



SUNFLOWER ELECTRIC POWER CORPORATION

A Touchstone Energy® Cooperative 

... energy done right

Bill Number	Senate Bill No. 68
Date of Hearing	February 7, 2023
Stance	Proponent
Testimony By	James Brungardt, Manager Regulatory and Government Affairs, Sunflower Electric Power Corporation
Summary	<ul style="list-style-type: none"> • Sunflower Electric Power Corporation supports SB 68. The bill establishes a Right of First refusal from FERC Order 1000 transmission projects for the construction of transmission projects greater than 100 kV. • SB 68 retains state, not federal, control of transmission greater than 100 kV. • The adoption of SB 68 helps Sunflower control transmission costs and thus save ratepayers money. <ul style="list-style-type: none"> ○ Controls transmission costs, the fastest growing portion of electric bills. ○ Helps ensure only needed transmission projects are built. ○ Allows utilities to pursue least-cost options to meet reliability needs. ○ Incentives implementing the lowest overall cost solution, not the lowest initial cost solution. ○ Allows for near real-time avoidance of expenditures for transmission based on current system needs. ○ FERC Order 1000 incentivizes transmission projects at any cost, not necessarily the least cost to the ratepayer. • SB 68 helps ensure the safe and reliable operation of the transmission system. <ul style="list-style-type: none"> ○ Prevents communication gaps and safety consequences between companies ○ Avoids patchwork of owners and operators, some of them absentee. ○ Promotes safe, efficient, timely responses to storm situations. • SB 68 is consistent with legislation adopted in surrounding states. <ul style="list-style-type: none"> ○ Nearby states have adopted ROFR legislation to protect ratepayers. ○ Many states which don't currently have a ROFR are considering them today. • SB 68 insulates ratepayers from the effects of a "competitive" process where the <u>seller</u>, not the buyer, determines how much the buyer (ratepayer) must purchase. • SB 68 does not prevent Kansas utilities from building, owning and operating transmission needed to serve their customers.

Kansas Senate Utilities Right of First Refusal (“ROFR”)

February 6, 2023

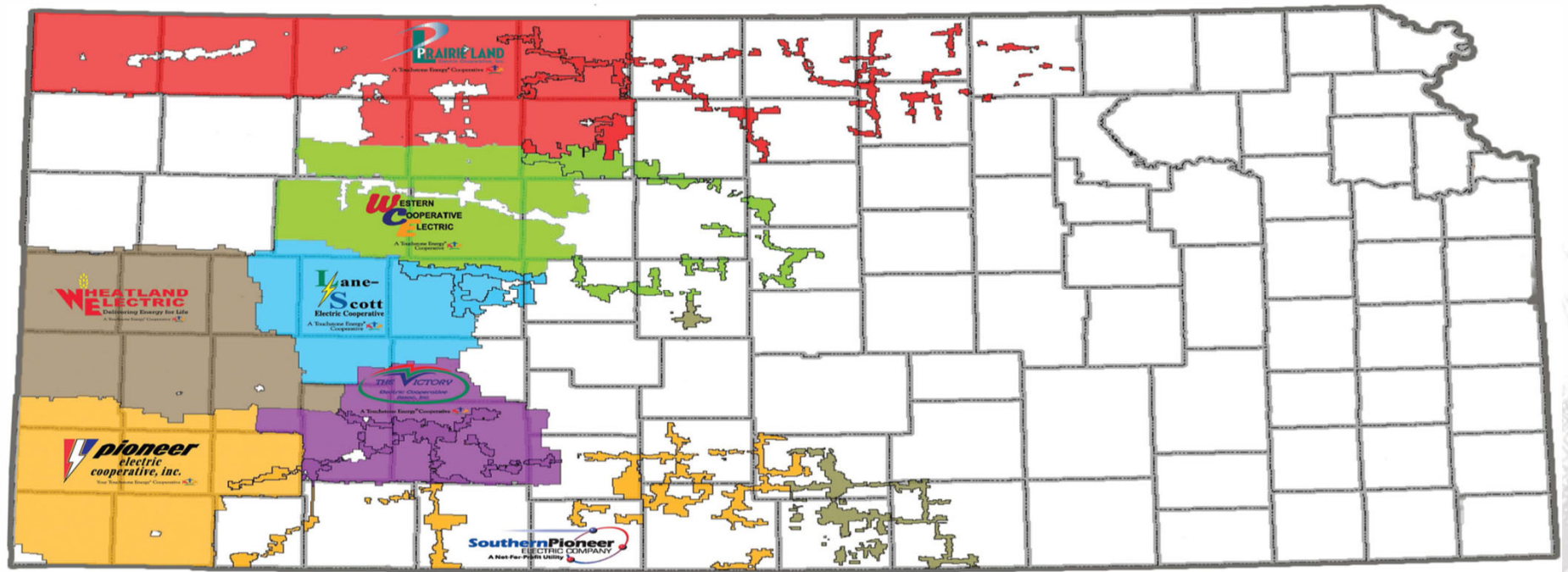


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Sunflower Overview

- Sunflower provides generation and transmission services to seven member cooperatives across western and central Kansas.
- Sunflower Members provide retail service to over 400,000 customers, many of them large beef, dairy, oil and gas facilities.
- Owns and operates more than 2,500 miles of transmission lines.



Electric Cooperatives in Kansas

- Electric cooperatives provide service in 103 of the 105 Kansas counties.
- Rates are set based on the cost of providing the service.
 - Operate on a not-for-profit basis
 - No outside stakeholders.
- Largely serve rural areas of Kansas.
 - Much lower number of customers per mile than a typical investor-owned utility.



Cooperatives are LOCAL

- Employees live and work in the rural communities the cooperatives serve.
- Cooperatives do a great deal of community outreach and charitable activities.
- Ratepayers or member owners of the local cooperative with a vested interest in providing reliable service at an affordable price.
- Allowing the local cooperatives to own and operate facilities which are providing service provides much greater rate benefit to the local ratepayers.
 - As opposed to facilities being paid for by local ratepayers with returns going to investors in other states.
 - Kansans building the future of Kansas.

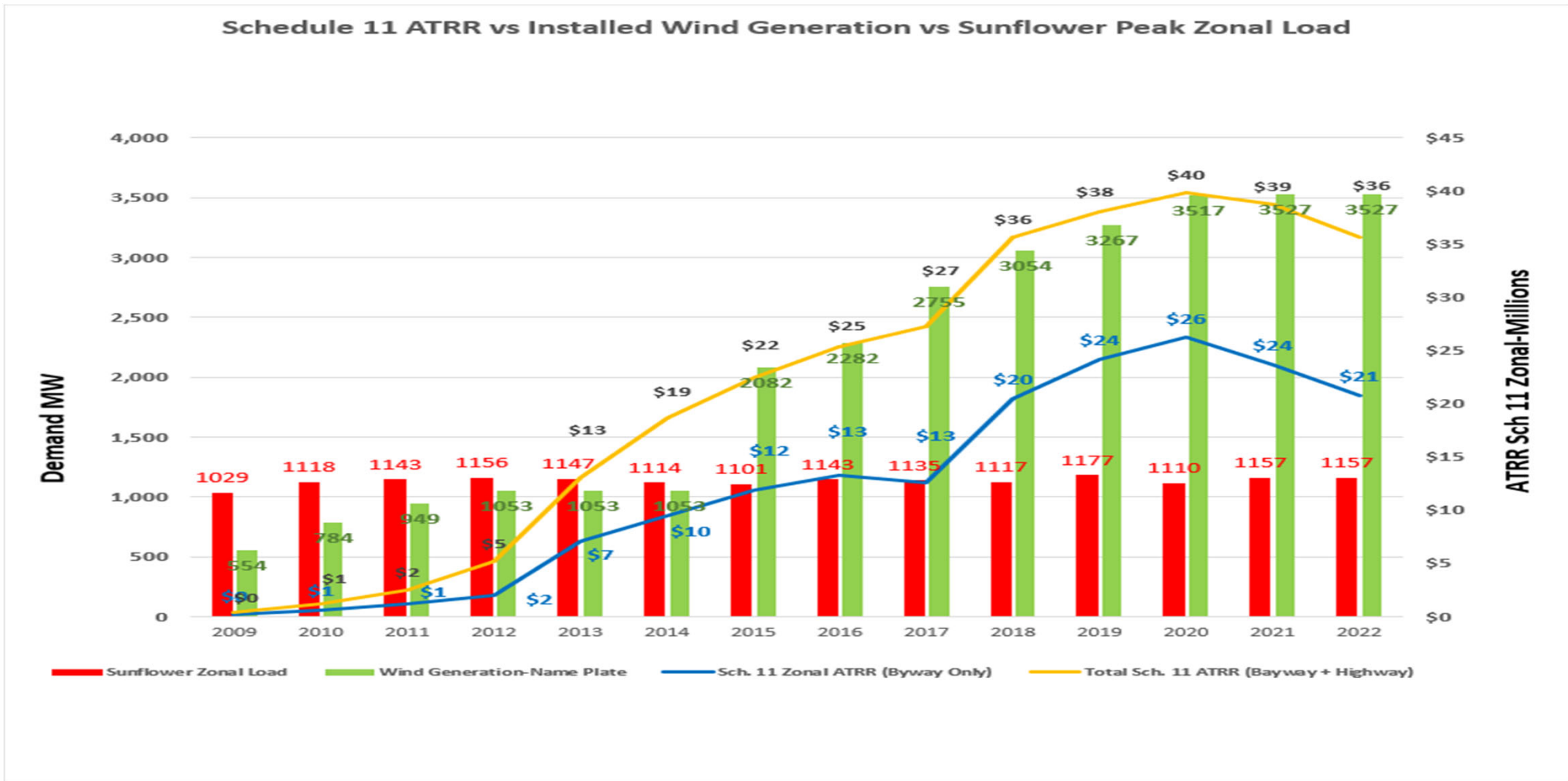


Kansas Transmission Service

- SPP administers transmission services in Kansas.
- Since 2009, Sunflower and other electric cooperatives have seen significant increases in transmission costs attributed to several factors including its geographical location with significant growth of renewable energy and the dynamics of the SPP planning processes.
- If a ROFR is not approved, Sunflower fears its transmission costs will increase even more given the increased number of parties interested in building transmission facilities in Sunflower's zone resulting in an increased number of projects.
 - Local utilities build transmission based on need, not as a form of economic return.



Sunflower Transmission Rates



- Since 2011, Sunflower has built more than 400 miles of transmission line which is attributable to wind development in the zone and not an increase in load.



Why ROFR benefits Kansas utilities

- Allows Kansas utilities to construct, own and maintain the local facilities in which most of the cost is being paid for by Kansas ratepayers.
- Incentives transmission projects to be constructed based on a lower overall cost, not a lower initial cost.
 - Construction standards must be met to withstand strong Kansas winds.
- Eliminates the need for costly and time-consuming bidding processes.
- Provides greater rate benefits to Kansas ratepayers as opposed to investors from other areas earning a return funded mostly by Kansas ratepayers.
- Benefits to the local economy in the form of return earned on the facility and jobs for local utility employees.
- Allows utilities to use existing right of way which limits the affect on local landowners and environment.
- Eliminates many operational and safety challenges when outages occur due to third party entities owning facilities in a local utility's transmission zone.

