

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Scott Emler at 9:30 A.M. on March 15, 2005 in Room 526-S of the Capitol.

Committee members absent:

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

Conferees appearing before the committee:

Steve Miller, Sunflower, Co-Ops & Midwest
Tom Stuchlik, Westar Energy
Charles Benjamin, Sierra Club Kansas Chapter
David Springe, CURB
Larry Holloway, KCC

Others in attendance: See attached list

Chair opened the hearing on

HB 2263 - Kansas Electric Transmission Authority

Proponents

Steve Miller, Sunflower Electric Power Corporation, Hays, KS, presented testimony on behalf of Kansas Electric Power Cooperative, Inc., Midwest Energy Inc. and Sunflower Electric. He noted **HB 2263** has a goal of not only ensuring continued reliability, but also diversifying and expanding the Kansas economy through the facilitation of improvements to the state's electric transmission infrastructure. It was suggested that the word "retail" be removed from page 6, lines 26 and 29. (Attachment 1)

Tom Stuchlik, executive director, Transmission Services, Westar Energy, noted **HB 2263** provides a backstop mechanism for projects that don't meet SPP criteria and which are speculative in nature. (Attachment 2)

Charles Benjamin, Sierra Club Kansas Chapter, suggested amending **HB 2263** in regard to the Kansas Open Meetings Act and the timetable to repay be longer than the current schedule set forth in the bill. (Attachment 3)

Opponents:

David Springe, Citizens' Utility Ratepayer Board, explained CURB's concerns with the following passages in **HB 2263**: (1) The Authority that will build transmission when no "private entity" will; (2) the Authority "shall not be subject to supervision or regulation by the state corporation commission", except for wire stringing and transmission line siting; (3) the Authority is authorized to issue KDFFA bonds to build the transmission, and to pay its administration and operating costs; and (4) The authority may exercise the power of eminent domain. (Attachment 4)

Neutral:

Larry Holloway, Chief of Energy Operations of the Kansas Corporation Commission, voiced the concerns of KCC with **HB 2263** and called attention of the committee to the different types of upgrades to transmission systems that are being considered. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on March 15, 2005 in Room 526-S of the Capitol.

Written testimony on **HB 2263** was submitted by Kansas City Power & Light Company. (Attachment 6)

Chair closed the hearing on **HB 2263**.

Chair opened the hearing on

HB 2407 - Kansas representatives to regional transmission organization authorized to participate fully

Proponents:

Larry Holloway, Chief of Energy Operations of the Kansas Corporation Commission, spoke in favor of **HB 2407**. (Attachment 7)

Lois Liechti, Kansas City Power and Light Company, presented written testimony only. (Attachment 8)

Chair closed hearing on **HB 2407**.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 8

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 15, 2005

Name	Representing
Steve Miller (And his beautiful wife) MARVA	Sunflower Electric Power Corp
Randy Hollaway	KCC
Dave Holthaus	KEC
LARRY BEEG	MIDWEST ENERGY
Mark Schreiber	Westar Energy
TOM DAY	KCC
Tom Stuchlik	Westar Energy
Dave Springle	Carb
Lee Alford	Gov's Office
Jack Graves	PW - Duke
Joe Dick	KCBPU
Kimberly Scherer	Aquila

**TESTIMONY SUBMITTED TO THE
SENATE UTILITIES COMMITTEE
IN SUPPORT of HB2263**

Presented by Steve Miller, Sunflower Electric, on behalf of:

**KANSAS ELECTRIC POWER COOPERATIVE, INC. – Topeka, KS.
KANSAS ELECTRIC COOPERATIVES, INC. – Topeka, KS.
MIDWEST ENERGY, INC. – Hays, KS.
SUNFLOWER ELECTRIC POWER CORPORATION – Hays, KS.**

March 14, 2005

Thank you, Mr. Chairman and members of the Committee for providing the electric cooperatives in Kansas the opportunity to speak today on House Bill 2263.

As we noted in our previous testimony on House Bill 2045, the electric power industry has been in quite 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?

Like HB 2045, this legislation you are considering today will not necessarily resolve those issues, but we are excited that this legislation has a goal of not only ensuring continued reliability, but also diversifying and expanding the Kansas economy through the facilitation of improvements to the state's electric transmission infrastructure.

As you are aware, this is not a new idea. This legislation was patterned after the Wyoming Transmission Authority. While there may be others I'm not aware of, I was able to determine that Montana, North and South Dakota are actively working to create this kind of organization in their states.

In South Dakota, Senate Bill 149 contains much of the same language as the bill we're reviewing today. Its sponsors have said this proposal is based, in large part, on the bill that was successfully passed into law last year in Wyoming.

Further west, the Montana Transmission Authority (MTA), which is similar to one created by the Wyoming Legislature last year, is being considered by the Montana Legislature. The MTA would have the power to issue up to \$750 million of revenue bonds to finance the projects. The breadth of the bill gives the Montana Transmission Authority the power to "facilitate, plan, finance, site, construct, develop, acquire, own, rent, lease, maintain, upgrade and operate new electrical energy transmission facilities and related supporting infrastructures." The proposed law would allow for joint ventures, but would limit the authority's power if a private entity is willing to construct transmission facilities or provide certain services.

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North Dakota Governor, John Hoeven, thought this concept was important enough to include in his 2005 State of the State address. He said:

“Our single greatest challenge is the ability to move power to markets outside North Dakota.

A transmission authority could jump start that process and expedite the kinds of large investments we need to expand our current transmission capacity. Increased capacity is essential if we hope to build new coal-based power plants and develop wind farms across North Dakota.

This session, we will advance a bill to establish a North Dakota Transmission Authority within the state Industrial Commission to promote investments in new transmission lines across North Dakota and beyond.

The authority would serve as a catalyst for new investment, and provide low cost financing to help North Dakota's generation be competitive with local generation in surrounding states.

It would also serve as a partner to investors, providing access to public sector financing not available otherwise, and helping to develop right-of-way for new transmission.

But the reality is, our opportunity for growth from energy development extends far beyond just the wind farms and power plants themselves. Envision, if you will, industrial parks developed around our power plants - accessing our low cost energy and available water resources for value-added processing or manufacturing.

We are, in fact, bringing two of our targeted industries together - energy and value-added agriculture - to create new opportunity.”

Chairman Holmes solicited input from other states, utilities, regulators and others as this bill was being prepared for your consideration. After reviewing the final document, the electric cooperatives in Kansas have concluded the bill before you today represents our collective thinking in Kansas, and we believe it represents a policy that should be enacted.

We are here today to suggest the removal of two words from the bill. We suggest that the word “retail” be removed from page six lines 26 and 29. Our belief is that the utilities should be allowed to recover these assessments in a manner approved by the KCC or by their local governing bodies. It is our belief that some utilities may recover a portion of these costs from wholesale customers. Some may choose to absorb these costs rather than pass them along to their customers. In any event, once the utility is

assessed, we are advocating that they be allowed to choose their method of recovery and we think that the removal of these words would accomplish that goal.

Thank you for this opportunity to testify. We hope you will support HB 2263.

Testimony on HB 2263 before the
Senate Utilities Committee By
Tom Stuchlik, Executive Director, Transmission Services
Westar Energy, Topeka, KS
March 15, 2005

Chairman Emler and members of the committee, I am Tom Stuchlik, executive director transmission services for Westar Energy.

The utility industry and its regulators face a challenging situation today to determine how to maintain and upgrade the electric transmission system on a regional basis. House Bill 2263 does not apply to transmission improvements necessary for reliability. If the Southwest Power Pool (SPP) identifies a project, which is needed for reliability, the SPP, with its recent FERC certification as a Regional Transmission Organization (RTO), has the authority to order it built. If transmission improvements are necessary to serve Kansas retail customers, Kansas's utilities have and will continue to budget for and build them. House Bill 2263 provides a backstop mechanism for projects that don't meet the above criteria and which are speculative in nature. An example of this type of project might be one that the SPP has determined as not necessary for reliability reasons but has identified the beneficiaries of the project. However, some beneficiaries cannot balance the cost of their share of the project with the estimated benefits. The Authority might be able to support the completion of the project by assisting with funding the difference. Westar Energy supports this bill because it provides a process by which these projects can be evaluated and constructed, if desired.

Our support contains a bit of crystal ball gazing. We remain uncertain about the future development of SPP's overall cost allocation model and the SPP generation interconnection process. There is always some uncertainty with new regulatory and regional processes and the associated cost allocation models. Further study or changes may need to be considered in the bill. For example, the combination of the regional cost allocation models and this bill could allow surrounding state entities to take a wait and see attitude towards participation in proposed transmission projects until Kansas decides whether to individually build and ultimately have Kansas customers fully fund a project.

Finally, Westar Energy supports the cost recovery mechanism in this bill. Westar Energy believes in the recovery principle of cost causation. We would expect those that benefit from the project pay their proportional share.

Thank you for the opportunity to address you-ag this morning. I will stand for questions at the appropriate time.

Testimony before the Kansas Senate Utilities Committee in **Favor** of **H.B. 2263** to create the Kansas Electric Transmission Authority

March 15, 2005

Charles M. Benjamin, Ph.D., J.D.

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On behalf of the Kansas Chapter of the Sierra Club

Thank you Mr. Chairman, and members of the Committee, for the opportunity to speak, on behalf of the Kansas Chapter of the Sierra Club, in favor of H.B. 2263 that would create the Kansas Electric Transmission Authority. You have the unique opportunity as public servants to cast a vote that could potentially transform Kansas.

The Sierra Club Commitment to Wind Energy – Especially in Kansas

The Sierra Club is the largest grass roots environmental organization in the world with some 800,000 members – including over 4,000 in Kansas. The Sierra Club generally supports renewable energy and specifically supports the development of wind energy – see <http://www.sierraclub.org/globalwarming/cleanenergy/factsheet/wind.asp>.

The Kansas Chapter of Sierra Club has also adopted renewable energy and energy conservation as its priority conservation goals. The development of Kansas wind energy resources, especially in western Kansas, is central to the renewable energy conservation goals of the Kansas Chapter of Sierra Club – see <http://kansas.sierraclub.org/Planet/2005-0203/Planet-2005-0203-Wind1.pdf>. The Kansas Chapter of Sierra Club has also produced a “Kansas Wind Power” fact sheet available on-line at <http://kansas.sierraclub.org/Planet/2005-0203/Planet-2005-0203-Wind2.pdf>.

The Kansas Net Energy Balance

In 2003 the Kansas Energy Plan received widespread attention for first reporting that Kansas had become a significant net energy importer. The 2005 [Kansas Energy Report](http://www.kansasenergy.org), available on-line at <http://www.kansasenergy.org>, indicates that “*Kansas continued to import a record amount of energy in 2004.*” In fact, according to the report, “*net energy imports in 2004 are estimated to be 479 trillion Btu, about 30 trillion Btu greater than in 2003. The estimated cost of net imports for 2004 is \$1.89 billion. By 2009, the state’s net energy imports are expected to increase to 557 trillion Btu, which could be valued at \$2.2 billion using today’s prices.*” In other words, the state has moved from exporting energy and importing dollars from other parts of the nation to pay for that Kansas produced energy to importing energy and exporting Kansas’s dollars to other places to pay for that energy.

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The Kansas Energy Council recognizes that low-cost, reliable and sustainable energy is critical for the state's overall economic well being and Dr. Allison set forth, to a joint meeting of the House and Senate Utilities Committees on January 13, 2005, the following goals:

- Energy Self Reliance
- Restore Kansas energy exports
- Low-cost, reliable, sustainable energy produced in Kansas where possible

The Vast Wind Energy Potential in Kansas

According the 2005 Kansas Energy Report:

"Kansas' wind-energy potential ranks somewhere between first and third in the nation and is at least 10 times greater than the state's current electrical demand. Midwestern states, including the Great Plains, have enough potential in their windiest sites alone to meet the entire nation's electricity needs. Should Kansas or any of the Plains states choose, electricity from wind power could become another exportable resource, much like grain, beef, and airplanes."

The 2005 Kansas Energy Report goes on to say:

"However, the state's wind-energy potential remains largely untapped. At present, eleven other states have more installed wind-generation capacity than Kansas. Currently, the Gray County Wind Farm, near Montezuma, is Kansas' only utility scale wind farm. This 112-megawatt wind farm, with enough generating capacity to power 33,000 homes, is owned and operated by FPL Energy of Juno Beach, Florida, and began generating electricity in late 2001. It currently provides 5.5% of the total power of Aquila's Kansas customers. Based on its first two years of operation, the Gray County Wind Farm's capacity factor (the percentage of time that the wind turbines generated electricity) averaged 40%, which is one of the highest capacity factors at a wind-energy facility in the nation."

There is hope that Kansas can again become a net energy exporter and importer of dollars to revitalize the Kansas economy. That hope lays not under the ground but in the winds that blow through Kansas. The fact is that Kansas has one of the best, if not the best, wind energy potential in the world. However, it is only potential. What prevents that potential from being tapped is the lack of electrical transmission lines in that area of the state that has the greatest wind energy potential – western Kansas. The legislature is considering incentives to encourage the electric utilities to build more transmission capacity, especially in western Kansas. A Kansas Electric Transmission Authority is another way to fill the gap in transmission capacity, especially in western Kansas.

A Kansas Electric Transmission Authority is not an attempt to supplant the utility companies, who have traditionally erected transmission lines. If the utility companies want to put up the transmission lines than nothing in H.B. 2263 prevents them from doing so. Instead, the Kansas T ransmission Authority would act only as a last resort if there was a demonstrated need for transmission lines and no utility was willing or able to meet that need.

A Kansas Electric Transmission Authority is also market driven. If there is no market for the electricity to be produced from wind turbines than no wind turbines will be erected and there will be no need for transmission lines. Furthermore, the bond market will not lend the Kansas Development Finance Authority funds to allow the Kansas Electric Transmission Authority to build transmission lines unless the bond market is convinced that the bonds will be paid off.

We do have some suggestions for amending H.B. 2263.

New Section 4 (b), page 2, lines 35-43, and page 3, lines 1-3: Sierra Club favors transparency and openness in government. Therefore, we would prefer not to add further exceptions to the Kansas Open Meetings Act (KOMA) found at K.S.A. 75-4317 et seq.

New Section 5 (b), page 3, lines 15-26: Sierra Club favors transparency and openness in government. Therefore, we would prefer not to add further exceptions to the Kansas Open Records Act found at K.S.A. 45-215 et seq.

Section 13, page 10, lines 37-43 and page 11, lines 1-5: This section requires that any funding to the authority from the state's general fund must be paid back within 60 months or five years. We think this requirement may make the Authority unworkable. Any new organization with a public purpose needs start-up funds. The legislature should give the authority a reasonable amount of seed money. The whole idea is to have the authority assume risks that private utilities have heretofore been unwilling to do. It will take several years for revenue to start flowing into the authority. Alternately, given that the state is short of funds for outright grants, the authority could be given a longer time to repay, such as 120 months, (10) ten years.

Thank you for your time and attention. We urge your passage of this legislation. I would be happy to stand for comments.

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
A. W. Dirks, Vice-Chair
Francis X. Thorne, Member
Nancy Wilkens, Member
Carol I. Faucher, Member
David Springe, Consumer Counsel



State of Kansas

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SENATE UTILITIES COMMITTEE H.B. 2263 (as amended)

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
March 15, 2005

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2263. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

This bill, HB 2263 presents an expansive new mechanism, the Kansas Electric Transmission Authority, to build transmission in the state. CURB questions under what circumstances Kansas would need an independent transmission Authority to "further ensure for reliable operation of the integrated electrical transmission system". (Section 1(b) at page 1 line 17) Since Southwest Power Pool will require transmission be built for reliability purposes, and can get transmission built for economic purposes (with the noted that there can be disputes over building transmission for economic purposes) it would appear that this Authority is unnecessary.

CURB believes the operable language in this bill is that the Authority will build transmission to "diversify and expand the Kansas economy and facilitate the consumption of Kansas energy through improvements in the state's electric transmission infrastructure." (Section 1(b) at page 1

While this is a long and somewhat complicated bill, CURB believes the following passages explain the bill and highlight CURB's concerns:

- The Authority that will build transmission when no "private entity" will. (See Section 7(b)(1)) at page 7 lines 1-6)
- The Authority "shall not be subject to supervision or regulation by the state corporation commission", except for wire stringing and transmission line siting. (Section 8(a) at page 8 lines 20-25)
- The Authority is authorized to issue KDFA bonds to build the transmission, and to pay its administration and operating costs. (See; Section 7(a)(13) at page 5 lines 22-41, Section 9(a) at page 8 line 41- page 9 line 18, and 9(c) at page 9 lines 21-28)
- The Authority may exercise the power of eminent domain. (Section 8(b) at page 7 lines 26-29)

CURB's concern centers around the proposed mechanism to recover the costs of the transmission projects built by the Authority. Cost recovery is addressed in Section 7(a)(15) at page 6, lines 4-30.) CURB believes that the language proposed in the bill is

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unclear. The Authority will recover its costs through tariffs of the Southwest Power Pool regional transmission organization. However, if all costs of the Authority are not recovered through the SPP, the bill creates a mechanism through the KCC to assess costs against “all electric public utilities, electric municipal utilities and electric cooperative utilities receiving benefits of the construction or upgrade”. Each utility’s assessment “shall” be based on the benefits the utility receives from the construction and each utility “shall” recover its assessed cost from the utilities retail customers. There is no language that limits the cost assessment to only an amount equal to or less than the benefits received by the utility.

The paradox of the bill is that if no other entity is willing to build the transmission line, it would seem to indicate there is not a need for the line or it is not economic. (Lines will be built for reliability purposes) If the Authority builds the line anyway, for economic development purposes, the same entities that did not need the line in the first place probably will not sign up to use it. If no one signs up to use the line, (or the line is less than fully subscribed) it is unlikely that 100% of the costs of the line (and other administrative costs of the Authority) will be recovered through the SPP tariff. To recover the rest of the Authority’s costs, the Commission will have to engage in the “benefits” analysis to assigned unrecovered costs to the Kansas electric utility “receiving the benefits of the construction”. Since there is no clear indication in the bill that assignment of costs under the bill will be limited to the benefits received, it is CURB’s concern that the assignment process will result in costs being assigned to the utilities in excess of the benefit received from any construction, because that will be the only way for the Authority to recover its costs to pay its bond payments. And these costs will be directly passed to retail consumers.

CURB would support the creation of a process at the Kansas Corporation Commission to deal with disputes related to transmission construction. This Committee has before it HB 2045, which is an attempt to address this impasse. However, CURB cannot support the creation of independent Authority to build transmission for economic development purposes unless there is some specific language that costs for Authority projects can only be recovered from those that actually use the transmission built. CURB believes the cost recovery language contained in this bill is unclear on this point. Given the magnitude of what is contemplated in this bill, and the complicated nature of this bill, CURB recommends that the Committee not pass this bill in its current form. CURB believes that it would be more prudent to take the time to study this proposal in more detail, through an interim committee or through a KCC docket.



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 15, 2005
HB 2263**

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 2263.

This bill would form the Kansas Electric Transmission Authority (KETA), which could finance and construct electric transmission facilities, provided other incumbent electric transmission operators chose not to build the facilities identified by the KETA. The KETA is not subject to the oversight of the Kansas Corporation Commission except for the Commission's jurisdiction in regard to wire stringing rules or transmission line siting. The KETA is also given the ability to levy wholesale transmission tariffs if the costs of the constructed facilities are not otherwise recovered through regional transmission tariffs.

The Commission does not oppose or support this bill. While the Commission had concerns with this bill, the Commission believes the amended language in this version of the bill does address the majority of its concerns.

In discussing this bill, it is important to remember that we are looking at three different types of upgrades to transmission systems: reliability, economic and economic development. "Reliability" upgrades are those designed to improve the performance of the system—to make sure the light comes on when the switch is flipped. "Economic" upgrades to the transmission system are those that will result in overall cost savings to electric customers.

The Commission believes that regional transmission organizations such as the Southwest Power Pool (SPP), with oversight of state and federal regulatory commissions, should, will and can properly address transmission upgrades needed for reliability purposes. The SPP is also tackling the issue of “economic” upgrades but the issue of how they will be funded and paid for is much more controversial and is currently being debated at the SPP.

However, none of these efforts will address the other issue that HB2263 addresses—that of whether to implement transmission upgrades that result in higher electricity costs to consumers but which have offsetting regional economic benefits. This legislation would create a new government entity that could weigh these trade offs and make that policy decision.

That said, the Commission believes we should draw the Committee’s attention to certain aspects of the bill. First, it is not clear when, if ever, that the KETA would need the authority to construct electric transmission facilities for reliability purposes. This is clearly the function of the SPP and currently the responsibility of the Commission. There would seem to be no purpose served by creating another government agency with this responsibility. With regard to electric economic upgrades, as I mentioned, this is a topic that is being discussed in the SPP. Any action on this issue taken by the KETA could be premature, and in the end could require Kansas ratepayers to pay for transmission upgrades when the costs of these upgrades may be shared across several states, depending on the outcome of these SPP decisions.

This legislation also allows the KETA to implement regional economic upgrades to the transmission system that may not otherwise be constructed. An example of this could be a transmission line that is not needed for reliability purposes and will not provide a direct benefit for electric customers, but may allow the development of generating plants, such as wind generation, in a portion of the state that does not otherwise have adequate transmission capacity. To the extent that recovery of the costs of this transmission line is not allowed through existing transmission tariffs, the Commission would then be required to assign these costs to electric utilities proportionate to the benefits these utilities receive.

**Testimony before the Senate Utilities Committee
House Bill No. 2263**

**Presented by Lois Liechti
Manager, Regulatory Affairs
Kansas City Power & Light Company
March 15, 2005**

Kansas City Power & Light Company sincerely appreciates the efforts of this bill to foster development of the transmission system. We believe HB 2263 correctly recognizes that expansion of the nation's transmission system has not kept pace with the development of regional electricity markets and it attempts to create one additional mechanism for getting transmission built.

KCPL would like to address two areas of the bill. One purpose of the bill is to "facilitate the consumption of Kansas energy through improvements in the state's electric transmission infrastructure" (Section 1(b)). There are undoubtedly many potential transmission projects that would meet this purpose, but could do so at a cost that exceeded the benefits to the state's electric consumers.

As such, KCP&L requests that the bill include an additional limitation on what projects could be built through this mechanism. Possible language would include:

"The authority shall exercise the rights and powers granted to it in this act only with respect to transmission facilities that have been demonstrated to provide a net benefit to Kansas electric consumers. Such net benefits shall be verified by the state corporation commission"

This would help ensure that uneconomic transmission projects do not get built.

The types of projects that may be built as a result of this bill could be owned by existing utilities. Historically, regional-type projects have not been built due to the uncertainty of cost recovery. To the extent that the state would guarantee cost recovery, existing utilities could be used to build and own these projects, eliminating the need for the state to own

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transmission. A provision for existing utilities to build and own these transmission projects, but funded through the authority's cost recovery mechanisms could be added.

Thank you for your time. I would be happy to answer any questions that you have at the appropriate time.

Presented by Lois Liechi
Manager, Regulatory Affairs
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KANSAS

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**BEFORE THE SENATE UTILITIES COMMITTEE
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION
March 15, 2005
HB 2407**

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 2407.

This bill would grant a Kansas representative, as designated by the Governor, the authority to fully participate in decision-making bodies of regional transmission organizations, whether the decisions made by these bodies are advisory or binding.

The Commission supports this legislation as amended by the House.

Regional transmission organizations, or RTOs, have traditionally established a role for state regulators to advise the RTO board. The Midwest Independent System Operator, or MISO, for example, has established a regional state committee, which provides input to MISO board discussions and decisions. The Federal Energy Regulatory Commission, or FERC, has indicated over the past several years that it is willing to consider RTO Regional State Committee decisions with deference and is increasingly looking to these regional bodies for advice and assistance in addressing important regional transmission decisions. When the Southwest Power Pool, or SPP, established its RTO, the SPP bylaws granted the Regional State Committee, or RSC, an increased role in the SPP decision-making process. Nonetheless, it is not clear that the

individual members of the SPP RSC have been granted the authority necessary to take full advantage of the role granted to it by SPP.

The SPP RSC consists of one regulatory commissioner from each state in the SPP region. However, it is not clear that each state has granted the necessary authority to RSC members to allow their full participation. While there is little concern when the RSC is providing advice, or when the RSC reaches unanimous decisions, it is not clear that state utility regulatory commissioners have the authority to participate in a regional organization where a majority vote could create a binding decision for the organization. This bill would address this and clarify the Kansas Corporation Commission's ability to fully participate in the SPP RSC, or any similar organizations.

**Testimony in Support of House Bill No. 2407
Before the Senate Utilities Committee**

**Burton Crawford
Manager, Deregulation Issues
Kansas City Power & Light Company
March 15, 2005**

Kansas City Power & Light Company supports House Bill 2407. This bill authorizes Kansas representatives from the state corporation commission to participate fully in all decision-making bodies of a regional transmission organization (RTO).

It is our understanding that there have been questions as to whether or not the commission currently has sufficient authorization to participate in such decision-making bodies. Whether or not such authorization currently exists, KCP&L feels that it is very much in the interests of the state to directly participate in the activities and decision-making processes of any RTO within the state and supports such state involvement. Many issues related to regional transmission development, transmission services, reliability, and wholesale energy markets that affect electric service in the region (including Kansas) are discussed and decided in an open, stakeholder-driven process at the RTO. It is very important that Kansas be directly represented in this process. It is only through direct involvement that the interests of Kansas will be considered as decisions that impact the region are made. This bill makes it clear that Kansas representatives are authorized to participate.

Thank you for your consideration.

Submitted by Burton Crawford
Manager, Deregulation Issues
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**Senate Utilities Committee
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