

Exhibit No.:

Issue: Transmission Access and
Reliability

Witness: Michael S. Proctor

Type of Exhibit: Cross-Surrebuttal

Sponsoring Party: MoPSC Staff

Case No.: EM-2000-292

ON BEHALF OF THE

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

CROSS-SURREBUTTAL TESTIMONY

OF

MICHAEL S. PROCTOR

UTILICORP UNITED INC. AND

ST. JOSEPH LIGHT & POWER COMPANY

CASE NO. EM-2000-292

Jefferson City, Missouri

June, 2000

Exhibit No. 715

Date 7-14-00 Case No. EM-2000-292

Reporter DURBIN

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2 **OF**
3 **MICHAEL S. PROCTOR**
4 **UTILICORP UNITED INC. AND**
5 **ST. JOSEPH LIGHT & POWER COMPANY**
6 **CASE NO. EM-2000-292**
7

8 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

9 A. My name is Michael S. Proctor. My business address is 301 West High St.,
10 P.O. Box 360, Jefferson City, Mo. 65102-0360.

11 **Q. ARE YOU THE SAME MICHAEL S. PROCTOR WHO FILED**
12 **REBUTTAL TESTIMONY IN THIS INSTANT CASE?**

13 A. Yes, I am.

14 **Q. WHAT IS THE PURPOSE OF YOUR CROSS-SURREBUTTAL**
15 **TESTIMONY?**

16 A. The purpose of my cross-surrebuttal testimony is to address some of the issues
17 raised in the rebuttal testimony of Mr. Whitfield A. Russell filed on behalf of Springfield
18 (MO) City Utilities. My cross-surrebuttal testimony focuses on the fundamental policy
19 issue raised by Mr. Russell and the relationship to that policy of the Southwest Power
20 Pool's (SPP's) response to Utilicorp United Inc.'s (UCU's) request for network service.

21 Specifically, at page 11 (lines 9-11) of his rebuttal testimony, Mr. Russell makes a
22 statement that characterizes his position and the policy issue:

23 *The plan preferred by Applicants is not likely to be one that an ISO*
24 *would adopt in seeking to optimize the regional transmission system.*

Cross-Surrebuttal Testimony of
Michael S. Proctor

1 In this statement "the plan" refers to UCU's proposal to electrically connect
2 Missouri Public Service (MPS, a current division of UCU), St. Joseph Light &
3 Power Company (SJLP) and Empire District Electric Company (EDE) so as to
4 form a single control area in which power supply resources are jointly dispatched.

5 Mr. Russell's position is that the UCU proposal is "not likely" to be what
6 is best for the entire region. Therefore, at the heart of Mr. Russell's rebuttal
7 testimony is the fundamental policy issue of whether, as a condition for merger
8 approval, the Commission should adopt a policy of minimizing the costs for the
9 merged entity or take a broader perspective of the public interest in which the cost
10 and the benefits for the entire region are taken into account.

11 **Q. WHAT IS THE SPECIFIC UCU PLAN TO CONNECT MPS,**
12 **SJLP AND EDE AS A SINGLE CONTROL AREA?**

13 A. According to the direct testimony of Mr. Richard C. Kreul, UCU's
14 minimum cost plan for directly connecting MPS to SJLP appears to be leasing,
15 from Kansas City Power & Light Company (KCPL), a 161 kV line connecting
16 UCU's Nashua substation to SJLP's Lake Road substation. [Direct Testimony of
17 Kreul at page 12, instant case]. UCU's minimum cost plan for directly
18 connecting MPS to EDE appears to be the construction of a new 161 kV line
19 connecting UCU's Nevada substation with EDE's Asbury power plant. [Direct
20 Testimony of Kreul at page 11, Case No. EM-2000-369]. With the above
21 upgrade/lease and new construction, UCU's position is that it will be able to
22 jointly dispatch the power supply resources of the three divisions to meet the
23 coincident loads of the three divisions.

Q. WHY IS THIS PLAN OF CONCERN TO MR. RUSSELL?

A. Mr. Russell raises two concerns that are specific to his client, but puts these concerns in a broader context of the public interest throughout the northern SPP region, and, in particular, the other Missouri utilities and retail customers within that region. The concerns to Springfield City Utilities are:

Allowing UCU to jointly dispatch the three divisions will use transmission transfer capability within the region that will not be replaced through the proposed upgrades and construction included in the UCU plan [Rebuttal Testimony of Russell at pages 4-5]. This could negatively impact Springfield City Utilities in two ways:

1. A reduction in transfer capability within the region will make it more difficult for Springfield City Utilities to carry out transactions in the off-system energy markets. This could result in higher cost to its native load customers. [Rebuttal Testimony of Russell at page 13].
2. A reduction in transfer capability within the region may result in higher transmission costs for Springfield City Utilities to transmit power it has purchased from the KCPL Montrose plant, starting in 2001. [Rebuttal Testimony of Russell at page 14].

Of course, these same impacts would apply to any utility or power marketer wanting to transmit power through the northern SPP region, including the Associated Electric Cooperative, Inc.'s transmission system, to which MPS, SJLP and EDE are all directly connected.

Q. DID MR. RUSSELL PRESENT EVIDENCE THAT THE PROPOSED UCU PLAN WOULD REDUCE TRANSFER CAPABILITY WITHIN THE REGION?

A. No. Mr. Russell states that he was not able to do this because of lack of data with respect to the joint dispatch of the combined systems. UCU provided

1 Mr. Russell with the same pre-merger specifications of power supply resources
2 and transmission network ratings that it used and provided to the SPP to be used
3 in its transmission analysis of the entire SPP region. This data would not include
4 a dispatch of power supply resources that corresponds to the joint dispatch of the
5 MPS, SJLP and EDE systems.

6 **Q. DID MR. RUSSELL PERFORM LOAD-FLOW STUDIES**
7 **USING THE DATA PROVIDED BY UCU?**

8 A. Yes, such load-flow studies were performed for the UCU system, but
9 were not performed for the region. These studies appeared to indicate some of the
10 weaknesses that exist in UCU's current system, but this does not address the
11 primary question of UCU's plan for connecting MPS, SJLP and EDE, and its
12 hypothesized impact of reducing transfer capability within the region. Such
13 regional studies would need to be performed using what are called "base case"
14 inputs from all the utilities within the region.

15 **Q. DID UCU HAVE SPP PERFORM A REGIONAL STUDY OF**
16 **LOAD FLOWS WITH RESPECT TO UCU JOINTLY DISPATCHING**
17 **THE MPS, SJLP AND EDE SYSTEMS?**

18 A. Yes, but the study was not based on a joint economic dispatch. In
19 response to my data request, I was provided the SPP study performed in response
20 to UCU's request for network service and UCU's economic analysis of that study.
21 In order to gain a better understanding of the SPP study, I have discussed the
22 details of the study with Mr. Pat Bourne of the SPP Staff and Mr. Dave Macey of
23 the UCU Staff. My understanding is that the SPP study was performed under the

1 assumption that the MPS, SJLP and EDE systems would not be connected.
2 Instead, the study assumed that 200 megawatts of transfer capability between the
3 three systems would be needed to carry out the joint dispatch.

4 In other words, the base case for the SPP study is the same as the
5 information provided to Mr. Russell. From that base case, the SPP study looked
6 at "worse case" scenarios to implement 200 megawatts of transfers. These
7 "worse case" scenarios do not represent the power supply dispatch resulting from
8 a joint economic dispatch of the three systems. Instead, a "worse case" dispatch
9 of power supply resources models the dispatch that has the most detrimental
10 impact on the regional transmission system. The results of running "worse case"
11 dispatch scenarios are likely to be more severe than what would be the impact of
12 running a case where a joint, economic dispatch of the three systems is used.

13 **Q. WHAT WERE THE RESULTS OF THE SPP STUDY?**

14 A. The SPP study showed what transmission system upgrades would be
15 needed in order to restore the security of the regional system to acceptable levels
16 when these "worse case" transfers take place. The UCU request was for ten (10)
17 years of network service, and so the SPP study went out 10 years into the future.
18 The SPP results showed upgrades needed in each year, and presumably, these
19 upgrades would continue out into the future if UCU were to continue taking
20 network service from the SPP. Some of the upgrades were in the UCU post-
21 merger control area, but many of the upgrades were in the control areas of other
22 utilities within the entire SPP region. The net present value cost of the proposed

1 upgrades to the SPP network was found by UCU to be higher than the cost of the
2 UCU plan to connect MPS and the two possible new divisions, SJLP and EDE.

3 **Q. ON WHAT BASIS DOES SPP PROPOSE TO CHARGE UCU**
4 **FOR THE UPGRADES TO THE TRANSMISSION SYSTEMS OF OTHER**
5 **TRANSMISSION PROVIDERS?**

6 A. SPP is proposing to apply incremental cost pricing to UCU. In this
7 approach, UCU would pay the incremental cost of the entire upgrade. For
8 example, if under a "worse case" dispatch, a specific line would operate at 105%
9 of its rating, then the upgrade might be to install a new line (conductor) with a
10 larger capacity. Since conductors come in discrete sizes, the installation of the
11 new line might result in it now operating at 65% of its higher rating. This leaves
12 an additional 35% that can be used by the market, but UCU has paid for the entire
13 upgrade and would not receive any revenues from the market's use of the
14 expanded capacity.

15 **Q. WHAT CONCLUSION FOLLOWS FROM THE SPP REGIONAL**
16 **PLAN BEING HIGHER COST COMPARED TO THE UCU PLAN?**

17 A. If the assumptions going into the SPP regional plan correctly model the
18 impact of combining the MPS, SJLP and EDE systems, then it might first appear that
19 UCU's plan results in reducing the transfer capability within the region as predicted by
20 Mr. Russell. However, because of the assumptions used, the SPP study does not
21 conclusively show this.

1 First, the SPP study did not include the upgrade of the Nashua to Lake Road line
2 or the new Nevada to Asbury line. Thus, the specific impacts of these upgrades to the
3 transmission system were not modeled.

4 Second, the SPP study did not incorporate the assumptions regarding the joint
5 dispatch of the three systems, but instead used "worse case" dispatches for the transfers.

6 Third, with UCU having to pay for the entire upgrade via incremental cost, the
7 cost to UCU does not match the benefits received by UCU and, in effect, UCU is being
8 asked to subsidize the rest of the market.

9 Until corrections are made to both the SPP study and the SPP incremental pricing
10 policy, it is not possible to reach conclusions regarding a comparison of the costs of the
11 two plans.

12 **Q. REGARDING HAVING A SINGLE CONTROL AREA IN WHICH**
13 **THE POWER SUPPLY RESOURCES OF MPS, SJLP AND EDE ARE JOINTLY**
14 **DISPATCHED, SHOULD THE COMMISSION SUPPORT REGION-WIDE**
15 **OPTIMIZATION OF THE TRANSMISSION SYSTEM VERSUS INDIVIDUAL**
16 **COST MINIMIZATION BY THE UCU AS PROPOSED BY MR. RUSSELL?**

17 A. As a general matter, I recommend that the Commission support region-wide
18 optimization of the transmission system, but only when the cost of doing so is properly
19 matched with the benefits. Specifically, with regional pricing policies, such as requiring
20 UCU to pay the full incremental cost without any revenue recovery from the market's use
21 of the incremental transfer capability created by an upgrade, I cannot recommend that the
22 Commission support the SPP proposal for providing UCU network service as a viable
23 alternative. However, I also cannot recommend that the Commission support the UCU

1 proposal for connecting MPS, SJLP and EDE until it is clear that this plan does not have
2 detrimental impacts on the regional grid. In order to determine the impact on the regional
3 grid, the Commission should require UCU to have a region-wide load-flow study
4 performed that models the load-flow impacts of UCU's proposal to connect MPS, SJLP
5 and EDE. Such a study can be requested of the SPP by UCU.

6 **Q. WHAT SPECIFICS SHOULD BE INCLUDED IN THIS REGION-WIDE**
7 **STUDY BY THE SPP?**

8 A. As proposed by Mr. Russell [Rebuttal Testimony of Russell at pages 24-26],
9 that study should incorporate the upgrade of the Nashua to Lake Road line and the
10 construction of the Nevada to Asbury line, and should also incorporate a dispatch of
11 generation that is consistent with the joint dispatch of the MPS-SJLP-EDE system. In
12 this regard, this SPP study would not involve a request for network service, but instead a
13 determination of whether or not UCU's plan to connect MPS, SJLP and EDE meets
14 SPP's regional transmission planning criteria 3.3.2, Planning Assessment Studies
15 [*Southwest Power Pool Criteria*, page 3-2]:

16 Individual transmission owners shall perform individual transmission
17 planning studies and shall cooperate in SPP and Inter-Regional studies. These
18 planning studies are for the purposes of identifying any planning criteria
19 violations that may exist and developing plans to mitigate such violations.
20 Members shall contact the Transmission Assessment Working Group whenever
21 new facilities are in the conceptual planning stage so that optimal integration of
22 any new facilities and potentially benefiting parties can be identified. Studies
23 affecting more than one system owner or user will be conducted on a joint
24 system basis. Reliability studies will examine post-contingency steady-state
25 conditions as well as stability, overload, cascading, and voltage collapse
26 conditions. Updates to the transmission assessments will be performed, as
27 appropriate, to reflect anticipated significant changes in system conditions.

28 Notice that in the above criteria, the utility is required to contact the Transmission
29 Assessment Working Group "whenever new facilities are in the conceptual planning
30 stage." The purpose is to identify the "optimal integration of any new facilities and

1 potentially benefiting parties.” To my knowledge, this process has not yet been followed
2 by UCU for its proposed plan to integrate the MPS, SJLP and EDE systems.

3 **Q. WITH RESPECT TO THIS MERGER, WHAT PROCEDURES**
4 **SHOULD THE COMMISSION FOLLOW REGARDING THIS STUDY?**

5 A. As proposed by Mr. Russell, the Commission should require UCU to file the
6 results of this SPP study in the instant case as supplemental direct testimony by UCU.
7 Then each party should be given no more than four weeks to provide rebuttal testimony,
8 with no more than two weeks for UCU to file surrebuttal. Hearings on this specific issue
9 should then occur.

10 **Q. DOES THIS COMPLETE YOUR CROSS-SURREBUTTAL**
11 **TESTIMONY?**

12 A. Yes, it does.

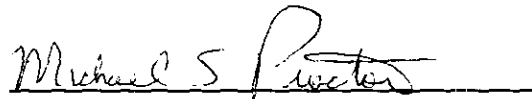
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
UtiliCorp United Inc. and St. Joseph)
Light & Power Company for Authority to)
Merge St. Joseph Light & Power Company) CASE NO. EM-2000-292
With and into UtiliCorp United Inc., and,)
In Connection Therewith, Certain Other)
Related Transactions.)

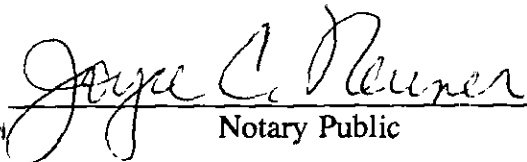
AFFIDAVIT OF MICHAEL S. PROCTOR

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael S. Proctor, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form, consisting of 9 pages of testimony to be presented in the above case, that the answers in the attached written 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 S. Proctor

Subscribed and sworn to before me this 26th day of June, 2000.

Joyce C. Neuner
Notary Public, State of Missouri
County of Osage
My Commission Exp. 05/18/2001

Notary Public
My commission expires _____