

July 21, 2017

Members of the SPP Regional State Committee,

We have already submitted to you and the SPP Board of Directors a letter expressing our concern about the policy and procedural issues regarding RR172 and the accompanying whitepaper. During the MOPC discussions and in subsequent discussions in preparation for the Regional State Committee meeting, there has been the suggestion by KCPL and others that they “pay most of the bills” for transmission in SPP and shoulder the burden of the costs of integrating existing transmission facilities into SPP. Their direct statements imply that the rest of us, the transmission dependent utilities, are not paying our fair share. We, as public power collectively, vehemently disagree with this characterization. Many of us are long-time transmission customers in SPP, meaning **we are paying for transmission costs the same as any other transmission customer in SPP**. In addition, we have also constructed and paid for facilities that have been used to serve not only our own load, but the loads of other customers in SPP. Our customers have shouldered the entire burden for the cost of those facilities, receiving no compensation under the SPP Tariff. To say we have not paid our share of the costs of transmission expansion and have not shouldered the burden of transmission expansion costs is inappropriate and incorrect.

In fact, there have been occasions in the past where public power has reached out in an attempt to purchase transmission facilities and be more proactive in becoming transmission owners in SPP. These attempts have repeatedly been rebuffed by the same entities arguing here that we shouldn't have the right to integrate transmission facilities and recover the costs. If ownership of transmission is a burden, public power is and has been willing to step up and acquire transmission in SPP.

Much of the argument made by the existing transmission owners is about cost shifting, meaning the existing customers in an existing zone pay more when facilities are added to that zone. Cost shifting only occurs when transmission owner zones have lower zonal rates than the rates of the facilities being added. So you must take into account the fact that while costs are being added, it is likely that the load in that existing zone includes some load that has been paying two levels of costs: (1) the full SPP transmission costs; and (2) the costs of the facilities being added to the existing zone.

State commissions are generally responsible for the broad public interest in their states, not just the rates of the transmission owners' retail customers. And state commissions have the best ability to make sure that transmission owners are recovering the appropriate amounts in their retail rates for transmission service. This effort is nothing less than an attempt to circumvent that process by trying to minimize the state commission's authority and ability to properly adjust rates for services for the transmission owner's retail customers, at the expense of other retail customers. Non-jurisdictional retail customers should not be punished because of issues transmission owners may have at the state commission level. The same opportunities for the benefits of putting transmission under the SPP Tariff should be available for all transmission entities today as they have been for years for traditional transmission owners. If the facilities meet the tariff requirements, they de facto are providing benefit to the grid, and the owner should be compensated accordingly. If a transmission owner is having difficulty in accomplishing recovery of its necessary transmission costs from its retail ratepayers, that is not an

issue that can be resolved by RR172 and has nothing to do with a new transmission owner coming into an existing zone. That is an issue that must be resolved by the appropriate state commission.

Thank you for your time and consideration of our concerns.

Sincerely,

SPP Public Power members

Missouri Joint Municipal Electric Utility Commission (MJMEUC)

Missouri River Energy Services (MES)

Kansas Power Pool, Inc. (KPP)

Tri-County Electric Cooperative, Inc. (TCEC)

Kansas Municipal Energy Agency (KMEA)

Kansas City Board of Public Utilities (KCBPU)

Oklahoma Municipal Power Authority (OMPA)