

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Establishment of a)
Working Case Regarding the Membership of)
Missouri’s Investor-owned Electric Utilities in) File No. EW-2021-0104
Regional Transmission Organizations)

**EVERGY MISSOURI METRO’S AND EVERGY MISSOURI WEST’S
RESPONSE TO ORDER DIRECTING FILING**

COMES NOW, Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”) (collectively, “Evergy” or the “Company”),¹ and, pursuant to the Missouri Public Service Commission’s (“Commission”) “Order”) issued in the above-captioned docket on December 21, 2020 responds as follows:

1. On October 14, 2020, the Commission issued its *Establishment of a Working Case Regarding the Membership of Missouri’s Investor-Owned Electric Utilities in Regional Transmission Organizations*, to determine whether continued membership in an RTO is in the ratepayers’ best interest. The Commission directed Staff to investigate and file its report by June 30, 2021.
2. Evergy appreciates the opportunity and respectfully submits the following comments in response to the questions offered by Staff.

RESPONSES TO QUESTIONS FOR UTILITIES: RTO BENEFITS

3. *For your utility, please identify and describe all direct and indirect benefits that your utility receives from RTO participation.*

RESPONSE: Adjusted Production Cost (APC) Benefits – APC captures the monetary cost associated with fuel prices, run times, grid congestion, ramp rates, energy purchases, energy sales, and

¹ Effective October 7, 2019, Evergy Metro Inc. d/b/a Evergy Missouri Metro adopted the service territory and tariffs of Kansas City Power & Light Company (“KCP&L”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West adopted the service territory and tariffs of KCP&L Greater Missouri Operations Company (“GMO”).

other factors directly related to energy production by generating resources in SPP. APC is calculated by adding a zone's production cost to the zone's purchases and subtracting out their sales.

Reduction of Emission Rates and Values – This metric quantifies the changes in SO₂, NO_x, and CO₂ emissions so they may be represented as stand-alone values, separate from APC.

Savings due to Lower Ancillary Service Needs – Ancillary Services are essential to the reliable operation of the electrical system. A number of operating reserves and products fall into this category—spinning reserves, ramping (up/down), regulation, 10-minute quick start.

Assumed Benefit of Mandated Reliability Projects – Treating benefits for mandated reliability projects equal to their costs avoids potential undervaluing of the portfolio value of reliability projects which are mandated and thus not justified solely by other economic benefits.

Increased Wheeling Through and Out – Increasing the Available Transfer Capacity (ATC) with a neighboring region improves import and export opportunities outside the RTO footprint. Increased inter-regional transmission capacity that causes increased through and out transactions will also increase RTO wheeling revenues. These increased wheeling revenues are a benefit as they will offset part of the transmission projects' revenue requirement.

Mitigation of Transmission Outage Costs – Standard production cost simulations assume that lines and facilities are available during all hours of the year and that no planned or unexpected transmission outages of transmission facilities will occur. In practice, planned and unexpected transmission outages impose non-trivial additional congestion on the system.

Marginal Energy Losses Benefits – Standard production cost simulations used to estimate APC do not reflect that transmission expansions may reduce the MWh quantity of transmission losses. In simulations, loads are “grossed up” for average transmission losses and assume that losses are fixed and do not change with transmission additions.

Benefits from Meeting Public Policy Goals – This metric captures the value of meeting the requirements of public policy.

Cost Savings from Reduced On-peak Transmission Losses – Quantifies the reduction in generating capacity needed due to a reduction on system losses during the peak hour.

Avoided or Delayed Reliability Projects – Potential reliability upgrades are reviewed to determine if an upgrade with a greater economic or policy benefit replaces an identified reliability solution. If such a larger project with economic or public policy benefits is pursued, the costs associated with the reliability projects that are replaced by the larger project represent the avoided or delayed reliability project benefit of the larger project.

Capital Savings from Reduced Minimum Required Reserve Margin -Reliably operating the bulk electric system requires a reserve level of generating capacity. Being an RTO member allows for a lower level of reserve capacity than would be required on a stand-alone utility basis to maintain the same level of reliability.

Reduced Loss of Load Probability – The increased reliability associated with RTO participation reduces the likelihood of not having sufficient resource to reliably serve load.

RTO Services – These savings would include transmission planning, market administration, reliability coordination, and other professional service benefits

4. *For each benefit, please identify the time period over which the utility expects to accrue those benefits. Additionally, please give the utility's best approximation of when each benefit will be experienced. If that benefit is expected to increase or decrease annually over time, please explain what changes would cause the benefit to change.*

RESPONSE: Generally, these benefits would be accrued on an ongoing basis and are not expected to decrease annually over time.

5. *For each benefit, please identify whether or not this benefit can be quantified.*

RESPONSE: The following list of benefits can be quantified:

- Adjusted Production Cost Savings
 - Assumed Benefit of Mandated Reliability Projects
 - Increased Wheeling Through and Out Revenues
 - Mitigation of Transmission Outage Costs
 - Marginal Energy Loss Benefits
 - Cost Savings from On-peak Transmission Losses
 - Avoided or Delayed Reliability Projects
 - Capital Savings from Reduced Minimum Required Reserve Margin
 - Reduced Loss of Load Probability
 - RTO Services
- a. *Can the quantifiable benefits be measured or valued over a certain timeframe?*

RESPONSE: Generally, these benefits would be accrued on an ongoing basis.

- b. *Please identify any discount rates used for measuring future benefits or likelihoods if scenario planning is involved.*

RESPONSE: The discount rate would be the same rate used in each utility's IRP to discount revenue requirements. This rate is based on the weighted average cost of capital.

6. *For each quantifiable benefit, has the utility quantified those benefits since the utility began participation in the RTO? Why or why not? Additionally, please explain how the utility has quantified those benefits, provide any/all workpapers that calculated these benefits, and provide the cost of gathering, analyzing, and interpreting such information.*

RESPONSE: While Evergy has not quantified RTO participation benefits, SPP has conducted a number of studies that quantify benefits and costs. Information from these SPP studies was provided in Docket EO-2012-0135 et al. in Evergy's most recent request for continued participation in SPP. In that Docket, Evergy submitted benefit/cost information from SPP that allocated the system-wide net benefits to the Missouri utilities on a load ratio

share basis. The allocated benefits came from SPP's Value of Transmission Study and SPP's Integrated Marketplace Study. Utility specific results were also provided from SPP's Regional Cost Allocation Review (RCAR II).

SPP has already evaluated the benefits and costs in various studies with Evergy participation in the study processes. This makes any further efforts by Evergy to quantify benefits redundant, unnecessary and an inefficient use of resources.

c. Have any measurable benefits factored into the utility's business plan or performance metrics?

RESPONSE: The benefits and costs of RTO participation are reflected in Company's budgets as ongoing participation is assumed.

7. Please identify how the utility would ideally quantify future benefits of RTO participation. Please provide the cost of gathering, analyzing, and interpreting such information under the ideal scenario. If such information is not reasonably and economically available, what kind of information would the utility propose as a proxy? Please provide the cost of gathering, analyzing, and interpreting such proxy information.

RESPONSE: Ideally, future benefits would be quantified through an analysis of the benefit/cost described in this response. Given the complexity of this analysis, outside consulting support would be required. The likely cost of such a study would be significant depending on the full scope of the study. Given the significant effort required to conduct such a study, the studies conducted by SPP can be used as a proxy to indicate the value of RTO participation.

d. What will drive these future benefits?

RESPONSE: Future benefits will be driven by the same factors as current benefits.

e. Are there any existing benefits that will be eliminated based on upcoming or expected changes at the RTO?

RESPONSE: It is not anticipated that any RTO benefits would be eliminated based on known or expected RTO changes.

8. *For each benefit of RTO participation that is not quantifiable, please explain why it is not quantifiable.*

RESPONSE: Evergy has not identified any monetarily significant benefit that is not quantifiable. Relationships and information exchange with other SPP member utilities may fit into that category of non-quantifiable benefits but are not wholly attributable to SPP participation.

9. *For each non-quantifiable benefit, has your utility placed a monetary value on the benefit? If so, please explain how the monetary value was derived, and provide the cost of gathering, analyzing, and interpreting such information.*

RESPONSE: Evergy has not placed a monetary value on any non-quantifiable RTO participation benefits.

10. *Does your utility receive an adder from FERC for any of its RTO participation? What is the monetary value of those adders?*

RESPONSE: Evergy's Missouri entities do receive a fifty-basis point adder for their participation in the Southwest Power Pool. There is no monetary value of the adder to the utility because of the clawback between the FERC ROE and the Retail ROE in Missouri. If the FERC-authorized ROE is greater than Missouri Commission authorized ROE (which has historically been the case) the effective ROE paid by Missouri retail customers is less than the Missouri Commission authorized ROE. This is a result of the crediting back of revenues received from other transmission customers under the SPP Tariff to retail customers.

11. *How many FTE are there in your utility whose positions solely or mostly involve working with or monitoring or reporting data to the RTO?*

RESPONSE: There are a significant number (more than 50) of positions within Evergy that work with or monitor or report data to SPP as some portion of their responsibilities including in the areas of accounting, metering, power marketing,

transmission planning and regulatory affairs. There is also a significant number of man-hours spent monitoring and contributing to the stakeholder processes within SPP.

12. *What is the cost of those positions or the parts that deal only with the RTO? What is the overall ancillary support budget to maintain these positions?*

RESPONSE: Evergy does not account for the cost portion of each position in its dealing with the RTO and it does not occupy a separate budget line item so it would require a significant effort to determine.

13. *Do you expect the number of employees and the budget in this area to increase over time? Why?*

RESPONSE: The number of employees and the budget in this area should not change significantly up or down over time unless there are significant changes to the structure and operations of SPP.

- a. *Please estimate how the employment needs would change absent RTO membership.*

RESPONSE: There would not be a significant change in employment needs absent RTO membership. Most positions would still be required, and some additional employees would be required to performed tasks currently performed by SPP.

RTO COSTS

14. *For your utility, please identify and describe all costs that your utility incurs from RTO participation.*

RESPONSE: Costs would include:

- Administrative fees – Schedule 1-A fees to cover the costs of operation of the RTO
- RTO Transmission costs – transmission projects approved by SPP with associated costs allocated to Evergy
- Internal labor costs associated with monitoring and reporting data to SPP and monitoring and contributing to the stakeholder processes within SPP.

15. *For each cost, please identify the time period over which the utility expects to incur those costs. Additionally, please give the utility's best approximation of when each cost will be experienced. If that cost is expected to increase or decrease annually over time, please explain what changes would cause the cost to change.*

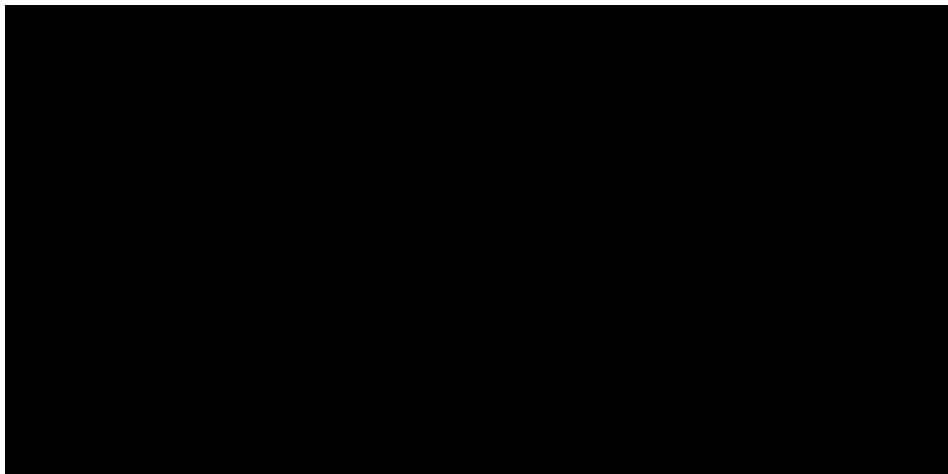
RESPONSE: Cost of administrative fees are annual and expected to remain flat or slightly increase over time. RTO transmission costs are highly dependent on projects to be completed.

16. *For each cost, please identify whether or not this cost can be quantified.*

RESPONSE: Administrative fees and transmission costs are both quantifiable.

17. *For each quantifiable cost, has the utility quantified those costs since the utility began participation in the RTO? Why or why not? Additionally, please explain how the utility has quantified those costs, provide any/all workpapers that calculated these costs, and provide the cost of gathering, analyzing, and interpreting such information.*

RESPONSE: Yes, Evergy quantifies these costs annually for budgeting purposes using a mix of historical information and available projections of costs. The table below includes recent historical costs from SPP for Evergy Metro and Evergy Missouri West.



18. *Please identify how the utility would ideally quantify future costs of RTO participation. Please provide the cost of gathering, analyzing, and interpreting such information under the ideal scenario. If such information is not reasonably and economically available, what kind of information would the utility propose as a proxy? Please provide the cost of gathering, analyzing, and interpreting such proxy information.*

RESPONSE: Evergy currently estimates the next five years of costs for budgeting purposes using a mix of historical information and available projections of costs. The cost of preparing these estimates is minimal.

a. *What will drive these future costs?*

RESPONSE: Transmission expansion projects.

b. *Are there any existing costs that will be eliminated based on upcoming or expected changes at the RTO?*

RESPONSE: No

19. *For each cost of RTO participation that is not quantifiable, please explain why it is not quantifiable.*

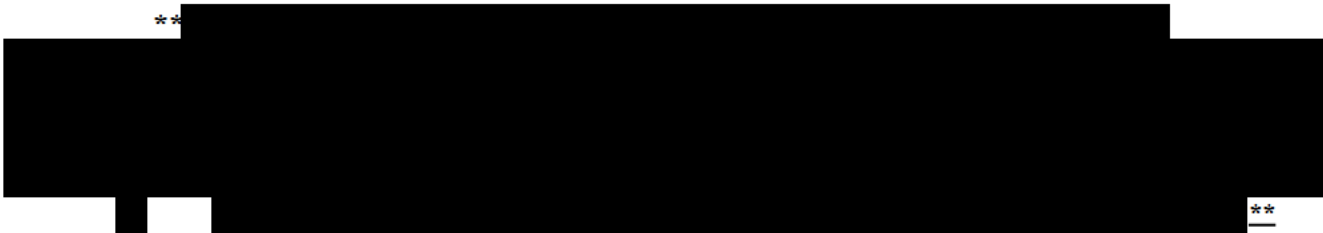
RESPONSE: Evergy has not identified any monetarily significant RTO participation cost that is not quantifiable.

20. *For each non-quantifiable cost, has your utility placed a monetary value on the cost? If so, please explain how the monetary value was derived, and provide the cost of gathering, analyzing, and interpreting such information. - What have been the total cost of the RTO overheads allocated to the utility the past 3 years on an annual basis? What specific benefits are provided for those costs?*

RESPONSE: Evergy has not identified any monetarily significant RTO participation cost that is not quantifiable. Please see the response to question #17 for recent admin and transmission historical costs that cover the benefits included in the response to question #3.

21. *What would be the cost of exiting an RTO? Are offsets to these costs possible? Please provide in graph form if possible from the date your company entered the RTO and the date at which the RTO mandated an exit fee (if these dates are not the same please explain) on a yearly basis the cost of what an exit fee would have been if your company had exited the RTO versus what the estimated benefits received were for those same years.*

RESPONSE: Exit fees would be substantial based on the current SPP Membership Agreement and Bylaws. Offsets to these fees include the ownership stake in SPP's transmission assets. Please see the June 30, 2020 Evergy filing that details the combined exit fee estimate that SPP provided to Evergy.²



RTO Benefit-Cost Study Period

22. *As of now, when would your utility anticipate conditions being favorable to performing a benefit cost study? What would the time period be for that analysis? Please explain what changes to current conditions result in that period being selected. Additionally, are there identifiable events or categories of events that would result in that period being moved forward or back? Please identify and explain.*

RESPONSE: Conditions would not be favorable at this time for performing a benefit cost study given that SPP is in the process of performing its second Value of Transmission study and the third Regional Cost Allocation Review (RCAR) analysis is expected soon allowing Evergy to continue to leverage the work being done by the SPP in evaluating the benefits of RTO participation. As stated previously, given the high cost of

² See, the Application of Kansas City Power & Light Company and 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., filed June 30, 2020; Case No. EO-2012-0135 and EO-2012-0136.

such a study and the known exit fees that would have to be overcome to justify exiting the existing RTO, conditions may never be favorable for performing this type of analysis.

If conducted, it would be expected that this type of study would require a five- to ten-year analysis of future costs and benefits. Anything more than 10 years would likely not be beneficial due to the uncertainties in key drivers of the analysis.

23. *Is there value in the Commission maintaining the conditions in prior orders for utilities to provide benefit-cost studies? What if anything do other states in which a utility or its affiliates operate require for a comparable review?*

RESPONSE: In general, after the initial decision to join an RTO is made and justified, normal circumstances would not lead to a change in benefits or costs significant enough to alter the decision to remain in the RTO. In addition, the benefits that have been described in these comments and previously provided in previous dockets show the significant value that Evergy customers are receiving by the utility being part of SPP. Given this and the fact that utilities have been operating in the RTO for many years now, maintaining the conditions that were put in place when the utility first entered the RTO are not necessary. Evergy also operates in the state of Kansas and Kansas does not require a repetitive evaluation of the benefits of RTO membership. Arkansas is the only other state that Evergy is aware of that requires regular justification of RTO participation (every five years). New Mexico formerly had a similar requirement, but a fifteen-year extension was granted to Southwestern Public Service Company in 2014. Accordingly, Evergy does not believe that continuing to have to proactively seek approval to maintain its SPP membership is of value. SPP also has an active stakeholder process in which the Commission participates, such as the Regional State Committee and other committees, and has visibility to proposals and policy under consideration at SPP that may impact its members such as Evergy.

QUESTIONS FOR ALL STAKEHOLDERS: RTO WITHDRAW EVENTS:

24. *Are there any identifiable “deal breaker” events or categories of events that would make it unreasonable for a Missouri investor-owned utility to remain in their current RTO? If so, please identify the event or category of events. Please provide a recommendation for how to analyze the costs and benefits for each event or category of events*

RESPONSE: A significant change in the RTO footprint/membership might be a cause to trigger a cost/benefit study. The costs and benefits would have to be analyzed given the change in membership (either up or down) and projected transmission expenses. As stated above, the Commission is an active participant in the stakeholder process and such a determination could be addressed at such time.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, to the counsel for all parties of record this 16th day of February 2021.

/s/ Roger W. Steiner

Attorney for Evergy Missouri Metro and
Evergy Missouri West