

Kansas Electric Transmission Authority

2012 Annual Report
To the Governor
And the Legislature

**KS Electric
Transmission Authority**

KETA



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KETA

January 14, 2013

The Honorable Sam Brownback, Governor
Senator Susan Wagle, President of the Senate
Representative Ray Merrick, Speaker of the House

Dear Governor, President, and Speaker:

*Representative
Carl Holmes,
Chairperson*

*Earnie Lehman,
Vice-chairperson*

*Tim McKee,
Secretary*

Senator Pat Apple

Les Evans

*Representative
Annie Kuether*

Senator Kelly Kultala

The Board of the Kansas Electric Transmission Authority (KETA) submits this report of the Authority's seventh full year of activities. The Authority was pleased by the 2012 reappointment of KETA Member Les Evans, one of the founding members of the Authority.

The Authority celebrates significant progress in the development of new high-voltage transmission lines in Kansas, as detailed below. Prior to the creation of KETA in 2005, there had been no significant new construction of high-voltage transmission lines in Kansas for 22 years.

- KETA is proud to report that the first project spearheaded by the Authority, a 345 kV transmission line from Spearville, Kansas to Axtell, Nebraska, was competed and placed in service in December 2012. This \$148 million project brings major economic and reliability benefits to Kansas and to the regional transmission grid. The Kansas portion of the project was constructed by ITC Great Plains, which completed the project under budget and about six months ahead of schedule.
- 2012 saw major advancements in the development of the Y-Plan, a dual 345 kV transmission line across Southern Kansas from Spearville, Kansas to Wichita, Kansas, with a connection south from Medicine Lodge, Kansas to Oklahoma. 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). Both companies held groundbreaking ceremonies for their portions of the project during 2012, and the project is scheduled for completion by the end of 2014, at an estimated cost of \$525.2 million. The Y-Plan will enhance electric reliability in Kansas and support expansion and export of the state's wind energy resources. 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 Kansas (Westar Energy) portion of the 345 kV transmission line from Rose Hill, Kansas to Sooner, Oklahoma, was completed and placed in service in April 2012, well under budget at \$73.6 million.
- Planning continued in 2012 for the Grain Belt Express, a project of Clean Line Energy Partners, which will be the first high-voltage, direct current (HVDC) transmission line in Kansas. The line will gather wind-generated electricity from Western Kansas and transport it to the energy markets of the central United States. Clean Line is evaluating options for the route, which will begin near Spearville, Kansas and terminate in western Indiana, and anticipates submitting a route to the Kansas Corporation Commission for approval by mid-2013. The Grain Belt Express is a \$2 billion project in all, with expenditures for the portion of the line in Kansas estimated at approximately \$950 million.
- In April 2012, the SPP issued a Conditional Notice to Construct for a new 60-mile, 345 kV transmission line from the Summit substation near Salina, Kansas to the Elm Creek substation near Concordia, Kansas. ITC Great Plains and Westar Energy will each build half of the line, which is proposed to be completed in March 2018 at a projected cost of \$104 million. This line was evaluated as part of a cost-benefit study funded by KETA and five partners in 2011.

A significant factor contributing to the transmission expansion was the adoption of the Highway-Byway Cost Allocation Methodology by the SPP, a new system for fair and equitable allocation of the costs of these very expensive projects across the entire SPP footprint. KETA intervened in support of the methodology as it was considered by the Federal Energy Regulatory Commission (FERC), which approved the methodology in June 2010. A petition for review challenging FERC's decision subsequently was filed by several utilities, but was dismissed in April 2012.

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. The Authority participated in a panel on transmission at the 2012 Kansas Energy Conference, and 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 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.

Kansas Electric Transmission Authority

Rm 68-W Statehouse, 300 WW 10th, Topeka, KS 66612
voice:(785-296-3181 fax: (785)296-3824 keta@ink.org
<http://www.accesskansas.org/keta>

KETA continued to operate frugally during 2012 with financing from the Public Service Regulation Fund. KETA expended only \$29,579 during FY 2012. The Authority contracts with a firm to provide legal services, and for FY 2012 approved payment to the Legislative Research Department for administrative support services. The Kansas Corporation Commission provides accounting services, and the Office of the Revisor of Statutes assists with legal support.

The Authority submitted a FY 2014 budget that is equal to the base amount approved for FY 2013 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 2014, 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
- Evaluating potential renewable energy generation zones and supporting renewable energy development policies at the federal level.

KETA appreciates the State's support during 2012 and looks forward to an equally productive year in 2013.

Respectfully,



Representative Carl D. Holmes, Chairperson
Kansas Electric Transmission Authority

Overview of KETA Activities -- 2012

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 2012 are briefly summarized below.

February 2012

The Authority received an update from its attorney on a petition for review filed by several Nebraska and Missouri utilities regarding the Federal Energy Regulatory Commission's acceptance of the Southwest Power Pool's highway-byway cost allocation methodology. Progress updates were provided on Westar Energy's Rose Hill, Kansas – Sooner, Oklahoma project, the Y-Plan being jointly constructed by ITC Great Plains and Prairie Wind, and the KETA project being constructed by ITC Great Plains.

Utilities testified on transmission needed to address potential reliability concerns arising from rules issued by the Environmental Protection Agency (EPA), and reported that SPP is pursuing two studies, one short-term and one more in-depth, on the effect of EPA rules on reliability. The Authority discussed line and substation upgrades needed to support increased wind energy development in Kansas.

Mr. McKee reported on a meeting of other state infrastructure authorities he attended in Wyoming and the Authority considered hosting a similar meeting in Kansas City. The Authority discussed the SPP's newly adopted 10-year plan (ITP-10) which included the Summit-Elm Creek line in Kansas, and agreed to ask the SPP to consider extending that line from Elm Creek into Nebraska.

May 2012

The Authority's attorney reported that the lawsuit challenging the FERC order implementing the highway-byway cost allocation methodology had been dismissed. Utility representatives reported completion of the Rose Hill, Kansas – Sooner, Oklahoma project and provided updates on the Y-Plan and the KETA project. The Authority received presentations on two private transmission interconnection lines being constructed to connect new, large wind farms to existing transmission. Members discussed expanding outreach to transmission organizations in eastern states.

September 2012

The Authority approved its budget request for FY 2014. Utility representatives provided updates on the Y-Plan, the KETA project, the Grain Belt Express, and discussed the new Summit-Elm Creek project in Kansas. Upcoming SPP meetings were reviewed. Members discussed the KETA business plan outline and agreed to consider changes to the plan at an upcoming meeting.

November 2012

The Authority welcomed Commissioner Shari Feist Albrecht, the newest appointee to the Kansas Corporation Commission, and Kristine Schmidt, new President of ITC Great Plains. Mr. Evans reported that in accordance with FERC Order 1000, KETA would have to become a member of SPP or partner with a member in order to construct a transmission line in the future. Mr. McKee reported the New Mexico transmission authority plans to build and own a double-circuit 345 kV line that would be leased to a large utility. Staff will develop a comprehensive contact list of entities trying to develop transmission from a government perspective in SPP, MISO, ERCOT, and the Western Interconnection.

Utility representatives provided updates on the Y-Plan, the KETA project, the Grain Belt Express, and discussed the new Summit-Elm Creek project in Kansas. The KETA project will be fully operational in December. Representative Tom Sloan updated the Authority on the Interstate Electric Transmission Line Siting Compact, a model compact developed under the auspices of the Council of State Governments to standardize and streamline transmission planning across the country. The Authority received presentations on how the Mississippian Lime Play has affected electric load and the implications for transmission, as well as a report on a new natural gas plant to be constructed in Grant County and the transmission associated with that facility.

The Authority recognized Chairperson Carl Holmes, who will not be returning to the Legislature in 2013, for his instrumental role in the creation of KETA and for his strong leadership of the Authority since its inception.

KETA Budget

The Authority's budget for FY 2013 and the amount requested as a loan from the State General Fund for FY 2014 are displayed in the following table. For FY 2014, the Authority has requested the ability to expend any balance remaining at the close of FY 2013.

Kansas Electric Transmission Authority FY 2013- FY 2014 Budget Request

	FY 2013 Request		FY 2014 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 2012 balance, if any		Plus unexpended FY 2013 balance, if any
KETA Development Fund	\$	0	\$	0

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.