

Approved 4/11/86
Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES

The meeting was called to order by Senator Merrill Werts at
Chairperson

8:30 a.m. ~~p.m.~~ on April 10, 1986 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Ramon Powers - Research
Theresa Kiernan - Revisor
Nancy Jones - Secretary

Conferees appearing before the committee:

Clark Duffy - Kansas Water Office

Motion was made to approve minutes of the April 8, 1986 meeting by Senator Yost, seconded by Senator Langworthy. Motion carried.

HB 2721 - Relating to the State Water Plan

Clark Duffy stated this proposal was introduced at the request of the Kansas Water Office as a companion to bills passed previously by the legislature. Major provisions of the bill relate to implementation of the State Water Plan provision. Two statutory amendments concern the marketing program to allow implementation of the Water Assurance Program legislation. Under current law, all water stored in state water supply capacity must come under the provisions of the marketing program so provision is made in this bill that any waters in the assurance program are not subject to contract price provisions. The second amendment allows receipts from water customers deposited in the Development Fund to be used for purchase of additional water supply capacity. The bill also allows purchase of storage for the water assurance program.

Three statutory amendments relating to water marketing were clarified. Reluctance has been demonstrated by municipal and industrial users to sign a 40 year contract and pay 50% of the total volume of the contract at the time of signing. Customers would prefer to build usage of water supply over a period of time. Lines 124 to 142 of the bill will allow negotiation of a graduated increase in usage, with the customer paying 50% usage until the full amount of the contract is reached, then provisions of the entire contract would be followed. Such a provision could increase receipts of the program in a shorter period of time with more waters under contract.

Other statutory amendments would require contracts for the sale of water to be in hand before the state could purchase additional water; also, authorization is given to require purchasers to implement conservation plans and practices.

Two provisions of HB 2721 relate to the financial administration of the plan. Receipts will be paid to the General Fund first, then the remainder be deposited to the Development Fund. Retroactive application of the 1986 rate for water at 11.79/1,000 gallons would be authorized.

Mr. Duffy discussed the occurrence of revenue shortfalls due to contracts which were signed prior to 1983 which are not subject to annual price change. These contract are reviewed on a 5 to 10 year increment. Presently there are 16 contract holders paying between .06¢ and 10¢ per 1,000 gallons rather than 16.36 per 1,000 gallons under current law. Mr. Duffy briefly reviewed technical and clarifying amendments which have been made to HB 2721.

(Attachment A).

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES,
room 123-S, Statehouse, at 8:30 a.m. ~~p.m.~~ on April 10, 1986

In Committee discussion, Mr. Duffy explained the retroactive rate of 11.79¢ and how it affects receipts to the General Fund and the Development Fund. Only five contract holders will be affected by the increase per gallon, and fees of other contract holders will be subject to review upon termination of contracts. Protection of the contractors for catastrophies is provided; also controls are in place regarding resale of water supply by contract purchasers.

Concern was expressed by Committee members regarding the House amendments which delete the 2.5 cent depreciation reserve component of the price, and the provision to retain interest earned by the Development Fund in that fund.

Motion was made by Senator Feleciano to amend HB 2721 to retain in the Development Fund the interest earned on monies in the fund, seconded by Senator Gordon. Motion carried.

Motion was made by Senator Kerr to restore the 2.5¢ per gallon component in the price of water, seconded by Senator Feleciano. Motion carried.

Motion was made to recommend HB 2721 favorably as amended by Senator Feleciano, seconded by Senator Vidricksen. Motion carried.

Meeting adjourned.

Guest List

4-10-86

Clark Ruffly

Joe Harbans

CHARLES BECT

Jan Johnson

Topeka

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WICHITA

Topeka

Ks Water Office

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CHAMBER OF COMMERCE

Budget Division

Testimony on
H.B. 2721, As Amended
(Amendments to the Water Marketing Program)

by
Kansas Water Office

Senate Committee on Energy and Natural Resources

April 1986

4-10-86
S. ENR

(A)

To Implement State Water Plan

TO IMPLEMENT ASSURANCE PROGRAM

**Exempts Assurance Program from Provisions of
the Marketing Program** Line 76-77;
377-378

Companion to HB2705. Waters stored in state conservation water supply storage which would be dedicated to the Assurance Program (H.B. 2705) should not apply to the provisions of the Marketing Program.

**Authorization for Expenditures from
Development Fund** Line 376-377
399-406; 412-417

Companion to HB2704 and HB2705. Intent is to allow expenditures from this fund for the purposes of acquiring state water supply storage in impoundments deemed necessary to implement the State Water Plan and to provide legislative options to finance additional storage purchases from savings account or bond account.

TO IMPLEMENT WATER MARKETING SECTIONS

**Volume of Water Contracted to be
Based on Graduated Use Schedule** Line 124 to 142

Allows municipal and industrial users and state to do better long-range planning.

**Allow for Contracting in Advance
of Availability of Water** Line 190 to 201

Companion to H.B. 2720. Contracts would be required before the state can purchase additional storage.

**Requires Consideration of Conservation
Plans Prior to Contracting** Line 345 to 346

Companion to Substitute for H.B. 2703 which may require purchasers to implement conservation plans and practices.

To Address "Capped" Contracts

Deposit of Receipts

Line 390-398

Allows receipts to be used to repay actual costs to the State General Fund first, then remainder of the receipts will be deposited to the Development Fund. This will eliminate the adverse impact of the "Capped" contracts on the State General Fund and the marketing customer. All shortfalls will be a loss in receipts to the Development Fund.

Apply Changes to 1986 Rate

Line 395-396

The 1986 rate for water has been established at 16.36 cents per 1,000 gallons. The intent is to retroactively apply the new 1986 rate which would be established by the amendments contained in this bill. The new rate would be 11.79 cents per 1,000 gallons.

House Amendments

Amends current law by deleting the 2.5 cents depreciation reserve component of the price

Line 280-282

Deletes provision for interest earned by the Development Fund to be retained thereon

Line 401

Deletes provision for customers to receive credit for monies paid to the Development Fund when calculating the rate

Line 254-255

Clarifying and Technical

Definition of Capital Cost

Line 50-51

The intent is to clarify that capital cost is defined as the principle and interest payment owed to the federal government. This component does not include interest paid on advances from the State General Fund.

Price Calculations Based on Preceding Calendar Year

Line 164,
166, 249-
250; 424

Intent is to calculate rate on the basis of the preceding year's actual experience rather than estimates of cost and usage. This will allow for an accurate determination of the rate.

Repealer

Line 226-237

This section was only applicable during the 1983 legislative session.

Capital Cost Component

Line 245

Interest is computed in component 2, therefore, should not be included here.

Amount of Water Used Under Contract

Line 258-279

Intent is to clarify that in calculating the rate usage shall be based on 50 percent of the amount under contract or the actual amount of water withdrawn for each contract instead of the sum of these amounts from all contracts.

Transmittal of Information

Line 300-320

Intent is to require transmittal of information to the Kansas Water Authority at the time an applicant requests to negotiate a contract rather than to transmit such information at the time the applicant files the application. Under current law, applications can remain on file for up to 13 years before the applicant is required to request contract negotiations.

Procedures to Withdraw Water

Line 356-357

Intent is to clarify that certain contracts have specific procedures for withdrawal in addition to the stipulations in the current law.

Deposits of Funds for Administering the Act

Line 386

The intent is to clarify that funds which are received for administering and enforcing the act shall be deposited in the State Treasury. Current law does not include the deposit of funds collected for administering the act.