

STATE CORPORATION COMMISSION

MAY 19 2008

 Docket  
Room

BEFORE THE STATE CORPORATION  
COMMISSION OF THE STATE  
OF KANSAS

DOCKET NO. 08-PWTE-1022-COC

APPLICATION OF  
PRAIRIE WIND TRANSMISSION, LLC

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

MAY 19 2008

In the Matter of the Application of Prairie )  
Wind Transmission, LLC for a Certificate of )  
Public Convenience to transact the Business )  
of an Electric Public Utility in Ford, Kiowa, )  
Clark, Comanche, Barber, Pratt, Harper, )  
Kingman, Sumner and Sedgwick Counties, )  
Kansas. )

 Docket No. 08-PWTE-1022-COC Docket Room

**APPLICATION**

COMES NOW Prairie Wind Transmission, LLC (Prairie Wind), and hereby applies, pursuant to K.S.A. 66-131, for a certificate of public convenience and authority to site, construct, own, operate and maintain bulk electric transmission facilities in the State of Kansas. In support of its Application, Prairie Wind states as follows:

**I. Introduction**

1. Prairie Wind is a limited liability company duly incorporated under the laws of the state of Delaware and qualified to do business in the state of Kansas for the purpose of siting, constructing, owning, operating and maintaining bulk electric transmission facilities in the state of Kansas. A copy of its Certificate of Formation and its Kansas Certificate of Good Standing are attached as Exhibits 1 and 2, respectively. Westar Energy, Inc. (Westar Energy) owns a 50% membership interest in Prairie Wind. The remaining 50% membership interest in Prairie Wind is owned by Electric Transmission America, LLC (ETA). ETA is a joint venture between AEP Transmission Holding Company, LLC, a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), and MEHC America Transco, LLC, a wholly-owned subsidiary of MidAmerican Energy Holdings Company (MEHC).

2. As its initial project, Prairie Wind proposes to construct a new 765 kV transmission system generally comprised of two segments. It is anticipated that one segment

will run west-southwest from a new 765 kV or existing substation (belonging to Westar Energy or its subsidiary, Kansas Gas and Electric Company) near Wichita, Kansas to a new 765 kV substation near Medicine Lodge, Kansas and then west-northwest to a new or existing station near Spearville, Kansas. The other segment will run from the new Medicine Lodge 765 kV substation south-southwest to the Kansas-Oklahoma border.

3. Interconnections from the 765 kV transmission system to existing lower voltage transmission will be required. The project will connect to facilities owned by Sunflower Electric Power Corporation (Sunflower) near Spearville and to facilities owned by Mid-Kansas Electric Company, LLC (MKEC) near Medicine Lodge. Therefore, Prairie Wind has provided copies of this application to Sunflower and MKEC. Prairie Wind anticipates that any improvements at existing lower voltage substations will be a part of the initial project, subject to agreement with incumbent transmission owners.

4. As will be discussed, construction of these facilities will provide significant benefits to retail electric customers in Kansas and throughout the region. They will also facilitate the development of renewable generation resources in central and western Kansas.

5. AEP is one of the largest electric utilities in the United States, delivering electricity to more than 5 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765-kilovolt extra-high voltage transmission facilities than are operating in all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern

Canada, and approximately 11 percent of the electricity demand in the Electric Reliability Council of Texas (ERCOT), the transmission system that covers much of Texas. AEP's 2007 Annual Report is attached as Exhibit 3.

6. MEHC is a global holding company which owns subsidiaries that are principally engaged in energy businesses. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. MEHC's subsidiaries include PacifiCorp, an electric utility operating in the western United States, MidAmerican Energy Company, a Midwest electric and natural gas utility, and the Kern River and Northern Natural gas pipeline systems. As of March 31, 2008, MEHC owned approximately 17,000 MW of electric generating capacity in operation or under construction and 171,000 miles of electric transmission and distribution lines serving approximately 6.2 million electric customers and end users. MEHC's 2007 Form 10-K is attached as Exhibit 4.

7. ETA was formed by AEP and MEHC in September 2007. It was the second joint venture between AEP and MEHC to build electric transmission. AEP and MEHC also have a joint venture agreement to build transmission within the Electric Reliability Council of Texas (ERCOT). Under its joint venture agreement and business model, ETA identifies and invests in high-voltage transmission projects (345 kV or higher) in North America and outside ERCOT. Through ETA, AEP and MEHC have announced their intention to invest in transmission projects with a cost of at least \$100 million or more. Individual projects and the scope of each investment are determined by the ETA board, which includes two representatives from AEP and two from MEHC. ETA considers project partners during its evaluation of opportunities. ETA's plan is to use AEP's expertise and have it act as project manager to develop and build the transmission facilities for ETA.

8. Westar Energy is a corporation duly incorporated under the laws of the State of Kansas. Westar Energy and its subsidiary, Kansas Gas and Electric Company, a Kansas corporation (collectively, “Westar”), are engaged, among other things, in the business of an electric public utility, as defined by K.S.A. 66-104, in legally designated areas within the State of Kansas. Westar Energy’s Kansas Certificate of Good Standing is attached as Exhibit 5. Westar holds certificates of convenience and authority issued by this Commission authorizing it to engage in such utility business. Westar does business under the name “Westar Energy.” Westar provides electric service at retail throughout the Kansas to approximately 674,000 customers. Westar also provides wholesale service to 69 municipalities and cooperatives that provide retail service to additional Kansas customers. Westar currently has nearly 6,200 megawatts of electric generation capacity and operates and coordinates approximately 33,000 miles of electric distribution and transmission lines. Westar Energy’s 2007 Annual Report is attached as Exhibit 6.

9. In this Application, Prairie Wind seeks a certificate of public convenience to engage in the business of siting, constructing, owning, operating and maintaining bulk electric transmission facilities in the state of Kansas, as described above. The proposed 765 kV transmission system will form part of a new electric transmission “superhighway” using AEP’s proven 765 kV transmission technology to address constraints affecting the Southwest Power Pool, Inc. (SPP) region. Construction of these facilities will allow efficient delivery of wholesale power regionally within a competitive market while: enhancing regional reliability, enabling the development of renewable energy, lowering transmission losses, enhancing economic development and reducing air emissions.

10. Support for the filing is provided in the testimony of the following witnesses:

- Kelly B. Harrison Overview and Policy.
- Lisa Barton Description of the proposed facilities, the benefits of constructing 765 kV transmission and AEP's expertise in constructing 765 kV transmission. Engineering/design and project management support to be provided by AEP to Prairie Wind and contractual relationship.
- Mark Ruelle Corporate structure of Prairie Wind and financial matters.
- Wayne Irmiter MEHC's interest in the project and its ability to assist in financing.

11. In addition to undersigned counsel, the names, addresses and telephone numbers of Prairie Wind's representatives upon whom all notices, pleadings, correspondence, and other documents regarding this Application should be served are as follows:

Michael Lennen  
 Westar Energy, Inc.  
 Vice President, Regulatory Affairs  
 P.O. Box 889  
 818 S. Kansas Avenue  
 Topeka, Kansas 66601  
 (785) 575-6362  
 michael.lennen@westarenergy.com

Kelly B. Harrison  
 Westar Energy, Inc.  
 Vice President, Transmission Operations  
 and Environmental Services  
 P.O. Box 889  
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 MidAmerican Energy Company  
 Senior V.P. & General Counsel  
 4299 N.W. Urbandale Dr.  
 Urbandale, IA 50322  
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 (515) 281-2644 (phone)  
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Kevin F. Duffy  
 Assistant General Counsel  
 American Electric Power Service Corp.  
 1 Riverside Plaza  
 Columbus, Oh 43215  
 Phone: (614) 716-1617  
 Fax: (614) 716-1950  
 email: kfduffy@aep.com

## II. Applicable Standard

12. Prairie Wind seeks a certificate of public convenience pursuant to K.S.A. 66-131. That statute provides that no public utility can transact business in the state until it obtains a

certificate from the Commission “that public convenience will be promoted by the transaction of said business and permitting said applicants to transact the business of a . . . public utility in this state.” An applicant for a certificate of public convenience under K.S.A. 66-131 must

show that public convenience and necessity will be promoted by authorization of the plan for the electric facilities envisioned in the application. Public convenience means the convenience of the public, not the convenience of particular individuals. Public necessity does not necessarily mean there must be a showing of absolute need. As used, the word “necessity” means a public need without which the public is inconvenienced to the extent of being handicapped.

*Central Kansas Power Co. v. State Corp. Commission*, 206 Kan. 670, 676 (1971).

13. In its consideration of whether an application would promote the public convenience, the Commission’s goal should be to “protect against ruinous competition, to promote adequate and efficient service and to limit the waste attendant on unnecessary duplication of facilities . . . .” *Id.* at 677 (emphasis added). Further, “(1) the public convenience ought to be the commission’s primary concern, (2) the interest of public utility companies already serving the territory secondary, and (3) the desires and solicitations of the applicant a relatively minor consideration.” *Id.*, see also *Kansas Gas & Electric Co. v. Public Service Commission*, 122 Kan. 462 (1927). As will be demonstrated below and through the attached testimony, Prairie Wind’s application clearly meets the traditional standard applied by Kansas courts.

14. Prairie Wind, by virtue of its relationship with Westar Energy, AEP and MEHC possesses the technical, managerial and financial resources necessary to support its operations in the State of Kansas. As will be discussed below, although Prairie Wind will not have any employees, it has drawn its officers and board from Westar Energy, AEP and MEHC and, through contracts with Westar Energy, AEP and MEHC or their subsidiaries, will have access to

employees with many years of experience in owning, operating and maintaining transmission facilities. Because Prairie Wind will be an affiliated interest with Westar Energy, AEP and MEHC under Kansas law, any management, construction, engineering or similar contracts between Prairie Wind and Westar Energy, AEP or MEHC will be filed with the Commission before they become effective. K.S.A. 66-1401, *et seq.*

15. The engineering, design, project management and construction of Prairie Wind's transmission assets in Kansas will be supported by AEP. AEP is the nation's premier developer and operator of 765 kV transmission systems. As has been stated, AEP currently operates a nearly 39,000-mile network that includes more 765 kilovolt extra-high voltage transmission facilities than currently operated in all other U.S. transmission systems combined.

16. The public interest will be served by Commission approval of this Application because Prairie Wind's services will provide the following benefits: (1) reduced transmission congestion, (2) increased transmission system reliability, (3) wider choice and competition in wholesale generation sales, (4) greater access for Kansas generators to markets outside of Kansas, (5) grid access for renewable energy generation resources, (6) substantially reduced transmission losses, (7) reduced air emissions, (8) economic development and (9) deferral of the need for new electric generation.

### **III. Benefits of the Project**

17. The increased capacity provided by the 765 kV facilities is expected to reduce transmission constraints significantly and improve reliability in the region facilitating the import and export of power to and from the Westar control area and Kansas. The additional capacity will support economic dispatch of generation in the region as well as off-system sales and purchases, all of which will benefit Westar's customers. The proposed 765 kV facilities will also



provide needed additional capacity to move power from wind farms located in remote areas to load centers and help facilitate the development of wind generation in the state of Kansas. Increased wind generation will result in lower air emissions because such assets will generate electricity with no emissions and reduce the need for generation using traditional coal and natural gas fired assets. Additionally, the facilities will greatly enhance bidirectional flow of power, not only moving wind power from West to East, the facilities will enhance the flow of lower priced power from Eastern Kansas to Western Kansas. Also, because 765 kV facilities have substantially lower losses than lower voltage facilities, construction of 765 kV transmission will reduce air emissions and can forestall the need to add new generation for some period of time. Finally, the construction of the project along with the development of wind generation will result in a substantial increase in economic development for the region.

18. The 765 kV transmission facilities proposed by Prairie Wind represents the most efficient and reliable type of alternating current (AC) transmission for moving power over long distances. Using 765 kV facilities, more power can be moved with lower losses and less siting impact than if multiple lower voltage transmission facilities were used to provide the same capacity. From a siting standpoint, 765 kV facilities are much more efficient in terms of economies of scale and right-of-way than lower capacity facilities. 765 kV facilities require a 200 foot wide right-of-way; it would take six 345 kV facilities with 150 foot rights of way each to transmit the same amount of power.

#### **IV. Cost Recovery**

19. Prairie Wind will be the owner of the 765 kV facilities and a member of the SPP and the facilities will be under the functional control of the SPP, just as are Westar's transmission facilities. Prairie Wind will adhere to the SPP Membership Agreement and FERC

approved regional tariff documents. Prairie Wind's facilities will be placed under the SPP Open Access Transmission Tariff (OATT). As with the Westar transmission facilities, Prairie Wind's revenue requirement will be determined using a FERC-approved formula rate. Prairie Wind will file an application with FERC to implement a formula rate to set its transmission rates. The formula will be designed to update Prairie Wind's revenue requirements and transmission rates annually. Prairie Wind will propose that its revenue requirement be recovered from SPP members based on each member's load ratio share of the SPP transmission load. The use of such a recovery method and "postage stamp" rates for Prairie Wind is a condition precedent to construction of the facilities, will facilitate financing of the project and assure that the benefits of the facilities are apportioned equitably throughout the SPP.

20. The benefits provided by the Prairie Wind project will inure both to the public and to incumbent utilities serving them.

#### **IV. Structure and Financing of Prairie Wind**

21. As was stated above, Prairie Wind is a limited liability company, incorporated and existing under the laws of the state of Delaware. Westar Energy owns a 50% membership interest in Prairie Wind; the remaining 50% membership interest in Prairie Wind is owned by ETA. In turn, ETA is a joint venture between AEP and MEHC. Prairie Wind's target capital structure is 50% debt and 50% equity.

22. On a day-to-day basis, Prairie Wind will be managed by officers who have been chosen from officers of Westar Energy. Prairie Wind will also have a board of four managers, two of whose members will be selected by each of Westar Energy and ETA. The officers and board of managers are:

Officers:

President – Kelly B. Harrison  
Secretary – Larry Irick  
Treasurer – Tony Somma

Board of Managers

Mark Ruelle – Westar Energy  
Doug Sterbenz – Westar Energy  
Lisa Barton – AEP  
Wayne Irmiter – MEHC

23. Prairie Wind will have no employees. It is anticipated that construction and maintenance of Prairie Wind's facilities will be performed by contractors subject to oversight by employees of Westar Energy, AEP and MEHC. Because of its expertise in the construction of 765 kV transmission facilities, American Electric Power Service Corporation (AEPSC), a subsidiary of AEP, will enter into a contract with Prairie Wind to provide engineering, design and project management for construction of the facilities. Westar Energy, because of its proximity to the facilities, will have oversight responsibility for line siting and right of way acquisition and will enter into a contract with Prairie Wind to provide administrative services, such as accounting and regulatory compliance functions. MEHC will enter into a contract with Prairie Wind to provide business and administrative services as agreed to by Prairie Wind from time to time. The contracts for services provided by Westar Energy, AEP and MEHC to Prairie Wind will provide for Prairie Wind to pay Westar Energy and AEP their fully allocated costs to provide such services. Westar Energy and AEP anticipate that provision of such services to Prairie Wind can be performed without a significant increase to their staff or other costs. Consequently, Westar Energy's provision of such services to Prairie Wind Transmission should be beneficial to Westar Energy's retail customers.

## **V. Siting Application; RESA Certificate; EL Filings**

24. As detailed in the Testimony in Support of this Application filed by Kelly B. Harrison of Westar Energy, upon approval of this Application, Prairie Wind plans to follow a process similar to the process used by Westar in its two recent Siting Act applications with the Commission. Prairie Wind intends to retain a consultant to perform an economic analysis that will generally detail the benefits of a 765 kV overlay in the SPP region and specifically detail the benefits associated with the proposed transmission facilities. Prairie Wind also plans to retain a consultant to perform a routing study and assist with the siting process. Prairie Wind will hold open houses and accept written comments from landowners in order to obtain public input throughout the siting process.

25. Prairie Wind will file a “transmission only” certificate applications in accordance with the same requirements that apply to retail electric suppliers under the Retail Electric Suppliers Act, K.S.A. 66-1,170, *et seq.* (RESA) to traverse the retail service territory of other electric service providers. Prairie Wind’s RESA filing will either be combined with its Siting Application if that course appears practicable, or filed separately following approval of the transmission line siting. Prairie Wind will also provide evidence that it has obtained Letters of Intent or Memorandums of Understanding with the applicable utilities pertaining to the proposed interconnections to the proposed transmission facilities.

26. Prairie Wind will also submit a wire stringing application pursuant to K.S.A. 66-183 and K.A.R. 82-12-1, *et seq.* after design of the facilities are complete for the Commission’s review and approval.

## **VI. Conclusion**

27. Approval of the Application is in the public interest. Construction of the proposed 765 kV facilities will, among other things, eliminate transmission constraints, reduce

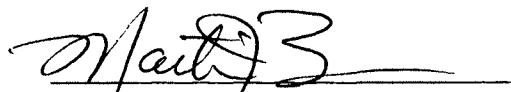
transmission losses in the region, support broader wholesale markets, increase reliability, support the development of wind generation in Kansas and provide environmental and economic development benefits. Kansas and regional electric customers and utilities will benefit from Prairie Wind's operations.

28. Prairie Wind will clearly have the operational ability and the financial strength to construct, own and operate the assets successfully. The facilities will be constructed under the supervision of AEP – the utility with the most experience in building and operating 765 kV facilities in the United States. The facilities will be under the functional control of the SPP. Use of postage stamp rates will ensure appropriate cost recovery to support Prairie Wind's operations.

WHEREFORE, Prairie Wind requests that the Commission issue its order granting it a certificate of public convenience to construct, own, operate and maintain the 765 kV bulk electric transmission facilities described herein and for such other and further relief as may be appropriate.

Respectfully submitted,

Prairie Wind Transmission, LLC




Martin J. Bregman, #12618  
Cathryn J. Dinges, #20848  
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(785) 575-1986; Telephone  
(785) 575-8136; Fax

ITS ATTORNEYS

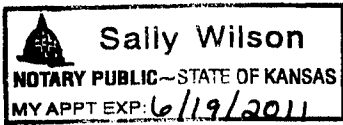
**VERIFICATION**

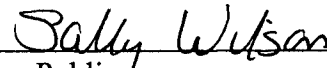
STATE OF KANSAS                    )  
  )  
COUNTY OF SHAWNEE            )            ss:

Martin J. Bregman, being duly sworn upon his oath deposes and says that he is one of the attorneys for Prairie Wind Transmission, LLC; that he is familiar with the foregoing **Application**; and that the statements therein are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Martin J. Bregman

SUBSCRIBED AND SWORN to before me this 9<sup>th</sup> day of May, 2008.



  
\_\_\_\_\_  
Notary Public

My Appointment Expires: 6/19/2011

# Delaware

PAGE 1

*The First State*

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "PRAIRIE WIND TRANSMISSION, LLC", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF MAY, A.D. 2008, AT 4:21 O'CLOCK P.M.



4525850 8100

080541784

You may verify this certificate online  
at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

*Harriet Smith Windsor*

Harriet Smith Windsor, Secretary of State

**AUTHENTICATION: 6589683**

**DATE: 05-14-08**

CERTIFICATE OF FORMATION

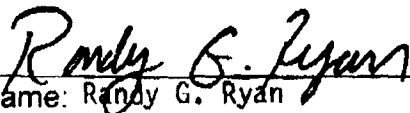
OF

**PRAIRIE WIND TRANSMISSION, LLC**

1. The name of the limited liability company is **Prairie Wind Transmission, LLC**.

2. The address of its registered office in the State of Delaware is: Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

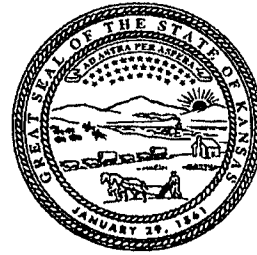
**IN WITNESS WHEREOF**, the undersigned has executed this Certificate of Formation of **Prairie Wind Transmission, LLC** this 13<sup>th</sup> day of May 2008.

  
Name: Randy G. Ryan  
Title: Authorized Person



# STATE OF KANSAS

OFFICE OF  
SECRETARY OF STATE  
RON THORNBURGH



To all to whom these presents shall come, Greetings:

I, RON THORNBURGH, Secretary of State of the State of Kansas, do hereby certify that I am the custodian of records of the State of Kansas relating to limited liability companies and that I am the proper official to execute this certificate.

I FURTHER CERTIFY THAT

PRAIRIE WIND TRANSMISSION, LLC

is a regularly and properly organized limited liability company under the laws of the State of DELAWARE, having been authorized in Kansas on the 19th day of May, A.D. 2008 and has paid all fees due this office and is in good standing according to the records now on file in the office of Secretary of State.

In testimony whereof:  
I hereto set my hand and cause  
to be affixed my official seal.  
Done at the City of Topeka, this  
19th day of May, A.D. 2008



Handwritten signature of Ron Thornburgh.

RON THORNBURGH  
SECRETARY OF STATE