

Exhibit No.:  
Issues: Service Agreement  
Witness: Michael L. Stahlman  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: EO-2012-0135  
and EO-2012-0136  
Date Testimony Prepared: March 7, 2013

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL L. STAHLMAN**

**KANSAS CITY POWER & LIGHT COMPANY**  
**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NOS. EO-2012-0135 and EO-2012-0136**

*Jefferson City, Missouri*  
*March 2013*

**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 )

Case 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. )

Case No. EO-2012-0136

**AFFIDAVIT OF MICHAEL L. STAHLMAN**

**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF COLE** )

Michael L. Stahlman, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 23 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
 \_\_\_\_\_  
 Michael L. Stahlman

Subscribed and sworn to before me this 7<sup>th</sup> day of March, 2013.

**SUSAN L. SUNDERMEYER**  
 Notary Public - Notary Seal  
 State of Missouri  
 Commissioned for Callaway County  
 My Commission Expires: October 03, 2014  
 Commission Number: 10942086

  
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 Notary Public

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**OF**  
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**KCP&L GREATER MISSOURI OPERATIONS COMPANY**  
**CASE NO. EO-2012-0135 and EO-2012-0136**

Q. Please state your name and business address.

A. My name is Michael L. Stahlman, and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (“Commission”) as a Regulatory Economist III in the Energy Rate Design & Tariffs Unit, Economic Analysis Section, of the Tariff, Safety, Economic and Engineering Analysis Department in the Regulatory Review Division.

Q. Please describe your educational and work background.

A. Please see Schedule MLS-1.

Q. What is the purpose of your testimony?

A. I address issues concerning the two Service Agreements referred to in the *Submission Of Interim Report Regarding Participation In Southwest Power Pool* cover pleading filed on September 30, 2011, in File Nos. EO-2006-0142 and EO-2009-0179, one Service Agreement between Kansas City Power & Light Company (“KCPL”) and the Southwest Power Pool, Inc. (“SPP”), attached as Schedule MLS-2, and another Service Agreement between KCP&L Greater Missouri Operations Company (“GMO”, KCPL and

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1 | GMO collectively “Companies”) and SPP, attached as Schedule MLS-3. I also rebut portions  
2 | of the Direct Testimonies of Charles J. Locke and James W. Okenfuss. I also present Staff’s  
3 | recommended conditions for the continuance of KCPL and GMO participation in SPP.

4 | Q. Please summarize your testimony.

5 | A. First, this testimony establishes that the Missouri Public Service Commission  
6 | retains jurisdiction over the transmission component of rates for Missouri bundled retail load.  
7 | The Service Agreements are the process that the Federal Energy Regulatory Commission has  
8 | authorized whereby a transmission owner would seek a rate from the Regional Transmission  
9 | Organization or Independent Transmission System Operator for the transmission purchased to  
10 | deliver energy to bundled retail customers that is equal to the transmission component of the  
11 | bundled retail rates set by the state commission. Without these Service Agreements, Staff is  
12 | unaware of any other method that would allow the Missouri Commission to set the rates of  
13 | the transmission component of Missouri bundled retail load.

14 | Secondly, this testimony establishes that overall benefit-cost results of the Companies’  
15 | September 30, 2011 *Submission Of Interim Report Regarding Participation In Southwest*  
16 | *Power Pool*, while not detrimental, are not significantly different from zero.

17 | Thirdly, this testimony presents recommended conditions for the continuance of  
18 | KCPL and GMO participation in SPP on an interim basis, including a process that will  
19 | evaluate the benefits and costs of participation in SPP to an alternative arrangement of  
20 | RTO/ISO participation.

21 | Q. Do either of the Companies’ witnesses, Mr. Locke or Mr. Okenfuss, address  
22 | the Service Agreements?

1           A.     No. However, in paragraph 5, at pages 4-5, of their September 30, 2011 cover  
2 filing entitled, *Submission Of Interim Report Regarding Participation In Southwest Power*  
3 *Pool*, in File Nos. EO-2006-0142 and EO-2009-0179, KCPL and GMO state that a service  
4 agreement between KCPL and SPP and between GMO and SPP are no longer required for six  
5 specific reasons.

6           Q.     What is the primary function of the Service Agreements?

7           A.     Both KCPL, in its Stipulation and Agreement in Missouri Commission Case  
8 No. EO-2006-0142<sup>1</sup>, and GMO, in its Stipulation and Agreement in Missouri Commission  
9 Case No. EO-2009-00179<sup>2</sup>, respectively, acknowledge that these Service Agreements  
10 function primarily to ensure the Missouri Commission's authority to set the transmission  
11 component of their rates for its Missouri bundled retail load.

12           Section II.B.(2) Purpose of Service Agreement, page 9 of the Stipulation and  
13 Agreement filed February 24, 2006, in Case No. EO-2006-0142 states, in part, as follows:

14           Relationship Between the Service Agreement and [Federal Energy Regulatory  
15 Commission ("FERC")] Determined Incentives

16           For example, in response to Section 1241 of the Energy Policy Act of 2005  
17 ("EPAct of 2005"), the FERC has issued a Notice of Proposed Rulemaking  
18 ("NOPR") in Docket No. RM06-4-000, in which it is proposing certain  
19 incentives for investment in new transmission, investment in new transmission  
20 technologies, improvements in the operation of transmission facilities, and  
21 participation in a *Transco* or a *Transmission Organization*. Consistent with  
22 Section 3.1 of the Service Agreement and its primary function and as  
23 acknowledged by the aforementioned FERC NOPR, KCPL recognizes that the  
24 MoPSC has the sole regulatory authority to determine whether or not such  
25 incentives related to KCPL's transmission facilities should be included in rates  
26 for Missouri Bundled Retail Load. [Footnotes omitted.]  
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<sup>1</sup> In the Matter of the Application of Kansas City Power & Light Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

<sup>2</sup> In the Matter of the Application of KCP&L Greater Missouri Operations Company for Authority to Transfer Functional Control of Certain Transmission Assets to the Southwest Power Pool, Inc.

1           Section II.B.(2) Purpose of Service Agreement, page 7 of the Stipulation and  
2 Agreement filed February 27, 2009, in Case No. EO-2009-0179 states, in part, as follows:

3                       Relationship Between the Service Agreement and FERC Determined  
4   Incentives

5           For example, in response to Section 1241 of the Energy Policy Act of 2005  
6 (“EPAct of 2005”), the FERC has conducted a rulemaking process (Docket  
7 No. RM06-4) that culminated in Order No. 679 and subsequent orders on  
8 rehearing, in which it identified financial incentives that the FERC may allow.  
9 These incentives include, among other things, certain incentives for investment  
10 in new transmission, investment in new transmission technologies,  
11 improvements in the operation of transmission facilities, and participation in a  
12 *Transco* or a *Transmission Organization*. Consistent with Section 3.1 of the  
13 Service Agreement and its primary function, KCP&L-GMO recognizes that  
14 the MoPSC has the sole regulatory authority to determine whether or not such  
15 incentives related to KCP&L-GMO’s transmission facilities should be  
16 included in rates for Missouri Bundled Retail Load. [Footnotes omitted.]

17  
18           There are two separate Service Agreements: one between KCPL and SPP and the other  
19 between GMO and SPP. By a filing on October 11, 2006, in Case No. EO-2006-0142, KCPL  
20 notified the Missouri Commission that the FERC, by letter order dated September 27, 2006,  
21 in Docket No. ER06-1318-000, accepted the *Agreement for the Provision of Transmission*  
22 *Service to Missouri Bundled Retail Load* (“Service Agreement”). By a filing on  
23 June 24, 2009, in Case No. EO-2009-0179, GMO notified the Commission that the FERC, by  
24 letter order dated June 18, 2009, in Docket No. ER09-1004-000, accepted the *Agreement for*  
25 *the Provision of Transmission Service to Missouri Bundled Retail Load* and the *Network*  
26 *Operating Agreement and Network Integration Transmission Service Agreement*.

27           For KCPL, as part of the Stipulation and Agreement in Case No. EO-2006-0142,  
28 Article III – Rate For Transmission Service To Serve Missouri Bundled Retail Load, Section  
29 3.1 of the Service Agreement between KCPL and SPP, accepted by the FERC, states as  
30 follows:

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1 Schedule 9 of the SPP OATT [Open Access Transmission Tariff] establishes a  
2 zonal transmission rate applicable to load within the KCPL pricing zone that is  
3 taking Network Integration Transmission Service from SPP. Notwithstanding  
4 Schedule 9 and the rates therein, KCPL does not concede that FERC has  
5 jurisdiction over the transmission component of Bundled Electric Service  
6 provided to Missouri Bundled Retail Load using its own facilities, and does  
7 not voluntarily submit to such jurisdiction. KCPL shall not pay the rate set  
8 forth in Schedule 9 of the SPP OATT for using its own facilities to serve its  
9 Missouri Bundled Retail Load, but will include Missouri Bundled Retail Load  
10 in the total load used to calculate the zonal rate for the KCPL zone. However,  
11 this provision shall not eliminate any obligation that KCPL may have to pay  
12 applicable charges related to facilities owned by other entities in KCPL's zone.  
13

14 For GMO, as part of the Stipulation and Agreement in Case No. EO-2009-0179,  
15 Article III – Rate For Transmission Service To Serve Missouri Bundled Retail Load, Section  
16 3.1 of the Service Agreement between GMO and SPP, accepted by the FERC, is the same as  
17 in Case No. EO-2006-0142, except the reference is to KCP&L-GMO rather than to KCPL and  
18 an additional phrase is at the end of the last sentence:

19 Schedule 9 of the SPP OATT [Open Access Transmission Tariff] establishes a  
20 zonal transmission rate applicable to load within the KCP&L-GMO pricing  
21 zone that is taking Network Integration Transmission Service from SPP.  
22 Notwithstanding Schedule 9 and the rates therein, KCP&L-GMO does not  
23 concede that FERC has jurisdiction over the transmission component of  
24 Bundled Electric Service provided to Missouri Bundled Retail Load using its  
25 own facilities, and does not voluntarily submit to such jurisdiction. KCP&L-  
26 GMO shall not pay the rate set forth in Schedule 9 of the SPP OATT for using  
27 its own facilities to serve its Missouri Bundled Retail Load, but will include  
28 Missouri Bundled Retail Load in the total load used to calculate the zonal rate  
29 for the KCP&L-GMO zone. However, this provision shall not eliminate any  
30 obligation that KCP&L-GMO may have to pay applicable charges related to  
31 facilities owned by other entities in KCP&L-GMO's zone **that are**  
32 **unaffiliated with KCP&L-GMO.** [Emphasis supplied.]  
33

34 Both KCPL and GMO operate under Service Agreements that prevent the transfer of  
35 transmission rate setting for both companies to FERC-determined SPP rates. In particular,  
36 this is accomplished in Article III Section 3.1 of each of the Service Agreements, which states  
37 that KCPL and GMO “shall not pay the rate set forth in Schedule 9 of the SPP [Open Access

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1 Transmission Service Tariff (“OATT”)] for using its facilities to serve their Missouri Bundled  
2 Retail Load.” The rate for network service for each of the various transmission zones is  
3 reflected in Schedule 9 of the SPP OATT. Section II.B(2) of the Stipulation and Agreements  
4 for Case Nos. EO-2006-0142 and EO-2009-0179 contain a good example of the purpose of  
5 the Service Agreements. In brief, the examples illustrate that while FERC incentives may be  
6 included in SPP rates and reflected in Schedule 9 of the OATT, they would not apply to  
7 KCPL’s and GMO’s transmission investments used to serve Missouri bundled retail load,  
8 unless the Missouri Commission authorizes the inclusion of such incentives.

9 Q. Do any of the six bulleted points in the Companies’ September 30, 2011 cover  
10 pleading address the Service Agreements’ primary function of ensuring the Missouri  
11 Commission’s authority to set the transmission component of the Companies’ rates for their  
12 Missouri bundled retail load?

13 A. No.

14 Q. Can you respond to the six bulleted points (listed below in italics) in the  
15 Companies’ September 30, 2011 cover pleading regarding why the Companies believe that a  
16 Service Agreement similar to the one in effect during the interim period will no longer be  
17 required?

18 A. Yes, I have found as follows:

19 (1) *“Based on the Companies’ experience using a service agreement during the*  
20 *Interim Period, the service agreement creates uncertainty around the Companies’*  
21 *involvement in the SPP RTO.”*

22 The Commission approved the Companies’ membership for an interim period starting  
23 on October 1, 2006 through September 30, 2013; and, although there may be uncertainty



1 regarding how long another interim period of approval may be, this has nothing to do with the  
2 service agreement.

3 (2) *“Retail rate treatment of transmission costs can and should be addressed only*  
4 *in the context of rate proceedings before the Commission and Commission-approved rate*  
5 *mechanisms. Other costs that are affected by Federal regulation are handled in that manner*  
6 *and transmission costs should be treated similarly.”*

7 The first problem with the Companies’ second bulleted point is that it only refers to  
8 costs, not revenues and costs. When the Companies transfer control of their transmission  
9 assets to the SPP, the Companies are subject to the conditions of the SPP OATT. The current  
10 tariff has an attached Service Agreement with a provision that the Missouri bundled load is  
11 not subject to the SPP OATT Schedule 9 provisions. While the allowance or disallowance,  
12 i.e., the retail rate treatment of transmission costs and revenues is addressed in a rate increase  
13 case or an earnings complaint case, acknowledging the Commission’s jurisdiction over retail  
14 bundled retail rates in a service agreement is appropriate in a case concerning whether an  
15 investor owned electrical corporation such as KCP&L or GMO should be authorized to  
16 continue to participate in an ISO or an RTO.

17 (3) *“Having a service agreement in only one of KCP&L’s two state jurisdictions*  
18 *creates asymmetry and lack of clarity in the position of KCP&L under the terms and*  
19 *conditions of the SPP Open Access Transmission Tariff.”*

20 This is a familiar argument made by KCP&L, and it is without merit. Simply because  
21 the Kansas Corporation Commission (“KCC”) has not asserted jurisdiction in a certain  
22 manner and has not required a service agreement over the transmission component of bundled  
23 retail rates is not a good reason why the Missouri Commission should accede to the

1 Companies' requests. The KCC can just as easily adopt this Commission's historical position  
2 and require a service agreement, but that is a matter for the determination of the KCC.

3 (4) *"If the benefit-cost ratio in SPP moves in an unfavorable direction in the*  
4 *future, the Companies do not require a service agreement to enable them exit the RTO."*[sic]

5 The purpose of the Service Agreement is to provide explicit recognition that it is the  
6 state regulatory authorities that have jurisdiction over transmission component of bundled  
7 retail rates and over participation in SPP.

8 (5) *"The Service Agreement's rate provisions are becoming less effective in the*  
9 *context of increased regional funding of transmission projects and development of energy and*  
10 *ancillary service markets, all of which result in cost recovery for third party service*  
11 *providers."*

12 The Companies' fifth bulleted point implicitly mentions FERC Order No. 1000 and  
13 the serious limitation of the federal right of first refusal. Accepting the premise that service  
14 agreements are becoming less effective in light of FERC Order No. 1000 does not justify  
15 making the service agreements completely ineffective or inapplicable when there are still  
16 large transmission projects, such as the Iatan-Nashua 345-kV and Sibley-Nebraska City  
17 345-kV transmission projects, in the Companies service territories, which are not subject to  
18 the effect of FERC Order No. 1000. It is interesting that the Companies mention cost  
19 recovery of third parties in this case as a reason not to have a service agreement while at the  
20 same time creating an unregulated third party affiliate in the Transource Missouri Cases, File  
21 Nos. EA-2013-0098<sup>3</sup> and EO-2012-0367<sup>4</sup>.

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<sup>3</sup> File No. EA-2013-0098 In the Matter of the Application of Transource Missouri, L.L.C. for a Certificate of Convenience and Necessity Authorizing it to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects

1 (6) “Even without a service agreement, the Commission will have oversight with  
2 regard to the Companies’ RTO participation and can initiate dockets to address such issues.”

3 This statement is true; the Commission will have oversight with regard to the  
4 Companies’ RTO participation with or without a service agreement. However, what the  
5 Companies seem to be suggesting is after the fact review which is not effective, nor does it  
6 acknowledge the Commission will retain jurisdiction over the transmission component of the  
7 Companies’ rates for its Missouri bundled retail load.

8 Q. Did the Staff file a Memorandum In Support Of the Stipulation And  
9 Agreement in Case No. EO-2006-0142 and/or Case No. EO-2009-0179?

10 A. Yes. The Staff filed a Memorandum In Support Of the Stipulation And  
11 Agreement in Case No. EO-2006-0142. The Staff, in its *Memorandum in Support of*  
12 *Stipulation and Agreement*, emphasized that the recognition of the jurisdiction of this  
13 Commission over the rates paid by Missouri bundled retail ratepayers for local reliable  
14 transmission service was a critical issue in resolving the case. The Staff’s Memorandum  
15 referenced the April 28, 2003 FERC Wholesale Power Market Platform White Paper (“White  
16 Paper”) in which the FERC stated among other things at pages 4-5:

17 Pursuant to Order No. 888,<sup>5</sup> the Commission [FERC] currently asserts  
18 jurisdiction over wholesale transmission service and unbundled retail  
19 transmission service by public utilities. In the Final Rule, with respect to  
20 bundled retail service, we [FERC] will continue our existing practice for RTOs  
21 and ISOs of distinguishing between the non-price terms and conditions of  
22 transmission service and the rates for transmission service. As discussed in  
23 Appendix A, the non-price terms and conditions of the RTO or ISO tariff will  
24 apply equally to all users, including those taking service to meet their

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<sup>4</sup> File No. EO-2012-0367 In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for Approval to Transfer Certain Transmission Property to Transource Missouri, L.L.C. and for other Related Determinations

<sup>5</sup> Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services By Public Utilities, FERC Docket No. RM95-8-000, and, Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, FERC Docket No. RM94-7-001, 75 FERC ¶61,080 (1996).

1 obligation to serve bundled retail customers. However, **the Commission**  
2 **[FERC] will not assert jurisdiction over the transmission rate component**  
3 **of bundled retail service, thereby avoiding unintended issues raised by a**  
4 **new assertion of jurisdiction.** [Emphasis supplied.]

5 In Appendix A<sup>6</sup> of that White Paper, at page 5, the FERC relates that it will not assert  
6 jurisdiction over the transmission rate set by the states for bundled retail service:

7 To accommodate both the realities of a regionally operated transmission  
8 system and the jurisdictional concerns raised by the states, the Commission  
9 will distinguish nonprice terms and conditions of transmission service from  
10 rates for transmission service. As discussed below, we will assert jurisdiction  
11 over the non-price terms and conditions of transmission used by wholesale  
12 transmission customers to serve bundled retail customers, but we will not  
13 assert jurisdiction over the transmission rate component of bundled retail sales  
14 of electric energy.<sup>3</sup> Moreover, in setting the wholesale rate for transmission,  
15 the Commission will rely upon the transmission rate set by the states for  
16 bundled retail service.

17  
18 <sup>3</sup> Bundled retail sales of electric energy are sales of electric energy to retail customers where  
19 generation, transmission, distribution, and other services necessary to supply electric energy to  
20 such customers are sold as a single delivered service by a single seller and retail supplier  
21 choice is not permitted by state authorities.

22  
23 Further in Appendix A of the “White Paper,” at page 6, it provides the process whereby a  
24 transmission owner would seek a rate from the Regional Transmission Organization (“RTO”)  
25 or Independent Transmission System Operator (“ISO”) for the transmission purchased to  
26 deliver energy to bundled retail customers that is equal to the transmission component of the  
27 bundled retail rates set by the state commission:

28 The price that a transmission owner pays to the RTO or ISO becomes its cost  
29 for the transmission used to deliver the energy sold at retail. Consistent with  
30 existing Commission policy, transmission owners would be free to seek a rate  
31 from the RTO or ISO for the transmission purchased to deliver energy to  
32 bundled retail customers that is equal to the transmission component of the  
33 bundled retail rates set by the state commission. Under this approach, the rate  
34 set for transmission in interstate commerce to be re-sold as part of bundled  
35 retail service would be the same rate set by the state for the transmission  
36 component of bundled retail sales. **This arrangement would be**  
37 **accomplished under a wholesale contract between the RTO or ISO and**

<sup>6</sup> Comparison of the Proposed Wholesale Market Platform with the RTO Requirements of Order No. 2000,  
[http://www.hks.harvard.edu/hepg/Standard\\_Mkt\\_dsgn/FERC\\_White\\_Paper\\_Appendix\\_A, p. 5,\\_042803.pdf](http://www.hks.harvard.edu/hepg/Standard_Mkt_dsgn/FERC_White_Paper_Appendix_A, p. 5,_042803.pdf)

1           **the transmission owner. Service agreements reflecting such proposed**  
2           **rates would be filed with the Commission [FERC] and must be consistent**  
3           **with the Federal Power Act (FPA).** [Emphasis supplied.]

4           Q.     Has FERC identified any other ways that this arrangement would be  
5           accomplished?

6           A.     Staff is not aware of any other method.

7           Q.     Did The Empire District Electric Company (“Empire”) have a case to  
8           participate in SPP pending before the Commission at the same time that KCPL did in 2006?

9           A.     Yes, it did, Case No. EO-2006-0141.

10          Q.     Does Empire presently have a Service Agreement with its RTO, SPP?

11          A.     Yes.    On June 13, 2006, the Commission issued an Order Approving  
12          Stipulation and Agreement in Case No. EO-2006-0141 authorizing Empire to transfer  
13          functional control of certain transmission assets to SPP for a period of seven years. The  
14          Commission later clarified and amended this Order by issuing on July 13, 2006, an Order  
15          Granting Motion for Clarification and Amended Order Approving Stipulation and Agreement.  
16          The purpose of the Service Agreement is discussed in Paragraph II.B(2) of the Stipulation and  
17          Agreement:

18                Empire, Staff and Public Counsel agree and SPP acknowledges that the  
19                Service Agreement’s primary function is to ensure that **the MoPSC continues**  
20                **to set the transmission component of Empire’s rates to serve its Missouri**  
21                **Bundled Retail Load.** [Emphasis supplied.]  
22

23          And again in Paragraph II.C of the Stipulation and Agreement:

24                Empire, Staff and Public Counsel acknowledge that the Service Agreement is  
25                an integral part of this Stipulation and that **the Service Agreement’s primary**  
26                **function is to ensure that the MoPSC continues to set the transmission**  
27                **component of Empire’s rates to serve its Missouri Bundled Retail Load. . .**  
28                . [Emphasis supplied.]  
29

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1 Q. Does Empire have pending before the Commission a request to continue  
2 participation in SPP for beyond the seven years approved in Case No. EO-2006-0141?

3 A. Yes. Empire filed on February 3, 2012, in File No. EO-2012-0269 its study  
4 entitled *Interim Report Regarding Continued Participation In The Southwest Power Pool* and  
5 a cover pleading in which it has requested Commission authorization to continue to  
6 participate in SPP beyond January 31, 2014. File No. EO-2012-0269 is still pending before  
7 the Commission.

8 Q. Also similar to KCPL's and GMO's Applications in File Nos. EO-2006-0142  
9 and EO-2009-0179 to continue to participate in SPP, does Empire, in its Application in File  
10 No. EO-2012-0269, contend that for it to continue to participate in SPP a Service Agreement  
11 is no longer necessary?

12 A. Yes. On page 5 of its February 3, 2012 cover pleading in File No.  
13 EO-2012-0269, in paragraph 16, Empire states as follows:

14 16. The Stipulation also requires Empire to state whether an agreement for the  
15 provision of transmission service to Missouri bundled retail load (service  
16 agreement) between Empire and SPP would be in effect on a going forward  
17 basis. At this time, Empire believes that a service agreement similar to the  
18 agreement in effect during the Interim Period has served its initial purpose and  
19 is no longer necessary as the [Missouri] Commission will have oversight with  
20 regard to Empire's RTO participation, ability to participate in SPP's  
21 stakeholder processes, and can initiate dockets to address issues and concerns.  
22

23 Q. Does Union Electric, now d/b/a "Ameren Missouri" and formerly d/b/a  
24 "AmerenUE," have a Service Agreement with its RTO?

25 A. Yes. On February 26, 2004, the Commission issued an Order Approving  
26 Stipulation and Agreement in Case No. EO-2003-0271 authorizing AmerenUE, with  
27 conditions, to transfer functional control of its electric transmission system to the Midwest

1 Independent Transmission System Operator, Inc. (“MISO”). In the Order Approving  
2 Stipulation and Agreement in that case, one condition was as follows:

3 The agreement is conditional on the approval by the Federal Energy Regulatory  
4 Commission (FERC) of a Service Agreement between AmerenUE and the  
5 MISO. **The Service Agreement's primary function is to ensure that the**  
6 **[Missouri] Commission continues to set the transmission component of**  
7 **AmerenUE's rates to serve its Bundled Retail Load.** [Emphasis supplied.] If  
8 the FERC orders changes or modifications to the Service Agreement, AmerenUE  
9 will seek further authority from this Commission. If the FERC does not approve  
10 the Service Agreement, this Commission’s approval of the agreement is null and  
11 void.  
12

13 The Service Agreement was entered into between AmerenUE and MISO to clarify the  
14 terms and conditions under which MISO would provide transmission service to serve  
15 AmerenUE’s bundled retail load, and also to ensure the Commission’s jurisdiction to  
16 determine the transmission component of AmerenUE’s bundled retail rates. AmerenUE and  
17 MISO filed the Service Agreement with the FERC on February 19, 2004. On  
18 March 25, 2004, the FERC approved the Service Agreement (*See* FERC Docket No.  
19 ER04-571-000). Thereafter, on May 1, 2004, AmerenUE transferred functional control of its  
20 transmission system as contemplated by the Stipulation and Agreement and Commission  
21 Order.

22 Q. This Commission approved AmerenUE’s participation in MISO for a period of  
23 five years in Case No. EO-2003-0271. Did AmerenUE request to continue participation in  
24 MISO for beyond five years?

25 A. Yes. In Case No. EO-2008-0134, AmerenUE submitted an application to  
26 transfer functional control of its transmission system to MISO for an additional three years.  
27 Three years was chosen because of “...several potentially significant uncertainties relating to  
28 RTO development that AmerenUE expects to become much less uncertain by the end of the

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1 three-year period...”<sup>7</sup> The Stipulation and Agreement in Case No. EO-2003-0271 also  
2 required AmerenUE to file a pleading at that same time that addressed whether a Service  
3 Agreement would remain in place in connection with any further AmerenUE participation in a  
4 RTO. In response, AmerenUE stated in paragraph 13 of its Application:

5 . . . In order to continue the preservation of Commission authority over the  
6 transmission component of AmerenUE’s bundled retail rates, AmerenUE also  
7 proposes to continue the AmerenUE-Midwest ISO Services Agreement, which  
8 remains in effect by its terms. . . .

9  
10 On September 9, 2008, the Commission approved a Stipulation and Agreement that  
11 transferred functional control of AmerenUE’s transmission system to MISO for an additional  
12 three years.

13 Q. This Commission approved AmerenUE’s participation in MISO for a period of  
14 three years in Case No. EO-2008-0134. Did AmerenUE request to continue participation in  
15 MISO for beyond three years?

16 A. Yes. On November 1, 2010, after it changed its d/b/a from AmerenUE to  
17 Ameren Missouri, in File No. EO-2011-0128, Ameren Missouri initially asked to extend  
18 participation in MISO to December 31, 2013. Then, on August 10, 2011, Ameren Missouri  
19 filed its *Motion for Leave to Amend Verified Application to Extend Permission and Authority*  
20 *for Participation in Regional Transmission Organization* (“Amended Application”), which  
21 requested the Commission to allow Ameren Missouri, pursuant to 4 CSR 240-2.080(20), to  
22 file an amended Application. In this amended Application, among other things, Ameren  
23 Missouri requested that the Commission allow it to continue its participation in MISO  
24 through at least May 31, 2015. Ameren Missouri also acknowledged in its Amended

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<sup>7</sup> Application, Para. 12, EO-2008-0134, In the Matter of the Application of Union Electric Company d/b/a AmerenUE for Authority to Continue the Transfer of Functional Control of Its Transmission System to the Midwest Independent Transmission System Operator, Inc.



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1 Application that the Service Agreement’s primary function is to ensure that the Commission  
2 continues to set the transmission component of Ameren Missouri’s rates to serve its bundled  
3 retail load and that the Service Agreement would continue in its current form. Although  
4 Ameren Missouri, MISO, MIEC, and the Staff filed a non-unanimous stipulation and  
5 agreement on November 17, 2011, it was opposed by the Office of Public Counsel (“OPC”)  
6 and the Missouri Joint Municipal Electrical Utility Commission (“MJMEUC”). After a  
7 hearing, the Commission issued its Report and Order on April 19, 2012. In that Report and  
8 Order, the Commission, approved, on an interim basis, Ameren Missouri’s continued RTO  
9 participation in MISO during a term ending May 31, 2016. Additionally, the Commission  
10 Ordered:

11 Ameren Missouri shall acknowledge that the Service Agreement’s primary  
12 function is to ensure that the Missouri Public Service Commission continues to  
13 set the transmission component of Ameren Missouri’s rates to serve its  
14 Bundled Retail Load. Consistent with Section 3.1 of the Service Agreement  
15 and its primary function, to the extent that the FERC offers incentive “adders”  
16 for participation in an RTO or in an ICT to the rate of return allowed for  
17 providing Transmission Service, as that term is defined in the Service  
18 Agreement, to wholesale customers within the Ameren zone, such incentive  
19 adders shall not apply to the transmission component of rates set for Bundled  
20 Retail Load by the Commission. (from paragraph 10.c of the stipulation and  
21 agreement)<sup>8</sup>

22  
23 and

24 The Service Agreement (unless it is terminated pursuant to its terms) shall  
25 continue in its current form; provided that the Commission may rescind its  
26 approval of Ameren Missouri’s participation in the Midwest ISO and may  
27 require Ameren Missouri to withdraw from participation in the Midwest ISO  
28 on any of the following bases...<sup>9</sup>

29  
30 An additional paragraph was also included which concerns affiliate built transmission:

31 For transmission facilities located in Ameren Missouri’s certificated service  
32 territory that are constructed by an Ameren affiliate and that are subject to

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<sup>8</sup> Paragraph J.

<sup>9</sup> Paragraph L.

1 regional cost allocation by the Midwest ISO, for ratemaking purposes in  
2 Missouri, the costs allocated to Ameren Missouri by the Midwest ISO shall be  
3 adjusted by an amount equal to the difference between: (i) the annual revenue  
4 requirement for such facilities that would have resulted if Ameren Missouri's  
5 Commission-authorized ROE and capital structure had been applied and there  
6 had been no CWIP (if applicable), or other FERC Transmission Rate  
7 Incentives, including Abandoned Plant Recovery, recovery on a current basis  
8 instead of capitalizing pre-commercial operations expenses and accelerated  
9 depreciation, applied to such facilities and (ii) the annual FERC-authorized  
10 revenue requirement for such facilities. The ratemaking treatment established  
11 in this provision will, unless otherwise agreed or ordered, end with the  
12 Commission's next order regarding Ameren Missouri's participation in the  
13 Midwest ISO, another RTO, or operation as an ICT. (from paragraph 10.j of  
14 the stipulation and agreement)<sup>10</sup>  
15

16 Q. Do KCPL and GMO acknowledge in their September 30, 2011 Submission Of  
17 Interim Report Regarding Participation In Southwest Power Pool, in File Nos. EO-2006-0142  
18 and EO-2009-0179 that the Missouri Commission has jurisdiction over the transmission  
19 component of KCPL's and GMO's rates to serve their Missouri bundled retail load?

20 A. It is not clear whether KCPL and GMO acknowledge that the Missouri  
21 Commission has jurisdiction to set the transmission component of KCPL's and GMO's rates  
22 to serve their Missouri bundled retail load. The direct testimony filed by KCPL and GMO in  
23 this case does not address this issue; namely, recognition of the jurisdiction of the Missouri  
24 Commission over the rates paid by Missouri bundled retail ratepayers for transmission service  
25 from jurisdictional generation assets.

26 Q. If KCPL and GMO do not acknowledge the Missouri Commission's  
27 jurisdiction of the transmission component of KCPL's and GMO's rates to serve their  
28 Missouri Bundled Retail Load, where is the Missouri Commission's jurisdiction recognized?

29 A. The recognition of the jurisdiction of state commissions relating to ratemaking  
30 authority was set out in the White Paper and has been stated repeatedly by FERC elsewhere

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<sup>10</sup> Paragraph S

1 (e.g. New York v. FERC, Alabama Municipal Electric Authority v. FERC, Order 890). The  
2 FERC recognizes all four of the Service Agreements between a Missouri Commission  
3 regulated electric utility and their respective RTO. These Service Agreements are necessary  
4 to specify that the wholesale rate for transmission service used to provide bundled retail  
5 electric service will be the transmission component of the bundled retail rates set by the state  
6 Commission with retail jurisdiction over the transmission owner. In addition, these Service  
7 Agreements memorialize and expressly state the specific terms and conditions under which  
8 SPP will provide Network Integration Transmission Service to KCPL and GMO to serve its  
9 Missouri bundled retail load.

10 Q. Has there been any change to the Missouri Public Service Commission's  
11 statutory authority to regulate the transmission component of the Companies' Missouri  
12 bundled retail load since the Companies have joined SPP?

13 A. Staff Data Request No. 0005 in this case asked the Companies whether there  
14 were any changes to the Commission's authority to regulate this component. In response, the  
15 Companies stated:

16 With regard to the question about "what has changed the MoPSC's jurisdiction  
17 over Missouri Bundled Retail Load, if anything, between January 27, 2009  
18 when the Stipulation and Agreement in Case No. EO-2009-0179 was filed and  
19 September 30, 2011 when the Submission of Interim Report Regarding  
20 Participation in Southwest Power Pool was filed by KCPL and GMO in Case  
21 Nos. EO-2006-0142 and EO-2009-0179", as far as the Company is aware,  
22 nothing has changed with regard to the Commission's statutory authority.

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1 Q. Do you agree with Mr. Charles J. Locke at page 2, lines 18 through 23, of his  
2 Direct Testimony in File Nos. EO-2012-0135 and EO-2012-0136 that the September 30, 2011  
3 Report shows a positive net benefit related to KCPL and GMO participation in SPP?

4 A. No. As Mr. Locke says on page 13, lines 1 through 3, the September 30, 2011  
5 Report shows a range of benefits from a net detriment of \$4 million for the low case to a net  
6 benefit of \$50 million for the high case. Statistically speaking, the net benefits reported in the  
7 study related to KCPL and GMO participation in SPP would not be significantly different  
8 from zero. However, in response to Staff Data Request No. 0006 in this case, the Companies  
9 stated this range of benefits “is not based on a probabilistic methodology and does not have a  
10 statistical confidence level attached to it.”

11 Q. Does Staff have concerns that statistical confidence, when available from the  
12 studies used to show the composite net benefits, was not properly used?

13 A. Yes. Much of Mr. Okenfuss’s Direct Testimony and the September 30, 2011  
14 Report is word for word the same, except that he excludes the discussion concerning  
15 variability and mean standard errors. On pages 29 and 30 of the September 30, 2011 Report,  
16 the study identifies “tremendous variation in simulation results due to uncertainty in factors  
17 such as fuel prices and unit availability, with each company’s adjusted production costs  
18 varying more than \$100 million between the lowest and highest cases.” The study also states  
19 that the mean standard errors “were more than double the estimated changes in net system  
20 cost.” This implies that the impact on wholesale transactions is not significantly different  
21 from zero, and that it is reasonable, though not definite, that the impact of this component on  
22 the actual average annual benefit for 2014-2017 is detrimental to the Companies. However,

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1 both the September 30, 2011 Report and Mr. Okenfuss's testimony truncate the low estimate  
2 at zero.

3 Q. Does Staff have other concerns with the September 30, 2011 Report?

4 A. Yes. Please see the testimony of Staff expert witness Erin L. Maloney.

5 Q. Do any of your rebuttals to Mr. Okenfuss or Mr. Locke demonstrate that the  
6 continuance of KCPL and GMO participation in SPP is detrimental to the public?

7 A. No.

8 Q. Does Staff have any recommendations for the continuance of KCPL and GMO  
9 participation in SPP?

10 A. Yes. Through my testimony Staff recommends that the Commission grant  
11 KCPL and GMO the authority to continue the transfer of functional control of certain  
12 transmission assets to SPP subject to the following conditions:

13 1) The Commission approves, on an interim basis, the Companies' continued RTO  
14 participation in SPP for a term of five years.

15 2) The Companies shall contact and consult with the parties to this case to identify and  
16 review the additional analysis appropriate and necessary regarding continued participation  
17 in an RTO after the five year term, or its operation with a representative Independent  
18 Coordinator of Transmission ("ICT"). Such study shall examine continued participation  
19 in the SPP versus participation in MISO or, having the SPP, MISO or other entity be the  
20 Companies ICT within an RTO/ISO. What is contemplated, at a minimum, is that this  
21 study will use a full year of empirical data from January 1, 2015 through  
22 December 31, 2015 (after the Integrated Marketplace is operational in March of 2014) in a  
23 review similar to the method of the study attached as Appendix K in the *Submission Of*

1        *Interim Report Regarding Participation In Southwest Power Pool* in File Nos. EO-2006-  
2        0142 and EO-2009-0179. The Companies shall provide, if requested, reasonable details  
3        of the progress and actual analysis to any party to this case that requests such updates or  
4        information.

5        3) The Companies file a pleading, along with the results of the analysis discussed in  
6        paragraph 2 above regarding their continued RTO participation or having another entity  
7        be its representative ICT eighteen months before the end of the five-year term. That  
8        pleading shall also address, among other things, whether the Service Agreement or similar  
9        mechanism for the provision of transmission service to Missouri bundled retail load  
10       should continue to remain in effect between the Companies and any RTO in which the  
11       Companies may participate after the five year term.

12       4) Subject to any applicable privilege recognized by law and the provisions of the  
13       Commission's rule regarding confidential information, Staff and Public Counsel shall be  
14       given meaningful and substantial access to data necessary for, and used in, preparing the  
15       actual analysis in paragraph 2, shall have access to employees or consultants utilized by  
16       the Companies to perform the actual analysis, and shall be given the opportunity to have  
17       meaningful input in the preparation of the actual analysis. The Companies shall  
18       periodically advise and update Staff and the Public Counsel regarding that actual analysis.

19       5) If any difference of opinion regarding the scope, particular details, or preliminary  
20       assumptions that are necessary to and part of any supporting analysis to be performed by  
21       the Companies arises, the Companies shall ultimately have responsibility for, and the  
22       burden of presenting an analysis in support of, whatever position it deems appropriate and  
23       necessary at the time of its filing. Accordingly, the Companies are entitled to maintain a

1 level of independence and control of any such analysis, while other parties retain their  
2 right to oppose the Companies' positions, or to provide alternative positions.

3 6) In addition to the analysis described above, the Companies shall provide annual reports  
4 to Staff, coincident with their annual true-up of Annual Transmission Revenue  
5 Requirements, which provide a comparison between the actual and the forecasted costs of  
6 participation in SPP from their Interim Report submitted in File Nos. EO-2006-0142 and  
7 EO-2009-0179, including but not limited to administration costs, transmission upgrade  
8 costs, cost allocation review factors, transmission congestion analysis, and trade benefits.  
9 Staff recommends the Companies file with this Commission detailed annual explanations  
10 regarding any changes to SPP administrative fees.

11 7) KCPL and GMO shall acknowledge that the Service Agreement's primary function is  
12 to ensure that the Missouri Public Service Commission continues to set the transmission  
13 component of the Companies' rates to serve their bundled retail load. Consistent with  
14 Section 3.1 of the Service Agreement and its primary function, to the extent that the FERC  
15 offers incentive "adders" for participation in an RTO or in an ICT to the rate of return  
16 allowed for providing Transmission Service, as that term is defined in the Service  
17 Agreement, to wholesale customers within the Companies' zone, such incentive adders  
18 shall not apply to the transmission component of rates set for bundled retail load by the  
19 Commission.

20 8) The Service Agreement (unless it is terminated pursuant to its terms) shall continue in  
21 its current form; provided that the Commission may rescind its approval of the  
22 Companies' participation in the SPP and may require the Companies to withdraw from  
23 participation in SPP on any of the following bases:

1 (i) The issuance by FERC of an order, or the adoption by FERC of a final rule or  
2 regulation, binding on the Companies, that has the effect of precluding the  
3 Commission from continuing to set the transmission component of the Companies'  
4 rates to serve its bundled retail load; or

5 (ii) The issuance by FERC of an order, or the adoption by FERC of a final rule or  
6 regulation, binding on the Companies, that has the effect of amending, modifying,  
7 changing, or abrogating in any material respect any term or condition of the Service  
8 Agreement previously approved by the Commission and by FERC.

9 The Companies shall immediately notify the parties if the Companies become aware of  
10 the issuance of any order, rule, or regulation amending, modifying, changing, or  
11 abrogating any term or condition of the Service Agreement. Any party is free to make a  
12 filing with the Commission as a result of an action by FERC as described in this  
13 provision, but must do so within 90 days after the Companies have provided notification  
14 under this provision of such FERC action. Any party not making a filing within the 90-  
15 day time frame shall be deemed to have waived its right to make a filing with the  
16 Commission in response to such FERC action.

17 9) If KCPL or GMO desire to securitize the revenues associated with its transmission  
18 system, it shall obtain additional prior permission and approval from the Commission.

19 10) If KCPL or GMO decide to seek any fundamental change in its membership  
20 participation or membership status in SPP, it shall seek and obtain approval from the  
21 Commission prior to making its filing with the FERC for authorization of that change.

22 11) For transmission facilities located in the Companies' Missouri Commission  
23 certificated service territories that are constructed by an affiliate and that are subject to



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1 regional cost allocation by SPP, for ratemaking purposes in Missouri, the costs allocated  
2 to the Companies by SPP shall be adjusted by an amount equal to the difference between:  
3 (i) the annual revenue requirement for such facilities that would have resulted if the  
4 Companies' Missouri Commission-authorized ROE and capital structure had been applied  
5 and there had been no CWIP (if applicable), or other FERC Transmission Rate Incentives,  
6 including Abandoned Plant Recovery, recovery on a current basis instead of capitalizing  
7 pre-commercial operations expenses and accelerated depreciation, applied to such  
8 facilities and (ii) the annual FERC-authorized revenue requirement for such facilities. The  
9 ratemaking treatment established in this provision will, unless otherwise agreed or  
10 ordered, end with the Commission's next order regarding the Companies' participation in  
11 SPP, another RTO, or operation as an ICT.

12 It is relevant that File Nos. EA-2013-0098 and EO-2012-0367 respecting Transource Missouri  
13 and the Iatan-Nashua and Sibley-Nebraska City 345-kV Transmission Projects are now  
14 pending before the Commission and Staff has rebuttal testimony filed in those cases opposing  
15 the granting of the authority being requested by the Applicants. Charles R. Hyneman has  
16 rebuttal testimony filed in those proceedings which he is adopting in these proceedings and  
17 which is appended to his testimony in these proceedings.

18 Q. Does this conclude your rebuttal testimony?

19 A. Yes.

## Michael Stahlman

### Education

- 2009 M. S., Agricultural Economics, University of Missouri, Columbia.  
2007 B.A., Economics, Summa Cum Laude, Westminster College, Fulton, MO.

### Professional Experience

- 2010 - Regulatory Economist, Missouri Public Service Commission  
2007 – 2009 Graduate Research Assistant, University of Missouri  
2008 Graduate Teaching Assistant, University of Missouri  
2007 American Institute for Economic Research (AIER) Summer Fellowship Program  
2006 Price Analysis Intern, Food and Agricultural Policy Research Institute (FAPRI), Columbia, MO  
2006 Legislative Intern for State Representative Munzlinger  
2005 – 2006 Certified Tutor in Macroeconomics, Westminster College, Fulton, MO  
1998 – 2004 Engineering Watch Supervisor, United States Navy

### Expert Witness Testimony

- Union Electric Company d/b/a AmerenUE GR-2010-0363  
In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Natural Gas Service Provided to Customers in the Company's Missouri Service Area
- Union Electric Company d/b/a Ameren Missouri GT-2011-0410  
In the Matter of the Union Electric Company's (d/b/a Ameren Missouri) Gas Service Tariffs Removing Certain Provisions for Rebates from Its Missouri Energy Efficient Natural Gas Equipment and Building Shell Measure Rebate Program
- KCP&L Great Missouri Operations Company EO-2012-0009  
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism
- Union Electric Company d/b/a Ameren Missouri EO-2012-0142  
In the Matter of Union Electric Company d/b/a Ameren Missouri's Filing to Implement Regulatory Changes Furtherance of Energy Efficiency as Allowed by MEEIA
- Kansas City Power & Light Company EO-2012-0323  
In the Matter of the Resource Plan of Kansas City Power & Light Company
- KCP&L Great Missouri Operations Company EO-2012-0324  
In the Matter of the Resource Plan of KCP&L Greater Missouri Operations Company
- Kansas City Power & Light Company, KCP&L Great Missouri Operations Company, and Transource Missouri EA-2013-0098  
EO-2012-0367  
In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing it to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects

**ATTACHMENT A TO STIPULATION AND AGREEMENT**

**CASE NO. EO-2006-0142**

**AGREEMENT FOR THE PROVISION OF  
TRANSMISSION SERVICE TO MISSOURI BUNDLED RETAIL LOAD**

This AGREEMENT FOR THE PROVISION OF TRANSMISSION SERVICE TO MISSOURI BUNDLED RETAIL LOAD (hereinafter the "Agreement") is entered into as of this 28th day of July 2006, by and between the SOUTHWEST POWER POOL, INC. ("SPP") and Kansas City Power & Light Company ("KCPL"). This Agreement shall be supplemental to the Network Operating Agreement ("NOA") and Service Agreement for Network Integration Transmission Service ("NITSA") to be executed by KCPL and SPP under SPP's Open-Access Transmission Tariff ("OATT") on file with the Federal Energy Regulatory Commission ("FERC"). The transmission service provided by SPP pursuant to the terms and conditions of the NOA and NITSA and any successor transmission service shall hereinafter be referred to collectively as "Network Integration Transmission Service." SPP and KCPL are referred to, jointly, as the "Parties" and, individually, as a "Party."

**WITNESSETH:**

**WHEREAS**, SPP is a FERC-approved Regional Transmission Organization ("RTO") with an open architecture that accommodates various forms of participation by transmission owning utilities; and

**WHEREAS**, KCPL currently maintains an open-access transmission tariff approved by FERC; and

WHEREAS, KCPL currently provides and will continue to provide Bundled Electric Service (including capacity, energy, transmission and distribution) to Missouri Bundled Retail Load pursuant to rates established by the Missouri Public Service Commission ("MoPSC") and in accord with certain tariffs and rate schedules on file with the MoPSC; and

WHEREAS, upon KCPL receiving all necessary regulatory approvals for continued participation in SPP, including the approval of the transfer of functional control of KCPL's transmission facilities pursuant to the Membership Agreement referred to below, KCPL plans to utilize Network Integration Transmission Service from SPP, while this Agreement is in effect, in order to provide the transmission services necessary to furnish Bundled Electric Service to Missouri Bundled Retail Load; and

WHEREAS, the FERC, in various orders<sup>1</sup> and in its White Paper, Wholesale Power Market Platform, issued April 28, 2003 ("White Paper"), contemplated, among other things, that a transmission owner and the RTO in which it holds membership may elect to enter into a service agreement that specifies that the wholesale rate for Transmission Service used to provide bundled retail electric service will be the transmission component of the bundled retail rates set by the state commission with retail jurisdiction over the transmission owner; and

WHEREAS, the Parties hereto desire to codify the specific terms and conditions stated herein under which SPP will provide Network Integration Transmission Service to KCPL to serve its Missouri Bundled Retail Load in addition to the terms and conditions set forth in SPP's NITSA and NOA except as otherwise stated in this Agreement.

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<sup>1</sup> Cleco Power, et al., 103 FERC ¶ 61,272 (2003), and Midwest Indep. Trans. System Operator, Inc., 102 FERC ¶ 61,192 (2003).

**NOW, THEREFORE,** in consideration of the premises and the mutual covenants and agreements herein contained, which each of the Parties hereto acknowledges to be sufficient consideration, SPP and KCPL agree as follows:

#### **ARTICLE I - DEFINITIONS**

Terms not specifically defined in this Article or elsewhere in this Agreement have the same meaning as in the SPP OATT or the SPP Membership Agreement as may be amended from time to time.

**Section 1.1. Bundled Electric Service:** The provision of electric service as a single service that includes all component services (capacity, energy, transmission and distribution) as distinguished from the provision of electric service where some or all such components are sold and purchased as separate ("unbundled") services.

**Section 1.2 Missouri Bundled Retail Load:** The load of retail electric customers of KCPL in the State of Missouri, on whose behalf and to whom KCPL, by statute, franchise, regulatory requirement or contract, has an obligation to provide Bundled Electric Service.

**Section 1.3 SPP Membership Agreement:** The Southwest Power Pool, Inc., Membership Agreement (SPP's Original Volume No. 3), as amended from time to time in accordance with its terms.

**Section 1.4 SPP OATT:** The open-access transmission service tariff of SPP (SPP's FERC Electric Tariff, Fourth Revised Volume No. 1), as amended from time to time.

**ARTICLE II - FILING, EFFECTIVE DATE,  
INITIAL TERM AND TERMINATION**

**Section 2.1** As soon as practicable following the execution of this Agreement, SPP shall file this Agreement with the FERC for acceptance or approval. If FERC accepts this Agreement without conditions or modifications, this Agreement shall become effective on the date upon which KCPL exercises the authorization provided by the Missouri Public Service Commission in Case No. EO-2006-0142 (the "Effective Date"). Each Party shall use its best efforts to gain prompt FERC acceptance or approval of this Agreement without modification or change, and agrees to provide support for this Agreement in public forums and elsewhere.

**Section 2.2** If the FERC accepts this Agreement for filing, but subject to modification or change, and requires a compliance filing by either or both of the Parties, the Parties shall evaluate whether such required compliance filing materially changes or frustrates the intent of this Agreement. If either Party determines, in good faith, that the changes or modifications required by the FERC constitute a material change or may frustrate the intent of the Agreement, the Parties agree to negotiate in good faith to establish new terms and conditions that place the Parties in the same position as bargained for in this Agreement. If within thirty (30) days after the FERC's conditional acceptance of the Agreement, or such other reasonable time period as may be mutually agreed to by the Parties, the Parties have not reached agreement on new terms and conditions or, if the amended Agreement is not subsequently unconditionally approved or accepted by the FERC, the Agreement shall be void, and neither Party shall have further obligations to the other Party hereunder.

**Section 2.3** This Agreement shall remain in effect following the Effective Date for an initial term ending the earlier of: (i) the date that KCPL withdraws from SPP, or (ii) at 12:00:01 a.m., on the date that is seven (7) years after the Effective Date. Subject to the termination provisions of this Section 2.3, the Initial Term shall automatically be extended from year-to-year (a "Renewal Term") unless either Party shall have given the other six (6) months written notice of termination prior to the end of the Initial Term, or the end of any Renewal Term if such notice is given at least six (6) months prior to the term then ending.

**Section 2.4** Nothing in this Agreement shall in any way affect the rights or obligations of KCPL with regard to withdrawal from SPP pursuant to the terms and conditions of the SPP Membership Agreement, Bylaws, and OATT, or any MoPSC Order pertaining to KCPL's participation in SPP. Nor shall anything in this Agreement affect in any way the rights or obligations of SPP to enforce or seek the enforcement of any terms in its Membership Agreement, Bylaws and OATT relating to any withdrawal by KCPL.

**ARTICLE III - RATE FOR  
TRANSMISSION SERVICE TO SERVE MISSOURI BUNDLED RETAIL LOAD**

**Section 3.1** Schedule 9 of the SPP OATT establishes a zonal transmission rate applicable to load within the KCPL pricing zone that is taking Network Integration Transmission Service from SPP. Notwithstanding Schedule 9 and the rates therein, KCPL does not concede that FERC has jurisdiction over the transmission component of Bundled Electric Service provided to Missouri Bundled Retail Load using its own facilities, and does not voluntarily submit to such jurisdiction. KCPL shall not pay the rate set forth in Schedule 9 of the SPP OATT for using its own facilities to serve its

Missouri Bundled Retail Load, but will include Missouri Bundled Retail Load in the total load used to calculate the zonal rate for the KCPL zone. However, this provision shall not eliminate any obligation that KCPL may have to pay applicable charges related to facilities owned by other entities in KCPL's zone.

**Section 3.2** KCPL, when taking transmission service from SPP in order to serve its Missouri Bundled Retail Load, shall not pay ancillary service charges pursuant to Schedules 3, 5 and 6 of the SPP OATT to the extent that KCPL self-provides such ancillary services pursuant to the NITSA consistent with Part III of SPP's OATT. With regard to Schedules 1 and 2, KCPL shall not be required to pay SPP for the portion of those services for which it would receive the revenues from such services. If a portion of the revenues from Schedules 1 and 2 would be distributed to others, KCPL shall be obligated to pay such portion to SPP.

**Section 3.3** Except as otherwise provided in Sections 3.1 and 3.2, KCPL shall be subject to and shall pay to SPP all applicable SPP OATT charges associated with Network Integration Transmission Service taken by KCPL to serve Missouri Bundled Retail Load. Such charges include, but are not limited to, Attachments H, J, K, M, U, V, Z, and AE (pending FERC approval) and Schedules 1A, 4 (to the extent Schedule 4 reflects the energy costs associated with SPP's Energy Imbalance Services market), 11, and 12 of the SPP OATT.

**Section 3.4** As a Network Integration Transmission Service customer of SPP serving its Missouri Bundled Retail Load, KCPL shall be subject to all non-rate related terms and conditions under the SPP OATT applicable to Network Integration Transmission Service.



#### ARTICLE IV - MISCELLANEOUS

**Section 4.1** The obligations of the Parties shall be binding on and inure to the benefit of their respective successors and assigns.

**Section 4.2** A written waiver of a right, remedy or obligation under a provision of this Agreement will not constitute a waiver of the provision itself, a waiver of any succeeding right, remedy or obligation under the provision, or waiver of any other right, remedy, or obligation under this Agreement. Any delay or failure by a Party in enforcing any obligation or in exercising any right or remedy shall not operate as a waiver of it or affect that Party's right later to enforce the obligation or exercise the right or remedy, and a single or partial exercise of a right or remedy by a Party does not preclude any further exercise of it or the exercise of any other right or remedy of that Party.

**Section 4.3** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

**Section 4.4** Every notice, consent or approval required or permitted under this Agreement shall be valid only if in writing, delivered personally or by mail, confirmed facsimile, or commercial courier, and sent by the sender to each other Party at its address or number below, or to such other address or number as each Party may designate by notice to the other Party. A validly given notice, consent or approval will be effective when received if delivered personally or by facsimile, or commercial courier, or certified mail with return receipt requested, postage prepaid.

If to KCPL, to:

Vice President - Transmission Services  
1201 Walnut, 21<sup>st</sup> Floor  
Kansas City, Missouri 64106  
Fax No. (816) 556-2924

If to SPP, to:

President  
Southwest Power Pool, Inc.  
415 North McKinley, Suite 140  
Little Rock, Arkansas 72205-3020  
Fax No. (501) 664-9553

**Section 4.5** Upon the reasonable request of the other Party, each Party hereto agrees to take any and all such actions as are necessary or appropriate to give effect to the terms set forth in this Agreement and are not inconsistent with the terms hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

**Kansas City Power & Light Company**

By: Richard A. Spring  
Richard A. Spring  
Vice President – Transmission Services

**Southwest Power Pool, Inc.**

By: Nicholas A. (Nick) Brown  
Nicholas A. (Nick) Brown  
President and CEO

**ATTACHMENT B****AGREEMENT FOR THE PROVISION OF  
TRANSMISSION SERVICE TO MISSOURI BUNDLED RETAIL LOAD**

This AGREEMENT FOR THE PROVISION OF TRANSMISSION SERVICE TO MISSOURI BUNDLED RETAIL LOAD (hereinafter the "Agreement") is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_ 2009, by and between Southwest Power Pool, Inc. ("SPP") and KCP&L Greater Missouri Operations Company ("KCP&L-GMO"). This Agreement shall be supplemental to the Network Operating Agreement ("NOA") and Service Agreement for Network Integration Transmission Service ("NITSA") to be executed by KCP&L-GMO and SPP under SPP's Open-Access Transmission Tariff ("OATT") on file with the Federal Energy Regulatory Commission ("FERC"). The transmission service provided by SPP pursuant to the terms and conditions of the NOA and NITSA and any successor transmission service shall hereinafter be referred to collectively as "Network Integration Transmission Service." SPP and KCP&L-GMO are referred to, jointly, as the "Parties" and, individually, as a "Party."

**WITNESSETH:**

**WHEREAS**, SPP is a FERC-approved Regional Transmission Organization ("RTO") with an open architecture that accommodates various forms of participation by transmission owning utilities; and

**WHEREAS**, KCP&L-GMO currently maintains open-access transmission tariffs approved by the FERC; and

**WHEREAS, KCP&L-GMO currently provides and will continue to provide Bundled Electric Service (including capacity, energy, transmission and distribution) to Missouri Bundled Retail Load pursuant to rates established by the Missouri Public Service Commission ("MoPSC") and in accord with certain tariffs and rate schedules on file with the MoPSC; and**

**WHEREAS, upon KCP&L-GMO receiving all necessary regulatory approvals for continued participation in SPP, including the approval of the transfer of functional control of KCP&L-GMO's transmission facilities pursuant to the Membership Agreement referred to below, KCP&L-GMO plans to utilize Network Integration Transmission Service from SPP, while this Agreement is in effect, in order to provide the transmission services necessary to furnish Bundled Electric Service to Missouri Bundled Retail Load; and**

**WHEREAS, the FERC, in various orders<sup>1</sup> and in its White Paper, Wholesale Power Market Platform, issued April 28, 2003 ("White Paper"), contemplated, among other things, that a transmission owner and the RTO in which it holds membership may elect to enter into a service agreement that specifies that the wholesale rate for transmission service used to provide bundled retail electric service will be the transmission component of the bundled retail rates set by the state commission with retail jurisdiction over the transmission owner; and**

**WHEREAS, the Parties hereto desire to codify the specific terms and conditions stated herein under which SPP will provide Network Integration Transmission Service to KCP&L-GMO to serve its Missouri Bundled Retail Load in addition to the terms and**

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<sup>1</sup> *Cleco Power, et al.*, 103 FERC ¶ 61,272 (2003), and *Midwest Indep. Trans. System Operator, Inc.*, 102 FERC ¶ 61,192 (2003).

conditions set forth in SPP's NITSA and NOA except as otherwise stated in this Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein contained, which each of the Parties hereto acknowledges to be sufficient consideration, SPP and KCP&L-GMO agree as follows:

#### **ARTICLE I - DEFINITIONS**

Terms not specifically defined in this Article or elsewhere in this Agreement have the same meaning as in the SPP OATT or the SPP Membership Agreement as these documents may be amended from time to time.

**Section 1.1. Bundled Electric Service:** The provision of electric service as a single service that includes all component services (capacity, energy, transmission and distribution) as distinguished from the provision of electric service where some or all such components are sold and purchased as separate ("unbundled") services.

**Section 1.2 Missouri Bundled Retail Load:** The load of retail electric customers of KCP&L-GMO in the State of Missouri, on whose behalf and to whom KCP&L-GMO, by statute, franchise, regulatory requirement or contract, has an obligation to provide Bundled Electric Service.

**Section 1.3 SPP Membership Agreement:** The Southwest Power Pool, Inc. Membership Agreement (SPP's Original Volume No. 3), as amended from time to time in accordance with its terms.

**Section 1.4 SPP OATT:** The open-access transmission tariff of SPP (SPP's FERC Electric Tariff, Fifth Revised Volume No. 1), as amended from time to time.

**ARTICLE II - FILING, EFFECTIVE DATE,  
INITIAL TERM AND TERMINATION**

**Section 2.1** As soon as practicable following the execution of this Agreement, SPP shall file this Agreement with the FERC for acceptance or approval. If the FERC accepts this Agreement without conditions or modifications, this Agreement shall become effective on the date upon which KCP&L-GMO exercises the authorization provided by the Missouri Public Service Commission in Case No. EO-2009-0179 (the "Effective Date"). Each Party shall use its best efforts to gain prompt FERC acceptance or approval of this Agreement without modification or change, and agrees to provide support for this Agreement in public forums and elsewhere.

**Section 2.2** If the FERC accepts this Agreement for filing, but subject to modification or change, and requires a compliance filing by either or both of the Parties, the Parties shall evaluate whether such required compliance filing materially changes or frustrates the intent of this Agreement. If either Party determines, in good faith, that the changes or modifications required by the FERC constitute a material change or may frustrate the intent of the Agreement, the Parties agree to negotiate in good faith to establish new terms and conditions that place the Parties in the same position as bargained for in this Agreement. If within thirty (30) days after the FERC's conditional acceptance of the Agreement, or such other reasonable time period as may be mutually agreed to by the Parties, the Parties have not reached agreement on new terms and conditions or, if the amended Agreement is not subsequently unconditionally approved or accepted by the FERC, the Agreement shall be void, and neither Party shall have further obligations to the other Party hereunder.

**Section 2.3** This Agreement shall remain in effect following the Effective Date for an initial term ending the earlier of: (i) the date that KCP&L-GMO withdraws from SPP, or (ii) at 12:00:01 a.m., on October 1, 2013. Subject to the termination provisions of this Section 2.3, the Initial Term shall automatically be extended from year to year (a "Renewal Term") unless either Party shall have given the other six (6) months written notice of termination prior to the end of the Initial Term, or the end of any Renewal Term if such notice is given at least six (6) months prior to the end of that Renewal Term.

**Section 2.4** Nothing in this Agreement shall in any way affect the rights or obligations of KCP&L-GMO with regard to withdrawal from SPP pursuant to the terms and conditions of the SPP Membership Agreement, Bylaws, and OATT, or any MoPSC order pertaining to KCP&L-GMO's participation in SPP. Nor shall anything in this Agreement affect in any way the rights or obligations of SPP to enforce or seek the enforcement of any terms in its Membership Agreement, Bylaws and OATT relating to any withdrawal by KCP&L-GMO.

### **ARTICLE III - RATE FOR TRANSMISSION SERVICE TO SERVE MISSOURI BUNDLED RETAIL LOAD**

**Section 3.1** Schedule 9 of the SPP OATT establishes a zonal transmission rate applicable to load within the KCP&L-GMO pricing zone that is taking Network Integration Transmission Service from SPP. Notwithstanding Schedule 9 and the rates therein, KCP&L-GMO does not concede that the FERC has jurisdiction over the transmission component of Bundled Electric Service provided to Missouri Bundled Retail Load using its own facilities, and does not voluntarily submit to such jurisdiction. KCP&L-GMO shall not pay the rate set forth in Schedule 9 of the SPP OATT for using its own facilities to serve its Missouri Bundled Retail Load, but will include Missouri

Bundled Retail Load in the total load used to calculate the zonal rate for the KCP&L-GMO zone. However, this provision shall not eliminate any obligation that KCP&L-GMO may have to pay applicable charges related to facilities owned by other entities in KCP&L-GMO's zone that are unaffiliated with KCP&L-GMO.

**Section 3.2** KCP&L-GMO, when taking transmission service from SPP in order to serve its Missouri Bundled Retail Load, shall not pay ancillary service charges pursuant to Schedules 3, 5 and 6 of the SPP OATT to the extent that KCP&L-GMO self-provides such ancillary services pursuant to the NITSA consistent with Part III of SPP's OATT. With regard to Schedules 1 and 2, KCP&L-GMO shall not be required to pay SPP for the portion of those services for which it would receive the revenues from such services. If a portion of the revenues from Schedules 1 and 2 would be distributed to others, KCP&L-GMO shall be obligated to pay such portion to SPP.

**Section 3.3** Except as otherwise provided in Sections 3.1 and 3.2, KCP&L-GMO shall be subject to and shall pay to SPP all applicable SPP OATT charges associated with Network Integration Transmission Service taken by KCP&L-GMO to serve Missouri Bundled Retail Load. Such charges include, but are not limited to, Attachments H, J, K, M, U, V, Z, AE, and AK and Schedules 1A, 4 (to the extent Schedule 4 reflects the energy costs associated with SPP's Energy Imbalance Services market), 11, and 12 of the SPP OATT.

**Section 3.4** As a Network Integration Transmission Service customer of SPP serving its Missouri Bundled Retail Load, KCP&L-GMO shall be subject to all non-rate related terms and conditions under the SPP OATT applicable to Network Integration Transmission Service.



#### ARTICLE IV - MISCELLANEOUS

**Section 4.1** The obligations of the Parties shall be binding on and inure to the benefit of their respective successors and assigns.

**Section 4.2** A written waiver of a right, remedy or obligation under a provision of this Agreement will not constitute a waiver of the provision itself, a waiver of any succeeding right, remedy or obligation under the provision, or waiver of any other right, remedy, or obligation under this Agreement. Any delay or failure by a Party in enforcing any obligation or in exercising any right or remedy shall not operate as a waiver of it or affect that Party's right later to enforce the obligation or exercise the right or remedy, and a single or partial exercise of a right or remedy by a Party does not preclude any further exercise of it or the exercise of any other right or remedy of that Party.

**Section 4.3** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

**Section 4.4** Every notice, consent or approval required or permitted under this Agreement shall be valid only if in writing, delivered personally or by mail, confirmed facsimile, or commercial courier, and sent by the sender to each other Party at its address or number below, or to such other address or number as each Party may designate by notice to the other Party. A validly given notice, consent or approval will be effective when received if delivered personally or by facsimile, or commercial courier, or certified mail with return receipt requested, postage prepaid.

If to KCP&L-GMO, to:

Vice President – Transmission Policy, Planning and Compliance  
1201 Walnut, 21<sup>st</sup> Floor  
Kansas City, Missouri 64106  
Fax No. (816) 556-2924

If to SPP, to:

President  
Southwest Power Pool, Inc.  
415 North McKinley, Suite 140  
Little Rock, Arkansas 72205-3020  
Fax No. (501) 664-9553

**Section 4.5** Upon the reasonable request of the other Party, each Party hereto agrees to take any and all such actions as are necessary or appropriate to give effect to the terms set forth in this Agreement and are not inconsistent with the terms hereof.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

**KCP&L Greater Missouri Operations Company**

By: Richard A. Spring  
Richard A. Spring  
Vice President – Transmission Policy,  
Planning and Compliance

**Southwest Power Pool, Inc.**

By: Nicholas A. (Nick) Brown  
Nicholas A. (Nick) Brown  
President and CEO

