

July 21, 2017

To: SPP Board of Directors/Members Committee and Regional State Committee
Subject: "Appeal of RR172"

SPP Board of Directors/Members Committee & Regional State Committee

The Kansas City Power and Light (KCPL) "Appeal of RR172" agenda topic directly circumvents the Revision Request (RR) appeal process by replacing the RR that was rejected by the Markets and Operations Policy Committee (MOPC) on July 11, 2017 with a whitepaper that includes substantively different policy issues than what was included in RR172. The Board of Directors (Board) should not vote on the posted whitepaper as it has never been considered by the MOPC nor the Strategic Planning Committee (SPC). It is improper for the Appeal of RR172 to exclude the document that is being appealed and replaced with a whitepaper that includes substantively different policy concepts. Whenever a whitepaper or process paper is presented to the Board from the stakeholder process it has been vetted, edited, and reviewed by stakeholders. However, there has not been any opportunity for edits or revisions to this whitepaper. Therefore, KCPL's Appeal of RR172 should be rejected with no further action taken, especially in light of pending action in the Tri-State case.

Even though the agenda item "Appeal of RR172" doesn't include the review of RR172, we support Kansas City Power & Light's (KCPL's) stated desire to receive an up or down vote on their RR. If there remains a desire to appeal RR172 to the Board the RR should be posted to the Board meeting materials and the actual RR172 should be acted on by the Board without consideration of the contradictory whitepaper. *Furthermore, the MOPC's decision should be respected by rejecting RR172.*

The role of the MOPC is vital to the SPP stakeholder process and is typically the culmination of significant stakeholder input, drafting, revisions, and vetting. The purpose of the MOPC is to develop and recommend policies and procedures to the Board. In addition to providing recommendations an important facet of the MOPC is the opportunity for stakeholders to provide comments, ask questions, and fully vet issues in front of the entire SPP membership and a significant number of Board members. Through this process SPP Directors can hear both supporting and opposing positions that relate to specific policy proposals. By the time policy proposals reach the MOPC the proposals are typically in final form so the comments at the MOPC are the most germane on what is to be recommended to the Board. *Unfortunately, this did not happen as it relates to the "Appeal of RR172" agenda item as described below.*

There have been significant stakeholder discussions regarding zonal placement and cost mitigation at the SPC. During those discussions, it became clear that consensus was unattainable on the most impactful policy matters included in RR172, or at least the version that was posted at the time of the SPC discussion. On June 2, the SPC voted unanimously to send RR172 back to the MOPC and move forward with an SPP process document, which the Board is encouraged to endorse/approve. The agenda for the July 11 MOPC included RR172 as a voting agenda item, however the RR172 that was posted on

July 3 was “entirely different”¹ than the version of RR172 that was sent back to the MOPC by the SPC. Nonetheless the MOPC took up review of that RR172 and a motion to approve RR172 failed resulting in no action being taken. KCPL publicly stated their intent to litigate at FERC and appeal the Revision Request (RR) to the Board². While the agenda item for the July Board meeting is titled “Appeal of RR172”, this is not an appeal of RR172. In fact, RR172 is not even included in the meeting materials. The slides and the draft recommendation instead ask the Board to direct the Regional Tariff Working Group (RTWG) to incorporate the process and cost shift mitigation as reflected in the posted whitepaper even though the whitepaper has never been the subject of any vote by the MOPC or any other working group.

While the whitepaper was posted with MOPC meeting materials it was not the focus of the stakeholder discussion and comments. It was clarified both prior to and during the MOPC meeting that the recommendation to be acted upon, and the ultimate motion that was debated, was on RR172 and the KCPL’s draft Tariff language included therein. The whitepaper includes significant and substantive policy differences and contradictions with both the version of RR172 sent from the SPC to the MOPC and the version rejected by the MOPC. Had the whitepaper been the subject of the MOPC review and consideration, the comments during the MOPC meeting would have included many additional policy related points, questions, and concerns. It is possible that specific votes of the MOPC would have been different than the vote on RR172. After RR172 failed KCPL had the opportunity to move for consideration of the whitepaper but did not do so

Though the MOPC never considered the whitepaper, the MOPC did reject RR172 by 10 percentage points, only receiving 56% of the weighted vote. If the votes are counted without the MOPC weighting the RR only received 45% support. The slides posted in the meeting material highlight the disagreement between the TOs and the TUs. Of the 18 TO Members three voted “no” for an 83% approval rate. While only 28% of the TUs, which also include some of the sister companies of the TO Members, voted yes. It is difficult, if not impossible, to remember a vote at the MOPC where the TO Members voted together in such a large block yet the motion failed. That highlights the strong opposition of the TUs and the level of controversy on this topic, both the draft Tariff language in the RR and the policy behind it.

There have been comments made both before and after the MOPC, including publicly at the SPC meeting, that the MOPC decision demonstrates that the “people who pay the bills” don’t have a comparable voice. We couldn’t disagree more with this statement. The implication from the statement is that if you’re not a TO Member you don’t pay the bills, yet TUs pay hundreds of millions every year as SPP transmission customers. The MOPC voting structure is already weighted to give the TO Members a stronger voice; as a group the 18 TO Members have an equal voice to the group of 77 TUs. Additionally, TO Member companies control the votes of 7 TU member companies as those TU members are owned by or are sister companies of a TO Member. Of the 12 TU votes in support of RR172, 7 of those votes were from the TO Member affiliate companies³.

¹ RR172 as posted with the MOPC Meeting Materials on July 3 states “Because this Revised RR172 is entirely different from the language proposed in the June 14, 2016 version of RR172...”

² An appeal to the Board of an RR is allowable under the MOPC’s Revision Request process found at the following link: <https://www.spp.org/Documents/26093/SPP%20MOPC%20Revision%20Request%20Process.pdf>

³ As an example, AEP and KCPL combined have a total of eight votes when their affiliate companies are included

The SPP RTO has been criticized in the past by individuals from other RTOs that because SPP is so stakeholder driven that SPP isn't truly independent. However, part of SPP's value proposition is "Independence through Diversity", meaning that SPP is independent because all stakeholders have a voice and SPP does not simply implement policy because one segment of stakeholders push for it, which appears to be the case here. This part of the value proposition and SPP's stakeholder driven culture is much of what differentiates SPP from other RTOs.

Furthermore, given that KCPL has publicly and on numerous occasions over the last year stated the intent or threat to file a complaint at FERC on this topic, it is important that this issue not be sent back through the stakeholder process. It would be counterproductive for the topic of zonal placement and cost impact be discussed through SPP's stakeholder process while it is being litigated at FERC by KCPL or within the Tri-State/NPPD case (Docket # ER16-204). It would be prudent, given current circumstances to now wait until KCPL takes its action or a final rule is issued by FERC in ER16-204 prior to pursuing a costly, time consuming, and polarizing initiative within SPP that could potentially contradict SPP's filed statements.

It is important that the Board recognize the expansive division on this topic. Historically, rates and rate impact have been an issue best resolved at FERC. That is where it should remain. We respectfully request the Board reject RR172 and allow the RR process and MOPC position to be respected and upheld.

Respectfully submitted,

City of Independence
Golden Spread Electric Cooperative
Kansas City Board of Public Utilities
Kansas Municipal Energy Agency
Kansas Power Pool
Missouri Joint Municipal Electric Utility Commission
Missouri River Energy Services
Northeast Texas Electric Cooperative
Oklahoma Municipal Power Authority
South Central MCN
Tri-County Electric Cooperative
Tri-State Generation and Transmission Association,
Inc.