MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

June 16, 2015
Kansas Corporation Commission, 1500 SW Arrowhead Road, Topeka, KS

Members Present

Earnie Lehman, Chairman
Representative Dennis Hedke, Vice-chairman
Tim McKee, Secretary
Les Evans
Senator Marci Francisco

Members Absent

Senator Rob Olson
Representative Annie Kuether

Staff Present

Cindy Lash, Kansas Legislative Research Department
Matt Sterling, Office of Revisor of Statutes
Rebecca Cole, Committee Assistant

Les Evans moved to approve the minutes of the March 20, 2015, meeting; seconded by Tim McKee. The motion carried.

Mr. McKee updated the Kansas Electric Transmission Authority (KETA) on the status of infrastructure authorities in the surrounding states. Mr. McKee noted Wyoming currently has the most active infrastructure authority. The New Mexico, Colorado, North Dakota, and South Dakota infrastructure authorities currently are inactive. The Wyoming authority is focused mainly on the Energy Gateway West Project. Mr. McKee noted KETA should be proud it is still in existence (Attachment 1).

Chairman Lehman recognized Cindy Lash, Kansas Legislative Research Department (KLRD), for review of the renewal contact for legal services with Stevens & Brand, L.L.P. The current contract ends June 30, 2015. Stevens & Brand, L.L.P., has provided legal services to KETA since June 12, 2007. The contract proposes no change in rates. The contract is reviewed annually (Attachment 2). *Mr. McKee moved to approve the contract. Senator Francisco seconded. The motion carried*.

Chairman Lehman asked Ms. Lash to review the proposed extension of the Agreement for Administrative Services. Ms. Lash stated for the past several years KETA has encumbered funds to pay KLRD $1,000 a month for services provided (Attachment 3). *Mr. McKee moved to approve the administrative services agreement with KLRD. Vice-chairman Hedke seconded. The motion carried*.

Chairman Lehman welcomed Paul Suski, Executive Vice President, Regulatory Policy and General Counsel, Southwest Power Pool (SPP), along with Bruce Rew, Vice President of Engineering and Operations, SPP, who participated in the meeting by telephone. Mr. Rew provided an update on the first year of the Integrated Marketplace. Creation of the Marketplace was a three-year project that finished on time and on budget. The Integrated Marketplace operated very well during its first 12 months and the system availability exceeded expectations. In response to a question about a slide showing increases in spot market prices from 2013 to 2014, Mr. Rew stated the SPP increase of 18 percent likely would have been higher without the new Marketplace. Mr. Rew described Project Pinnacle, a series of enhancements to the Integrated Marketplace, and noted the individual enhancements (projects) were completed on time and under budget. In response to a question, he briefly described each of the projects as follows: Pseudo-Tie Out requires entities that pseudo-tie in or out to pay for congestion and losses; Environmental Build-Out involved obtaining hardware to implement and test Project Pinnacle changes; Long-Term Congestion Rights was required by the Federal Energy Regulatory Commission (FERC) and modified the congestion hedging software; Regulation Compensation, also required by FERC, pays regulation providers according to performance; Market-to-Market addresses congestion management with Midcontinent Independent System Operator (MISO) near market borders; Live Track Work is an ongoing review; and Enhanced Combined Cycle has been suspended but is scheduled to restart in October 2015 (Attachment 4).

The Chairman welcomed Justin Grady, Chief of Accounting and Financial Analysis, Kansas Corporation Commission. Mr. Grady described the first year of the Integrated Marketplace from the perspective of the audit staff. He stated audits of Westar and Kansas City Power and Light (KCP&L) are under way but will take longer than normal due to the intense workload associated with Westar and KCP&L rate cases. Mr. Grady reviewed the objectives of the audits, noting auditors will assess whether the utility is diligently managing the risk of the Integrated Marketplace and taking the necessary steps to achieve success, as well as whether participation in the Integrated Marketplace is benefiting the utility (and thus its ratepayers). He detailed additional monitoring done on a regular basis outside the audit process. Mr. Grady stated the results of the Integrated Marketplace thus far have been promising: energy cost adjustment projections for Empire Electric were reduced by three percent to account for internally modeled results of the Marketplace, Westar delivered more kilowatt hours in 2014 than in 2013 for essentially unchanged total fuel cost, and off-system sales for KCP&L were substantially higher in 2014 than in 2013 (Attachment 5).

The Chairman recognized Grant Wilkerson, Director, Marketing Structure and Compliance, Westar Energy, for observations on Westar's experience with resources in the market, SPP market efficiencies, and impacts on the transmission system. On average, the SPP market is a low-cost provider compared to the other regional markets. Most of the market activity takes place in the day-ahead market. In response to a question, Mr. Wilkerson said Westar offers all its gas units to serve the retail market, but self-commits its nuclear and large coal generators. The cost of customer fuel is unchanged; even though gas prices increased 2.5 percent, generation decreased 8.5 percent. Baseload plants continue operating at a high load factor. Gas plants have experienced more variability; increased cycling of the units, fuel procurement, and staffing are reactionary because Westar gets very short notice from SPP on orders, and there has been a 10-percent increase in the operations and maintenance costs (excluding fuel). With regard to transmission, he noted congestion continues to exist. Wind production is becoming a bigger part of regional generation, and the build-out in transmission has helped relieve congestion. In response to a question, Mr Wilkerson stated with more wind projects coming online, within three to five years Kansas will begin to see increased congestion. Recent transmission investments have enhanced grid security and resiliency, reduced production costs and eliminated the need to operate two aging generators. Overall the Integrated Market is saving customers money and will continue to mature and improve over time. Chairman Lehman stated Midwest Energy has experienced a three to four percent decrease in energy costs, which is a greater benefit than expected (Attachment 6).

Chairman Lehman recognized Paul Suskie, SPP, for an overview of FERC Order 1000 Competitive Bidding Process. The Order was issued in July 2011. Implementation of the Order required only minor changes from SPP in terms of transmission planning, and FERC accepted the cost allocation model proposed by SPP. The major change was the removal of right of first refusal for regionally-funded projects, which institutes a competitive selection process. Mr. Suskie reviewed the transmission owner selection process under FERC Order 1000. He stated the SPP Board of Directors, in April 2015, approved a new 115-kilovolt (kV) line from Walkemeyer to North Liberal which was the first project in SPP to meet the criteria for a competitive upgrade. The RFP was issued in May 2015, and responses are due in November 2015. Several months will be spent evaluating proposals, and it is anticipated the SPP Board of Directors will select the designated transmission owner in April 2016. In response to a question, Mr. Suskie said SPP expects the competitive process to delay construction, compared to the non-competitive process (Attachment 7).

Chairman Lehman welcomed Brett Hooton, Interregional Coordinator III, SPP, for a presentation on the SPP-MISO Joint Study, which evaluated transmission projects that might provide benefits to both regional transmission organizations. Preliminary results identified four projects that would provide benefits to both regions and that had a benefit:cost ratio of at least 1.0. Two of the four projects would run north from the Elm Creek substation in Kansas into Nebraska. The Elm Creek to Mark Moore project is a 100-mile, 345 kV line with an estimated cost of $164.3 million. SPP would receive 93 percent of the benefit; MISO would receive 7 percent. The Elm Creek to NSUB (new substation) project is a 78-mile, 345 kV line with an estimated cost of $140.6 million. SPP would receive 80 percent of the benefit; MISO would receive 20 percent. Mr. Hooton stated the project is cost effective only when it is cost-shared with MISO. The Joint Planning Committee will finalize the report and recommend projects at the end of June 2015. To go forward on a cost-shared basis, a project must be approved by both SPP and MISO. Each will conduct its own analysis. SPP plans to present its recommendation at the October Board Meeting (Attachment 8).

Chairman Lehman directed the KETA members' attention to the written updates provided by ITC and Westar on the Elm Creek to Summit 345 kV Project (Attachments 9 and 10).

The Chairman recognized Mark Lawlor, Director of Development, Clean Line Energy, for an update on the Grain Belt Express. Mr. Lawlor stated the project will deliver approximately 4,000 megawatts (MW) of low-cost wind power from western Kansas to Missouri, Illinois, Indiana, and neighboring states. The proposed transmission line is approximately 780 miles long. In discussing the portion of the line that would run through Illinois, Mr. Lawlor stated the project will create new jobs, add revenue to local communities, and provide Illinois access to low-cost, clean energy. The application for a Certificate of Public Convenience and Necessity has been submitted, along with the proposed Illinois route, and is pending approval. Approval for the project in Kansas and Indiana has been received. In March 2014, Clean Line submitted a request to the Missouri Public Service Commission for approval to construct transmission in Missouri. The application currently is under review. In March 2015, Clean Line began the FERC capacity solicitation. In all,13 bidders proposed placing 20 MW of wind-generated energy on the line. It is only a 4 MW line, which means there is a lot of potential supply.

Chairman Lehman opened public discussion regarding two possible new projects: a line north from Elm Creek into Nebraska and a direct current (DC) tie from northwest Kansas to Colorado. He referenced the written comments received. Mr. Evans stated the Clean Power Plan ruling could add clarity to this discussion, and proposed waiting until the next quarterly meeting to proceed. He noted a lot of new transmission has been built recently, and customers are aware of the costs. Mr. Hooten said SPP would be interested in participating in an analysis of the DC tie project, depending on what is being proposed. Senator Francisco suggested the Legislature's Vision 2020 Committee or the Utilities Committee might become involved. Alan Myers, ITC said that company has considered the DC tie project. He suggested the SPP Economic Studies Working Group be involved and KETA focus on the benefit analysis. ITC also is in favor of the project from Elm Creek to NSUB and appreciates any support that can be given, noting that MISO may not view the project in the same way SPP does. The members agreed to revisit this topic at the next meeting (Attachment 11).

Chairman Lehman recognized Cindy Lash, KLRD, to provide an update on the FY 2015 Expenditure Report. The report, dated through May 31, 2015, showed an ending balance of $203,535. Expenditures totaled $16,781 (Attachment 12).

Ms. Lash presented a letter received from U.S. Senator Pat Roberts in response to KETA's letter to the EPA regarding the Clean Power Plan (Attachment 13).

Chairman Lehman stated the transmission-related legislation from the 2015 Session will be sent to KETA members at a later date and will be presented at the next quarterly meeting.

The Chairman recognized Mr. Evans to discuss highlights of the SPP quarterly meetings held April 27-28, 2015, in Tulsa, Oklahoma. Mr. Evans reported SPP released a second analysis of the effect of the Clean Power Plan. It shows that a regional compliance approach would meet the 2030 deadline at an estimated cost of $2.9 billion per year in generation-resource capital investment and energy production costs. He also noted the approval of the Walkemeyer project was controversial – two working groups did not recommend the project, but ultimately it was approved by the Board of Directors. He concluded by noting the ITP (Integrated Transmission Plan)-10 will include four futures to reflect the possible impact of the Clean Power Plan.

The next quarterly meetings of the SPP Regional State Committee and the Board of Directors Members Committee are July 27-28, 2015, in Kansas City, Missouri, and October 26-27, 2015, in Little Rock, Arkansas. Chairman Lehman and, tentatively, Senator Francisco will attend the meetings in Kansas City. There was no objection from the remaining KETA members to reimburse them for attending (Attachment 14).

KETA's next quarterly meeting is scheduled for September 2015, time and date to be determined.

Respectfully submitted,
Tim McKee, Secretary

Approved by KETA members on:

September 22, 2015
(Date)