

Exhibit No.: 700
Issue: RTO Membership and Combined
Balancing Authority Area
Witness: Robert Janssen
Sponsoring Party: Dogwood Energy, LLC
Type of Exhibit: Rebuttal Testimony
Case No.: EM-2007-0374

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Joint Application of Great Plains)
Energy Incorporated, Kansas City Power & Light)
Company, and Aquila, Inc., for Approval of the Merger) Case No. EM-2007-0374
of Aquila, Inc., with a Subsidiary of Great Plains)
Energy Incorporated and for Other Related Relief.)

**REBUTTAL TESTIMONY OF
ROBERT JANSSEN ON BEHALF OF
DOGWOOD ENERGY, LLC**

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~~STATE OF~~ District of Columbia)
) SS.
~~COUNTY OF~~ _____)

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AFFIDAVIT OF ROBERT JANSSEN

COMES NOW Robert Janssen, of lawful age, sound of mind and being first duly sworn, deposes and states:

1. My name is Robert Janssen, I am Vice President for Kelson Energy, Inc., the corporate parent of Dogwood Energy, LLC.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony in the above-referenced case.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge, information and belief.

Robert J Janssen

Robert Janssen

SUBSCRIBED AND SWORN to before me, a Notary Public, this 9th day
of October, 2007

Graciela V Baten
Notary Public

My Commission Expires:
(SEAL)

GRACIELA V. BATEN
Notary Public District of Columbia
My Commission Expires October 15, 2008

REBUTTAL TESTIMONY OF
ROBERT JANSSEN ON BEHALF OF
DOGWOOD ENERGY, LLC

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TITLE.**

2 A. My name is Robert Janssen. My business address is 6700 Alexander Bell Drive,
3 Suite 360, Columbia, MD 21046. I have held the position of Vice President for
4 Kelson Energy Inc. ("Kelson") since February 2007. From October 2005 to
5 February 2007, I was a Director with Kelson. I also hold the position of President
6 of Redbud Energy, L.P., which is a 1,200 MW generating facility wholly owned
7 by Kelson and located in Oklahoma.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. I am testifying on behalf of Dogwood Energy, LLC ("Dogwood").

10 **Q. WHAT IS THE RELATIONSHIP BETWEEN DOGWOOD AND KELSON**
11 **ENERGY?**

12 A. Kelson is a power generation holding company that wholly owns Dogwood and
13 the Dogwood 600 MW combined cycle generating facility located in Aquila's
14 Missouri Public Service ("MPS") service territory.

15 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
16 **PROFESSIONAL EXPERIENCE.**

1 A. I have attached a copy of my resume as Schedule RJ1, which outlines my relevant
2 background and experience. In brief, my experience includes (a) development
3 and management of generating facilities, (b) analysis of electricity markets and
4 transmission systems, (c) analysis of, and development of testimony regarding,
5 utility rates and other filings before federal and state regulatory commissions, (d)
6 due diligence analysis of power purchase agreements and fuel contracts, (e)
7 financial analysis of utility and independent power producer assets such as power
8 plants and water supply systems, and (f) monitoring and reviewing the results of
9 power supply Requests for Proposals.

10 **Q. WHAT ARE YOUR RESPONSIBILITIES?**

11 A. In my current position, I am responsible for, among other things, the operations of
12 the Redbud Energy generating facility, representing Kelson and its subsidiaries at
13 the Southwest Power Pool (“SPP”) Regional Transmission Organization
14 (“RTO”), state and federal regulatory affairs, power market development, and
15 North American Electric Reliability Corporation (“NERC”) compliance for
16 approximately 4,000 MW of Kelson's generating capacity within the United
17 States, including Dogwood’s Missouri facility. This includes coordinating
18 Dogwood's potential future participation in electricity markets in SPP.

1 **Q. HAVE YOU TESTIFIED IN OTHER REGULATORY PROCEEDINGS?**

2 A. Yes, I have submitted written testimony in eight prior proceedings before the
3 Federal Energy Regulatory Commission, the Louisiana Public Service
4 Commission, the Oklahoma Corporation Commission, the Public Service
5 Commission of Wisconsin, the City Council of New Orleans, and the Public
6 Utility Commission of Texas.

7 **Q. DO YOU HOLD THE OPINIONS YOU EXPRESS IN THIS TESTIMONY**
8 **TO A REASONABLE DEGREE OF CERTAINTY AS AN EXPERT**
9 **REGARDING ELECTRICAL POWER GENERATION AND**
10 **TRANSMISSION?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. In this testimony, I recommend that the Commission condition its approval of the
14 proposed acquisition of Aquila, Inc. by Great Plains Energy (“GPE”) and
15 resulting merger of Aquila with KCPL so as to require Aquila to join SPP with
16 KCPL and to require that Aquila and KCPL consolidate their Balancing Authority
17 (“BA”) areas.¹

¹ The term “Balancing Authority” refers to an entity, such as a utility or an RTO, that is responsible for maintaining a balance between loads and resources within a particular area. Specifically, this entity integrates resource plans ahead of time, maintains load-interchange-generation balance within an area defined by metered boundaries, and supports Interconnection frequency in real-time.

1 **Q. WHAT IS AT STAKE FOR DOGWOOD IN THIS PROCEEDING?**

2 A. Aquila and KCP&L are potential customers of Dogwood’s generating capacity.
3 Dogwood’s ability to serve both companies future generation supply needs will be
4 enhanced if their BAs are consolidated, which should benefit the customers of
5 both utilities. Further, Dogwood’s generating facility will “move” with Aquila’s
6 transmission facilities into whichever RTO Aquila ultimately joins, so Dogwood
7 believes that its interests are aligned with those of Aquila and its customers in
8 ensuring robust access to both transmission and power supplies in the region.
9 Finally, as a potential transmission customer of Aquila, Dogwood benefits from
10 Aquila’s transmission facilities being operated in the most efficient manner
11 possible under a consolidation with KCP&L under the SPP RTO.

12 **Q. AT PAGES 7-9 OF HIS DIRECT TESTIMONY, GPE/KCP&L WITNESS**
13 **RICHARD SPRING DESCRIBES THE PURPOSES, BENEFITS AND**
14 **FUNCTIONS OF RTOS. DO YOU AGREE WITH HIS TESTIMONY IN**
15 **THIS REGARD?**

16 A. Yes. Mr. Spring correctly describes how RTOs facilitate open and non-
17 discriminatory electric transmission access and pricing, with regional open access
18 tariffs, planning, and coordinated reliability operations. In particular, regarding
19 regional transmission expansion planning, KCPL provided the following
20 additional information in response to Dogwood Data Request 2-14:

1 KCPL is a SPP RTO member and SPP currently performs the Planning
2 Coordinator function for KCPL on a regional basis. KCPL participates in
3 the SPP regional planning process which includes an annual transmission
4 reliability assessment of the SPP RTO footprint. The SPP Transmission
5 Expansion Plan (STEP) analyzes the transmission system for compliance
6 with NERC Reliability Standards and SPP Criteria. Where standard or
7 criteria violations exist, SPP and Transmission Owners (i.e. KCPL) work
8 together to develop mitigation plans that eliminate problems. These
9 mitigation plans may include new or upgraded transmission facilities. The
10 STEP also performs a screening analysis of potential economic
11 transmission projects. These assessments do not study individual control
12 area transfer capability but rather projects that may improve transmission
13 congestion across the SPP footprint. These projects are ranked based on a
14 cost/benefit analysis of generation dispatch cost savings compared to the
15 cost of the potential project. These projects are typically bulk
16 transmission projects (345kV and above) not required by standards or
17 criteria that cross multiple control areas and/or states and would require
18 project sponsors to actually agree to fund and construct.

19 As part of the planning process, SPP also performs an Aggregate Study
20 three times per year that collectively analyzes specific transmission
21 service requests, including service associated with generation
22 interconnection requests, across the SPP footprint. These service
23 reservations are modeled based on control area to control area transfers.
24 The transmission system is assessed with these potential service requests
25 and, where needed, transmission improvements are identified that would
26 enable the service to occur without standard or criteria violations. Once
27 the customer that has made the service request agrees to the conditions of
28 the system improvement the project is included in the STEP.

29 **Q. WHAT IS YOUR UNDERSTANDING OF THE CURRENT STATUS OF**
30 **KCP&L AND AQUILA REGARDING RTO PARTICIPATION?**

31 A. As Mr. Spring testifies, KCP&L is a member of the SPP and has turned over
32 functional control of its transmission facilities to SPP (see my answer to the
33 previous question for additional detail), whereas Aquila is a conditional member
34 of the Midwest Independent Transmission System Operator (MISO). (Spring

1 Direct, p. 7, 9). However, according to Aquila's response to Dogwood Data
2 Request 2-11, "Aquila is in the transmission footprint of SPP and all point to
3 point service requests are processed through SPP."

4 **Q. WHAT IS YOUR UNDERSTANDING OF THE PLAN FOR THE**
5 **MERGED KCP&L/AQUILA REGARDING RTO PARTICIPATION?**

6 A. I am uncertain as to the plan, as there is conflicting information available. On the
7 one hand, Mr. Spring seems to testify that there is a strong desire to operate the
8 combined entities in a single RTO. He describes the "proposed action plans for
9 combining the Aquila transmission operations and facilities into KCPL once the
10 merger is completed", including that both entities will be run out of a single
11 transmission control center. (Spring Direct, p. 6). He also testifies that "there are
12 significant benefits for operating the resulting combined organization within a
13 single RTO structure." (Spring Direct, p. 9). He lists various benefits that
14 KCP&L would expect to realize from a single RTO membership, including:

- 15 - avoidance of transmission seam issues, with reduced flowgates,
16 simplified management of transmission capacity, and increased
17 flexibility of power transactions;
- 18 - reduced costs to support activities in governance, market development,
19 transmission planning and expansion, reliability standards development,
20 and tariff administration;

- 1 - savings related to participation in a single regional transmission tariff,
2 with simplified administration and minimized proceedings with FERC;
- 3 - maintenance of consistency across both companies, coordinated
4 transmission cost sharing, lower administrative costs, and more
5 congruent investment structures;
- 6 - facilitation of consistent retail rate structures;
- 7 - more effective transmission planning and expansion and avoidance of
8 inefficient, redundant or even conflicting solutions; and
- 9 - ensured consistent development and adherence to bulk power reliability
10 standards and criteria. (Spring Direct, p. 10-11).²

11 Mr. Marshall touts combined RTO membership as an aspect of transmission
12 synergy. (Marshall Supplemental Direct, p. 13). Witness Crawford testifies that
13 the companies will not realize the additional savings that would result from joint
14 dispatching of KCPL and Aquila generating resources unless Aquila joins the SPP
15 with KCPL. (Crawford Direct, p. 5-6).

16
17 On the other hand, Mr. Spring acknowledges that there is a “potential of KCPL
18 and Aquila having membership in separate RTOs.” (Spring Direct, p. 9). Further,
19 in Case No. EO-2008-0046, Aquila has applied to the Commission for authority
20 to transfer operational control of transmission assets to MISO. Dogwood requests

² KCPL has not yet quantified these benefits of single RTO participation in testimony, but discovery is pending and Dogwood or other parties may provide supplemental testimony in this regard.

1 that the Commission take notice of the proceedings in EO-2008-0046 in this case.
2 A copy of the Application from that case (without appendices) is attached hereto
3 as Schedule RJ2. A copy of the Direct Testimony of Dennis Odell submitted by
4 Aquila in that case (without attachments) is attached hereto as Schedule RJ3.

5 **Q. HOW DO KCP&L AND AQUILA PROPOSE TO RESOLVE THE ISSUE**
6 **OF APPROPRIATE RTO MEMBERSHIP?**

7 A. Again, the picture is murky. Mr. Spring indicates a desire by KCPL to evaluate
8 the strategy of RTO membership when the merger is completed. (Spring Direct, p.
9 9). Witness John Marshall makes the same statement. (Marshall Direct, p. 7).
10 However, as indicated above, Aquila has actively petitioned the Commission to
11 authorize it to join MISO, which would seem to effectively preclude any post-
12 merger evaluation, at least for a significant period of time. In my opinion, it is not
13 a simple matter for a company to jump in and out of RTO membership even
14 within a matter of years. The information contained in Schedules RJ2 and RJ3
15 demonstrates that there would be contractual limitations on the timing of an exit
16 from an RTO.

17 **Q. WHAT IS DOGWOOD'S POSITION CONCERNING THE PROPOSED**
18 **MERGER?**

19 A. Based on its current understanding of the materials that have been made available
20 to it, Dogwood generally supports the merger as being in the best interests of both

1 Aquila and KCPL, as well as customers. However, we believe that conditions
2 should be imposed concerning RTO membership and consolidation of the two
3 companies' Balancing Authority areas. We do not currently take a position on
4 other issues raised by the parties.

5 **Q. WHAT CONDITION SHOULD BE IMPOSED REGARDING RTO**
6 **MEMBERSHIP?**

7 A. The Commission should require Aquila to join the SPP RTO with KCPL as soon
8 as practicable.

9 Without question, Aquila needs to join an RTO. In light of the significant
10 benefits that would attend membership in a single RTO by Aquila and KCPL, and
11 in light of KCPL's established membership in SPP, Aquila needs to join SPP. I
12 agree with Mr. Spring's description of the various benefits of membership in a
13 single RTO, as summarized above. Also, as described below, the net financial
14 benefits of Aquila joining the SPP are substantially higher than any benefits of it
15 joining MISO (even before the benefits of a merged entity with a single RTO
16 membership are considered).

17 Aquila seems to have applied for authority to join MISO to fulfill what have
18 become stale commitments rather than to address the public interests at stake in
19 the new opportunities presented by the merger application. In its application in

1 Case No. EO-2008-0046, Aquila describes how it agreed to join MISO in 2001 in
2 connection with a merger application to FERC, when MISO was the only
3 approved RTO in existence accessible to Aquila and when Aquila expected
4 AmerenUE to function as if it were a part of MISO. Aquila also describes how
5 there were subsequent delays in AmerenUE joining MISO, which resulted in
6 Aquila withdrawing pending applications to join MISO due to its dependence
7 upon AmerenUE for physical connection to the MISO area. In its Application,
8 Aquila describes additional starts and stops in its process of attempting to join
9 MISO, including dismissal of a pending application by this Commission to allow
10 for completion of comparative cost/benefit studies regarding joining SPP versus
11 MISO.

12 With its application in Case No. EO-2008-0046, Aquila submitted a copy of the
13 comparative cost/benefit analysis as Appendix G. A copy is attached hereto as
14 Schedule RJ4. The study demonstrates that there would be a \$66 million (or four
15 times) greater benefit for Aquila to join SPP (again, even before considering the
16 benefits of a merged entity being in a single RTO). The study describes in detail
17 how those greater benefits flow from Aquila's greater involvement and connection
18 with SPP.

1 For these reasons, Dogwood has intervened in Case No. EO-2008-0046 to oppose
2 Aquila's request in that case for authority to transfer operational control of
3 transmission assets to MISO.

4 In my opinion, the Commission should not be constrained by any prior
5 commitment that Aquila may have made to MISO and should require Aquila to
6 join the SPP in light of all the benefits that would flow from such membership.
7 Furthermore, RTO membership is too important to leave unresolved in this
8 merger proceeding as KCPL seems to propose.

9 **Q. WHAT CONDITION SHOULD BE IMPOSED REGARDING**
10 **BALANCING AUTHORITY?**

11 A. The Commission should require Aquila and KCPL to promptly begin operating
12 out of a combined balancing authority as soon as practicable after the merger.
13 Mr. Marshall testifies that if the two companies "align operations in a single
14 control area, there are likely to be numerous benefits in areas such as load
15 following, outage planning, and spinning reserves." (Marshall Supplemental
16 Direct, p. 6). He indicates that Energy Resource Management savings will be
17 realized when "the combined companies are able to operate from a single control
18 area." (Marshall Supplemental Direct, p. 18). KCPL elaborates on this point in the
19 response to Dogwood Data Request 2-21, as follows:

1 A portion of the ERM synergies are planned to be realized on day one.
2 These are mainly in the back office functions of power sales accounting,
3 in the Energy Resource Management analysis area and in the fuels areas
4 where there is modest redundancy. Additional savings are possible with
5 consolidation of control area operations.³ Consolidation would eliminate
6 redundant functions such as the need for two sets of control operators. To
7 the extent the companies can consolidate control area operations, benefits
8 could be gained without SPP control area consolidation. There is
9 currently a significant amount of uncertainty surrounding Aquila's RTO
10 participation. It is uncertain when or even what RTO Aquila will
11 ultimately participate in. There is also significant uncertainty surrounding
12 the design and timing of future phases of the SPP market structure.
13 Discussions are currently underway with SPP and their membership to
14 consolidate control areas under the SPP. Timing of this is also uncertain.
15 KCP&L anticipates that in 2010 SPP may evolve into a fully functional
16 RTO. If the SPP market evolves sooner than this, possibly in late 2009,
17 the benefits may be able to be recognized sooner.

18 As Witness Crawford testifies, combining control area operations (Balancing
19 Authority area operations) is necessary to achieve the savings associated with
20 joint dispatching of generating resources.⁴ (Crawford Direct, p. 5-6). In response
21 to Dogwood Data Request 2-5, KCP&L explains that:

22 In theory, control area consolidation would reduce the amount of
23 regulating capacity needed to maintain NERC control performance
24 standards. This would reduce the cost of regulation. Potential benefits
25 from reduced regulating capacity needs have not been quantified.

26 The Commission should ensure that the benefits of BA consolidation will be
27 realized in connection with the merger.

³ In this context, Control Area is synonymous with Balancing Authority area. The term Control Area predates NERC's recent revisions to its functional model, wherein it developed the term Balancing Authority to more precisely define certain functions associated with a Control Area.

⁴ Dogwood has not been able to review cost and benefit information on this point at this time, because it has been required to review that information at applicant's premises pursuant to Dogwood Data Request 2-1.

1 **Q. ARE YOU AWARE OF THE ONGOING DISCUSSIONS WITHIN SPP**
2 **REGARDING THE CONSOLIDATION OF BALANCING AUTHORITIES**
3 **WITHIN THE SPP FOOTPRINT?**

4 A. Yes. These discussions have been going on for many years, but are finally
5 reaching fruition. During February 2005 in Docket Nos. RT01-4 and ER04-48,
6 SPP filed a report with FERC on the potential for BA consolidation associated
7 with the development of the Energy Imbalance Service (“EIS”) Market in SPP. In
8 that filing, SPP asserted that the benefits of consolidation would outweigh the
9 costs, and the consolidation would be pursued after the start-up of the EIS
10 Market.⁵ Consistent with that obligation, SPP BAs are currently engaged in a
11 discussion regarding this consolidation, and it is my understanding that these
12 discussions are moving forward in a positive manner and many of the SPP BAs
13 are in favor of it. Contrary to statements by KCP&L witnesses in testimony, SPP
14 Staff has targeted 2008 as the year for the consolidation to be completed.⁶

⁵ SPP successfully started up its EIS Market on February 1, 2007. This market is designed to allow all participating generating facilities within SPP to be centrally dispatched on an economic basis by SPP to serve the load following needs of the load serving entities within the SPP Market footprint. Aquila is not currently in the SPP Market footprint, and as a result, does not receive the benefits of common centralized economic generation dispatch with the rest of SPP to meet its load following needs.

⁶ See Schedule RJ5 for a presentation from SPP Staff to its Board of Directors, wherein SPP Staff states that the target date for BA consolidation in the SPP footprint is mid- to late-2008.

1 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION?**

2 A. On behalf of Dogwood Energy, in order for Aquila's and KCP&L's customers to
3 more fully receive the potential benefits of the proposed merger, I recommend
4 that the Commission approve the proposed merger with the following conditions
5 (in addition to such other conditions as the Commission reasonably decides to
6 impose based on the recommendations of other parties):

7 (1) Aquila should be required to join and operate its generation and
8 transmission facilities under the auspices of the SPP RTO with
9 KCPL within four months after approval of the merger⁷; and

10 (2) Aquila and KCPL should be required to consolidate their BAs within
11 six months of approval of the merger. The Commission should
12 allow KCP&L and Aquila to exceed this deadline only in the event
13 that KCP&L and Aquila provide a definite schedule and
14 commitment to the Commission, prior to the six month post-merger
15 deadline, for the two companies' participation in an overall
16 consolidation of SPP BAs to be completed no later than January 1,
17 2009.

18 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19 A. Yes.

⁷ The standard EIS Market registration timeframe for new participants is four to six months after submission of registration materials to the SPP. However, it is possible that Aquila's participation could be accommodated more quickly since its information is already included in SPP's Energy Management System and planning models.