

United States Senate
WASHINGTON, DC 20510-0609

4/11/2024

The Honorable Willie L. Phillips
Chairman

The Honorable Allison Clements
Commissioner

The Honorable Mark C. Christie
Commissioner

Federal Energy Regulatory Commission
88 First Street NE
Washington, DC 20426

Re: Southwest Power Pool, Inc., Docket No. ER24-1583-000

Dear Chairman Phillips and Commissioners:

I write to urge the Federal Energy Regulatory Commission (FERC) to accept the Southwest Power Pool, Inc.'s (SPP) tariff filing that was submitted in this proceeding on March 20, 2024. SPP's filing proposes revisions to the SPP Open Access Transmission Tariff ("OATT" or "Tariff") to remedy the ongoing unreasonable and discriminatory allocation of costs to certain customers located in Kansas, for transmission facilities that primarily benefit the entire SPP region. The four transmission facilities are located in SPP's Sunflower pricing zone. Because the facilities are designated as Byway Facilities under SPP's Highway/Byway transmission cost allocation, 67% of the annual revenue requirement for these facilities is allocated to the Sunflower pricing zone, while only 33% of the cost is allocated to the SPP region. Based on at least three separate engineering analyses by Sunflower and SPP, the facilities confer a regional benefit and, therefore, the reasonable cost allocation must be regional as well.

We previously wrote to FERC last September, urging the Commission to reinstate its order accepting SPP's tariff filing that was issued in Docket No. ER22-1846 on October 28, 2022.¹ SPP's filing created a process to resolve the unreasonable allocation of costs for transmission facilities in geographic portions of the SPP region that have experienced rapid expansion of new wind generation resources. As we explained in our previous correspondence, the State of Kansas is one of those geographic regions. As a result of FERC's reversal of its order that accepted SPP's second stakeholder-approved remedy for the excessive transmission costs borne by customers, such as those in SPP's Sunflower pricing Zone, for transmission facilities that benefit the entire SPP

¹ *Sw. Power Pool, Inc.*, 181 FERC ¶ 61,076 (2022).

region. Kansans alone have continued to pay unreasonably high transmission rates for facilities that benefit the entire SPP region.

We also explained in our previous correspondence that the SPP region has experienced record-level investments in renewable generation and a significant portion of that generation is comprised of wind resources. In recent years, Kansas has been in the top five states in the country in terms of both the level of wind energy supplying electricity generation in Kansas and the annual growth of wind capacity in Kansas. However, the overwhelming majority of the wind generation in the Sunflower Zone is not affiliated with any customer in the Zone and is instead exported to the SPP region. Because wind generation is sited based on where the wind energy resource is abundant as opposed to near the load that will be served, some of the pricing Zones in SPP have wind generation far in excess of peak demand for load inside the Zone. SPP reports that some pricing Zones have nameplate wind generation capacity in excess of 200% of the peak demand for load inside the Zone.² The disparity between wind generation and load is even more egregious in the Sunflower Zone, where the amount of wind generator capacity is **364%** greater than Sunflower Electric Power Corporation's (Sunflower) load.³

As you are also aware, the excessive level of transmission costs allocated to the Sunflower Zone as a result of the influx of wind generation in the State of Kansas is a consequence of SPP's "Highway/Byway" (HWBW) cost allocation methodology. Under the HWBW methodology, the costs for reliability and economic upgrades that are identified in SPP's transmission planning process are allocated among individual SPP Zones and the entire SPP region based on the voltage level and location of transmission facilities. So-called "Highway" facilities, those with a voltage level of 300 kV and above, are allocated 100% to the entire SPP Region. "Byway" facilities are those rated above 100 kV and below 300 kV. The HWBW methodology requires that the cost of Byway facilities be allocated 67% to the local Zone where the transmission facility is located and the remaining 33% is allocated to the entire SPP region. The disparity between the level of wind investment in the Sunflower Zone and the much lower amount of load in the Zone has necessitated significant transmission investment in order to export this wind generation to the rest of the SPP region. As a result of the HWBW cost allocation methodology, the costs of those Byway facilities primarily used for exporting wind generation to other Zones as opposed to supporting load in the Sunflower Zone are allocated 67% to customers in the Sunflower Zone. This cost allocation is a clear violation of the requirement that costs must be allocated in a manner that is roughly commensurate with the benefits received.

The SPP Cost Allocation Working Group (CAWG) recognized this unreasonable consequence of the HWBW cost allocation methodology in wind-rich Zones. In 2019, SPP's CAWG determined that "the cost allocation methodology and/or rate recovery mechanism in zones with a high proportion of generation relative to zonal load is not reflective of cost causation principles."⁴ SPP and its stakeholders have spent several years developing a process to allow entities to request a waiver of the HWBW cost allocation for Byway facilities that benefit the entire region and,

² SPP's filing in Docket No. ER24-1583-000, dated March 20, 2024, at 9.

³ Id. at 23 (In 2023, the Sunflower Zone had 3,296.8 MW of wind capacity, yet the average 12-coincident peak load in the Sunflower Zone is 905.3 MW.)

⁴ CAWG Meeting Minutes, dated February 12, 2019, at Agenda item 10 posted at: <https://www.spp.org/documents/59538/cawg%20minutes%2020190212.pdf>.

therefore, should be regionally cost allocated. FERC rejected SPP's first tariff filing without prejudice and encouraged SPP to continue its proactive efforts to address the issues.⁵ SPP and its stakeholders then developed a revised HWBW cost allocation waiver process that addressed the deficiencies that FERC identified in rejecting SPP's first filing. FERC initially accepted SPP's second tariff filing as just and reasonable, but then reversed itself on rehearing based primarily on newly identified concerns over SPP Board discretion. The rejection of SPP's second filing was again without prejudice, but without FERC taking any action whatsoever to remedy the unjust and unreasonable cost allocation of Byway facilities in wind-rich zones.

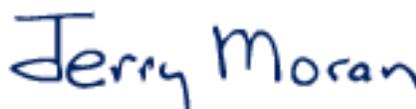
In our previous correspondence, we urged FERC against repeatedly rejecting the processes developed by SPP and its stakeholders to provide a mechanism for the cost of Byway Facilities to be allocated regionally when they are demonstrated to benefit the entire region based on specific criteria. In response, Chairman Phillips stated that he "takes very seriously our obligation to ensure that any action the Commission takes is in the public interest."⁶ FERC's actions on SPP's two prior filings to address the unreasonable cost allocation of Byway Facilities in wind-rich zones has left the public interest unmet. Instead, transmission rates in the Sunflower Zone remain unjust, unreasonable and unduly discriminatory. Now three years after SPP submitted its first stakeholder-approved solution that the Commission rejected without prejudice, SPP has come forth with a more limited proposal to prospectively modify the cost allocation for four specific Byway Facilities, with stakeholder approval. SPP's March 20, 2024, filing in this proceeding is supported by separate engineering analyses that demonstrate that the four Byway Facilities confer an overwhelming regional benefit, based on a capacity criterion, flow criterion and benefits criterion. The prospective regional cost allocation for these facilities is just, reasonable and not unduly discriminatory or preferential under FPA section 205 and we respectfully request that FERC accept SPP's filing, as submitted.

We thank you for your consideration of this critically important matter.

Sincerely,



Roger Marshall, M.D.
United States Senator



Jerry Moran
United States Senator

⁵ *Sw. Power Pool, Inc.*, 175 FERC ¶ 61,198 at P 42 (2021).

⁶ Chairman Willie Phillips' Response to Senators Marshall and Moran, dated December 15, 2023, FERC ELibrary Accession No. 20231215-4001.