GRIDLIANCE

**House Energy & Environment**
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Carl Huslig, SVP Business Development
South Central MCN LLC

**In Opposition to H. B. 2623**

Chairman Hedke, Vice-Chairman Corbet, Ranking Member Kuether and Members of the Committee:

**Introduction**

My name is Carl A. Huslig. I am a Kansas resident, residing in Lawrence. I am testifying as the Senior Vice President – Development of South Central MCN LLC, a transmission-only utility that operates under the tradename of GridLiance. We use "MCN" -- which stands for Municipal-Cooperative Network – because as a limited liability company authorized to do business in Kansas, we are not permitted to have "cooperative" in our name. We were formed in 2014 by Ed Rahill. Ed and I are former executives of ITC Great Plains, LLC, and during my tenure as President of ITC Great Plains, I developed approximately half of the 345 kV "Kansas V-Plan," the 345 kV "KETA Project," and the 345 kV Hugo-Valiant line in Oklahoma, in each case working closely with the local cooperatives.

South Central is committed to Kansas. We operate in the Southwest Power Pool, Inc. (SPP) region, partnering with cooperatives, municipal utilities, and joint action agencies (collectively, Public Power) to plan, build, co-own and operate transmission in the SPP footprint. Noman Williams, our Chief Operating Officer, is a long-time Kansas resident and previously served as an executive in the transmission business of Sunflower Electric Power Corporation (Sunflower). Our regional office is in Kansas City, MO.

South Central has long-term co-development agreements with three Public Power utilities in SPP and we are in active negotiations with other Public Power utilities, including in Kansas. We will shortly close our first acquisition of existing assets – approximately $27 million net book for 69 kV and 115 kV facilities now owned by Tri-County Electric Cooperative, Inc. (Tri-County), headquartered in Hooker, OK. As part of that transaction, we have before the Kansas Corporation Commission (KCC) an application for a certificate to own and operate transmission in Kansas in connection with the purchase of a one-mile line that extends into Kansas. That purchase will close later, once KCC approval is obtained. Tri-County has been responsible for these assets and will continue to provide the majority of operations and maintenance (O&M) required for the assets. For large jobs and emergencies, one of the nation's premier contractors, Quanta Services, Inc., will supplement whatever services Tri-County cannot supply.

***Point One – Competition Benefits Customers***

- Banning competition to build new transmission projects in Kansas will harm consumers
- Competition for power resources has lowered costs and protected consumers from risks of new construction. SPP's recently issued "Value of Transmission" whitepaper estimates that the SPP competitive market for energy will save consumers $16.6 B over the next 40 years.
- Evidence in other regions show that the discipline of competition lowers total project costs for

transmission specifically while improving reliability. We recently compiled public data on how competition has lowered project costs in Texas, California, and the East Coast region operated by PJM Interconnection. I have attached those slides to my written testimony. To summarize, competition in California and PJM has lowered costs 30-60% or more over the RTO's estimate.

- That competition lowers costs isn't surprising. If you want to remodel your house, you can sign a "cost-plus" contract with a known builder or get fixed price bids. We all know which one will save you money.

***Point Two – SPP's Rules Ensure That Only Qualified Developers Are Awarded Projects***

- Incumbent utilities and other stakeholders in SPP worked hard to develop rules that set a high bar for expertise in transmission line design, construction, and operation and maintenance. Any winner of an SPP competitive project will have demonstrated its abilities are equal to or greater than any proposal by the incumbent.
- No entity can bid without meeting high standards and no entity can win unless it scores comparably with incumbents who bid.
- Bids then evaluated on how the specific project meets standards – with only 250 points of a possible 1100 tied to cost. That compares to 650 points for technical ability like engineering, construction, and operations capability. My written testimony has the details.

    - Engineering Design (Reliability/Quality/General Design) 200 points
    - Project Management (Construction Project Management) 200 points
    - Operations (Operations/Maintenance/Safety) 250 points
    - Rate Analysis (Cost to Customer) 225 points
    - Finance (Financial Viability and Creditworthiness) 125 points
    - Detailed Project Proposal ("DPP") incentive 100 points

***Point Three – The Bill Blocks the Rights of Smaller Utilities From Building Transmission They Need***

- Currently any qualified utility may apply for a certificate and build transmission in Kansas. "Transmission dependent" utilities (TDUs) like Kansas Electric Power Cooperative (KEPCo), Kansas Power Pool (KPP) and Kansas Municipal Energy Agency (KMEA), historically have had to rely on incumbent Transmission Owners (TOs) to build needed transmission.
- Under the ROFR bill, an utility like KMEA, without existing transmission, will lose its right to build in the future because every new 100-200 kV project will always tie to existing incumbent lines and thus be the incumbent's to build. This is despite a settlement by all utilities in Kansas where joint ownership was agreed to as settlement to approve SPP as the RTO for Kansas in 2006. The MCN business model is to partner with TDUs to plan, construct, co-own, and operate new transmission. We provide co-ownership options to TDUs who partner with us, giving them a chance to invest in transmission, including competitive projects. Barring SCMCN from building 100-200 kV lines effectively forecloses TDUs from working with us on the types of projects they need – at lower voltages. This leaves TDUs with little say on access charges and transmission costs that increase overall electric rates for Kansas consumers.

***Point Four – As Written, the Bill Gives Incumbents Unfettered Right to Assign to New Entrants Who May Not Meet the High Standards SPP Imposes for Competitive Projects***

- We do not understand why, if only incumbents can reliably build and operate new lines, only some new entrants are barred. Specifically, the bill doesn't limit construction to incumbents but rather expressly guarantees their right to assign projects to others. Westar has a partnership with Berkshire Hathaway Energy. Sunflower and Mid-Kansas have a partnership with ITC Great Plains, LLC. KCP&L has a partnership with Transource.
  - Carving out this right for assignment of the ROFR is discriminatory.
  - Moreover, such a carve out makes no since. It would let some competitive transmission companies build in Kansas, but neither they nor the incumbents who assign them rights will have to go through SPP's process to ensure they are fully qualified and offer the most effective solution. We believe the Kansas Corporation Commission is best suited to determine who has the financial and managerial capability to build and operate transmission in Kansas. The incumbent utilities are simply not qualified to have this unilateral right.

***Conclusion***

South Central MCN appreciates the opportunity to testify today. We have read the testimony from KCP&L and agree with it completely as well. This proposed legislation will harm consumers, imposes limits to address concerns about reliability that simply aren't real given SPP's rigorous evaluation process, take away the right of small transmission dependent utilities to build transmission just as they are developing the means to do so, and unfairly discriminates against some, but not even all, "outside" transmission companies. We urge a no vote on this measure.

Thank you.