

Approved: Carl Dean Holmes
Date 2/13/96

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Carl Holmes at 3:35 p.m. on January 30, 1996, in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Mary Torrence, Revisor of Statutes
Marcia Ayres, Committee Secretary

Conferees appearing before the committee: Joe L. Norton, Gilmore & Bell, Attorneys At Law
Robert W. Mills, Kansas Municipal Energy Agency
Louis Stroup, Jr., Kansas Municipal Utilities, Inc.

Others attending: See attached list

Chairperson Holmes opened the meeting by informing the Committee of the need for a bill request to change the caps on the above-ground storage tank fund and moving those moneys into the underground storage tank fund where they will be useful.

Representative Steve Lloyd moved to request a bill changing the caps on the above-ground storage tank fund and moving those moneys into the underground storage tank fund. Representative Rich Becker seconded the motion. The motion carried.

The Chair distributed a handout from David Burnett regarding the hearing last week on **HB 2617** which was referred to a sub-committee.

Hearing on SB 337: Procedures for municipal energy agencies to contract with utilities to purchase energy

Louis Stroup Jr., executive director of Kansas Municipal Utilities, Inc., introduced the conferees who would be testifying and introduced Marshall Lancaster of the firm Public Finance America, Wichita, who would be available to answer any questions.

Joe Norton. Mr. Norton, an attorney with the firm serving as general counsel to the Kansas Municipal Energy Agency since its inception, reviewed the changes which **SB 337** proposes and described additional amendments to the bill. (Attachment #1)

Robert Mills. Mr. Mills appeared on behalf of the KMEA membership in support of **SB 337** and the additional amendments. (Attachment #2)

Louis Stroup, Jr. Mr. Stroup, executive director of Kansas Municipal Utilities, Inc., testified in support of **SB 337** and the membership change amendments. (Attachment #3)

Questions followed, after which the hearing was closed.

Action on HB 2622: Maximum fees authorized for use of state parks and other areas

Representative Dennis McKinney moved to amend HB 2622 on Page 3, Line 16, by striking "\$10" and inserting "\$150" and on Line 18, by striking "\$25" and inserting "\$60." Representative Richard Alldritt seconded the motion. Discussion followed. The motion carried. Representative Freeborn requested to be recorded as voting nay.

Representative Dennis McKinney moved to amend HB 2622 on Page 3, Line 20, by striking "\$100" and inserting "\$1,000." Representative Richard Alldritt seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 526-S Statehouse, at 3:30 p.m.. on January 30, 1996.

Representatives Krehbiel, Aurand, Presta, and Freeborn requested to be recorded as voting nay.

Representative Dennis McKinney moved to amend **HB 2622** on Page 3, Line 21, by striking "\$10" and inserting "\$50." Representative Richard Alldritt seconded the motion. The motion carried. Representatives Krehbiel and Freeborn requested to be recorded as voting nay.

Representative Dennis McKinney moved to amend **HB 2622** on Page 3, Line 34, by striking "permits" and inserting "permit application." Representative Richard Alldritt seconded the motion. Discussion followed. The motion carried.

Representative Dennis McKinney moved to amend **HB 2622** on Page 3, Line 35, by striking "Trail" and inserting "Individual trail." Representative Richard Alldritt seconded the motion. The motion carried.

Representative Dennis McKinney moved to amend **HB 2622** on Page 4, by striking all of Lines 6 and 7. Representative Richard Alldritt seconded the motion. The motion carried.

Representative Dennis McKinney moved to amend **HB 2622** on Page 4, Line 3, by striking "(b)" and inserting "(c)" and in Line 14, before "and" by inserting ", daily individual trail access pass . . ."
Representative Becky Hutchins seconded the motion. The motion carried.

Representative Dennis McKinney moved to amend **HB 2622** on Page 2, Line 7, by striking all before the second "who." Representative Laura McClure seconded the motion. Discussion followed. The motion carried. Representative Krehbiel requested to be recorded as voting nay.

Representative Clay Aurand moved to amend **HB 2622** on Page 3, Line 31, before "permit" by inserting "resident"; in Line 32, before "permit" by inserting "resident"; in Line 33, before "permit" by inserting "resident"; after Line 33, by inserting:

"One-day temporary nonresident permit: maximum \$5

Annual nonresident permit: maximum \$39.50

Additional nonresident permit: maximum \$19.50"

Representative Tom Sloan seconded the motion. The motion carried.

Representative Dennis McKinney moved to amend **HB 2622** on Page 4, Line 2, by inserting:

"(b) The secretary may fix, by rules and regulations, a lower fee than provided by subsection (a) for one-day temporary, annual and additional motor vehicle permits for motor vehicles of which the certificate of titleholder is a Kansas resident who is 65 or more years of age."

Representative Rich Becker seconded the motion. The motion carried.

Representative Dennis McKinney moved to amend **HB 2622** on Page 4, after Line 35 by inserting:

"(j) Nothing in this section shall be construed to prohibit or limit the amount of revenue received by the state from any special event."

Representative Rich Becker seconded the motion. The motion carried.

Representative Rich Becker moved to amend **HB 2622** on Page 4, Line 37, before "its" by inserting "January 1, 1997, and . . ." Representative Bill Feuerborn seconded the motion. The motion carried.

Representative Richard Alldritt moved that **HB 2622** be passed out favorably as amended. Representative Dennis McKinney seconded the motion. The motion carried.

The meeting adjourned at 5:50 p.m

The next meeting is scheduled for January 31, 1996.

ENERGY AND NATURAL RESOURCES COMMITTEE
COMMITTEE GUEST LIST

DATE: January 30, 1996

NAME	REPRESENTING
Robert W. Mills	KS Municipal Energy Agency
Marshall Lancaster	Public Finance America, LLC
JOE DICK	BPU KCK
Louie Stroup	KMU - McPherson
JOE NORTON	Gilman-Ben - KMEA
Tom Day	KCC
Nancy Becken	Citizen
Whitney Dameron	Parsons Security & Technology, Inc.

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GARY A. ANDERSON*
DEBORAH K. DENNINGTON*
KEVIN M. COWAN*
KANSAS BAR

OF COUNSEL
BYRON BRAINERD

DONALD A. BELL
1928-1985

JERRY T. POWELL
1933-1993

*ALSO ADMITTED IN MISSOURI

WEBB R. GILMORE
KIM B. WELLS
JAMES W. WINN
ROBERT P. BALLSRUD
CHRISTOPHER D. AHRENS
LYND K. MISCHÉ
CLARK R. IREY II
ALVIN D. WILKEN
E. SID DOUGLAS III
NANCY N. C. LEAR
RICHARD M. WRIGHT, JR.
MICHAEL D. McROBBIE
KAY E. THORNTON
MARK D. GRIMM
JAMES G. CALDWELL
TRISHA A. PARKS
MISSOURI BAR

OF COUNSEL
RICHARD E. PETRIE

KANSAS HOUSE OF REPRESENTATIVES ENERGY AND NATURAL RESOURCES COMMITTEE JANUARY 30, 1996

SENATE BILL No. 337

Background. Senate Bill No. 337 (the "Bill") proposes several amendments to statutes comprising the Municipal Energy Agency Act, K.S.A. 12-885 *et seq.* (the "Act"). The Act authorizes the creation by one or more cities of a municipal energy agency (the "Agency"). Such cities must operate electric utility systems having generation capabilities during 1976. The agreement creating an Agency must be approved by the Attorney General, filed with the Secretary of State, the State Cooperation Commission (the "KCC") and with the Register of Deeds of each county in which a member city is located. The Act provides that Agencies are authorized to operate as a public utility without obtaining a certificate of public convenience; provided, however, that such Agencies are subject to the jurisdiction of the KCC in the same manner as a public utility. Agencies have the power to issue revenue bonds for certain projects relating to electric energy, may provide planning and other services and may purchase and sell electricity; provided they may not enter into an agreement or contract for the direct sale of electricity to any person other than a member city of the Agency or a utility operating an electric generating system during the calendar year 1976. Agencies have no authorization to issue general obligation bonds or to levy taxes of any kind.

KMEA. The Kansas Municipal Energy Agency ("KMEA") is the only Agency organized under the Act. KMEA, (originally organized as the Northwest Kansas Municipal Energy Agency in 1978) was organized in 1980, and currently has 32 member cities. The above-captioned firm has served as general counsel to KMEA since its inception.

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Provisions of the Bill. The following comments are made with respect to substantive changes to the Act made by the Bill, which were requested by KMEA. Various other technical or "clean-up" changes to the Act included in the Bill have been suggested by the Revisor of Statutes; the Senate Energy and Natural Resources Committee made certain amendments contained on page 4, lines 17-20 and on page 7 by inserting new section 6.

Section 1 (page 2, lines 10-14). The definition of "state purchase" is added. This deals with purchases of electric power and energy of the state government at the location where the same is to be consumed from the retail supplier certificated to serve such location. This definition would not alter the territorial requirements of other Kansas law with respect to sale of electricity.

Section 2 (page 4, lines 11-20). This expands the powers of an Agency to finance a state purchase from the retail supplier then providing such electric service to the state at the location where the service is to be consumed. Such a financing is **conditioned** on a written agreement between state and affected utilities or persons granted certificated authority to provide electric service to the state. The retail supplier must be certified by the KCC to serve the location where such electric service will be consumed.

Section 3 (page 4, lines 42-43). Clarifies the financing of a state purchase to **not** be a direct sale of electricity within the meaning of the Act.

Section 4 (page 5, line 4). Clarifies that revenue bonds of an Agency are **not** obligations of the state.

Section 5 (page 5, lines 16-17). Includes the financing of a state purchase in the list of purposes for which an Agency may issue revenue bonds .

Section 5 (page 6, line 43 to page 7, line 2). Authorizes the Secretary of Administration to enter into contracts, on behalf of the state, with an Agency for a period not to exceed 40 years to secure the financing of a state purchase.

Section 6 (page 7, lines 3 to 10). Authorizes the Secretary of Administration to enter into contracts with an Agency or the Kansas Development Finance Authority to act as issuer of bonds or other debt instruments to provide funds to prepay for electric power and energy requirements for state agencies.

Proposed Additional Amendments to the Bill. Attached hereto are proposed additional amendments to the Bill. Such proposed amendments are described as follows.

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Section 1 (page 1, lines 22-23). The definition of "City" is modified to eliminate the requirement that a Kansas city must have been operating a generation system during calendar year 1976 in order to be eligible for Agency membership.

Section 3 (page 4, line 41). Deletes restriction that an Agency may not enter into an agreement for the direct sale of electricity to a member city or a utility that did not operate a generation system during calendar year 1976.

Commentary. The Bill, if adopted in its present form, merely authorizes the financing of a state purchase and authorizes the Secretary of Administration to enter into an agreement relating thereto. It is important to note what the Bill does **not** do. The Bill does not approve any particular financing of a state purchase to be undertaken. Nor does it establish the parameters of any such financing. Many complicated and technical market conditions and federal laws may inhibit the completion of such a financing. The Bill requires that before such financing takes place the state must enter into an agreement with the Agency and the retail supplier of electricity to the state. In addition, revenue bonds issued by an Agency must be approved by the KCC. Finally, in order to fund any agreement that the state may enter into pursuant to the Bill, the Kansas legislature must annually appropriate funds necessary to make repayments, in like manner as it appropriates funds for current utility usage.

The proposed additional modifications to the Bill relate to membership and sale restrictions of an Agency. There are approximately sixty (60) Kansas cities that currently operate a municipal electric utility that did not operate a generation system associated therewith during calendar year 1976, and thus are not eligible for membership in the Agency.

Any additional questions concerning legal matters relating to the Bill or its impact on Agencies or KMEA, may be addressed to the undersigned.

Respectfully submitted,



Joe L. Norton

JLN:sls

JLN\400458.05\CORRESP

concerning membership in municipal energy agencies;

SENATE BILL No. 337

By Committee on Ways and Means

2-15

10 AN ACT relating to energy; concerning purchase of energy by municipal
11 energy agencies; relating to financing of energy sales; amending K.S.A.
12 12-886, 12-895, 12-897, 12-898 and 12-899 and repealing the existing
13 sections.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 12-886 is hereby amended to read as follows: 12-
17 886. As used in this act, unless the context otherwise requires:

18 (a) "Agency agreement" means the written agreement between or
19 among two or more cities establishing a municipal energy agency.

20 (b) "City" means a city organized and existing under the laws of Kan-
21 sas and authorized by such laws to engage in the local distribution and
22 sale of electrical energy and ~~operating an electric generating system dur-~~
23 ~~ing the calendar year 1976.~~

24 (c) "Governing body," with respect to a city, means the governing
25 body of the city or, if another board, commission or body is empowered
26 by law or by resolution of the governing body of the city to establish and
27 regulate rates and charges for the distribution of electrical energy within
28 the city, such board, commission or body shall be deemed to be the
29 governing body.

30 (d) "Municipal energy agency" means a quasi-municipal corporation
31 created by agreement between or among two or more cities pursuant to
32 this act to exercise any of the powers granted by K.S.A. 12-885 to 12-
33 8,111, inclusive, and amendments thereto, and including the acquisition,
34 construction, reconstruction, operation, repair, extension or improvement
35 of electric generation or transmission facilities or the acquisition of any
36 interest therein or any right to part or all of the capacity thereof.

37 (e) "Person" means a natural person, a public agency, private cor-
38 poration, firm, partnership, cooperative association or business trust of
39 any nature whatsoever, organized and existing under the laws of any state
40 or of the United States.

41 (f) "Project" means any plant, works, system, facilities and real and
42 personal property of any nature whatsoever, together with all parts
43 thereof and appurtenances thereto, used or useful in the generation, pro-

duction, transmission, purchase, sale, exchange or interchange of electric energy or any interest therein in or capacity thereof of and including all studies and planning with respect thereto.

(g) "Public agency" means any city or other municipal corporation, political subdivision, governmental unit or public corporation created by or pursuant to the laws of this state, another state or the United States; any state or the United States; or any person, board or other body declared by the laws of any state or the United States to be a department, agency or instrumentality thereof.

(h) "State purchase" means the purchase of any portion of the electric power and energy requirements of the government of the state or any agencies, departments or instrumentalities thereof at the location where such electric power and energy are to be consumed and from the retail supplier certificated to serve such location.

Sec. 2. K.S.A. 12-895 is hereby amended to read as follows: 12-895.

(a) Municipal energy agencies created under the provisions of this act may exercise the following powers:

(1) To sue and be sued;

(2) to have a seal and alter the same seal at will;

(3) to make, amend and repeal bylaws consistent with the provisions of this act and the agreement creating the agency;

(4) to enter into franchises, contracts and agreements with this state or the United States or instrumentality thereof of, or any public or private person, partnership, association or corporation of this state or of the United States, for the planning, development, construction or operation of any facility for the production or transmission of electricity or other energy or for any common or other service rendered to, for or by such agency;

(5) to make and enter into any other contract or agreement necessary or incidental to the performance of its duties and the execution of its powers under this act, including contracts for the purchase, sale, transmission or exchange of power and other energy with the United States or with other energy systems, either privately, cooperatively or publicly owned, within and without outside the state, subject to the limitations and restrictions provided in this act;

(6) to plan, finance, construct, purchase, operate, maintain, use, share costs of, own, lease, sell, dispose of or otherwise participate in any project or any portion thereof within or without outside the state, including solar and wind facilities, or the resulting product products or service therefrom, or to purchase, own, sell, dispose of or otherwise participate in securities issued in connection with the financing of such project or any portion thereof of such project or acquire any interest in or any right to capacity of such project and may act as agent, or designate one or more of the

other persons participating in a project to act as its agent, in connection with the planning, acquisition, construction, reconstruction, operation, maintenance, repair, extension of improvement of any project;

(7) to borrow money by the issuance of revenue bonds and to issue interim financing receipts or temporary notes in the manner prescribed by this act;

(8) to establish, revise and collect rates or charges for electric power and other energy and all other services, facilities and commodities sold, furnished or supplied by the agency;

(9) to acquire, hold, lease to and from and dispose of real or personal property which is necessary for the performance of its duties and the execution of its powers under this act and to exercise the power of eminent domain in accordance with the provisions of K.S.A. 26-501 to 26-516, inclusive, and amendments thereto, in order to construct, operate, maintain and manage electric generating and other energy facilities, power lines and other energy transmission facilities and ways of access between any member city and any electric power or other energy plant or any part thereof within this state, except in no event shall the agency acquire by condemnation any generation, transmission or distribution facilities of other electric utilities nor shall the generation, transmission or distribution facilities of the agency be subject to the exercise of the power of eminent domain by any utility, public or private, or by any municipality;

(10) to investigate the desirability of and necessity for additional sources and supplies of electric energy, and make studies, surveys and estimates as may be necessary to determine the feasibility and cost thereof;

(11) to cooperate with other persons in the development of sources and supplies of electric energy;

(12) to invest money of the municipal energy agency not required for immediate use, including proceeds from the sale of any bonds or notes, in such obligations, securities, and other investments as the municipal energy agency deems prudent, notwithstanding the provisions of any other law relating to the investment of public funds, subject to any agreement with bondholders or note holders;

(13) subject to the provisions of K.S.A. 12-897 and amendments thereto, to purchase, sell, exchange or transmit electric energy within and outside the state in such amounts as it determines to be necessary and appropriate to make the most effective use of its powers and to meet its responsibilities, and may enter into agreements with any person with respect to that purchase, sale, exchange or transmission, on such terms and for such period of time as its board of directors determines;

(14) to procure insurance against any losses in connection with its property, operations or assets in such amounts and from such insurers as

1 it deems desirable;

2 (15) to mortgage, pledge and grant a security interest in any or all of
3 its real and personal property to secure the payment of its bonds, notes
4 or other obligations or contracts;

5 (16) to pay to each taxing authority within whose taxing jurisdiction
6 its property is situated, in lieu of taxes on its property, the amounts of the
7 taxes which would be payable if its property were owned by a private
8 person, and for this purpose the property of a municipal energy agency
9 shall be valued and assessed in the same manner and by the same proce-
10 dure as the property of public utilities; ~~and~~

11 (17) to finance a state purchase from the retail supplier then provid-
12 ing such electric service to the state at the location where the electric
13 service is to be consumed; provided, however, that any: (A) Any such
14 financing shall be pursuant to written agreement between the state and
15 any affected utilities or persons granted certificated authority to provide
16 such electric service to the state pursuant to any state or federal laws; and
17 (B) the state purchase so financed must be a purchase from the retail
18 supplier certificated by the state corporation commission to serve
19 the location where the electric service purchased will be consumed;
20 and

21 (17) (18) to exercise all other powers not inconsistent with the con-
22 stitution of the state of Kansas or the United States constitution, which
23 powers may be reasonably necessary or appropriate for or incidental to
24 the effectuation of its authorized purposes or to the exercise of any of the
25 powers enumerated in this section, and generally may exercise in con-
26 nection with its property and affairs, and in connection with property
27 within its control, any and all powers which might be exercised by a nat-
28 ural person or a private corporation in connection with similar property
29 and affairs.

30 (b) Nothing in this act shall be construed as authorizing any municipal
31 energy agency created and operating under the provisions of this act to
32 construct, acquire or operate any coal gasification facility or any pipeline
33 for the transportation of coal slurry, and no such agency shall be author-
34 ized to construct, acquire or operate any coal gasification facility or any
35 pipeline for the transportation of coal slurry unless specifically authorized
36 by law.

37 Sec. 3. K.S.A. 12-897 is hereby amended to read as follows: 12-897.
38 No municipal energy agency created under this act shall be authorized
39 to enter into any agreement or contract for the direct sale of electricity
40 to any person other than to a member city of the agency or a utility
41 operating an electric generating system during the calendar year 1976.
42 The financing of a state purchase shall not be construed as a direct sale
43 of electricity within the meaning of this act.

1 Sec. 4. K.S.A. 12-898 is hereby amended to read as follows: 12-898.
2 No municipal energy agency created under this act shall be authorized
3 to levy taxes or to issue bonds which constitute a general obligation of the
4 member cities or ~~the their~~ residents thereof, ~~or of the state~~. Revenue
5 bonds issued under the provisions of this act shall not be deemed to
6 constitute a debt of the state or of any political subdivision or instrumen-
7 tality thereof other than the agency, but shall be obligations of the agency
8 only and shall be payable from the revenues of the agency as provided in
9 the trust agreement securing such revenue bonds.

10 Sec. 5. K.S.A. 12-899 is hereby amended to read as follows: 12-899.
11 (a) A municipal energy agency, without an election, may ~~from time to~~
12 ~~time~~ issue and sell its revenue bonds or notes in such principal amounts
13 as the municipal energy agency shall deem necessary to provide sufficient
14 funds for the acquisition or construction of any project to be owned or
15 leased, as lessor or lessee, by the municipal energy agency, or the acqui-
16 sition of any interest therein or any right to capacity thereof, ~~the financing~~
17 ~~of a state purchase~~, the funding or refunding of the principal of, or interest
18 or redemption premiums on, any bonds or notes issued by such agency
19 whether or not such bonds or notes or interest to be funded or refunded
20 have or have not become due, the establishment or increase of reserves
21 to secure or to pay such bonds or notes or interest ~~thereon~~, and the
22 payment of all other costs or expenses of the municipal energy agency
23 incident to and necessary for the issuance of such bonds or notes.

24 (b) Revenue bonds may be issued hereunder ~~from time to time under~~
25 ~~this section~~ and shall be authorized by resolution, and secured by a trust
26 indenture or other security agreement approved by the board of directors,
27 unless otherwise provided in the agreement creating the agency or the
28 bylaws of the agency. Such bonds may be term or serial bonds maturing
29 not later than ~~forty (40)~~ 40 years after date of issuance, may be subject
30 to redemption prior to maturity with or without premium, at such times
31 and upon such conditions as may be provided by the resolution, shall bear
32 a rate of interest not to exceed the maximum rate of interest prescribed
33 by K.S.A. 10-1009, and amendments thereto, and shall be in such form
34 and payable as determined by the board of directors. The board may sell
35 such bonds in such manner and for such price as it shall determine best.
36 Such bonds may be payable at any bank having trust powers or at any
37 trust company, within or without ~~outside~~ the state, and may be secured
38 by a trust agreement or other appropriate documents which provide for
39 the deposit and disbursement of funds through any such bank or trust
40 company.

41 (c) Revenue bonds issued hereunder may be issued in coupon or
42 registered form, or both, as prescribed by the resolution, trust indenture
43 or other security agreement, and provisions may be made for the regis-

1 tration of coupon bonds as to principal only or as to both principal and
 2 interest and for the reconversion of registered bonds into coupon bonds.
 3 Such bonds may be issued in any denomination or denominations. Such
 4 bonds and the coupons attached to coupon bonds shall be signed either
 5 manually or by facsimile signature, as shall be determined by the agency,
 6 and sealed with the seal of the agency or a facsimile thereof. In case of
 7 any officer whose signature or facsimile thereof appears on any bonds or
 8 coupons shall cease to be such officer before the delivery of such bonds,
 9 such signature or such facsimile signature shall nevertheless be valid and
 10 sufficient for all purposes as if such officer had remained in office until
 11 the delivery thereof. The agency may provide for the replacement of any
 12 mutilated, lost or destroyed bonds.

13 (d) Prior to the preparation of definitive bonds, the agency, under
 14 like restrictions, may issue interim receipts or temporary bonds, with or
 15 without coupons, exchangeable for definitive bonds when such bonds
 16 shall have been executed and are available for delivery.

17 (e) The resolution, trust indenture or other security agreement may
 18 pledge or assign, in whole or in part, the revenues and other moneys
 19 derived or to be derived by the agency from its system and any contract
 20 or other rights to receive the same, whether then existing or thereafter
 21 coming into existence, and whether then held or thereafter acquired by
 22 the agency, and the proceeds thereof, and may mortgage, pledge and
 23 grant a security interest in any or all of its real and personal property to
 24 secure the payment of the bonds.

25 (f) The board by appropriate resolution, trust indenture or other se-
 26 curity agreement shall make provisions for the payment of said bonds by
 27 fixing rates, fees and charges for electric power and other energy and all
 28 other services, sufficient to pay the costs of operation, improvement and
 29 maintenance of the electric power and other energy facilities, to provide
 30 adequate depreciation funds, to provide an adequate sinking fund to re-
 31 tire said such bonds, to pay the interest and principal thereon when due
 32 and to create reasonable reserves. The resolution, trust indenture or other
 33 security agreement may establish limitations upon the issuance of addi-
 34 tional revenue bonds and may provide that additional revenue bonds shall
 35 stand on a parity or otherwise as to the revenues of the agency and in all
 36 other respects with revenue bonds previously issued on such conditions
 37 as may be specified in such resolutions, trust indentures or other security
 38 agreements. Such resolution, trust indenture or other security agreement
 39 may include other agreements, covenants or restrictions deemed neces-
 40 sary or advisable by the board of directors to effect the efficient operation
 of the system, to safeguard the interest of the holders of the revenue
 bonds and to secure the payment of such bonds and the interest thereon.

43 (g) *The secretary of administration may, on behalf of the state, enter*

1 *into contracts with a municipal energy agency for a period not exceeding*
 2 *40 years to secure the financing of a state purchase.*

3 *New Sec. 6. The secretary of administration is authorized to*
 4 *enter into agreements with a municipal energy agency or the Kansas*
 5 *development finance authority to act as an issuer of bonds or other*
 6 *forms of indebtedness that are issued to provide funds to prepay for*
 7 *electric power and energy requirements of state agencies. Prepay-*
 8 *ment for electric power and energy requirements of state agencies*
 9 *is hereby approved for the purposes of subsection (b) of K.S.A. 74-*
 10 *8905 and amendments thereto.*

11 *Sec. 6 7. K.S.A. 12-886, 12-895, 12-897, 12-898 and 12-899 are*
 12 *hereby repealed.*

13 *Sec. 7 8. This act shall take effect and be in force from and after its*
 14 *publication in the statute book.*

January 30, 1996

Testimony Re: SB337
House Energy and Natural Resources Committee

Presented by: Robert W. Mills
Deputy General Manager
Kansas Municipal Energy Agency
General Offices: Overland Park, Kansas

Chairman Holmes and Members of the Committee:

I appreciate this opportunity to appear and offer testimony on SB337 on behalf of the Kansas Municipal Energy Agency.

KMEA was formed in 1980 by 32 Kansas municipalities that operate electric utility systems. The principle goal and service rendered by the Agency is to assist its member cities in securing economical and reliable electricity supplies and to develop other joint action activities and services that enhance the economic well-being of the members' utility systems. As agent, KMEA provides similar services, under contract, to an additional 26 municipal utility systems across the state.

I appear today on behalf of the KMEA membership in support for SB337 as adopted by the Senate Energy & Natural Resources Committee in the 1995 legislative session, as well as voice support for additional amendments that would extend the opportunity to all municipalities that operate an electric utility to become

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members of KMEA. Until the requirement that a city had to have operated a generating plant in 1976 to qualify for membership in KMEA is repealed, those municipalities are prohibited from attaining benefits from services and programs that full membership offers.

Additionally, this bill would authorize municipal energy agencies the opportunity to provide financing services to the state government for purchasing its electricity needs. By using the financing options permitted by the bill, the State could enter into arrangements with its electricity suppliers that would produce a savings and that would also be beneficial to the supplying utility.

The State is a substantial consumer of electricity. According to the Kansas Department of Administration, the State purchased electricity during fiscal year 1994 at a cost of \$31.6 million. Over the last ten years, annual electricity purchases have ranged between \$25.4 and \$31.5 million.

SB337 would provide the State a means to facilitate combining its electricity needs for planning, coordinating and financing long-term purchase agreements. Upon determination that an economic advantage would materialize from a pre-payment for future electricity needs, KMEA could coordinate the terms for

the purchases and provide financing by issuing Agency revenue bonds that would not require a pledge of the full faith and credit of the State. KMEA has experience and a track record in the municipal bond market, having successfully completed ten financings.

This bill would not obligate any party to enter into electricity purchase arrangements. Rather, it will offer a means to structure mutually beneficial methods for the purchase of electricity and then only upon approval by the State and by its current or other affected electric suppliers. Current authority granted the Kansas Corporation Commission over jurisdictional utility suppliers would not change.

The passage of this bill into law will enhance the capability of KMEA to assist more cities in their constant quest to provide their citizens with the highest quality of electrical service at the lowest possible cost. The additional ability to provide financing and coordinating services to lower electricity cost to the State will also benefit the Agency by lowering its administrative overhead to the membership.

Thank you for your attention and I will try to answer any questions you may have.

TESTIMONY ON SB 337

Before House Energy & Natural Resources Committee
January 30, 1996

Mr. Chairman, members of the committee, I am Louis Stroup, Jr., executive director of Kansas Municipal Utilities, Inc., a statewide association of municipal electric, gas and water cities which was founded in 1928 and whose member cities provide utility services to more than 1 million Kansans.

KMU SUPPORTS SB 337

KMU supports SB 337 as passed by the Senate Energy & Natural Resources Committee in 1995 and we also support the membership change amendments offered by Joe Norton, legal counsel for the Kansas Municipal Energy Agency.

KMU instigated the original KMEA legislation which was passed 19 years ago in the 1976 session to provide a useful **financing tool** for municipal electric generating cities and the changes being requested will enhance KMEA's benefits to all municipal electric cities. These amendments also could prove to be beneficial to the state of Kansas and other electric utilities providing energy within the state.

As we enter a new challenging era in the electric industry, we will need to be innovative and KMU feels this bill is a step in the right direction.

KMU urges your support of this measure and the proposed membership change amendments.

House Energy + Natural Resources
1-30-96
Attachment 3