

KCC Oversight of Electric Transmission in Kansas

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KCC Statutory Oversight of Transmission Operations

- K.S.A. 66-101h
 - From time to time, the commission shall...inspect the condition of each electric **public utility**, ... with reference to the public safety and convenience.
- K.S.A. 66-183
 - All **public utilities** owning or operating wires for the transmission of...electricity...are required to ...maintain such wires...and the corporation commission [shall]...prescribe reasonable rules and regulations with respect to the stringing and maintaining of wires...

KCC Statutory Oversight of Transmission Operations

- K.A.R. 82-12-2: Adoption by reference of the National Electrical Safety Code.
- K.A.R. 82-12-3: Application for each new or modified electric supply line outside city limits.
- K.A.R. 82-12-5: Notice of construction or modification provided to the Commission, railroads, and other utilities within ½ mile of construction.

KCC Statutory Oversight of Transmission Line Siting

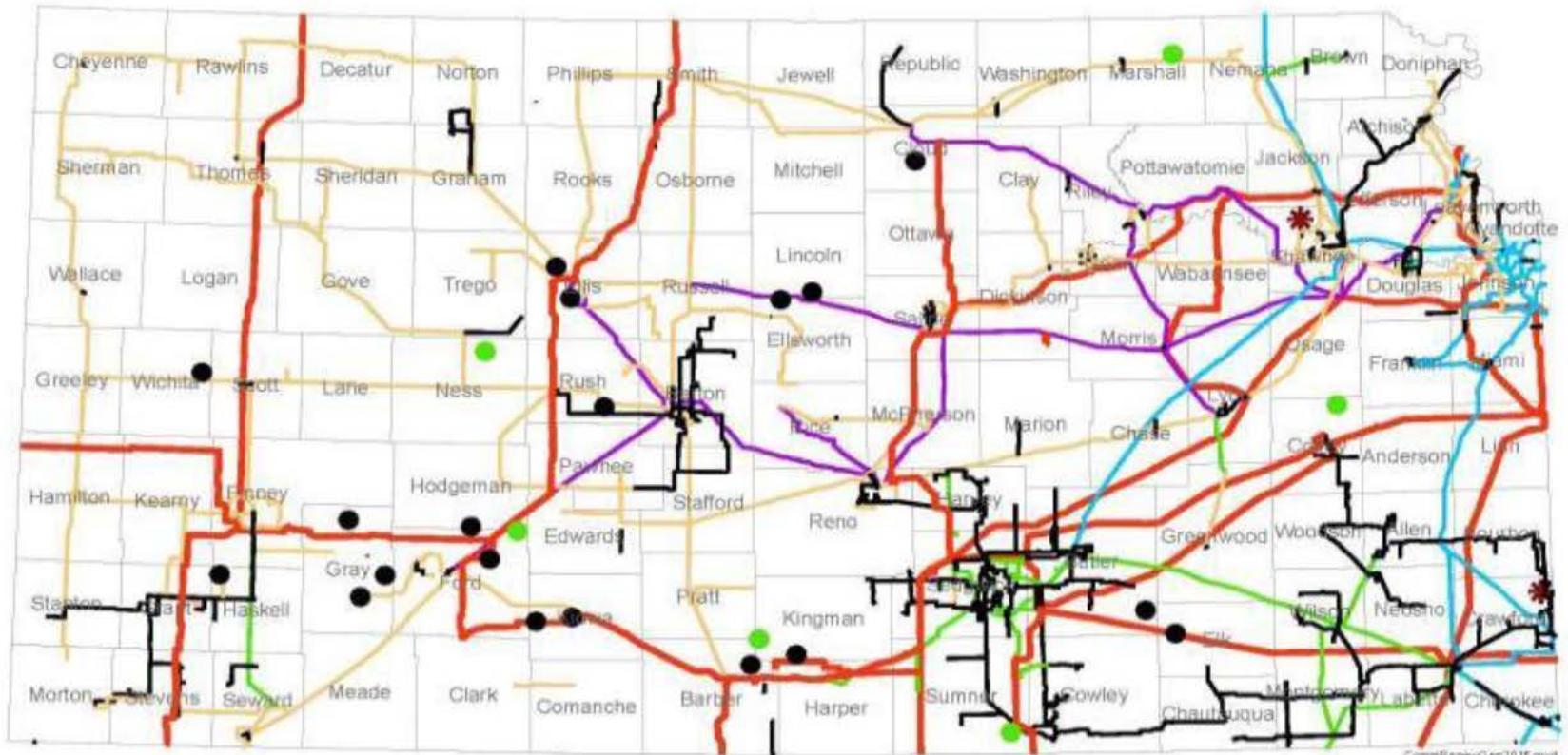
- K.S.A. 66-1,177 and 66-1,178:
 - 66-1,177(b): "Electric transmission lines" means any line [operated by a public utility] which is at least five (5) miles in length and which is used for the bulk transfer of 230 kilovolts or more of electricity;
 - Commission required to issue permit before a utility may begin site preparation, construction of an electric transmission line, or exercise the right of eminent domain.

Electric Transmission in Kansas

What are the endpoints?

- Established by Voltage Rating:
 - FERC/NERC Definition- 100kV or greater and/or affecting the Bulk Electric Supply.
 - SPP Tariff approved by FERC- 60kV or greater; 34.5kV or greater depending on function of line.
- Lines that are NOT Transmission
 - Private owned lines not functioning as public utilities.
 - No NESC oversight; no reporting requirements.
 - Generator Lead Lines.
 - Oilfield Distribution systems.

Commercial-Size Renewable Generation in Kansas



CommRenewGen2015.mxd

Generation Sites

- Existing
- Under Construction



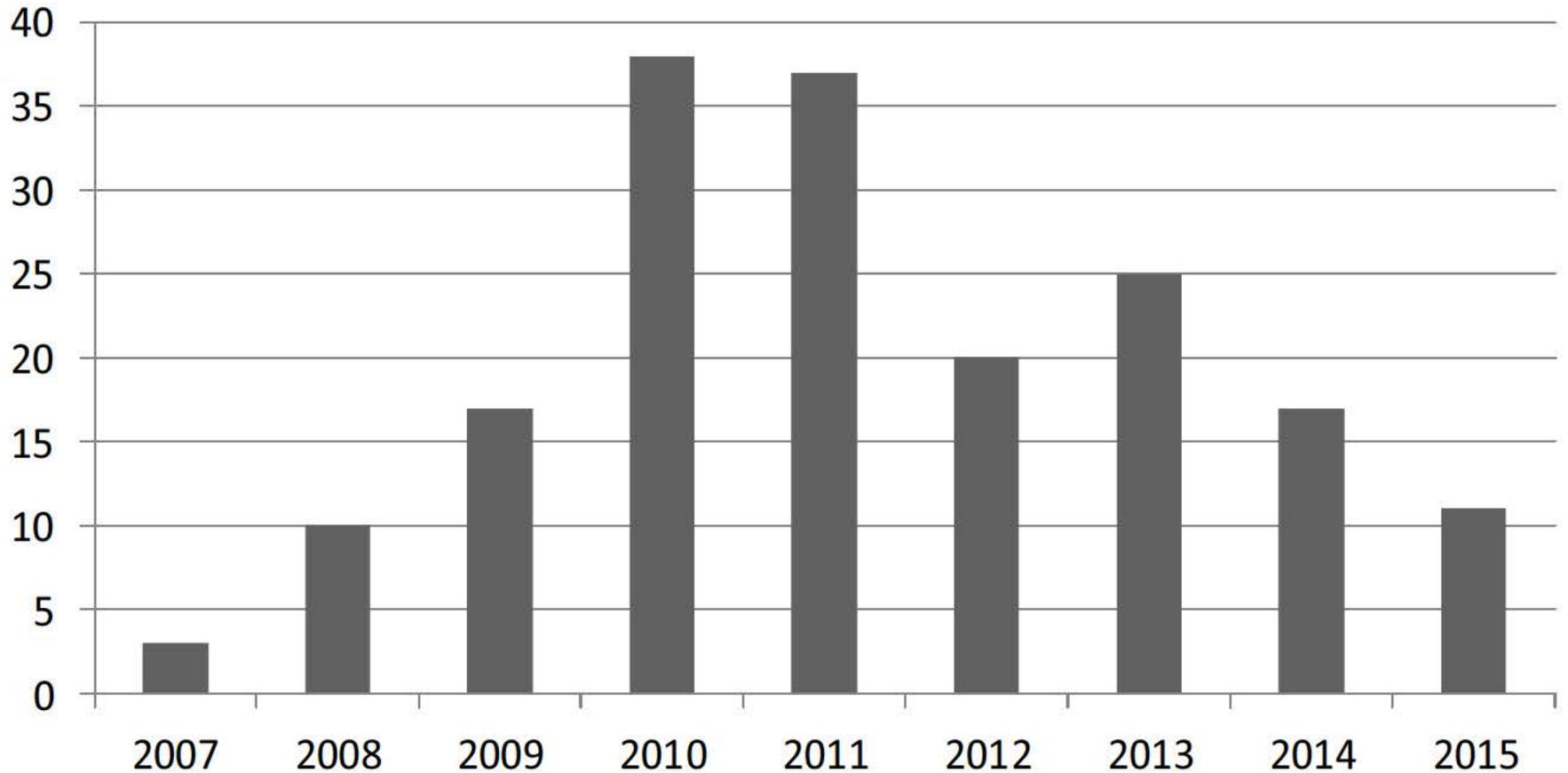
- ★ Landfill Gas
- + Hydroelectric

Trans Lines

- 69
- 115
- 138
- 161
- 230
- 345



Transmission Electric Line Construction Notices Filed with KCC



Planned or Under Construction Projects in Kansas (January 2016)

- 686 miles of new transmission lines;
- 179 miles of conductor replacement (“reconductor”) on existing transmission lines;
- Transformers, capacitor banks, reactors

Projects Completed in Kansas

(Million\$)

Utility	<u>Highway</u>	<u>Byway/Base Plan</u>
• Westar	\$ 36.7	\$ 387
• Prairie Wind	\$ 158.6	\$ 0.0
• KCPL	\$ 3.3	\$ 10.2
• Sunflower	\$ 5.6	\$ 0.0
• ITCGP	\$ 45.1	\$ 42.5
• Empire	<u>\$ 520.0</u>	<u>\$ 0.0</u>
Total	\$ 779	\$ 442

Planned or Under Construction Projects in Kansas

(January 2016 Million\$)

• ITC Great Plains	\$ 62.4
• KCPL	\$ 5.5
• Mid-Kansas Elect.	\$ 87.9
• Midwest	\$ 16.5
• Sunflower	\$ 52.7
• Westar	\$ 681.0
• To Be Determined	<u>\$ 424.0</u>
	\$ 1,330

Rate

Funding of Transmission Projects (Depends on Voltage)

0 to 100 kV

- Paid for entirely by Zone

100 to 300 kV

- Paid 2/3 zonal; 1/3 regional

Over 300 kV

- Entirely by region (Approx. 20% Kansas)

KCC Statutory Oversight of Transmission Electric Rates

K.S.A. 66-106

- Authority to enter into interregional agreements and to intervene at FERC.

K.S.A 74-633

- Authority to assign KCC representatives to Regional Transmission Organization.

K.S.A. 66-1237

- Requirement to allow recovery of transmission related costs through separate charge on customer bills (transmission delivery charge).

Transmission Ratemaking: Formula Based Rates

Whether KCC-Jurisdictional or FERC-Jurisdictional, transmission rates are set using a Transmission Formula Rate (TFR) tariff.

Features of an TFR:

- Typically based on projected costs which are later trued-up with interest.
- Allows for different classification of project types/costs to effectuate RTO cost allocation methodologies i.e., (Zonal vs Regional).
- Relies heavily on stakeholder review process (customers, regulators, other interested parties).

Transmission Ratemaking: Formula Based Rates (cont'd)

- KCC Involvement in TFR Review

List of Companies with TFRs that KCC Reviews

KCC Jurisdictional:

- Mid-Kansas Electric Company
- Sunflower Electric Power Corp
- Midwest Energy

FERC Jurisdictional:

- Westar Energy
- Kansas City Power and Light
- Empire District Electric
- ITC
- Transource Missouri
- Prairie Wind Transmission

Actual Example from Westar's Current TFR

Rate Formula Template
Utilizing FERC Form 1 Data

Page 1 of 1

Projected Net Revenue Requirements

For the 12 months ended - December 31, 2016

WESTAR ENERGY, INC.
(WESTAR)

Line No.	(1)	(2)	(3)	(4)	(5) Allocated Amount
REVENUE REQUIREMENTS					
1	GROSS REVENUE REQUIREMENT	(Projected Gross Revenue, page 3, line 32)			\$ 290,235,654
REVENUE CREDITS					
			<u>Total</u>	<u>Allocator</u>	
2	Account No. 454	(Wksh. P-2, line 24)	\$ 3,456,818	WTP 1.00000	\$ 3,456,818
3	Account No. 456	(Wksh. P-2, line 25)	18,808,655	WTP 1.00000	18,808,655
4	Revenues from Grandfathered Interzonal Transactions	(Wksh. P-2, line 26)	-	WTP 1.00000	-
5	Revenues from service provided by the ISO at a discount	(Wksh. P-2, line 27)	-	WTP 1.00000	-
6	TOTAL REVENUE CREDITS	(sum lines 2-5)			\$ 22,265,473
7	Total True-Up Amount (prior year amount)	(Wksh. TU, line 28)			\$ (8,461,128)
8	WESTAR REVENUE REQUIREMENT	(line 1 minus line 6 plus line 7)			\$ 259,509,053
9	SPP BASE PLAN FUNDED REVENUE REQUIREMENT	Collected under SPP Schedule 11 (Worksheet BPF, p. 3, line T9, Col. q)			\$ 61,087,437
9a	SPP ECONOMIC PORTFOLIO FUNDED REVENUE REQUIREMENT	Collected under SPP Schedule 11 (Worksheet EPP, p. 2, line T9, Col q)			-
10	SPP ZONAL REVENUE REQUIREMENT (line 8 - line 9 - line 9a)				\$ 198,421,616

History of Zonal Annual Transmission Revenue Requirement (ATRR) of Kansas Transmission Owners (TOs) and Region-Wide ATRR

	2012	2013	2014	2015	2016
Kansas City Power & Light Company	33,738,897	33,406,712	33,131,033	39,232,305	36,695,005
Westar Energy, Inc.	172,256,721	171,354,308	210,949,681	212,896,765	238,025,910
Empire District Electric Company	14,304,436	24,948,808	27,251,679	29,917,588	32,750,032
Midwest Energy, Inc.	8,971,941	9,444,454	10,787,910	12,794,771	13,699,055
Mid-Kansas Electric Company	16,009,045	16,479,067	24,217,670	23,157,705	12,989,046
Sunflower Electric Power Corp	15,628,208	16,757,316	22,534,573	19,381,708	24,216,397
Region-wide ATRR	103,544,830	218,199,211	335,083,412	405,273,203	436,142,618

Recent FERC/TFR Involvement of KCC

- **EL14-93**—August 20, 2014, KCC filed complaint regarding Return on Equity (ROE) in Westar’s TFR tariff
 - June 30, 2015—Unopposed Settlement filed with FERC at 9.8% ROE, (100 Basis Point reduction)—Approx. \$8 Million per year reduction in TFR to Kansas and \$10 Million refund due.
- **ER15-948**—February 2, 2015, Transource Kansas filed a new TFR tariff seeking 10.6% Base ROE. Also requested “flexibility” to make “concessions” off of standard formula rate outcome in preparation for SPP’s competitive bidding (FERC Order 1000) process.
 - KCC is participating in the process, protesting the 10.6% Base ROE and other aspects of the filing.

Recent FERC/TFR Involvement of KCC (cont'd)

- **ER15-2237**—July 22, 2015, Kanstar Transmission, LLC filed a new TFR tariff seeking 10.5% Base ROE. Also requested “flexibility” to make “concessions” off of standard formula rate outcome in preparation for SPP’s competitive bidding (FERC Order 1000) process.
 - Kanstar is a venture jointly owned by Westar and Berkshire Hathaway.
 - KCC intervened, and reached a settlement with Kanstar for a 9.8% base ROE that was filed at FERC on Jan. 8th, 2016.
- **EL15-86**—July 28, 2015, ITC Grid Development filed for declaratory ruling regarding cost caps submitted in FERC Order 1000 process.
 - Among other requests, ITC Seeks FERC Ruling that “binding bids” selected through a competitive bid process be afforded enhanced protections against rate complaints.
 - KCC and many other industry participants filed comments in opposition to the filing.

Events Shaping the FERC/KCC Transmission Future

FERC Order 1000—Competitive Bid Process

- Lots of questions/uncertainty remains
 - Higher risk/ Higher ROEs?
 - Different legal construct for fixed cost proposals?
 - Enforcement of cost caps/binding bids over 40-years?
 - Consumer/Commission participation in process/rate filings?
- Potential for Significant additional work both at KCC and FERC
 - Multiple FERC Filings for TFRs by new competitive entrants. Uncertain whether some will ever own/operate transmission.
 - Push to get certified as utility by KCC prior to owning any transmission assets.
 - Push to purchase/transfer between affiliates transmission assets in Kansas.

Questions??

