

Kansas Electric Transmission Authority

2011 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**

February 29, 2012

The Honorable Sam Brownback, Governor
Senator Steve Morris, President of the Senate
Representative Mike O'Neal, Speaker of the House

*Representative
Carl Holmes,
Chairperson*

Governor, President, and Speaker:

*Earnie Lehman,
Vice-chairperson*

The Board of the Kansas Electric Transmission Authority (KETA) submits this report of the Authority's sixth full year of activities. KETA began the year by welcoming to the Authority Senator Kelly Kultala, the newly-appointed ranking minority member of the Senate Utilities Committee. The Authority also was pleased by the reappointment of KETA Vice-chairperson Earnie Lehman.

*Tim McKee,
Secretary*

Senator Pat Apple

Les Evans

The Authority has accomplished a great deal this year and celebrates significant progress in the development of new high-voltage transmission lines in Kansas, including the KETA Project, the Y-Plan, the Rose Hill to Sooner Project, and the Grain Belt Express.

*Representative
Annie Kuether*

Senator Kelly Kultala

The KETA Project, a 345kV transmission line from Spearville to Axtell, Nebraska, is under construction and expected to be complete by mid-2013. The Kansas portion of the project is being constructed by ITC Great Plains. The project will bring major economic and reliability benefits to Kansas and to the regional transmission grid.

2011 also saw major advancements in the development of the Y-Plan, a dual 345kV transmission line across Southern Kansas from Spearville to Wichita, with a connection south to Oklahoma. KETA members worked tirelessly in preceding years to ensure this project was included in the Southwest Power Pool's (SPP) Priority Projects, a group of only six high-

voltage projects approved for immediate construction. The line is being jointly constructed by ITC Great Plains and Prairie Wind Transmission (a joint venture between Westar Energy and Electric Transmission America, LLC). The project is scheduled for completion by the end of 2014.

The Kansas (Westar Energy) portion of the 345kV transmission line from Rose Hill to Sooner, Oklahoma, will be completed in Spring 2012. Planning continues for the Grain Belt Express, a project of Clean Line Energy Partners, which would be the first high-voltage, direct current (HVDC) transmission line in Kansas. The line would gather wind-generated electricity from Western Kansas and transport it to the energy markets of the central United States. Clean Line received utility status in Kansas and currently is evaluating options for the route, which would begin near Spearville and likely would terminate in Missouri, Illinois or Indiana.

A significant factor contributing to the transmission expansion was the adoption of a new methodology by the SPP for fair and equitable allocation of the costs of these very expensive projects across the entire SPP. That methodology was approved by the Federal Energy Regulatory Commission (FERC).

KETA joined with five partners in 2011 to contract with the SPP for a cost-benefit study of four possible new transmission routes in Kansas. KETA's partners in funding the study were ITC Great Plains, Northwest Kansas Renewable Energy Collaborative, Trade Wind Energy, Clean Line Energy Partners, and NextEra Energy Partners. Ultimately the study determined there was not sufficient economic justification at present to build any of the four projects given the amount of new transmission recently approved and under construction in the SPP region. However, one of the projects is being considered by SPP for stability and voltage purposes.

In connection with the Authority's mission to diversify and expand the Kansas economy through improvements to the electric transmission infrastructure, the Authority continued to consider the need for "collector transmission lines" that would be capable of moving wind-generated electricity to the new high-voltage lines when the latter are complete. The Authority also received information about potential electrical reliability problems resulting from new federal air quality regulations applicable to electric generation units and explored security issues related to transmission.

The Authority takes seriously its role as advocate for improved transmission capability in the state and region. Authority members have participated in a number of meetings of the SPP, the regional transmission organization for Kansas and surrounding states, and have met with counterparts from infrastructure authorities in North Dakota, South Dakota, Montana, Wyoming, Idaho, Colorado, Nevada, and New Mexico. KETA has requested the support of the Kansas Congressional Delegation for draft legislation that would provide federal tax-exempt status for bonds issued to finance renewable energy transmission facilities.

KETA minutes are posted on the Authority's website for public access. Key activities are highlighted at the end of this report.

KETA continued to operate frugally during 2011 with financing from the Public Service Regulation Fund. KETA expended only \$57,319 during FY 2011, which includes KETA's share of the cost of the joint transmission study. Authority staff functions were provided by the Legislative Research Department, the Revisor of Statutes, and the Kansas Corporation Commission (KCC). The Authority contracts with a firm to provide legal service, and for FY 2012 approved payment to the Legislative Research Department for administrative support services.

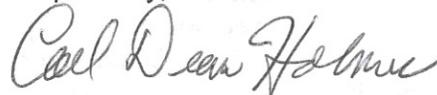
The Authority submitted a FY 2013 budget that is equal to the base amount approved for FY 2012 and includes carryover of the unexpended balance from the previous year. In accordance with statute, KETA requested a loan from the State General Fund to finance operational expenditures for FY 2013, although each year the Governor has recommended funding KETA from the KCC's Public Service Regulation Fund, rather than through a loan from the State General Fund.

The Authority will engage in the following activities in the upcoming year. These activities and projects are crucial to achieving KETA's statutory goals of ensuring reliable operation of the electrical transmission system and diversifying and expanding the Kansas economy.

- Continuing and expanding the dialogue with the SPP to augment the efforts of Kansas utilities and the KCC 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 the Authority's counterparts in other states;
- Continuing to monitor active transmission projects where KETA may elect to proceed if work is halted; and
- Exploring the need for "collector" transmission lines to facilitate movement of wind-generated electricity to customers.

KETA appreciates the State's support during 2011 and looks forward to an equally productive year in 2012.

Respectfully,



Representative Carl Holmes, Chairperson
Kansas Electric Transmission Authority

Overview of KETA Activities -- 2011

Minutes of the Authority's business meetings and prior annual reports are posted on the KETA website at <http://accesskansas.org/keta>. The meetings held during 2011 are briefly summarized below.

March 2011

The Authority welcomed Senator Kelly Kultala to KETA and recognized Senator Janis Lee for her years of service to the Authority. Mark Sievers, Governor Brownback's nominee for the KCC, was introduced. The Authority received updates on the progress of the KETA Project, the Y-Plan, the Rose Hill – Sooner Project, and the Grain Belt Express. KETA also considered correspondence between three U.S. Senators and FERC Chairman Jon Wellinghoff addressing FERC's approval of cost allocation methodologies for SPP and the Midwest Independent System Operator (MISO).

April 2011

The Authority received an update on the transmission study agreement. The study metrics and the funding agreement were revised and the Board encumbered \$50,000 for KETA's share of the cost of the study.

June 2011

The Authority discussed an Open Records Request it received for information related to construction of transmission lines and wind development in the Flint Hills. Utilities presented their regular briefings on progress toward completion of transmission projects, and the Authority discussed the possibility of a new transmission line from Wolf Creek Nuclear Generating Station to Emporia.

August 2011

KETA communicated with the Kansas Congressional Delegation regarding draft federal legislation providing tax-exempt status for bonds for renewable energy transmission facilities. The Chairperson and the Executive Director of the KCC discussed new initiatives at the agency.

The Authority received briefings on transmission and security issues; on federal air quality regulations applicable to electric generation facilities, which could affect reliability of the electrical system; on the work of the SPP's Area Generation Task Force; and on FERC Order 1000, which reforms FERC's electric transmission planning and cost allocation requirements for public utility transmission providers.

The Authority approved its budget request for FY 2013 and accepted the FY 2012 Business Plan Outline.

September 2011

The Authority received initial results of the transmission study, and with the agreement of its funding partners, identified additional analyses to be conducted before the study is completed.

October 2011

The results of the transmission study were presented. Study authors concluded the four projects evaluated would not provide economic benefits sufficient to justify their construction. Major transmission projects recently completed or approved by the SPP suggest there will not be significant curtailment of wind in the SPP footprint in the upcoming planning period. However, one of the four projects is being considered by the SPP to address stability and voltage issues.

The Authority received a briefing from its attorney on the status of challenges to the FERC order approving SPP's cost allocation methodology. Mr. McKee gave a report to the Authority on a meeting he attended on behalf of KETA in Laramie, Wyoming, with other states' infrastructure and transmission authorities.

KETA Budget

The Authority's budget for FY 2012 and the amount requested as a loan from the State General Fund for FY 2013 are displayed in the following table. For FY 2013, the Authority has requested the ability to expend any balance remaining at the close of FY 2012.

Kansas Electric Transmission Authority FY 2012 - FY 2013 Budget Request

	FY 2012 Request	FY 2013 Request
Operations		
Salaries & Wages	\$ 8,300	\$ 8,300
Travel & Subsistence	35,970	35,970
Contractual - Professional Services	54,730	54,730
Miscellaneous Expenses	500	500
Official Hospitality	500	500
Total Expenditures	\$ 100,000	\$ 100,000
	Plus unexpended FY 2011 balance, if any	Plus unexpended FY 2012 balance, if any
KETA Development Fund	\$ 0	\$ 0