Exhibit No.:	
Issue:	Transmission revenues, Transource adjustments, RTO Administration/FERC/NERC fees Transmission in FAC Rate-making for Attachment Z2
Witness:	Don A. Frerking
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Kansas City Power & Light Company
Case No.:	ER-2016-0285
Date Testimony Prepared:	December 30, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

REBUTTAL TESTIMONY

OF

DON A. FRERKING

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
December 2016

Table of Contents

REBUTTAL TESTIMONY

OF

DON A. FRERKING

Case No. ER-2016-0285

Q. Please state your name and business address.

A. Don A. Frerking. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L" or "Company") and serve as Regulatory Analyst – Lead for KCP&L and KCP&L Greater Missouri Operations Company ("GMO").

Q. On whose behalf are you testifying?

A. I am testifying on behalf of KCP&L.

Q. Please state your educational background and describe your professional training and experience.

A. I graduated from the University of Missouri-Columbia in 1986 with a Bachelor of Science degree in Industrial Engineering. I received a Master of Business Administration degree with an emphasis in Finance from the University of Missouri-Columbia in 1987. I am a registered Professional Engineer in the State of Missouri. I have been employed by KCP&L or its one of its affiliates since 1987 in various analytical or managerial roles in the areas of Valuation Engineering, Business Development, Finance and Structuring, Business Planning, and Regulatory Affairs. In my current role in Regulatory Affairs my primary focus is on transmission- and Regional Transmission Organization ("RTO")-related issues at Southwest Power Pool, Inc. ("SPP") and the Federal Energy Regulatory Commission ("FERC").

Q. **Have you previously testified in a proceeding at the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?**

A. Yes. I have testified before the MPSC and the Kansas Corporation Commission ("KCC") on several occasions.

Q. **What is the purpose of your Rebuttal Testimony?**

A. I will address and respond to the following transmission- and RTO-related items in the Staff of the MPSC's ("Staff") Report on Revenue Requirement Cost of Service ("Staff Report"), which contains Staff's Direct Testimony in this case.

- Transmission Revenue – FERC Account 456 (Staff Report, Section VI.C, pages 69-71)
- FERC Assessment (Staff Report, Section VII.E.14.b, page 128)
- Regional Transmission Organization ("RTO") Administrative Fees (Staff Report, Section VII.E.19, pages 133-134)
- Transmission Expense-FERC Account 565 (Staff Report, Section VII.E.20, pages 134-137)
- Transource Adjustments (Staff Report, Section VII.E.27, pages 143-146)

I will also address and respond to Fuel Adjustment Clause ("FAC")-related issues that are specifically related to the inclusion of transmission- and RTO-related items in the FAC. These responses address items in the Staff Report, in the Direct testimony of Missouri Industrial Energy Consumers ("MIEC") witness James R. Dauphinais, and in the Direct testimony of the Office of the Public Counsel ("OPC") witness Lena M. Mantle.

- Inclusion of FERC, NERC, RTO Administration charges in the FAC (Staff Report, Section XI.B.2 pages 166-168 and Direct Testimony of MIEC witness James R. Dauphinais, Section III pages 15-16)
- Inclusion of SPP Base Plan Projects in the FAC (Direct Testimony of OPC witness Lena M. Mantel, pages 9-10)

I will also address the Company's proposed rate-making treatment for historical and on-going revenues and expenses that have resulted from the implementation of Attachment Z2 ("Z2") of the SPP Open Access Transmission Tariff ("OATT"). This response addresses the discussion of Attachment Z2 issues in the Staff Report.

- Rate-making Treatment for Attachment Z2 Credits (Staff Report, Section VII.E.20, pages 136-137)

KCP&L witness John R. Carlson will also provide some background information related to the Attachment Z2 issue in his Rebuttal testimony.

I. TRANSMISSION REVENUE – FERC ACCOUNT 456

Q. What issues would you like to address regarding Transmission Revenue in the Staff Report?

A. Section VI.C of the Staff Report addresses the Staff's position on two transmission revenue adjustments proposed by the Company in its Direct filing in this case.

- Annualized Transmission Revenues (KCP&L Adjustment R-82 & Staff Adjustment Rev-24.1)
- Transmission Revenue ROE (KCP&L Adjustment R-80 & No Staff Adjustment)

A. *Annualized Transmission Revenues (KCP&L Adjustment R-82 & Staff Adjustment Rev-24.1)*

Q. What is Staff's position regarding an annualized level of transmission revenues?

A. The Staff recommended annualizing transmission revenues based on the level of transmission revenues for 12-months-ending June 30, 2016. Staff's Adjustment Rev.24.1 reflects this annualization.

Q. Do you agree with Staff's position on annualizing transmission revenues at the 12-months-ending June 30, 2016 level?

A. No. The Company's position regarding annualized transmission revenues is to utilize an average of 2017-2018 forecasted levels as the basis for the annualized level of transmission revenues to be included in the revenue requirement calculation. This 2017-2018 average forecasted annualized transmission revenue level was calculated in KCP&L Adjustment R-82, as discussed in the Direct testimony of KCP&L witness Ronald A. Klote. The Company will update the 2017-2018 transmission revenue forecast, as appropriate, in the True-up filing in this case. In this way, rates will be set using data that is much closer to the level of transmission revenues that the Company expects to be receiving during the period when the rates set in this case will be in effect.

Q. Is the Company's proposed annualization methodology for transmission revenues consistent with what it is proposing for transmission expenses, RTO Administration charges, and FERC and NERC assessments?

A. Yes. The Company has proposed that all of these transmission-related revenues and expenses are to be included in the FAC at an average of the projected 2017-2018 levels.

Q. Are there any known changes to transmission revenues that would that make it even more appropriate to annualize based on the Company's proposed methodology?

A. Yes. There are several categories of transmission revenues that were somewhat in flux during the test years utilized in the KCP&L's Direct filing and/or Staff's Direct filing. As such, the Company's proposed annualization methodology provides a more appropriate level of on-going transmission revenues. Some of these categories of transmission revenues include;

- SPP Schedule 9 revenues related to Independence Power & Light ("IPL") being included the KCP&L SPP transmission pricing zone (Zone 6),
- revenues related to the Midcontinent Independent System Operator, Inc. ("MISO") compensation to SPP for Available System Capacity Usage in excess of the MISO Contract Path Capacity under the terms of the settlement in FERC Docket No. ER14-1174,
- revenues received under the terms of the SPP Balanced Portfolio Reallocation, and
- revenues related to SPP OATT Attachment Z2.

Q. Can you briefly describe the issues related to the IPL-related Schedule 9 revenues?

A. Yes. Effective June 1, 2015, IPL transferred functional control of its transmission facilities to SPP, and SPP placed IPL, as a Transmission Owner and Network Transmission Customer into the KCP&L SPP transmission pricing zone (Zone 6). As such, KCP&L now receives SPP Schedule 9 revenue from IPL's Network Load. The key issue here is making sure that a true annualized level is included. The test year in

KCP&L's Direct filing (12-months-ended December 31, 2015) would have only included seven (7) months of IPL-related SPP Schedule 9 revenues. The test year in Staff's Direct filing "may" have included more than 12 months of IPL-related SPP Schedule 9 revenues, because the first several months of IPL-related SPP Schedule 9 revenues were received in August of 2015, which "may" have resulted in the June 2015 revenues being included in the 12-months-ended June 30, 2016 utilized by Staff for its test year. KCP&L's proposed methodology allows for a true annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. **Can you briefly describe the issues related to the MISO compensation to SPP for Available System Capacity Usage in excess of the MISO Contract Path Capacity?**

A. Yes. Following the integration of Entergy into MISO on December 19, 2013, flows of energy in excess of the 1000-MW contract path between MISO North and MISO South (Entergy) began to occur. MISO's position was that these flows were acceptable, without compensation, under the terms of the SPP-MISO Joint Operating Agreement ("JOA"). SPP disagreed and filed a complaint at FERC on January 28, 2014. Numerous other parties, including a number of SPP Transmission Owners, filed comments. MISO, SPP, and other parties eventually agreed to a settlement in FERC Docket No. ER14-1174 under which MISO would compensate SPP for Available System Capacity Usage in excess of the MISO Contract Path Capacity. SPP stakeholders subsequently agreed to a methodology under the new Attachment AU of the SPP OATT for SPP to distribute the MISO compensation to SPP Transmission Owners. SPP began distributing the MISO compensation to SPP transmission owners in April 2016, which included the amounts for the historical period (January 29, 2014 – January 31, 2016) prior to the settlement in FERC Docket No. ER14-1174. Several SPP members, however, filed complaints at FERC regarding the Attachment AU distribution methodology. A settlement among the parties in that case has been reached under which the complaining entities will receive a somewhat larger distribution for the historical period (January 29, 2014 – January 31, 2016), but will receive distributions under Attachment AU after January 31, 2016. As a result of this settlement, the historical period amounts that SPP distributed to Transmission Owners in April 2016 are subject to resettlement. The key issue here is making sure that a true annualized level is included for these MISO-related revenues. KCP&L's proposed methodology allows for a true annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. **Can you briefly describe the issues related to revenues received under the terms of the SPP Balanced Portfolio Reallocation?**

A. Yes. The Balanced Portfolio is a specific set of SPP projects that subject to the transmission planning processes discussed in Section IV of Attachment O and the cost allocation discussed in Section IV of Attachment J of the SPP OATT. Under the provisions of Attachments O and J, a zone that does not receive benefits at least equal to that zone's allocated cost for the Balanced Portfolio is made whole by reallocation of that zone's revenue requirements to SPP Transmission Customers on region-wide basis. The Balanced Portfolio Reallocation for the KCP&L zone is now at a level such that the revenue requirements for KCP&L legacy transmission facilities that previously were the responsibility of KCP&L retail customers and other Transmission

Customers in the KCP&L zone are now being reallocated and collected from SPP Transmission Customers on a region-wide basis. This has resulted in an increased level of Transmission for Others revenues. KCP&L's proposed methodology allows for an annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. Can you briefly describe the issues related to revenues related to SPP OATT Attachment Z2?

A. Yes. KCP&L, and other Transmission Owners in SPP, have in the past received revenues from transmission service that should have instead been distributed to Upgrade Sponsors under the provisions of Attachment Z2 of the SPP OATT. With the recent implementation of Attachment Z2, which was delayed for more than eight (8) years due to software/system development issues, those revenues for the historical period from March 2008 through August 2016 have now been clawed-back from of the Transmission Owners that received them and have been redistributed as Z2 credits to the Upgrade Sponsors that were supposed to have received them. These clawed-back revenues will be reflected as "negative" revenues in FERC Account 456.1. Future Z2-related Transmission Owner revenue impacts are expected to be minimal on an on-going monthly basis. I will address the Company's proposed rate-making treatment for both the historical and the on-going Z2-related Transmission Owner revenues in the final section of my Rebuttal testimony. In that section I will also address the Company's proposed rate-making treatment for historical and on-going Z2-related Transmission Customer credits and charges in FERC Account 565. As I previously noted, KCP&L witness Carlson will also provide some background information related to the Attachment Z2 issue in his Rebuttal testimony.

B. ***Transmission Revenue ROE Adjustment (KCP&L Adjustment R-80 & No Staff Adjustment)***

Q. What is Staff's position regarding the Company's proposed ROE adjustment in the transmission revenues received from SPP for other Transmission Customers' use of KCP&L's transmission facilities?

A. Staff recommended that transmission revenues not be adjusted to reflect the differences between MPSC- and FERC-authorized ROEs as was calculated in KCP&L Adjustment R-80 and discussed in the Direct testimony of KCP&L witness Klote.

Q. What is the Company's position regarding Staff's recommendation to not include KCP&L Adjustment R-80 in its revenue requirement calculation?

A. The Company does not agree with Staff's exclusion of adjustment R-80 nor does the Company agree with Staff's flawed rationale for its exclusion of the adjustment. The R-80 adjustment was proposed to correct a situation where the crediting of transmission revenue results in Missouri retail customers paying less than the MPSC-authorized return.

Q. Why does the transmission revenue crediting result in Missouri retail customers paying less than the MPSC has authorized?

A. Under the current Missouri retail ratemaking methodology, all of the Company-owned transmission assets and related expenses are included in the calculation of the gross retail revenue requirement. This gross retail revenue requirement is based on a MPSC-authorized ROE. The transmission revenue crediting occurs when the Company charges other Transmission Customers through the SPP OATT for their use of the Company-owned transmission assets. Because all of the Company-owned transmission assets and related expenses have been included in the gross Missouri retail revenue requirement calculation, transmission revenues received through the SPP OATT for the use of those same Company-owned transmission assets must be credited against the gross retail revenue requirement to arrive at a net retail revenue requirement. The problem with this revenue crediting, however, is that transmission revenues that are being received from other Transmission Customers through the SPP OATT are based on an Annual Transmission Revenue Requirement ("ATRR") calculated in the KCP&L Transmission Formula Rate ("TFR") that is based on a FERC-authorized ROE. The FERC-authorized ROE is different than the MPSC-authorized ROE. When the FERC-authorized ROE is higher than the MPSC-authorized ROE, the transmission revenues from other Transmission Customers that are being credited against the gross retail revenue requirement are greater than that which was calculated in the gross retail revenue requirement. Essentially, Missouri retail customers would be credited back more than they would have been charged. This crediting back of more to Missouri retail customers than was built into their gross retail revenue requirement creates an improper arbitrage situation for Missouri retail customers that is controlled by the MPSC. KCP&L Adjustment R-80 eliminates this improper arbitrage situation.

Q. Can you provide a simple illustrative example of this situation?

A. Yes. The simplified example calculation in Figure 1 below shows how transmission revenue crediting at the FERC-authorized ROE (when the FERC-authorized ROE is greater the MPSC-authorized ROE) results in retail customers effectively paying less than the MPSC-authorized return. In this example, the ROE component of the total transmission revenue requirement at an assumed 9.9% MPSC-authorized ROE would be $9.9 million (line 5 in the MPSC column of Figure 1). In this example, it is assumed that KCP&L retail load is 90% of the total transmission load using the KCP&L transmission facilities and that load for SPP charges to other Transmission Customers for the use of KCP&L transmission facilities is 10% of the total transmission load. Thus, KCP&L retail customers would be expected to pay 90% of the $9.9 million, or $8.91 million (line 8 in the MPSC column of Figure 1). SPP, on behalf of KCP&L, charges other Transmission Customers for their use of KCP&L transmission facilities under the terms of the SPP OATT. Those charges are based on the ATRR in KCP&L's TFR, which includes KCP&L's FERC-authorized ROE of 11.1%. The SPP charges to those other Transmission Customers that are associated with the 11.1 % ROE component of the KCP&L ATRR would be $1.11 million (line 9 in the FERC column of Figure 1). As previously noted, all of the Company-owned transmission assets and related expenses are included in the gross Missouri retail revenue requirement calculation, and the transmission revenues received from SPP charges to other Transmission Customers are credited against the gross retail revenue requirement to arrive at a net retail revenue requirement. The problem is that the full gross retail revenue requirement is calculated using the MPSC-authorized ROE and the transmission revenue credit is based on the FERC-authorized ROE. This problem can be seen in Figure 1 where the transmission revenue credit of $1.11 million (line 11 of Figure 1), which is based on the 11.1% FERC-authorized ROE, is subtracted from the gross retail revenue requirement of $9.9 million (line 10 of Figure 1) that is based on the assumed 9.9% MPSC-authorized ROE. In the example in Figure 1, the resulting net retail revenue available for equity of $8.79 million (line 12 of Figure 1) is less than the $8.91 million (line 8 in the MPSC column of Figure 1) that KCP&L

retail customers would be expected to pay. This results in KCP&L retail customers being effectively only charged for a 9.77% ROE (line 13 of Figure 1) on transmission ratebase rather than the 9.9% ROE for which they should be charged.

Figure 1

Illustrative Transmission Revenue Crediting Example (without R-80 Adjustment)

			MPSC ROE Revenue Requirement	FERC ROE Revenue Requirement
(1)	Transmission Rate Base		$ 200,000,000	$ 200,000,000
(2)	Equity Portion of Capital Structure		50%	50%
(3)	Transmission Rate Base (Equity portion)	(1) x (2)	$ 100,000,000	$ 100,000,000
(4)	Authorized ROE		9.90%	11.10%
(5)	ROE Component of Transmission Revenue Requirement	(3) x (4)	$ 9,900,000	$ 11,100,000
(6)	% of Total Transmission Load - KCP&L Retail		90%	90%
(7)	% of Total Transmission Load - SPP Charges to Others		10%	10%
			100%	100%
(8)	Allocated ROE Revenue Requirement for KCP&L Retail	(5) x (6)	$ 8,910,000	$ 9,990,000
(9)	Allocated ROE Revenue Requirement for SPP Charges to Others	(5) x (7)	$ 990,000	$ 1,110,000
			$ 9,900,000	11,100,000
(10)	Gross ROE Revenue Requirement @ MPSC ROE (9.9%)	MPSC (5)	$ 9,900,000	
(11)	Less: Transmission Revenue Credit @ FERC ROE (11.1%)	FERC (9)	$ 1,110,000	
(12)	Net KCP&L Retail Revenue Available for Equity	(10) - (11)	$ 8,790,000	
(13)	Effective ROE paid by KCP&L Retail Customers	(12) / [(3)*(6)]	**9.77%**	**< Authorized ROE**

Note:
This a simplified calculation for illustrative purposes only. The numbers shown are not necessarily representative of actual KCP&L ratebase, capital structure, load, etc.

Q. How does the R-80 adjustment fix this problem?

A. The R-80 adjustment recalculates the transmission revenues received from other Transmission Customers through the SPP OATT by changing the ROE in the KCP&L TFR to the ROE that KCP&L has requested that the MPSC authorize in this rate case. The adjusted transmission revenues from other Transmission Customers that reflect the ROE requested from the MPSC in this rate case are then credited against the retail revenue requirement. This adjustment fixes the problem and creates a situation where the Missouri retail customers are paying the MPSC-authorized return.

Q. Can you provide a simple illustrative example of how the R-80 adjustment fixes the problem?

A. Yes. The simplified example calculation in Figure 2 below shows how the R-80 adjustment fixes the transmission revenue crediting problem. The calculation in Figure 2 is the same as that in Figure 1 with one exception. Instead of crediting back transmission revenues that are based on the FERC-authorized ROE of 11.1%, the transmission revenue credit (line 11 of Figure 2) is instead based on what the SPP charges to other Transmission Customers for use of KCP&L transmission facilities would be if they had been based on the assumed MPSC-authorized ROE of 9.9% rather than the FERC-authorized ROE of 11.1%. As can be seen in Figure 2, the resulting $8.91 million net retail revenue available for equity (line 12 of Figure 2) is now the same as the $8.91 million (line 8 in the MPSC column of Figure 1) that KCP&L retail customers would be expected to pay. This results in KCP&L retail customers now being appropriately charged for a 9.9% requested MPSC-authorized ROE. If the Commission authorizes a different ROE, then that would be utilized in developing the final revenue requirement and compliance tariff sheets at the conclusion of this case.

Figure 2

Illustrative Transmission Revenue Crediting Example (with R-80 Adjustment)

			MPSC ROE Revenue Requirement	FERC ROE Revenue Requirement
(1)	Transmission Rate Base		$ 200,000,000	$ 200,000,000
(2)	Equity Portion of Capital Structure		50%	50%
(3)	Transmission Rate Base (Equity portion)	(1) x (2)	$ 100,000,000	$ 100,000,000
(4)	Authorized ROE		9.90%	11.1%
(5)	ROE Component of Transmission Revenue Requirement	(3) x (4)	$ 9,900,000	$ 11,100,000
(6)	% of Total Transmission Load - KCP&L Retail		90%	90%
(7)	% of Total Transmission Load - SPP Charges to Others		10%	10%
			100%	100%
(8)	Allocated ROE Revenue Requirement for KCP&L Retail	(5) x (6)	$ 8,910,000	$ 9,990,000
(9)	Allocated ROE Revenue Requirement for SPP Charges to Others	(5) x (7)	$ 990,000	$ 1,110,000
			$ 9,900,000	11,100,000
(10)	Gross ROE Revenue Requirement @ MPSC ROE (9.9%)	MPSC (5)	$ 9,900,000	
(11)	Less: Transmission Revenue Credit **@ MPSC ROE (9.9%)**	MPSC (9)	$ 990,000	
(12)	Net KCP&L Retail Revenue Available for Equity	(10) - (11)	$ 8,910,000	
(13)	Effective ROE paid by KCP&L Retail Customers	(12) / [(3)*(6)]	**9.90% =**	**Authorized ROE**

Note:

This a simplified calculation for illustrative purposes only. The numbers shown are not necessarily representative of actual KCP&L ratebase, capital structure, load, etc.

Q. You also mentioned above that Staff's rationale for not including the R-80 adjustment was flawed. What was Staff's rationale?

A. Staff's rationale for not including the R-80 adjustment, which is discussed on pages 70-71 of Staff's Cost of Service Report, is also shown below:

> As mentioned above, Staff reviewed KCPL's adjustment to reduce transmission revenues for the difference in KCPL's authorized FERC ROE of 11.1% and KCPL's proposed ROE in this case of 9.9%. KCPL received the transmission revenues from SPP for point-to-point and base plan upgrades. The wholesale transmission revenue adjustment is calculated using the Annual Transmission Revenue Requirement (ATRR) using KCPL's authorized FERC ROE of 11.1%, not the 9.9% equity rate of return. The ATTR is used by SPP to allocate revenues and expenses to all transmission owners and transmission customers of SPP. The transmission owners receive allocated revenues based on the ATTR, and the transmission customers are charged for allocated costs based on the ATTR. The ATTR includes incentives such as allowing CWIP in the revenue requirement, ROE adders, etc. KCP&L's authorized FERC ROE of 11.1% includes a base ROE of 10.6% and a ROE adder of 50 basis points for being a member of a regional transmission organization (RTO).

> Other SPP transmission owners submit the ATTR that may include the previously discussed incentives. KCPL will then receive its allocated share of the transmission costs that include incentives. KCP&L's participation in SPP encompasses both the financial impacts of KCPL's ownership of transmission assets and the financial impacts of the use of other SPP members' transmission assets. As discussed in the Transmission Expense section of this report, the financial impact of KCPL's use of other SPP members' transmission assets have resulted in a 372.8% [designated as HC in Staff Report] increase in transmission expense since 2009 and as seen in the table above, the financial impact of KCPL's ownership of transmission assets resulted in a 37% [designated as HC in Staff Report] increase in transmission revenue since 2009. Staff did not make an adjustment to reduce transmission revenues for the difference in KCPL's authorized FERC ROE of 11.1% and its KCPL's proposed ROE of 9.9% and instead reflected the financial impact of both unadjusted transmission revenue and transmission expense. It is Staff's position that KCPL's participation in SPP encompasses both the financial impacts of KCPL's ownership of transmission assets and the financial impacts of the use of other SPP members' transmission assets. Consequently, KCPL customers are entitled to all transmission revenues that offset a part of the significant increases in transmission expense.

NOTE: My Rebuttal testimony does not contain Highly Confidential ("HC") information, but I have included the percentages in the quote above, which were marked as HC in the Staff Report. Staff likely developed these percentages by utilizing detailed information that contained HC information. These percentages can, however, largely be calculated from summary-level information for transmission expenses and revenues that is publicly available in FERC Form 1. For transparency, and to avoid the filing of an otherwise unnecessary HC version, I have included the percentages in this Non-Proprietary version of testimony.

Q. Why is Staff's rationale flawed?

A. First, as a point of clarification, while KCP&L's TFR template has a placeholder for CWIP in ratebase and some of the other ROE incentives mentioned by Staff, KCP&L does not currently have FERC approval to apply those incentives to any projects in its

TFR. The only incentive that KCP&L currently has FERC approval for in its TFR is the 50 basis point ROE adder for being a member of an RTO. The application of any of the other incentives would require KCP&L to get specific FERC approval on a project specific basis.

Q. Is that the main flaw in Staff's rationale?

A. No. The real flaw in Staff's rationale, however, is in the second paragraph of Staff's discussion above where Staff states that they "did not make an adjustment to reduce transmission revenues for the difference in KCPL's authorized FERC ROE of 11.1% and its KCPL's proposed ROE of 9.9% [KCP&L's R-80 Adjustment] and instead reflected the financial impact of both unadjusted transmission revenue and transmission expense." Staff is, thus, suggesting that Transmission <u>for</u> Others revenues in FERC Acct 456.1 should not be adjusted if Transmission <u>by</u> Others expenses in FERC Acct 565 are not adjusted.

Q. Why is that rationale flawed?

A. There are fundamental differences between the Transmission for Others revenues in Account 456.1 and the Transmission by Others expenses in Account 565. These differences are primarily related to which entity owns the transmission facilities and to the jurisdictional rate-making authority and methodology.

Q. Who owns the transmission facilities for which Transmission for Others revenues in Account 456.1 are being received?

A. The Company owns those transmission facilities. The Company receives those transmission revenues when other wholesale transmission customers utilize the Company-owned transmission facilities.

Q. Who owns the transmission facilities for which Transmission by Others expenses in Account 565 are being charged?

A. Those transmission facilities are primarily owned by other transmission-owning companies. The Company is charged transmission expenses for its use, on behalf of its retail customers, of those other transmission-owning companies' transmission facilities.

Q. Your response above noted that the transmission facilities for which Transmission by Others Expenses in Account 565 are being charged are "primarily" owned by <u>other</u> transmission-owning companies. Are, then, some of the charges in Account 565 for the Company's use of Company-owned transmission facilities?

A. Yes. There are some charges in Account 565 related to the Company's use of Company-owned transmission facilities. The Company has, however, adjusted for those in KCP&L Adjustment R-80 by excluding the related revenues from the ROE adjustment. The net result of that exclusion is that the transmission revenues in Account 456.1 for KCP&L's use of KCP&L-owned transmission facilities and the transmission expenses in Account 565 for KCP&L's use of KCP&L-owned transmission facilities offset each other. The net result is that charges to KCP&L retail customers for the use of transmission facilities owned by KCP&L are based on the ROE authorized by the MPSC.

Q. You have explained the ownership differences for the transmission facilities in question as they relate to Transmission for Others revenue vs. Transmission by Others expenses, but you also noted that there are jurisdictional rate-making authority and methodology differences. Please discuss the jurisdictional rate-making authority and methodology for Transmission for Others revenue.

A. The wholesale transmission revenues in Account 456.1 are received based on rates under the jurisdictional authority of FERC and are primarily based on KCP&L's FERC-approved TFR and administered under the FERC-approved SPP OATT. While the MPSC does not have rate-making authority over the rates upon which the wholesale transmission revenues in Account 456.1 are based, it obviously has retail rate-making authority, and those retail rates are based, in part, on the same Company-owned transmission facilities that are also used to generate the wholesale transmission revenues in Account 456.1. That is why Account 456.1 wholesale transmission revenues must be credited against the gross retail revenue requirement to produce a reduced net retail revenue requirement and, thus, avoid double recovery. The problem, however, occurs when the Account 456.1 wholesale transmission revenues that are being credited against the gross retail revenue requirement are based on FERC-approved rates that include a FERC-authorized ROE that is different than the MPSC-authorized ROE. Crediting back more to retail customers than was built into their gross retail revenue requirement, because of differences between FERC- and MPSC-authorized ROEs, creates the improper arbitrage situation that is described above in my testimony. KCP&L Adjustment R-80 eliminates this improper arbitrage situation.

Q. How is the jurisdictional rate-making authority and methodology different for the transmission facilities for which Transmission by Others expenses in Account 565 are being charged?

A. The transmission expenses in Account 565 charged to KCP&L are based on rates under the jurisdictional authority of the FERC and are primarily based on <u>other</u> transmission-owning companies' FERC-approved TFRs and are administered under the FERC-approved SPP OATT. The MPSC does not have rate-making authority over the rates upon which the transmission expenses in Account 565 are based, nor does it have retail rate-making authority over the transmission facilities upon which those charges to KCP&L are based (other than those facilities owned by KCP&L). The MPSC, thus, does not have jurisdiction to authorize the ROE to be used in the rates charged to KCP&L for the use of transmission facilities owned by others. Thus, there is no ROE difference to adjust for, because the FERC-authorized ROEs for those other transmission-owning companies are the only relevant ROEs.

Q. Does KCP&L have the option to pay amounts other than those it is being charged for the use of others transmission facilities?

A. No. KCP&L has no option to pay any other amounts for the allocated use of transmission facilities owned by other Transmission Owners that have been lawfully charged to KCP&L as a Transmission Customer under the FERC-approved SPP OATT. KCP&L is incurring these charges for the use of others' transmission facilities on behalf of its retail customers.

Q. Given these fundamental differences between the Transmission for Others revenues in Account 456.1 vs. Transmission by Others expenses in Account 565, is there any basis for making some sort of ROE adjustment for Transmission by Others expenses in Account 565?

A. No. There is no basis to make such an adjustment to the Transmission by Others expenses recorded in FERC Account 565 that are lawfully incurred by KCP&L as a Transmission Customer under the SPP OATT for the allocated use of transmission facilities that are <u>owned by other</u> Transmission Owners in SPP. Doing so would, in my opinion, constitute an illegal taking.

Q. Is there anything else that is troubling about Staff's rationale regarding KCP&L Adjustment R-80?

A. Yes. Staff notes that Transmission by Others expenses have increased significantly more than Transmission for Others revenues over the period from 2009 to 2015. That certainly is not surprising to the Company, as it has contributed significantly to the regulatory lag that the Company has been experiencing and is precisely the reason that the Company has consistently proposed regulatory mechanisms to deal with the rising Transmission by Others expenses in each of its recent rate cases. What is perhaps more troubling though is that Staff suggests that "(c)onsequently, KCPL customers are <u>entitled to all</u> [emphasis added] transmission revenues that offset a part of the significant increases in transmission expense." Staff seems to be suggesting that because transmission expenses are increasing significantly retail customers are <u>entitled</u> to the improper arbitrage revenues created by crediting back more to them in transmission revenues than was built into their gross retail revenue requirement.

II. FERC ASSESSMENT

Q. What issues would you like to address regarding the FERC Assessment in the Staff Report?

A. Section VII.E.14.b of the Staff Report addresses Staff's position on the FERC Assessment adjustment proposed by the Company in its Direct filing in this case.

- Annualized FERC Assessment – SPP Schedule 12 (KCP&L Adjustment CS-85 & Staff Adjustment E-216.1)

A. *Annualized FERC Assessment – SPP Schedule 12 (KCP&L Adjustment CS-85 & Staff Adjustment E-216.1)*

Q. What is Staff's position regarding an annualized level for the FERC Assessment?

A. The Staff recommended annualizing transmission revenues based on the level of transmission revenues for 12-months-ending June 30, 2016. Staff's Adjustment E-216.1 reflects this annualization.

Q. Do you agree with Staff's position on annualizing the FERC Assessment at the 12 months ending June 30, 2016 level?

A. No. The Company's position regarding the annualized FERC Assessment is to utilize an average of 2017-2018 forecasted levels as the basis for the annualized level of the FERC Assessment to be included in the revenue requirement calculation. This 2017-2018 average forecasted annualized FERC Assessment level was calculated in KCP&L Adjustment CS-85, as discussed in the Direct testimony of KCP&L witness Klote. The Company will update the 2017-2018 FERC Assessment forecast, as appropriate, in the True-up filing in this case. In this way, rates will be set using data that is much closer to the level of the FERC Assessment that the Company expects to be incurring during the period when the rates set in this case will be in effect.

Q. Is the Company's proposed annualization methodology for FERC Assessments consistent with what it is proposing for transmission revenues, transmission expenses, RTO Administration charges, and NERC assessments?

A. Yes. The Company has proposed that all of these transmission-related revenues and expenses are to be included in the FAC at an average of the projected 2017-2018 levels.

Q. Are there any known changes to FERC Assessments that would that make it even more appropriate to annualize based on the Company's proposed methodology?

A. Yes. The FERC Assessment rates are updated on an annual basis. KCP&L's proposed methodology allows for an annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

III. REGIONAL TRANSMISSION ORGANIZATION ("RTO") ADMINISTRATIVE FEES

Q. What issues would you like to address regarding RTO Administration charges and NERC Fees in the Staff Report?

A. Section VII.E.19 of the Staff Report addresses Staff's position on the RTO Administrative Fee adjustment proposed by the Company in its Direct filing in this case.

- Annualized RTO & NERC Fees – SPP Schedule 1-A (KCP&L Adjustment CS-86 & Staff Adjustments E-125.2 and E-132.1)

A. *Annualized RTO & NERC Fees – SPP Schedule 1-A (KCP&L Adjustment CS-86 & Staff Adjustments E-125.2 and E-132.1)*

Q. What is Staff's position regarding an annualized level for the RTO Administration fees?

A. The Staff recommended annualizing the SPP Administration (Schedule 1-A) charge based on the SPP Board-approved Schedule 1-A rate of $0.37/MWh for 2016. The Staff Report also notes that "(i)ncluded in the annualized amount are North American Electric Reliability Corporation ("NERC") fees and Midcontinent Independent System Operator, Inc. ("MISO") RTO administrative fees for point-to-point transmission." It appears from review of workpapers that Staff annualized NERC fees based on 2016 amounts and MISO fees based on 2015 amounts. Staff's Adjustments E-125.2 and E-132.1 reflect this annualization.

Q. Do you agree with Staff's position on annualizing the SPP Schedule 1-A charges based on the 2016 Schedule 1-A rate and Staff's annualization of NERC fees at 2016 levels and MISO fees at 2015 levels?

A. No. The Company's position regarding the annualized SPP and MISO RTO Administration charges and the annualized NERC fees is to utilize an average of 2017-2018 forecasted levels as the basis for the annualized level of RTO Administration charges and NERC fees to be included in the revenue requirement calculation. This annualized level of RTO Administration charges and NERC fees, utilizing the average of 2017-2018 forecasted amounts, was calculated in KCP&L Adjustment CS-86, as discussed in the Direct testimony of KCP&L witness Klote. The Company will update the 2017-2018 RTO Administration charges and NERC fees forecast, as appropriate, in the True-up filing in this case. In this way, rates will be set using data that is much closer to the level of the RTO Administration charges and NERC fees that the Company expects to be incurring during the period when the rates set in this case will be in effect.

Q. **Is the Company's proposed annualization methodology for RTO Administration charges and NERC assessments consistent with what it is proposing for transmission revenues, transmission expenses, and FERC assessments?**

A. Yes. The Company has proposed that all of these transmission-related revenues and expenses are to be included in the FAC at an average of the projected 2017-2018 levels.

Q. **Are there any known changes to the SPP Schedule 1-A rate that would that make it even more appropriate to annualize based on the Company's proposed methodology?**

A. Yes. On September 23, 2016, SPP filed, in FERC Docket No. ER16-2660, a request to increase the Schedule 1-A rate cap in the SPP OATT from $0.39/MWh to $0.43/MWh. FERC accepted the increase in the Schedule 1-A rate cap effective January 1, 2017. On December 6, 2016 the SPP Board approved that a rate of $0.419/MWh be used for Schedule 1-A charges for 2017. KCP&L's proposed methodology allows for an annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. Are there any known changes to NERC Assessments that would that make it even more appropriate to annualize based on the Company's proposed methodology?

A. Yes. The NERC Assessment amounts are updated on an annual basis. The NERC Assessment amounts for 2017 are now known. KCP&L's proposed methodology allows for an annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

IV. TRANSMISSION EXPENSE-FERC ACCOUNT 565

Q. What issues would you like to address regarding Transmission Expense in the Staff Report?

A. Section VII.E.20 of the Staff Report addresses the Staff's position on transmission expense adjustments proposed by the Company in its Direct filing in this case.

- Annualized Transmission by Others Expense (KCP&L Adjustment CS-45 & Staff Adjustment E-129.1)

A. *Annualized Transmission by Others Expense (KCP&L Adjustment CS-45 & Staff Adjustment E-129.1)*

Q. What is Staff's position regarding an annualized level of Transmission by Others expenses?

A. The Staff recommended annualizing transmission by other expenses based on the level of Transmission by Others expenses for 12-months-ending June 30, 2016. Staff's Adjustment E-129.1 reflects this annualization. Staff did, however, note that "(s)ince KCPL's transmission expense has significantly escalated, Staff will review this adjustment in its True-Up audit based on updated events and cost information."

Q. Do you agree with Staff's position on annualizing Transmission by Others expenses at the 12-months-ending June 30, 2016 level, but reviewing and potentially updating as part of its True-Up audit in this case?

A. The Company agrees with Staff's approach to review and potentially update an annualized level of transmission by other expenses during the True-Up. Obviously, what Staff ultimately proposes for an annualized level will determine whether the Company agrees with Staff's proposal. The Company's position regarding annualized transmission by others expenses is to utilize an average of 2017-2018 forecasted levels as the basis for the annualized level of transmission by others expenses to be included in the revenue requirement calculation. This 2017-2018 average forecasted annualized transmission by others level was calculated in KCP&L Adjustment CS-45, as discussed in the Direct testimony of KCP&L witness Klote. The Company will update the 2017-2018 Transmission by Others forecast, as appropriate, in the True-up filing in this case. In this way, rates will be set using data that is much closer to the level of Transmission by Others expenses that the Company expects to be incurring during the period when the rates set in this case will be in effect.

Q. Is the Company's proposed annualization methodology for transmission expenses consistent with what it is proposing for transmission revenues, RTO Administration charges, and FERC and NERC assessments?

A. Yes. The Company has proposed that all of these transmission-related revenues and expenses are to be included in the FAC at an average of the projected 2017-2018 levels.

Q. **Are there any known changes to transmission expenses that would that make it even more appropriate to annualize based on the Company's proposed methodology?**

A. Yes. There are several categories of transmission expenses that were somewhat in flux during the test years utilized in the KCP&L's Direct filing and/or Staff's Direct filing. As such, the Company's proposed annualization methodology provides a more appropriate level of on-going transmission expenses. Some of these categories of transmission expenses include;

- SPP Schedule 9 charges related to Independence Power & Light ("IPL") being included the KCP&L SPP transmission pricing zone (Zone 6), and
- charges and credits related to SPP OATT Attachment Z2 Credits.

Q. **Can you briefly describe the issues related to the IPL-related Schedule 9 charges?**

A. Yes. Effective June 1, 2015, IPL transferred functional control of its transmission facilities to SPP, and SPP placed IPL as a Transmission Owner and Network Transmission Customer into the KCP&L SPP transmission pricing zone (Zone 6). As such, KCP&L now pays SPP Schedule 9 charges for its Network Load's allocated share of the IPL ATRR. The key issue here is making sure that a true annualized level is included. The test year in KCP&L's Direct filing (12-months-ended December 31, 2015) would have only included seven (7) months of IPL-related SPP Schedule 9 charges. The test year in Staff's Direct filing "may" have included more than 12 months of IPL-related SPP Schedule 9 charges, because the first several months of IPL-related SPP Schedule 9 charges were charged in August of 2015, which "may" have resulted in the June 2015 charges being included in the 12-

months-ended June 30, 2016 test year utilized by Staff. A more significant issue, however, is that KCP&L, as an active intervenor, was able to reach a settlement with IPL that resulted in reduced and phased-in IPL ATRR levels in FERC Docket No. ER15-1499. That settlement was filed by the settling parties at FERC on April 27, 2016 and was accepted by FERC on July 28, 2016. As a result of this FERC-accepted settlement, the amounts of the reduced and phased-in IPL ATRRs are now known through May 31, 2019. SPP, however, is still in the process of resettling and refunding to KCP&L the IPL-related Schedule 9 charges to KCP&L prior to the settlement in FERC Docket No. ER15-1499. KCP&L's proposed methodology allows for a true annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. Can you briefly describe the issues related to SPP OATT Attachment Z2 charges and credits?

A. Yes. In the past, KCP&L, as well as other Transmission Customers in SPP, should have paid directly assigned charges and SPP Schedule 11 charges for transmission service under the provisions of Attachment Z2 of the SPP OATT. With the recent implementation of Attachment Z2, which was delayed for more than eight (8) years due to software/system development issues, those directly assigned charges and SPP Schedule 11 charges for the historical period from March 2008 through August 2016 have now been charged to Transmission Customers that were supposed to have paid them. These directly assigned charges and SPP Schedule 11 charges are reflected in FERC Account 565. In addition, Upgrade Sponsors, which include KCP&L, have now been paid Z2 credits that they were due for the historical period from March

2008 through August 2016. These Z2 credits are reflected as “negative” charges in FERC Account 565. Future Z2-related Transmission Customer directly assigned charges and SPP Schedule 11 charges and credits will continue on an on-going monthly basis. I will address the Company’s proposed rate-making treatment for both the historical and the on-going Z2-related Transmission Customer charges and credits in the final section of my Rebuttal testimony. In that section, I will also address the Company’s proposed rate-making treatment for historical and on-going Z2-related Transmission Owner revenue impacts in FERC Account 456.1. As I previously noted, KCP&L witness Carlson will also provide some background information related to the Attachment Z2 issue in his Rebuttal testimony.

V. TRANSOURCE ADJUSTMENTS

Q. What are the Transource Adjustments?

A. As noted in Section VII.E.27 of the Staff Report, KCP&L included in its Direct revenue requirement filing in this case two adjustments related to the Stipulation and Agreement reached by the parties and included in the Commission's Report and Order in File No. EA-2013-0098 ("Transource Missouri CCN Case"). These two adjustments are:

- Transource CWIP/FERC Incentives (KCP&L Adjustment CS-108 & Staff Adjustment E-129.2)
- Transource Account Review (KCP&L Adjustment CS-107 & Staff Adjustments E-199.2 & E-206.2)

Q. What issues would you like to address regarding the Transource Adjustments in the Staff Report?

A. It appears to the Company that Staff is in agreement with KCP&L's adjustment on the second of the two Transource Adjustments, the Transource Account Review adjustment; therefore, the Company has no concerns with Staff's treatment of this adjustment in its Direct filing in this case. I will, thus, only address the Company's concerns regarding the Transource CWIP/FERC Incentives adjustment.

Q. Can you briefly describe the purpose of this Transource CWIP/FERC Incentives adjustment?

A. Yes. As noted in Section VII.E.27 of the Staff Report, this adjustment is intended to address certain rate treatment agreements made by KCP&L and GMO in the Transource Missouri CCN Case. These rate treatment agreements made by KCP&L and GMO are discussed on pages 27-28 of the Commission Report and Order in File No. EA-2013-0098 in Appendix 4, Section 2 and are shown below.

> 2. In particular, Section II(A) of the Stipulation provides for certain rate treatment respecting costs allocated to KCP&L or GMO by SPP involving FERC items such as authorized return on equity ("ROE"), capital structure, construction work in progress ("CWIP"), or other FERC transmission rate incentives for the Iatan-Nashua Project and the Sibley-Nebraska City Project facilities located in KCP&L's and GMO's respective service territories that are constructed by Transource Missouri. KCP&L and GMO have agreed to make these adjustments in all rate cases so long as the transmission facilities are in service.
>
> > <u>A. Rate Treatment – Affiliate Owned Transmission</u>
> >
> > 1. With respect to transmission facilities located in KCP&L certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, KCP&L agrees that for ratemaking purposes in Missouri the costs allocated to KCP&L by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities

> that would have resulted if KCP&L's authorized ROE and capital structure had been applied and there had been no Construction Work in Progress ("CWIP") (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. KCP&L will make this adjustment in all rate cases so long as these transmission facilities are in service.
>
> 2. With respect to transmission facilities located in GMO certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, GMO agrees that for ratemaking purposes in Missouri the costs allocated to GMO by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities that would have resulted if GMO's authorized ROE and capital structure had been applied and there had been no CWIP (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. GMO will make this adjustment in all rate cases so long as these transmission facilities are in service.

Q. What is Staff's position regarding the Transource CWIP/FERC Incentives adjustment?

A. Staff reviewed KCP&L's proposed adjustment and recommended that it be revised in various respects in order to, as they state in the Staff Report, "make it consistent with the Commission's Report and Order in File No. EA-2013-0098."

Q. What revisions did Staff make to the Company's proposed Transource CWIP/FERC Incentives adjustment?

A. As noted on Page 145 of the Staff Report:

> Staff's only recommended change is to the assumed cost of long term debt. Differences in the assumed cost of debt do not result from FERC Transmission Rate Incentives, and therefore should not be included in the difference calculation. KCPL has addressed some of Staff's recommendations in File No. ER-2016-0156 concerning this adjustment. These differences were as follows:
>
> - Depreciation rates – depreciation rate differences between the Missouri and FERC jurisdictions do not result from FERC Transmission Rate Incentives, and therefore should not be included in the difference calculation. KCPL has included no difference in depreciation rates for this adjustment in this case.
>
> - State income tax rates – differences in assumed state income tax rates do not result from FERC Transmission Rate Incentives, and therefore should not be included in the difference calculation. KCPL has included no difference in state income tax rates for this adjustment in this case.
>
> - Allowance for Funds Used During Construction ("AFUDC") – this amount, representing the capitalized financing cost for the projects, was adjusted to reflect KCPL and GMO's actual AFUDC rates over time, adjusted for the additional CWIP balance. KCPL has included the actual AFUDC rates and amounts for this adjustment in this case.
>
> Therefore, Staff's adjustment reflects only the differences related to FERC authorized incentives for the difference of costs allocated to KCPL by SPP. This adjustment is included on Schedule 10 of Staff's KCPL Consolidated Accounting Schedules, Adjustment E-129.2.

Q. Do you agree with Staff that the Company has addressed Staff's recommendations in File No. ER-2016-0156 ("2016 GMO Rate Case") related to depreciation rates, state income tax rates, and AFUDC in the context of this adjustment?

A. Yes. The Company addressed the Staff recommendations related to depreciation rates, state income tax, rates, and AFUDC in the data and adjustments that the Company provided to Staff for use in Staff's Direct filing in this case. Please note that Staff's recommendations were not addressed in KCP&L's Direct filing in this case, because Staff's recommendations in the 2016 GMO Rate Case occurred subsequent to KCP&L's Direct filing in this case. The Company, however, believes that we and Staff are now in agreement on the treatment of depreciation rates, state income tax rates, and AFUDC and that the only remaining point of contention is related to the treatment of the cost of long term debt in the context of this adjustment.

Q. What disagreement do you have with Staff's change regarding the cost of debt?

A. Staff's suggestion that "differences in the assumed cost of long-term debt do not result from FERC Transmission Rate Incentives" is illogical. In Transource Missouri's application in FERC Docket No. ER12-2554, and specifically in the direct testimony of Transource Missouri witness Matt Vermillion, Transource Missouri discussed the risks and challenges that Transource Missouri would face in obtaining financing for each of the Projects and how the rate incentives requested would help support investment grade credit ratings, which in turn would bolster Transource Missouri's ability to obtain debt capital on reasonable terms. The requested, and subsequently approved, rate incentives helped to mitigate lender concerns regarding uncertainties in cash flows. It is highly unlikely that Transource Missouri would have been able to acquire debt financing on as favorable terms as it did without the rate incentives that FERC granted. Staff's adjustment to remove the rate incentives while keeping the debt rates at levels that would likely not have been available to Transource Missouri absent the accompanying rate incentives is inconsistent and, thus, inappropriate.

VI. INCLUSION OF FERC, NERC, RTO ADMINISTRATION CHARGES IN THE FAC

Q. What issues would you like to address regarding the inclusion of RTO Administration charges and FERC assessments in the FAC in the Staff Report and in the Direct testimony of MIEC witness Dauphinais?

A. Section XI.B.2 of the Staff Report addresses Staff's position on the inclusion of transmission charges in the FAC as proposed by the Company in its Direct filing in this case. On page 168 of the Staff Report, Staff specifically addresses the Company's proposed inclusion of RTO Administration charges and FERC assessments in the FAC. Mr. Dauphinais, in Section III of his Direct testimony at pages 15-16, also addresses the Company's proposed inclusion of these charges in the FAC.

Q. What is Staff's position regarding the inclusion of RTO Administration charges and FERC assessments in the FAC?

A. The Staff recommended that RTO Administration charges and FERC assessments be excluded from the FAC. Staff's rationale is that "(t)hese expenses are administrative in nature and are not related to fuel and purchased power expenses." Staff further points to the Commission's Report and Order in Case No. ER-2014-0370, which states that "(t)he Commission finds that these fees are administrative in nature and not directly linked to fuel and purchased power costs. These fees support the operation of SPP and are not needed for KCPL to buy and sell energy to meet the needs of its customers."

Q. Is Mr. Dauphinais' position regarding the inclusion of these charges in the FAC substantially similar to Staff's position?

A. Yes. As such, while I will specifically address the Company's response to Staff's position, these responses should also be considered as responsive to Mr. Dauphinais' position.

Q. Do you agree with Staff's position and the Commission finding in Case No. ER-2014-0370 that RTO Administration charges and FERC assessments are not directly linked and/or not needed for KCP&L to buy and sell energy and, thus, should be excluded from the FAC?

A. No. The RTO Administration charges include charges to facilitate the market and are applied to <u>all</u> Network Integration Transmission Service ("NITS") and Point-to-Point ("PtP") Transmission Service. Likewise, the FERC assessment charges are applied to <u>all</u> energy delivered under NITS and PtP transmission service and to energy delivered under grandfathered transmission service agreements ("GFAs").

Q. Is your rebuttal here a discussion of whether a "portion" of the RTO Administration charges and FERC assessments or "all" of the RTO Administration charges and FERC assessments, as has been proposed by the Company, should be included in the KCP&L FAC?

A. No. That discussion is being addressed by KCP&L witness Tim M. Rush. The issue that I am addressing here is that RTO Administration charges and FERC assessments, whether in part or in total, are properly included in the FAC.

Q. **You mention above that RTO Administration charges are applied to all NITS and PtP transmission service. Can KCP&L buy or sell energy within or outside of SPP without NITS or PtP transmission service and, thus, without the applicable RTO Administration charges?**

A. No.

Q. **Because, as you note, RTO Administration charges are applied to all NITS and PtP transmission service, would KCP&L pay less for RTO Administration charges if it did not make off-system sales and thus did not require transmission service to facilitate those off-system sales?**

A. Yes. In SPP, Administration charges are collected under Schedule 1-A, which is attached to my testimony as Schedule DAF-1. As can be seen in Schedule DAF-1, Schedule 1-A charges are applied to both NITS and PtP transmission service. A reduction in the amount of reserved transmission capacity necessary to accommodate off-system sales would result in lower Schedule 1-A charges.

Q. **You mention above that FERC assessment charges are applied to all energy delivered under NITS, PtP, and GFAs. Can KCPL sell energy within or outside of SPP without incurring these FERC assessments for all energy delivered?**

A. No.

Q. **Because, as you note, FERC assessment charges are applied to all energy delivered under NITS, PtP, or GFAs, would KCP&L pay less for FERC assessments charges if it did not make off-system sales?**

A. Yes. In SPP, FERC assessment charges are collected under Schedule 12, which is attached to my testimony as Schedule DAF-2. As can be seen in Schedule DAF-2, Schedule 12 charges are applied to all energy delivered. A reduction in off-system sales would result in a corresponding reduction in Schedule 12 charges.

VII. INCLUSION OF SPP BASE PLAN PROJECTS IN THE FAC

Q. What issues would you like to address regarding OPC witness Mantle's Direct testimony relating the SPP Base Plan projects??

A. On page 9 at line 21 in her Direct testimony, Ms. Mantle notes that "the current methodology allows KCPL to include in its FAC a portion of the SPP Base Plan project costs." Ms. Mantle suggests that SPP Base Plan project costs, however, should not be included in the FAC and states on page 10 at line 14 in her Direct testimony that "[s]ince these projects are not directly linked [to purchased power or off-system sales], there should be no Base Plan funding included in KCPL's FAC." In attempting to make her point, Ms. Mantle makes a number of inaccurate statements and assertions regarding SPP Base Plan project costs. I will attempt here to correct those inaccurate statements and assertions.

Q. Is your rebuttal here a discussion of whether a "portion" of the SPP transmission costs, as is currently the case, or "all" of the SPP transmission costs, as has been proposed by the Company, be included in KCP&L's FAC?

A. No. That discussion is being addressed by KCP&L witness Rush. The issue that I am addressing here is that SPP Base Plan project costs, whether in part or in total, are properly included in the FAC.

Q. Can you provide a high-level description of the Base Plan projects?

A. Yes. The Base Plan projects have been planned and constructed for the integrated transmission system under the SPP OATT. The Base Plan projects are owned by transmission-owning members in SPP. Many of the Transmission Owners of Base Plan projects are also the Transmission Owners of legacy zonal transmission facilities. The primary difference between the Base Plan projects and the legacy zonal transmission facilities is that Base Plan projects come out of the SPP integrated planning processes, whereas the legacy zonal transmission facilities were primarily planned for and constructed by load serving entities for their load. Because of these differences, Base Plan projects and legacy zonal transmission facilities are subject to different cost allocation under the SPP OATT, and the revenue requirements are recovered through charges under different schedules of the SPP OATT. Legacy zonal transmission facilities and Base Plan projects are, however, all part of the integrated SPP Transmission System.

Q. As part of the integrated SPP Transmission System, are Base Plan project costs then included as part of the NITS and PtP Transmission Service?

A. Yes. Transmission Customers, whether NITS or PtP, must pay for their allocated share of both legacy zonal transmission facilities <u>and</u> Base Plan projects as well as other directly assigned costs.

Q. Can you further discuss the provisions of the SPP OATT that relate to the recovery of Base Plan project costs?

A. Yes. Part V (Sections 40-42) of the SPP OATT discusses the "Recovery of Base Plan Upgrades and Approved Balanced Portfolios." Part V of the SPP OATT is attached to my testimony as Schedule DAF-3.

- Section 40 discusses that Base Plan charges will be assessed under Schedule 11 (Base Plan Zonal Charge and Region-wide Charge) of the SPP OATT.

- Schedule 11 of the SPP OATT is attached to my testimony as Schedule DAF-4.
- Section 41 discusses that Base Plan charges are applicable to NITS customers and to Transmission Owners that are providing transmission service to bundled retail load, or load under Grandfathered Agreements, for which they are not taking NITS PtP Transmission Service under the SPP OATT.
- Section 42 discusses that Base Plan charges are applicable to Transmission Customers taking PtP Transmission Service under the SPP OATT.

Q. Is the applicability of Base Plan charges to NITS also discussed in the part of the SPP OATT that addresses NITS?

A. Yes. Part III (Sections 28-36) of the SPP OATT discusses the "Network Integration Transmission Service." Specifically:

- Sections 34 discuss the "Rates and Charges" for NITS and notes that customers shall pay for any Direct Assignment Facilities, Directly Assigned Upgrade Costs, Ancillary Services, Base Plan Zonal Charges (Schedule 11), Region-wide Charges (Schedule 11) and applicable study costs in addition to applicable zonal charges under Schedule 9. Section 34 of the SPP OATT is attached to my testimony as Schedule DAF-5.

Q. Is the applicability of Base Plan charges to PtP also discussed in the part of the SPP OATT that addresses PtP?

A. Yes. Part II (Sections 13-27) of the SPP OATT discusses the "Point-To-Point Transmission Service." Specifically:

- Sections 25 discusses the "Compensation for Transmission Service" for PtP and notes that customers shall pay any applicable Ancillary Service costs, Wholesale Distribution Service charges (Schedule 10), Base Plan Zonal Charges (Schedule 11), and Region-wide Charges (Schedule 11) in addition to applicable zonal charges for Firm PtP under Schedule 7 or Non-Firm PtP under Schedule 8. Section 25 of the SPP OATT is attached to my testimony as Schedule DAF-6.

Q. On page 9 at line 22 of her Direct testimony Ms. Mantle describes her "understanding" of the charges for Base Plan projects. Is her description an accurate portrayal of the charges for Base Plan projects?

A. No. It is not clear to me exactly what Ms. Mantle is attempting to describe, but it is not an accurate portrayal of the charges for Base Plan projects. What Ms. Mantle seems to be describing is more similar to the description of Sponsored Upgrades, directly assigned Service Upgrades, or Network Upgrades that are part of a Generator Interconnection request. Those upgrades are paid for by the requesting entity, but are <u>eligible</u> for credits under Attachment Z2 of the SPP OATT if there is subsequent use of those upgrades by other Transmission Customers. The costs of those upgrades are not recovered under generally applicable NITS or PtP rates. The revenue requirements for Base Plan projects, however, are charged to Transmission Customers under generally applicable NITS and PtP rates.

Q. In her Direct testimony on page 10 at line 9, Ms. Mantle asks whether Base Plan projects are necessary for KCP&L to purchase power or make off-system sales and asserts that KCP&L's response to OPC Data Request 8009 could not make that link. Do you agree with that assertion?

A. No. I have included OPC Data Request 8009 and KCP&L's response as Schedule DAF-7. The text of KCP&L's response is also shown below:

> The SPP Base Plan Projects have been planned and constructed for the integrated transmission system under the SPP Open Access Transmission Tariff ("OATT"). All Transmission Customers taking transmission service under the SPP OATT are required to pay Base Plan Charges (Zonal and Region-wide) associated with these Base Plan Projects. These Base Plan Charges (Zonal and Region-wide) are assessed to Network Customers, Transmission Owners based on Resident Load, and Transmission Customers taking Point-To-Point Transmission Service under the terms of Schedule 11 of the SPP OATT. A copy of Schedule 11 of the SPP OATT is attached.

Q. It seems clear from that response that Base Plan projects are part of the SPP integrated Transmission System, and that <u>all</u> transmission service (NITS, PtP, and Transmission Owner Resident Load (i.e., GFAs)) must pay charges for Base Plan projects. Just to be clear, can KCP&L purchase power or make off-system sales without NITS, PtP, GFA transmission service?

A. No.

Q. Can KCP&L get NITS, PtP, GFA transmission service that does not utilize and include charges for Base Plan projects?

A. No.

Q. So KCP&L's ability to purchase power or make off-system sales is "directly linked" to Base Plan projects?

A. Yes.

VIII. RATE-MAKING TREATMENT FOR ATTACHMENT Z2 CREDITS

Q. Can you briefly discuss the components of the Attachment Z2-related charges, credits, and revenues for which the Company is proposing this rate-making treatment?

A. Yes, as noted in the Rebuttal testimony of KCP&L witness Carlson and previously in my Rebuttal testimony, Attachment Z2 of the SPP OATT provides for credits to be paid to entities that have been directly assigned costs for Sponsored Upgrades, Service Upgrades, or Network Upgrades that are part of a Generator Interconnection request. The entities that have incurred these directly assigned costs are <u>eligible</u> to receive credits under Attachment Z2 if there are subsequent transmission service requests that could not have been granted "but for" the existence of these upgrades. The crediting process under Attachment Z2 was to have begun in 2008. The implementation, however, was delayed for more than eight (8) years due to software/system development issues. Because of the delay in implementation, SPP only recently was able to inform entities of what their Z2-related payables and/or receivables would be for the historical period (March 2008 – August 2016). In early November 2016, SPP sent the first invoice to SPP Transmission Customers and Transmission Owners that included Z2-related charges, credits, and revenues. That invoice included a net payable/receivable amount for the historical period for KCP&L as a Transmission Customer and a net payable/receivable amount for the historical period for KCPL as a Transmission Owner. That invoice also included the first month of on-going Z2-related charges, credits, and revenues to KCP&L as a Transmission Customer and KCPL as a Transmission Owner.

Q. **You mentioned that SPP invoiced KCP&L and other Transmission Customers and Transmission Owners in early November 2016 for Z2-related charges, credits, and revenues that include amounts for the March 2008 – August 2016 historical period as well as the first month of on-going Z2 amounts. Is the Company proposing different rate-making treatment for the historical vs. on-going amounts?**

A. Yes.

Q. Can you first discuss the proposed rate-making treatment for the on-going Z2-related Transmission Owner revenue impacts?

A. Yes. As I noted previously in my Rebuttal testimony, the Z2-related Transmission Owner revenue impacts are due to revenues that are distributed to Transmission Owners for transmission service that should have been instead distributed to Upgrade Sponsors. These revenues are clawed-back and redistributed to those Upgrade Sponsors as Z2 credits. These clawed-back revenues will be reflected as "negative" revenues in FERC Account 456.1. The future impacts of these Z2-related claw-backs, however, are expected to be minimal on an on-going monthly basis, because the claw-backs will be done after only a few months of lag. On an annualized basis, the revenues improperly distributed to the Transmission Owner and the claw-backs from that Transmission Owner should relatively offset each other. As previously noted, KCP&L has proposed to annualize the transmission revenues based on the average of 2017-2018 forecasted levels. For the purposes of the annualization of transmission revenues, the treatment of the Z2-related revenue claw-backs should be consistent with the amounts in the annualized transmission revenue. Thus, to the extent that improperly distributed revenues are included in the annualized revenue amounts, off-setting amounts of annualized claw-backs should also be included. KCP&L's proposed methodology allows for a true annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. Can you next discuss the proposed rate-making treatment for the on-going Z2-related Transmission Customer charges and credits?

A. Yes. As I noted previously in my testimony, KCP&L as a Transmission Customer will have on-going Z2-related payables and receivables. The on-going Transmission Customer Z2-related payables will include directly assigned charges and SPP Schedule 11 charges. The on-going Z2-related receivables are for Z2 credits that KCP&L will continue to receive that are primarily related to KCP&L's sponsorship of the LaCygne-West Gardner Sponsored Upgrade. The Transmission Customer Z2-related charges (directly assigned charges and SPP Schedule 11 charges) and the Transmission Customer Z2 credits are all booked to FERC Account 565. The Z2 credits are reflected as "negative" charges in FERC Account 565. The Company proposes that the on-going Z2-related charges and credits in FERC Account 565 be annualized using the same methodology that it has proposed for the other Transmission by Others expenses in FERC Account 565, namely that the average of 2017-2018 forecasted levels be utilized for the annualization. KCP&L's proposed methodology allows for a true annualized amount utilizing the most recent information to project for 2017-2018. That annualized amount will be reflected in the Company's True-up filing.

Q. What rate-making treatment is the Company proposing for historical (March 2008 – August 2016) Z2-related amounts?

A. The Company is proposing that for the historical amounts that the net amount of the Transmission Customer and Transmission Owner payables and receivables be included in the cost of service calculation at a level that reflects an amortization of up to nine (9) years, which is roughly consistent with the time period (March 2008 – August 2016) over which the historical Z2 amounts occurred..

Q. Why should the Company be allowed to amortize and include in the cost of service these "historical" amounts?

A. In FERC Docket No. ER16-1341, SPP requested and received FERC approval to waive certain provision of the SPP OATT in order to accommodate the historical Z2 charges and credits. The waiver was necessary because these credits and charges were appropriate under the FERC-approved SPP OATT during that time frame. The charges and credits were not made during that time frame only because the software/systems were not in place to do so. The fact that the systems were not in place does not "relieve" the payment obligations under the SPP Tariff. These are not payments to SPP per se; SPP only facilitates the payments from those entities that "owe" to those entities that are "owed". With FERC approval in FERC Docket No. ER16-1341, these historical charges and credits that were invoiced in early November 2016 were appropriately incurred under the FERC-approved SPP OATT. The Company proposes amortizing these historical amounts rather than having the full amount of historical charges and credits reflected in a single test year.

Q. What is the "net" amount of KCP&L's Transmission Customer and Transmission Owner historical Z2-related payables and receivables that the Company is proposing to be amortized and included in the cost of service?

A. The "net" amount for the historical period is a net payable of $729,772, which is the sum of the following Transmission Customer and Transmission Owner payables and receivables amounts:

- $7,624,003 in Transmission Customer payables for directly assigned and Schedule 11 charges
- $8,988,758 in Transmission Customer receivables for credits primarily resulting from KCP&L's sponsorship of the LaCygne-West Gardner Sponsored Upgrade
- 2,185,821 in Transmission Owner payables primarily related to the claw-back of PtP transmission service revenues that should have been instead paid to Upgrade Sponsors
- $91,294 in Transmission Owner receivables related to increased historical PtP rates resulting from the claw-back of PtP revenues

Assuming that a nine (9) year amortization is applied to the $729,772 historical period "net" payable amount, the resulting annual amortization amount would be $81,086.

Q. Does this conclude your testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2016-0285

AFFIDAVIT OF DON A. FRERKING

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Don A. Frerking, being first duly sworn on his oath, states:

1. My name is Don A. Frerking. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Regulatory Analyst – Lead.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of forty-seven (47) 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.

Don A. Frerking

Subscribed and sworn before me this 30th day of December, 2016.

Nicole A. Wehry

Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200

SCHEDULE 1-A
TARIFF ADMINISTRATION SERVICE

The Transmission Provider shall provide Tariff Administration Service to carry out its responsibilities under this Tariff. The Transmission Customer must purchase this service from the Transmission Provider. The charges for this Service are to be developed as shown below.

1. Administration Charge:

An administration charge shall be applied to all transmission service under this Tariff to cover the Transmission Provider's expenses related to administration of this Tariff. For Point-To-Point Transmission Service this charge shall be up to $0.39 per MW per hour for all capacity reserved. For Network Integration Transmission Service this charge shall be up to $0.39 per MW per hour for the 12 month average of the Transmission Customer's coincident Zonal Demands used to determine the Demand Charges under Schedule 9 multiplied by the number of all hours of the applicable month. The charge per MW per hour shall be the same for Point-To-Point Transmission Service as for Network Integration Transmission Service.

For each calendar year, the Transmission Provider shall establish a rate for this administration charge by dividing projected expenses based on its budget for the calendar year divided by the projected annual Schedule 1-A billing units for the calendar year. The Transmission Provider shall reconcile actuals to budgeted figures and shall adjust charges for the following calendar year to reflect either over or under recoveries of its costs for the prior year to allow the Transmission Provider to recover its actual costs. In projecting and recovering its expenses, the Transmission Provider shall recover 100% of its total expenses through this charge up to the cap of $0.39 per MW per hour for all transmission service under the Tariff.

2. Transmission Service Request Charges:

The Transmission Customer shall pay the Transmission Provider a charge for each new Transmission Service Request as follows:

(i) For Firm Point-To-Point Transmission Service:

Reservations less than one month: $100

Reservations one month or longer: $200

(ii) For Non-Firm Point-To-Point Transmission Service:

Each Reservation: $0.

However, the Transmission Customer shall have this fee rebated to it once the Transmission Customer becomes legally obligated to pay the applicable Firm Point-To-Point Transmission Service charges under this Tariff or if the requested Firm Point-To-Point Transmission Service is denied by the Transmission Provider.

3. Bad Debt Expense:

The Transmission Provider shall include in its charges under this Schedule a component to cover estimated bad debts. The Transmission Provider shall reconcile actuals to estimates and shall adjust future monthly charges to reflect either over or under recoveries.

SCHEDULE 12
FERC ASSESSMENT CHARGE

1. INTRODUCTION

As a public utility, the Transmission Provider is subject to annual charges assessed by the Commission, pursuant to Part 382 of its regulations (the "FERC Assessment"). For each public utility, such assessment is based on the actual megawatt-hours of energy transmitted in interstate commerce during a calendar year, as reported on FERC Form 582. This Schedule 12 provides for recovery of the estimated amount to be assessed by the Commission in the next year for transmission service provided in the current year, with subsequent true-up to actual cost, when such cost is known.

2. APPLICABILITY

This charge shall apply to all energy delivered under Point-To-Point Transmission Service and Network Integration Transmission Service and to all energy delivered to Bundled Retail and Grandfathered Loads to which Section 39.1 of this Tariff applies.

3. RATE CHARGED

The charge factor developed by the Commission in the prior calendar year and applied to energy transmitted in the second prior calendar year shall be applied monthly to all energy delivered under Point-To-Point Transmission Service, Network Integration Transmission Service, and to all energy delivered to Bundled Retail and Grandfathered Loads to which Section 39.1 applies in that month.

SPP shall also include in its bills a True-Up Rate. The True-Up Rate shall be the amount of the Commission assessment billed to the Transmission Provider less the total revenue collected by the Transmission Provider under this Schedule 12 for the second prior year, divided by estimated energy to be transmitted during the current year for all energy delivered under Point-To-Point Transmission Service, Network Integration Transmission Service, and to all energy delivered to Bundled Retail and Grandfathered Loads to which Section 39.1 applies. For the first two years that this FERC Assessment Charge is effective, the True-Up rate shall be zero.

4. BILLING

SPP shall bill Transmission Customers and Transmission Owners covered by Section 39.1 the charges specified under this Schedule in accordance with the procedures in Section 7 of this Tariff.

V. RECOVERY OF COSTS FOR BASE PLAN UPGRADES AND APPROVED BALANCED PORTFOLIOS

40. Base Plan Zonal Charge and Region-wide Charge

The Transmission Provider shall assess Base Plan Zonal Charges and Region-wide Charges specified in Schedule 11 to recover the Base Plan Zonal Annual Transmission Revenue Requirements and the Region-wide Annual Transmission Revenue Requirement.

41. Applicability to Resident Load

Base Plan Zonal Charges and Region-wide Charges shall be determined in accordance with Schedule 11 and assessed to:

(a) Network Customers taking Network Integration Transmission Service to serve their Network Load under the Tariff; and

(b) Transmission Owners providing transmission service to: (i) bundled retail load for which such Transmission Owners are not taking Network Integration Transmission Service or Firm Point-To-Point Transmission Service under the Tariff; and (ii) load being served under Grandfathered Agreements for which such Transmission Owners are not taking Network Integration Transmission Service or Firm Point-To-Point Transmission Service under the Tariff. Load being served under Grandfathered Agreements shall be treated as Resident Load only in the Zone of the Point of Delivery or the point of exit from the SPP Region, as applicable, and shall not be treated as Resident Load if its continuous transmission path includes one or more segments with Firm Point-To-Point Transmission Service under this Tariff.

For the purposes of Schedule 11, the load defined in Sections 41(a) and (b) shall be classified as Resident Load. All entities responsible for reporting Resident Load information to the Transmission Provider, for the purpose of determining charges under Schedule 11, shall provide such information no later than January 25 of each year for the twelve months of the prior calendar year. If January 25 falls on a weekend, the information shall be provided no later than the immediately preceding Friday. The Transmission Provider shall post on its website and/or communicate to the membership of the Markets and Operations Policy Committee the reporting status of the entities responsible for reporting Resident Load information.

42. Applicability to Point-To-Point Transmission Service

Base Plan Zonal Charges and Region-wide Charges shall be determined in accordance with Schedule 11 and assessed to Transmission Customers taking Point-To-Point Transmission Service under the Tariff.

SCHEDULE 11
BASE PLAN ZONAL CHARGE AND REGION-WIDE CHARGE

I. Introduction

Except as provided herein, pursuant to Part V of this Tariff, Base Plan Zonal Charges and Region-wide Charges shall be assessed to Network Customers and, where applicable, Transmission Owners based on Resident Load. Likewise, Base Plan Zonal Charges and the Region-wide Charge shall be assessed to each Transmission Customer taking Point-To-Point Transmission Service under the Tariff based on Reserved Capacity. These charges will be applied only to service taken in whole or in part within the Eastern Interconnection. Western-UGP shall be exempt from the Region-wide Charge under this Schedule 11 in accordance with Section 39.3(e) of this Tariff. For the purpose of determining the Region-wide Load Ratio Shares for application of Schedule 11, transmission of Federal Power-Western-UGP to the Statutory Load Obligations served by Western-UGP shall be excluded from the Transmission Provider's monthly Zone transmission load for Zone 19 used as a component of the divisor for all Zones and from the numerator used for Zone 19. The charges stated in Schedule 11 shall not be changed absent a filing with the Commission.

II. Base Plan Zonal Charges and Region-wide Charge to Resident Load

A. Calculation of Annual Transmission Revenue Requirement

In calculating the Base Plan Zonal Annual Transmission Revenue Requirements and Region-wide Annual Transmission Revenue Requirement, the Transmission Provider shall sum the applicable, Commission-approved annual transmission revenue requirements for upgrades eligible for cost recovery under this Schedule 11, as allocated in accordance with Attachment J of this Tariff. Subject to the limitations in subsections 1 and 2 below, such annual transmission revenue requirements shall be reduced by the previous calendar year’s amount of (i) point-to-point revenue received by each Transmission Owner resulting from charges under Section III of this Schedule 11 and (ii) revenue distributed to each Transmission Owner under Section IV of Attachment AU and allocated in proportion to Point-To-Point Transmission Service Schedule 11 revenue under Section V of Attachment AU. Any such adjustment for the previous calendar year point-to-point revenue shall be set forth in the RRR File.

1. For each Transmission Owner utilizing a formula rate, the Transmission Provider shall not make an adjustment of the Transmission Owner's annual transmission revenue requirements under this Section II.A if point-to-point revenue resulting from charges under Section III of this Schedule 11 and revenue distributed and allocated under Attachment AU is credited and updated on an annual basis in the Transmission Owner's formula rate in a manner that reduces the annual transmission revenue requirements for upgrades eligible for cost recovery under this Schedule 11.

2. For each Transmission Owner utilizing a stated rate or utilizing a formula rate without annual update of the Schedule 11 revenue credits, the revenue adjustment described in this Section II.A shall be *only the difference, whether positive or negative, between the previous calendar year Point-To-Point Transmission Service Schedule 11 revenue and* the amount of point-to-point revenue and revenue distributed and allocated under Attachment AU, if any, already credited in the calculation of the Transmission Owner's annual transmission revenue requirements included in the Base Plan Zonal Annual Transmission Revenue Requirements and Region-wide Annual Transmission Revenue Requirement. The amount of revenue resulting from charges under Section III of this Schedule 11 and revenue distributed and allocated under Attachment AU that is already credited in the calculation of the Transmission Owner's annual transmission revenue requirements included in the Base Plan Zonal Annual Transmission Revenue Requirements and Region-wide Annual Transmission Revenue Requirement is shown in Table 3, Section 1 of Attachment H.

B. Base Plan Zonal Charge to Resident Load

The Network Customer and the Transmission Owner shall pay a monthly Base Plan Zonal Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share by one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for each Zone in which the Network Customer's or

Transmission Owner's Resident Load is physically located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, Network Customer shall pay a monthly Zonal Base Plan Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share by one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for the Zone that is the basis for charges under Schedule 11.

1. Determination of Network Customer's and Transmission Owner's Monthly Zonal Resident Load

The Network Customer's or Transmission Owner's monthly zonal Resident Load is its integrated hourly load coincident with the monthly peak of the Zone where the Resident Load is physically located. Where a Network Customer or Transmission Owner has Resident Load in more than one Zone, the monthly Resident Load will be determined separately for each Zone. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer's monthly Resident Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 11.

2. Determination of Transmission Provider's Monthly Zone Transmission Load

The Transmission Provider's monthly Transmission System load shall be determined in accordance with Section 34.5 of this Tariff.

C. Region-wide Charge to Resident Load

Network Customers and Transmission Owners shall pay a monthly Region-wide Charge, which shall be determined as (i) the product of its Region-wide Load Ratio Share applicable to Section I, Table 2-A of Attachment H and one twelfth (1/12) of the Region-wide Annual Transmission Revenue Requirement specified in Section I, Table 2-A of Attachment H, plus (ii) the product of its Region-wide Load Ratio Share applicable to Section I, Table 2-B of Attachment H and one twelfth (1/12) of the Region-wide Annual Transmission Revenue Requirement specified in Section I, Table 2-B of Attachment H.

1. Determination of Network Customer's and Transmission Owner's Monthly Regional Resident Load in Zones 1 through 18

For Zones 1 through 18, the Network Customer's or Transmission Owner's monthly regional Resident Load is the sum of its monthly zonal Resident Load for each Zone, where the monthly zonal Resident Load is determined separately for each Zone coincident with the monthly peak of the Zone in accordance with Section II.B.1.

2. Determination of Network Customer's and Transmission Owner's Monthly Regional Load in Zone 19

For application of the Region-wide Charge under this Schedule 11, the Network Customer's or Transmission Owner's load for Zone 19 shall be the integrated hourly load coincident with the monthly peak of Zone 19 calculated in accordance with Section II.B.1 less: (i) load in the Western Interconnection to the extent that such load is served only by resources in the Western Interconnection, and (ii) service provided under the Western-UGP Federal Service Exemption.

3. Determination of Transmission Provider's Monthly Regional Transmission System Load

The Transmission Provider's monthly regional Transmission System load is the sum of the monthly Zone transmission load for each Zone, where the monthly zone transmission load for each Zone is determined on a non-coincident basis in accordance with Section II.B.2, but with Zone 19 load modified in accordance with Section II.C.2.

D. Special Provision for Non-Federal Service Exemption service to Western-UGP's Statutory Load Obligations

Western-UGP's Statutory Load Obligations ordinarily served by Federal Power Western-UGP, may be served on occasion from resources where the Western-UGP Federal Service Exemption from Schedule 11 Region-wide Charges is not applicable. In any such instance, Region-wide Charges will be applied as calculated pursuant to Sections III.C.1.a and III.C.3 of this Schedule 11.

III. Base Plan Zonal Charge and Region-wide Charge for Point-To-Point Transmission Service

A. Base Plan Zonal Charge for Point-To-Point Transmission Service

The Base Plan Zonal Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-To-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Base Plan Zonal Rate (per kW of Reserved Capacity) based upon the Zone where the load is located for Point-To-Point Transmission Service where the generation source is outside the SPP Region and the load is located within the SPP Region and for Point-To-Point Transmission Service where both the generation source and the load are located within the SPP Region. For Point-To-Point Transmission Service where the generation source is located within the SPP Region and the load is located outside of the SPP Region, and for Point-To-Point Transmission Service where both the generation source and the load are located outside of the SPP Region, the Transmission Customer shall pay the Base Plan Average Zonal Rate (per kW of Reserved Capacity). The Base Plan Zonal Rates and the Base Plan Average Zonal Rate shall be calculated in accordance with Section III.D and set forth in the RRR File posted on the SPP website.

B. Region-wide Charge for Point-To-Point Transmission Service

The Region-wide Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-To-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Region-wide Rate (per kW of Reserved Capacity) for Point-To-Point Transmission Service. The Region-wide Rate shall be calculated in accordance with Section III.C and set forth in the RRR File posted on the SPP website.

C. Region-wide Rate for Point-To-Point Transmission Service

1. Determination of Annual Region-wide Rate

a. The Region-wide Annual Transmission Revenue Requirement specified in Attachment H are the basis for the Region-wide Rate. Except for service where the load is located within Zone 19, the annual Region-wide Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula:

RR = RATRR2A/MRTL 1 to 18 + RATRR2B/MRTL

in which

RR = the annual Region-wide Rate

RATRR2A =	the Region-wide Annual Transmission Revenue Requirement specified in Table 2-A of Section I, Attachment H
RATRR2B =	the Region-wide Annual Transmission Revenue Requirement specified in Table 2-B of Section I, Attachment H
MRTL 1 to 18 =	the average of the monthly regional Transmission System loads in Zones 1 to 18 only, for the twelve months of the calendar year prior to the billing year. The monthly regional Transmission System load shall be determined in accordance with Section II.C.3 less the Zone 19 load modified in accordance with Section II.C.2.
MRTL =	the average of the monthly regional Transmission System loads, for the twelve months of the calendar year prior to the billing year. The monthly regional Transmission System load is determined in accordance with Section II.C.3.

b. For service where the load is located within Zone 19, the annual Region-wide Rate for Firm Point-to-Point Transmission Service shall be determined in accordance with the following formula:

RR19= RATRR2B/MRTL

in which

RR19= the annual Region-wide Rate applicable to load in Zone 19

RATRR2B= as defined above

MRTL= as defined above

2. Region-wide Rate for Firm Point-To-Point Transmission Service

The Region-wide Rate for Firm Point-To-Point Transmission Service shall be:

Per month =	annual Region-wide Rate divided by 12;
Per week =	annual Region-wide Rate divided by 52;
Per day “on-peak” =	the “per week” Region-wide Rate divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the “per week” Region-wide Rate; and
Per day “off-peak” =	the “per week” Region-wide Rate divided by 7.

3. Region-wide Rate for Non-Firm Point-To-Point Transmission Service

The Region-wide Rate for Non-Firm Point-To-Point Transmission Service shall be:

Per month =	annual Region-wide Rate divided by 12;
Per week =	annual Region-wide Rate divided by 52:
Per day "on-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 260;
Per day "off-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 365;
Per hour "on-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 4160; and
Per hour "off-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 8760.

4. Total Region-wide Charge

The total Region-wide Charge paid by a Transmission Customer pursuant to a reservation for hourly delivery shall not exceed the above on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total Region-wide Charge in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the above Region-wide Rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

5. Rate Sheet for Region-wide Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth in the ("RRR File") posted on the SPP website.

Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth in the RRR File.

D. Base Plan Zonal Rates for Point-To-Point Transmission Service

1. Determination of Annual Base Plan Zonal Rate

The Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section

IV.A of Attachment J is the basis for the Base Plan Zonal Rates. The annual Base Plan Zonal Rates for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula for each Zone.

BPZR = BPZATRR/MZTL

in which

BPZR = the annual Base Plan Zonal Rate for the Zone

BPZATRR = the Base Plan Zonal Annual Transmission Revenue Requirement for the Zone as specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J

MZTL = the average of the sum of the monthly Zone transmission load for the Zone for the twelve months of the calendar year prior to the billing year. The monthly Zone transmission load is determined in accordance with Section II.B.2.

2. Base Plan Zonal Rate for Firm Point-To-Point Transmission Service

The Base Plan Zonal Rate for Firm Point-To-Point Transmission Service for each Zone shall be:

Per month = annual Base Plan Zonal Rate for the Zone divided by 12;

Per week = annual Base Plan Zonal Rate for the Zone divided by 52;

Per day "on-peak" = the "per week" Base Plan Zonal Rate for the Zone divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the "per week" Base Plan Zonal Rate;

Per day "off-peak" = the "per week" Base Plan Zonal Rate for the Zone divided by 7.

3. Base Plan Zonal Rate for Non-Firm Point-To-Point Transmission Service

The Base Plan Zonal Rate for Non-Firm Point-To-Point Transmission Service for each Zone shall be:

Per month = annual Base Plan Zone Rate for the Zone divided by 12;

Per week = annual Base Plan Zonal Rate for the Zone divided by 52:

Per day "on-peak" =	the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 260;
Per day "off-peak" =	the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 365;
Per hour "on-peak" =	the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 4160; and
Per hour "off-peak" =	the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 8760.

4. Base Plan Average Zonal Rate

The total Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H for all Zones less the total of all zonal amounts reallocated in accordance with Section IV.A of Attachment J is the basis for the Base Plan Average Zonal Rate. The annual Base Plan Average Zonal Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula.

BPAZR = TBPZATRR/MRTL

in which

BPAZR =	the annual Base Plan Average Zonal Rate
TBPZATRR =	the total Base Plan Zonal Annual Transmission Revenue Requirement for all Zones as specified in Attachment H less the total of all zonal amounts reallocated in accordance with Section IV.A of Attachment J
MRTL =	as defined in Section III.C.1

The Base Plan Average Zonal Rates for Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service for each month, week, day on-peak, day off-peak, hour on-peak, and hour off-peak shall be based on the annual Base Plan Average Zonal Rate and calculated consistently with the formulas shown in Sections III.D.2 and III.D.3.

5. Total Zonal Base Plan Charge

The total zonal charge paid by a Transmission Customer under this Schedule 11 pursuant to a reservation for hourly delivery shall not exceed the applicable on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total zonal charge under this Schedule 11 in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the applicable rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

6. Rate Sheets for Base Plan Zonal Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth in the RRR File posted on the SPP website.

Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth in the RRR File posted on the SPP website.

E. On-Peak and Off-Peak

Off-Peak days shall be Saturdays and Sundays and all NERC holidays. All other days shall be On-Peak. All hours during Off-Peak days shall be Off-Peak. On-Peak hours during On-Peak days shall be all hours from HE 0700 through HE 2200 Central Prevailing Time. All other hours during On-Peak days shall be Off-Peak.

34 Rates and Charges

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Directly Assigned Upgrade Costs, Ancillary Services, Base Plan Zonal Charges (Schedule 11), Region-wide Charges (Schedule 11) and applicable study costs, consistent with Commission policy, along with the following:

34.1 Monthly Demand Charge:

For all Network Load served by the Transmission Provider, except as provided under Sections 34.2, 34.3, and 34.9, the Network Customer shall pay a monthly Demand Charge, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12) of the Zonal Annual Transmission Revenue Requirement ("Zonal ATRR") specified in Attachment H less:

1) any amount reallocated in accordance with Section IV.A of Attachment J of this Tariff; and

2) any revenues for the previous calendar year (i) distributed to each Transmission Owner in the Zone under Attachment L resulting from charges under Schedules 7 and 8, and (ii) distributed to each Transmission Owner in the Zone under Section IV of Attachment AU and allocated in proportion to Schedule 7 and 8 revenues under Section V of Attachment AU, subject to the limitations in subsections a and b below. Any such adjustment made by the Transmission Provider shall be set forth in the RRR File.

   a. For each Transmission Owner utilizing a formula rate, the Transmission Provider shall not make an adjustment for Schedule 7 and 8 revenues and for revenues distributed and allocated under Attachment AU if the Schedule 7 and 8 revenues and revenues distributed and allocated under Attachment AU are credited and updated on an annual basis in the Transmission Owner formula rate in a manner that reduces the Zonal ATRR.

   b. For each Transmission Owner utilizing a stated rate or utilizing a formula rate without annual update of the revenue credits, the revenue adjustment described in this Section 34.1(2) shall be *only the difference, whether positive or negative, between the previous calendar year Schedule 7 and 8 revenues and* the amount of Schedule 7 and 8 revenues and revenues distributed and allocated under Attachment AU, if any, already credited in the calculation of the Zonal ATRR shown in Table 1, Section I of Attachment H. The amount of Schedule 7 and 8 revenues and revenues distributed and allocated under Attachment AU already credited in calculation of the Zonal ATRR shown in Table 1, Section I of Attachment H for such Transmission Owner is shown in Table 3, Section I of Attachment H.

34.2 Monthly Demand Charge – Zone 1:

For Network Load located within Zone 1, the Network Customer shall pay a monthly Demand Charge. The component of such Demand Charge for American Electric Power's revenue requirement shall be calculated in accordance with Addendum 1 to Attachment H. The components of such Demand Charge for other Transmission Owners' revenue requirements in Zone 1 shall be calculated in accordance with Section 34.1 of this Tariff. All components of the Demand Charge for Zone 1 shall be adjusted as provided in Section 34.1 for any amount reallocated in accordance with Section IV.A of Attachment J and for any Schedule 7 and 8 revenues distributed to each Transmission Owner in the Zone under Attachment L and for any revenues distributed and allocated in accordance with Attachment AU.

34.3 Monthly Demand Charge – Zone 11:

For Network Load located within Zone 11, the Network Customer shall pay a monthly Demand Charge. The component of such Demand Charge for Southwestern Public Service's revenue requirement shall be calculated in accordance with Addendum 5 of Attachment H. The components of such Demand Charge for other Transmission Owners' revenue requirements in Zone 11 shall be calculated in accordance with Section 34.1 of this Tariff. All components of the Demand Charge for Zone 11 shall be adjusted as provided in Section 34.1 for any amount reallocated in accordance with Section IV.A of Attachment J and for any Schedule 7 and 8 revenues distributed to each Transmission Owner in the Zone under Attachment L and for any revenues distributed and allocated in accordance with Attachment AU.

34.4 Determination of Network Customer's Monthly Network Load:

The Network Customer's monthly Network Load is its hourly load (60 minute, clock-hour); provided, however, the Network Customer's monthly Network Load will be its hourly load coincident with the monthly peak of the Zone where the Network Customer load is physically located. Where a Network Customer has Network Load in more than one Zone, the monthly Network Load will be determined separately for each Zone. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.4, the Network Customer's monthly Network Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 9.

34.5 Determination of Transmission Provider's Monthly Zone Transmission Load:

The Transmission Provider's monthly Transmission System load shall be determined for each Zone on a non-coincident basis. The Transmission Provider's monthly Zone transmission load is the Zone's Monthly Transmission System Peak.

34.6 Redispatch Charge:

The Network Customer shall pay redispatch costs associated with its transactions through the operation and settlement of the Energy and Operating Reserve Markets as described in Attachment AE.

34.7 Stranded Cost Recovery:

This Tariff does not affect in any way the right of any Transmission Owner to seek and receive stranded cost recovery or the right of anyone to oppose such stranded cost recovery. Thus, the Transmission Owner(s) may seek to recover stranded costs from the User(s) in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Owner(s) must separately file any specific proposed stranded cost charge under Section 205 of the Federal Power Act, if FERC jurisdictional. If the Commission approves stranded cost charges to be recovered through schedules to be implemented by the Transmission Provider, the Transmission Provider as agreed shall charge and collect the appropriate charge(s) from the relevant User(s) and distribute the appropriate amounts directly to the relevant Transmission Owner(s).

34.8 SPP Costs:

The Network Customer shall pay SPP's administrative costs in accordance with Schedule 1-A.

34.9 Monthly Demand Charge – Zone 10:

For all Network Load physically located within Zone 10, the Network Customer shall pay monthly Demand Charges as approved in the Federal Energy Regulatory Commission Docket No. EF14-1; Southwestern Power Administration's Rate Schedule NFTS-13. This rate is applicable to Transmission Customers taking Network Integration Transmission Service in Zone 10.

Monthly Capacity Charge for Network Integration Transmission Service
$1.48 per kilowatt of Network Load

25 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). In addition the Transmission Customer shall pay any applicable Ancillary Service costs, Wholesale Distribution Service charges (Schedule 10), Base Plan Zonal Charges (Schedule 11), and Region-wide Charges (Schedule 11).

KCPL
Case Name: 2016 KCPL Rate Case
Case Number: ER-2016-0285

Response to Mantle Lena Interrogatories - OPC_20161020
Date of Response:

Question:8009

How are the SPP Base Plan Projects directly linked to KCPL's purchase of power to meet its native load or KCPL's sale of excess energy? Please provide all documentation that shows that KCPL would not have been able to purchase power to meet its native load without the Base Plan projects. Please provide all documentation of sales of power by KCPL that would not beenpossible without the Base Plan projects.

RESPONSE: (do not edit or delete this line or anything above this)

The SPP Base Plan Projects have been planned and constructed for the integrated transmission system under the SPP Open Access Transmission Tariff ("OATT"). All Transmission Customers taking transmission service under the SPP OATT are required to pay Base Plan Charges (Zonal and Region-wide) associated with these Base Plan Projects. These Base Plan Charges (Zonal and Region-wide) are assessed to Network Customers, Transmission Owners based on Resident Load, and Transmission Customers taking Point-To-Point Transmission Service under the terms of Schedule 11 of the SPP OATT. A copy of Schedule 11 of the SPP OATT is attached.

Response by: Don Frerking, Regulatory Affairs

Attachment:
Q8009 _Schedule 11 Base Plan Zonal Charge and Region-Wide Charge.pdf
Q8009_Verification.pdf

SCHEDULE 11
BASE PLAN ZONAL CHARGE AND REGION-WIDE CHARGE

I. Introduction

Except as provided herein, pursuant to Part V of this Tariff, Base Plan Zonal Charges and Region-wide Charges shall be assessed to Network Customers and, where applicable, Transmission Owners based on Resident Load. Likewise, Base Plan Zonal Charges and the Region-wide Charge shall be assessed to each Transmission Customer taking Point-To-Point Transmission Service under the Tariff based on Reserved Capacity. These charges will be applied only to service taken in whole or in part within the Eastern Interconnection. Western-UGP shall be exempt from the Region-wide Charge under this Schedule 11 in accordance with Section 39.3(e) of this Tariff. For the purpose of determining the Region-wide Load Ratio Shares for application of Schedule 11, transmission of Federal Power-Western-UGP to the Statutory Load Obligations served by Western-UGP shall be excluded from the Transmission Provider's monthly Zone transmission load for Zone 19 used as a component of the divisor for all Zones and from the numerator used for Zone 19. The charges stated in Schedule 11 shall not be changed absent a filing with the Commission.

II. Base Plan Zonal Charges and Region-wide Charge to Resident Load

A. Calculation of Annual Transmission Revenue Requirement

In calculating the Base Plan Zonal Annual Transmission Revenue Requirements and Region-wide Annual Transmission Revenue Requirement, the Transmission Provider shall sum the applicable, Commission-approved annual transmission revenue requirements for upgrades eligible for cost recovery under this Schedule 11, as allocated in accordance with Attachment J of this Tariff. Subject to the limitations in subsections 1 and 2 below, such annual transmission revenue requirements shall be reduced by the previous calendar year's amount of (i) point-to-point revenue received by each Transmission Owner resulting from charges under Section III of this Schedule 11 and (ii) revenue distributed to each Transmission Owner under Section IV of Attachment AU and allocated in proportion to Point-To-Point Transmission Service Schedule 11 revenue under Section V of Attachment AU. Any such adjustment for the previous calendar year point-to-point revenue shall be set forth in the RRR File.

1. For each Transmission Owner utilizing a formula rate, the Transmission Provider shall not make an adjustment of the Transmission Owner's annual transmission revenue requirements under this Section II.A if point-to-point revenue resulting from charges under Section III of this Schedule 11 and revenue distributed and allocated under Attachment AU is credited and updated on an annual basis in the Transmission Owner's formula rate in a manner that reduces the annual transmission revenue requirements for upgrades eligible for cost recovery under this Schedule 11.

2. For each Transmission Owner utilizing a stated rate or utilizing a formula rate without annual update of the Schedule 11 revenue credits, the revenue adjustment described in this Section II.A shall be *only the difference, whether positive or negative, between the previous calendar year Point-To-Point Transmission Service Schedule 11 revenue and* the amount of point-to-point revenue and revenue distributed and allocated under Attachment AU, if any, already credited in the calculation of the Transmission Owner's annual transmission revenue requirements included in the Base Plan Zonal Annual Transmission Revenue Requirements and Region-wide Annual Transmission Revenue Requirement. The amount of revenue resulting from charges under Section III of this Schedule 11 and revenue distributed and allocated under Attachment AU that is already credited in the calculation of the Transmission Owner's annual transmission revenue requirements included in the Base Plan Zonal Annual Transmission Revenue Requirements and Region-wide Annual Transmission Revenue Requirement is shown in Table 3, Section 1 of Attachment H.

B. Base Plan Zonal Charge to Resident Load

The Network Customer and the Transmission Owner shall pay a monthly Base Plan Zonal Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share by one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for each Zone in which the Network Customer's or

Transmission Owner's Resident Load is physically located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, Network Customer shall pay a monthly Zonal Base Plan Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share by one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for the Zone that is the basis for charges under Schedule 11.

1. Determination of Network Customer's and Transmission Owner's Monthly Zonal Resident Load

The Network Customer's or Transmission Owner's monthly zonal Resident Load is its integrated hourly load coincident with the monthly peak of the Zone where the Resident Load is physically located. Where a Network Customer or Transmission Owner has Resident Load in more than one Zone, the monthly Resident Load will be determined separately for each Zone. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer's monthly Resident Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 11.

2. Determination of Transmission Provider's Monthly Zone Transmission Load

The Transmission Provider's monthly Transmission System load shall be determined in accordance with Section 34.5 of this Tariff.

C. Region-wide Charge to Resident Load

Network Customers and Transmission Owners shall pay a monthly Region-wide Charge, which shall be determined as (i) the product of its Region-wide Load Ratio Share applicable to Section I, Table 2-A of Attachment H and one twelfth (1/12) of the Region-wide Annual Transmission Revenue Requirement specified in Section I, Table 2-A of Attachment H, plus (ii) the product of its Region-wide Load Ratio Share applicable to Section I, Table 2-B of Attachment H and one twelfth (1/12) of the Region-wide Annual Transmission Revenue Requirement specified in Section I, Table 2-B of Attachment H.

1. Determination of Network Customer's and Transmission Owner's Monthly Regional Resident Load in Zones 1 through 18

For Zones 1 through 18, the Network Customer's or Transmission Owner's monthly regional Resident Load is the sum of its monthly zonal Resident Load for each Zone, where the monthly zonal Resident Load is determined separately for each Zone coincident with the monthly peak of the Zone in accordance with Section II.B.1.

2. Determination of Network Customer's and Transmission Owner's Monthly Regional Load in Zone 19

For application of the Region-wide Charge under this Schedule 11, the Network Customer's or Transmission Owner's load for Zone 19 shall be the integrated hourly load coincident with the monthly peak of Zone 19 calculated in accordance with Section II.B.1 less: (i) load in the Western Interconnection to the extent that such load is served only by resources in the Western Interconnection, and (ii) service provided under the Western-UGP Federal Service Exemption.

3. Determination of Transmission Provider's Monthly Regional Transmission System Load

The Transmission Provider's monthly regional Transmission System load is the sum of the monthly Zone transmission load for each Zone, where the monthly zone transmission load for each Zone is determined on a non-coincident basis in accordance with Section II.B.2, but with Zone 19 load modified in accordance with Section II.C.2.

D. Special Provision for Non-Federal Service Exemption service to Western-UGP's Statutory Load Obligations

Western-UGP's Statutory Load Obligations ordinarily served by Federal Power Western-UGP, may be served on occasion from resources where the Western-UGP Federal Service Exemption from Schedule 11 Region-wide Charges is not applicable. In any such instance, Region-wide Charges will be applied as calculated pursuant to Sections III.C.1.a and III.C.3 of this Schedule 11.

III. Base Plan Zonal Charge and Region-wide Charge for Point-To-Point Transmission Service

A. Base Plan Zonal Charge for Point-To-Point Transmission Service

The Base Plan Zonal Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-To-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Base Plan Zonal Rate (per kW of Reserved Capacity) based upon the Zone where the load is located for Point-To-Point Transmission Service where the generation source is outside the SPP Region and the load is located within the SPP Region and for Point-To-Point Transmission Service where both the generation source and the load are located within the SPP Region. For Point-To-Point Transmission Service where the generation source is located within the SPP Region and the load is located outside of the SPP Region, and for Point-To-Point Transmission Service where both the generation source and the load are located outside of the SPP Region, the Transmission Customer shall pay the Base Plan Average Zonal Rate (per kW of Reserved Capacity). The Base Plan Zonal Rates and the Base Plan Average Zonal Rate shall be calculated in accordance with Section III.D and set forth in the RRR File posted on the SPP website.

B. Region-wide Charge for Point-To-Point Transmission Service

The Region-wide Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-To-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Region-wide Rate (per kW of Reserved Capacity) for Point-To-Point Transmission Service. The Region-wide Rate shall be calculated in accordance with Section III.C and set forth in the RRR File posted on the SPP website.

C. Region-wide Rate for Point-To-Point Transmission Service

1. Determination of Annual Region-wide Rate

a. The Region-wide Annual Transmission Revenue Requirement specified in Attachment H are the basis for the Region-wide Rate. Except for service where the load is located within Zone 19, the annual Region-wide Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula:

RR = RATRR2A/MRTL 1 to 18 + RATRR2B/MRTL

in which

RR = the annual Region-wide Rate

RATRR2A = the Region-wide Annual Transmission Revenue Requirement specified in Table 2-A of Section I, Attachment H

RATRR2B = the Region-wide Annual Transmission Revenue Requirement specified in Table 2-B of Section I, Attachment H

MRTL 1 to 18 = the average of the monthly regional Transmission System loads in Zones 1 to 18 only, for the twelve months of the calendar year prior to the billing year. The monthly regional Transmission System load shall be determined in accordance with Section II.C.3 less the Zone 19 load modified in accordance with Section II.C.2.

MRTL = the average of the monthly regional Transmission System loads, for the twelve months of the calendar year prior to the billing year. The monthly regional Transmission System load is determined in accordance with Section II.C.3.

b. For service where the load is located within Zone 19, the annual Region-wide Rate for Firm Point-to-Point Transmission Service shall be determined in accordance with the following formula:

RR19= RATRR2B/MRTL

in which

RR19= the annual Region-wide Rate applicable to load in Zone 19

RATRR2B= as defined above

MRTL= as defined above

2. Region-wide Rate for Firm Point-To-Point Transmission Service

The Region-wide Rate for Firm Point-To-Point Transmission Service shall be:

Per month = annual Region-wide Rate divided by 12;

Per week = annual Region-wide Rate divided by 52;

Per day “on-peak” = the “per week” Region-wide Rate divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the “per week” Region-wide Rate; and

Per day “off-peak” = the “per week” Region-wide Rate divided by 7.

3. Region-wide Rate for Non-Firm Point-To-Point Transmission Service

The Region-wide Rate for Non-Firm Point-To-Point Transmission Service shall be:

Per month =	annual Region-wide Rate divided by 12;
Per week =	annual Region-wide Rate divided by 52:
Per day "on-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 260;
Per day "off-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 365;
Per hour "on-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 4160; and
Per hour "off-peak" =	the "per month" Region-wide Rate multiplied by 12 then divided by 8760.

4. Total Region-wide Charge

The total Region-wide Charge paid by a Transmission Customer pursuant to a reservation for hourly delivery shall not exceed the above on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total Region-wide Charge in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the above Region-wide Rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

5. Rate Sheet for Region-wide Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth in the ("RRR File") posted on the SPP website.

Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth in the RRR File.

D. Base Plan Zonal Rates for Point-To-Point Transmission Service

1. Determination of Annual Base Plan Zonal Rate

The Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section

IV.A of Attachment J is the basis for the Base Plan Zonal Rates. The annual Base Plan Zonal Rates for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula for each Zone.

BPZR = BPZATRR/MZTL

in which

BPZR = the annual Base Plan Zonal Rate for the Zone

BPZATRR = the Base Plan Zonal Annual Transmission Revenue Requirement for the Zone as specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J

MZTL = the average of the sum of the monthly Zone transmission load for the Zone for the twelve months of the calendar year prior to the billing year. The monthly Zone transmission load is determined in accordance with Section II.B.2.

2. Base Plan Zonal Rate for Firm Point-To-Point Transmission Service

The Base Plan Zonal Rate for Firm Point-To-Point Transmission Service for each Zone shall be:

Per month = annual Base Plan Zonal Rate for the Zone divided by 12;

Per week = annual Base Plan Zonal Rate for the Zone divided by 52;

Per day “on-peak” = the “per week” Base Plan Zonal Rate for the Zone divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the “per week” Base Plan Zonal Rate;

Per day “off-peak” = the “per week” Base Plan Zonal Rate for the Zone divided by 7.

3. Base Plan Zonal Rate for Non-Firm Point-To-Point Transmission Service

The Base Plan Zonal Rate for Non-Firm Point-To-Point Transmission Service for each Zone shall be:

Per month = annual Base Plan Zone Rate for the Zone divided by 12;

Per week = annual Base Plan Zonal Rate for the Zone divided by 52:

Per day "on-peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 260;

Per day "off-peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 365;

Per hour "on-peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 4160; and

Per hour "off-peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 8760.

4. Base Plan Average Zonal Rate

The total Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H for all Zones less the total of all zonal amounts reallocated in accordance with Section IV.A of Attachment J is the basis for the Base Plan Average Zonal Rate. The annual Base Plan Average Zonal Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula.

BPAZR = TBPZATRR/MRTL

in which

BPAZR = the annual Base Plan Average Zonal Rate

TBPZATRR = the total Base Plan Zonal Annual Transmission Revenue Requirement for all Zones as specified in Attachment H less the total of all zonal amounts reallocated in accordance with Section IV.A of Attachment J

MRTL = as defined in Section III.C.1

The Base Plan Average Zonal Rates for Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service for each month, week, day on-peak, day off-peak, hour on-peak, and hour off-peak shall be based on the annual Base Plan Average Zonal Rate and calculated consistently with the formulas shown in Sections III.D.2 and III.D.3.

5. Total Zonal Base Plan Charge

The total zonal charge paid by a Transmission Customer under this Schedule 11 pursuant to a reservation for hourly delivery shall not exceed the applicable on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total zonal charge under this Schedule 11 in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the applicable rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

6. Rate Sheets for Base Plan Zonal Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth in the RRR File posted on the SPP website.

Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth in the RRR File posted on the SPP website.

E. On-Peak and Off-Peak

Off-Peak days shall be Saturdays and Sundays and all NERC holidays. All other days shall be On-Peak. All hours during Off-Peak days shall be Off-Peak. On-Peak hours during On-Peak days shall be all hours from HE 0700 through HE 2200 Central Prevailing Time. All other hours during On-Peak days shall be Off-Peak.

Verification of Response

Kansas City Power & Light Company
AND
KCP&L Greater Missouri Operations

Docket No. ER-2016-0285

The response to Data Request #______8009______ is true and accurate to the best of my knowledge and belief.

Signed: Tim Rush

Date: November 8, 2016