

**TESTIMONY SUBMITTED TO THE
SENATE UTILITIES COMMITTEE
IN SUPPORT of HB2263**

Presented by Steve Miller, Sunflower Electric, on behalf of:

**KANSAS ELECTRIC POWER COOPERATIVE, INC. – Topeka, KS.
KANSAS ELECTRIC COOPERATIVES, INC. – Topeka, KS.
MIDWEST ENERGY, INC. – Hays, KS.
SUNFLOWER ELECTRIC POWER CORPORATION – Hays, KS.**

March 14, 2005

Thank you, Mr. Chairman and members of the Committee for providing the electric cooperatives in Kansas the opportunity to speak today on House Bill 2263.

As we noted in our previous testimony on House Bill 2045, the electric power industry has been in quite a state of turmoil in recent years as it has tried to find ways to improve access to, and reduce constraints in, the regional transmission system.

Two persistent questions the industry struggles with are where are transmission infrastructure improvements needed, and, who is going to pay for them?

Like HB 2045, this legislation you are considering today will not necessarily resolve those issues, but we are excited that this legislation has a goal of not only ensuring continued reliability, but also diversifying and expanding the Kansas economy through the facilitation of improvements to the state's electric transmission infrastructure.

As you are aware, this is not a new idea. This legislation was patterned after the Wyoming Transmission Authority. While there may be others I'm not aware of, I was able to determine that Montana, North and South Dakota are actively working to create this kind of organization in their states.

In South Dakota, Senate Bill 149 contains much of the same language as the bill we're reviewing today. Its sponsors have said this proposal is based, in large part, on the bill that was successfully passed into law last year in Wyoming.

Further west, the Montana Transmission Authority (MTA), which is similar to one created by the Wyoming Legislature last year, is being considered by the Montana Legislature. The MTA would have the power to issue up to \$750 million of revenue bonds to finance the projects. The breadth of the bill gives the Montana Transmission Authority the power to "facilitate, plan, finance, site, construct, develop, acquire, own, rent, lease, maintain, upgrade and operate new electrical energy transmission facilities and related supporting infrastructures." The proposed law would allow for joint ventures, but would limit the authority's power if a private entity is willing to construct transmission facilities or provide certain services.

North Dakota Governor, John Hoeven, thought this concept was important enough to include in his 2005 State of the State address. He said:

“Our single greatest challenge is the ability to move power to markets outside North Dakota.

A transmission authority could jump start that process and expedite the kinds of large investments we need to expand our current transmission capacity. Increased capacity is essential if we hope to build new coal-based power plants and develop wind farms across North Dakota.

This session, we will advance a bill to establish a North Dakota Transmission Authority within the state Industrial Commission to promote investments in new transmission lines across North Dakota and beyond.

The authority would serve as a catalyst for new investment, and provide low cost financing to help North Dakota's generation be competitive with local generation in surrounding states.

It would also serve as a partner to investors, providing access to public sector financing not available otherwise, and helping to develop right-of-way for new transmission.

But the reality is, our opportunity for growth from energy development extends far beyond just the wind farms and power plants themselves. Envision, if you will, industrial parks developed around our power plants - accessing our low cost energy and available water resources for value-added processing or manufacturing.

We are, in fact, bringing two of our targeted industries together - energy and value-added agriculture - to create new opportunity.”

Chairman Holmes solicited input from other states, utilities, regulators and others as this bill was being prepared for your consideration. After reviewing the final document, the electric cooperatives in Kansas have concluded the bill before you today represents our collective thinking in Kansas, and we believe it represents a policy that should be enacted.

We are here today to suggest the removal of two words from the bill. We suggest that the word “retail” be removed from page six lines 26 and 29. Our belief is that the utilities should be allowed to recover these assessments in a manner approved by the KCC or by their local governing bodies. It is our belief that some utilities may recover a portion of these costs from wholesale customers. Some may choose to absorb these costs rather than pass them along to their customers. In any event, once the utility is

assessed, we are advocating that they be allowed to choose their method of recovery and we think that the removal of these words would accomplish that goal.

Thank you for this opportunity to testify. We hope you will support HB 2263.