



**Kansas Electric  
Power Cooperative, Inc.**

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**February 12, 2016**

**House Energy and Environment Committee**

**Opposition Testimony to HB 2623**

Mr. Chairman and members of the committee, good morning. My name is Bill Riggins. I am Senior Vice President, Chief Strategic Officer and General Counsel for Kansas Electric Power Cooperative, Inc. (KEPCo). Today, I will be offering testimony in opposition of HB 2623 on behalf of KEPCo and its nineteen owner member rural electric cooperatives.

KEPCo Member Cooperative and Headquarter City

Ark Valley Electric Cooperative Association, Inc. – South Hutchinson

Bluestem Electric Cooperative – Wamego

Brown-Atchison Electric Cooperative Association, Inc. – Horton

Butler Rural Electric Cooperative Association, Inc. – El Dorado

Caney Valley Electric Cooperative Association, Inc. – Cedar Vale

CMS Electric Cooperative, Inc. – Meade

DS&O Electric Cooperative, Inc. – Solomon

Flint Hills Rural Electric Cooperative Association, Inc. – Council Grove

Heartland Rural Electric Cooperative, Inc. – Girard

LJEC – McLouth

Lyon-Coffey Electric Cooperative, Inc. – Burlington

Ninnescah Electric Cooperative Association, Inc. – Pratt

Prairie Land Electric Cooperative, Inc. – Norton

Radiant Electric Cooperative, Inc. – Fredonia

Rolling Hills Electric Cooperative, Inc. – Mankato

Sedgwick County Electric Cooperative Association, Inc. – Cheney

Sumner-Cowley Electric Cooperative, Inc. – Wellington

Twin Valley Electric Cooperative, Inc. – Altamont

Victory Electric Cooperative Association, Inc. – Dodge City

Kansas Electric Power Cooperative, Inc. (KEPCo), headquartered in Topeka, was incorporated in 1975 as a not-for-profit generation and transmission cooperative (G&T). KEPCo is governed by a democratically-elected Board of Trustees representing each of its nineteen owner members which collectively serve more than 130,000 electric meters in 69 counties, or approximately two-thirds of Kansas. KEPCo's responsibility is to procure an adequate and reliable power supply for its nineteen distribution rural electric cooperative members and to deliver it at a reasonable cost. Our member owners also are non-profit.

Attached to my testimony is a map that shows the geographic area served by KEPCo's member owners. We serve the primarily rural areas of the State that, years ago, investor-owned utilities decided they didn't want to serve because those areas weren't profitable enough. Also, on the map, for comparison purposes, is Westar's service area. Although Westar is a much larger company than KEPCo, and serves more customers, the geographic area served by KEPCo and its member owners is much larger.

The Kansas Corporation Commission in 1980 gave KEPCo a limited certificate of convenience and necessity to construct and operate electric generating, transmission and related facilities in this State. This bill would take away that right with regard to transmission facilities between 100 and 200 kilovolts.

Because KEPCo is non-profit, our goal is not to maximize profits, but to lower costs as much as possible for our member owners who in turn supply power to their member owners – the homes, businesses and farms in much of rural Kansas. Historically, KEPCo has found it more economical to contract for transmission services as opposed to owning transmission assets. But that may not always be the case.

Changes in the wholesale market have made transmission a more attractive investment opportunity. That's why non-Kansas companies are interested in investing in Kansas transmission, and that's why Kansas companies are interested in investing in transmission in other states. As generation prices continue to increase, KEPCo may find that investing in transmission provides an income stream to offset other costs and mitigate the impact of increasing generation prices and thus minimize KEPCo's cost of service to our member owners. In fact, we are actively looking at those possibilities today.

This bill would take away KEPCo's right to build and own transmission because subsection (b)(2) gives an incumbent electric transmission owner the right to construct, own and maintain any line that connects to existing lines the incumbent already owns.

Now, KEPCo currently doesn't own any transmission. So under the bill, KEPCo doesn't have any rights. And, because any line KEPCo would want to build would have to connect to existing lines at one or more points, this bill would give the owners of those existing lines – not KEPCo --

the right to build and own that line. That's how the bill takes away a right KEPCo has today and gives existing transmission owners a right that they don't have today.

Even if the Legislature is willing to consider this ill-advised concept, KEPCo would ask that subsection (d) of the bill be stricken. It is bad enough to take away KEPCo's right to build transmission and to give that right, for example, to Westar or Sunflower. But to then allow Westar or Sunflower to transfer that right to their affiliated transmission ventures is unconscionable.

Why is this bill needed? On Wednesday, Mike Ross from the Southwest Power Pool described to you the SPP's competitive, collaborative, stakeholder-driven transmission planning process. Did that process sound broken? KEPCo participates in that process, and I can tell you that it is not broken. The proponents of this bill also participate in that process. Have they described to your satisfaction why the process is so flawed that only current transmission owners, and their chosen affiliates, should be allowed to own transmission in this State in perpetuity?

In conclusion, this bill is not good public policy. I haven't even talked about the fact that it is directly contrary to federal rules, but the fact that it is shouldn't be a surprise.

- The bill would extinguish the right of KEPCo to own transmission in Kansas and give that right to existing transmission owners in the State and whomever those companies choose to do business with – including out-of-state business partners.
- The bill would eliminate open competition for transmission ownership, thus allowing current transmission owners, and their chosen affiliates, to monopolize future transmission in Kansas.
- The bill would prevent KEPCo from exercising its judgment about how to best keep costs down and how to serve its member owners throughout Kansas in the most cost-effective way.

That concludes my testimony. I appreciate your time and attention.

