

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

September 11, 2013

Kansas Corporation Commission, 1500 SW Arrowhead Road, Topeka, KS

Members Present

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

Staff Present

Cindy Lash, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Matt Sterling, Office of the Revisor of Statutes
Rebecca Cole, Committee Assistant

Chairman Earnie Lehman called the meeting to order. The Chairman welcomed Tom Day, Kansas Corporation Commission (KCC), to the meeting. Mr. Day introduced the new Executive Director of the KCC, Kim Christianson.

The agenda for the meeting was reviewed. *Tim McKee moved to approve the agenda; the motion was seconded by Senator Apple. The motion carried.*

Tim McKee moved to approve the minutes of the June 26, 2013, meeting; the motion was seconded by Representative Kuether. The motion carried.

The Chairman recognized Cindy Lash, Kansas Legislative Research Department (KLRD), for presentation of the FY 2013 year-end expenditure report. Ms. Lash stated the report, dated through June 30, 2013, shows an ending balance of \$267,134. Expenditures for the year were \$17,686. Ms. Lash noted the FY 2014 expenditure report, dated through August 31, 2013, shows a beginning balance of \$390,860 that includes the FY 2013 balance, liquidation of the unspent portion of the encumbrance for Stevens & Brand LLP (\$23,726), plus a \$100,000 appropriation for FY 2014. Actual expenditures of \$1,042, plus new encumbrances for Stevens & Brand and KLRD for FY 2014, result in an ending balance of \$352,818 (Attachment 1).

Ms. Lash commented on the consideration of the FY 2015 Budget Request. Due to the Legislature creating a two-year budget, KETA has already been approved for a \$100,000 appropriation for FY 2015. The Chairman asked the Board for comments on any change in the

appropriation. Senator Francisco stated other committees are taking a look at ending balances and suggested reducing KETA's request by \$50,000, in recognition of the amount carried over from last year. Members discussed the FY 2015 request. Chairman Lehman asked whether it would be possible to release previously appropriated funds and leave the current request amount of \$100,000 intact. Ms. Lash noted KETA's funds are from the Public Service Regulation Fund; any monies returned will go back to the KCC and not to the State General Fund. *Senator Francisco moved the Board direct staff to prepare a memorandum for the next meeting to consider the release of \$100,000 in previously appropriated funds. Senator Apple seconded. The motion carried.*

Chairman Lehman recognized Ms. Lash for an update on correspondence, which involved presentation of a map, created at no cost for KETA by SWCA Environmental Consultants, represented by Norma Crumbly. The map is a collection of transmission lines in Kansas that KETA has monitored or for which KETA has advocated. The Board discussed whether the map could be placed on the KETA website, or whether that would raise transmission security issues. The Chairman asked staff to research the security issue and report back to the Board. (Attachment 2).

Chairman Lehman welcomed Mark Lawlor, Clean Line Energy, for an update on the Grain Belt Express. Mr. Lawlor said the Grain Belt Express has been under development for three years. Kansas has the second best wind resource in the U.S., but, currently, ranks ninth in installed wind with the primary reason being the lack of transmission. Wind farms in the windiest areas in Kansas have signed contracts to generate wind for 2.5 cents/kwh. Clean Line is using High Voltage Direct Current (HVDC) to move large amounts of power over long distances. It is the most efficient way to move energy with the least amount of line loss. The Grain Belt Express can carry 3,500 megawatts on a single transmission line, more than the total of 2,700 megawatts currently installed in the state. The length of the line is about 750 miles in total, with 370 miles in Kansas. The total investment is \$2 billion, with \$1 billion in Kansas. All of the \$7 billion of wind farms investments the line facilitates would be in Kansas. The line will deliver to Missouri, Illinois, Indiana, and states farther east. Some of the economic benefits Clean Line provides to Kansas are: 5,000 construction jobs (wind farms and transmission lines combined, so most jobs are in Kansas), 500 operation jobs (mostly for the wind farms, all of which are in Kansas), manufacturing jobs, 250 local businesses interested in partnering on parts of the project, and property tax revenues in tens of thousands of dollars per mile of transmission line after the ten-year tax abatement expires. Regarding the routing process, 12,000 people were invited to community open houses to discuss the best transmission routes; approximately 2,300 attended and gave feedback. With that input, Clean Line determined the best route. Clean Line works closely with landowners, paying 100 percent of the fair market value for easements. In addition, it pays compensation for structures, based on the landowner's choice of one-time or annual payments. Clean Line instituted an Agricultural Impact Mitigation Policy to minimize, reclaim, and mitigate impacts to agricultural lands with the commitment to return the land to the condition in which it was found or better.

Mr. Lawlor said that on July 15, 2012, Clean Line filed a proposed route with the KCC, beginning the 120-day statutory review process. Public utility status has been obtained in Kansas and Indiana, and interconnection studies are underway with the transmission operators for the eastern portions of the proposed line. Reliability studies have been completed with SPP. In February of 2014, Clean Line will file for utility status in Missouri and host a series of open houses in Illinois. By the end of 2014, Clean Line hopes to file for route approval in Illinois.

In response to questions, Mr. Lawlor provided the following answers:

- Regarding the concerns of residents of northern Kansas who do not support the project, he noted Clean Line Energy met with residents of Washington County on numerous occasions and talked with them about their concerns. Most of what has been done on the development side has helped eliminate a lot of those concerns, and the company has proposed several changes to the route to address landowner concerns.
- Clean Line studied a number of potential routes along I-70 but ultimately determined these routes were not feasible for a number of reasons. The Kansas Department of Transportation's Accommodation Policy dictates that a transmission line must be located outside the interstate and interchange right-of-way. Because of this policy, placing a transmission line parallel to the interstate would require frequent diversions at each highway interchange, commercial development, residential development, and municipality. In many instances, these diversions would be significant in length, and the potential benefit of following I-70 is negated by these frequent and lengthy diversions.
- The design of the project is for the wind farms to connect directly to Clean Line's converter station, but there is a connection the converter station needs to make to the local grid, because in certain conditions Clean Line would need to draw voltage support off the system. Clean Line would have to buy and contract for that service. The company cannot act as an island; there is a small connection to the SPP grid, and because of that, a "No Harm" study had to be completed.
- Clean Line is studying multiple terminus' for the line, including an interconnection in eastern Missouri and one on the Indiana-Illinois border.
- About 55 percent of the line will parallel existing transmission lines. A good portion of the line in western Kansas will follow existing parcel boundaries. In some cases, where there already were two parallel lines running diagonally across property, landowners stated it created a greater impact to add a third parallel line than to run the line separately along parcel boundaries.
- Clean Line is developing three additional HVDC lines in other parts of the country. Currently, they do not operate any transmission; it is a new company trying to fill a new niche – multi-regional, merchant, direct-current lines. There are a limited number of direct current lines in the U.S.
- The ten-year property tax abatement is an attractive incentive for the company, although they recognize that counties see it as a loss of income. Clean Line does not want counties to be out-of-pocket for costs associated with the construction (such as directing traffic), so they pay counties a one-time construction mitigation fee of \$7,500 per mile. In addition they have road agreements with each county that guarantee roads will be left in as good, or better, condition than they were prior to construction ([Attachment 3](#)).

Chairperson Lehman welcomed Alan Myers for updates on ITC Great Plains' projects. Regarding the Y-Plan, Mr. Myers said there is one easement in Ford County where the right-of-way has not been acquired. All other easements in Kiowa County and in Ford County, to date, have been acquired through voluntary means. ITC is starting foundations in Kiowa County. The

project is scheduled for completion in 2014. ITC has begun wire stringing. Thistle substation construction is on schedule for completion. Ground has been broken for the Clarke County switching station and the Spearville substation. All projects are on schedule for their target completion dates ([Attachment 4](#)).

Mr. Myers continued with an update on the Elm Creek to Summit project. Siting for the ITC/Mid-Kansas portion of the project was approved August 27, 2013, with two minor modifications by the KCC. There are two more regulatory filings to make in the next few months; one is the transmission only certificate, and the second is the wire stringing application ([Attachment 5](#)).

Chairman Lehman welcomed Dave Peck, Westar Energy for an update on the Prairie Wind portion of the Y-Plan, which is to be completed in December 2014. All easements are in place, but in Sedgwick County one condemnation case is being appealed. The easements have been obtained, the case will determine the final price of four tracts of land. The court case is scheduled for mid-2014. Engineering design is complete. Everything is in place to build the first 665 spans of the project, well past the Thistle substation. The project cost remains at \$180.4 million. In response to questions, Mr. Peck stated, that in order to keep the cedar trees from growing back in the Red Hills, lime will be sprinkled on the ground, which should encourage the grass to grow back. In addition, Westar is using a hydro-seeder combined with a stronger glue-mix to hold the seed in place. Westar is not doing root removal in an attempt to achieve the least soil disturbance. Regarding pole design, he said farmers prefer a single transmission pole versus the H-frame pole, due to maintenance of the surrounding grass. Right-of-way is 150 feet, which is their standard for 345kV lines.

Regarding Westar's portion of the Summit to Elm Creek project, Mr. Peck noted the siting plan was approved August 27. Planning has begun for a seven-mile section that parallels an existing 345 kV line. Westar Energy will build next to the old line with double circuits. When a scheduled outage occurs on the existing transmission line, Westar will swap service over to the new poles with double 345 kV, tear down the old transmission poles, and return the right-of-way to the landowners. Service date is schedule for no later than December 2016. Mr. Peck provided details on the installation of the bird diverters discussed at a previous meeting. Placement of the bird diverters is done from a helicopter. A diverter is placed on the line about every 30 feet. The theory is the birds can see the yellow rubber spring, which prevents them from running into the shield wire ([Attachment 6](#)).

Chairman Lehman welcomed Michael Wegner, Chief of Energy Operations, KCC, for discussion of the KCC's statutory role in the transmission line siting process. He noted that to qualify as transmission, a line must be 230 kV or greater and must be at least five miles long. Landowners within 660 feet of the center line of the proposed route must be given notice of public hearings. The KCC routinely requires the applicant to provide that notice. Public hearings are held in the first 90 days after filing in one of the counties that the proposed route traverses, and the final order on the route must be issued within 120 days. The KCC's responsibility is to determine reasonableness and necessity of the route and to consider the economic benefit to consumers both inside and outside Kansas. Mr. Wegner's group is assigned to look at the reasonableness and the necessity of the route. Reasonableness is determined by someone on staff who has driven the route, as well as reviewing the detailed routing study done by the applicant. KCC typically relies on the Southwest Power Pool (SPP), which produces a Cost Benefit Study. SPP has to show there is more benefit than cost. Generally, utility companies will meet with KCC staff up to a year in advance of making a filing. Mr. Wegner described a number of practices that help make a siting successful. These include meeting early with county commissioners and large landowners or business owners to get buy-in and identify sensitive

areas and conducting public open houses to get broader landowner input. Finally, the KCC routinely holds evidentiary hearings to gather further input before making its decision. In response to questions, Mr. Wegner stated he has not heard of any companies having problems with installation of 115 kV 138 kV transmission lines, which are not subject to the KCC approval process ([Attachment 7](#)).

Chairman Lehman recognized Tom DeBaun, Senior Energy Engineer, KCC, and Chairman for the SPP Cost Allocation Working Group. Mr. DeBaun noted the KCC has the authority to assign representatives to the Regional Transmission Organization (SPP) and the authority to enter into Interregional Agreements of RTO's. Currently, seven KCC staff are actively involved with SPP. The SPP has grown markedly between 2005 and 2013. The number of members grew from 43 to 69; the number of employees grew from 131 to 559; and Coincident Peak Demand is the highest it has ever been due to usage during the year Nebraska joined the SPP, increasing from 38,767 MW to 53,984 MW. Of that load, 10,000 megawatts came from Omaha and Lincoln, Nebraska. Wind capacity in the SPP has increased from 1,014 MW to 7,957 MW. The cost of approved transmission projects increased from \$0.552 billion to \$6.59 billion. There are 546 projects in the SPP queue that have received authorization to build. Over the years, the SPP has adopted different methods for determining how the costs of transmission will be allocated across the footprint. KCC representatives have been involved in the cost allocation group that evaluates these methodologies. Currently, the KCC is keeping an eye on development of SPP's Integrated Marketplace. In response to questions about the Marketplace, Mr. DeBaun explained that, up until now, utilities have dispatched their own generation, deciding which units they were going to run, and purchasing on-the-spot market, if necessary. The Integrated Marketplace will include both a Day Ahead market and an Energy Imbalance Service. Going forward, everyone will put in their load forecast, and SPP will determine which units around the region will be brought online the next day to supply the load. Because it involves projections that will not always be accurate, the Energy Imbalance Service will cover the flux. In response to questions about how the cost of all the new transmission breaks out on a per meter, per customer, or per kilowatt basis, Mr. DeBaun said a rough estimate is \$1 per customer per month per \$1 billion of transmission is the average cost in the region. SPP has charts that show impact on customers by utility, and the impact varies. The rate impacts do not include any valuation for the benefits received from the transmission. He will provide additional information to the Board. In response to questions about why there will be such a large increase in transmission costs over the next five years, Mr. DeBaun noted no new transmission was built for a very long time, and SPP is on an accelerated path to catch up and to respond to renewables ([Attachment 8](#)).

Chairman Lehman opened comments on the future of KETA ([Attachment 9](#)). The Chairman recognized Michael White, ITC Great Plains. Mr. White stated if KETA revises membership of the Board, ITC would ask for serious consideration of a position dedicated to an independent transmission company such as ITC. ITC does not see any need to continue bonding authority. ITC would like to see KETA reach its objectives. An expansion plan the company submitted to SPP within the last year is an example of projects that can be looked at in the state and region from a planning prospective to move Kansas wind to the east. There are a number of good projects that do not rise to the top in the SPP process. In response to a question about why KETA should eliminate its bonding authority, he commented that at the time KETA began, if there was not a company that would step forward and build a transmission line. KETA could have used its bonding authority to ensure the line got built, although KETA would have had to hire a company like ITC to operate the line. In fact, the bonding authority has sat silent since KETA began and could do so in the future. Mr. White said if the KETA membership changes so it is not made up of a majority of Legislators, there might be more push-back about retaining the bonding authority. ITC has enjoyed its relationship with the Authority and

appreciates KETA's input at SPP. Abolishing KETA sends the wrong the message to regional planners. The vision of the Legislature to form KETA set Kansas on a path with regulators and planners that shows Kansas is serious about developing transmission ([Attachment 10](#)).

Tom Day, KCC, presented the agency's staff comments on the future of KETA. Mr. Day noted Commissioners would be glad to respond to questions at a time when they do not have an active siting docket. Mr. Day stated they believe abolishing KETA at this time is not a good alternative, although reconstituting it as a policy board may be a good idea. Under this structure, KCC staff would suggest increasing the size of the Authority by adding new members, representing different types of entities and *ex officio* members, such as the KCC, the Department of Commerce, and the Kansas Department of Transportation. It is important for KETA to not have a legislative majority Board, and it includes all the stakeholders, including the transmission companies, the cooperatives, and the investor-owned utilities. Making KETA a policy authority for the development of transmission in Kansas will enhance the presence of KETA at the SPP. Representative Kuether noted it has been the Legislature and the bonding authority that gives KETA its teeth in the fight for transmission. When KETA asked staff from other agencies to join around the Board table, there was no interest on their part. SPP stood up and paid attention to Kansas when KETA was formed, because KETA had teeth. Mr. Day said he believed a policy board could be an effective advocate at SPP and in other venues. Because the utilities have now developed long term plans for constructing transmission, it is less likely KETA will need its teeth regarding building ([Attachment 11](#)).

Chairman Lehman welcomed Scott Jones, KCP&L, for comments. Mr. Jones stated the future role of KETA should be re-evaluated to determine the long-term need for its mission and purpose. Having a Board that can speak at the SPP meetings is very beneficial. Reorganizing KETA to be a resource to the Legislature is a great idea ([Attachment 12](#)).

Chairman Lehman recognized Mark Schreiber, Westar Energy, for comment on the role of KETA. Westar did not build much transmission in the 20 years prior to 2007, partly because of the way the grid was operating. The grid has since become more robust, transmitting power inter-regionally. After the Highway-Byway tariff was approved, it reduced the need for KETA's bonding authority, although if the bonding authority sat silently, it would not hurt anything. The tariff was the key to Westar's transmission expansion. A transmission policy authority could be beneficial to legislative committees ([Attachment 13](#)).

Chairman Lehman welcomed Dorothy Barnett, Executive Director, Climate and Energy Project. Ms. Barnett stated KETA has a direct impact at SPP; there are not a lot of non-member participants and having KETA's voice in support of transmission in Kansas and cost allocation is important. She encourages KETA to keep the effort going. She also suggested KETA could expand its role in education, outreach, and non-transmission alternatives suggested under FERC Order 1000, such as demand response ([Attachment 14](#)).

Mr. McKee asked about Board members submitting their own comments in writing on the future of KETA. Chairman Lehman responded suggestions are very welcome, and Board members are in a good position to comment on where the Authority should go in the future.

The next meeting will be held on Tuesday, November 5, 2013, at 9:30 a.m. at the KCC. The record will be held open for public comment until October 15, 2013. The comments submitted will be provided to all members. Chairman Lehman, Vice-chairman Apple, and Representative Hedke will meet prior to November 5 to develop a plan or options for the Board to consider at the meeting.

The Chairman reported on the SPP meeting in Denver, Colorado. The most important thing to SPP from a policy standpoint is continuing the response to the FERC Order 1,000, in particular the requirements regarding the Right Of First Refusal (ROF). Specifically SPP is looking at:

- The right of incumbent transmission owners to retain the right of first refusal to build transmission in their zone; and
- Issues related to planning across zones.

Chairman Lehman said a battle is brewing between state authority over transmission with respect of right of first refusal and where the FERC wants to take the industry. Several states have passed laws that preserve their utilities right of first refusal, and currently the FERC makes allowance for those laws. It is likely Kansas will need to take a position on federal authority versus state authority regarding who builds transmission. SPP's compliance filing with the FERC was largely rejected; only short-term reliability projects or local projects entirely within a single zone would not be required to be competitively bid. The Day Ahead Market is the biggest structural change at SPP. Every day, SPP will decide how to match up loads and resources in the footprint. It will launch in March 2014.

The Chairman discussed upcoming SPP meetings. The Regional State Committee and the Board of Directors Members Committee meetings are October 28-29 in Little Rock, Arkansas, at the SPP Corporate Office and January 27-28 in Austin, Texas, at the Omni Hotel at Southpark (Attachment 15). Chairman Lehman will not be able to attend the meeting in October. *Senator Francisco made a motion to allow KETA members to be reimbursed for expenses associated with attending the October 28-29 meeting. Vice-chairman Apple seconded the motion. The motion carried.*

The meeting adjourned at 3:11 pm.

Respectfully submitted,
Tim McKee, Secretary

Approved by the Authority on:

November 5, 2013
(Date)