

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Joint Application of GridLiance)
High Plains LLC (GridLiance HP), The City of Winfield,)
Kansas (Winfield) and the Kansas Power Pool (KPP))
for Approval of GridLiance HP to Acquire Majority)
Interest in Electric Transmission Facilities Owned and)
Operated By Winfield Located in Cowley County,)
Kansas (Transmission Facilities) (Transaction);)
Issuance of a Certificate of Convenience and Authority)
to GridLiance HP Relating to the Transmission)
Facilities; and Issuance of a Certificate of)
Convenience and Authority to GridLiance HP Relating)
to the Upgrade of Those Transmission Facilities (NTC)
Project) and for Other Related Relief.)

Docket No. 19- GLPE - 338 -ACQ

DIRECT TESTIMONY

OF

GUS COLLINS

ON BEHALF OF THE CITY OF WINFIELD, KANSAS

February 20, 2019

1 I. **INTRODUCTION**

2 Q. **PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

3 A. My name is Gus Collins. I am the Director of Utilities, City of Winfield, Kansas (Winfield). My
4 business address is 200 East 9th, Winfield, Kansas 67156.

5 Q. **PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND.**

6 A. I have been Director of Utilities for Winfield since July 2014. Prior to that I was City Manager for
7 Wellington, Kansas from 2006-2014 and City Manager for El Dorado, Kansas from 2004-2005. I have
8 a Business Administration and Management Degree from Emporia State University.

9 Q. **WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN YOUR POSITION AS DIRECTOR OF
10 UTILITIES?**

11 A. I am responsible for managing Winfield's electric, natural gas, water and waste water utilities (Winfield
12 Public Utilities).

13 Q. **ON WHOSE BEHALF ARE YOU TESTIFYING?**

14 A. I am testifying on behalf of Winfield.

15 II. **SCOPE OF TESTIMONY**

16 Q. **WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

17 A. I am testifying in support of the Joint Application. My testimony identifies the benefits to Winfield of
18 GridLiance High Plains LLC's (GridLiance HP) proposed acquisition of an undivided 65% interest in
19 Winfield's Transmission Facilities and its participation in the NTC Project identified in the Joint
20 Application (Transaction). I also provide factual support for GridLiance HP's estimated net book
21 value of the Winfield Transmission Facilities and Assets, including information concerning Winfield's
22 current accounting practices. I also provide testimony explaining the benefits to Winfield and its

1 citizens/customers relating to the Transaction and the NTC Project and GridLiance HP's involvement
2 in both.

3 **III. WINFIELD'S ELECTRIC UTILITY OPERATIONS AND THE WINFIELD TRANSMISSION**
4 **FACILITIES AND ASSETS**

5
6 **Q. CAN YOU GENERALLY DESCRIBE WINFIELD'S ELECTRIC UTILITY OPERATIONS?**

7 A. Yes. Currently, Winfield supplies electricity for approximately 8,100 customers in the northern part of
8 Cowley County, Kansas. The cities of Winfield, Burton and Dexter, Strother Field Industrial Park, and
9 much of the rural area of Northern Cowley County receive electric service from Winfield. Winfield
10 owns and maintains approximately 29 miles of 69 kV transmission lines. It is a looped system that
11 interconnects with the Westar Energy, Inc. (Westar) transmission system. This transmission system
12 feeds five substations that distribute power throughout Winfield's service territory. Winfield is a
13 member of the Kansas Power Pool (KPP).

14 **Q. ARE THE WINFIELD TRANSMISSION FACILITIES AND ASSETS CURRENTLY UNDER THE**
15 **FUNCTIONAL CONTROL OF A REGIONAL TRANSMISSION ORGANIZATION OR**
16 **INDEPENDENT SYSTEM OPERATOR?**

17 A. Yes. On January 3, 2011, Winfield adopted a resolution wherein it agreed to transfer functional
18 control of the Transmission Facilities to KPP whereupon they were transferred to the Southwest Power
19 Pool, Inc. (SPP).

20 **IV. THE TRANSACTION BETWEEN WINFIELD AND GRIDLIANCE HP**

21 **Q. CAN YOU GENERALLY DESCRIBE THE TERMS AND CONDITIONS OF THE TRANSACTION**
22 **BETWEEN WINFIELD AND GRIDLIANCE HP?**

23 A. Under the terms and conditions set forth in the APA, GridLiance HP will acquire from Winfield an
24 undivided 65% interest in the Transmission Facilities, which comprise approximately 29 miles of 69 kV

1 electric transmission lines and necessary real property interests, equipment, substation equipment,
2 switches and other facilities related to and appurtenant to the Transmission Facilities (collectively, the
3 Assets). The Assets, which are located in Cowley County, Kansas, are specifically identified in
4 Schedules 2.1.1. and 2.1.2. to the APA. See, **Appendix A** to the Joint Application. A map showing
5 the location of the Transmission Facilities being acquired by GridLiance HP is attached to the Joint
6 Application as **Appendix C**. The Transmission Facilities are located generally within the retail service
7 territory certificated to Winfield, on land generally described in paragraph 6 of the Joint Application.
8 The other utilities now operating in areas adjoining the above described territory are Westar, Sumner
9 Cowley Electric Cooperative and Caney Valley Electric Cooperative Association. A public version of
10 the Joint Application and the testimony and exhibits supporting the Joint Application have been mailed
11 to those utilities by the Joint Applicants.

12 Winfield will retain a 35% undivided minority interest in the Assets and 100% of its Kansas
13 distribution assets. Winfield will continue to provide retail distribution service and retail sales to its
14 customers within its Kansas certificated service territory. Winfield believes the ownership and
15 operation of the Assets through the proposed Transaction will result in a seamless transition.

16 GridLiance HP and Winfield will enter into a Joint Ownership Agreement (JOA) (attached to
17 the APA as Exhibit A) for the ownership, maintenance, and operation of the Assets, and pursuant to
18 which GridLiance HP shall be the exclusive agent for planning and operating the Assets. The purchase
19 price of the Assets will be equal to the net book value of the Assets at the time of the closing of the
20 Transaction.

21 As part of the Transaction, GridLiance HP, and KPP have executed an Assignment
22 Agreement, which Winfield acknowledges, pursuant to which KPP will assign to GridLiance HP its

1 interest in the panned upgrade of the Assets, specifically, the 69 kV transmission line and associated
2 equipment from Winfield's Tie Substation to Westar's Rainbow Station (the NTC Project) and as
3 shown on the map attached to the Joint Application as *Appendix D*. The legal description of the route
4 of the transmission line being upgraded pursuant to the NTC Project, in which GridLiance HP is
5 requesting a certificate of convenience and authority (COC) for transmission rights only is described in
6 paragraph 10 of the Joint Application. The Assignment Agreement between GridLiance HP and KPP
7 is attached to the Joint Application as *Appendix E*.

8 Also as part of the Transaction, GridLiance HP, as Operator, will enter into an Operations and
9 Maintenance Agreement (O&M Agreement) with Winfield for continued operation and maintenance
10 services for the Assets and NTC Project (attached to the APA as Exhibit F).

11 GridLiance HP and Winfield have agreed to enter into a Franchise Agreement, the form of
12 which is attached to the APA as Exhibit G. GridLiance HP has also agreed that it or an affiliate will
13 make specific contributions to Winfield's Economic Development Fund or other funds, all as set forth in
14 the APA.

15 **V. BENEFITS OF THE PROPOSED TRANSACTION**

16 **Q. WHAT ARE THE BENEFITS OF THE TRANSACTION FROM WINFIELD'S PERSPECTIVE?**

17 A. There are several benefits of the Transaction for Winfield. First, there are economic benefits.
18 Winfield will receive cash equal to the net book value for the sale of the 65% interest in the Assets.
19 This will provide Winfield the opportunity to reinvest that cash in acquiring its 35% interest in the NTC
20 Project. Winfield will also receive revenues from the franchise agreement between GridLiance HP
21 and Winfield and benefit from contributions to Winfield's Economic/Community Development Fund,
22 which will result in new businesses opportunities in the Winfield area.

1 Second, there are operations benefits. With GridLiance HP as operator, Winfield will be able
2 to focus its resources on managing the other aspects of its public utility. The transaction will also
3 relieve Winfield of its compliance obligations associated with owning transmission that is part of the
4 Bulk Electric System, which can be a significant burden and upon which Winfield has to rely on others.
5 Winfield will seamlessly continue to provide O&M services, preserving local jobs and its ability to
6 ensure reliable operations. It will retain a minority interest ownership in the Assets for which it will
7 receive revenues from SPP for their use, and will continue to have the facilities available to serve its
8 customers.

9 Third, the Transaction will increase the scope of the transmission capability of the SPP
10 system, enabling additional opportunities for transactions in the SPP energy markets while producing
11 planning efficiencies.

12 Fourth, the acquisition of a majority interest in the transmission facilities by a
13 transmission-only company, like GridLiance HP, rather than a competing load-serving utility,
14 minimizes the risk of Winfield customers facing predatory pricing in the future when new or upgraded
15 transmission facilities are needed to serve Winfield's customers.

16 Finally, the Transaction will create joint ownership in the Assets and the NTC Project, which
17 will allow Winfield to jointly own the utility assets with a majority owner, who (1) has a management
18 team with significant knowledge, experience and expertise in owning, constructing, financing and
19 operating other transmission facilities located within the SPP footprint; (2) has access to capital
20 markets to finance such activities and (3) will have a substantial stake in the success of such activities
21 that Winfield might not have access to absent the Transaction. In addition, the Transaction allows
22 Winfield and its citizens to proceed with future upgrades to the Transmission Facilities used to serve

1 electric customers in Cowley County, Kansas, under the NTC Project, and to obtain the benefits
2 associated with the NTC Project, without Winfield having to finance 100% of NTC Project.

3 **Q. ARE THE BENEFITS OF THE TRANSACTION UNIQUE TO WINFIELD?**

4 A. No. As Mr. Hooton and Mr. Useldinger discuss in their direct testimonies, and as Winfield
5 understands the GridLiance HP business model, GridLiance HP is focused on partnering with
6 municipal electric utilities, electric cooperatives, and joint action agencies in the SPP region (like
7 Winfield) to solve transmission issues, optimize its partners' systems, and help manage costs on these
8 systems to the benefit of its partners and the broader transmission grid. Therefore, Winfield believes
9 the benefits of the Transaction are not unique to Winfield; they are available to other municipal electric
10 utilities, electric cooperatives, and joint action agencies in the SPP region as well.

11 **Q. CAN YOU GENERALLY DESCRIBE THE NTC PROJECT IDENTIFIED IN THE JOINT**
12 **APPLICATION?**

13 A. Yes. On February 27, 2018, SPP issued a Notification to Construct (SPP-NTC-200479) relating to
14 SPP Project ID number 51249 (NTC Project). The name of the NTC Project is "Line-City of
15 Winfield-Oak 69 kV Reconductor." The NTC Project involves the rebuild of four miles of one of
16 Winfield's 69 kV transmission lines and associated equipment from Winfield's Tie Substation to Westar
17 Energy's (Westar) Rainbow Station. The need date for the NTC Project is June 1, 2021. KPP is the
18 Network Upgrade Owner. Under the terms of the Transaction, KPP will assign GridLiance HP its
19 interest in the NTC Project, with the approval of Winfield. GridLiance HP will be financing 65% of the
20 cost of the NTC Project and Winfield will participate in the other 35% of the cost of the NTC Project and
21 they will be co-owners.

22 **Q. HOW WILL WINFIELD AND ITS RETAIL ELECTRIC CUSTOMERS BENEFIT FROM THE NTC**

1 **PROJECT?**

2 A. Upon completion, this upgrade of the four-mile transmission line will provide a more robust and reliable
3 connection between the Tie sub to Rainbow Substation.

4 Q. **HAS WINFIELD APPROVED THE TRANSACTION WITH GRIDLIANCE HP?**

5 A. Yes. Attached to my testimony as Exhibit GC-1 is a copy of the City's resolution approving the
6 Transaction with GridLiance HP, subject to the Transaction being approved by the Kansas Corporation
7 Commission and the Federal Energy Regulatory Commission (FERC).

8 VI. **WINFIELD'S ACCOUNTING PRACTICES, BOOKS AND RECORDS; NET BOOK VALUE OF**
9 **ASSETS**

10
11 Q. **DOES WINFIELD MAINTAIN FINANCIAL BOOKS AND RECORDS IN ACCORDANCE WITH THE**
12 **COMMISSION'S UNIFORM SYSTEM OF ACCOUNTS?**

13 A. Winfield's accounting policies are in accordance with the FERC's Uniform System of Accounts which
14 conforms to generally accepted accounting principles (GAAP).

15 Q. **WHAT IS THE NET BOOK VALUE OF THE ASSETS INVOLVED IN THE TRANSACTION?**

16 A. The net book value of the Assets involved in the Transaction is \$1.8 million.

17 VII. **CONCLUSION**

18 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.

VERIFICATION OF GUS COLLINS

STATE OF Kansas)
COUNTY OF Cowley) ss:

I, Gus Collins, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing Direct Testimony of Gus Collins; that I have read the testimony and am familiar with its contents; and that the facts set forth therein are true and correct.



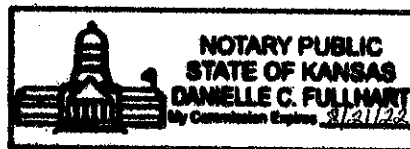
Gus Collins

SUBSCRIBED AND SWORN to before me this 14 day of Feb, 2019.



Notary Public

Appointment/Commission Expires:



A RESOLUTION

AUTHORIZING the City of Winfield, Kansas to sell a 65% undivided interest in its electric transmission facilities; approving the execution and delivery of an asset purchase agreement between GridLiance High Plains, LLC and the City; and authorizing the execution and delivery of such other documents as shall be necessary in connection therewith.

WHEREAS, the City of Winfield, Kansas (the “City”) owns certain electric transmission facilities within and beyond its corporate limits (the “Transmission Assets”) which it operates for the primary purpose of the transmission of electric power to the City for further distribution to the City’s citizens and electric retail consumers; and

WHEREAS, the City finds it necessary and desirable to convey an undivided sixty-five percent (65%) ownership interest in the Transmission Assets to GridLiance High Plains, LLC (GridLiance) in exchange for certain considerations, covenants and agreements, including but not limited to (1) the purchase price thereof, (2) community contribution payments, (3) the right of participation in future anticipated transmission projects, and (4) the right to continue the operation and maintenance of such Transmission Assets, all under the terms and conditions of the documents hereby approved (which include a right of first refusal to repurchase the Transmission Assets under certain conditions of sale by GridLiance); and

WHEREAS, the City further finds it necessary and desirable to execute and deliver a certain Asset Purchase Agreement by and between the City and GridLiance and to approve the form of the various schedules and exhibits prepared by City Staff for attachment thereto (collectively, the “Asset Purchase Agreement”); and

WHEREAS, the City further finds it necessary and desirable to approve the forms of such documents necessarily appurtenant to the terms of said Asset Purchase Agreement, including, but not be limited to, the Joint Ownership Agreement, the Operation and Maintenance Agreement, the Franchise Agreement/Ordinance, the Transmission Pole Attachment Agreement, the Community Contribution Agreement, and the NTC Assignment Agreement (collectively, the “Transmission Asset Sale Documents”) all as prepared and presented to the governing body of the City on this date; and

WHEREAS, the City desires City Staff to continue to act in the City’s interests and finalize the sale of the Transmission Assets in accordance with terms and conditions of the Asset Purchase Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF WINFIELD, KANSAS:

EXHIBIT GC-1

SECTION 1. Asset Purchase Agreement. The City is hereby authorized to sell an undivided sixty-five percent (65%) interest in its Transmission Assets to GridLiance, all as described in the Asset Purchase Agreement. The Mayor and the City Clerk are hereby authorized and directed to execute and deliver said Asset Purchase Agreement.

SECTION 2. Transmission Asset Sale Documents. The City hereby approves the form of Transmission Asset Sale Documents in substantially the form as presented to the governing body of the City. The Mayor (or any Commissioner in his absence) and the City Clerk are hereby authorized to execute and deliver the Transmission Asset Sale Documents when and as necessary to consummate the transaction contemplated by the Asset Purchase Agreement and the Transmission Asset Sale Documents (subject to any notice, publication or additional legal consideration requirements), all as presented, with such minor completions or corrections as shall be evidenced by the execution thereof.

SECTION 3. Related Matters. The Mayor, City Clerk and City Staff are hereby authorized and directed to execute any documents and take any and all such other actions not inconsistent herewith as may be necessary or appropriate to accomplish the purposes contemplated by this Resolution (including but not limited to any necessary notice, publication, and consideration of the Franchise Agreement/Ordinance) in the due course of performance by the City of its obligations under the Asset Purchase Agreement and Transmission Sale, the Joint Ownership Agreement, the Operations & Maintenance Agreement, the Franchise Agreement/Ordinance, the Transmission Pole Attachment Agreement, the Community Contribution Agreement, and the NTC Assignment Agreement.

SECTION 4. Effective Date. This Resolution shall become effective upon its approval and passage by the Governing Body of the City.

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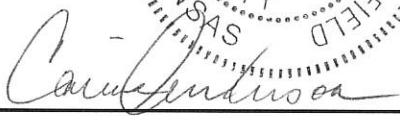
PASSED, ADOPTED AND APPROVED by the Governing Body of the City of Winfield, Kansas this 22nd day of January, 2019.

CITY OF WINFIELD, KANSAS

[seal]

By 
Ronald E. Hutto, Mayor

ATTEST:

By 
Carina Anderson, Deputy City Clerk

