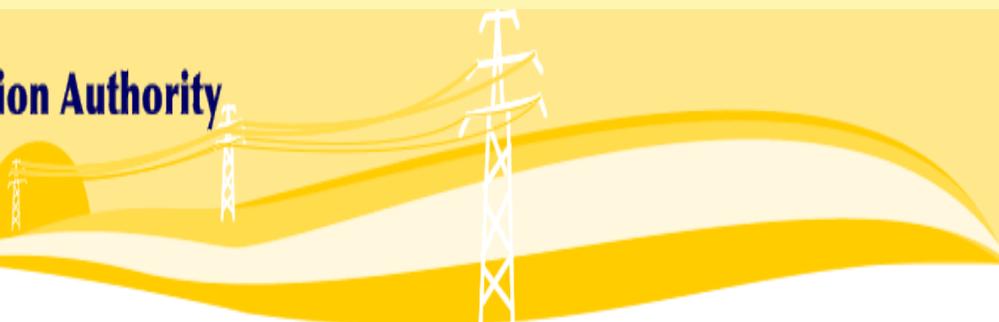


Kansas Electric Transmission Authority

2014 Annual Report
To the Governor
And the Legislature

**KS Electric
Transmission Authority**

KETA



***KS Electric
Transmission Authority
KETA***

January 12, 2015

*Earnie Lehman,
Chairman*

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

*Representative
Dennis Hedke,
Vice-chairman*

Governor, President, and Speaker:

The Board of the Kansas Electric Transmission Authority (KETA) submits this report of the Authority's ninth full year of activities.

*Tim McKee,
Secretary*

Les Evans

*Senator Marci
Francisco*

*Representative
Annie Kuether*

Prior to KETA's creation in 2005, there had been no significant new construction of high-voltage transmission lines in the state for 22 years. In 2014, KETA celebrated the completion of a major new transmission project, a dual 345 kV transmission line across southern Kansas. The line runs from Spearville, Kansas to Wichita, Kansas, with a connection south from Medicine Lodge, Kansas, to Oklahoma. The line was jointly constructed by ITC Great Plains and Prairie Wind Transmission (a joint venture between Westar Energy and Electric Transmission America, LLC). The project was completed on time and on budget, at an estimated cost of \$470.5 million. It enhances electric reliability in Kansas and supports 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.

Other ongoing transmission projects include the following:

- The Summit to Elm Creek Project, a single circuit 345 kV transmission line from the Summit substation near Salina, Kansas, to the Elm Creek substation near Concordia, Kansas is under construction and is scheduled to be completed by the end of 2016. ITC Great Plains and Westar Energy are each building half of the 60-mile line. This line was evaluated as part of a cost-benefit study funded by KETA and five partners in 2011.
- A siting permit was issued by the KCC in November 2013 for the Grain Belt Express, a project of Clean Line Energy Partners, which would be the first

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high-voltage, direct current (HVDC) transmission line in Kansas. The line will gather wind-generated electricity from the area around Spearville, Kansas, and transport it to the energy markets of the central U.S., with a planned terminus in western Indiana. 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. A condition of the siting permit requires Clean Line to obtain transmission line siting approvals from the Missouri, Illinois, and Indiana state utility commissions before beginning construction of the Kansas portion of the project. Regulatory approvals have been obtained for Indiana, but approvals for Missouri and Illinois are still pending.

During the 2014 Legislative Session, KETA's authorizing legislation was modified by HB 2488 as follows:

- The statutory purpose of KETA was slightly modified;
- The Board of Directors was increased from seven members to nine members, with the additional members appointed by the Governor;
- KETA was authorized to create an electric transmission advisory council; and
- KETA's authority to issue bonds for construction, upgrading or repair of transmission facilities was stricken.

With major new transmission lines completed or under construction, KETA has focused attention on activities and issues that may affect the operation of transmission in Kansas, such as the SPP's implementation of an Integrated Marketplace, and the EPA's proposed Clean Power Plan (CPP). After reviewing several assessments of the impact of the CPP on grid reliability, KETA submitted a letter (attached) to the EPA expressing its concerns about the deleterious impacts on Kansas of meeting CPP goals in the manner and on the timeline proposed. In addition, the Authority has sought broad input from stakeholders on the focus and composition of the Advisory Council, and is working to finalize the structure of the Council. Key activities of the Authority are highlighted at the end of this report.

KETA continued to operate frugally during 2014 with financing from the Public Service Regulation Fund. KETA had direct expenditures of only \$23,268 during FY 2014. In addition, the Board transferred \$200,000 of the Authority's previously appropriated funds back to the Public Service Regulation Fund, since the Authority's ending balances had risen over the years to exceed anticipated near-term expenditures.

KETA strives to be a good steward of public funds, and leverages its resources when possible. The Authority contracts with Stevens & Brand, LLP, to provide legal services, and since FY 2012 has approved payment to the Kansas Legislative Research

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Department for administrative support services. The Kansas Corporation Commission provides accounting services, and the Office of the Revisor of Statutes assists with legal support. When the Authority determined it was necessary to commission a cost-benefit study of several potential transmission lines in Kansas, the Board actively and successfully sought partners in the industry to share in this costly venture. One of the lines evaluated in the cost-benefit study (Summit – Elm Creek) subsequently was approved by the SPP for base plan funding and, currently, is under construction by two Kansas utilities.

KETA appreciated the state's support during 2014 and looks forward to an equally productive year in 2015.

Respectfully,



Earnest A. Lehman, Chairman
Kansas Electric Transmission Authority

Overview of KETA Activities -- 2014

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 2014 are briefly summarized below.

January 2014

The Authority conducted the annual election of officers. Earnie Lehman was elected Chairman, Senator Pat Apple was elected Vice-chairman, and Tim McKee was elected Secretary.

The Chairman noted the KCC's appreciation of KETA's decision to transfer \$200,000 of previously appropriated funds back to the Public Service Regulation Fund.

Paul Suskie, Senior Vice President for Regulatory Policy and General Counsel, Southwest Power Pool (SPP) and Bruce Rew, Vice-President of Operation for SPP presented an update on SPP's new Integrated Marketplace. Utility representatives provided updates on the Y-Plan, the Summit - Elm Creek project, and the Grain Belt Express. Kimberly Svaty, The Wind Coalition, provided an overview of wind energy projects in Kansas. The Board was advised that a former member and Vice-chairman of KETA, Senator Jay Emler, had been appointed by Governor Brownback to serve on the Kansas Corporation Commission.

June 2014

The Authority elected Representative Dennis Hedke to the position of Vice-chairman, filling the vacancy created by the appointment of KETA member and Vice-chairman Senator Pat Apple to the Kansas Corporation Commission.

Grant Wilkerson, Director of Marketing Structure and Compliance, Westar Energy and Justin Grady, Chief Auditor, KCC made presentations to the Authority on initial experiences with the SPP Integrated Marketplace, from the perspectives of a utility and a regulatory agency. The Marketplace was implemented in March 2014.

Written transmission updates were provided by Westar Energy, ITC Great Plains, and Clean Line Energy. Staff from the Legislative Research Department reviewed transmission-related legislation considered by the 2014 Legislature, including HB 2488, which amended the purpose, membership, and authority of KETA. The Authority directed staff to request input from stakeholders on the ideas and issues the Advisory Council should focus on.

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September 2014

Carl Monroe, Executive Vice-President and Chief Operating Officer, SPP presented information to the Authority on the EPA's Clean Power Plan, integrated transmission planning, and the results to date on the implementation of SPP's Integrated Marketplace.

Written transmission updates were provided by Westar Energy, ITC Great Plains, and Clean Line Energy. Staff presented a summary of stakeholder suggestions for the focus of the Advisory Council, and Board members were requested to submit their suggestions for the types of members who should be appointed to the Council.

The Authority considered possible changes to its historical expenditure patterns in light of the expansion of the Board from seven to nine members, and the addition of an Advisory Council. The Board voted to submit a budget request of \$75,000 per year for fiscal years 2016 and 2017, a reduction of \$25,000 per year from its previous requests.

December 2014

Written transmission updates were provided by Westar Energy, ITC Great Plains, and Clean Line Energy. The Board discussed three assessments of the effect of the EPA's Clean Power Plan (CPP) on grid reliability: a state level assessment by staff of the Kansas Corporation Commission, a regional assessment by SPP, and a national assessment by the North American Electric Reliability Corporation (NERC). Following discussion, the Board directed the Chairman to send a letter to EPA Administrator Gina McCarthy (with copies to Governor Brownback and the members of the Kansas Congressional Delegation) expressing KETA's concerns about the deleterious impacts to Kansas of meeting CPP goals in the manner and on the timeline proposed. A copy of the letter is attached at the end of this report. The Board also continued its discussion of makeup and duties of the Advisory Council

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KETA Budget

The Authority's budget requests for FY 2016 and FY 2017 are displayed in the following table.

Kansas Electric Transmission Authority Budget Request

	FY 2016 Request	FY 2017 Request
Operations		
Salaries & Wages	\$ 10,000	\$ 10,000
Travel & Subsistence	35,000	35,000
Contractual - Professional Services	29,000	29,000
Miscellaneous Expenses	500	500
Official Hospitality	500	500
Total Expenditures	\$ 75,000	\$ 75,000

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December 15, 2014

The Honorable Gina McCarthy
Administrator, U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW, WJC Bldg, Room 3000
Washington, DC 20460

Re: EPA's Clean Power Plan

*Earnie Lehman,
Chairman*

Dear Ms. McCarthy:

*Representative
Dennis Hedke,
Vice-Chairman*

*Tim McKee,
Secretary*

Les Evans

*Senator Marci
Francisco*

*Representative
Annie Kuether*

The Kansas Electric Transmission Authority (KETA) was created in 2005 by state statute to *"further ensure planning and reliable operation of the electrical transmission system, diversify and expand the Kansas economy and facilitate the delivery and use of Kansas energy through improvements in the state's electric transmission infrastructure and related policy initiatives"*. With a combination of legislative and private sector expertise KETA has been successful at spurring large-scale high-voltage transmission construction and aiding the phenomenal growth of Kansas renewable energy production. KETA writes you today because it fears the consequences to Kansans of the EPA's Clean Power Plan (CPP) if it stays on its current course.

We understand the formal comment period for the CPP rulemaking is closed. These comments are intended to provide the EPA and the Kansas Congressional Delegation with a general understanding of the issues created by the CPP. KETA is not an environmental agency and hence will not comment on EPA's environmental goals. However we must comment on the deleterious impacts of meeting those goals in the manner and on the timeline proposed.

The Clean Power Plan jeopardizes the reliability of Kansas electric service. The EPA did not model the transmission and distribution network in establishing compliance targets and evaluating compliance strategies. KETA works closely with the Southwest Power Pool (SPP) in analyzing potential transmission projects and providing outlets for Kansas energy resources. We have studied SPP's conclusion that the existing transmission infrastructure would become overloaded, with the potential for cascading

outages and voltage collapse. Virtually all of Kansas faces significant to severe risks to reliability under the SPP assessment, with which we agree.

The Clean Power Plan will cause significant increases in electric costs. KETA recognizes the EPA claims many cost benefits in areas such as reduced illness, mortality and medical costs. We are in no position to evaluate those claims. However we can clearly see higher costs to Kansans in the premature retirement of generating units, increased use of higher variable cost natural gas generation and increased costs for transmission investment. KETA finds it difficult to accept EPA's hard to measure, largely intangible benefits as justification for tangible and substantial cost increases.

The Clean Power Plan obstructs full development and use of Kansas energy resources. KETA supports full development of the Kansas renewable energy industry, full use of Kansas fossil fuel resources and the most economic use of Kansas electric generating facilities. The CPP worsens existing transmission bottlenecks as existing generating units are retired for compliance purposes and renewable energy resources are added. While such resources will provide environmental benefits, they must be paired with sufficient dispatchable energy resources to assure reliable energy service. The CPP does not allow for balanced development of new energy resources and causes early retirement of some existing resources. In these circumstances we cannot assume renewable energy development will expand as contemplated by the CPP.

The Clean Power Plan requires too much too fast. Regardless of the benefits EPA assigns to carbon dioxide emission reductions, they should not be achieved through precipitous action. KETA leaves to others the legal or other challenges to the Clean Power Plan. We simply see the plan as unworkable and impractical in its current form. The reduction targets are too aggressive for 2020 and 2030 and the compliance strategies insufficient to achieve the desired ends.

KETA hopes that the Environmental Protection Agency will take a step back and reevaluate its approach to the regulation of carbon dioxide from existing generation under the Clean Air Act.

If you have questions about these comments, please feel free to contact me.

Sincerely,



Earnest A. Lehman, Chairman
Kansas Electric Transmission Authority

cc: Governor Sam Brownback
Senator Pat Roberts
Senator Jerry Moran
Congresswoman Lynn Jenkins
Congressman Tim Huelskamp
Congressman Mike Pompeo
Congressman Kevin Yoder
KETA members

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.