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Testimony on HB 2516 – Transmission System Enhancement Incentives

Mr. Chairman, Members of the Committee: Kansas has been recognized by the Chairman of the Federal Energy Regulatory Commission (FERC), the leadership of the Southwest Power Pool (SPP), NCSL, and other groups for its leadership on transmission and generation issues. At a recent meeting of the SPP's regional planning group in Wichita, the unique partnership between Kansas' policy-makers and electric providers to benefit consumers and economic development was specifically noted.

HB 2516 has nothing to do with the Flint Hills, instead it focuses on issues identified in "Western Kansas" (west of Salina) that are impediments to moving power from the proposed Sand Sage II coal plant to markets, reducing constraints on bringing in low cost power (when it is available) from out-of-state, and addressing on-going operational problems caused by Nebraska (Gentleman, NE line) and Colorado (Xcel's inadequately designed interconnection) utilities.

HB 2516 seeks to incrementally expand the existing public-private partnership and address several opportunities that currently exist. Section 2 authorizes the Kansas Development Finance Authority to participate in marketing bonds for transmission lines that cross state borders. Previous legislative actions provided such authority for lines within the state. However, discussions between transmission operators and KDFA quickly identified that having a new or upgraded transmission line stop at a state border would not benefit our state and consumers. Section 2 requires that KDFA may participate only if the investment is determined to be fiscally responsible and a majority of the investment is made in KS.

Section 3 authorizes the KCC to provide for recovery of capital expenditures on transmission lines in 15 years, instead of the current 20-year period. This is in keeping with the FERC and National Energy Bill directions.

Section 4 addresses a tax liability issue. Under current law, a new generator must construct the facilities necessary to connect to the grid and then "give" those facilities to the transmission operator. This creates a tax liability for the grid operator. Section 4 states that such facilities may be granted or leased to the transmission operator upon agreement between the parties and approval by the KCC.

Section 5 simply clarifies existing statutes that the KCC may approve the sale or operational transfer of transmission lines by a Kansas utility to a FERC-approved independent transmission system operator or regional transmission organization. The KCC shall provide for reasonable sharing of proceeds from asset sales to ratepayers and the utility.

Section 6 specifies that the statutes uniformly reflect that electric transmission line means a line at least five miles in length and transferring 34.5 kilovolts or more of electricity. This section expands the number of projects that are eligible for KDFA assistance and relates to Section 10 of this bill that authorizes KDFA partnerships with municipal electric utilities.

Section 7 addresses House members' interests in stimulating economic development in rural counties. Under current law, all revenues above operating costs of utility "off system" power sales benefit ratepayers. Section 7 permits the utility to retain 10 percent of those 'profits' from new or expanded electric generation plants located in counties that are experiencing a decline in population.

Section 8 directs the KCC to permit recovery of prudent investments by electric utilities for research and development or for investment in research by nationally recognized centers. This section removes doubt that such investments are recoverable and is designed to encourage partnerships between Kansas' utilities and industry research centers. It reflects House members' belief that sound research will benefit Kansas ratepayers in the future. An example of practical applications of research is the Kingman-Aquila collaboration that will be the first commercial application of a new type of transmission line that is more heat resistant and has a higher capacity.

Section 9 is the current statute providing for advance determination by a utility from the KCC of how investments in new generation and transmission services will be considered from a rate perspective. Section 9 simply reduces the transmission line component from 69 kv to 34.5.

Section 10 provides for KDFA-municipal utility partnerships as was noted above and, as in Section 8, reflects the innovative partnerships that the City of Kingman, KS, has developed to install and test a new, more expensive, type of transmission line with great potential.

Mr. Chairman, I remind the Committee that KDFA assistance does not result in any liability or financial obligation to the State of Kansas. I also reiterate one of my opening statements, HB 2516 is an incremental change in existing statutes to assist Kansas' utilities and consumers export-import electric power – whichever is in our collective best interests. The most important aspect of HB 2516 is that it will serve to keep consumer electric bills as low as possible; the second most important good is to keep the partnership between Kansas' policy-makers and utilities before FERC and the SPP.

I will be pleased to respond to questions.