

## MINUTES

### KANSAS ELECTRIC TRANSMISSION AUTHORITY

February 27, 2012

Kansas Corporation Commission—1500 SW Arrowhead Road, Topeka

#### Members Present

Representative Carl Holmes, Chairperson  
Earnie Lehman, Vice-chairperson  
Tim McKee, Secretary  
Les Evans  
Senator Kelly Kultala

#### Members Absent

Senator Pat Apple  
Representative Annie Kuether

#### Staff Present

Cindy Lash, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Matt Sterling, Office of the Revisor of Statutes  
Tamera Lawrence, Office of the Revisor of Statutes  
Rebecca Wempe, Stevens & Brand, LLP  
Rebecca Cole, KETA Assistant

Chairperson Holmes called the meeting to order. The agenda for the meeting was reviewed. Mr. McKee moved the agenda be approved, and the motion was seconded. The motion carried.

*Mr. Evans moved to continue with the current slate of officers for the upcoming term, and the motion was seconded. The motion carried.*

*Mr. McKee moved to approve the minutes from the October 31, 2011, meeting, and the motion was seconded. The motion carried.*

Chairperson Holmes recognized Cindy Lash, Kansas Legislative Research Department (KLRD), for review of the expenditure report, which showed expenses through January 2012. Ms. Lash stated no action was needed. Chairperson Holmes stated KETA requested \$100,000 from the State General Fund for the upcoming fiscal year. Tom Day, Kansas Corporation Commission (KCC), stated a new fund would be created to keep the KETA funding separate from the KCC's funds. The account would be named the KETA Administration Fund and it would be separate from the KETA Development Fund (Attachment 1).

Rebecca Wempe, Stevens & Brand, LLP, discussed the Federal Energy Regulatory Commission's (FERC's) acceptance of the highway-byway cost allocation methodology. The

request for re-hearing in July 2010 by several Nebraska and Missouri utilities was denied by FERC. Those utilities subsequently filed a petition for review in the 8<sup>th</sup> Circuit Court of Appeals. The Southwest Power Pool (SPP) is conducting a stakeholder process to review the methodology, and the first status report is due April 1, 2012.

Mr. Lehman suggested some clarifying language for the KETA Annual Report. The Authority members agreed by unanimous consent to Mr. Lehman's suggestions. *Senator Kultala moved the adoption of the KETA Annual Report, and the motion was seconded. The motion carried (Attachment 2).*

The Chairperson recognized Tom Stuchlik, Westar Energy, for an update on the Rose Hill—Sooner 345kV line project. The Rose Hill to Oklahoma border portion of the line is on schedule to be completed by mid-March or early April 2012. Oklahoma Gas and Electric Company (OG&E) has had some difficulties acquiring rights-of-way, which has resulted in delays on the Oklahoma side of the project. Mr. Stuchlik stated Westar expects the Oklahoma portion of the line to be completed in mid-April to early May, as a result of the delay.

Mr. Stuchlik discussed Prairie Wind's section of the Y-Plan project. The KCC has approved the route and negotiations with 46 percent of the landowners on 26 percent of easements have been signed. Vegetation clearing will occur in April 2012, foundation will be laid in July 2012, and construction will begin at the end of 2012. Completion of the project is projected to be at the end of 2014.

The Chairperson recognized Carl Huslig, ITC Great Plains, for an update on the KETA Project. For Phase I of the project, the line is finished to Hays and is on schedule for completion in 2012. The main focus is to complete the substation at Post Rock. Delivery of the transformer is scheduled for April 4, 2012, with the line to be energized on June 1, 2012. SPP has approved this timeline. The transformer weighs approximately 600 tons, and it will travel up the Gulf of Mexico to Houston, then travel by rail to Hays, and then it will be transferred by truck. Mr. Huslig stated Phase I of the KETA Project is on time and on budget.

Mr. Huslig also stated Phase II of the KETA Project is on time and on budget. Wire has been strung past Highway 183 and SPP's in service date is June 2013. ITC anticipates the Kansas portion will be completed by the end of November 2012, with service by the end of the year. Nebraska Public Power District may have its portion of the line completed by that date as well. There was discussion about a wind project in northern Kansas that wants to tie into the line.

Mr. Huslig provided an update on ITC's portion of the Y-Plan. Currently, the project is in the right-of-way acquisition phase and moving westbound. During this phase, ITC has discovered many capped oil wells in the Mississippian geologic formation area that were not disclosed, but now that oil prices are up, many owners are thinking about uncapping the wells. Mr. Huslig stated the ITC portion of the project should be finished by the end of 2014.

Chairperson Holmes opened discussion on transmission needed to address potential reliability concerns arising from rules issued by the Environmental Protection Agency (EPA). Mr. Stuchlik said in the early discussions of the Cross State Air Pollution Rule (CSAPR), Westar was concerned about reliability because the EPA predicted some generating units would go offline. Much has happened since then, and Westar is not concerned about reliability for 2012. He noted SPP is studying potential effects in 2013 and 2014 and considering resource adequacy. The SPP just adopted a 10-year plan (ITP-10) which assumed generation

retirements of 2 GW, but the EPA has suggested the generation retirements could be as high as 5 GW. As a result SPP is restudying and incorporating retirements of 5 GW.

In response to a question, Mr. Stuchlik said Westar proposed an additional transmission line from Wolf Creek to Emporia for inclusion in the ITP-10. SPP analysis indicated the economic benefit of the line would be 80 percent, which is not high enough for inclusion in the plan, however the line is under review as a reliability project. A line from Wolf Creek to Emporia would be east of the Flint Hills. The SPP has expressed interest in such a line.

Regarding the outage at Wolf Creek, Mr. Stuchlik stated the Nuclear Regulatory Commission (NRC) has scheduled a public meeting for March 6, 2012, at New Strawn. Westar stated the breaker that led to the outage had been in service for two years.

Carl Huslig, ITC, said he is concerned that the SPP study of EPA rules is too slow, considering the potential risks that need to be studied. The study will start in April 2012 and is scheduled to end in April 2013. In regard to the ITP-10, Mr. Huslig noted it includes a 345kV line from Elm Creek to Summit.

Chairperson Holmes recognized Bill Dowling, Midwest Energy, who spoke on behalf of SPP. SPP is pursuing two studies on the effect of EPA rules, one near-term and one long-term. The near-term study should be presented April 9, 2012. It will look at how EPA rules affect reliability in the near future, identify problems, but is not intended to find solutions to those problems. The long-term study will include a detailed analysis of the effect of both the Mercury and Air Toxics Rule (MATS) and CSAPR.

Chairperson Holmes next recognized Tom Hesterman, Sunflower Electric Power Corporation. Mr. Hesterman said there are not enough allowances for Kansas and Sunflower is concerned more about reliability of the available capacity than available capacity of energy itself. Mr. Hesterman stated fuel is not a capacity issue. The generation is determined by moving the pieces around in the field. As far as the retirement, there is an SPP specific rule. Mr. Dowling, Midwest Energy, added that if generation is taken out of service, the retirements will affect the available reserve margin. Initially, the CSAPR rule is an energy issue, but it will affect capacity over time.

Chairperson Holmes noted that many municipal utilities plan to upgrade their generating units to comply with the EPA's RICE Rule, but it may be a year before that equipment is in place. In addition, further concerns were expressed about what will be done with the units that are retired eventually. Authority members asked whether Sunflower is considering a new proposed generation expansion in Ulysses. Mr. Hesterman stated there is an estimate of 55 MW of new generation in the Ulysses area; at this time, there is no need for new transmission for that generation. Mr. Stuchlik said Westar's focus is to get the Ironwood Wind Farm up and running. The Flat Ridge II project being developed by BP Wind Energy would require line upgrades and a substation in Rice County to account for the increased wind generation.

Westar further explained line upgrades would be necessary from Ellsworth to Rice County. The line upgrades would be part of the interconnection process, with some modifications. A rebuild of a 115 kV line into the Lyons substation would be necessary. This rebuild will be complete in the first or second quarter of 2013. Additionally, an upgrade from Rice to Circle would be necessary as well, which will be completed by the end of 2012.

Mr. Lehman stated another project has been approved by SPP for a 115 kV line from Bushton to Ellsworth, which is targeted to improved conditions in Ellsworth. This project still is in the study stage; SPP has not yet issued the Notice to Construct (NTC).

The Authority then discussed the Sunflower-ITC transmission agreement, which authorizes ITC to build transmission within Sunflower's area if Sunflower elects not to do so itself. Mr. Stuchlik commented that SPP will have to revise its Right of First Refusal (ROFR) process in order to comply with FERC Order 1000. In the future, FERC Order 1000 will affect who actually builds transmission. Mr. Huslig commented that the Area Generation Task Force will report to MOPC on hub-and-spoke transmission, rather than on collector systems.

Mr. Lehman discussed the KETA Work Plan Outline. He stated two points to consider are the uncertainty associated with future regulation by the EPA and the future of national energy policy, including a renewable energy standard (RES) and reauthorization of the production tax credit (PTC). Adoption of a national RES and extension of the PTC would stimulate transmission development, but the future of those policies is very uncertain (Attachment 3).

In summarizing KETA efforts to support development of a region-wide bulk transmission system (Section III of the Plan), Chairperson Holmes noted it has been KETA's plan to have at least one member at every SPP meeting of the Board of Directors (BOD) and Regional State Committee (RSC). KETA and five partners funded a study last year of four potential new transmission routes in Kansas. One of the routes was included in the ITP-10. With regard to Section IV of the Plan (ensure reliable operation of the transmission system), the Chairperson stated there are currently two bills in the Legislature dealing with cost recovery for disasters, which would include transmission damage. There was a hearing addressing the concern that Kansas Universal Service Fund (KUSF) moneys would be used to fund the cost recovery. In discussion of Section V (facilitate renewable energy development), Mr. Lehman stated KETA benefits from Mr. Huslig's leadership of the Area Generation Task Force, where Mr. Huslig can represent Kansas' concerns as well as share results of Task Force activity. Mr. Lehman also noted KETA's support for extension of the PTC. Section VI (build partnerships with other state infrastructure authorities) will be discussed later by Mr. McKee. Regarding Section VII (make policy recommendations to the Governor and the Legislature, as appropriate, regarding improvements to Kansas' electric transmission system), it was noted that the House Energy and Utilities Committee has done a lot of work in this area.

The Chairperson recognized Mr. McKee to report on the meeting of other state infrastructure authorities (Attachment 4). Highlights of some of the discussion from the meeting Mr. McKee attended in Wyoming included:

- Wind generating capacity in the U.S. has increased by 35 percent since 2007, but a slowdown is expected beginning in 2013 because of the uncertainty of the future of the PTC;
- No new commercial grade wind turbine orders are scheduled for 2013 due to the uncertainty of the federal tax credit. Extensive natural gas discoveries will be a competitive energy source;
- The current renewable portfolio standards (RPS) for various western states range from 15 percent to 33 percent; however, several states are considering reducing their RPS standards; and

- The Western Area Power Administration (WAPA) is looking at becoming part of a regional transmission organization, either the Midwest Independent Transmission System Operator (MISO) or the SPP.

Mr. McKee stated he offered the Kansas City area as a possible site in the fall of 2012 for a meeting of the state infrastructure authorities.

Authority members stated their support for hosting other infrastructure authorities in the Kansas City area. The question was asked whether KETA has lost touch with any state authorities in the Eastern Interconnection. It was noted that South Dakota does not attend the meetings and the Colorado program is struggling. Authority members stated that, realistically, authorities can work together on federal policy, but there is too much competition to work on regional issues. However, it is important to strength ties with other states, including states that are members of MISO.

Mr. McKee opened the discussion on the next meeting of SPP in July 2012 in Kansas City and the possibility of organizing a meeting with other state infrastructures around the SPP meetings. The inclusion of SPP in the meeting also was suggested. Authority members suggested a letter of invitation from KETA before the summer meetings in Kansas City. Mr. McKee agreed to draft the letter in conjunction with KETA staff.

*Mr. Lehman made a motion to approve Authority members to travel to SPP meetings in Oklahoma City, Oklahoma, on April 9, 2012, and April 23-24, 2012. The motion was seconded. The motion carried.*

Mr. Lehman provided an update on the SPP meeting in Austin, Texas. The SPP Board of Directors adopted ITP-10, which is estimated to include about \$1.5 billion of projects. In Kansas, the only significant project is the Summit to Elm Creek line, one of the four projects studied by KETA and several partners last year. SPP estimated the rate increase for electric customers resulting from adoption of the ITP-10 would be 43 cents per month for Mid-Kansas Electric Company (MKEC) customers, 30 cents per month for customers of Midwest Energy, and 17 cents per month for Westar customers.

Members discussed the three kinds of notifications the SPP Board of Directors provides when it authorizes projects, which include:

- Notice to construct—this is an ironclad instruction to start work which provides approval to spend money on construction;
- Conditional notice to construct—this is an instruction to move forward, to spend money on planning, and to report back to SPP with more specific cost estimates; and
- Authorization to plan—this does not authorize any spending, but recognizes ideas under development for projects foreseen beyond the four-year near period.

Authority members asked if there was a project KETA needs to support. Mr. Lehman stated, from a KETA standpoint, asking about projects does not cost anything; however, there are other objectives beyond renewable energy for KETA. The perspectives of Westar, ITC Great Plains, and Sunflower are important. The ITP-20 Study will be completed at the end of 2013, and the submission process is open.

*Mr. Lehman made a motion for KETA to request SPP to consider authorizing a 345 kV line north from Elm Creek into Nebraska as part of the SPP transmission planning process and the motion was seconded. The motion carried.*

*Mr. Evans made a motion to adjourn and the motion was seconded. The motion carried.*

The meeting adjourned at 11:40 a.m.

Respectfully Submitted  
Tim McKee, Secretary

Approved by the Authority on:

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(Date)