

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

November 16, 2012

Kansas Corporation Commission, 1500 SW Arrowhead Road, Topeka, KS

Members Present

Representative Carl Holmes, Chairperson
Earnie Lehman, Vice-chairperson
Representative Annie Kuether
Tim McKee, Secretary
Les Evans

Members Absent

Senator Pat Apple
Senator Kelly Kultala

Staff Present

Cindy Lash, Kansas Legislative Research Department
Corey Carnahan, Kansas Legislative Research Department
Tamera Lawrence, Office of the Revisor of Statutes
Matt Sterling, Office of the Revisor of Statutes
Rebecca Wempe, Stevens & Brand, L.L.P.
Rebecca Cole, Committee Assistant

Chairperson Carl Holmes called the meeting to order. The agenda for the meeting was reviewed. *Les Evans moved to approve the agenda; the motion was seconded by Annie Kuether. The motion carried.*

Earnie Lehman moved to approve the minutes of the September 18, 2012, meeting; the motion was seconded by Annie Kuether. The motion carried.

Chairperson Holmes recognized Cindy Lash, Kansas Legislative Research Department (KLRD), for review of the expenditure report that shows expenses through October 31, 2012. Due to delays in processing, the report fails to show \$280 in expenses incurred to date for Salaries and Wages, and \$350 incurred for Legal Services. These will be reflected in the next financial report (Attachment 1). *Tim McKee moved to approve the expenditure report. Les Evans seconded. The motion carried.*

Chairperson Holmes recognized Les Evans for an update on Southwest Power Pool (SPP) meetings. Mr. Evans described the discussions surrounding compliance with Federal Energy Regulatory Commission (FERC) Order 1,000, which does not allow the right of first refusal for incumbent transmission owners, in order to spur competition for construction of new transmission. SPP has addressed this requirement by limiting competition to the large, high

voltage projects. Mr. Evans stated the change that would impact KETA is, if KETA intended to construct a transmission line, the Authority would need to become a member of SPP and comply with other obligations. KETA can continue to advocate for projects and sponsor projects as in the past so long as KETA teams up with others who are, or are willing to become, members of SPP.

Chairperson Holmes discussed the upcoming SPP meetings scheduled for January 28-29, 2013 (Attachment 2). He believes these meetings will be very educational and would like KETA board members who are able to attend to be compensated for their time. *Earnie Lehman made a motion that KETA members be compensated for travel expenses. Les Evans second the motion. The motion carried.*

Tom Day, Kansas Corporation Commission (KCC), introduced the newest Commissioner, Shari Feist Albrecht. Ms. Albrecht was welcomed.

Michael White, Government Affairs, ITC Great Plains, introduced the company's new President, Kristine Schmidt. Ms. Schmidt was welcomed.

Chairperson Holmes recognized Tim McKee for an update on State Infrastructure Authorities. Mr. McKee stated New Mexico has a plan to build a double 345 kV line running through central New Mexico. The New Mexico Authority would build and own the line, and would lease it to the state's largest utility company. The Authority requested approval from the FERC to proceed, but were denied. They also requested additional funding from the New Mexico Legislature, but will not have an answer until March, 2013. The Authority has had to implement layoffs and is down to two staff members. Colorado's Authority is closed down, by legislative action. New Mexico is active, Wyoming is active, and Kansas has been wildly successful, thanks in large part to Chairperson Holmes. His hard work, foresight in drafting the legislation, and ability to get things done has made the Kansas Authority successful.

Chairperson Holmes recognized Cindy Lash, Kansas Legislative Research Department (KLRD). Ms. Lash stated at the last meeting there was general discussion about creating a list of transmission resources in other states after the election. Ms. Lash asked for guidance on how far KETA is interested in reaching out, geographically, and whether the the list should include other parties with an interest in transmission, or only parties with authority to build transmission. Earnie Lehman stated he thought the goal was to open avenues to people who are trying to develop transmission from a governmental perspective, including state economic development groups and state regulatory bodies. He suggested creation of a list service. Mr. McKee added a possible resource would be WIRES, a trade group located in Washington. Geographically, members suggested inclusion of SPP, MISO, Entergy, Texas, and states in the western grid including Colorado, New Mexico, and Wyoming.

Chairperson Holmes introduced Alan Myers, ITC Great Plains, for updates on the KETA Project. Mr. Myers stated KETA Phase I has been energized and operating since June, 2012. Final testing of Phase II will begin at the end of November, with the project scheduled for completion in early December. Mr. Myers provided some statistics on the KETA Project: A total of 507 structures were erected; 1,521 insulators and over 250 reels of wire were installed over 174 miles of line; the crew peaked at 83 craftspeople, with current staffing of 15 linemen and support personnel; and more than 210,190 man hours were expended. The KETA Project will be completed ahead of schedule and under budget (Attachment 3).

Mr. Myers continued with an update on the ITC portion of the Kansas V-Plan, Spearville-Medicine Lodge. For the project as a whole, right-of-way acquisition is 88 percent complete. Breaking it down by county, Barber County is 100 percent complete with on-line easements; Kiowa County has 88 percent of its on-line easements complete with the rest in condemnation; Ford County is 72 percent complete with right-of-way acquisition; and Clark County is 100 percent complete with its three easements. The terrain in Barber County and Kiowa County is rough, resulting in a need for more access easements in those counties. Construction has begun at both the Flat Ridge and Thistle substations. Flat Ridge is scheduled to be completed in 2013, while Thistle and Clark County substations are to be complete in 2014.

Mr. Myers discussed the Summit to Elm Creek project, which is a single circuit 345kV transmission line from the Summit substation near Salina to the Elm Creek substation near Concordia. The line is estimated at 60 miles long. Westar will build the south half of the line and ITC Great Plains will build the north half. The company will hold open house meetings for the public in early December. Refined cost estimates for the project are to be submitted to SPP at the end of February, 2013. The projected completion date is March, 2018, and the initial cost estimate is \$104 million ([Attachment 5](#)).

Chairperson Holmes recognized Dave Peck, Westar Energy for the update on Prairie Wind's portion of the Kansas Y-Plan. The company acquired 92 percent of the tracts through direct negotiations with landowners. Right of way entry agreements for all condemnation tracts in Sedgwick County have been obtained. Engineering design is 100 percent complete. All procurement contracts are in place. Anchor bolts for 500 of 831 structures have been received and the first shipment of insulators has been received. Steel structure deliveries will begin in December 2012, and conductor shipments will begin in January 2013. Construction work for the project's five laydown yards is complete. From Wichita to Thistle they have completed 40 percent of the right-of-way prep work and have installed 30 percent of the concrete foundations. The dry weather conditions have been favorable. Completion cost is estimated at \$180 million with a projected completion date of December 31, 2014.

Chairperson Holmes recognized Ms. Lash to read an update from Mark Lawlor, Clean Line Energy Partners LLC, who was unable to attend the meeting. Mr. Lawlor reported the company would be holding public open houses the weeks of January 28 and February 11, 2013, and invited KETA members to attend. The purpose of open houses is to gather input and data from landowners and the general public. A vendor open house meeting will be held the week of January 7, 2013. The purpose of this meeting is to identify qualified vendors and contractors in the state that can participate in the construction process ([Attachment 6](#)).

Chairperson Holmes recognized Representative Tom Sloan to discuss the Electric Transmission Line Siting Compact ([Attachment 7](#)). Nationally the problem is the ability to build transmission lines across multiple states. The goal of the Compact is to balance competing interests and to provide a mechanism with which to resolve differences, and to keep projects moving forward. The Compact creates a national structure under which states may cooperate on a regional basis. It is intended to improve efficiencies and create standardization during the siting process, establishing common applications, predetermined time lines and uniform public comment periods. The Compact agreement would only pertain to those states that are both members of the compact and impacted by the proposed line.

Representative Sloan stated the times shown in the "Timeline from the Point of Filing" handout are firm in order to address the delays that would otherwise occur when one state fails to move forward and other affected states are then unable to progress. Mr. Evans noted it is important to involve the Regional Transmission Organizations, as well, because seams issues

also contribute to delays. Representative Sloan noted the goal is to help ensure people cannot derail interstate transmission through inaction. Once an application for a new line has been approved, a state that is part of that compact cannot withdraw without a significant financial penalty. There will be a presentation in Austin, Texas, at the CSG national meeting in December. The Compact may be fine tuned at that time, but Representative Sloan does not anticipate major revisions.

Chairperson Holmes welcomed Don Gully, Vice President, Sunflower Electric, to discuss the Rubart Station Natural Gas Plant. Formed in 2005, Sunflower Electric serves a population of 200,000 people in 33 counties in central and western Kansas. In 2012, Sunflower Electric reached a peak load of 591 MW. The company's generation resources are 39 percent coal, 45 percent natural gas and 17 percent wind energy. It has an aging fleet of coal and gas units, with some units as old as 50 years. Reliability is a growing concern due to shrinking system capacity margins and transmission path limitations. The building of Rubart Station could be the solution to these problems. The estimated cost of Rubart Station, which will be located in Grant County, is \$130 million. Construction is expected to begin in early 2013, with commercial operation expected to commence in April, 2014. The company will build a 115 kV substation and three miles of 115 kV line to interconnect to existing transmission lines.

Mr. Gully continued with a presentation on the increased electric load associated with the Mississippian Oil Play in western Kansas ([Attachment 9](#)). He stated the Mississippi Lime Play could look like the Bakken and the Eagle Ford in terms of its impact on south central and western Kansas.

Estimates of load growth:

- Oil well sites, 30-50 kW per well, 4-6 wells per section;
- Water injection, 100-500 HP for smaller sites;
- Gas processing, 25-60 MW per site; and
- Oil loading facilities, truck and rail 1-5 MW.

Mr. Gully commented that Williston, North Dakota experienced growth of 2-4 MW per residential section of land, and up to 10 MW per section of industrial use. Other communities have reported increases of 3-5 MW per section.

Regarding the Mississippi Lime Play, oil well growth starts in north central Oklahoma, comes north to Barber County, Kansas and on to Rubart Station. It could go to Nebraska. Mr. Gully described Sunflower's response to the challenges of rapid growth.

Oil field development requires buildout, because oil wells and pumps are not necessarily near existing transmission. Sunflower requires the oil companies to pay upfront for the full cost of transmission line extensions. There is a performance-based contract in place, and, as the oil companies use the transmission service, they are repaid over time.

Chairperson Holmes recognized Colin Whitley, Alfalfa Cooperative Electric (ACE). ACE is headquartered in Cherokee, Oklahoma, and supplies electricity in both Oklahoma and Kansas. Mr. Whitley discussed the growing need for substations and transmission and distribution systems resulting from the Mississippian oil boom ([Attachment 10](#)). The company's load had been stagnant for about 10 years, and began rapid growth around 2006. AEC requires contracts and security deposits before doing any work for producers. All contracts are between the producer and the local Coop. In Oklahoma, all loads over 1 MW are competitive. Like

Sunflower, ACE charges producers upfront for all substations, lines and other facilities it builds on their behalf and repays them through the electricity they purchase until their total contribution is repaid. Currently, they are getting SPP approval on all contracts. ACE has had 16 substation additions or upgrades since 2006. Oil producers own and operate over 800 miles of 25 kV distribution in AEC service territory. The oil boom has resulted in more than \$30 million in transmission upgrades and additions in the AEC region.

The Authority's members expressed a collective thanks to Chairperson Holmes for his many years dedicated to KETA and all his hard work. His efforts to expand transmission have helped stabilize electric rates in Kansas and encouraged development of the wind industry. The Chairperson was recognized for the many lives he has touched and the leadership he has provided. Chairperson Holmes was presented with a plaque to show the Committee's appreciation.

Chairperson Holmes recognized Mr. Lehman to discuss the revised KETA Business Plan Outline. Mr. Lehman noted the strike-and-add version demonstrated how much KETA has accomplished under Chairman Holmes' leadership, with the items remaining being ongoing activities (Attachment 11). Mr. Lehman reviewed the FY 2013-2014 Business Plan Outline.

- Ensure the State of Kansas speaks with a clear and effective voice in the development and use of the regional electric transmission network.

- Engage the legislative and executive branches with respect to KETA's mission and regional/federal issues affecting transmission;

With all the new legislators and the work remaining to be done, KETA needs to reach out to both the legislative and executive branches. KETA cannot rest on its past achievements; there are still issues with respect to adequacy of power supply in Kansas, development of renewable energy, and building the economy of the state. KETA can assist in all of those.

- Support and assist the KCC in it's participation in the SPP; and

The KCC has taken an active role on the Regional State Committee and KETA should continue to support and assist the KCC in its efforts.

- Facilitate direct engagement by the State of Kansas with other states in the region.

Beyond working with other infrastructure authorities, KETA should be an agent for helping anyone in Kansas government work more effectively with other states in the areas under KETA's purview.

- Monitor active projects:

- Y-Plan;
- Summit – Elm Creek; and
- Grain Belt Express Clean Line.

The list has shrunk because many projects have been completed, but the projects that remain are huge. The Y-Plan and the Summit-Elm Creek line are projects KETA studied and might have proceeded with if SPP and the affected utilities had not decided to go ahead and construct them.

Kansas got a disproportionate share of the SPP build-out. Now its time for load growth, renewable energy, and federal policy to catch up. KETA has great interest in seeing how the Grain Belt Express develops It can be a great benefit to the wind industry and to the western terminus in the Spearville area.

- Support development of region-wide bulk transmission system.
 - Continue involvement with SPP planning process, ITP-NT, ITP-10 and ITP-20;
Continue to be represented at SPP Board and RSC meetings on a regular basis.
 - Identify the projects KETA wants covered under SPP; and
 - Facilitate transmission development through participation in interregional and national transmission planning and policy-making.
KETA is not just confined to the SPP, but needs to be informed on issues such as the Interstate Transmission Compact and the Eastern Interconnection Planning Collaborative.
- Ensure reliable operation of the transmission system.
 - Assist transmission owners and transmission customers in making maximum efficient use of the system; and
This is more of a maintenance mode.
 - Support policies that maintain a secure transmission infrastructure.
This is an area of increasing national interest, and we may in the future be focusing more on protecting what we have rather than building new transmission.
- Facilitate renewable energy development.
 - Evaluate potential renewable energy generation zones; and
This is a piece of unfinished business in Kansas; we have seen what Texas has done with its CREZ. Spearville has evolved as a hub of renewable energy development, but there may be other areas as well.
 - Support renewable energy development policies at the federal level.
- Build partnerships with other State Infrastructure Authorities.
 - Jointly pursue federal tax-exempt financing for facilities construction;
 - Share reports and plans; and
 - Participate in joint meetings and planning efforts.
It is surprising to hear there may be only two other active authorities, and KETA needs to continue to work across state lines, including continuing to pursue federal tax-exempt financing for non-profits.

- Make policy recommendations to the Governor and the Legislature, as appropriate, regarding improvements to Kansas' electric transmission system.

Representative Annie Kuether noted with all the new members in the Legislature, it is particularly important to define what KETA does. There are likely to be challenges to the Renewable Portfolio Standard and lack of support for the federal production tax credit. Members discussed requesting a meeting with the Governor to update him on what KETA is doing, encourage him to send representatives to SPP, and to see what KETA might be able to do to assist him.

Chairperson Holmes recognized Ms. Lash for a review of the draft annual report for 2012. It is delivered to the Governor, the Speaker of the House of Representatives, and the Senate President at the start of the Legislative Session. Ms. Lash noted the Authority celebrates significant progress in the development of new high-voltage transmission lines in Kansas. 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. The first project KETA spearheaded is completed and due to be in service in December. The estimated cost was \$160 million, but the project finished at \$148 million and six months ahead of schedule. There have been major advances in the development of the Y-Plan, which is scheduled for completion at the end of 2014 at an estimated cost of \$525.2 million. KETA members worked tirelessly in preceding years to ensure this project was included in the SPP Priority Projects. The report notes the SPP's adoption of the Highway Byway Cost Allocation Methodology has contributed to transmission expansion. KETA continued to operate frugally, expending only \$29,579 in FY 2012. Ms. Lash detailed the Authority's planned activities for 2013, and noted the budget request for FY 2014 was the same amount as for FY 2013 ([Attachment 12](#)).

The meeting adjourned at 1:17 p.m.

Respectfully submitted,
Tim McKee, Secretary

Approved by the Authority on:

March 19, 2013
(Date)