

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Scott Emler at 9:30 A.M. on March 1, 2005 in Room 526-S of the Capitol.

Committee members absent: Senator Pat Apple- excused
Senator Roger Reitz- excused

Committee staff present: Athena Andaya, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes' Office
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Janet Buchanan, Kansas Corporation Commission
Dave Kerr, SBC Kansas
Michael Byington, Kansas. Assoc. Of Blind & Visually Impaired
Rep. Tom Sloan
Charles Benjamin, Sierra Club Kansas Chapter
Carl Huslig, Aquila
Dave Holthaus, Kansas Electric Power Cooperative, Inc.
Dr. Lee Allison, Science & Energy Policy Advisor to Governor
Larry Holloway, Kansas Corporation Commission

Others in attendance: See attached list

Chairman Emler opened the hearing on

HB 2042 - Promotions by local exchange carriers within an exchange or group of exchanges, conditions

Proponents:

Janet Buchanan, KCC Chief of Telecommunications, noted the Commission is not opposed to the legislation as currently drafted. The language change would apply similar criteria for review to promotions that is now utilized for standard offerings. (Attachment 1)

David D. Kerr, president, SBC Kansas, presented graphs which illustrated changes in the market over several years and showed that competition is robust in both urban and rural areas. **HB 2042** would allow customers the opportunity for lower prices by allowing incumbent local exchange companies to compete on equal footing with competitors. (Attachment 2)

Opponents:

Michael Byington, President, Kansas Association for the Blind and Visually Impaired, Inc., voiced objection to the discriminatory treatment allowed by the wording in the proposed bill. (Attachment 3)

After pro and con discussion on the language in **HB 2042** which allowed discriminatory treatment, the chair closed the hearing on **HB 2042**.

Chair opened the hearing on

HB 2045 - Recovery of costs of construction and upgrading of electric transmission facilities

Proponents:

Rep. Tom Sloan noted the Kansas Legislature has been the pacesetter nationally for innovative and progressive incentives to develop generation and transmission system development. **HB 2045** provides a means by which the KCC can determine if a region of Kansas or the entire state benefits from the construction/upgrade of transmission capacity. **HB 2045** is also a tool to remove the barrier between moving power between the two halves of our state as well as to significantly increase energy exports. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on March 1, 2005 in Room 526-S of the Capitol.

Proponents to **HB 2045** (cont.)

Charles Benjamin, Sierra Club, spoke in favor of **HB 2045** as this bill provides positive incentives for utilities to increase their transmission capacity where the need for such increased transmission capacity has been shown to exist, no matter the source of electric generation. (Attachment 5)

Carl Huslig, vice president of Transmission for Aquila Networks, voiced concerns with the language in Section 1 paragraph (a) except for the arbitrary nature of 5 miles in length. He suggested the 5 miles limit be removed. In Section 1 paragraph (b) a change be made from “may” to “shall”. (Attachment 6)

Dave Holthaus, manager of Government Relations for Kansas Electric Cooperatives, spoke for all the electric cooperatives in favor of **HB 2045** and offered an amendment which would add the following language in line 19 after the word ‘line’ ... “with an operating voltage of 115 kilovolts or more” ... and appurtenances. Lines 20 and 21 were to be deleted. (Attachment 7)

Dr. Lee Allison, Science and Energy Policy Advisor to Governor Sebelius, endorsed **HB 2045** as a timely and appropriate contribution to improving the reliability of the state’s electric transmission grid, economically benefitting electric transmission systems and consumers, and opening new economic opportunities for Kansans. (Attachment 8)

Neutral

Larry Holloway, Chief of Energy Operations, Kansas Corporation Commission, testified that the Commission recognizes that there is a need to construct new transmission in Kansas and in the region generally, and that this legislation attempts to address this concern. (Attachment 9)

Chairman closed the hearing on **HB 2045**.

Announcement:

The House and Senate Utilities committees are invited to attend a meeting in the Westar offices, 818 South Kansas, on Thursday, March 10, 2005 starting at 9:15 a.m. and ending about 10:45. The topic of the meeting will be on the restoration activities surrounding the January ice storm. This presentation will be made in their crisis center and there will be a tour of the transmission operations floor. Any committee member who can arrange his/her schedule to attend, please advise Senator Emler’s office by March 9 so that Mark Schreiber can be notified.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 9

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 1, 2005

Name	Representing
Steve Miller	Sunflower Electric
Carroll Waggoner	Sunflower Electric
Javier Buchanan	KCC
Mike Murray	Sprint
Tim Gardner	SBC
Mark Schreiber	Westar Energy
Steve Kearney	Kearney + Assoc.
Nelson Krueger	Everest
Colin Jannison	Cox
Larry Beeb	MIDWEST ENERGY
Tom Day	KCC
Carl Hustig	Aquila
Larry Hollaway	KCC
Paul Suidy	SBC
Kimberly Lancer	Aquila



KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREMBEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

Testimony of
Janet Buchanan, Chief of Telecommunications
Kansas Corporation Commission

Before the Senate Utilities Committee
Regarding HB 2042
March 1, 2005

Chairperson Emler and Committee Members:

Thank you for allowing me to appear before you this morning on behalf of the Kansas Corporation Commission to express the Commission Staff views regarding HB 2042. My name is Janet Buchanan. I am the Commission's Chief of Telecommunications.

The Commission is not opposed to the legislation as currently drafted. The language change would apply similar criteria for review to promotions that is now utilized for standard offerings. Promotions are offerings that are usually made available to consumers for a shorter period of time than standard offerings. The Commission has interpreted the current language in the statute pertaining to promotions to be more restrictive than that proposed but is not opposed to the change. The Commission believes that this change in language does not necessarily permit new offerings to be made; it merely changes the manner in which the offers can be made. For example, the Commission has found that win, winback and retention offerings are not unduly discriminatory. Thus the Commission has permitted such offerings to be made through a local exchange carrier's standard offerings. However, the Commission found that win, winback and retention offerings are, by their nature, discriminatory and could not pass the "nondiscriminatory" hurdle within the statute pertaining to promotions. Therefore, local exchange carriers could only make these offerings, which would be likely to change frequently, through the more cumbersome process applied to standard offerings. This change in language will permit local exchange carriers to make win, winback and retention offerings through promotions.

The Commission has traditionally allowed promotions to go into effect through operation of law (without a formal order approving the offering). Staff examines promotions to identify any problems. If a problem is identified, Staff requests that the local exchange carrier, inter-exchange carrier or competitive local exchange carrier withdraw the promotion and replace it with an acceptable promotion. Staff also currently reviews promotions offered by local exchange carriers to ensure that the rates are above the cost floor. With this change in language, Staff would continue to conduct this review to ensure that offerings are not anti-competitive and also review the promotion to ensure that the offering is not unjust, unreasonably discriminatory or unduly preferential.

Thank you for the opportunity to appear before you this morning. I will be happy to answer questions at the appropriate time.

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Senate Utilities Committee
March 1, 2005
Attachment 1-1



David D. Kerr
President-Kansas

SBC Kansas
220 E. 6th Street
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Topeka, KS 66603

785-276-8201 Phone

Testimony of David D. Kerr, President of SBC Kansas
In support of HB 2042
Before the Senate Utilities Committee
March 1, 2005

Mr. Chairman, members of the committee, my name is David Kerr, and I am the President of SBC Kansas. I appreciate the opportunity to talk to you this morning about House Bill 2042 and how important it is in offering lower prices and better value to Kansas customers by placing all competitors under the same set of rules. HB 2042 passed the House 121-0.

In our testimony on Senate Bill 120 we addressed the robust competition for voice service in Kansas, so I will not cover the information previously presented. However, I would like to share additional information on the attached graphs that illustrate the changes in the market over the last several years. The graphs also show that competition is robust in both urban and rural areas.

By now you are aware that not all communications providers have the same regulatory requirements, so it won't surprise you that one group of companies, the incumbent local exchange carriers, such as SBC, Sprint, and the rural companies, do not have the same promotional flexibility as their competitors. The intent of House Bill 2042 is to allow customers the opportunity for lower prices by allowing incumbent local exchange companies to compete on equal footing with competitors.

This legislation conforms language in K.S.A 66-2005 (1) to the general language found in K.S.A 66-1,189 and 66-1,191. This update to the law will allow incumbents to offer promotions in the same manner as our competitors. From a practical standpoint, that means that we could offer a promotion for a limited time, and direct it toward a specific group of customers. All such offers would still be reviewed by the Kansas Corporation Commission (KCC). The KCC testified in the House that they have no concerns with the legislation.

Today, I ask for your support of this straightforward change and look forward to offering customers the benefits of a competitive marketplace. Thank you for your time this morning. I would be pleased to answer any questions you have about this bill or about competition in general.

Senate Utilities Committee
March 1, 2005
Attachment 2-1



Kansas Association for the Blind and Visually Impaired, Inc.

P.O Box 292, Topeka, KS 66601, (785) 235-8990
603 SW Topeka Blvd, Suite 303, Topeka, KS 66603
Toll Free in KS (800) 799-1499 ~ kabvi@earthlink.net~www.kabvi.org

March 1, 2005

TO: Senate Utilities

FROM: Michael Byington, President 

SUBJECT: House Bill 2042 – OPPOSITION

It is a very sad day in Kansas when two of the State's major corporations propose and support legislation to allow discriminatory treatment. It is a sad day when a public regulatory body such as the Kansas Corporation Commission supports or sanctions the promotion of discriminatory behavior in our society. Look at the wording proposed in this bill. There is no other possible truth aside from the fact that someone wants to be able to engage in discriminatory practices.

The Kansas Association for the Blind and Visually Impaired is an advocacy organization working on behalf of Kansans who are blind and visually impaired. We received calls on our toll free line from all over Kansas from blind and visually impaired citizens who have questions or concerns about obtaining the access they need to live independently in Kansas. Probably the highest of frequency of calls we get relate to access to telephone services such as caller identification and directory assistance.

The federal Telecommunications Act contains Section 255. This section requires the manufacturers of telecommunications equipment to insure that accessible models of equipment are available. Enforcement of Section 255 is at the readily achievable level. The intent of this federal statute is to insure that people who have disabilities are not left too far behind, too far outside of the competitive loop as new telecommunications products and services are developed. Although the promotions which are the subject of House Bill 2042 are not exactly the same things as the equipment and services covered under Section 255 at the federal level, the intent of 2042 certainly quite clearly runs counter to the intent of the federal Telecommunications Act.

It is a sad truth that many of our blind and disabled citizens are unemployed, living on fixed income, and thus not considered a prime market by corporate America. These circumstances are changing, however. The vast majority of the advocacy this Legislature sees advanced from the disabled community is done in an attempt to increase employment,

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Attachment 3-1

competitiveness, and self sufficiency on the part of disabled citizens. Each year, some of these efforts are successful. Things are not getting better very fast, but they are getting better little by little. On behalf of my organization, on behalf of blind and visually impaired citizens of this great State, I am asking you to not allow the disabled of Kansas to be squeezed out of promotions offered by the telecommunications market. Please save the corporate giants from their own short sightedness by letting this bill sit where it is. Do not report it out of committee at all. Thank you.

Presented By Tom SLOAN

Testimony on HB 2045
Senate Utilities Committee
March 1, 2005

Mr. Chairman, Committee Members: For the past five years, the Kansas Legislature has been **the pacesetter** nationally for innovative and progressive incentives to develop generation and transmission system development. Rep. Holmes and I are nationally recognized for our leadership on electric restructuring issues. Because of the Legislature's accomplishments, the Chairman of The Federal Energy Regulatory Commission (FERC) visited Kansas in 2003 and 2004 at my invitation for Summits on transmission issues in Kansas and regionally. Chairman Pat Wood has committed to visiting Kansas again in 2005.

The Kansas Legislature authorized electric transmission operators to upgrade their lines using existing rights-of-way without requiring regulatory review and approvals. This creative statute enabled KCPL to receive approval from the Southwest Power Pool (SPP) members on cost recovery in December and upgrade the existing 345 kv line between LaCygne and Stillwell (32 miles) by the end of May. The speed with which this project was completed was unprecedented and meant that the line was ready for peak summer electric usage.

We authorized the Kansas Development Finance Authority (KDFA) to partner with transmission owners to secure lower-cost funding to construct transmission lines that will increase the export of Kansas' power and, when available, importation of lower-cost electricity. Other states are only now attempting to set up the same type of state-private sector partnerships. Kansas remains the national leader in this arena because we permit such investment partnerships for transmission lines that cross from Kansas to surrounding states in recognition that a robust Kansas transmission system must be connected to the regional grid (similar to Interstate highways through Kansas must connect to similar roads in other states).

The Southwest Power Pool (SPP) reviews all requests for new transmission services (whether by potential new generators or existing transmission operators). Their engineering studies determine whether lines will be built/upgraded based on the impact such changes will have on the entire SPP transmission operations within the seven state footprint. Their primary concern is to maintain the system's reliability. The SPP also

determines anticipated costs of construction and, for designated network resources, prorates the costs to the utilities benefitting from the project.

Electricity follows the path of least resistance. In a very simplistic sense, you can visualize this movement by imagining a series of linked water ponds. To move power from point A to point B, utilities may reduce the voltage on their lines progressively so that the power flows "downhill" as if from cascading ponds. Naturally reality is not so "neat" and power flowing from A to Y may go through B, C, D, and E's system lines. Hence, the need for the SPP engineers to review all proposed changes to transmission line operations and capacity.

There are obvious and hidden costs associated with proposed energy transmission contracts. For example, KEPCo sought to buy 5 MW of power from Empire District, but that transaction would have required \$30 million of transmission upgrades in N.W. Arkansas and N.E. Oklahoma to permit the power to flow from point A (Empire District) to point B (KEPCo). As you probably anticipate, that sale of power did not occur.

HB 2045 is designed to solve a problem associated with cost recovery of transmission construction project expenses. Traditionally in Kansas, transmission upgrades have been paid for by the beneficiaries (customers of those utilities benefitting due to lower cost electricity being available or necessary to move power within the utility's service territory). This is called participant funding. The Kansas Corporation Commission (KCC) reviewed cost and benefit projections and determined if/how much of the project costs could be recovered from ratepayers.

This system worked fine so long as the transmission lines of each company basically served only its own customers' needs. With the evolving regional and national electric market and reliability coordination functions, benefits of transmission upgrades may affect an entire state or consumers several states away. The KCC does not have jurisdiction over utilities not operating in Kansas, but HB 2045 permits (but does not require) the KCC to spread "excess costs" for economically valuable projects in Kansas over all Kansas electric utilities having retail customers that will benefit from the project. The KCC .

The Commission may take such an action only if a regional transmission organization (e.g., SPP) had identified such construction as appropriate. HB 2045 recognizes that for the first time the SPP is reviewing a project with economic development benefits outweighing system reliability/safety. The proposed Lincoln-Circle transmission project in Kansas is the pilot project for determining whether the SPP will move forward with transmission construction projects that will permit the movement of lower cost power to high cost areas. This is a radical departure from their operations today that focus almost exclusively on maintaining the transmission system with minimal focus on least cost dispatch. The Lincoln-Circle project is also the precursor for the X-Plan to build transmission lines between Spearville, KS and Moreland, OK, with connections ultimately back to Wichita and up to Nebraska.

A transmission line “disconnect” exists between eastern and western Kansas. If the Lincoln-Circle project is completed, it establishes the cost-benefit evaluation strategies and policies for future SPP footprint economic development projects. The X-Plan is the second project approved for study. Both are integral to solving the transmission “disconnect” between the two halves of our state.

Major transmission line projects are not constructed for wind farms. Moving electrons generated from fossil and nuclear fueled plants is what guides transmission construction decisions. Wind, solar, bio-mass, and other renewable fueled generators tie onto lines built for more traditional generators. What the Lincoln-Circle project and X-Plan offer Kansas is the opportunity to replace higher cost power (e.g., natural gas generated power) with lower cost energy (e.g., coal, nuclear, wind) and to export power.

HB 2045 provides a means by which the KCC can determine if a region of Kansas or the entire state benefit from the construction/upgrade of transmission capacity. If the answer is yes, AND the utility(s) cost-benefits in building the line are judged insufficient, then the KCC may spread those excess costs across all Kansas electric customers who benefit. If the Lincoln-Circle and X-Plan projects are completed, Kansas will export coal and wind power to OK and further south – areas that rely on high cost natural gas. HB 2045 provides the KCC with a tool that they may, but are not required to, use to benefit the state’s economic future. Nothing in HB 2045 permits the KCC to spread costs to Kansas customers for projects in other states. HB 2045 focuses on Kansas projects and benefits to Kansans.

Mr. Chairman, this concludes my somewhat simplistic explanation of SPP and transmission operations and my sense of urgency regarding HB 2045 as a tool to remove the barrier between moving power between the two halves of our state, as well as to significantly increase energy exports. I will respond to questions whenever you wish.

Testimony in favor of H.B. 2045

Concerning certain electric transmission facilities and providing for recovery of certain costs of construction and upgrading.

Before the Senate Committee on Utilities

March 1, 2005

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On behalf of the Kansas Chapter of Sierra Club

Mr. Chairman, members of the Committee, thank you for the opportunity to testify in favor of H.B. 2045.

The Sierra Club is the largest grass roots environmental organization in the world with almost 800,000 members, including over 4,000 in Kansas. The Kansas Chapter of Sierra Club has just launched a campaign to promote both energy efficiency and renewable energy, specifically wind power, in Kansas. You can read about that campaign, and obtain more information about the work of the Kansas Chapter of Sierra Club, at <http://kansas.sierraclub.org/>.

The Kansas Chapter of Sierra Club is very supportive of legislation that provides incentives for utilities to construct increased electrical transmission capacity, especially in western Kansas - where the bulk of the state's vast wind energy resources are located. The main obstacle to utilizing that resource is the limit on transmission capacity. We believe that H.B. 2045 provides positive incentives for utilities to increase their transmission capacity where the need for such increased transmission capacity has been shown to exist, no matter the source of electric generation. Upgrades to the state's transmission infrastructure will be of benefit to ratepayers statewide and we believe will also be a positive step toward facilitating the utilization of Kansas' vast wind resources. We respectfully urge this committee to report this bill out favorably for passage by the full Senate.

Thank you for your attention. I would be pleased to stand for questions at the appropriate time.

**Senate Utilities Committee
March 1, 2005
Attachment 5-1**



Aquila

**Testimony In Support of House Bill No. 2045
House Utilities Committee
March 1st, 2005**

*Prepared by
Carl A. Huslig- V.P. Transmission
Aquila Networks – WPK
Raytown, Missouri*

Good Morning Mr. Chairman and fellow committee members. My name is Carl Huslig and I am the Vice President of Transmission for Aquila Networks – West Plains Kansas. Aquila appreciates the opportunity to testify before you in support of House Bill 2045.

I would like to begin by stating that this committee, and its counterpart in the Senate, has successfully promoted and passed legislation in recent sessions to enhance the transmission system in Kansas. The steps taken in recent years regarding transmission prompted the FERC Chairman, Pat Wood, to deem Kansas “best-in-class”- the model which other states should follow concerning the advancement of the transmission network. It is imperative that we continue to advance this “best in class” model which is why Aquila strongly supports this bill.

Without a doubt, all of us realize that there is a need to expand and improve the transmission system in the state of Kansas, in order to improve electric system reliability and to provide the infrastructure for pending energy markets. Aquila strongly supports this committee’s vision to supply Kansas with a reliable and reasonably priced transmission system that provides transmission owners with adequate cost recovery.

Aquila strongly supports the general intent of this bill but has concerns with the bill as written. Aquila agrees with the language in Section 1 paragraph (a) except for the arbitrary nature of 5 miles in length. Aquila can envision a new line that is much shorter, which would provide economic and reliable benefits. From Aquila’s viewpoint, length of line is not essential and does not need to be stipulated in the legislation.

**Senate Utilities Committee
March 1, 2005
Attachment 6-1**

Aquila would suggest that the word may be replaced with shall in Section 1 paragraph (b). If a facility is necessary for reliability or economic purposes and has been identified by a regional transmission operator as necessary, then upon providing an application quantifying the benefits the commission shall approve the facility.

Aquila remaining comments are editorial only. Using terms such as measurable and significant is acceptable, but Aquila would prefer that this bill includes language that defines these terms such as providing a 10 year NPV positive benefit.

Finally, Aquila appreciates the opportunity to provide input on this bill. I am happy to stand for questions at the appropriate time. Thank you.

**TESTIMONY SUBMITTED TO THE
SENATE UTILITIES COMMITTEE
IN SUPPORT of HB2045**

From

**KANSAS ELECTRIC POWER COOPERATIVE, INC.
KANSAS ELECTRIC COOPERATIVES, INC.
MIDWEST ENERGY, INC.
SUNFLOWER ELECTRIC POWER CORPORATION**

March 1, 2005

Thank you, Mr. Chairman and members of the Committee for providing the electric cooperatives listed the opportunity to speak today on House Bill 2045. It is a proposal we believe will improve access to regional power supplies through an improved transmission system in Kansas.

My name is Dave Holthaus. I am Manager of Government Relations for Kansas Electric Cooperatives. In the interest of your time, my colleagues elected me to speak for all of us today.

As you are aware, the electric power industry has been in a state of turmoil in recent years as it has tried to find ways to improve access to, and reduce constraints in, the regional transmission system.

Two persistent questions the industry struggles with are: where are transmission infrastructure improvements needed, and, who is going to pay for them?

While this legislation you are considering today will not necessarily resolve those issues, we do believe it will help stimulate the growth of the Kansas transmission system. When the improvements statewide are completed, all Kansas utilities will ultimately have improved access to regional power supply markets.

Another bill approved by the House has the same goal in mind, to provide assurance for transmission construction. HB 2263 creates the Kansas Electric Transmission Authority and includes some of the same language as HB 2045. While the two bills stand as separate pieces of legislation, we believe it might be constructive to have the hearing on HB 2263 before considering action on either proposal.

Thank you for the opportunity to appear today and I will be happy to address any questions.

**Senate Utilities Committee
March 1, 2005
Attachment 7-1**

HOUSE BILL No. 2045

By Committee on Utilities

1-12

10 AN ACT concerning certain electric transmission facilities; providing for
11 recovery of certain costs of construction and upgrading.

12
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. (a) As used in this act:

15 (1) "Appurtenances" means all substations, towers, poles and other
16 structures and equipment necessary for the bulk transfer of electricity.

17 (2) "Commission" means the state corporation commission.

18 (3) "Construction or upgrade of an electric transmission facility"
19 means construction or upgrade of an electric line and appurtenances
20 ~~which will be at least five miles in length and will have an operating~~
21 ~~voltage of 115 kilovolts or more.~~

with an
operating
voltage of 115
kilovolts or
more

22 (b) Upon application, the commission may authorize recovery of costs
23 associated with the construction or upgrade of an electric transmission
24 facility if the commission finds that:

25 (1) (A) A regional transmission ~~operator~~ **organization** has identified
26 such construction or upgrade as ~~necessary~~ **appropriate** for reliable op-
27 eration of the integrated electric transmission system, ~~or or for eco-~~
28 **nomical benefits to transmission owners and customers; and** (B) a
29 state agency, ~~commission or council, or another recognized body,~~ has
30 determined that such construction or upgrade will provide measurable
31 economic benefits to electric consumers in all or part of this state that
32 will exceed anticipated project costs; and

33 (2) such costs are not being otherwise recovered.

34 (c) The commission shall review an application for recovery of costs
35 pursuant to this section in an expedited manner if the application includes
36 evidence that expedited construction or upgrade of the electric transmis-
37 sion facility will result in significant, measurable economic benefits to
38 Kansas electric consumers. Recommendation or approval of construction
39 or upgrade of an electric transmission facility by a regional transmission
40 ~~operator~~ **organization** shall constitute a rebuttable presumption of ~~need~~
41 **the appropriateness** of such construction or upgrade for system relia-
42 bility or economic dispatch of power.

43 (d) In determining whether to approve recovery of costs pursuant to

**Testimony on HB-2045
presented to the
Senate Utilities Committee**

March 1, 2005

**Lee Allison, PhD
Science and Energy Policy Advisor
Office of the Governor**

Thank you Mr. Chairman, for the opportunity to speak on House Bill 2045 which addresses the serious long-time problems of constraints in the state's electric transmission system. My name is Lee Allison and I serve as the Science and Energy Policy Advisor to Governor Sebelius. I also chair the Kansas Energy Council but the Council has not reviewed this legislation or taken a position on it.

As you know, the transmission grid in Kansas suffers from a variety of constraints including flowgates and insufficient capacity in many areas. These constraints have limited opportunities for new generation capacity, increased line losses, and impact the reliability of the system. Constraints on the transmission system also constrain economic development opportunities across the state.

Most of the elements are present to resolve this problem: the technology is present, the transmission owners and utilities are prepared to make needed investments, and the will is there to take action. What is missing is an efficient, effective system to allocate the costs for improving and enhancing our transmission grid. Regional and federal regulatory bodies have long proposed changes to the allocation process but have not yet put into place those reforms.

We endorse HB2045 as a timely and appropriate contribution to improving the reliability of the state's electric transmission grid, economically benefiting electric transmission systems and consumers, and opening new economic opportunities for Kansans.

With that, I would be pleased to stand for questions.

**Senate Utilities Committee
March 1, 2005
Attachment 8-1**



KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

**BEFORE THE SENATE UTILITIES COMMITTEE
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION
March 1, 2005
HB 2045**

Thank you, Chairman and members of the Committee. I am Larry Holloway, Chief of Energy Operations for the Kansas Corporation Commission. I appreciate the opportunity to be here today to testify for the Commission on HB 2045.

This bill addresses two types of transmission upgrades, those necessary for reliable operation of the integrated transmission system and those that provide economic benefits to transmission owners and customers. While transmission upgrades for reliability purposes must be identified by a regional transmission organization, economic upgrades may also be identified by a state agency. In both cases, the entity constructing the transmission facility may apply to the Commission to recover any transmission costs not otherwise recovered, provided there is a reasonable showing that Kansas electric customers receive adequate benefits from the upgrade, and that the proposal provides greater benefits than other less costly options. The Commission is then authorized to determine which utilities should pay for the transmission upgrades based upon the ensuing benefits. The Commission is also authorized to allocate the costs to the benefiting electric utilities in a manner consistent with transmission cost recovery methods adopted by regional transmission organizations and the Federal Energy Regulatory Commission.

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**Senate Utilities Committee
March 1, 2005
Attachment 9-1**

The Commission recognizes that there is a need to construct new transmission in Kansas, and in the region generally, and that this legislation attempts to address this concern. While the Commission had concerns with this bill as initially introduced, the Commission believes the amended language in this version of the bill addresses its concerns.