

Electric Transmission Facilities: Recovering Costs for Construction and Upgrading

This Act authorizes the state corporation commission to approve inclusion in retail electric rates of regulated electric utilities, electric cooperatives, and municipal electric utilities those costs associated with the construction or improvement of electric transmission facilities under certain circumstances. The bill covers costs for construction or upgrading of electric lines with an operating voltage of at least 115 kilovolts. Electric cooperatives and municipal electric utilities would be subject to the jurisdiction of the corporation commission for implementation of the Act.

The corporation commission could approve inclusion of the specified costs in retail utility rates if the commission finds:

- That a regional transmission organization has identified the construction or upgrade as appropriate for reliability of the electric transmission system or for economic benefit to transmission owners and customers; and
- A state agency has determined that the project will provide measurable economic benefit to electric consumers in the state that would exceed anticipated project costs.
- The commission could approve recovery of project costs in retail electric rates only if those costs would not otherwise be recovered.

Comment:

This Act is reported to be the first to provide statutory authority for a public utility commission, based on a recommendation by a regional transmission organization, to assign full cost-recovery charges to all beneficiaries for an economic development-based transmission project. Economic development projects are all proposed non-system reliability transmission lines (e.g. to move low cost power to high cost areas, or to serve some types of new loads or generation). The significance of this bill is that it requires that approval of a transmission project by a regional transmission organization shall constitute a rebuttable presumption of the appropriateness of such a project, and recovery of unassigned costs for the project shall be assessed and collected from all beneficiaries.

Submitted as:

Kansas

HB 2045

Status: Enacted into law in 2005.

Suggested State Legislation

1 Section 1. [*Short Title.*] This Act may be cited as “An Act to Cover the Cost of Building
2 and Upgrading Electric Transmission Facilities.”

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 Section 2. [*Definitions.*] As used in this Act:

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(1) “Appurtenances” means all substations, towers, poles and other structures and
6 equipment necessary for the bulk transfer of electricity.

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(2) “Commission” means the state [corporation commission].

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(3) “Construction or upgrade of an electric transmission facility” means construction or
9 upgrade of an electric line, and appurtenances with an operating voltage of 115 kilovolts or
10 more.

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12 Section 3. [*Criteria for Recovering Costs.*]

13 (1) Upon application, the [commission] may authorize recovery of costs associated with
14 the construction or upgrade of an electric transmission facility if the [commission] finds that:

15 (A) A regional transmission organization has identified such construction or
16 upgrade as appropriate for reliable operation of the integrated electric transmission system; or for
17 economic benefits to transmission owners and customers; and

18 (B) A state agency has determined that such construction or upgrade will provide
19 measurable economic benefits to electric consumers in all or part of this state that will exceed
20 anticipated project costs; and

21 (2) Such costs are not being otherwise recovered.

22 (3) The [commission] shall review an application for recovery of costs pursuant to this
23 section in an expedited manner if the application includes evidence that expedited construction
24 or upgrade of the electric transmission facility will result in significant, measurable economic
25 benefits to electric consumers in this state. Recommendation or approval of construction or
26 upgrade of an electric transmission facility by a regional transmission organization shall
27 constitute a rebuttable presumption of the appropriateness of such construction or upgrade for
28 system reliability or economic dispatch of power.

29 (4) In determining whether to approve recovery of costs pursuant to this section the
30 [commission] may consider factors such as the speed with which electric consumers in this state
31 will benefit from the transmission facility and the long-term benefits of the transmission facility
32 to electric consumers in this state, or both, and whether such factors outweigh other less costly
33 options. An application for recovery of costs pursuant to this section shall include such
34 information as the [commission] requires to weigh such factors, including, but not limited to,
35 information regarding estimated line losses, reactive power and voltage implications and long-
36 term economic and system reliability benefits.

37 (5) Any recovery of costs authorized by the [commission] pursuant to this section shall
38 be assessed against all electric public utilities, electric municipal utilities and electric cooperative
39 utilities receiving benefits of the construction or upgrade and having retail customers in this
40 state. Each such utility's assessment shall be based on the benefits the utility receives from the
41 construction or upgrade. In determining allocation of benefits and costs to utilities, the
42 [commission] may take into account funding and cost recovery mechanisms developed by
43 regional transmission organizations and shall take into account financial payments by
44 transmission users and approved by the Federal Energy Regulatory Commission or regional
45 transmission organization. Each electric public utility shall recover any such assessed costs from
46 the utility's retail customers in a manner approved by the [commission] and each electric
47 municipal or cooperative utility shall recover such assessed costs from the utility's retail
48 customers in a manner approved by the utility's governing body.

49 (6) All money collected by a utility from assessments authorized by the [commission]
50 pursuant to this section shall be paid quarterly by the utility to the transmission operator or owner
51 designated by the [commission].

52 (7) Notwithstanding any other provision of law to the contrary, electric municipal
53 utilities and electric cooperative utilities shall be subject to the jurisdiction of the [commission]
54 for the limited purpose of implementing the provisions of this section.

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56 Section 4. [*Severability.*] [Insert severability clause.]

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58 Section 5. [*Repealer.*] [Insert repealer clause.]

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60 Section 6. [*Effective Date.*] [Insert effective date.]