

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

May 31, 2012

Room 144 S — Statehouse

Members Present

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

Member Absent

Les Evans

Staff Present

Cindy Lash, 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 Carl Holmes called the meeting to order. The agenda for the meeting was reviewed. *Representative Kuether moved the agenda be approved; the motion was seconded by Senator Kultala. The motion carried.*

Tim McKee moved to approve the minutes from the February 27, 2012, meeting; the motion was seconded by Representative Kuether. The motion carried.

Chairperson Holmes recognized Cindy Lash, Kansas Legislative Research Department (KLRD), for review of the expenditure report, which showed expenses through April 30, 2012. Ms. Lash noted the Kansas Corporation Commission (KCC) is going to create a separate fund for Kansas Electric Transmission Authority (KETA), rather than maintaining the money as an account within the Public Service Regulation Fund. As a result, the balance of the encumbrance for Stevens & Brand, LLP will be released to allow the KCC to transfer funds into the KETA Administration Fund. KLRD will submit its last bill by the end of the year, so there will not be a carryover balance for the encumbrance (Attachment 1).

Ms. Lash, KLRD, reviewed the correspondence. A KCC analyst requested a copy of the study KETA commissioned from Southwest Power Pool (SPP) in 2007, which was provided. KCC staff were asked to examine the economic benefits of various 345kV transmission line construction projects and the benefits they would have on the Kansas economy (Attachment 2). The second letter of correspondence was an invitation from Kim Borchers, Director of Appointments, Governor's Office, inviting the KETA Board to attend a Board and Commissions Seminar—Data Driven Decisions: Making Business Decisions With Financial Data (Attachment 3).

Chairperson Holmes recognized Rebecca Wempe, Stevens & Brand, LLP, regarding renewal of the contract for legal services. Ms. Wempe noted the contract originated in 2007 and has been renewed annually. Stevens & Brand, LLP proposes to extend the contract another year at the current rates. The agreement ends June 30, 2012 (Attachment 4). *Mr. McKee made a motion to renew the contract. Representative Kuether seconded the motion. The motion carried.*

Ms. Lash, reviewed the Summary of KLRD Administrative Activities. At the August 15, 2011, meeting, the Authority voted to encumber \$1,000.00 per month in FY 2012 for administrative services provided by KLRD and to monitor the workload. The summary included routine duties and special projects (Attachment 5). The board agreed to wait until its next meeting to renew the agreement with KLRD.

Chairperson Holmes recognized Tim McKee to discuss the April 26, 2012, letter sent via email to other state infrastructure authorities inviting them to attend a meeting in Kansas City in conjunction with the SPP meeting in July 2012. The email was sent to representatives in Wyoming, Utah, New Mexico, and Montana, as well as to other groups that attended the last meeting. No responses have been received; Mr. McKee will resend the information.

The Chairperson recognized Rebecca Wempe, Stevens & Brand, LLP, to provide an update on the appeal of the Federal Energy Regulatory Commission (FERC) Order on Highway/Byway Cost Allocation Methodology. Ms. Wempe stated that in April 2010, SPP filed tariffs with FERC to implement the new Highway/Byway cost allocation methodology and KETA intervened in that process in support of the methodology. In June 2010, FERC issued an order accepting the methodology and various utilities asked for a rehearing. FERC ultimately denied the request. The utilities subsequently filed a petition for review in the 8th Circuit Court of Appeals, but also requested a delay to allow the SPP time to conduct a stakeholder process to review the methodology. The Court directed to petitioners to file quarterly reports. The first quarterly report noted SPP's regional allocation review task force recommended the following:

- A set of principles to guide the regional cost allocation review process;
- A specification of transmissions projects that would be subject to the review process;
- Basic elements of the economic evaluation to be considered in the review process;
- Specification of a cost-to-benefit threshold; and
- A list of remedies for any transmission zones that fall below the threshold.

The SPP Board of Directors adopted the report, and the petitioners dismissed their lawsuit as of April 5, 2012.

Chairperson Holmes recognized Dave Peck, Westar Energy, who presented an update on the Rose Hill to Sooner project. Mr. Peck stated all the line construction is complete as of March 6, 2012. All the work for the substation was completed on March 30, 2012. Oklahoma Gas and Electric completed its portion on April 25, 2012. The line went into service on April 27, 2012. The estimated budget for the project has decreased from \$99.5 million to \$73.6 million.

Mr. Peck detailed progress on the Prairie Wind portion of the Y-Plan transmission line, which runs 108 miles from Wichita to Medicine Lodge, then south to the Kansas-Oklahoma border. The budget remains at \$225 million, still to be completed by December 31, 2014. The ground-breaking ceremony for the line will be August 1, 2012.

Mr. Peck described a new transmission project that runs from the Summit substation near Salina to the Elm Creek substation near Concordia. This single circuit 345 kV line will be approximately 60 miles long. Westar Energy and ITC will each build half of the line. SPP issued a conditional notice to construct in April 2012, with a completion deadline of March 2018. The initial cost estimate for the total project is \$104 million.

Alan Myers, ITC Great Plains, provided additional comments on the project. They hope to complete a routing study this year, which would allow them to refine the cost estimate. If the refined cost estimate is within 20 percent of the original, SPP will remove the condition on the notice to construct and they can proceed.

Mr. Myers provided an update on the KETA project (Spearville-Post Rock-Axtell). Phase I construction is complete. The Post Rock substation is scheduled to be energized in June 2012. Phase II is on schedule to be completed by the end of the year, about six months ahead of the original completion date set by SPP. The cost estimate for both phases of the project in Kansas is \$160 million, far lower than the original cost estimate of \$203 million.

Mr. Myers also provided an update for ITC's portion of the Y-Plan. They have been working extensively on right-of-way acquisition. Line construction should begin in Fall 2012, with construction at the Thistle and Flat Ridge Substations set to begin in the late summer or early fall of 2014. The project is on schedule for completion in 2014. ITC is in the process of constructing the first 1.5 miles on the Spearville end of the line, which will serve for a short period of time as a generation lead line for Ironwood Wind Farm. This segment needs to be in operation by September 2012. The estimated cost of ITC's portion of the Y-Plan is \$300.2 million.

Chairperson Holmes recognized Karl Pierce, Director Business Development, BP Wind Energy, for an update on Flat Ridge II Generation Interconnection Line. Mr. Pierce stated 70 of the 294 GE wind turbines are up and running, with the project scheduled for completion in November 2012. Four turbines were damaged during a tornado that passed through Harper County, May 19, 2012. Those turbines are currently being restored. The blades were torn off and the hubs will have to be replaced, but the inside and housing of the nacelles are in good shape and the towers are still standing ([Attachment 6](#)).

Mr. Pierce noted the interconnection line is a 42-mile, 345kV single circuit. The company gave notice to the KCC in September 2011 of their public utility exemption. They obtained a total of 182 miles of right-of-way. They are using mono-poles. They have one double circuit 345kV Y-Plan crossing, and two Sunflower 138kV line crossings, as well as various crossings with Ninnescah and Sumner-Cowley co-op lines. Construction is scheduled for March through July 2012 ([Attachment 7](#)).

Mr. Pierce discussed construction of the Viola Substation in Sumner County, which is a joint project between BP Wind Energy and Westar Energy. The substation is being built in a way that will allow Westar Energy to expand it at a later date. Viola Substation, initially, will have five additional 345kV circuits and will have the design potential for 138kV and for six additional circuits. Construction began in February 2012, with completion scheduled for July 2012.

Chairperson Holmes recognized Earnie Lehman, who provided information on the Post Rock Generation Interconnection line from the perspective of Midwest Energy, since connection is to Midwest's lines. Mr. Lehman stated Wind Capital is developing a 200 megawatt (MW) wind project known as the Post Rock Project. He noted there are about 25 miles of wind turbines along Interstate 70. This includes Phase I and II of the Smoky Hills Wind farm (250 MW) developed by Trade Wind Energy and the 200 MW Post Rock Project. The Wind Capital Group has most of their turbines in place. They are building a 15-mile, 230kV interconnection line that will connect to a new substation Midwest Energy is constructing. The new Rice substation will meet growing demand from a variety of sources. Midwest is upgrading 28 miles of single circuit 115kV line to 230 kV line from the Rice substation to the Circle substation. This work should be done by early November 2012. Midwest also is replacing structures on a 115 kV line from the new Rice substation to a substation near Lyons. This is due to the inability to deliver all the power from the wind project if there is a problem on the 230 kV line. This is a contingency, so that work will not be complete until spring 2013. Mr. Lehman did not know the total cost being

incurred by Wind Capital, but noted the company advanced Midwest Energy \$18 million for the work Midwest is doing because of the wind project.

The Chairperson recognized Mr. Lehman to discuss selected issues on the KETA FY 2012 Business outline:

- Issue: Ensure the State of Kansas speaks with a clear and effective voice in the development and use of the regional electric transmission network.
 - KETA has reached out to the Department of Commerce and continues to coordinate with the KCC and the SPP; and
 - Although no direct funding for transmission projects came out of the 2012 Legislative Session, KETA was able to carry over unused funds and the budget for the upcoming year was approved.

- Issue: Support development of a region-wide bulk transmission system.
 - Work on drafting a letter to SPP to consider authorizing a 345 kV line north from Elm Creek into Nebraska as part of the SPP transmission planning process.

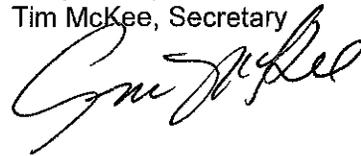
- Issue: Build partnerships with other state infrastructure authorities.
 - Continue to work with other state governments; and

 - Try to engage members of the Midwest Independent System Operator (MISO) and other eastern states.

KETA Members discussed possible topics for consideration at future meetings, including potential load, generation and transmission increases related to the Mississippian Lime Play, Sunflower Electric's proposed gas plant at Ulysses, and the expiration of the state tax credit for renewable cogeneration.

Chairperson Holmes adjourned the meeting at 2:25 p.m.

Respectfully submitted,
Tim McKee, Secretary



Approved by the Authority on:

9/18/12
(Date)