2008.05.19 16:57:56 Kansas Corporation Commission /8/ Susan K. Duffy

BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

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)	Docket Nos.	08-ITCE-936-COC
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))))) Docket Nos.))

REPLY OF WESTAR ENERGY, INC. AND KANSAS GAS AND ELECTRIC COMPANY TO RESPONSE OF ITC GREAT PLAINS, INC. TO MOTION TO INTERVENE, TO CONSOLIDATE AND TO DISMISS

MAY 1 9 2008

COME NOW Westar Energy, Inc. and Kansas Gas and Electric Company (collectively "Westar") and reply to the Response of ITC Great Plains, Inc. to Westar's Motion to Intervene, to Consolidate and to Dismiss. In support of its Reply, Westar states:

I. Background

- 1. On April 11, 2008, ITC Great Plains, LLC (ITC), filed three separate applications to amend its existing certificate of convenience and authority to transact the business of an electric public utility within the state of Kansas (the "ITC Applications"). In each of the ITC Applications, ITC sought authority to construct, own and operate a portion of a transmission project that ITC refers to as the "V-Plan." Each of the ITC Applications was limited to a specific "segment" of the V-Plan. Thus, the application in Docket No. 08-ITCE-936-COC was specifically limited to the "initial segment" of the V-Plan; the application in Docket No. 08-ITCE-937-COC was specifically limited to the "middle segment"; and the application in Docket No. 08-ITCE-938-COC was specifically limited to the "final segment."
- 2. On April 25, 2008, Westar filed its Motion to Intervene, to Consolidate and to Dismiss in all three of the ITC Application dockets (Westar's Motion). On May 8, 2008, ITC filed

its response to Westar's Motion. In its response, ITC charged that Westar was "engaged in a clear attempt to discourage the construction of needed transmission in Kansas," argued that Westar's motion to dismiss should be denied, that Westar has no interest in the "initial" and "middle" segments of the "V-Plan" and that Westar should not be allowed to intervene in the dockets involving those dockets.

- 3. ITC is incorrect in all regards and Westar's Motion should be granted.
- 4. At the outset, Westar states that it has no desire to obstruct the construction of the needed electric transmission facilities in Kansas. Just today, Westar announced the creation of a joint venture with Electric Transmission America, LLC (ETA), to build extra-high voltage transmission in Kansas. ETA is owned by subsidiaries of American Electric Power Company, Inc. (AEP) and MidAmerican Energy Holdings, Inc. (MEHC). The new joint venture named Prairie Wind Transmission, LLC (Prairie Wind) is today filing an application for a certificate of convenience and necessity to construct 765 kV transmission facility from Spearville, Kansas to Wichita, Kansas and southwest to the Kansas border from Medicine Lodge, Kansas. Unlike the 345 kV line proposed by ITC, the 765 kV facility proposed by Prairie Wind is precisely the type of construction recommended to the Southwest Power Pool, Inc. (SPP) in the Final Report on the Southwest Power Pool (SPP) Updated EHV Overlay Study, (March 3, 2008) (the "SPP Updated EHV Study"), a copy of which is attached as Exhibit 1 to Westar's Reply to ITC in Docket No. 08-ITCE-938-COC.
- 5. As is discussed in Prairie Wind's application, the 765 kV construction proposed by Prairie Wind provides significant advantages over the 345 kV line proposed by ITC including much

higher capacity, significantly lower losses and less impact on land use for the provision of the same amount of transmission capacity. Westar's joint venture with ETA will provide Westar access to the expertise of AEP – the premier builder and operator of 765 kV transmission in the United States – and the financial strength of MEHC in aid of this major project.

II. The ITC Applications Should be Dismissed.

A. The ITC Applications Violate its Certificate and Should be Dismissed.

- 6. As Westar pointed out in its Motion, ITC's certificate is subject to the conditions contained in the Stipulation and Agreement ITC and others signed and the Commission approved in Docket No. 07-ITCE-380-COC (Stipulation and Agreement). Thus, ITC's ability to construct any project is subordinate to the first refusal rights of the "Affected Incumbent Transmission Owner" as to such project. Filing an application without first obtaining a waiver of the right of first refusal of the Affected Incumbent Transmission Owner is a violation of ITC's certificate and of the Commission's Order approving it.
- 7. ITC's certificate clearly states that an Affected Incumbent Transmission Owner is any Incumbent Transmission Owner to whose facilities a project will attach. Because the three segments addressed in the ITC Applications are really one project, Westar has a right of first refusal that applies to the entire project. Whether Westar would, under its right of first refusal, be allowed to construct the entire project is not a question that needs to be answered in this docket. What is important, however, is that ITC has not met the conditions precedent to filing the ITC Applications

¹ Even if the Commission accepts ITC's strained reading of its certificate and agrees with ITC that Sunflower and MKEC, and not Westar, have rights of first refusal on the "initial" and "middle" segments of the V-Plan, Sunflower and MKEC have both informed Westar that they have not waived their rights of first refusal.

because it has not obtained a waiver from each of the Affected Incumbent Transmission Owners with regard to the project.

- R. ITC contends that the right of first refusal is limited to the Affected Incumbent Transmission Owner's "existing certified area." ITC Response, at 7. That is clearly not the meaning of the certificate condition. Had the parties intended to limit the right of first refusal to certified areas, they could have and presumably would have done so. There are several reasons that ITC's interpretation is incorrect. First, transmission owners do not have certified areas. "Certified terrritory," a similar term, is used in the **Retail** Electric Suppliers Act (RESA). RESA, however, deals only with the right of "**retail electric suppliers**" to provide service to electric consuming facilities within their prescribed territories. RESA has no relevance to transmission facilities which, because of the large geographic areas served by non-transmission owning cooperative and municipal electric utilities, often cross the certified areas of such retail suppliers. Second, two of the signatories to the Stipulation Sunflower and KEPCo do not have certified retail territories because they do not provide retail service. Under ITC's reinterpretation of the Stipulation, the right of first refusal of Sunflower and KEPCo would be limited to a point of interconnection to their facilities but nowhere beyond that point an absurd result.
- 9. The gloss ITC proposes to place on its certificate condition is also inconsistent with reasonable public policy. A policy that arbitrarily confines transmission construction by utilities to their own **retail** service territories is likely to result in balkanized construction of transmission in Kansas. Construction of transmission in small segments owned by a large number of transmission owners will not lead to the construction of the most efficient transmission system.

- 10. ITC also argues that the notice provided Westar by the filing of the ITC Applications and service on the Affected Incumbent Transmission Owners is the notice the Commission expected they would receive. Any reasonable reading of the Stipulation shows that argument to be faulty. As was noted in Westar's Motion, paragraph 11.e of the Stipulation states:
 - e. Once each of the Affected Incumbent Transmission Owners determines that it will not construct a particular SPP Transmission Project and ITC determines that it wishes to build such SPP Transmission Project, ITC will file an application with the Commission to amend its Certificate and obtain authorization from the Commission to construct, own and operate such SPP Transmission Project. Such application to amend shall:

* * * *

(2) Be provided to each Affected Incumbent Transmission Owner as a service copy.

Stipulation and Agreement, at 3.

- of the Affected Incumbent Transmission Owners determines that it will not construct a particular SPP Transmission Project," it is clear that filing of the application is not the notice expected by the Commission. To the contrary, what the Stipulation and ITC's certificate require is that each Affected Incumbent Transmission Owner be provided an opportunity to decide whether to build a proposed project before ITC files its application.
- 12. The ITC applications are premature, filed in violation of ITC's certificate conditions and should be dismissed.

B. ITC's proposal will not facilitate the Kansas portion of the X-Plan.

- 13. ITC contends that its applications in the three related dockets "are intended to facilitate the Kansas portion of the long-awaited Southwest Power Pool's (SPP) X-Plan." ITC Response, at 1. That is not the case.
- 14. ITC proposes to construct the V-Plan at 345 kV and based its cost estimate on construction at 345 kV. *See*, Westar Motion, Exhibit 1. However, as was discussed above, in the SPP Updated EHV Study, SPP's consultant has recommended that the X-Plan of which ITC claims the V-Plan to be a portion be constructed at 765 kV. Construction of a 345 kV V-Plan would conflict with rather than facilitate the construction of the X-Plan at 765 kV.

C. Westar's Alleged "Past Actions" are Irrelevant to the ITC Applications.

- 15. ITC contends that in the past, when Westar has undertaken a transmission project with another utility, Westar "only built to the edge of its certificated territory or the nearest county line." ITC Response, at 7. Based on this, ITC contends that Westar should only have a right of first refusal to construct transmission located within its certificated territory.
- 16. Westar's past actions with respect to construction of transmission in conjunction with other utilities are wholly irrelevant to the ITC Applications or to Westar's right of first refusal under the Stipulation and Agreement. The cited examples refer to construction many years ago. The construction dates of the examples cited by ITC range from 1989 close to 20 years ago to 1961 (in the case of the Murray Gill to Milan line) over 40 years ago. The illustrations cited by ITC clearly are anachronistic to the present application and present day operations. As the Commission is well aware, transmission built as long ago as four decades was constructed principally with the goal of enhancing local service, a purpose far different from what modern transmission additions are

meant to address. The interconnection of disparate utility systems, primarily for the purpose of accommodating intra and inter-regional bulk power transfers was simply not a concern in the decades in which the projects cited by ITC were constructed. At best, there may have been an ancillary interest in accommodating emergency interconnection and the occasional sharing of economic benefits of changing interconnected companies' dispatch order. Today, virtually no extrahigh voltage transmission additions are built with local service top-most of consideration. Instead, transmission additions are generally designed with an overriding focus on larger regional reliability and bulk power transactions.

17. Further, although ITC would prefer to ignore it, the fact is that, unlike other utilities in Kansas, ITC's authority even to seek an amendment to its certificate is limited by the terms of the Stipulation and Agreement. The Stipulation and Agreement contained explicit limits on ITC's certificate of convenience and necessity and its ability to construct transmission in the state of Kansas and set forth specific requirements ITC must meet before filing an application to amend its certificate for a specific transmission project. Thus, when looking at whether or not the ITC Applications were sufficient to comply with ITC's obligations under the Stipulation and Agreement, practices of Westar and other utilities in Kansas – past or present – are not relevant.

D. SPP has not taken any action to authorize ITC's proposed V-Plan.

18. At numerous places in its Response, ITC suggests that SPP has taken action to authorize it to construct the V-Plan. Thus, ITC states that "[t]he SPP Board of Directors endorsed the V-Plan" (ITC Response at 3) and that Westar "had every opportunity to participate in the

process at SPP." (ITC Response at 12.) Contrary to ITC's implication, however, none of the SPP's actions constitute an authorization for ITC to construct the V-Plan.

- 19. All that SPP has done to date is accept the V-Plan for inclusion in its study process. The SPP has not authorized ITC or anyone else to build the facilities. If ITC offers to be a "sponsor" of the V-Plan by providing a letter of credit to demonstrate its ability to finance the project and by offering to be a sponsor SPP will ask the incumbent transmission owners whether they want to build the project. If they decline, SPP will then offer the project to potential sponsors such as ITC. That Westar has not stepped forward to construct the project in connection with ITC's proposal is not because Westar lacks any willingness or ability to do so, but simply because that project is not yet ripe. And, of course, as was stated above, a Westar joint venture has been in the process of developing a plan to build transmission facilities from Wichita to Spearville and south to the Kansas border at 765 kV the voltage recommended in the SPP Updated EHV Study—rather than at 345 kV as proposed by ITC.
 - E. ITC's Conduct in Connection With the "KETA Project" is not Binding on the Commission or Westar nor does it Change ITC's Certificate Conditions.
- 20. ITC states that because it followed the same procedures it used in proposing what it refers to as "the KETA Project," its applications in the V-Plan cases should not be dismissed. ITC's argument is baseless.
- 21. No entity other than ITC expressed any interest at any point in the process in building the KETA Project. Consequently, the cases are not comparable. Moreover, regardless of the course taken by ITC with regard to the KETA Project, ITC's certificate says what it says and cannot be amended by the unilateral actions of ITC.

F. ITC's Attempt to Fix the Defects in the ITC Applications Should be Rejected.

- 22. In its Response, ITC went to great lengths in an attempt to add meat to the bones of the skeletal applications it filed in these proceedings. Thus, ITC discussed the potential connections of each of the "segments" of its proposed V-Plan to future facilities. However, such allegations, contained in a separate pleading, do not suffice to fill in the large gaps in the ITC Applications. A motion to dismiss is decided on the well-pleaded facts contained in the application. *Beckner v. Jensen*, 29 Kan. App.2d 129, (Kan.App. 2001) ("When a motion to dismiss raises an issue concerning the legal sufficiency of a claim, the question must be decided from the well-pleaded facts of plaintiff's complaint..."). At a minimum, if it does not dismiss the ITC Applications, the Commission should require ITC to file an amended application which contains all of the fact necessary to support the relief it seeks.
- 23. None of the ITC Applications considered separately or as a consolidated application makes a prima facie case for the granting of the requested amendment to ITC's certificate. ITC's attempt to fill the gaps in its applications with its response to Westar's Motion should be rejected.

III. The Applications Should be Consolidated.

24. ITC consistently refers to the transmission line it proposes to build as a single project – the "V-Plan." In its response to the Westar Motion, ITC recognizes that its proposal is to construct three segments that **together comprise one line**. ITC seems to recognize this fact when it states that **construction of the "V-Plan" in its entirety is necessary for the wind farms to move their power onto the grid**. ITC Response, at 11.

- 25. Any analysis of whether the proposed "V-Plan" will benefit the public interest obviously requires consideration of the entire project not just one segment standing alone. In fact, in its response to the Westar Motion, when attempting to convince the Commission of the importance of its proposal to wind development in the State of Kansas, ITC states that "the timing of the V-Plan is critical to these and future wind developments **since they cannot move their power onto the grid until the V-Plan is constructed.**" *Id.* (Emphasis added.) Even ITC itself discusses the benefits that will result from the project as a whole not each individual segment, revealing its tripartite stratagem for what it is.
- 26. ITC also contends that it is common in the industry to construct transmission grids in "segments" as supposedly evidenced by Westar's construction of the first segment of the Rose Hill to Sooner 345 kV transmission line and Oklahoma Gas & Electric's construction of the second segment of this line. ITC Response, at 11-12. In making this contention, ITC confuses prudent project management and construction methods with sound long-term transmission system design. While it is true that the Rose Hill to Sooner 345 kV transmission line will be constructed in two segments, when Westar requested a siting permit from the Commission for that line, it presented the benefits that would result to Kansas and the SPP region from construction of the entire line. Westar consistently referred to the project as a single line and its request for a siting permit was based on analysis of the benefits of the entire line not just one segment of the project.
- 27. Westar took this same approach when it requested a siting permit for the Wichita to Reno to Summit 345 kV transmission line. *See* Westar's Application for a Siting Permit for the Construction of a 345 kV Transmission Line in Sedgwick, Harvey, Reno, McPherson and Saline

Counties, Kansas, Docket No. 07-WSEE-715-MIS (January 16, 2007). In that application, although Westar intended to construct the transmission line in two phases, Westar presented the entire line to the Commission and analyzed the benefits the line as a whole would provide to Kansas and the SPP region. Thus, Westar's past actions actually support consolidation of the ITC Applications.

- 28. Although ITC may intend to construct its proposed "V-Plan" in three different segments, in reality, the segments combine to form one transmission line and ITC itself has often referred to the V-Plan as a single project. *See, e.g.,* Exhibit 1 (in which ITC's press release refers to the V-Plan as a "transmission project" involving the construction of "a transmission line" from Spearville to Wichita). The Commission must determine whether construction of the "V-Plan" would serve the public convenience and necessity. Such a task will be practically impossible if ITC is permitted to break the line into pieces and attempt to analyze the benefit of each piece to Kansas. ITC should be required to present the project to the Commission in a manner that reflects reality and allows the Commission to properly consider whether the line will serve the public interest. This requires consolidation of the ITC Applications.
- 29. As stated in Westar's Motion, consolidating the ITC Applications is appropriate because all of the facts and law related to the ITC Applications are common. Thus, consolidation is in the interest of efficient and economic use of the Commission's resources. ITC fails to address this subject in its response in any manner. The ITC Applications all relate to one transmission project, the "V-Plan," and should be consolidated.

IV. Westar should be allowed to Intervene in Each of the Applications if Consolidation is not Granted.

- 30. ITC argues that Westar is not entitled to intervene in this docket because it is not an Affected Incumbent Transmission Owner. ITC Response, at 8. Whether or not that is true as to the segment addressed by this application, Westar nevertheless has standing to intervene in this matter if the Commission allows it to move forward. ITC intends that all of the segments of the V-Plan will be connected to the interstate transmission grid. Such an interconnection will affect Westar as a transmission owner (and as the state's largest retail supplier) whether or not it is an Affected Incumbent Transmission Owner as to any particular segment.
- 31. As a transmission owner in Kansas, Westar will be affected by a grant to ITC of its requested relief. Westar has a right to intervene in this matter to protect its clear interest in the subject matter of this docket.

WHEREFORE, Westar requests that the Commission allow Westar to intervene in the ITC Application dockets, consolidate the ITC applications and dismiss them for failing to a claim and for such other and further relief as may be appropriate.

Respectfully submitted,

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ATTORNEYS FOR WESTAR ENERGY, INC. AND KANSAS GAS AND ELECTRIC COMPANY

VERIFICATION

STATE OF KANSAS)) ss:
COUNTY OF SHAWNEE) 55.
attorneys for Westar Energy, I Reply of Westar Energy, I Great Plains, Inc. to Motion	eing duly sworn upon his oath deposes and says that he is one of the Inc. and Kansas Gas and Electric Company; that he is familiar with the nc. and Kansas Gas and Electric Company to Response of ITC to Intervene, to Consolidate and to Dismiss and that the statements of the best of his knowledge and belief.
	Martin J. Bregman
SUBSCRIBED AND	SWORN to before me this 1945 day of May, 2008.
Sally Wilson NOTARY PUBLIC - STATE OF KANSAS MY APPT EXP: 6/19/2011 My Appointment Expires:	Notary Public Notary Public
6/19/2011	_

CERTIFICATE OF SERVICE

I hereby certify that on this $\frac{1}{\sqrt{1}}$ day of May, 2008, the original and eight copies of the Reply of Westar Energy, Inc. and Kansas Gas and Electric Company to Response of ITC Great Plains, Inc. to Motion to Intervene, to Consolidate and to Dismiss were hand-delivered to:

Susan K. Duffy
Executive Director
KANSAS CORPORATION COMMISSION
1500 SW Arrowhead Road
Topeka, Kansas 66604

and that one copy was mailed, postage prepaid, addressed to each of the parties or counsel of record on the attached list.

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ITC Great Plains to Build the North Half of X Plan Transmission Grid in Kansas

Project is a critical economic development initiative for the state

TOPEKA, Kan., July 19, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- ITC Great Plains LLC, a subsidiary of ITC Holdings Corp. (NYSE: ITC), has advised Southwest Power Pool, Inc. (SPP) of its commitment to construct, own, operate and maintain the northern portion of SPP's "X Plan." The 180-mile long transmission project calls for the installation of a transmission line commencing at the Spearville substation located northeast of Dodge City, Kan. and running southeast to Comanche County, Kan. where ITC Great Plains will construct a new switchyard. The line will then run from the Comanche County switchyard northeast toward Wichita, Kan.

SPP is responsible for regional transmission planning and coordination in a multi-state area that includes Kansas.

The line will help spur economic development in Kansas, facilitate wind energy, and improve the reliability of the state's electricity grid. ITC Great Plains anticipates the project will be in service by late 2010 subject to timely receipt of regulatory approvals.

"We believe that this project supports a number of important initiatives in the state, including Governor Kathleen Sebelius' vision for greater access to the grid for renewable resources as well as the Kansas Electric Transmission Authority's vision for a robust transmission grid," said Carl Huslig, president of ITC Great Plains.

About ITC Holdings Corp.

ITC Holdings Corp. (NYSE: ITC) is in the business of electricity transmission infrastructure improvements as a means to improve electric reliability, reduce congestion and lower the overall cost of delivered energy. Through our operating subsidiaries, International Transmission Company (ITC Transmission) and Michigan Electric Transmission Company, LLC (METC), we are the only publicly traded company engaged exclusively in the transmission of electricity in the United States. We are also the largest independent electric transmission company and the eighth largest electric transmission company in the country based on electric sales. Our business strategy is to operate, maintain and invest in our transmission infrastructure in order to enhance system integrity and reliability and to reduce transmission constraints. By pursuing this strategy, we seek to reduce the overall cost of delivered energy for end-use consumers by providing them with access to electricity from the lowest cost generation sources. ITC Transmission and METC operate contiguous, fully- regulated, high-voltage systems in Michigan's Lower Peninsula, an area with a population of approximately 9.8 million people, that transmit electricity to local electricity distribution facilities from generating stations throughout Michigan and surrounding areas. Subsidiary ITC Grid Development, LLC expects to focus on partnering with local entities and utilities in regions where significant transmission improvements are needed. The first region in which ITC Grid Development, LLC expects to focus its efforts is the Great Plains region, specifically in Kansas, through the formation of its subsidiary ITC Great Plains. For more information on ITC Holdings Corp., please visit https://www.itc-holdings.com. (itc-ITC)

Safe Harbor Statement

This press release contains certain statements that describe our management's beliefs concerning future business conditions and prospects, growth opportunities and the outlook for our business and the electricity transmission industry based upon information currently available. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, we have identified these forward-looking statements by words such as "anticipates", "believes", "intends", "estimates", "expects", "projects" and similar phrases. These forward-looking statements are based upon assumptions our management believes are reasonable. Such forward looking statements are subject to risks and uncertainties which could cause our actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among other things the risks and uncertainties disclosed in our annual report on Form 10-K and our quarterly reports on Form 10-Q filed with the Securities and Exchange Commission from time to time.

Because our forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different and any or all of our forward- looking statements may turn out to be wrong. They speak only as of the date made and can be affected by assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in this release and in our annual and quarterly reports will be important in determining future results. Consequently, we cannot assure you that our expectations or forecasts expressed in such forward-looking statements

will be achieved. Actual future results may vary materially. Except as required by law, we undertake no obligation to publicly update any of our forward-looking or other statements, whether as a result of new information, future events, or otherwise, unless required by law.

SOURCE ITC Holdings Corp.

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