

Citizens' Utility Ratepayer Board

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HOUSE ENERGY AND ENVIRONMENT COMMITTEE H.B. 2457

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
January 28, 2014

Chairman Hedke and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2457. The Citizen' Utility Ratepayer Board (CURB) is opposed to this bill at this time. CURB believes this bill eliminates competition and will result in higher rates for customers.

H.B. 2457 grants an incumbent utility a right of first refusal to build any new electric transmission lines smaller than 300 kilovolts, or modifications to existing electric transmission lines smaller than 300 kilovolts, within the incumbents utility's territory. Granting this right of first refusal to the incumbent utility effectively stops any competitive transmission supplier from competing to build the line. CURB believes that a competitive framework for transmission construction is essential to maintaining affordable rates for customers.

The Federal Energy Regulatory Commission (FERC) recently issued FERC order 1000. One of the main policy goals of FERC Order 1000 is to reduce or eliminate an incumbent utility's right of first refusal authority when constructing electric transmission lines large than 300 kilovolts. The FERC recognized that bringing additional competitive options and competitive suppliers into the transmission line construction space will likely result in lower prices for consumer. While it can be debated whether FERC Order 1000 actually accomplishes that goal, it is clear that there are many new transmission only companies in the market that are ready and capable of competing on price to build transmission projects. These same companies can and will compete at a local level for projects smaller than 300 kilovolts if given the opportunity, again to the benefit of consumers. Passing H.B. 2457 stops this competition from taking place.

CURB is sensitive to the concerns expressed by incumbent utilities about having control over local transmission and distribution systems to maintain reliable service to customers. Reliable service is of paramount importance. CURB believes that there should be additional discussion about whether there is a line size smaller than 300 kilovolts that makes operational sense to grant the right of first refusal and whether clarifying construction standards for electric transmission lines smaller than 300 kilovolts will remove uncertainty about third-party transmission construction. However, CURB believes that passing H.B. 2457 at this time is premature and is the wrong policy for Kansas utility customers. Encouraging a competitive framework for the construction of electric transmission lines is good for utility customers and will help maintain affordable rates into the future.

CURB urges the Committee to not pass H.B. 2457.