

**Testimony on Substitute for HB 2516 before the
Senate Utilities Committee
by Mark Schreiber, Westar Energy
March 9, 2004**

Chairman Clark and members of the committee, I am Mark Schreiber, senior manager government affairs for Westar Energy. Thank you for the opportunity this morning to address Substitute for HB 2516.

This bill provides several incentives to the electric industry, especially for investments in construction or upgrades of transmission facilities. It provides economic development incentives to encourage higher retention of benefits for transmission and generation investments, especially but not exclusively directed toward counties with stagnant or declining populations.

It is difficult to know what incentives will be effective until Congress and FERC have established definitive ground rules. Last year this legislature enacted legislation that allows transmission costs to be recovered through a separate charge that can be changed to account for fluctuations in transmission costs. The charge and changes to it are to be set upon application to the KCC. We believe this law is a sound and foresighted way to address federal transmission policy that is still developing. In previous years, members of the Senate and House Utilities Committees have been in front on emerging transmission policy. We commend them for their diligence.

Meanwhile, if this committee wants to act before federal policy is in place, we would recommend that New Section 3, which is imposed on the KCC, be conditioned upon the authority it retains once federal policy is known. We recommend that New Section 3 be amended so that when the KCC is required to allow recovery of transmission investments, it does so to the extent costs remain under its jurisdiction. Otherwise, some transmission costs could arguably be recovered twice, once through FERC-approved rates and then again because the KCC is directed to allow recovery upon application.

Another option is for the committee to wait for several processes to unfold. The first would be to wait for Congress and FERC to act. Second, last October the state's utilities, the KCC, and members of the legislature participated in a meeting to review the Northeast blackout and proposals on how to prevent such an event from happening in Kansas. The primary message was that the region, working at the federal level, must provide the tools for enhancing the transmission system affecting reliability in our state. The heavy lifting is now in the hands of the federal government and regional power pools or regional transmission organizations. Third, the State Energy Resources Coordinating Council's (SERCC's) transmission task force has preliminarily found that the state's transmission system is controlled more by forces outside the state. It also has found the existing transmission system in Kansas is adequate and reliable. This task force is trying to identify upgrades that will be needed in the future. Some needed upgrades affecting Kansas are located outside the state, at "choke points" that can impede importing and exporting power. These "choke points" are unfortunately beyond the reach of state

legislatures. During the June transmission summit in Lawrence with FERC chairman Pat Wood several of these transmission constraints were identified.

Thank you for the opportunity to address the committee this morning.