actively participate in proceedings before this Commission and before the Federal Energy Regulatory Commission (“FERC”) to minimize the impact to our customers as a result of our location on the seam. We recognize that there will *always* be operational challenges when two transmission systems border one another – whether the adjacent systems are two Regional Transmission Organizations (“RTOs”) or even two stand-alone transmission owners. This is simply a physical characteristic of the electric grid. However, we believe that this Commission and FERC can help to mitigate

those challenges while still respecting the choices that each Transmission Owner made when deciding to join MISO or SPP (or deciding to join neither).

A. KCP&L and GMO are SPP Members

Although there are operational difficulties at the seam, KCP&L and GMO also place a high value on the voluntary nature of belonging to an RTO and believe that respecting that choice is crucial.¹ KCP&L and GMO chose to transfer functional control of its transmission system to SPP in 2006 and 2009, respectively. The stronger physical interconnections with SPP were a major factor in that decision to join SPP over MISO: KCP&L and GMO share over 6000 MW of connection with SPP and only about 1500 MW with MISO. Due to its strong physical interconnections with SPP members, KCP&L historically has made the vast majority of its off-system sales to other SPP members. Conducting such transactions across an RTO seam is more complicated and costly. For example, an SPP member taking SPP network service could purchase wholesale energy from KCP&L without additional transmission charges. If KCP&L were to make the same sale across a seam, an additional transmission service would be needed and additional charges incurred. However, KCP&L and GMO also based their decision to join SPP on RTO culture. KCP&L and GMO believe that SPP has a more member-driven management style that allows utilities like KCP&L and GMO to have a greater voice in decisions that impact their operations, and ultimately, their retail customers.

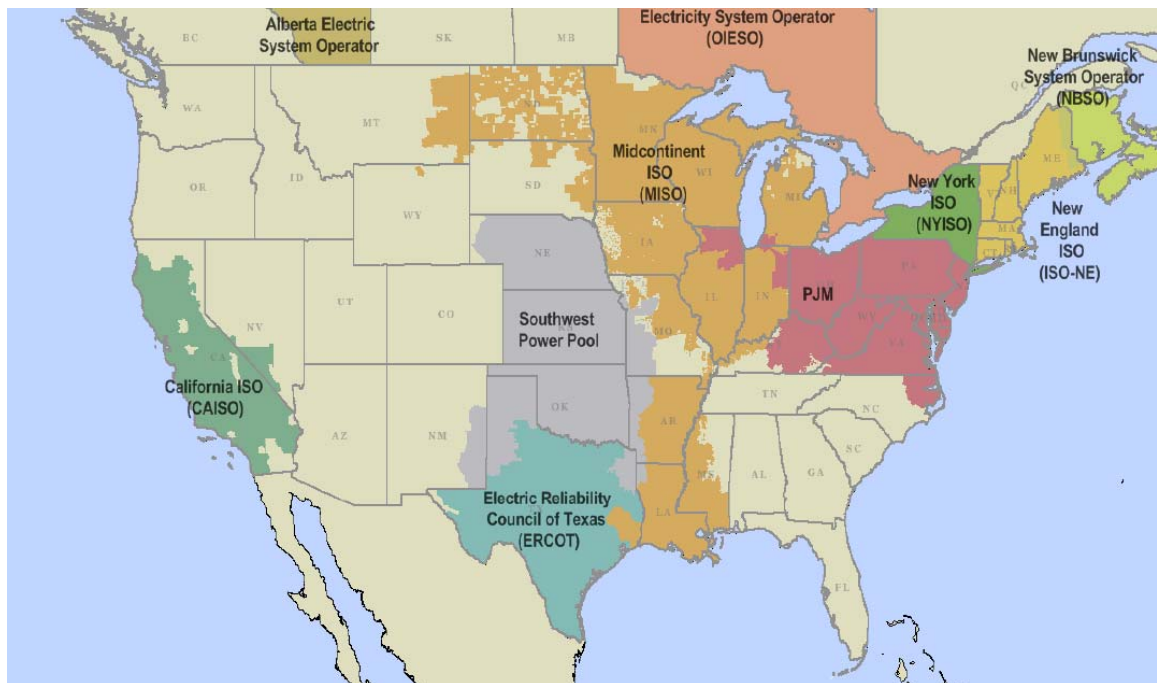
B. Entergy Recently Joined MISO Creating New Seams Issues

Now that the Entergy has integrated into MISO, GMO owns one generating facility in MISO's footprint (the Crossroads facility in Clarksdale, Mississippi), while all other GMO and

¹ Notably, even if the Commission desired to have all of its utilities within a single RTO, the seam between RTOs would still exist at one end of the state or the other. Accordingly, the operational challenges of operating at the seam would still exist.

KCP&L transmission and generating assets are located within SPP's footprint. This change has brought about new challenges. Because this GMO facility is now located in MISO and is, therefore, subject to MISO's regional through-and-out rate ("MISO RTOR"), the cost of transmission service to serve Missouri load from Crossroads has *more than doubled*. KCP&L and GMO have protested the application of MISO's RTOR to its long-term transmission service agreement for the Crossroads facility, and the matter is now pending before FERC in Docket Nos. ER13-948-000 and EL14-19-000. Our position is more fully articulated in the pleadings in these dockets to which the Commission is a party and has been participating in settlement proceedings.

The Entergy integration also triggered competing dockets at FERC related to MISO's use of the SPP transmission system (as well as other neighboring systems) to connect MISO South (which includes Entergy) to MISO North. The conflict first arose when Entergy announced its intention to join MISO.



Source: “North American Regional Transmission Organizations,” available at <http://www.ferc.gov/market-oversight/mkt-electric/overview/elec-ovr-rto-map.pdf> (last visited July 1, 2014).

The Entergy transmission system is located in Arkansas, Mississippi, Louisiana and Texas. As can be seen in the map above, the integration of Entergy has created an hourglass shape to the MISO system. MISO South is connected to the MISO North by only a single 1,000 MW line. Entergy decided to join MISO despite the limited interconnection with MISO North. KCP&L and GMO respect Entergy’s decision to join MISO, so long as MISO takes appropriate steps to integrate Entergy in a way that is not harmful to neighboring systems. Entergy’s choice, however, became problematic when MISO announced that it interpreted a single provision in the Joint Operating Agreement (“JOA” or “seams agreement”²) between MISO and SPP as allowing MISO to use the SPP transmission system to reach the Entergy system, without paying its fair share of the costs of the SPP system.

In 2011, MISO sought validation of its interpretation of the JOA at FERC by submitting a petition for a declaratory order in Docket No. EL11-34-000. Although MISO initially prevailed (in part³) at FERC, the FERC decisions have since been vacated and remanded by the United States Court of Appeals for the District of Columbia Court Circuit (Case No. 12-1158). In the meantime, Entergy integrated into MISO on December 19, 2013 and MISO immediately began flowing power in excess of its physical capability. As a result, SPP began charging MISO for transmission service and assessing MISO unreserved use penalties. On January 28, 2014, SPP filed an unexecuted Service Agreement to charge MISO for the excess flows (Docket No. ER14-1174-000) and SPP alternatively filed a complaint, arguing that if the FERC adopted MISO’s

² The joint operating agreement between RTOs is commonly referred to as a “seams” agreement.

³ The resulting FERC orders explicitly did not address whether compensation for MISO’s use was necessary, nor the appropriate level of compensation, if any for MISO’s use of the SPP transmission system.

interpretation of the JOA, then the JOA is no longer just and reasonable considering Entergy's integration into MISO and MISO's use of the SPP transmission system (Docket No. EL14-21-000). MISO filed a cross-complaint requesting that the FERC order SPP to cease charging unreserved use penalties (Docket No. EL14-30-000).

FERC consolidated all dockets (including the remand in Docket No. EL11-34-002) and set the matter for settlement procedures and, if necessary, hearing. The parties met for an initial settlement conference on April 29, 2014, and a second settlement conference on June 3, 2014, the third settlement conference has been scheduled for August 21, 2014. KCP&L and GMO actively participate in these settlement negotiations. Resolution of these FERC dockets are anticipated to create more certainty at the seam (particularly where MISO South borders SPP); hopefully protecting customer on both sides of the seam. All transmission users of the transmission system should pay for the benefits provided to them as a result of that use. This is an important foundational principle as it is necessary to ensure the appropriate market signals are in place to incentivize the development of new transmission expansion. Usage of the SPP transmission system above MISO's contract path amounts must be compensated in a non-discriminatory manner. If SPP prevails (as supported by KCP&L, GMO, and other SPP Transmission Owners, and other neighboring systems), it will ensure that the seam is operated in a way that maintains system reliability and requires fair payment commensurate with use of neighboring transmission systems.

C. Additional Seams Issues

The conflict over the JOA and the just and reasonableness of MISO RTOR as applied to existing long-term transmission service agreements are not the only ongoing seams coordination issues between SPP and MISO.

1. Order No. 1000 Interregional Planning

MISO and SPP must also coordinate to develop an interregional planning program to comply with FERC Order No. 1000. However, the SPP and MISO plans are different and remain pending before FERC (Docket Nos. ER13-1937-000 and ER13-1938-000).

FERC Order No. 1000 requires RTOs to plan for transmission projects on a coordinated basis, including consideration of projects across seams and the allocation of costs for those projects between the RTOs. Costs for these interregional projects will still be allocated within the respective RTO in the manner specified in each RTO's tariff. This may have an indirect impact on the level of each RTO's through-and-out rates. Additional interregional projects, although they would increase the available transmission capacity among the RTOs, would not necessarily impact the need for RTO transmission rates for interregional transmission service.

2. Market-to-Market Protocols

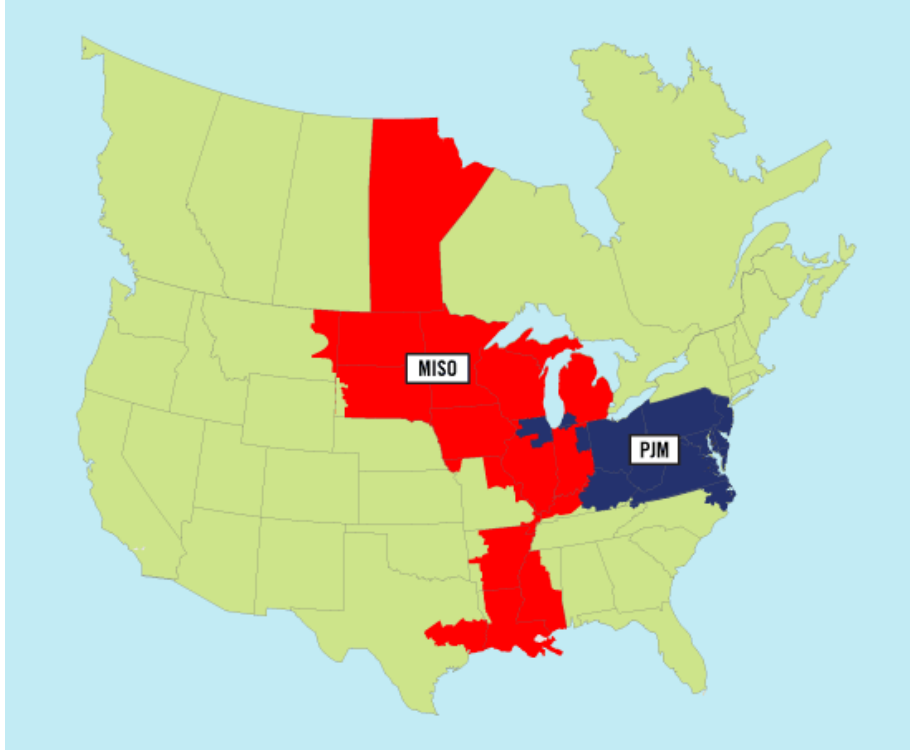
In addition, SPP's transition to a "day-two" Integrated Marketplace and adoption of "Market-to-Market" protocols will require closer coordination between MISO and SPP. SPP transitioned to the Integrated Marketplace on March 1, 2014. As part of this transition, FERC required SPP to implement "Market-to-Market" Protocols starting one year after the start of the Integrated Marketplace. The Market-to-Market Protocols are intended to permit SPP and MISO to more efficiently manage congestion on certain designated flowgates along the MISO/SPP seam. SPP filed its proposed Market-to-Market Protocols with FERC in Docket No. ER13-1864-000.

The objectives of the Market-to-Market process include more efficient redispatch solutions for constraints across both MISO and SPP systems, enhancement of system reliability by using resources from both RTOs to control transmission constraints, and providing a

compensation mechanism for generators in both RTOs during times of congestion. KCP&L and GMO (along with other SPP TOs) are participants in the FERC proceeding in which SPP and MISO made their Market-to-Market Proposal (Docket No. ER13-1864-000). The SPP TOs sought clarification that implementation of Market-to-Market Protocols does *not* provide either RTO with additional firm transmission rights. This matter is still pending before FERC.

3. The PJM-MISO “Joint and Common Market” Process

The PJM-MISO construct of a “Joint and Common Market” is based upon the unique operational characteristics of the PJM/MISO seam and was developed over the course of many years of negotiation and litigation at FERC. The MISO/SPP seam presents different operational issues, namely the fact that usage patterns are far more balanced between PJM and MISO. Because both RTOs have embedded load in the other’s footprint (shown in the map below), there is *reciprocal* use of both systems, and so elimination of the MISO/PJM seam did not result in the equity issues that exist at the MISO/SPP seam. MISO’s usage of the SPP transmission system is essentially one-sided. Because of this critical difference, it is not useful to attempt to translate mechanisms that work for the PJM/MISO seam to try to solve issues at the MISO/SPP seam.



Source: <http://www.miso-pjm.com/>

D. The Workshop Questionnaire

KCP&L and GMO believe that the best way for this Commission to mitigate seams challenges is to encourage transmission development, for both reliability and economic purposes. This will allow both RTOs to provide more effective service to their members. KCP&L and GMO also believe that resolution of the related FERC proceedings will ultimately lead to a better managed seam – thereby benefitting Missouri customers. This Commission should encourage SPP and MISO to continue to negotiate in forums where all stakeholders are able to participate and develop holistic, long-term solutions. We appreciate this Commission’s participation in that process.

II. CONCLUSION

KCP&L and GMO again thank this Commission for its attention to these important matters. We believe that the ongoing proceedings before FERC will resolve many of the

ongoing conflicts between SPP and MISO to the benefit of Missouri retail electric customers. No matter what the outcome of these proceedings, this Commission can support reliability at the seam by encouraging transmission development. This Commission can use its authority to facilitate cooperation between various Missouri utilities (on all sides of the seam). And as discussed above, simply staying involved and watchful sends the RTOs the useful message that these are important issues to the states. KCP&L and GMO believe that Missouri's continued participation in the FERC proceedings will lead to the most beneficial outcome for Missouri utilities and their customers. We appreciate the opportunity to share our views with this Commission and respectfully request that this Commission consider the comments submitted herein.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, to all parties of record this 1st day of July, 2014.

/s/ Roger W. Steiner

Roger W. Steiner