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Kansas Corporation Commission
/S/ Patrice Petersen-Klein

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State Corporation Commission
of Kansas

DIRECT TESTIMONY

OF

NOMAN L. WILLIAMS

ON BEHALF OF

ITC GREAT PLAINS, LLC

AND

MID-KANSAS ELECTRIC COMPANY, LLC

13-ITCE-677-MIS

MAY 3, 2013

1 **Q. Please state your name.**

2 A. My name is Noman L. Williams.

3 **Q. By whom are you employed and what is your business address?**

4 A. I am employed by Sunflower Electric Power Corporation ("Sunflower"). My
5 business address is 301 W. 13th Street, Hays, Kansas.

6 **Q. What is your present position at Mid-Kansas?**

7 A. I am the vice president of transmission policy. By agreement, Sunflower, through
8 its employees, operates Mid Kansas Electric Company, LLC ("Mid-Kansas"). I
9 also serve as vice president of transmission policy for Sunflower.

10 **Q. Please provide information about your educational background and your
11 work experience.**

12 A. In 1981, I graduated from Washington State University with a Bachelor of
13 Science Degree in electrical engineering with a minor in economics. In 1982 and
14 1983, I completed 20 credit hours of course work in the MBA program at Eastern
15 Washington University. In 2003, I completed the MBA program at Colorado
16 State University. From 1981 to 1988, I was employed at Washington Water
17 Power Company in Spokane, Washington, as a transmission planning engineer
18 and as a distribution engineer. During that time, I was responsible for: (1)
19 developing plans and schedules for transmission facilities by performing and
20 analyzing load flow and stability studies, and (2) providing engineering support
21 for all company underground distribution and 1,000 miles of distribution line
22 serving 200 MW of load. In May 1988, I began employment with Sunflower as a
23 transmission engineer. In 1990, I was promoted to supervising engineer in the

1 transmission engineering area. In April 1997, I was promoted to manager,
2 transmission engineering. In August 1997, I was promoted to manager,
3 transmission services. I was subsequently promoted to senior manager,
4 transmission services in August 2000, and executive manager, transmission
5 services and engineering in May 2005. In May 2006, I was promoted to vice
6 president, transmission services and engineering. In January 2010, in a
7 reorganization to place more emphasis on federal and Southwest Power Pool, Inc.
8 (“SPP”) issues, I was named to my current position.

9 **Q. Do you belong to any professional organizations?**

10 A. Yes, I do. I am a member of the Institute of Electrical and Electronics Engineers
11 (“IEEE”) and National Society of Professional Engineers (“NSPE”).

12 **Q. Have you testified before the Kansas Corporation Commission on previous**
13 **occasions?**

14 A. Yes. I testified before the Kansas Corporation Commission (“KCC” or
15 “Commission”) in Docket No. 96-SEPE-680-CON (Hill City - Norton matter);
16 consolidated Docket Nos. 08-ITCGPE-936-COC, 08-ITCGPE-937-COC, 08-
17 ITCGPE-938-COC and 08-PTWE-1022-COC (Kansas V-Plan); Docket No. 09-
18 MKEE-969-RTS (2009 Rate Case); Docket No. 11-GIME-597-GIS (34.5kV
19 Facilities Docket); Docket No. 12-MKEE-650-TAR (Mid-Kansas Formula-Based
20 Rate); and Docket Nos. 13-MKEE- 4334-TAR and 13-SEPE- 433-TAR
21 (Extraordinary Extension Service Terms).

22 **Q: Why is Mid-Kansas a co-applicant in this docket?**

23

1 A. Mid-Kansas and ITC Great Plains, LLC (“ITC Great Plains”) (collectively, the
2 “Companies”) are negotiating the necessary agreements by which Mid-Kansas
3 will own a 49% interest in the Elm Creek-Summit 345-kiloVolt (“kV”)
4 Transmission Line. We expect to close that transaction in the near future. Mid-
5 Kansas is a co-applicant due to Mid-Kansas’ intent to purchase its ownership
6 interest before commercial operation and due to the Commission’s Order
7 amending ITC Great Plains’ Certificate of Public Convenience and Authority to
8 Transact the Business of an Electric Public Utility in the State of Kansas, where
9 the Commission stated that ITC Great Plains and Mid-Kansas should jointly file
10 the application for a line siting permit for their portion of the Elm Creek-Summit
11 Line.¹

12 **Q. What is the purpose of your testimony today?**

13 A. First, because Mid-Kansas is a co-applicant in this docket, I will present general
14 information on Mid-Kansas. I will also discuss the following matters:

- 15 • Reliability concerns Mid-Kansas has that demonstrate the critical need for the
16 Elm Creek-Summit 345-kV Transmission Line;
- 17 • Arrangements by which Mid-Kansas will become a joint owner of the Elm
18 Creek-Summit 345-kV Transmission Line; and
- 19 • Details on how the cost of the Elm Creek-Summit 345-kV Transmission Line
20 will be recovered in rates.

21

22

¹ See Docket No. 13-ITCE-271-COC.

1 **I. OVERVIEW OF MID-KANSAS**

2 **Q. Please provide background on Mid-Kansas.**

3 A. Mid-Kansas is a limited liability company operated on a non-profit basis. It is
4 owned directly (in the case of one, indirectly) by the six Member-owned
5 electric distribution cooperatives that also own Sunflower. The Members of
6 Mid-Kansas include: Lane-Scott Electric Cooperative, Inc.; Southern Pioneer
7 Electric Company (“SPEC”); Prairie Land Electric Cooperative, Inc.; Victory
8 Electric Cooperative Association, Inc.; Western Cooperative Electric
9 Association, Inc.; and Wheatland Electric Cooperative, Inc. SPEC is wholly
10 owned by Pioneer Electric Cooperative, Inc.

11 **Q. Who operates Mid-Kansas?**

12 A. By contract approved by the KCC, Sunflower, through its employees,
13 operates Mid-Kansas.

14 **Q. Why was Mid-Kansas formed?**

15 A. The Members formed Mid-Kansas to acquire the Kansas electric utility assets
16 from Aquila, Inc. (“WPEK”). Mid-Kansas is an electric public utility
17 regulated by the KCC. In February 2007, the KCC approved the sale and
18 transfer to Mid-Kansas of WPEK’s certificate of convenience and franchise,
19 as well as all of WPEK’s generation, transmission and local distribution
20 facilities located in Kansas. The transaction closed April 1, 2007. Those
21 assets include generation and transmission facilities and electric distribution
22 facilities that serve a certificated service territory consisting of approximately
23 71,000 meters in 31 counties, and 22 full and partial wholesale requirements

1 municipalities that serve approximately 23,000 meters. Mid-Kansas owns and
2 operates approximately 1,222 miles of transmission line facilities, 49
3 associated substation facilities and 389 MW of gas-fired generation. As I
4 noted above, Sunflower employees operate Mid-Kansas' generation and
5 transmission assets pursuant to an agency agreement.

6 **Q. You previously said that Mid-Kansas is a limited liability company operated**
7 **on a non-profit basis. What does that mean?**

8 A. Mid-Kansas is operated on a non-profit basis in a manner similar to a cooperative.
9 Cooperatives are operated on a non-profit basis and are owned by its members.
10 All year-end revenues in excess of the cooperatives' actual cost of service are
11 allocated to capital accounts for the benefit of the members and may be
12 periodically refunded to the members. In addition, cooperative members
13 participate in its management oversight by electing its directors. In a cooperative
14 utility, the majority of the ratepayers and the owners of the utility are one and the
15 same.

16 **II. NEED FOR ELM CREEK-SUMMIT 345-KV TRANSMISSION LINE**

17 **Q. Please explain why the Elm Creek-Summit 345-kV Transmission Line is**
18 **needed.**

19 A. As stated in Mr. Myers' testimony, the primary purpose of the Elm Creek-Summit
20 Line is to address reliability issues in north-central Kansas if another line - *i.e.*,
21 the Elm Creek-Northwest Manhattan 230 kV line - is out. This area is in Mid-
22 Kansas' territory and we are concerned about risk to reliability, which includes a
23 potential voltage collapse. Mid-Kansas' customers are the ones that are most at

1 risk of a reduction in system reliability that can adversely affect not only the
2 quality of power supply in the area, but also availability.

3 **Q. If this line is located in Mid-Kansas's territory, why did SPP issue the**
4 **Notifications to Construct ("NTCs") to ITC Great Plains and Westar**
5 **Energy, Inc. ("Westar")?**

6 A. Under its current rules, SPP considers the Transmission Owning Members
7 ("TOs"), to which a new transmission line will interconnect, are responsible for
8 building that new transmission line. Through the transmission planning process,
9 SPP determined the Elm Creek-Summit Line would interconnect with ITC Great
10 Plains' Elm Creek Substation at the northern end and the Westar Summit
11 Substation to the south. Thus, SPP issued the NTCs to ITC Great Plains and
12 Westar, and those two TOs were then responsible for deciding how to divide the
13 Elm Creek-Summit Line between them. Even though SPP issued a Notification
14 to Construct to ITC Great Plains, under business arrangements negotiated among
15 Mid-Kansas, Sunflower and ITC Great Plains in 2008, Mid-Kansas sold the Elm
16 Creek substation to ITC Great Plains.² As part of those business arrangements,
17 Mid-Kansas retained the option to build SPP assigned facilities that interconnect
18 with the Elm Creek Substation.

² The business arrangements are also contained in an agreement between ITC Great Plains and Mid-Kansas that has been furnished to the Commission. In addition, the option was reflected in the settlement agreement reached in Docket No. 08-ITCE-936-COC. *See, e.g.*, ¶ 13 of Stipulation and Agreement, Docket No. 08-ITCE-936-COC (Jun. 1, 2009).

1 **III. JOINT OWNERSHIP**

2 **Q. If Mid-Kansas has the option to build and own the Elm Creek-Summit 345-**
3 **kV Transmission Line, why are ITC Great Plains and Mid-Kansas going to**
4 **own it jointly?**

5 A. Although Mid-Kansas could have built and owned the line, it also has negotiated
6 the option to co-own facilities with ITC Great Plains that it chooses not to build.
7 That right is also contained in the Co-Development Agreement (“CDA”). Mid-
8 Kansas elected joint ownership in lieu of exercising its option to construct the
9 facilities because it has other pressing construction obligations. ITC Great Plains
10 and Mid-Kansas are negotiating a Joint Operating Agreement (“JOA”), under
11 which ITC Great Plains will be the majority owner, builder and sole operator, and
12 Mid-Kansas will finance and own a minority ownership share.

13 **Q. Please describe the current proposed joint ownership arrangement in more**
14 **detail.**

15 A. The JOA is still being negotiated but is similar to a number of existing
16 arrangements by which utilities across the country jointly own generation and
17 transmission assets. Each party will have an undivided ownership interest as
18 tenants-in-common. ITC Great Plains, in consultation with Mid-Kansas, will
19 construct and will be the “Operator” of the Elm Creek-Summit 345-kV
20 Transmission Line. While ITC Great Plains remains the Operator, under existing
21 business arrangements, Mid-Kansas provides maintenance for the ITC Great
22 Plains assets located in the Sunflower and Mid-Kansas footprints, which will
23 include the Elm Creek-Summit 345-kV Transmission Line.

1 **IV. MID-KANSAS' COST RECOVERY**

2 **Q. How much will it cost to construct the Companies' portion of the Elm Creek-**
3 **Summit 345-kV Transmission Line?**

4 A. ITC Great Plains currently estimates that the Elm Creek-Summit 345-kV
5 Transmission Line will cost approximately \$46.8 million. This is an estimate that
6 is subject to change as we move forward to the final design of the line. Factors
7 that could materially affect the final cost include, but are not limited to,
8 commodity, equipment and labor cost fluctuations, as well as costs to procure
9 rights-of-way.

10 **Q: How will the costs of the Elm Creek-Summit 345-kV Transmission Line be**
11 **allocated?**

12 A: Because the Elm Creek-Summit 345-kV Transmission Line will be jointly-owned
13 before its costs are put into rates, the net plant and other costs will be split 51% to
14 ITC Great Plains and 49% to Mid-Kansas. Frankly, there is no difference in how
15 the costs are allocated than is the case where ITC Great Plains is building its
16 portion of the total line and Westar is building its portion. The Annual
17 Transmission Revenue Requirements ("ATRR") of each owner will reflect its
18 respective ownership share of costs. SPP then allocates the ATRR based on
19 existing SPP policies, *i.e.*, one-third regional and two-thirds zonal for facilities
20 rated above 100-kV but below 300-kV, and regionally for facilities above 300-
21 kV.

22 **Q. How will Mid-Kansas recover costs for its portion of the Elm Creek-**
23 **Summit 345-kV Transmission Line?**

1 A: Mid-Kansas will include capital and other costs in its formula-based rate (“FBR”),
2 approved by the Commission on October 31, 2012.

3 **Q. Do you believe the Elm Creek-Summit Line is in the public interest?**

4 A. Yes, as demonstrated by my testimony and that of the other witnesses in this
5 Application.

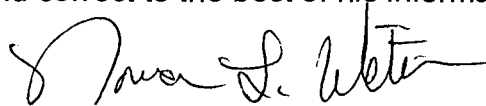
6 **Q. Does this conclude your testimony?**

7 A. Yes.

VERIFICATION OF NOMAN L. WILLIAMS

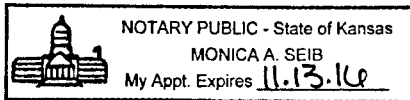
STATE OF KANSAS)
) ss:
COUNTY OF ELLIS)

Noman L. Williams, being first duly sworn, deposes and says that he is the Noman L. Williams referred to in the foregoing document entitled "Direct Testimony of Noman L. Williams" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.



Noman L. Williams

SUBSCRIBED AND SWORN to before me this 26th day of April, 2012.



Notary Public

My Appointment Expires: Nov. 13, 2016