

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

In the Matter of an Investigation Into the)	
Possible Methods Mitigating Identified)	
Harmful Effects of Entergy Joining MISO on)	File No. EW-2014-0156
non-MISO Missouri Utilities and Their)	
Ratepayers and Maximizing the Benefits)	
For Missouri Utilities and Ratepayers Along)	
RTO and Cooperative Seams)	

**SOUTHWEST POWER POOL, INC.'S COMMENTS IN RESPONSE TO
THE COMMISSION'S QUESTIONS IDENTIFIED IN ITS
ORDER OPENING AN INVESTIGATION INTO SEAMS**

Respectfully submitted,

/s/ Mark W. Comley

Mark W. Comley #28847
NEWMAN, COMLEY & RUTH P.C.
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, MO 65102-0537
(573) 634-2266
(573) 636-3306 FAX
Email: comleym@ncrpc.com

and

Erin Cullum Marcussen, AR BIN 2004070
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223
Telephone: (501) 688-2503
Email: ecullum@spp.org

Attorneys for Southwest Power Pool, Inc.

TABLE OF CONTENTS

Affidavit of Carl A. Monroe	3
Comments	4

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

In the Matter of an Investigation Into the)	
Possible Methods of Mitigating Identified)	
Harmful Effects of Entergy Joining MISO on)	File No. EW-2014-0156
non-MISO Missouri Utilities and Their)	
Ratepayers and Maximizing the Benefits)	
For Missouri Utilities and Ratepayers Along)	
RTO and Cooperative Seams)	

AFFIDAVIT OF CARL A. MONROE


State of Arkansas)
) ss
County of Pulaski)

1. My name is Carl A. Monroe, Executive Vice President and Chief Operating Officer, Southwest Power Pool. My business address is 201 Worthen Drive, Little Rock, AR 72223.
2. I have attached to my affidavit SPP's Comments in Response To The Commission's Questions Identified in its Order Opening the above captioned file (the "Comments").
3. I have personal knowledge of the matters set forth in the Comments. I hereby swear and affirm that the matters of fact contained in the attached Comments are true and correct to the best of my knowledge, information and belief.



Carl A. Monroe

Subscribed and sworn to me before this 1st day of July, 2014.



Notary Public

My commission expires: 04-01-2018



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

In the Matter of an Investigation Into the)	
Possible Methods of Mitigating Identified)	
Harmful Effects of Entergy Joining MISO on)	File No. EW-2014-0156
non-MISO Missouri Utilities and Their)	
Ratepayers and Maximizing the Benefits)	
For Missouri Utilities and Ratepayers Along)	
RTO and Cooperative Seams)	

**SOUTHWEST POWER POOL, INC.’S COMMENTS IN RESPONSE TO THE
COMMISSION’S QUESTIONS IDENTIFIED IN ITS ORDER OPENING AN
INVESTIGATION INTO SEAMS**

COMES NOW, Southwest Power Pool, Inc. (“SPP”), by and through its counsel, and hereby submits its Comments in response to the questions identified in the Public Service Commission of the State of Missouri’s (“Commission” or “MoPSC”) Order Opening a Case to Investigate Methods of Eliminating or Mitigating the Negative Effects of the MISO/SPP Seam (“Order”) issued on November 26, 2013, opening the above-styled file.

SPP supports the Commission’s opening of this docket to consider seams issues and for its involvement in seams-related issues at the Regional Transmission Organization (“RTO”) level. SPP has increasingly made seams a priority in recent years, including matters related to SPP’s seam with the Midcontinent Independent System Operator, Inc. (“MISO”), the seam with Associated Electric Cooperative, Inc. (“AECI”), and the seam with the Integrated System (“IS”)¹, and those respective Joint Operating Agreements (“JOAs”). Seams issues have become an even higher priority due to the benefits that SPP believes can be provided to its members and customers resulting from improved coordination across the seams, and the equitable cost sharing and construction of interregional transmission projects. In addition, problems associated with

¹ The IS consists of Western Area Power Administration – Upper Great Plains Region, Basin Electric Power Cooperative, Inc., and Heartland Consumers Power District.

five Entergy Operating Companies (“Entergy”) integration into MISO and MISO’s aggressive stance to use neighboring transmission systems without prior coordination and compensation, along with member concerns to improve the seam administration efficiencies, have increased SPP’s focus on seams. SPP has diligently worked to protect its members system from unscheduled flows and sought compensation for the use of its system. This compensation will reduce cost to SPP members and their customers as well as encourage better operations and planning of the transmission system.

SPP offers the following responses to the Commission’s questions. To the extent there are remaining questions or issues, SPP would appreciate the opportunity to continue working with the Commission and its staff to resolve such concerns and questions. In addition, because seams are largely a Federal Energy Regulatory Commission (“FERC”) jurisdictional issue, there are a number of seams-related dockets pending at FERC, which are identified herein. SPP would encourage the Commission to actively participate in these existing FERC dockets and any future FERC dockets on the topic.

1. Are Missouri state policies related to seams issues providing Missouri utilities and ratepayers all possible benefits and reducing all possible detriments stemming from Missouri’s position on the seam? If not, are there potential policy changes that could increase the benefits or reduce the detriments of Missouri being on the seams to Missouri utilities and ratepayers? If so, please provide a list of potential changes and the benefits and detriments of those potential changes.

Due to the nature of seams issues being largely FERC jurisdictional issues, SPP is unaware of needed policy changes to Missouri state policies that would significantly impact this issue. Although SPP is unaware of needed policy changes to Missouri state policies, SPP

believes that the Commission's continued policy of active involvement in matters with and before RTOs is very beneficial in advancing the interest of Missouri, as well as the region.

2. Are any RTO policies related to seam issues providing Missouri utilities and ratepayers all possible benefits and reducing all possible detriments stemming from Missouri's position on the seam? If not, are there potential policy changes that could increase the benefits or reduce the detriments of being on the seams to Missouri utilities and ratepayers? If so, please provide a list of potential changes and the benefits of those potential changes.

As stated above, SPP has made seams a priority and has continuously been looking into opportunities to gain support for and implement policies that will improve markets, operations, and planning coordination across the SPP-MISO seam, the SPP-AECI seam, the SPP- IS seam and the former SPP-Entergy seam.

SPP has used, and will continue to use, its broad stakeholder process to find opportunities to improve its transmission system through policy changes, specifically through stakeholder groups such as the Seams Steering Committee ("SSC"),² the Strategic Planning Committee, and the Interregional Cost Allocation Task Force.³ These three SPP stakeholder groups with support from others developed policies with broad stakeholder support that have been filed for approval at the FERC and are at varying stages in FERC approval process. These policies include:

² The SSC is comprised of eight members, with two members, including the Vice-Chair, from Missouri utilities. The SSC is chaired by Paul Malone with Bary Warren as Vice-Chair and Roy Boyer, Oliver Burke, Jacob Langthorn, IV, Jeff Knottek, Richard Ross, and Keith Tynes as Members.

³ The Interregional Cost Allocation Task Force was a Joint Regional State Committee and SPP Stakeholder Task Force that was chaired by then MoPSC Chairman Kevin Gunn. The other members were Paul Malone as Vice-Chair and Ricky Bittle, Kip Fox, Donna Nelson, Ben Bright, Michael Siedschlag, and Julian Brix as Members.

<u>Filing</u>	Status
SPP-AECI JOA ⁴	Approved
SPP-IS JOA ⁵	Pending at FERC
SPP's SPP-MISO JOA Section 5.2 Dispute ⁶	FERC Order vacated by 5th Circuit Court of Appeals; Pending at FERC
SPP Interregional Order No. 1000 Filing ⁷	Pending at FERC
SPP-MISO JOA Market-to-Market Filing ⁸	Pending at FERC
SPP's filing of the MISO Point-to-Point ("PTP") Transmission Service Agreement and complaint on MISO's uncompensated use of the SPP System ⁹	Pending at FERC, Referred to ALJ for settlement discussions
SPP – MISO JOA Market Flow Calculation methodology ¹⁰	Pending at FERC
SPP-MISO JOA Attachment 3, Section 3.3 revisions ¹¹	Pending at FERC

⁴ SPP filed the SPP-AECI JOA in Docket No. ER08-1516-000. The JOA was accepted by the Commission on October 20, 2008 (*See Sw. Power Pool, Inc.*, Letter Order, Docket No. ER08-1516-000 (Oct. 20, 2008)) and is posted on SPP's website at: <http://www.spp.org/section.asp?group=915&pageID=27>.

⁵ SPP filed the SPP-IS JOA in Docket No. ER12-1586-000. FERC action is pending. *See* Submission of Joint Operating Agreement Between Southwest Power Pool, Inc. and Western Area Power Administration of Southwest Power Pool, Inc., Docket No. ER12-1586-000 (Apr. 20, 2012).

⁶ On April 2, 2012, SPP submitted, before the United States Court of Appeals for the District of Columbia Circuit in Case No. 12-1158, a Petition for Review of FERC's July 1, 2011 and January 26, 2012 Orders issued in Docket No. EL11-34. On December 3, 2013, the Court issued a Judgment vacating and remanding the orders.

⁷ SPP filed its Order No. 1000 Compliance Filings containing revisions to the Tariff and the SPP-MISO JOA in Docket Nos. ER13-1937-000 and ER13-1939-000. FERC action is pending. *See* Compliance Filing of Southwest Power Pool, Inc., Docket No. ER13-1937-000 (July 10, 2013) ("Order No. 1000 SPP-MISO JOA Filing"). *See also* Compliance Filing of Southwest Power Pool, Inc., Docket No. ER13-1939-000 (July 10, 2013) ("Order No. 1000 Tariff Filing"). In addition, the Seams Policy Task Force was created in 2014 by the Seams Steering Committee to develop the policy for evaluating seams projects that are not part of the Order 1000 process. The issue of the appropriate cost allocation methodology associated with these projects will be determined by the RSC.

⁸ SPP filed revisions to the SPP-MISO JOA to implement Market-to-Market procedures in Docket No. ER13-1864-000. FERC action is pending. *See* Compliance Amendment to Joint Operating Agreement to Implement Market-to-Market Procedures in Response to Order in Docket No. ER12-1179, Docket No. ER13-1864-000 (June 28, 2013) ("Market-to-Market Filing"). A review of this docket's filings show that SPP and MISO mostly agree on Market-to-Market implementation with just a few areas of disagreement that are currently pending before FERC.

⁹ SPP filed a Complaint and unexecuted service agreement for PTP service in Docket Nos. EL14-21-000 and ER14-1174-000. On March 28, 2014, FERC issued an order accepting the service agreement, subject to refund, and establishing hearing and settlement judge procedures (*See Sw. Power Pool, Inc.*, 146 FERC ¶ 61,231 (2014)). Settlement discussions are on-going.

¹⁰ SPP filed revisions to the SPP-MISO JOA to account for import and export transactions in the market flow calculations in Docket No. ER14-1407-000. FERC action is pending. *See* Amendments to Joint Operating Agreement Between the Midcontinent Independent System Operator, Inc. and Southwest Power Pool, Inc. to Account for Import and Export Transactions in the Market Flow Calculations of Southwest Power Pool, Inc., Docket No. ER14-1407-000 (Mar. 3, 2014). A review of this docket's filings shows that SPP and MISO have reached agreement on this seams issue.

¹¹ SPP filed modifications to the SPP-MISO JOA in Docket No. ER14-2062-000 to allow MISO to recover costs assessed to MISO under MISO's PTP Service Agreement in the event that MISO market flows exceed the existing contract path capacity limit of 1,000 MW between the MISO Midwest Region and the MISO South Region in order

Many matters relating to SPP's seams are governed by FERC-jurisdictional JOAs or seams agreements with SPP's neighbors. SPP is continually considering the impacts of its JOAs on all of its members, including those in Missouri. SPP is currently involved in the matters listed above at FERC related to its seams, with the AECI and MISO seams having a high priority. SPP strongly believes that resolving the issues with the MISO seam in particular is necessary for the benefit of all SPP members.

In addition to the above-mentioned FERC dockets, SPP and MISO have continued to revise their JOA to resolve seams issues. A review of each individual docket above shows that while some seams issues between SPP and MISO are disputed matters, some are largely or completely in agreement. As an example, SPP, MISO and PJM Interconnection, L.L.C. ("PJM") recently all made corresponding filings related to the calculation of market flows.¹² Additionally, SPP, MISO and PJM are currently working together to revise the baseline Congestion Management Process ("CMP"), which serves as an attachment to the JOA.

The Commission's encouragement for SPP and MISO to reach agreement on JOA changes through each RTO's stakeholder processes is another opportunity to help make policy improvements. As the Commission has clearly indicated by opening this docket, seams-related issues are an important aspect of RTO membership and SPP strongly encourages the Commission to participate in the FERC dockets to advance changes impacting RTOs to improve seams-related issues.

to provide emergency assistance to SPP. FERC action is pending. *See* Proposed Modifications to Section 3.3 of Attachment 3 of the Joint Operating Agreement Between Midcontinent Independent System Operator, Inc. and Southwest Power Pool, Inc. To Recover Costs Assessed to MISO Under SPP Service Agreement of Southwest Power Pool, Inc., Docket No. ER14-2062-000 (May 29, 2014). A review of this docket's filings shows that SPP and MISO have reached agreement on this seams issue.

¹² *See* FERC Docket Nos. ER14-1405, ER14-1406 and ER14-1407. FERC's approval of changes in this docket will resolve the SPP-MISO market flow calculation dispute that was initiated by SPP on August 10, 2011.

3. What would be the effect of SPP and MISO merging on Missouri utilities and ratepayers?

A merger between two or more established RTOs with fully developed and implemented stakeholder governance processes, day-ahead markets, reliability operations, and transmission planning with FERC approved cost allocation methodologies has never occurred before in the history of the United States. As such, the effects of such a significant and unprecedented event are greatly unknown. The best historical example that could shed light on such an event would be to look at prior merger attempts of SPP and MISO that failed.

Merger between MISO and SPP was attempted twice before. Both attempts failed with each organization implementing different governance models which currently operate each organization's processes in different manners. Mergers can provide some benefits when the interests and the services provided align between the organizations and their members. However, there are many examples in industry of failed mergers or mergers that actually created higher expenses and significant problems that failed to provide benefits as originally thought.

As background, there have been two efforts in the past for a merger between SPP and MISO. These mergers occurred at the time that RTOs were first forming and SPP and MISO were both considering options related to RTO status. During the third and fourth quarter of 1999, the staffs of SPP and MISO began to discuss merging the two organizations. The staffs of the two organizations met on August 16, 1999.¹³ At its September 1999 meeting, the SPP Board of Directors ("SPP Board") directed SPP staff to continue discussions with MISO.¹⁴ This effort

¹³ See Board of Directors Minutes No. 68, November 8-9, 1999, pg. 42 posted at: <http://www.spp.org/publications/ACFAA.pdf>.

¹⁴ See Board of Directors Minutes No. 67, September 28, 1999, pg. 1 posted at: <http://www.spp.org/publications/BOD92899.pdf>.

quickly ended. By its February 2000 meeting the SPP Board agreed “SPP will continue current efforts to aggressively pursue FERC recognition as an RTO without MISO consolidation.”¹⁵

Discussions regarding a second attempt at merger with MISO were initiated in August 2001.¹⁶ SPP staff noted to the SPP Board that the “biggest challenge [about a merger with MISO] concerns equity in governance”.¹⁷ The proposed terms for combining the two organizations failed adoption after repeated attempts to gain approval of the SPP Board.¹⁸ It was clear that the SPP members were not supportive of such action. However, the SPP Board authorized “the continued good faith negotiation with MISO based on the proposed term sheet but with equity and governance and that the due diligence review and the best possible terms be offered to the SPP Board by the end of September.”¹⁹

Subsequent to the August 2001 SPP Board meeting, the SPP staff solicited comments from the members on the draft SPP/MISO Merger Term Sheet. Members had numerous questions and concerns about the merged entity-to-be that was called “NEWCO.” Due to activity underway at FERC, some members stated that they wanted to be released from membership obligations.²⁰

During the February 19, 2002 SPP Board meeting, SPP staff recommended that the SPP Board authorize Staff “to take steps necessary to close the merger between SPP and the

¹⁵ See Board of Directors Minutes No. 69, February 14, 2000, Agenda Item 3 posted at: <http://www.spp.org/publications/ACF149.pdf>.

¹⁶ See Southwest Power Pool 2002 Annual Report, pg. 2 posted at: http://www.spp.org/publications/spp_annual_report_2002.pdf.

¹⁷ See Board of Directors Minutes No. 76, August 13, 2001, Agenda Item 3 posted at: http://www.spp.org/publications/BOD081301_.pdf (“August 13 Minutes”).

¹⁸ At the time of the merger attempts, the SPP Board was comprised solely of representatives of its member utilities.

¹⁹ See August 13 Minutes at Agenda Item 3.

²⁰ See Board of Directors Meeting Materials dated October 1, 2001, pg. 2 of the Staff Report – SPP/Midwest ISO Merger posted at: http://www.spp.org/publications/BOD_min_1001.pdf.

Midwest,”²¹ recognizing that the SPP Transmission Owners needed to make decisions about the proposed merger. Some of the members clearly indicated that they felt the proposal needed much more work. Nevertheless, on March 29, 2002, MISO submitted a Section 205 Application with FERC to merge SPP into MISO.²² By July, it was apparent that the SPP members were not in consensus regarding the proposed merger.

At the same time conversations were occurring with MISO, SPP was evaluating recent FERC orders in Docket Nos. RT01-100 and RT01-34. Part of this evaluation included whether SPP should continue efforts to gain approval as an RTO; whether Entergy should be included in the RTO effort; or whether SPP should look to combine its efforts with either the Midwest or the Southeast regions.

By March 2003, because “it was readily evident that the merger conditions would not be met in the foreseeable future and would continue to be a distraction[,] . . .the Boards of both entities agreed to terminate the merger agreement.”²³ During its March 12, 2003 meeting, the SPP Board voted to terminate any agreement with MISO.²⁴ This motion was unopposed by SPP members. It was reported by SPP staff at the March 20, 2003 SPP Board meeting that the MISO Board took action on the same date to mutually terminate merger activities with SPP.²⁵

There have been no discussions between the SPP and MISO to pursue a consolidation of the two organizations in the eleven years since then. Nor is SPP aware of any other discussion of RTO mergers taking place in the United States.

²¹ See Board of Directors Meeting Materials dated February 19, 2002, pg. 2 of the Staff Report – SPP/Midwest ISO Merger posted at <http://www.spp.org/publications/ACF439.pdf>.

²² See Board of Directors Meeting Materials dated May 7, 2002, MISO-SPP Merger Weekly Update, pg. 85 of the PDF posted at: <http://www.spp.org/publications/AGNDBKGND0502.pdf>.

²³ See Southwest Power Pool 2003 Annual Report, pg. 2 posted at: http://www.spp.org/publications/spp_annual_report_2003.pdf.

²⁴ See Board of Directors Meeting Minutes No. 83, March 12, 2003, pg. 3 posted at: <http://www.spp.org/publications/ACF8A.pdf>.

²⁵ See Board of Directors Meeting Minutes No. 84, March 20, 2003, Agenda Item 2 posted at: <http://www.spp.org/publications/ACF188.pdf>.

Since the second merger attempt failed -- as did the first -- SPP has been granted RTO status by FERC,²⁶ has successfully created a strong stakeholder governance process which includes express authorities of state commissioners via the Regional State Committee (“RSC”), has matured as an organization with the implementation of the energy imbalance market, the development and implementation of the integrated transmission planning process, has integrated Nebraska into the SPP RTO,²⁷ has developed strong collaborative relationships with the RSC culminating in approval of several cost allocation methodologies including the highway/byway, and the successful initiation of the Integrated Marketplace on time and on budget. These are just a few of SPP’s significant accomplishments.

Both the differences in governance and in member participation in decisions for the RTOs, as well as the processes and functions of the organizations, provide high hurdles to synergies that might be envisioned. In addition, resolving the differences in the market, tariff, transmission service, planning, cost allocation, resource adequacy, and a long list of other differences would be costly and would consume time and expenses that may not result in any synergistic improvements. Moreover, productive discussions on the resolution of the more technical issues would also be dependent on resolution of the governance and member involvement in decisions of the organization. Based on the significant differences in the two RTOs and the extensive history of two failed attempts at prior mergers, SPP believes that discussion of a merger to be highly unlikely. Furthermore, in the two prior attempts to merge, the consideration of such significant changes related to a merger served as a substantial drain of resources and a loss of time that delayed benefits to SPP members and their customers.

²⁶ *Sw. Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh’g*, 110 FERC ¶ 61,137 (2005).

²⁷ Members of the IS recently completed an assessment to determine whether or not to join an RTO and if so whether or not to join SPP or MISO. The IS members decided to join SPP. The SPP Board has approved the tariff and governing document changes for an October 1, 2015 integration of the IS. It is expected that a filing at FERC by SPP to integrate the IS will be submitted in about a month.

4. What are the economic advantages or disadvantages to Missouri utilities and ratepayers from the state's position on a seam? Please quantify either the advantages or disadvantages providing a detailed explanation of methodology used.

Quantifying the advantages or disadvantages of Missouri's position on a seam would require an analysis that to SPP's knowledge has not been performed.

a. What parties, both inside and outside of Missouri, are currently paying the MISO-SPP Regional Through and Out Rates (RTOR) for transactions originating in either MISO or SPP and terminating in the other RTO? Are all of the currently scheduled transactions between MISO and SPP paying the MISO or SPP RTOR? What are the RTORs currently being paid or anticipated to be paid? How much have Missouri utilities paid in RTORs in the past three years, and how much do Missouri utilities anticipate they will pay in RTORs in the next three years?

A Regional Through and Out Rate ("RTOR") is paid on point-to-point transactions. For customers taking Network Integration Transmission Service ("NITS") for either exports or imports, the customers pay a NITS rate and do not pay the SPP RTOR. SPP is able to provide information on the SPP RTOR, but does not have information regarding the amount paid for the MISO RTOR. Accordingly, SPP cannot provide the total amounts paid by Missouri utilities or the total amounts that would be anticipated to be paid.

The current SPP RTOR is as follows:

Southwest Power Pool, Inc.

Calculation of Base Plan Point-To-Point Rates Region Wide Point-To-Point Rate

<u>Description</u>	<u>Amount</u>	<u>Notes</u>
Firm Point-To-Point Transmission Service		
Annual Rate / MW	\$9,331.3995	BPRR
Monthly Rate / MW	\$777.6166	Annual Rate / 12
Weekly Rate / MW	\$179.4500	Annual Rate / 52
On Peak Day Rate / MW	\$35.8900	Weekly Rate / 5
Off Peak Day Rate / MW	\$25.6357	Weekly Rate / 7
Non-Firm Point-To-Point Transmission Service		
Monthly Rate / MW	\$777.6166	Annual Rate / 12
Weekly Rate / MW	\$179.4500	Annual Rate / 52
On Peak Day Rate / MW	\$35.8900	Monthly Rate x 12 / 260
Off Peak Day Rate / MW	\$25.5655	Monthly Rate x 12 / 365
On Peak Hourly Rate / MW	\$2.2431	Monthly Rate x 12 / 4160
Off Peak Hourly Rate / MW	\$1.0652	Monthly Rate x 12 / 8760

The RTOR is captured at the SPP zonal level. Therefore, SPP can provide information on the SPP RTOR at the zonal level for The Empire District Electric Company (“Empire”), Kansas City Power & Light Company (“KCPL”) and KCP&L Greater Missouri Operations Company (“KCPL-GMO”). However, this information is not limited to transactions only in Missouri, as these zones cross state lines. From June 2011 through May 2014, the entire KCPL Zone (which includes portions of Missouri and Kansas) has paid \$37,324,378.89 in SPP RTOR charges stemming from point-to-point service. From June 2011 through May 2014, the entire KCPL-GMO Zone has paid \$17,298.70 in SPP RTOR charges. From June 2011 through May

2014, the entire Empire Zone (which includes portions of Missouri, Kansas, Oklahoma and Arkansas) has paid \$60,804.00 in SPP RTOR charges.

b. Identify all of the currently scheduled transactions between MISO and SPP paying the RTOR?

There are no Transmission Service Requests between the RTOs. Point-to-point service that is charged a RTOR would be scheduled between the utilities requesting or providing the service in each RTO.

c. What would the benefits be to Missouri utilities and ratepayers from the elimination of the MISO-SPP RTOR?

Like many rate design issues, benefits to one utility and its ratepayers might not be a benefit to another, and can be a cost to such other ratepayers. A RTOR is not different. Although the RTOR may be a cost to one set of customers, it is also a source of revenue that offsets a cost to another set of customers. Eliminating the RTOR would also eliminate this revenue and the shortfall would have to be made up another way, including from the customers in the area where the revenue is lost. In other words, eliminating the RTOR might be a benefit to some, but would be a cost to others. If the RTOR was not paid by external customers, that amount of associated revenue would have to be collected from the internal RTO customers.

Determining whether or not to eliminate the RTOR, what the policy impacts would be on various ratepayer groups, and whether or not FERC would approve such a policy upon

consideration of all the evidence has a number of competing policy issues that have not been discussed in SPP's stakeholder process.²⁸

- (i) What additional off system sales opportunities would be available to generators and transmission owners in Missouri if there was an elimination of the MISO-SPP RTOR?**

SPP does not have information for evaluating the off-system sales opportunities for either additional imports or exports based on the elimination of a RTOR. Note that the cost of transmission is usually a small margin of the cost of transactions across the seam and only marginally affects that ability.

- (ii) What additional purchases of energy or capacity would be available to Missouri utilities if the MISO-SPP RTOR was eliminated? What would be the benefit of those purchases — would those purchases save Missouri ratepayers money?**

See (i) above.

- (iii) Quantify the amount, and identify the sources, of savings to Missouri consumers that would occur as a result of the elimination of the MISO-SPP-RTOR.**

As explained above, SPP does not believe it is possible to respond to this question without knowing if and how the revenue that was collected and distributed from the RTOR would be addressed. SPP believes that Missouri utilities are the better suited entities to respond to subparts (i), (ii), and (iii) than SPP.

²⁸ The elimination of any RTOR will likely have complicating factors beyond simply determining a replacement methodology. In 2003, PJM and MISO eliminated their RTOR for transactions between the two RTOs and it was an extraordinarily complex undertaking that is still unresolved. Eleven years later, cases are just now reaching the United States Court of Appeals. Specifically, the Petitioner's brief in *Constellation Energy v. FERC*, D.C. Cir. Case No. 11-1451 was filed only yesterday on June 30, 2014.

5. What are the safety and reliability advantages or disadvantages to Missouri utilities and ratepayers from its position on a seam? Please provide a detailed explanation of the methodology used to determine issues of safety and reliability issues on the seam.

North American Electric Reliability Corporation (“NERC”) Reliability Standards apply to all utilities, regardless of their position on a seam. However, utilities located in a state with a seam may have more choices when joining an RTO or contracting for certain services with an RTO than a utility located in an area embedded within one RTO. For example, AECI is able to participate in the SPP Reserve Sharing Group and Ace Diversity Interchange, which provides certain reliability advantages. Because of the location on a seam, AECI presumably could have contracted with either MISO or SPP for these services. Entities not along a seam but embedded within one region would not have the same opportunities.

SPP believes that resolving the seams issues identified as pending dockets in SPP’s response to Question 2, supra, remove certain disadvantages for utilities on the seams and SPP commits to continue to work with seams parties that are willing to remove any additional barriers.

6. How are loop flow operational issues currently communicated between MISO SPP, and AECI? What are the top obstacles to reaching an agreement on seams-related issues between SPP and MISO?

Loop flow operational issues as well as scheduled use are currently communicated between MISO, SPP and AECI through the respective Reliability Coordinators. SPP has been working with MISO and others to document unscheduled use of facilities and the issues that they create but have met with obstacles to reaching agreement for how to resolve those issues. SPP and MISO both act as Reliability Coordinators and the Tennessee Valley Authority (“TVA”) acts

as AECI's Reliability Coordinator. MISO and SPP both submit market flow impacts on reciprocally coordinated flowgates to the Interchange Distribution Calculator ("IDC") every five minutes, which allows each RTO to see the impacts.²⁹ SPP's Reliability Coordinators communicate directly with those at TVA and MISO. If congestion is occurring, a Transmission Loading Relief ("TLR") may be issued, as appropriate. Beginning March 1, 2015, MISO and SPP are expected to begin using the proposed Market-to-Market process, which is awaiting FERC approval.³⁰

The obstacles to reaching agreement on seams-related issues between SPP and MISO include differences in the RTO stakeholder processes, cultural differences and differences in company policies on seams-related issues. SPP believes, however, that the top obstacle is for all parties to recognize the rights on the transmission system and equitably compensate one another. This obstacle is currently being litigated at FERC.³¹ SPP is optimistic that a settlement can be reached in these dockets to address this important public policy issue.

Although there are disputes between the two RTOs, there are also ongoing efforts between SPP and MISO regarding the renegotiation of certain aspects of the SPP-MISO JOA (such as Market Flow Calculation and the CMP as referenced in SPP's response to Question 2, *supra*), on which SPP and MISO continue to work together.

7. Would some or all Missouri utilities and ratepayers be better off in the middle of an RTO versus being on the seam or edge of multiple RTOs?

An answer for this question would require significant discussions and also analysis to determine the impacts. It would be important to consider many factors including: which RTO,

²⁹ All Reliability Coordinators, including TVA, submit load, generation and transmission outage information into the IDC, but because they are not operating in a market like that of SPP's or MISO's there is no mechanism to see the generation to load impact.

³⁰ See Market-to-Market Filing.

³¹ See Docket Nos. ER14-1174, EL14-21, EL14-30 and EL11-34.

which utilities, where the seam is located, and the type of seam (transmission service, market, reliability, etc.). Without more information SPP has not and cannot conduct any studies analyzing this issue, nor is SPP aware of any other entity conducting such a study.

8. What would be the effects on Missouri utilities and ratepayers of having all Missouri utilities in the same RTO?

(a) Differences in RTO transmission planning.

(b) Differences in Market Operations.

(c) Differences in the price of purchasing energy and capacity from neighboring utilities.

(d) Differences in consideration of loop and market flows when an RTO is determining optimal dispatch of generators.

In order to obtain FERC approval as an RTO, RTOs must perform certain functions. All RTOs perform the required functions of an RTO. All RTOs, including SPP and MISO, are required to plan to meet NERC Reliability Standards and have processes in place for economic planning. SPP and MISO have each implemented day-ahead markets that provide all utilities the option to purchase power at the lowest market price. Additionally, RTOs dispatch generation resources using the Security Constrained Economic Dispatch process. However, there are significant differences in the RTOs' cultures, stakeholder processes, and governance structures, which result in differences in how these RTO functions are performed and how the stakeholders are involved in the decision making processes regarding such functions. These differences include different RTO transmission planning processes, cost allocation, and differences in reliability and market operations. Regardless of utilities membership in an RTO, loop, scheduled and unscheduled flows will be an issue.

9. What would be the effect of requiring all Missouri Load Serving Entities under Commission jurisdiction to join the same RTO (in dollars and construction projects)?

SPP does not have the state specific information necessary to determine the effect in dollars and construction projects of requiring all Missouri Load Serving Entities under Commission jurisdiction to join the same RTO. In addition, even if all Missouri Load Serving Entities under the Missouri Commission were in the same RTO, there would still be a seam with AECL.

(a) What would the exit fees be of a Missouri utility departing their existing RTO?

(b) What would be the legal ramifications of such a position?

SPP's exit fees are determined at the date of exit, so the following information is only an estimate if an exit were to occur today, and comprise only one portion of the obligations upon exiting, because the other portion is negotiated between SPP and the member. Specifically, the exit fee is comprised of two parts: 1) the obligations set forth in Section 4.3.2 of the SPP Membership Agreement,³² which includes the member's share of SPP's Financial Obligations and 2) the member's obligations for transmission facilities which is negotiated. The following amounts are for the obligations set forth in Section 4.3.2 of the SPP Membership Agreement only if exit were to occur today and does not include any of the following members' obligations for transmission facilities:

KCPL's portion of SPP's Financial Obligations is currently \$18,678,644;
KCPL-GMO's portion of SPP's Financial Obligations is currently \$10,636,588;
Empire's portion of SPP's Financial Obligations is currently \$7,318,624;
and
City Utilities of Springfield's portion of SPP's Financial Obligations is currently \$5,197,201.

³² Southwest Power Pool, Inc., Membership Agreement, First Revised Volume No. 3.

With respect to the obligation for transmission facilities, as of January 1, 2014, SPP had issued Notifications to Construct with conditions for \$7.2 billion in projects that are base plan funded. It is not possible to provide the amounts that would be allocated to Missouri utilities because those amounts are negotiated at the time of exit per FERC's recently approved changes to SPP's Membership Agreement.³³ With respect to the legal ramifications, FERC has opined that RTO membership is voluntary. Additionally, exit from an RTO must be approved by FERC, as well as entry into a new one.³⁴

10. What, if any, information and analysis from the PJM-MISO “Joint and Common Market” process can be used to improve the situation of utilities along the Missouri MISO-SPP-AECI seams?

SPP monitors the discussions that MISO and PJM have through their Joint and Common Market (JCM) discussions. Each of those are reviewed and discussed to determine if they are also issues common to the SPP-MISO seam and if they have resolved a method to deal with that issue. As such, either MISO or SPP would initiate discussions related to the SPP-MISO seam.

For example, MISO and PJM have begun to discuss the way transactions are priced between their seam by evaluating the methods used to define the interfaces. Because of SPP's diligent monitoring and concern for seams issues, SPP became aware of these discussions on interface pricing and was able to begin its own stakeholder process considering whether or not a

³³ SPP filed revisions to its Bylaws and Membership Agreement to implement withdrawal obligation in Docket No. ER13-2031. FERC issued a final order approving these revisions on May 14, 2014. See *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER13-2031-001 (May 14, 2014).

³⁴ Even with FERC approval to leave one RTO and join another RTO, there may be costs and other matters which must be resolved and can result in costly litigation. American Transmission Systems Inc. and Duke Energy Ohio/Duke Energy Kentucky left MISO to join PJM in 2011 and there is still ongoing litigation related to the costs of leaving MISO. In 2013, an ALJ at FERC held that they were responsible for costs related to MISO's MVP Projects in the amounts of \$136 million and \$514.2 million, respectively. Although the matter of joining a new RTO had been approved years earlier, there is ongoing litigation and costly exit fees that still remain unresolved and pending before the Commission. See *Duke Energy Ohio, Inc.*, 133 FERC ¶ 61,058, at P 14 (2010) in FERC Docket No. ER12-715-003.

similar issue exists between the SPP and MISO seam. As such, this topic has recently been discussed at SPP's SSC and Market Working Group as well as between the joint stakeholder groups of SPP and MISO at a meeting held on June 27, 2014 in Eagan, MN. SPP will continue to monitor the seams activities between MISO and PJM, as well as other seams throughout the country, to look at opportunities for creating additional value for all of SPP's members.

11. What will be the effect to Missouri utilities and ratepayers of MISO and SPP's expected implementation in Spring 2015 of a "Market-to-Market" process of handling congestion to utilities along the Missouri seam?

A properly implemented Market-to-Market process is a more economically efficient response to managing congestion than each party managing congestion individually or through the TLR process. It also provides a mechanism for compensation between RTOs for the redispatch of generators necessary to provide congestion relief. It is expected that all parties will benefit from the implementation of Market-to-Market, but that benefit has not been quantified.

SPP notes that Market-to-Market addresses compensation for the redispatch of generation, but does not address compensation for transmission system usages. Transmission compensation is being addressed as described above in FERC Docket Nos. ER14-1174 and EL14-21.

12. What are all of the currently scheduled transactions between the Entergy and SPP regions that are expected to pay the MISO RTOR if and when Entergy integrates into MISO? Does the answer to this question change depending on which Entergy facilities integrate into MISO? If so, how?

This question appears to be directed at MISO as SPP has no information on how the MISO RTOR applies to transactions particularly with the integration of Entergy into MISO. SPP only has information on the SPP RTOR.

13. Would there be other Missouri non-MISO utility and ratepayer impacts as a result of changes in the MISO-SPP RTOR? If so, what are they?

This question appears to be directed to MISO.

14. If the MISO-SPP RTOR was eliminated, what are the types of possible replacements?

(a) How would TOs recover their costs if the RTOR were replaced with a “license plate” rate, where a rate for service that would vary based on the zone where the power was delivered?

(b) What replacement would provide the most benefit for Missouri utilities and ratepayers?

(c) What information would be needed to support any replacement to the RTOR?

See SPP’s Response to Question 4c, *supra*. As explained, eliminating the RTOR would mean that the revenue from the RTOR would have to be made up elsewhere and it would depend on how the revenue was collected, which could mean that it is collected from other entities. As explained in SPP’s response to Question 4c, this would be determined through SPP’s stakeholder process subject to FERC’s approval. There are certain questions that would have to be determined, including: who pays, how much is paid, and where does the revenue go. It is not possible to fully respond to this question in the absence of knowing how some of these issues would be determined in the stakeholder process. In order to determine a replacement mechanism, SPP and its stakeholders would need to review options, analyze the effects of each and based on such analysis, select the appropriate alternative.

15. What are the possible ways to eliminate the MISO-SPP RTOR? What information would be necessary to gain FERC approval of a MISO-SPP RTOR elimination?

See SPP's response to Question 14, *supra*.

16. How does FERC Order 1000, with its emphasis of interregional coordination, including interregional transmission planning, affect the future need for the current MISO-SPP RTOR?

SPP has made its Order No. 1000 Interregional Compliance Filings and is awaiting FERC action.³⁵ As part of its filing, SPP is asking FERC to approve a framework that would deal with seams projects at any voltage level and to be able to justify the approval of those projects based on a range of benefits. This has been limited in the companion MISO Order No. 1000 Interregional Compliance Filing. SPP believes that the right transmission on, near, or across the seam would provide benefits to the customers in Missouri.

FERC Order No. 1000 does not directly address the RTOR in its Interregional Requirements; however, SPP believes that the intent of having interregional plans was to result in interregional projects that would provide benefits and that the cost allocation across the seam would be possible. The issues of rates, including the RTOR, are directly tied to the resolution of which project would be actually approved to be built, as well as how the cost of that project would be allocated across the seam. The RTOR would need to be considered as a revenue source for the payment of the cost of upgrades but its elimination would put more cost of each RTO's customers or change the cost allocation of projects.

³⁵ See Order No. 1000 Tariff Filing and Order No. 1000 SPP-MISO JOA Filing.

These responses were prepared by and under the direction of Carl A. Monroe, Executive Vice President and Chief Operating Officer. Mr. Monroe's contact information is as follows:
201 Worthen Drive, Little Rock, AR 72223, 501-614-3218, cmonroe@spp.org.

Respectfully Submitted,

/s/ Mark W. Comley
Mark W. Comley #28847
NEWMAN, COMLEY & RUTH P.C.
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, MO 65102-0537
(573) 634-2266
(573) 636-3306 FAX
Email: comleym@ncrpc.com
and

Erin Cullum Marcussen, AR BIN 2004070
201 Worthen Drive
Little Rock, AR 72223
Telephone: (501) 688-2503
Email: ecullum@spp.org

Attorneys for Southwest Power Pool, Inc.

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent via e-mail on this 1st day of July, 2014, to General Counsel's Office at staffcounsel@psc.mo.gov; and Office of Public Counsel at opcservice@ded.mo.gov.

/s/ Mark W. Comley