

## MINUTES

### KANSAS ELECTRIC TRANSMISSION AUTHORITY

August 15, 2011

Kansas Corporation Commission—1500 SW Arrowhead Road, Topeka

#### Members Present

Representative Carl Holmes, Chairperson  
Earnie Lehman, Vice-chairperson  
Senator Pat Apple  
Representative Annie Kuether  
Tim McKee, Secretary

#### Staff Present

Cindy Lash, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Matt Sterling, Office of the Revisor of Statutes  
Rebecca Wempe, Stevens and Brand, LLP

Chairperson Holmes called the meeting to order at 10:00 a.m. The agenda for the meeting was reviewed and approved. The minutes of the June 21, 2011, meeting were approved.

Chairperson Holmes recognized Tim McKee for an update on KETA's letter of support for proposed legislation for exempt facility renewable energy transmission bonds. The letter will be sent through regular U.S. Mail and by e-mail to the Kansas Congressional Delegation, Governor Brownback, U.S. Senator Jeff Bingaman, and Mr. Jeremy Turner of the New Mexico Renewable Energy Transmission Authority. *Mr. McKee made a motion to approve the language of the letter and to send the letter to those mentioned above, seconded by Representative Kuether. The motion carried.*

Chairperson Holmes again recognized Mr. McKee to discuss an upcoming meeting of several states' transmission authorities. Mr. McKee offered to attend the meeting on KETA's behalf, which will be in Colorado in late September 2011. *Mr. Lehman made a motion to allow Mr. McKee to attend the meeting in Colorado, seconded by Representative Kuether. The motion carried.*

Chairperson Holmes next recognized Senator Jay Emler, Deputy Director of Homeland Security Policy and Strategic Development for the Kansas Adjutant General's Office, and member of the Kansas Senate. Senator Emler stated the Department was willing to discuss any issues that KETA may have with regard to security. Board members stated there is an increasing demand for reliability in transmission lines, which leads to homeland security issues.

There is a need to ensure the safety and security of transmission lines to ensure reliability. There is a migration occurring in transmission, where the lines between economics and reliability are becoming increasingly blurred.

Senator Emler stated that having a robust and redundant network is key to security. The construction of transmission lines is important to continuing the security of the network. Cybersecurity also is an important issue, ensuring that energy companies keep their cyber resources secure. Senator Emler also stated the Department's budget is anticipating a 50.0 percent reduction in federal funding for the next fiscal year. The Department reduced 5.0 FTE positions and added Senator Emler's position, which is half-time. Senator Emler expressed concern for planning for the future, as funding is difficult to secure on both the federal and state level. Thus, planning and finding the funding for homeland security and emergency management is crucial to the Department right now.

Board members stated KETA's best assistance may be in the form of a convener. The more KETA can do to keep the transmission system up-to-date and running soundly, the better the state will be in responding to disasters. Additionally, Board members stated the Department may want to work with the utility companies in Kansas to discuss the issues of reliability and redundancy. Senator Emler stated, should KETA want to discuss any further issues, to feel free to contact him.

Chairperson Holmes recognized Mr. Tom Day, Kansas Corporation Commission, who introduced: Mark Sievers, Chairman of the Kansas Corporation Commission; and, Patti Petersen-Klein, Executive Director, Kansas Corporation Commission. Chairperson Holmes recognized Chairman Sievers, who stated the Governor has made it clear he sees Kansas as a "wind state." Thus, Commission members are keeping the Governor's vision in mind as they move forward with decisions.

Chairman Sievers discussed the FERC Transmission Order 1000, which has two major transmission components. First, the order requires transmission utilities to participate in regional organizations like the Southwest Power Pool. Second, the order mandates the costs of transmission projects be born by those who benefit from the projects. How transmission projects are built and who pays for the projects is an important issue for Kansans, as it is possible for projects to be built in another state and Kansans would assist in paying for those projects.

Chairperson Holmes recognized Ms. Patti Petersen-Klein, who described her role at the Kansas Corporation Commission and her vision for the agency going forward. First, the agency is being restructured to maximize efficiency and better control the workflow of the agency. Second, the agency will be prioritizing the backlog of outstanding dockets. Third, the agency will begin focusing on an application as it is submitted to the agency, ensuring that all processes are followed to reduce future backlog problems. Ms. Petersen-Klein also stated she sees success in the intertwining of KETA and the agency with regard to future goals, both in transmission and economics.

Board members asked Ms. Petersen-Klein whether any of the agency's statutes need to be updated during the next legislative session. Ms. Petersen-Klein stated the agency is in the process of reviewing its statutes and she would inform KETA if changes need to be made. Board members commended the agency for examining the organization and workflows, as that is what makes an agency successful. Board members also commented that the agency has an excellent staff.

Board members stated Kansas has one of the fastest siting processes and, as the agency reviews its processes, the agency should not do anything to lengthen the process. Ms. Petersen-Klein replied the agency did not want to lengthen any processes, but to make the processes more efficient. Board members also stated the agency should review statutory deadlines in the future. Chairperson Holmes expressed gratitude to Ms. Petersen-Klein for the agency allowing the Board use of the facilities for the meeting and for ensuring KETA has available funding.

Chairperson Holmes next recognized John Bell, Senior Managing Auditor, Kansas Corporation Commission, to provide an overview of FERC Transmission Order 1000. Mr. Bell stated the order is about competition in wholesale energy markets. FERC is not concerned about whether costs will flow down to ratepayers. Mr. Bell displayed a map containing shaded areas of the country that are on their way to being compliant with FERC Transmission Order 1000. Kansas was shown as shaded on the map.

Mr. Bell stated the order was issued in draft form in June 2010. There were 185 initial comments and 65 reply comments submitted to FERC. The order is a final rule that reforms FERC's electric transmission planning and cost allocation requirements for public utility transmission providers. The order concerns three major areas: transmission planning; cost allocation; and incumbent right of first refusal. Mr. Bell discussed each of these areas in detail. Mr. Bell stated nothing in the final rule is intended to conflict with state law or state jurisdiction. Mr. Bell also stated the order will apply only to new facilities that are subject to evaluation or re-evaluation with the transmission planning process. Essentially, FERC will allow transmission planners, such as Southwest Power Pool, to explain in its compliance filing which facilities will be subject to the final rule.

Board members stated they believe most facilities going forward will need to comply with the order. Mr. Bell agreed and stated, if a transmission project is listed as part of the Integrated Transmission Planning Process for Southwest Power Pool, the project will need to comply with the order.

Mr. Bell stated transmission planning is occurring at the Southwest Power Pool. The Integrated Transmission Planning Process was approved by FERC in July 2010, which was one month after the draft order was issued. Thus, Southwest Power Pool is working toward compliance with the order with the belief their planning process was approved and heralded by FERC. Transmission providers must file a compliance filing within 12 months of the effective date of the order. Owners within regional transmission organizations are not required to file, but the owners may make their own compliance filings. FERC will hold outreach meetings this fall, which will help the Southwest Power Pool further understand if it is in compliance.

Board members asked if the Omaha Public Power District (OPPD) has remained aligned with Southwest Power Pool, as the OPPD had been exploring the possibility of withdrawing from the Southwest Power Pool. Mr. Bell stated OPPD has remained within the Southwest Power Pool, because it is too expensive to withdraw. Mr. Bell further explained FERC does not want any boundaries in the country. While the country's transmission network is many years from realizing this goal, that is the vision expressed by FERC.

Chairperson Holmes recognized Jim Sanderson, Managing Economist, Kansas Corporation Commission. Mr. Sanderson provided an update regarding a visit from Southwest Power Pool staff to the agency in July 2011. He provided some background information about the Southwest Power Pool. Mr. Sanderson also provided information about transmission system basics and planning, congestion, the transmission planning at the Southwest Power

Pool, upcoming transmission projects, the Southwest Power Pool as a regional entity, and information about the wholesale energy market.

Cindy Lash, Kansas Legislative Research Department, reviewed the expenditure report, which showed expenses through July 31, 2011.

Ms. Lash discussed a FY 2012 legal encumbrance. Board members received an update regarding ongoing legal issues from Rebecca Wempe, Stevens and Brand, LLP. *Mr. Lehman made a motion to encumber \$25,000 for legal expenditures in FY 2012, seconded by Mr. McKee. The motion carried.*

Ms. Lash reviewed funding options for administrative services for KETA. Ms. Lash presented background on the staffing for KETA and described the various duties for which KETA staff are responsible. Ms. Lash presented two options for KETA staffing, including contracting with Stevens and Brand, LLP, for administrative services and reimbursing the Kansas Legislative Research Department for administrative and staff services provided, using the rates previously determined for responding to Open Records requests. Board members then discussed the two options. *Senator Apple made a motion to encumber \$1,000 per month in FY 2012 for administrative services through the Kansas Legislative Research Department and to monitor the workload over the next few months, seconded by Representative Kuether. The motion carried.*

Ms. Lash discussed the FY 2013 budget for KETA. *Mr. Lehman made a motion to request \$100,000 for KETA's FY 2013 budget, with the ability to carryover any unencumbered FY 2012 funding, seconded by Mr. McKee. The motion carried.*

Chairperson Holmes recognized Earnie Lehman, who discussed the KETA FY 2012 Business Plan Outline. *Mr. McKee made a motion to accept the KETA FY 2012 Business Plan Outline, seconded by Senator Apple. The motion carried.*

The Board reviewed the schedule of upcoming meetings of the Southwest Power Pool. *Mr. McKee made a motion to allow Board members to attend Southwest Power Pool meetings on the Integrated Transmission Planning Process in Dallas, Texas, on September 22, 2011, seconded by Representative Kuether. The motion carried.*

The Chairperson recognized Carl Huslig, ITC Great Plains, for an update on the Area Generation Task Force. The Southwest Power Pool's Markets and Operations Policy Committee (MOPC) accepted the Task Force's recommendations for additional substations at its April meeting, but recognized additional action is required. The Task Force was directed to hold further discussions on open issues affecting other working groups. In addition, the Task Force was directed to hold discussions on cost allocation and to obtain approval from the Cost Allocation Working Group (CAWG) and the Regional State Committee (RSC). Authority members asked questions regarding the placement of the substations and technical information.

The Chairperson recognized Dave Peck, Westar Energy, for an update on the Rose Hill-Sooner 345kV line. Mr. Peck stated construction on the line is both on time and on budget. All easements have been secured and the right-of-way is cleared. He stated that the last delivery of steel structures occurred on July 19, 2011. All materials have been delivered and 54.0 percent of structures have been erected. Westar continues to coordinate with Oklahoma Gas and Electric (OG&E) on a monthly basis. He stated OG&E has had trouble with 17 tracts of land that are tribal lands and it has not been able to secure easements. OG&E plans to continue acquiring the right-of-way, as well as pursuing approval from the local Bureau of Indian

Affairs agent. OG&E has started condemnation proceedings. April 2012 is the scheduled early completion date.

Authority members asked whether eminent domain rights allow companies to cross tribal lands in Kansas. Other Authority members answered it is not possible, as the tribes are sovereign nations.

Mr. Peck provided an update on the Prairie Wind project, stating Westar received approval from the Kansas Corporation Commission on the siting plan. Aerial surveying has been completed. Westar is planning to begin the right-of-way process during the fall of 2011, which will continue into 2012. Vegetation management would occur in 2012, with construction beginning by the end of that year. The line is projected to be completed by December 31, 2014, and is projected to be on budget.

The Chairperson recognized Carl Huslig, ITC Great Plains, for a transmission update. Mr. Huslig stated, regarding the KETA project, Phase One is going well. Poles are on the ground on either side of Interstate I-70 at Hays. Construction will be starting at the end of the month with Midwest Energy. For Phase Two of the project, acquisition of rights-of-way is going well, with two landowners left. ITC Great Plains is in the process of procuring materials and construction will begin in the third quarter of 2011.

Mr. Huslig provided an update regarding the ITC Great Plains portion of the V-Plan, stating ITC Great Plains received approval of its siting plans from the Kansas Corporation Commission on July 12, 2011. Initial land surveying has begun and ITC Great Plains has set up an office in Greensburg to facilitate the process. No acquisition of rights-of-way has occurred yet. Board members asked whether any parties sought a rehearing on the siting order. Mr. Huslig responded that no one sought a rehearing.

The Chairperson recognized Mark Lawlor, Clean Line Energy Partners, for an update on the Grain Belt Express. Mr. Lawlor stated the Grain Belt Express is still in the early development stages and Clean Line has filed an application with the KCC for a utility status. Mr. Lawlor stated Clean Line has held 24 roundtable meetings and will hold open houses next. Clean Line continues to evaluate the routing and has its application before the Kansas Corporation Commission, with hearings scheduled for mid-October and an order due by December 22, 2011.

Chairperson Holmes recognized Tom Gross, Air Monitoring and Planning Chief, Kansas Department of Health and Environment, for an update on new Environmental Protection Agency (EPA) regulations. Mr. Gross provided history on interstate transport issues. Mr. Gross provided information on the final rule issued regarding cross-state air pollution. Additionally, Mr. Gross discussed the supplemental proposal regarding the ozone season, which will be finalized by October 31, 2011. Mr. Gross discussed the Cross-State Air Pollution Rule (CSAPR), the state's concerns and options, and the CSAPR timeline.

Mr. Gross responded to board members questions regarding which facilities are exempt from the rule. Mr. Gross stated facilities producing less than 25 megawatts are exempt from CSAPR. Board members also asked about the timeline proposed by the EPA. Mr. Gross stated time will be an issue and the agency is careful which battles it picks with the EPA. Mr. Gross also responded to questions saying the EPA states CSAPR is a trading program; however, Mr. Gross asserted EPA's calculations are incorrect, so he does not believe CSAPR to be affordable.

Authority members expressed concern about the potential for rolling blackouts during the summer of 2012. Authority members stated this is possible because power plants will have to shut down due to the EPA regulations.

The Chairperson adjourned the meeting at 4:30 p.m.

Respectfully submitted,  
Tim McKee, Secretary

Approved by the Authority on:

October 31, 2011  
(date)