

# Kansas Electric Transmission Authority

2007 Annual Report  
To the Governor  
And the Legislature

**KS Electric  
Transmission Authority**

**KETA**



KETA was created in 2005 by enactment of HB 2263. Our mission is to ensure reliable operation of the electrical transmission system, diversify and expand the Kansas economy and facilitate consumption of Kansas energy through improvements in the state's electric transmission infrastructure.

**KS Electric  
Transmission Authority**  
**KETA**

January 14, 2008

Honorable Kathleen Sebelius, Governor  
Steve Morris, President of the Senate  
Melvin Neufeld, Speaker of the House

*Representative Carl  
Holmes, Chair*

Governor, President, and Speaker:

*Earnie Lehman,  
Vice-Chair*

*Tim McKee,  
Secretary*

*Senator Jay Emler*

*Les Evans*

*Representative  
Annie Kuether*

*Senator Janis Lee*

The Board of the Kansas Electric Transmission Authority (KETA) is proud to submit this report of the Authority's second full year of activities. The Authority has accomplished a great deal this year. After being fully operational for only approximately 18 months, the Board was able to announce its intent to plan, develop and construct a 345 kV electric transmission line from the vicinity of Spearville to the vicinity of Axtell, Nebraska. In addition, construction of two other sorely needed transmission lines is planned by Westar Energy – one northwest from Wichita to Reno County continuing northeast to the Summit Substation near Salina and the other south from Rose Hill near Wichita to the Sooner Substation near Perry, Oklahoma.

In another heartening development this year, the Kansas Corporation Commission certified the State's first transmission-only utility, ITC Great Plains. The Southwest Power Pool (SPP) later chose ITC Great Plains as the project sponsor for a new high voltage transmission line that will extend southwest from Spearville to Comanche County, then northeast to the vicinity of Wichita. In response to KETA's announcement of intent to build the Spearville to Axtell transmission line, ITC Great Plains notified KETA of the company's intention to build the line. Subsequently, the SPP designated ITC Great Plains as the project sponsor for the Spearville-Axtell line.

This focus of activity in the southwest and central areas of the state is necessitated by the concentration of energy intensive industry in the area and by the growing desire for wind-generated electricity. Southwest Kansas is one of the nation's prime locations for generation of electricity from wind, but also is an area lacking the infrastructure necessary to transmit that electricity to consumers. The outgrowth of our efforts in concert with many organizations and individuals who are dedicated to a robust and secure energy transmission

infrastructure will be construction of transmission lines in central and western Kansas in the very near future.

Our excitement about these developments has been tempered by emerging questions concerning the ability of electricity generation to be a stimulant for economic development in the State. Specifically, we have explored, but have not resolved, questions about the impact of the cost of transmission infrastructure on rural areas where the local economy lags behind that of the State's urban centers. We are concerned that rural ratepayers may shoulder all of the cost of interconnections necessary to move wind-generated electricity to the cities.

When we reported to you a year ago, we were hopeful that additional high-capacity transmission lines would be built to support the proposed power plant expansion near Holcomb. The promise of those new transmission lines was that they would carry electricity from expanded wind generation facilities in the western part of the State. However, at the end of this year we are confronted with a new, complex set of unanswered questions about the potential impact on transmission grid expansion of the decision to deny the air quality permit for the Holcomb Energy Center project. All of these matters remain under discussion as the year comes to a close. Many more facts remain to be gathered and assessed before a clear direction can be identified.

We held nine Board meetings this year and in addition have met and worked with our counterparts in North Dakota, South Dakota, Montana, Wyoming, Idaho, Colorado, Nevada and New Mexico. Our key activities are highlighted in the section that follows. The initial interstate meeting in June, led to a joint effort of the transmission and infrastructure authorities and their respective governors' offices to familiarize the Federal Energy Regulatory Commissioners and members of Congress with our respective operations and our shared concerns about an aspect of transmission infrastructure finance. Through this first-ever joint effort, Governor Sebelius and six other governors formally encouraged key congressional leaders to continue their support for legislation creating a tax exemption for bonds issued by authorities such as KETA in order to facilitate expansion of the transmission grid. We were disappointed that the exemption was removed from the final version of the 2007 federal energy bill.

KETA continued to operate frugally during 2007 with financing from the Public Service Regulation Fund. Authority staff functions are performed by the Legislative Research Department and the Kansas Corporation Commission. The Commission also frequently provides KETA with meeting space at no cost. As of the end of November, the Authority had expended slightly under \$46,000, including encumbered costs for contract legal services. As was the case a year ago, we anticipate that the upcoming year will be at least as active as this year.

KETA has requested operational financing for FY 2009 in the same amount requested for FY 2008 as a loan from the State General Fund as envisioned in the KETA

authorizing legislation. The request anticipates continued staff support from the Research Department and the Corporation Commission.

The Board's assessment is that the following activities in the upcoming year are crucial to achieving KETA's goal of ensuring reliable operation of the electrical transmission system and diversifying and expanding the Kansas economy.

- Updating the KETA Business Plan;
- Continuing and expanding the ongoing dialogue with the Southwest Power Pool to augment the efforts of Kansas utilities and the Corporation Commission to ensure that the State's economic and energy needs are factored into regional transmission system planning;
- Sharing information, planning techniques and implementation strategies, and engaging in joint efforts with our counterparts in other states; and
- Preparing for construction of a 345 kV transmission line from Spearville, Kansas to Axtell, Nebraska, if a private entity is not able to construct that project.

KETA appreciates your support during 2007 and looks forward to an equally productive year in 2008.

Respectfully,



Representative Carl Holmes, Chairperson  
Kansas Electric Transmission Authority

## **Overview of KETA Activities -- 2007**

### ***January 2007***

At its first meeting of the year, the Board re-elected its officers for a second term. The Board continued its fact-finding effort by receiving briefings from the Southwest Power Pool and Kansas Corporation Commission staff specifically regarding cost recovery mechanisms currently available through the SPP tariff structure. The Board voted to commission a study by the SPP to help identify the most economically sound project for KETA to undertake.

### ***February 2007***

The Board received a briefing on the economic assessment study proposal submitted by the Southwest Power Pool. The Board accepted the study proposal and authorized the contract for the study.

### ***March 2007***

The Board issued a request for proposals for professional services. The Board also was briefed about a proposal to create a federal tax exemption for bonds issued by entities such as KETA and discussed encouraging Governor Sebelius to pursue the issue through the Western Governors' Association. The Vice-chairperson was designated to work with other state authorities to plan the initial interstate transmission and infrastructure authority meeting.

### ***May 2007***

The Board received the results of the SPP feasibility study of three potential transmission projects. The Board explored with SPP staff the impact of assumptions built into the economic model used to identify project benefits and requested additional information from SPP. The Board selected Stevens and Brand, L.L.P., a Lawrence law firm, to serve as KETA's counsel.

## ***June 2007***

Westar Energy presented information regarding construction of a transmission line from Wichita to Hutchinson and a proposed new transmission line from Rose Hill to Sooner, Oklahoma. SPP staff provided the Board with additional information regarding the feasibility study presented at the May meeting. Board members met with representatives of other state transmission authorities in Rapid City, South Dakota. The outgrowth of that meeting was a letter from seven governors, including Governor Sebelius, to key members of Congress encouraging them to provide a federal tax exemption for bonds issued by similar authorities for transmission grid improvements.

## ***July 2007***

ITC Great Plains presented information regarding its plan to construct the northeast segment of the SPP-designated X Plan transmission line from Spearville through Comanche County to Wichita. The Board passed a motion to begin the process of planning, developing and constructing its first project, a transmission line from Spearville to Axtell, Nebraska. That action set in motion the statutory process of providing public notice of the Board's intent in order to allow private entities an opportunity to indicate intent to construct the project.

## ***September 2007***

The Board forwarded its FY 2009 budget request to the Governor. Corporation Commissioner Moffet provided the Board with information about an extra high voltage (EHV) transmission line project under discussion by the SPP Regional State Committee. The Board also discussed with Westar Energy and with ITC Great Plains the progress of its planned new transmission line projects.

## ***November 2007***

The Board met to consider its agenda for the December meeting in light of the altered electric generation and transmission environment created when the Secretary of Health and Environment rejected the air quality permit application of Sunflower Electric Power Corporation for expansion of its Holcomb facility. The Board also received an update from ITC Great Plains regarding progress on the KETA project which included selection of a route, identification of a consultant to study potential benefits of the project, and a preliminary target date of 2010 for placing the line in service.

## ***December 2007***

The Board received testimony from a number of conferees responding to specific questions posed by the Board regarding transmission construction plans in light of the denial of the air quality permit for the Holcomb generating facility expansion. SPP staff informed the Board that the Holcomb decision moves the need for the western portion of the X Plan transmission several years into the future. The Board explored with a number of conferees various models for recovering costs of building transmission projects and learned that at least some revised economic assumptions will be required for planned projects because of the Holcomb decision. Hunt Transmission Services, which also responded to the KETA notification of intent for the Spearville-Axtell transmission line, reported to the Board that the company is interested in the project, but is not in a position to commit to it.

The second interstate meeting of infrastructure and transmission authorities was held in Santa Fe, New Mexico. Two KETA Board members attended.

Minutes of the Board's meetings are posted on the KETA website at <http://accesskansas.org/keta>.

The Board continued implementing the work plan developed late in 2006. That work plan with progress notes follows.

# Kansas Electric Transmission Authority

## 2006-2007 Business Plan Outline

(Reflecting Discussion on November 3, 2006)  
Progress noted through the end of 2007

### I. Situation Assessment

- A. Poll stakeholders regarding needed investment (DONE)
  - 1. Transmission owners
  - 2. Renewable energy developers
  - 3. Transmission dependent utilities
  - 4. Environmental interests
- B. Identify investments being made or planned (DONE)
  - 1. Southwest Power Pool
  - 2. Transmission owners
  - 3. Independent transmission companies
- C. Establish links to other state infrastructure authorities (Ongoing)
  - 1. Evaluate their processes and progress
  - 2. Share intelligence and ideas
  - 3. Convene a joint meeting
- D. Establish link to Southwest Power Pool (Ongoing)

1. Participate in quarterly Strategic Planning Committee meetings (Les Evans is a member and attends regularly.)
2. Monitor Regional State Committee activity

## **II. KETA Determines Needed Transmission Construction**

- A. Evaluate the boundaries and rationale for distinguishing economic from reliability projects (DONE)
  1. Implications for project feasibility
  2. Implications for cost recovery
  3. Triggers for economic projects to become reliability project.
  4. Recommendations for changes in aggregate study process, if any, to SPP
- B. Projects proposed by/for Load Serving Entities (Ongoing)
  1. Pending request from Sunflower
  2. Wichita-Hutchinson
  3. Hutchinson-Summit
  4. Hutchinson-Lincoln-Circle
  5. Spearville-Moreland
  6. Rose Hill-Sooner-Cleveland
  7. Pauline-Concordia-Summit
  8. Fairport-Sibley
  9. Ties to Western Area Power Administration – Eastern Plains (Colorado) project
  10. Others
- C. Renewable energy needs – analyze independent of Southwest Power Pool (will include some projects under B.) (Not started)

1. Community wind constraints
  2. Major wind projects
- D. Environmental constraints concerning transmission line siting– final screen before selecting projects (Not started)
- E. Finalize project focus list and timeline (DONE)
1. First draft to be completed by January 2007

### **III. Transmission Construction**

- A. Assess readiness/ability to construct and operate – project by project (DONE)
1. Transmission owners
  2. Independent transmission companies
- B. Monitor utility and independent transmission company-committed transmission construction (Ongoing)
- C. Position KETA to develop/finance specific projects (Not started)
1. Review statutory requirements
  2. Develop “strawman” project, preferably a real one
  3. Conduct an exercise with other stakeholders
    - a) Kansas Development Finance Authority
    - b) Southwest Power Pool
    - c) Kansas Corporation Commission
    - d) Operating entities
    - e) Entities whose customers would be surcharged
    - f) Others

#### **IV. Secure Resources for KETA to Develop and Finance Transmission**

- A. Ongoing administrative support (DONE)
  - 1. Prepare 2006 Annual Report
  - 2. Prepare 2007 budget
- B. Project management (Not started)

#### **V. Issue Notices of Intent to Proceed in Construction of Specific Projects (DONE)**

## ***KETA Budget***

The Authority's approved and revised budget for FY 2008, and the amount requested as a loan from the State General Fund for FY 2009 are displayed in the following table. The Authority also has requested continuing expenditure authority during FY 2009 for any balance remaining in the KETA Development Fund at the close of FY 2008.

	<b>FY 2008 Approved</b>	<b>FY 2008 Revised</b>	<b>FY 2009 Request</b>
<b>Expenditure Category -- Board Operations</b>			
Compensation	\$ 5,330	\$ 5,330	\$ 5,775
Mileage	11,242	\$ 11,242	12,438
Per Diem	8,604	\$ 8,604	9,477
Out of State Travel, compensation, and subsistence	17,400	17,400	17,400
Web site maintenance and public announcements	-	1,000	1,000
Management services contract	27,423	-	
Professional services (legal, accounting, engineering)	30,000	56,423	56,423
<b>Total -- Operations</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 102,513</b>
<b>Transmission Facility Planning*</b>	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000

\* This amount was transferred to the KETA Development Fund for FY 2008. The Board requests authority to expend during FY 2009 any balance available at the close of FY 2008.