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Issue: Transmission and RTO Issues
Witness: Richard A. Spring
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Great Plains Energy Incorporated and
Kansas City Power & Light Company
Case No.: EM-2007-0374
Date Testimony Prepared: November 13, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

SURREBUTTAL TESTIMONY

OF

RICHARD A. SPRING

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
November 2007

KEPL Exhibit No. 25
Case No(s). EM-2007-0374
Date 4-23-08 Rptr RP

SURREBUTTAL TESTIMONY

OF

RICHARD A. SPRING

Case No. EM-2007-0374

1 **Q: Are you the same Richard A. Spring who submitted Direct Testimony in this**
2 **proceeding?**

3 **A: Yes, I am.**

4 **Q: What is the purpose of your testimony?**

5 **A: The purpose of my testimony is to respond to testimony provided by witnesses for the**
6 **City of Independence, Missouri ("Independence") and Dogwood Energy, LLC**
7 **("Dogwood") concerning the Regional Transmission Organization ("RTO") membership**
8 **status of Kansas City Power & Light Company ("KCPL") and Aquila, Inc. ("Aquila")**
9 **and the relevance of that status to this case. I also address concerns raised by**
10 **Independence regarding the potential impact of the merger on transmission availability**
11 **and the possibility of consolidating KCPL's and Aquila's Balancing Authority**
12 **operations.**

13 **Q: What is KCPL's RTO membership status?**

14 **A: KCPL is a full member of the Southwest Power Pool ("SPP"). KCPL's participation in**
15 **the SPP has been approved by the Missouri Public Service Commission ("MPSC"), the**
16 **Kansas Corporation Commission ("KCC"), and the Federal Energy Regulatory**
17 **Commission ("FERC").**

1 **Q: What is Aquila's RTO membership status?**

2 A: Aquila is currently a conditional member of the Midwest Independent Transmission
3 System Operator ("MISO") whereby MISO provides specific transmission security and
4 reliability coordination functions for Aquila. SPP provides Aquila regional transmission
5 tariff administration, available transmission capacity ("ATC"), total transmission capacity
6 ("TTC"), and other regional planning functions. Aquila has an application pending
7 before the MPSC in Case No. EO-2008-0046, requesting authority to transfer functional
8 control of its transmission facilities to MISO ("Aquila MISO Proceeding").

9 **Q: What actions do the witnesses for Independence and Dogwood suggest the MPSC**
10 **take concerning KCPL's and Aquila's RTO status?**

11 A: Dogwood witness Robert Janssen suggests that the MPSC condition its approval of the
12 merger on Aquila joining the SPP. Independence witnesses Paul Mahlberg and Mark
13 Volpe suggest that the MPSC must consider in this case what they describe as the
14 significant cost differences of participation in SPP or MISO.

15 **Q: Is it appropriate to address these issues in this case?**

16 A: No, it is not, particularly in light of the Aquila MISO Proceeding. A full and thorough
17 record is being developed in that case concerning the benefits and costs associated with
18 Aquila's RTO status. In particular, there will be extensive evidence concerning the
19 relative cost-benefit analyses of Aquila joining MISO, SPP, or reverting back to a stand-
20 alone transmission provider. Such evidence is critical for the MPSC's evaluation of
21 which RTO, if any, would best serve Aquila and its customers. The MPSC should
22 decline to consider Aquila's RTO status in this case, and instead permit the record in the

1 Aquila MISO Proceeding to fully develop. Evidentiary hearings in that case have been
2 scheduled for early March 2008.

3 **Q: Is the timing of the evidentiary hearings in the Aquila MISO Proceeding significant?**

4 A: By early March 2008, all of the requests for regulatory approval of the merger will have
5 been determined, and it is possible the merger will have closed. Not only will the MPSC
6 be able to base its decision on a much more fully developed record concerning Aquila's
7 RTO status, but the MPSC will also have much more certainty about the merger itself.
8 For both of these reasons, it makes sense for the MPSC to defer its consideration of
9 Aquila's RTO status to the Aquila MISO Proceeding.

10 **Q: Are Independence and Dogwood participating in the Aquila MISO Proceeding?**

11 A: Yes, they are.

12 **Q: Are you aware of any other forum in which Independence and Dogwood have raised**
13 **the issue of Aquila's RTO status in relation to the proposed merger?**

14 A: Yes, I am. Independence and Dogwood intervened in the application for FERC approval
15 of the merger, Docket Nos. EC07-99-000 and EL07-75-000 ("FERC Merger
16 Proceeding"). Both parties raised the same potential RTO-related cost impact arguments
17 before FERC. Independence requested that FERC condition its approval of the merger
18 on KCPL and Aquila being in a single RTO. Dogwood requested that FERC condition
19 its approval of the merger on Aquila joining the SPP.

20 **Q: Did FERC address their concerns in its order approving the merger?**

21 A: Yes, it did. In its October 19, 2007 order, FERC stated as follows:

22 We will decline the protestors' request to condition our section 203
23 authorization on the Applicants joining a particular RTO. When
24 necessary, the Commission conditions merger authorization in
25 order to address specific, merger-related harm; but no such harm

1 has been identified in this proceeding. Moreover, the Applicants'
2 future RTO status is unclear at this time and therefore, there is no
3 baseline against which to assess merger-related changes to rates.

4 *Great Plains Energy Inc., et al.*, 121 FERC ¶ 61,069 at P 50 (2007).

5 FERC expressly considered Independence's assertions concerning the different cost
6 structures of SPP and MISO, the same issues as those raised in the Rebuttal Testimony of
7 Mark Volpe, Paul Mahlberg, and Robert Janssen in this case. FERC declined to
8 condition the merger on a particular RTO status for KCPL or Aquila.

9 **Q: Independence witness Paul Mahlberg raises concerns regarding KCPL and Aquila**
10 **jointly dispatching their units. Is it necessary to quantify the impact of joint**
11 **dispatch at this time?**

12 **A:** No, it is not. As discussed on page 5 of the Direct Testimony of KCPL witness Dana
13 Crawford, KCPL does not plan to jointly dispatch the combined Aquila and KCPL
14 generation fleet. KCPL plans to operate post-merger with two control areas – one for
15 KCPL and one for Aquila. The decision to combine the two control areas (Balancing
16 Authority operations) into one in order to provide joint dispatch capabilities will be
17 appropriately evaluated after the merger transaction. Moreover, a decision to joint
18 dispatch at some later time will be subject to regulatory review. Consequently, it is
19 unnecessary at this time to attempt to quantify the potential joint dispatch efficiencies for
20 the proposed merger. The applicants have instead focused on a wide range of
21 operational, facility, and staffing synergies.

22 **Q: Are you aware of any other forum in which Independence raised the issue of joint**
23 **dispatch in relation to the proposed merger?**

1 A: Yes, I am. Independence raised the same issues in the FERC Merger Proceeding. As in
2 this case, Independence argued that KCPL and Aquila must quantify the impacts of joint
3 dispatch before being permitted to merge.

4 **Q: Did FERC address Independence's concerns about joint dispatch in its order**
5 **approving the merger?**

6 A: Yes, it did. In response to the same issues raised here, FERC found as follows:

7 Independence's argument that the Commission cannot reasonably
8 conclude that proposed transaction presents neither horizontal nor
9 vertical market power issues without analyzing the possibility of
10 joint dispatch of KCP&L's and Aquila's generation is misplaced.
11 First, our analysis focuses on merger-related effects on
12 competition, and there is no evidence in the record that KCP&L
13 and Aquila plan to engage in joint economic dispatch following the
14 merger. Second, even if KCP&L and Aquila do pursue a joint
15 economic dispatch agreement, Applicants have shown that the
16 merger will not adversely affect competition. Regarding
17 horizontal market power, Applicants' analysis shows that the
18 combination of KCP&L's and Aquila's generation will not
19 materially increase market concentration using the AEC measure,
20 indicating that the merger will not harm competition in the relevant
21 market; thus, even if Applicants do engage in joint dispatch, the
22 merger will not create or enhance the ability to exercise market
23 power. Further, if KCP&L and Aquila do pursue a joint dispatch
24 agreement, they will need to file an operating agreement with the
25 Commission, at which time Independence will have the
26 opportunity to participate in the proceeding and protect its
27 interests. Therefore, we will not require a further analysis of the
28 effect of joint dispatch or condition section 203 approval on
29 Applicants not engaging in joint dispatch, as proposed by
30 Independence.

31 *Great Plains Energy Inc., et al.*, 121 FERC ¶ 61,069 at P 36 (2007).

32 Again, FERC expressly considered the same arguments Independence raises here and
33 denied it the relief it sought.

1 **Q: Dogwood witness Robert Janssen recommends that the MPSC condition its**
2 **approval of the merger on KCPL and Aquila being required to consolidate their**
3 **Balancing Authority operations. Is such a condition appropriate in this case?**

4 **A:** No, it is not. As I have explained above, the MPSC is presently evaluating Aquila's RTO
5 status in a separate proceeding. Moreover, as I explain below, SPP is presently
6 evaluating consolidating Balancing Authority operations within its footprint. Given the
7 significance of these activities, which are properly beyond the scope of the merger
8 application in this case, the MPSC should not direct KCPL and Aquila to consolidate
9 their Balancing Authority operations in this case.

10 **Q: Please describe SPP's activities concerning the consolidation of Balancing Authority**
11 **operations?**

12 **A:** Currently, SPP is developing additional market services beyond the current Energy
13 Imbalance Service ("EIS"). SPP's efforts include consolidating Balancing Authority
14 operations, as well as providing ancillary services and other future market services. With
15 a potential for consolidated Balancing Authority service across the SPP footprint,
16 participating members would achieve a number of benefits including, among other
17 things, additional generation efficiencies due to joint economic generator dispatching and
18 shared spinning reserves. KCPL continues to support SPP in its development of a fully
19 operational, consolidated Balancing Authority market function with the anticipation of
20 participating in such region-wide consolidated Balancing Authority services given the
21 determination of an appropriate level of operational efficiencies and benefits to our
22 customers. Until that process is complete, it would be premature and potentially

1 redundant for KCPL and Aquila to pursue consolidation of their Balancing Authority
2 operations.

3 **Q: Independence witness Paul Mahlberg raises a concern about the merger's impact on**
4 **transmission availability. Please discuss the potential for any such impacts.**

5 A: KCPL and Aquila provide transmission service through the SPP Open Access
6 Transmission Tariff ("SPP OATT"). Consequently, SPP is the transmission service
7 provider and as such, provides all ATC calculations for the KCPL and Aquila
8 transmission systems. KCPL and Aquila provide technical input to SPP for the ATC
9 calculations such as transmission and substation equipment ratings, line configurations,
10 and other transmission modeling criteria. Since KCPL and Aquila have submitted their
11 transmission systems under the SPP OATT, KCPL and Aquila fulfill specific FERC
12 Order 888 and more recently Order 890 obligations for offering open-access, non-
13 discriminatory transmission service to their customers. As stated in previous direct
14 testimony, the combined organization will continue to provide transmission service
15 through a single RTO and an associated OATT.

16 **Q: Are you aware of any other forum in which Independence raised concerns about the**
17 **merger's impact on transmission availability?**

18 A: Yes, I am. Independence raised these same issues in greater detail in the FERC Merger
19 Proceeding. In that proceeding, Independence argued that KCPL and Aquila had not
20 adequately evaluated the impact of the merger on transmission availability as part of their
21 market power analysis in support of their application.

22 **Q: Did FERC address Independence's concerns about transmission availability?**

23 A: Yes, it did. In response to Independence's arguments, FERC found as follows:

1 We find that the Applicants have shown that the proposed
2 transaction will not adversely affect competition. Regarding the
3 horizontal combination of generation capacity, Applicants'
4 analysis shows that for all relevant geographic markets, there are
5 no screen failures for AEC, the relevant measure in this case,
6 indicating that it is unlikely that the transmission will harm
7 competition. In addition, the Black Hills Acquisition will not
8 result in the consolidation of generating assets in any relevant
9 market. Given that the proposed transaction does not materially
10 increase the merged firm's market share or market concentration,
11 we conclude that it is not likely to create or enhance Applicants'
12 ability to exercise market power in any wholesale electricity
13 markets. Regarding the vertical combination of upstream
14 transmission and natural gas assets with downstream generating
15 capacity, Applicants have shown that the proposed transaction will
16 not create or enhance the ability or incentive to use control of
17 upstream assets to harm competition in downstream wholesale
18 electricity markets. We reach this conclusion because:
19 (1) Applicants' transmission facilities will be operated pursuant to
20 an OATT, thus ensuring that they cannot be used to frustrate
21 competition in wholesale electricity markets; and (2) there is no
22 overlap between Applicants' natural gas transportation assets and
23 downstream electric generation capacity in any relevant wholesale
24 market. We discuss the specific issues raised by protestors below.

25 Independence argues that Applicants fail to show that
26 Independence will not be affected by decreased transmission
27 availability. However, it does not offer any evidence that less
28 transmission will be available to it. Applicants' transmission
29 system is subject to a Commission-approved OATT, which ensures
30 open access to the transmission system.

31 Regarding merger-related increases in vertical market power, we
32 are not persuaded by Independence's argument. Applicants'
33 transmission facilities are currently and will continue to be
34 operated pursuant to an OATT, thus ensuring that they cannot be
35 used to frustrate competition in wholesale electricity markets.

36 *Great Plains Energy Inc., et al.*, 121 FERC ¶ 61,069 at P 34, 35 and 37 (2007) (footnotes
37 omitted).

38 Again, FERC expressly considered the same arguments Independence raises in this
39 proceeding and denied it the relief it sought. FERC correctly concluded that the merger
40 does not create any transmission availability concerns.

1 Q: Does that conclude your testimony?

2 A: Yes, it does.

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


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 of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Requester Relief)
)
) **Case No. EM-2007-0374**
)
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AFFIDAVIT OF RICHARD A. SPRING

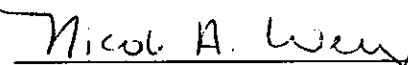
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Richard A. Spring, being first duly sworn on his oath, states:

1. My name is Richard A. Spring. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, Transmission Services.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of nine (9) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Richard A. Spring

Subscribed and sworn before me this 13th day of November 2007.


Notary Public

My commission expires: Feb. 4, 2011

