

## MINUTES

### KANSAS ELECTRIC TRANSMISSION AUTHORITY

October 27, 2010

1<sup>st</sup> Floor Hearing Room, Kansas Corporation Commission

#### Members Present

Representative Carl Holmes, Chairperson  
Earnie Lehman, Vice-chairperson  
Tim McKee, Secretary  
Senator Pat Apple  
Les Evans  
Representative Annie Kuether  
Senator Janis Lee

#### Staff Present

Cindy Lash, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Rebecca Wempe, Stevens and Brand, L.L.P.

Chairperson Holmes called the meeting to order at 9:10 a.m. He proposed amending the agenda to add the following items: remarks by Clean Line Energy and Westar Energy, correspondence regarding wind farms, background information on contracting, discussion of transmission corridor studies, and a possible executive session. *Senator Lee made a motion to accept the agenda as amended. Mr. Lehman seconded the motion. The motion carried.*

Chairperson Holmes commented that KETA is entering its third phase of involvement with transmission development in Kansas: Phase 1 was the line from Summit to Wichita to the Kansas-Oklahoma border, Phase 2 includes the KETA line and the V-Plan, and Phase III involves contracting for a study of potential new transmission lines.

The Chairperson asked for a motion to approve the minutes of July 12, 2010, with technical corrections. *Mr Lehman moved approval of the minutes, as amended. Senator Lee seconded the motion. The motion carried.*

Chairperson Holmes recognized Cindy Lash for review of the expenditure report, which showed expenses through September 30, 2010 (Attachment 1).

The Chairperson acknowledged correspondence received by the Board, including notice of a wind turbine associated with a wastewater treatment plant in El Dorado (Attachment 2), correspondence from Cloud County regarding a change in ownership of the wind farm located

there and the effect on payment in lieu of taxes, and a document requesting comment on the Caney River wind development.

Mr. McKee discussed the meeting of state infrastructure authorities he attended in Salt Lake City on September 15, 2010. The authorities received a report on successful siting of transmission lines, as well as status reports from the states in attendance. Kansas is ahead of the other states in getting transmission planned and built. At the meeting, Jeremy Turner of New Mexico discussed draft legislation he presented for U.S. Senator Bingaman's consideration regarding an income tax exemption for income earned on bonds issued for construction of high voltage transmission lines (greater than 100kV). Mr. Turner suggested KETA and the other authorities contact Sen. Bingaman's office to express support. Mr. McKee provided a copy of the draft legislation.

Following discussion, *Senator Lee moved KETA forward a copy of the draft legislation to Kansas' current and incoming senators. Mr. McKee seconded the motion. The motion carried.*

Mr. McKee and Mr. Lehman will draft a cover letter. Mr. McKee suggested KETA consider hosting a meeting of the infrastructure authorities next spring or summer (Attachments 3 and 4).

Jay Caspary, Southwest Power Pool (SPP) provided an update on SPP planning and policy developments. He discussed the 20-year Integrated Transmission Plan (ITP20), the 10-year plan (ITP10), and the activities of several task forces. He noted if SPP doesn't act quickly, merchant developers will take the lead on planning and building high voltage transmission lines. The ITP20 is undergoing review and will be considered by the SPP Board of Directors on January 25, 2011. The Land Use Policy Task Force is focusing on identifying the best transmission lines in the best corridors (Attachment 5).

Board members discussed the October SPP meeting held in Kansas City. Mr. Lehman noted Regional State Committee (RSC) members were concerned about the \$271 million increase in estimated costs for the Priority Projects. RSC members may ask for more rigorous evaluation of cost-benefit ratios in the future, but accepted the revised cost estimates for the Priority Projects. Estimates were provided at the meeting that the \$271 million increase would translate to a \$0.30/month increase for a residential customer using 1,000 kilowatt hours/month; in all, the cost of the Priority Projects will add about \$1.30 - \$1.40 per month to a residential bill. About 40 miles of additional line will be constructed to avoid habitat of the Lesser Prairie Chicken. Chairperson Holmes noted a lot of money is being spent on mitigation of prairie chicken habitat, yet Kansas has an open hunting season on prairie chickens. The federal government is reportedly close to declaring the Lesser Prairie Chicken an endangered species.

The Chairperson recognized Carl Huslig, ITC, for discussion of the transmission study proposal. Mr. Huslig noted the study scope language was based on the scope for KETA's 2007 transmission study. An initial quote for the study was about \$500,000. ITC revised the scope to eliminate two components – estimate of local economic benefits and capacity and energy savings due to reduced line loss. This brought the cost down to about \$200,000. The goal is to get one or more of the projects into the ITP10. Mr. Huslig indicated the incremental cost to study additional lines probably would not be high. Interest was expressed in a line north from Wolf Creek. Mr. Huslig said the study would need to be completed in February or March. Regarding the V-Plan, Mr. Huslig said after talking with environmental groups ITC determined Comanche County and Barber County are problematic for transmission development. ITC reconsidered the best corridor for transmission, and decided it should just tip northwest Clark County. They expect to put a substation near Mineola, KS (Attachment 6).

Mr. Lehman reviewed the Board's activities for each component of the KETA work plan (Attachment 7).

The Chairperson opened discussion of KETA's FY 2012 budget request. *Senator Lee made a motion to request \$100,000 plus reappropriation of unexpended funds from FY 2011. Mr. McKee seconded the motion. The motion carried (Attachment 8).*

Robert Glass and Michael Deupree, Kansas Corporation Commission (KCC) reported the results of the 2010 Kansas Generation Planning Survey. Dr. Glass provided an economic outlook, both nationally and for Kansas. Mr. Deupree discussed specific data on utilities' actual and projected capacity and peak load (Attachments 9 and 10).

The Chairperson recognized Dave Peck, Westar Energy, for an update on transmission. The Reno-Summit 345kV line is complete. Regarding the Rose Hill-Sooner 345kV line, right of way acquisition is nearly complete. Construction should start in January, working from north to south. Regarding Prairie Wind's portion of the V-Plan, Burns & McDonald has developed proposed routes for Wichita to Medicine Lodge and Medicine Lodge to Woodward. They will mail out 1,500 letters to landowners along the proposed routes. Open houses will be held in November to get landowner feedback on routes.

Chairperson Holmes recognized Carl Huslig, ITC, for a transmission update. Mr. Huslig discussed ITC's portion of the V-Plan. They are considering routes from Spearville to northwest Clark County and over to Medicine Lodge. They have options on land for the two substations, and expect to hold open houses in late January. Regarding the KETA project, construction started this week in Pawnee County. They have completed 80 percent of the right of way acquisition for Phase 1, and have begun on Phase 2. Bids from contractors interested in building the line have been lower than anticipated. The line is still on target to be service at the end of 2012. Nebraska is on the same time line. In response to a question about how issues with Lesser Prairie Chicken habitat were handled for the KETA line, Mr. Huslig said ITC's route ran through two lakes. ITC worked out an agreement the Kansas Department of Wildlife and Parks to clear-cut 1,280 acres adjacent to the project to create a continuous area of good habitat for the birds. The additional cost was about \$270,000 (Attachment 11).

The Committee adjourned for lunch at 12:15 p.m.

### **Afternoon Session**

The Committee resumed at 1:45 p.m.

The Chairperson recognized Mark Lawlor and Jimmy Glotfelty with Clean Line Energy Partners for a presentation on the Grain Belt Express project. Mr. Glotfelty said Clean Line was founded about a year and a half ago to develop high voltage, direct current (HVDC) lines that would go from areas rich in renewable resources to load centers. The Grain Belt Express will run from near Spearville Kansas to the St. Louis area. In response to questions, Mr. Glotfelty said the costs of the energy will be paid either by utilities purchasing power that will be delivered into the Midwest ISO, or possibly by wind generators. It is a capacity-based funding structure, much like the interstate gas pipelines. Wind from the Midwest is far less costly than wind generated off the Eastern Seaboard. Clean Line anticipates many wind farms will connect only to their DC line at a substation, and will not also connect to other lines controlled by the SPP. The direct current will be converted to alternating current only at each end of the line, because

each converter station costs approximately \$250 million. Clean Line will not build through the Flint Hills ([Attachment 12](#)).

Mark Schreiber, Westar Energy, described the company's press release announcing eight 345kV transmission lines Westar has committed to build over the next decade. All the lines are in the ITP20. In response to questions, Mr. Schreiber said not all the lines are in Westar's service territory ([Attachment 13](#)).

The Chairperson opened the roundtable portion of the meeting ([Attachment 14](#)).

Participants introduced themselves.

- Michael Resca, CPV
- Jonathan Koehn, Infinity Wind
- Michael Grova, Zephyr
- Tiffany Thompson, Acconia
- Steve Gaw, Wind Coalition
- Susan Williams Sloan, AWEA
- Mark Hannifan, TradeWind Energy
- Jason Kemper, enXco
- Kimberly Svaty, Wind Coalition

Mr. Gaw began by acknowledging KETA's role in expanding the development of transmission in Kansas, and in helping bring about the favorable tariffs that exist in SPP today for cost allocation and planning. He noted the lines that have been approved to date are designed to address the load within SPP, not to support export of Kansas wind. A market for export is needed to develop the full potential of Kansas wind – he noted that even with a national Renewable Energy Standard (RES) of 20 percent, the SPP territory is estimated only to need 18 gigawatts of wind itself, yet could contribute 80 gigawatts to the national demand. Kansas is second or third nationally in potential for wind energy.

Mark Hannifan shared a map titled *Wind-Centric/Environmentally Sensitive "V-Plan"* which was developed by his company. The information on planned wind farms may not be completely accurate, but is the best available based on public sources, intelligence on the ground, and so on. The map shows that if the V-Plan, as revised, goes from Woodward to Medicine Lodge, then west to Spearville, it leaves a lot of wind projects on the table in Clark, Ford and Meade Counties, as well as in counties further west. Even with the 345 kV line that runs from Spearville to Holcomb, then down to Hitchland as well as to the west, there is a big island of stranded wind where Tradewind and other companies already have spent significant sums of money on wind developments. The alternative proposed on their map is to move the original Comanche node north and west, but still connect to Medicine Lodge ([Attachment 15](#)).

KETA members and roundtable participants discussed whether KETA might be able to create a map similar to Tradewind's map, with environmental layers added, to look at logical groupings of transmission lines based on proposed projects. There was discussion of the factors Texas considered in developing its Competitive Renewable Energy Zones (CREZ). In response to questions about whether there is a market for exported Kansas wind without a national RES, it was noted there are many states with a RES in the northeast portion of the country that constitute a potential market for Kansas. In addition, the size of the market may change in the future as the demand for energy increases and because some older power plants may shut down rather than try to meet new requirements of the Environmental Protection Agency.

Regarding the proposed change in the location of the Comanche node and resulting relocation of the line, KETA members questioned whether SPP would be likely to accept changes, given the recently announced cost overruns on the Priority Projects. Board members expressed concern that proposing changes to SPP now could cause Kansas to lose the V-Plan. Mr. Huslig noted that alternate routes ITC is considering would not increase the length of the line, so there should not be an increased cost. In ITC's opinion there is a need for a substation in that area to collect wind from western Kansas.

Regarding what a collector system might look like in Kansas, there is not yet a consensus in the wind development community. The idea is still being explored and discussed. Ultimately a collector system should be more cost-effective than just having generator leads into the lines. KETA could be part of developing a plan for a collector system, determining which regions make the most sense. In response to a question, Mr. Huslig said ITC does not plan to allow "tap substations" any more frequently than every 23 miles. They want to encourage developers into a hub, loop and spoke formation. Mr. Lehman noted Kansas has done well so far in achieving regional cost allocation for its SPP transmission projects, but it is possible a collector system might be strictly a Kansas undertaking. Ms. Svaty commented some developers are considering 40 – 50 mile generation tie lines in Kansas, and might be interested in working with KETA on this.

Mr. Hannifan described the process developers go through with SPP to get into the generation queue and secure interconnection agreements. In Kansas, there seem to be few developers who plan to sell directly into the market; most are working to secure power purchase agreements.

The Chairperson thanked roundtable participants, and turned to the next item of business.

KETA Board members received copies of an Executive Order signed by Governor Parkinson creating an Interagency Working Group for Wind Energy to advise the Governor on issues that concern wind in Kansas and to serve as a hub to expedite wind planning. The Executive Order calls for the Group to coordinate with KETA as necessary.

The Chairperson noted KETA has been asked to consider developing a transmission corridor study. He suggested it could begin with a review of the Kansas Department of Wildlife and Parks' maps of environmentally sensitive areas. Board members agreed KETA would be better equipped to address this rather than the Legislature as a whole, but noted developing corridors is more of a regulatory, limiting activity; in contrast KETA's role has been to encourage transmission. KETA will consider this issue at a later meeting.

The Chairperson recognized Rebecca Wempe, the Board's attorney, for a discussion of contracting requirements. Ms. Wempe explained the requirements, which differ depending on the type of service being contracted, and on the amount of money KETA would pay under the contract. *Mr. Evans made the following motion, which was seconded by Senator Lee. The motion carried.*

Mr. Chairman, I move to recess the meeting until 4:45 p.m. For an executive session meeting as authorized by subsection (b)(2) of K.S.A. 75-4319 and amendments thereto, to consult with the Authority's attorney Rebecca Wempe regarding legal bidding and contracting requirements related to a possible contract between KETA and ITC Great Plains, which consultation would be deemed privileged in the attorney-client relationship. In addition to Committee members, the executive meeting requires the attendance of Rebecca Wempe,

Stevens and Brand, L.L.P., and Cindy Lash and Heather O'Hara, Legislative Research Department. The meeting will resume in the 1<sup>st</sup> floor hearing room at 4:45 p.m.

The Chairperson reconvened the public meeting. Mr. Lehman described the consensus of the members as being to determine if SPP would undertake KETA's proposed transmission study, which might be subcontracted. KETA would consider partially funding the study; other entities potentially contributing funding for the study might be ITC, Northwest Kansas Regional Energy Collaborative, the Wind Coalition, and the American Wind Energy Association. KETA will develop a letter requesting financial support from these parties. KETA will submit a request to the Division of Purchases, Department of Administration for authorization to contract with SPP for the study under the sole source exemption to purchasing requirements. Mr. Lehman and Mr. Evans were appointed to a subcommittee to discuss issues regarding the study (eg., scope and cost) with SPP before the next meeting.

The Chairperson encouraged members to attend the SPP meeting in Dallas on December 15<sup>th</sup>. The focus will be on the ITP20. *Senator Lee moved approval of compensation and expenses for any KETA Board member attending the meeting. Mr. McKee seconded the motion. The motion carried.*

The date of the next meeting was set for November 12, beginning at 2:00 pm.

The Chairperson adjourned the meeting at 5:10 p.m.

Prepared by Tim McKee, Secretary  
Edited by Cindy Lash

Approved by the Board on:

November 12, 2010

(Date)