



**Federal Energy Regulatory Commission
December 21, 2006
Open Commission Meeting
Statement of
Commissioner Philip D. Moeller**

**Rate Freezes and the Recently Held Kansas Transmission Summit
([EC06-46-000 et al.](#))**

"I bring to the Commission's attention an order that we issued back on December 7. The order (Docket No. EC06-46) authorized the transfer of jurisdictional facilities between Aquila and Mid-Kansas Electric Company. At issue was the sale and transfer of certain assets from Aquila to Mid-Kansas. Those assets included transmission lines, interests in generating capacity, and wholesale power sales agreements.

I supported this order as I believe that this transaction met the requirements of section 203 of the Federal Power Act. However, I mention this case today to highlight the fact that in making our determination, one element of the transfer that we reviewed was that Mid-Kansas would largely freeze retail rates for five years after acquiring the assets from Aquila. While the Commission has generally viewed rate freezes – particularly in merger cases – as a customer protection device, I may not reach this conclusion in every instance. Recent events have shown us that retail rate freezes do not always result in the initially advertised benefits once the caps are removed. And since the future is hard to predict, utilities may be forced to book "deferred balances" when costs exceed revenues from the frozen rates. In a rising or high fuel cost environment, rate freezes could result in future ratepayers subsidizing current consumption and sending the wrong price signal and at the same time thwarting any potential for price competition. I will remain open to considering the promised benefits of rate freezes.

Speaking of Kansas utilities, I recently attended the fourth annual Kansas Electric Transmission Summit that was held in Lawrence. The Summit – sponsored by State Representative Tom Sloan and attended widely by stakeholders – focused on initiatives that Kansas is using to encourage the development of transmission projects. I was particularly impressed with the leadership that Rep. Sloan and his colleagues have shown and I was impressed to see that Kansas is not waiting for a solution, but is moving forward on its own and using innovative methods to solve the all-too-common problem of transmission constraints and the lack of adequate transmission infrastructure. Without question, Kansas is setting the example for other states to follow – as I believe the first step in solving transmission constraints is to recognize the problem early and then take ownership of the solution. That's what Kansas is doing at the state level and I commend them for it."