

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Don Myers at 9:00 a.m. on January 30, 1998 in Room 514-S of the Capitol.

All members were present except: Rep. Mayans - excused

Committee staff present: Lynne Holt, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Rep. Carl Holmes, Chairman of Retail Wheeling Task Force
Larry Holloway, Chief of Electric Operations, KCC

Others attending: See attached list

Chairman Don Myers mentioned to the Committee that the Kansas Corporation Commission Report to the 1998 Kansas Legislature had been distributed to the members of the Committee. Staff distributed articles from the Kansas City Star about gas deregulation and gas prices as a follow-up to a series the paper had been run in the paper.

The Chairman mentioned that he will ask if there are any bill introductions and will request them later in the meeting.

Hearing on HCR 5035 - Resolution urging congress to leave deregulation of electric generation industry to the states

The Chairman recognized Representative Carl Holmes, who was the Chairman of the Retail Wheeling Task Force. Representative Holmes was asked if he wanted to speak to the Committee regarding **HCR 5035**. Due to the short notice he was given, Representative Holmes was unable to prepare written testimony. He mentioned that he supports the resolution very firmly and he believes every state should be given the opportunity to make their decision on retail wheeling without congressional interference. Questions and discussion followed. The Chairman thanked Representative Holmes for appearing before the Committee.

The Chairman asked the Committee if there were any bill introductions before continuing with the hearing on **HCR 5035**.

The Chairman recognized Representative Sloan who made a motion to request a Committee bill that would direct the Kansas Corporation Commission to deregulate the electric industry and allow customer choice. Representative Aurand seconded the motion. Motion carried. (8 yeas, 5 nays)

The Chairman recognized Representative McKinney who made a motion to introduce a Committee bill to cap the universal service fund rates, not a freeze, at current levels through January 1, 2000. Representative Burroughs seconded the motion. Motion carried.

There were no further bill introductions.

Hearing continued from earlier in the meeting on HCR 5035 - Resolution urging congress to leave deregulation of electric generation industry to the states

The Chairman noted that there were no proponents nor opponents scheduled to appear before the Committee regarding **HCR 5035** and he asked if anyone present would like to speak. There were none.

The Chairman introduced Mary Ann Torrence, Staff, Revisor of Statutes Office, who briefed the Committee on **HCR 5035**. Questions and discussion followed. During discussion Representative McClure asked Staff if any other states had introduced a similar resolution. Staff mentioned that they will look into it.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 514-S Statehouse, at 9:00 a.m. on January 30, 1998.

The Chairman noted that the Kansas Corporation Commission had come to testify as a neutral conferee. He recognized Larry Holloway, Chief of Electric Operations for the Kansas Corporation Commission. Mr. Holloway mentioned that his presentation was on behalf of the Staff of the Kansas Corporation Commission. (Attachment #1) The Chairman thanked Mr. Holloway for appearing before the Committee.

The Chairman recognized Representative McKinney who made a motion to report HCR 5035 favorable for passage. Representative Burroughs seconded the motion. Discussion and questions followed. During the discussion and questions, the Chairman recognized Representative Kuether who mentioned that she had requested an Attorney General's opinion the past summer as to whether or not the federal government can mandate as to where to do retail wheeling, and while there are no federal laws passed, the Attorney General's office could not render an opinion. She further mentioned that there is a court case that does back up that the state can refuse a federal mandate. Representative Kuether offered to bring a copies of the report to the Committee and the Chairman agreed it might be a good idea. The Chairman recognized Representative McKinney who moved his motion and emphasized that the purpose of the resolution is to let the feelings the Committee has be made known to Congress. Motion carried. The Chairman asked Representative McKinney to carry **HCR 5035**.

The meeting was adjourned at 9:45 a.m.

The next meeting is scheduled for February 3, 1998.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 30, 1998

NAME	REPRESENTING
ED SCHAUB	WESTERN RESOURCES
Eunice Lehman	Western Resources
Dick Carter Jr.	ENRON
Larry Hollaway	KCC
BRUCE GRAHAM	ICEPCo
Jon Miles	KEC
Larrie Ann Brown	KS GOVT Consultants

**BEFORE THE HOUSE UTILITIES COMMITTEE
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION STAFF ON
HOUSE CONCURRENT RESOLUTION NO. 5035**

Good morning. My name is Larry Holloway and I am Chief of Electric Operations for the Kansas Corporation Commission. My testimony is presented on behalf of the Staff of the Kansas Corporation Commission. As you are aware, the Commission has an open docket on electric industry restructuring. The Commission, as a quasi-judicial body, has not heard evidence on the policy issues incorporated in this bill. Because some of the policy issues discussed in this testimony may be addressed later by the Commission in the open docket, it would be inappropriate for the Commissioners to publicly comment on this bill.

Commission Staff agrees that the decision of whether, when and how to implement retail competition should be left to the policy makers in each individual state. However, Commission Staff does believe that federal action is needed to create a level playing field for wholesale, interstate electric markets. Staff agrees that Congress should be encouraged to restrain itself to issues involving promotion of wholesale competition, establishing legislation enabling states to find regional solutions to regional issues, and maintaining the national and international reliability of the North American electric system. Staff believes the following are examples where congressional intervention may be desirable.

- Congressional action may be needed to give the Federal Energy Regulatory Commission (FERC) authority over all transmission owning utilities to ensure full wholesale competition. Currently FERC does not have jurisdiction over transmission facilities owned and operated by public entities such as Cooperatives, Municipals, Public Power Districts or federal power administrations such as Bonneville Power Administration (BPA), Tennessee Power Authority (TVA), Southwestern Power Administration (SWAPA) and others. State jurisdiction over these entities is limited, and as a practical matter where state regulatory authorities do have jurisdiction, implementing anything but the FERC standards is often difficult.
- Establishing competitive wholesale markets through such entities as transmission Independent System Operators (ISOs) will require regional regulatory solutions. Congressional action may be needed in the future to grant states the authority to enter into these regional regulatory agreements.
- In the past, complying and adopting reliability criteria has been completely voluntary within the electric industry. As wholesale competition increases, and as some states permit retail competition, voluntary cooperation between competing utilities will likely decrease. Ensuring the continued reliability of the North American Electric system may require Congress to enact legislation to grant federal regulators more authority to enforce industry reliability criteria. Additionally, because the American and Canadian electric systems are interconnected, Congressional action may be required for international reliability criteria.

House Utilities
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Attachment 1