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BEFORE THE SENATE UTILITIES COMMITTEE
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION
March 15, 2005
HB 2263

Thank you, Chairman and members of the Committee. I am Larry Holloway, Chief of Energy Operations for the Kansas Corporation Commission. I appreciate the opportunity to be here today to testify for the Commission on HB 2263.

This bill would form the Kansas Electric Transmission Authority (KETA), which could finance and construct electric transmission facilities, provided other incumbent electric transmission operators chose not to build the facilities identified by the KETA. The KETA is not subject to the oversight of the Kansas Corporation Commission except for the Commission's jurisdiction in regard to wire stringing rules or transmission line siting. The KETA is also given the ability to levy wholesale transmission tariffs if the costs of the constructed facilities are not otherwise recovered through regional transmission tariffs.

The Commission does not oppose or support this bill. While the Commission had concerns with this bill, the Commission believes the amended language in this version of the bill does address the majority of its concerns.

In discussing this bill, it is important to remember that we are looking at three different types of upgrades to transmission systems: reliabity, economic and economic development. "Reliability" upgrades are those designed to improve the performance of the system—to make sure the light comes on when the switch is flipped. "Economic" upgrades to the transmission system are those that will result in overall cost savings to electric customers.

The Commission believes that regional transmission organizations such as the Southwest Power Pool (SPP), with oversight of state and federal regulatory commissions, should, will and can properly address transmission upgrades needed for reliability purposes. The SPP is also tackling the issue of "economic" upgrades but the issue of how they will be funded and paid for is much more controversial and is currently being debated at the SPP.

However, none of these efforts will address the other issue that HB2263 addresses—that of whether to implement transmission upgrades that result in higher electricity costs to consumers but which have offsetting regional economic benefits. This legislation would create a new government entity that could weigh these trade offs and make that policy decision.

That said, the Commission believes we should draw the Committee's attention to certain aspects of the bill. First, it is not clear when, if ever, that the KETA would need the authority to construct electric transmission facilities for reliability purposes. This is clearly the function of the SPP and currently the responsibility of the Commission. There would seem to be no purpose served by creating another government agency with this responsibility. With regard to electric economic upgrades, as I mentioned, this is a topic that is being discussed in the SPP. Any action on this issue taken by the KETA could be premature, and in the end could require Kansas ratepayers to pay for transmission upgrades when the costs of these upgrades may be shared across several states, depending on the outcome of these SPP decisions.

This legislation also allows the KETA to implement regional economic upgrades to the transmission system that may not otherwise be constructed. An example of this could be a transmission line that is not needed for reliability purposes and will not provide a direct benefit for electric customers, but may allow the development of generating plants, such as wind generation, in a portion of the state that does not otherwise have adequate transmission capacity. To the extent that recovery of the costs of this transmission line is not allowed through existing transmission tariffs, the Commission would then be required to assign these costs to electric utilities proportionate to the benefits these utilities receive.