Testimony Provided to the

House Energy & Environment Committee
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In Opposition to House Bill 2623

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Mr. Chairman and Members of the Committee–

On behalf of 178 Kansas Municipal Utilities (KMU) member communities, I appreciate the opportunity to provide testimony to the committee strongly opposing House Bill 2623, legislation that effectively prohibits competition for transmission projects in Kansas.

KMU is the statewide trade association representing municipally owned and operated electric, natural gas, water, wastewater and telecommunications utilities. The KMU membership ranges in size from some of the state's largest metropolitan areas down to communities providing utilities to well under 100 customers. The median size of a municipal electric utility in Kansas is a community-owned system serving 841 customers.

Background
For nearly fifteen years, municipal utilities in Kansas have advocated for the right to jointly finance or construct the local or regional electric transmission projects that are needed to reliably and efficiently serve their customers. At each turn, this opportunity to participate in transmission investment has been rebuffed by incumbent transmission providers. The advent of Federal Energy Regulatory Commission (FERC) Order 1000 finally provided the ability for competition in the selection of transmission providers, including municipal utilities – if their proposal was the best and most cost-efficient. HB 2623, however, would again strip away that right.

Competition
Under existing statutes and regulations, transmission providers must compete to be the best and most cost-efficient option available for a specific Southwest Power Pool (SPP) transmission project. Under House Bill 2623, the incumbent provider would be provided the right to construct regardless of the cost or the possibility of more innovative solutions. It is the belief of the KMU membership that competitive forces in transmission projects has resulted and will result in lower cost for all Kansas electricity consumers – not just the

customers of municipal electric utilities. If HB 2623 is approved, incumbent utilities will have little incentive to be cost-efficient as they would be automatically selected to build and own transmission projects in their service territory and automatically reap the return on equity of their investment.

Cost

Municipal participation in transmission investment can provide substantial benefits to electric customers in Kansas. Due to our consumer-owned, not-for-profit approach (in lieu of maximizing incentive rates for transmission investment), costs for constructing transmission with municipal involvement are minimized. In addition, municipal utilities are often able to obtain financing at much lower costs.

Weak Transmission System

Particularly at the lower voltages at which municipal utilities are typically served, Kansas has a distinct reputation of poor transmission investment and reliability in certain regions of the state. Municipal utilities are not always in priority areas for transmission investment and improvement. For that reason, many communities are and have been forced to rely on local generating units to keep the lights on during peak periods, inclement weather, or maintenance events. While transmission investment has changed dramatically over the past several years in Kansas at the higher voltage levels, municipal utilities in Kansas remain to have significant need for new transmission projects that will increase reliability and decrease cost.

Cost Mitigation Through Joint Ownership

Currently, all transmission users in Kansas pay for large and high-voltage transmission projects constructed within the Southwest Power Pool (SPP) footprint. Large transmission projects in the fourteen state SPP region cost billions of dollars and are funded by all transmission customers. As a result, transmission costs continue to rise for all utilities. One of the few ways that these utility customers have to help defray their rising transmission cost is to own transmission and collect and utilize the revenue from the usage of that transmission.

Support FERC Policy

The establishment of regional planning and cost allocation under the Federal Energy Regulatory Commission (FERC) Order 1000 is good for Kansas and the SPP region. KMU believes that these changes – including the elimination of the right of first refusal (ROFR) – has provided for more effective transmission solutions and delivers lower costs to all electricity consumers in Kansas.

KMU would strongly urge the committee to reject House Bill 2623.