

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

March 27, 2009
Room 535-N—Statehouse

Members Present

Representative Carl Holmes, Chairperson
Earnie Lehman, Vice-Chairperson (by telephone)
Tim McKee, Secretary (by telephone)
Senator Pat Apple
Les Evans
Representative Annie Kuether
Senator Janis Lee

Staff Present

Mary Galligan, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Mike Corrigan, Office of the Revisor of Statutes
Rebecca Wempe, Stevens & Brand

Chairperson Holmes called the meeting to order at 1:30 p.m. He proposed several additions to the agenda. *Mr. Evans made a motion to approve the revised tentative agenda, as amended. Representative Kuether seconded the motion. The motion passed.*

The Chairperson asked for approval of the corrected minutes of February 27, 2009. *Mr. Lehman made a motion to approve the corrected minutes. Mr. Evans seconded the motion. The motion passed.*

The Chairperson recognized Mary Galligan, Kansas Legislative Research Department, who presented the February expenditure report and budget update. An additional \$12,000 has been encumbered for legal expenses, which brings the total encumbrance for that purpose to \$27,000. Currently, KETA has a Fiscal Year 2010 budget of approximately \$98,000, as well as an appropriations proviso that would allow any unexpended balance from 2009 to carry forward to 2010 (Attachment 1).

The Chairperson next took up correspondence. He directed the Board's attention to KETA's letters to the Federal Aviation Administration and to the Southwest Power Pool (SPP). He noted KETA received notification of the ITC siting application from Spearville to Hays, which is docket number 09-ITCE-729-MIS, and commented on information received from the Spearville Wind Farm indicating the facility has had firm transmission from Spearville since late summer 2007 with no constraints (Attachment 2).

The Chairperson discussed information received on SmartGrid stimulus funding. It does not appear any projects KETA is involved with would qualify for the funding (Attachment 3).

The Chairperson recognized Jay Caspary, Southwest Power Pool (SPP), who was present by telephone. Mr. Caspary prefaced his remarks by saying he is reasonably confident the Balanced Portfolio will include the KETA project at 345 kV, and he would like the Board to consider the idea of providing backstop funding for the incremental cost of building the project at 765 kV. His subsequent remarks were based on the PowerPoint handout provided (Attachment 4).

The SPP models have been scrubbed and validated, and now hold wind constant. SPP separated the Balanced Portfolio from the Extra High Voltage (EHV) Overlay project, primarily because 765 kV does not provide sufficient incremental benefits to justify its costs under current assumptions. The merits of 765 kV are evident in long-range planning (10 to 20 years out), but the purpose of the Balanced Portfolio is to optimize the current system, deal with congestion, and apply postage-stamp rates to the costs across the entire footprint.

SPP obtained updated 345 kV cost estimates for individual projects and for the portfolio alternatives. They then selected what appeared to be the best portfolio (Portfolio 3D) and refined it by sequentially removing each project in the portfolio to assess the effect on benefit-to-cost ratios. Based on this work, they removed the Wichita-Reno-Summit line to create Portfolio 3E. The Spearville-Knoll-Axtell line is included; removing it would cause significant problems with benefits for Nebraska. Further analysis showed that over a ten-year period, Portfolio 3E provided a greater benefit-to-cost ratio than Portfolio 3D. Mr. Caspary noted that if the amount of wind-generated electricity increases over time, the benefit of the Balanced Portfolio increases.

Because of the complexity of implementing the Balanced Portfolio under the existing tariff, SPP expects to request a waiver from the Federal Energy Regulatory Commission (FERC). A waiver also would move things forward more quickly.

Mr. Caspary and Board members discussed the issue of backstop funding. In Mr. Caspary's assessment, the KETA project is moving forward at 345 kV. The questions are: should the line be built at 765 kV, and if so, how would the incremental costs be paid. Board members observed there could be a variety of ways to go forward, ranging from simply obtaining right-of-way for 765 kV, to building the line at 765 kV but energizing at 345 kV. The incremental cost of building the lines and substations for 765 kV was estimated to be in the \$250 million range. KETA's only option, if it agreed to provide backstop funding and the incremental costs were not approved for region-wide cost allocation, would be to spread the costs across retail customers in Kansas.

Members noted that if the line were built at 765 kV, there would be a need for a collector system to gather wind-generated electricity from the individual wind farms and feed on to the line at major nodes. In response to questions, Mr. Caspary indicated a 345 kV line could carry 500-1,000 MW, depending on the size of the wire and the robustness of the system behind it; and that if the line were built at 345 kV, there would be nothing to preclude a 765 kV line coming in later on the same route.

The Chairperson recognized Tom Stuchlik, Westar Energy, who provided an update on transmission projects. Regarding the Reno to Summit 345 kV line, if Westar can get FAA approval to pour the remaining foundations, they should be able to complete the line by May 1, 2009. They are working on the McPherson to Salina line. They are on track to complete the line from Summit to West McPherson by the end of 2009, and to start on the section from West McPherson to Hutchinson (Reno Substation). The issue with the Corps of Engineers, mentioned at the February Board meeting, has been resolved. Chairperson Holmes asked whether it would be helpful to send the Kansas congressional delegation a copy of the letter KETA sent to the FAA. Mr. Stuchlik offered to check and report back.

In regard to the Wichita-Reno-Summit line being excluded from the recommended Balanced Portfolio, Mr. Stuchlik indicated he will be following up with staff at SPP, but noted that the project provides sufficient benefit to Westar within its own zone to pay for the project. SPP has agreed to look at inclusion of the Reno to Summit portion of the line.

The Chairperson recognized Brett Leopold, ITC Great Plains. Mr. Leopold reported that ITC filed its siting application for the Spearville to Knoll portion of the project with the KCC on March 13, 2009, and expects to have a ruling by mid-July. ITC will not begin construction until it receives approval for cost recovery from SPP, which could be as early as the April SPP Board meeting. If the project is included in the Balanced Portfolio, a Notice to Construct is issued on a timely basis, and KCC route approval is received by mid-July 2009, ITC would then begin a 9-12 month land acquisition process. They hope to begin construction by mid-2010 and finish the Spearville to Knoll portion of the project by the end of 2011. Mr. Leopold said ITC characterized the line in its application to the KCC as a 345 kV line with the potential for 765 kV structures, and is seeking right-of-way sufficient for a 765 kV line.

The Chairperson asked for a motion to go into executive session to receive a briefing on the ITC/Prairie Wind docket from the Board's attorney, Rebecca Wempe. *Senator Lee made, and Mr. Evans seconded, the motion set out below. The motion passed.*

Mr. Chairman,

I move to recess the meeting until 3:30 p.m. for an executive meeting as authorized by subsection (b)(2) of KSA 75-4319, to consult with the Authority's attorney, Rebecca Wempe, regarding the ITC/Prairie Wind dockets on matters which are privileged in the attorney-client relationship. In addition to Board members, the executive meeting requires the attendance of Rebecca Wempe, Stevens & Brand, L.L.P.; Mary Galligan and Cindy Lash, Kansas Legislative Research Department; and Mike Corrigan, Office of the Revisor of Statutes. The meeting will resume in 535-N.

At 3:30 p.m., the Board returned to open session.

The Chairperson directed the Board's attention to a letter received from Electric Transmission America, L.L.C., regarding the company's project with Westar, Prairie Wind Transmission (Attachment 5).

The Chairperson directed the Board's attorney, Rebecca Wempe, to draft a letter to Susan Duffy, Executive Director of the Kansas Corporation Commission, expressing KETA's support for the ITC Great Plains siting application. In addition, the Chairperson directed Ms. Wempe to report back on Board members' legal immunity status and whether liability insurance would be appropriate.

The date of the next meeting was not set.

The meeting was adjourned at 4:00 p.m.

Respectfully Submitted,

Tim McKee, Secretary

Approved by the Board on:

May 11, 2009
(Date)