Intersection of State and Federal Jurisdiction over Electric Transmission and Bulk Power System

October 16, 2023

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Kansas
Corporation Commission

Intersection of State and Federal Authorities over Electric Transmission and Bulk Power System

Federal Regulation

- Transmission Planning
- Transmission Rates
- FERC/NERC Resource Adequacy Requirements

State Regulation

- Certificates (to become a Kansas utility)
- Line Siting Permits

KCC Involvement in Federal Electric Transmission Issues

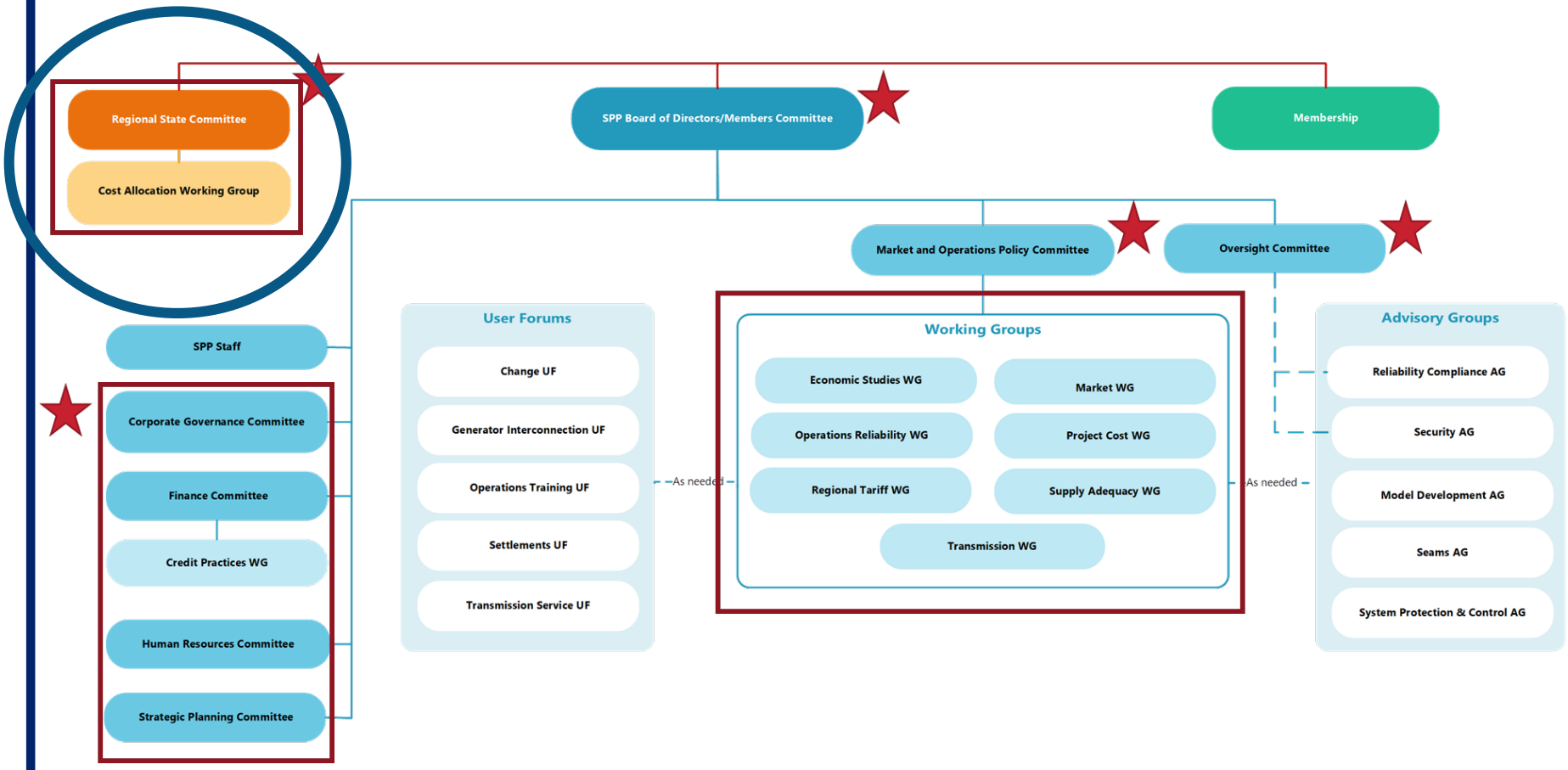
Formal

- K.S.A. 74-633: KCC authorized to participate at Southwest Power Pool (SPP)
  - Regional State Committee (RSC) & Cost Allocation Working Group
- K.S.A. 66-106: KCC authorized to intervene in state and federal proceedings
  - Consistent intervention and advocacy at FERC and Federal Courts

Informal

- KCC maintains internal working group dedicated to tracking and participating on FERC & SPP issues
- KCC regularly meets with Kansas utilities and stakeholders to discuss FERC-jurisdictional issues

SPP ORGANIZATION STRUCTURE



2023 Regional State Committee

Andrew French, RSC President
Kansas Corporation Commission

Will McAdams, Vice President
Public Utility Commission of Texas

John Tuma Secretary/Treasurer
Minnesota Public Utilities Commission

Justin Tate
Arkansas Public Service Commission

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New Mexico Public Regulation Commission

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North Dakota Public Service Commission

Todd Hiett*
Oklahoma Corporation Commission

Kristie Fiegen*
South Dakota Public Utilities Commission

RSC Areas of Authority

1) **Cost Allocation**

2) **Resource Adequacy**

3) **Financial Transmission Rights**

4) **Planning for Remote Resources**

"As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology pursuant to Section 205 of the Federal Power Act. However, nothing in this section prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act." – SPP Bylaws § 7.2

SPP Resource Adequacy

Ensuring there is enough generating capacity available to continuously meet the needs of all end-use customers throughout the SPP region.

RESOURCE ADEQUACY CHALLENGES

- Influx of intermittent renewable generation
- Thermal generation retirements
- Resource under-performance & unavailability
- Increasing load & volatility
- Extreme weather events
- Reducing margins

Resource & Energy Adequacy Leadership (REAL) Team

- Formed by the RSC President to proactively address impending resource adequacy challenges
- Assess SPP's current resource adequacy construct and anticipated challenges resulting from resource mix changes, extreme weather impacts, increased demand and evolving consumer behaviors
- Provide guidance, prioritization, and policy recommendations needed to increase assurance that energy can be continuously and cost-effectively provided within the SPP Balancing Authority Area

REAL Team Objectives

- Add winter season resource adequacy requirement
- Add requirement for utilities to maintain a level of “ramping” generation capacity
- New accreditation methods for both renewables and traditional resources
- Fuel assurance: strengthen fuel requirements for accredited capacity
- Improve generator outage policies
- Potential reforms to generator interconnection process
- Develop metrics to better measure and value potential “loss of load” events

SPP Transmission Planning & Cost Allocation

Regional Transmission Planning Background

- **FERC Order 2000** (issued in 1999)
  - Encouraged formation of Regional Transmission Organizations (RTOs)
  - Essential RTO functions:
    - Plan and coordinate necessary transmission upgrades and additions.
    - Develop processes that promote efficient use and expansion of transmission and generation facilities.
- **Southwest Power Pool (SPP)** achieved FERC-approved RTO status in 2004
  - SPP processes and services regulated by FERC
- **SPP was certificated as a utility in Kansas in 2006**, allowing it to perform the role of an RTO for Kansas utilities.

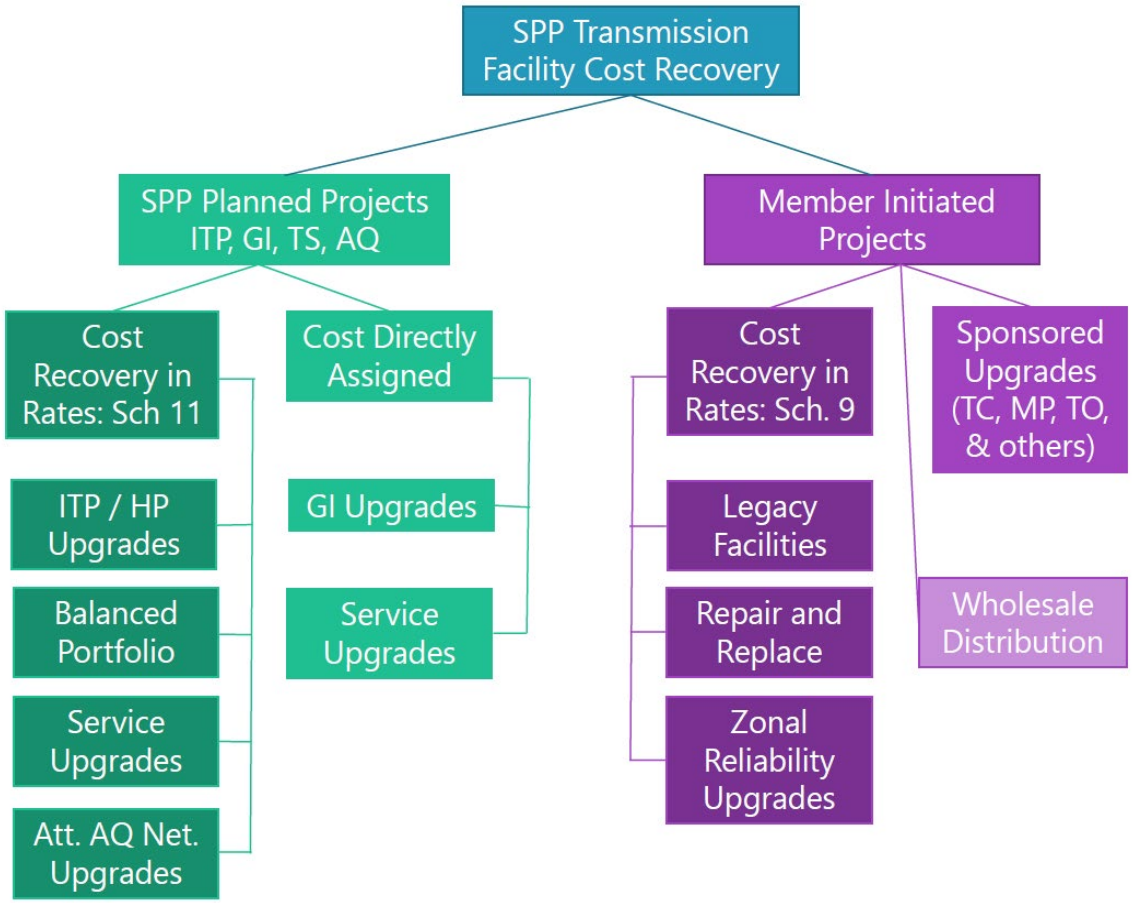
SPP Transmission Planning

- **SPP administers multiple processes**
  - Integrated Transmission Planning (ITP) Process
    - Reliability
    - Economic
    - Public Policy
    - Operational
  - Generator Interconnection
    - Open access
  - Transmission Service
  - Delivery Point Addition/Change (large new loads)
- **Each process is governed by a separate FERC-approved tariff provision**

Cost Allocation: Who Pays for Transmission?

- FERC must approve transmission rates
  - Cost allocation is a component of rates
- FERC requires costs to be allocated "roughly-commensurate" with benefits
- RSC has primary authority to set cost allocation policy for SPP

Planning processes determine cost allocation method



Cost Allocation for Local Transmission

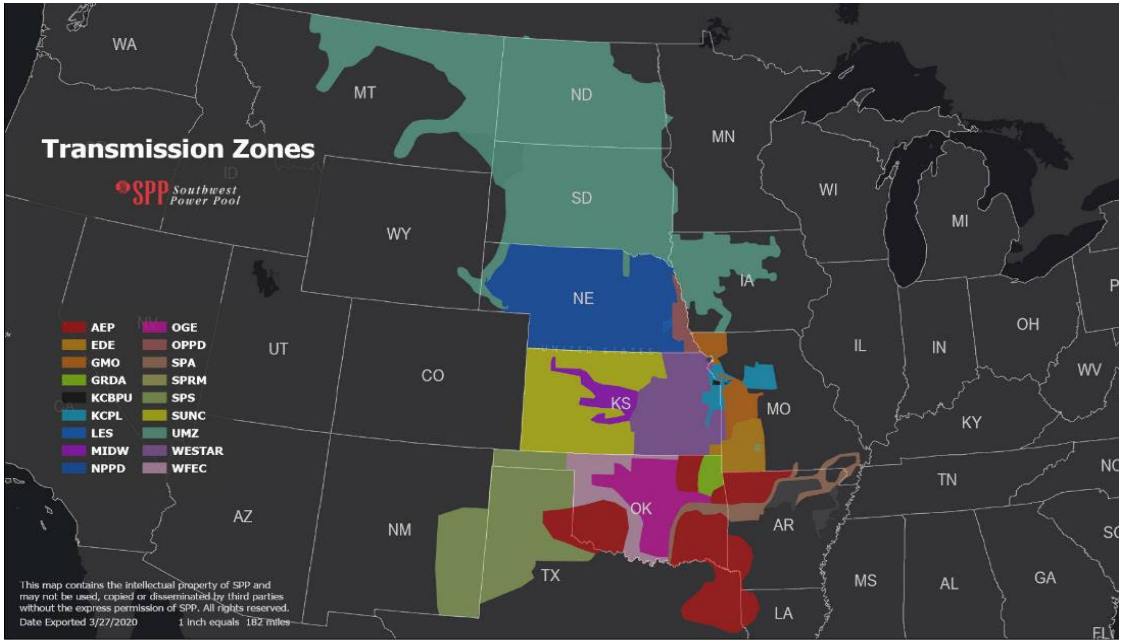
- Local Transmission includes:
  - Existing or rebuilt facilities
  - New, lower-voltage transmission
- Not planned by SPP
- Allocated 100% to local zone
- **Largest percentage of transmission investment and largest component of customer bills**

Cost Allocation Methods for SPP Planned Projects

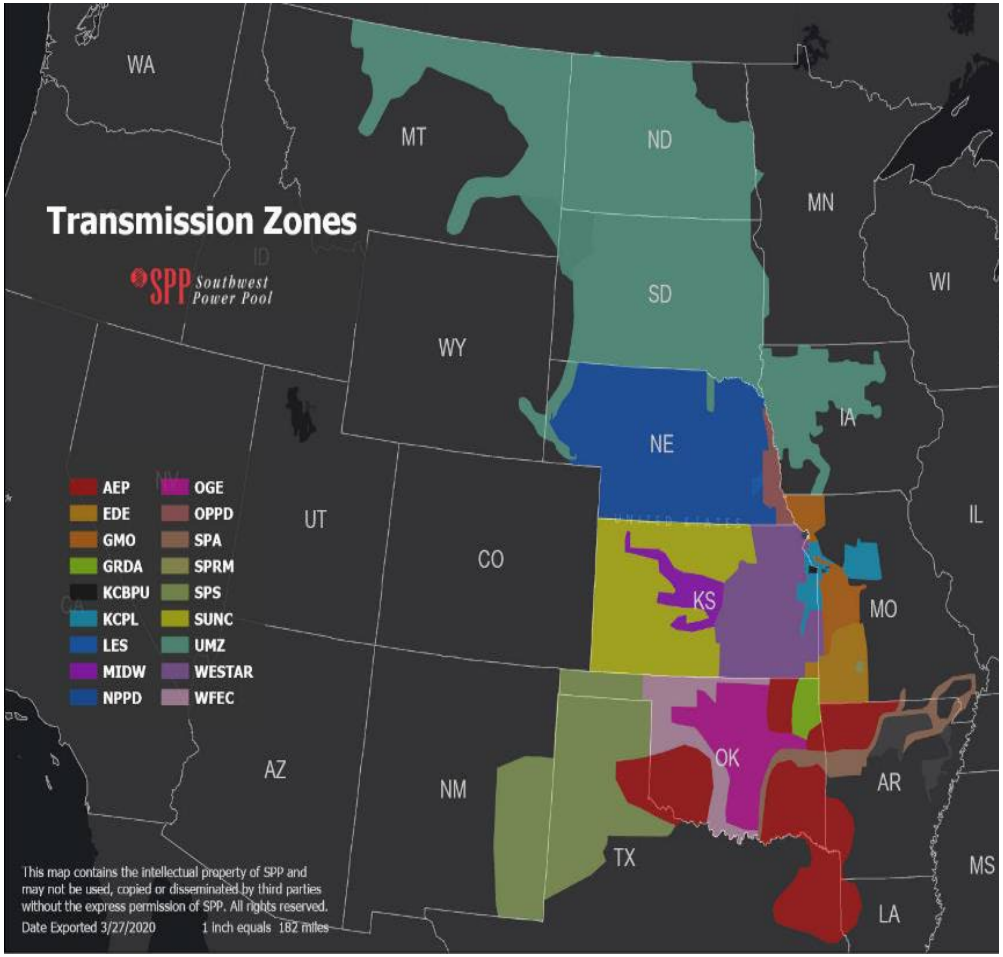
- **Direct Cost Assignment**: Transmission customer is responsible for cost recovery and receives credit for use of transmission lines
  - Generator interconnection requests
  - Transmission service requests
- **Highway/Byway:**
  - *Most SPP projects paid for under this methodology*
  - Allocates costs locally or regionally based on voltage level
  - Applicable to ITP Projects, Delivery point additions, etc.

Highway/Byway Cost Allocation

Voltage	Region Pays	Local Zone Pays
300 kV and above	100%	0%
above 100 kV and below 300 kV	33%	67%
100 kV and below	0%	100%



Regional Cost Allocation Review Report (version 3.1)



Pricing Zone	Benefit/Cost Ratio
American Electric Power	2.19
Empire District	3.80
KCPL - Greater Missouri Operations	8.60
Grand River Dam	5.25
Kansas City Board of Public Utilities	13.78
Kansas City Power and Light	8.37
Lincoln Electric System	5.17
Midwest Energy	12.01
Nebraska Public Power District	6.24
Oklahoma Gas & Electric	4.07
Omaha Public Power District	3.84
City Utilities of Springfield	3.83
Sunflower Electric	4.36
Xcel - Southwestern Public Service	8.36
Basin- WAPA - Heartland Integrated	7.55
Westar Electric	6.93
Western Farmers Electric	9.11
Total	5.80

SPP Competitive Transmission Owner Selection Process

SPP Competitive Transmission Owner Selection Process (TOSP)

FERC Order 1000 required transmission providers to remove the federal right of first refusal (ROFR) from any FERC-jurisdictional tariff (SPP's OATT) for certain categories of transmission.

- Allowed competitive bidding to determine transmission projects or developers.
- SPP's competitive bidding process is contained within SPP's Tariff at Attachment Y.

SPP Competitive Transmission Owner Selection Process (cont'd)

Competitive Process applies when:

- Transmission upgrades identified in the ITP, Network Upgrades required pursuant to Attachment AQ, High Priority Upgrades, Generator Retirement Upgrades, or Interregional Projects;
- Transmission projects with an operating voltage above 100kV;
- Transmission projects that are not a rebuild of an existing facility;
- Transmission projects that will not alter a Transmission Owner's use and control of existing right of way;
- Transmission projects that are to be built in a state without a State ROFR;
- Transmission projects that do not require the rebuild of existing facilities and new transmission facilities; and
- Transmission facilities that are not a local transmission facility.
- Projects in which less than 80% of the cost of the combined project is for rebuild of existing facilities—in these instances, incumbents rebuild existing facilities, new portion of facilities chosen pursuant to competitive bidding.
- Projects with a need-by date for reliability purposes longer than three years in the future. (Shorter projects are not subject to competitive bidding).

SPP Competitive Transmission Owner Selection Process (cont'd)

- Must be a Qualified RFP Participant (QRP) to bid on projects — 41 QRPs as of Jan. 2023 (list evaluated annually);
- QRPs must pass screening for: financial criteria, operational and managerial criteria.
- Industry Expert Panel (IEP) reviews, ranks, and scores proposal responses
- IEP recommends a winner and a runner up.
- Recommendation must be approved by SPP Board.

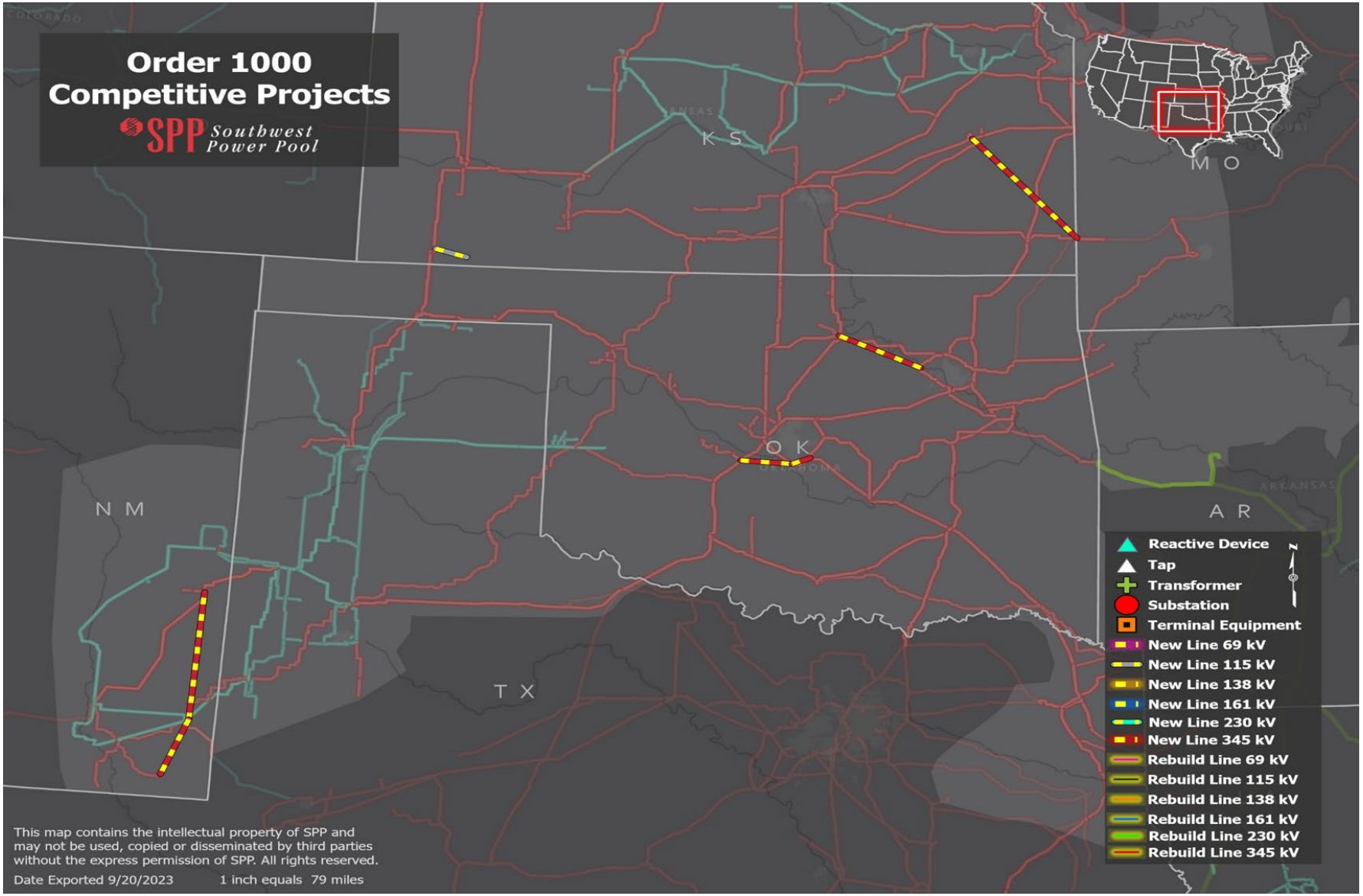
Scoring Criteria

TOSP Scoring Criteria	Maximum Points
Engineering Design	200 Points
Project Management (Construction Project Management)	200 Points
Operations	250 Points
Rate Analysis (Cost to Customers)	225 Points
Finance (Financial Viability and Creditworthiness)	125 Points
Total Base Points	**1,000 Points**
Detailed Project Proposal (Incentive Points)	100 Points
Total Maximum Points	**1,100 Points**

Frequency of Competitive Upgrades

Only 6 upgrades have met the criteria to become CUs:

Competitive Upgrade	Voltage Level	Study Approved	Study Cost Estimate for CU	Bids Received	RFP Proposal Response Estimate (RRE)
Walkemeyer-North Liberal	115kV	2015 ITP10	$16,813,452	11 – 9 individual 2 multi-owner	$8,325,610
Sooner-Wekiwa	345kV	2019 ITP	$77,606,498	10 – 5 individual 2 multi-owner	$97,111,851
Wolf Creek-Blackberry	345kV	2019 ITP	$142,601,178	7 – 3 individual 4 multi-owner	$85,168,938
Butler-Tioga	345kV	2020 ITP	$101,899,822	N/A	Withdrawn per competitive re-evaluation process
Minco-Pleasant Valley-Draper	345kV	2020 ITP	$80,912,239	7 – 3 individual 4 multi-owner	$55,053,470
Crossroads-Hobbs-Roadrunner	345kV	2021 ITP	$376,336,142*	3 individual	$291,614,575


Order 1000
Competitive Projects
SPP Southwest Power Pool
K S
M O
O K
N M
A R
T X
Reactive Device
Tap
Transformer
Substation
Terminal Equipment
New Line 69 kV
New Line 115 kV
New Line 138 kV
New Line 161 kV
New Line 230 kV
New Line 345 kV
Rebuild Line 69 kV
Rebuild Line 115 kV
Rebuild Line 138 kV
Rebuild Line 161 kV
Rebuild Line 230 kV
Rebuild Line 345 kV
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Date Exported 9/20/2023
1 inch equals 79 miles

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