

8/11/2023

The Honorable Willie L. Phillips
Chairman

The Honorable James Danly
Commissioner

The Honorable Allison Clements
Commissioner

The Honorable Mark C. Christie
Commissioner

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

Dear Chairman Phillips and Commissioners:

I write to urge the Federal Energy Regulatory Commission (FERC) to reinstate its order accepting the Southwest Power Pool, Inc.'s (SPP) tariff filing that was issued in this proceeding 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. The State of Kansas is one of those geographic regions. SPP's second stakeholder-approved filing in this proceeding provided a 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 region. FERC's recent reversal² of its order accepting SPP's filing means that Kansans alone will continue to pay unreasonably high transmission rates for facilities that benefit the entire SPP region.

As you know, 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, as discussed below, 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.³ The disparity between wind generation and load is even more egregious in the Sunflower Zone, where the

¹ *Sw. Power Pool, Inc.*, 181 FERC ¶ 61,028 (2022)

² *Sw. Power Pool, Inc.*, 184 FERC ¶ 61,028 (2023).

³ SPP's filing in Docket No. ER22-1846-000, dated May 10, 2022, at 10.

amount of wind generator capacity is **348%** greater than Sunflower Electric Power Corporation's (Sunflower) load.⁴

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. Sunflower's ratepayers pay a Byway Rate that is **235%** higher than the SPP weighted average.⁵ 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."⁶ 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, 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.⁷ 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 recently reversed itself on rehearing based primarily on newly identified concerns over SPP Board discretion. The rejection of SPP's second filing is 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.

The Commission's repeated rejection of 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

⁴ *Id.* at 11 (In 2021, the Sunflower Zone had 3,100 MW of wind capacity, yet the average 12-coincident peak load in the Sunflower Zone remained at 900 MW since 2011.)

⁵ See the Affidavit of Al Tamimi, Attachment A to the Comments of Sunflower Electric Power Corp., *et al.*, filed in Docket No. ER22-1846-000 on May 31, 2022, at Paragraph 8.

⁶ CAWG Meeting Minutes, dated February 12, 2019, at Agenda item 10 posted at: <https://www.spp.org/documents/59538/cawg%20minutes%2020190212.pdf>.

⁷ *Sw. Power Pool, Inc.*, 175 FERC ¶ 61,198 at P 42 (2021).

demonstrated to benefit the entire region based on specific criteria, leaves in place the unreasonable cost allocation for transmission facilities in the Sunflower Zone. FERC's statutory responsibility is to ensure that rates are just, reasonable and not unduly discriminatory, and FERC cannot leave in place an unjust and unreasonable rate methodology. Each day that the FERC leaves the HWBW cost allocation in place without a mechanism for these Byway facilities in wind-rich zones to be allocated to the region that benefits from the facilities, Kansans are continuing to pay excessively unreasonable transmission rates. Therefore, I urge FERC to reconsider its order on rehearing and reinstate its order accepting SPP's tariff filing that was issued in this proceeding on October 28, 2022. There, the Commission correctly determined that SPP's Byway facility cost allocation waiver process that was filed in this proceeding, as clarified in SPP's compliance filing to the Commission's order, is just and reasonable.

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

Sincerely,

Roger Marshall, M.D.
United States Senator