

Approved: March 6, 2001 *Carl Dean Holmes*
Date

MINUTES OF THE JOINT MEETING OF THE HOUSE COMMITTEE ON UTILITIES AND THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Taxation Committee Vice-Chairman David Huff at 9:11 a.m. on February 13, 2001 in Room 313-S of the Capitol.

All members were present.

Committee staff present: Lynne Holt, Legislative Research
Jo Cook, Committee Secretary

Conferees appearing before the committee:

Others attending: See Attached List

Utilities Chairman Carl Holmes addressed the joint meeting by discussing energy issues both in the United States and the state of Kansas. Chairman Holmes distributed a chart showing the estimates of the U.S. energy supplies for the next century (Attachment 1). He next discussed the charts showing the natural gas production and consumption in Kansas from 1960 to 2000 and the gas production from the Hugoton area (Attachment 2). Also distributed and discussed were spreadsheets showing the estimated amount of natural gas consumption and electricity demands for the state through 2010 (Attachments 3 and 4). Chairman Holmes also explained each of the Utilities Committee bills (Attachment 5) currently being addressed, pointing out that several of them had been dually referred to both the Utilities and Taxation Committees.

Rep. Tom Sloan, Utilities Committee Vice-Chairman, spoke to the committees about two bills and one resolution that were introduced, by the Utilities Committee, to help reduce demand on the supply of electricity (Attachment 6). Rep. Sloan explained that **HB 2323** will provide tax exemptions to consumers who purchase and install appliances that meet the federal Energy Star program requirements. This bill has been referred to the Taxation Committee. He next talked about **HB 2477**, which provides a tax credit to a taxpayer who purchases and installs ceiling insulation to an R-49 or greater value. Finally, Rep. Sloan explained the need for **HCR 5013**. This resolution would put a constitutional question to the voters regarding the reduction of the property tax assessment rate for utilities.

Rep. Annie Kuether provided an in-depth explanation (Attachment 7) of **Substitute HB 2244**, which establishes the Kansas Energy Resources Coordinating Council and is scheduled to be debated on the House floor later in the day. Also addressing the joint committees on **Sub HB 2244** was Rep. Ward Loyd.

Rep. Gene O'Brien spoke to the need of an energy plan addressing the use of coal.

Representatives Holmes, Sloan, Kuether and Loyd responded to questions from the committee members.

The meeting adjourned at 10:34 a.m.

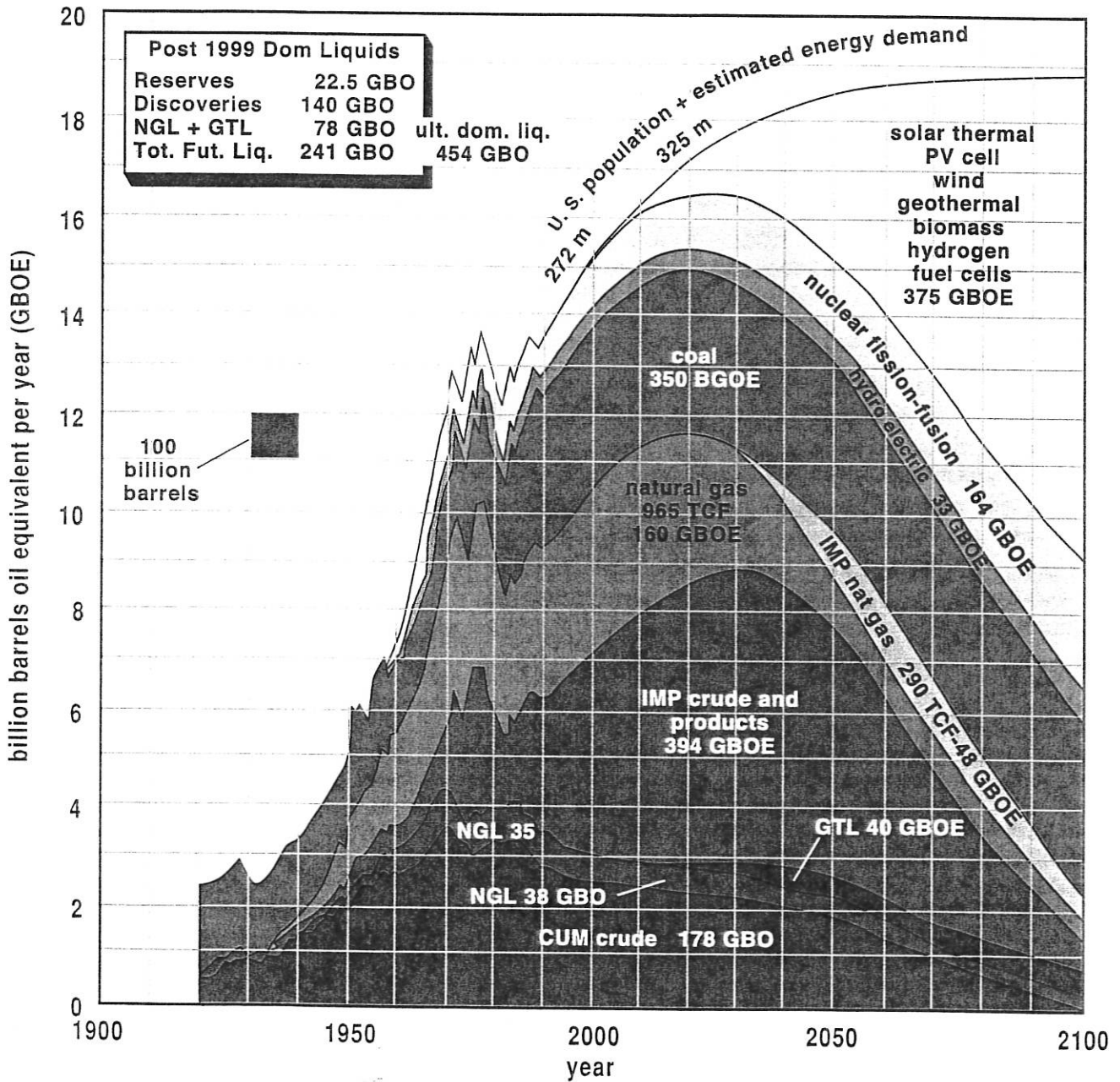
The next meeting will be Wednesday, February 14, 2001.

JOINT MEETING
HOUSE COMMITTEES ON TAXATION & UTILITIES
GUEST LIST

DATE: _____ February 13, 2001 _____

NAME	REPRESENTING
Denny Koch	SUN Belt
Hal Hudson	NEIB/KS
Jon Miles	KEC
Cynthia Smith	KCPL
Mike Reecht	KCPL/ATT
Kelly Kuitala	City of Overland Park
Bernie Koch	Wichita Area Chamber
Shaly Allen	Bottenberg & Assoc.
Larry Deeman	LKMJ
Dan Heister	WR
George Peterson	Ks Taxpayers Network
Richard Ann	KDOR
Jack Graves	RH - Qry, Kinder Morgan - Uche
Bruce Juree	BOEING
Bill Henry	KS Gov. Consulting
Martin Hoover	Hoover's Capitol Report
Sandy Braden	Yacovis, Braden Barber & Assoc.
Tom Day	KCC

Estimates of 21st Century United States Energy Supplies Billion Barrels Oil Equivalent



HOUSE UTILITIES

DATE: 2-13-01

ATTACHMENT 1

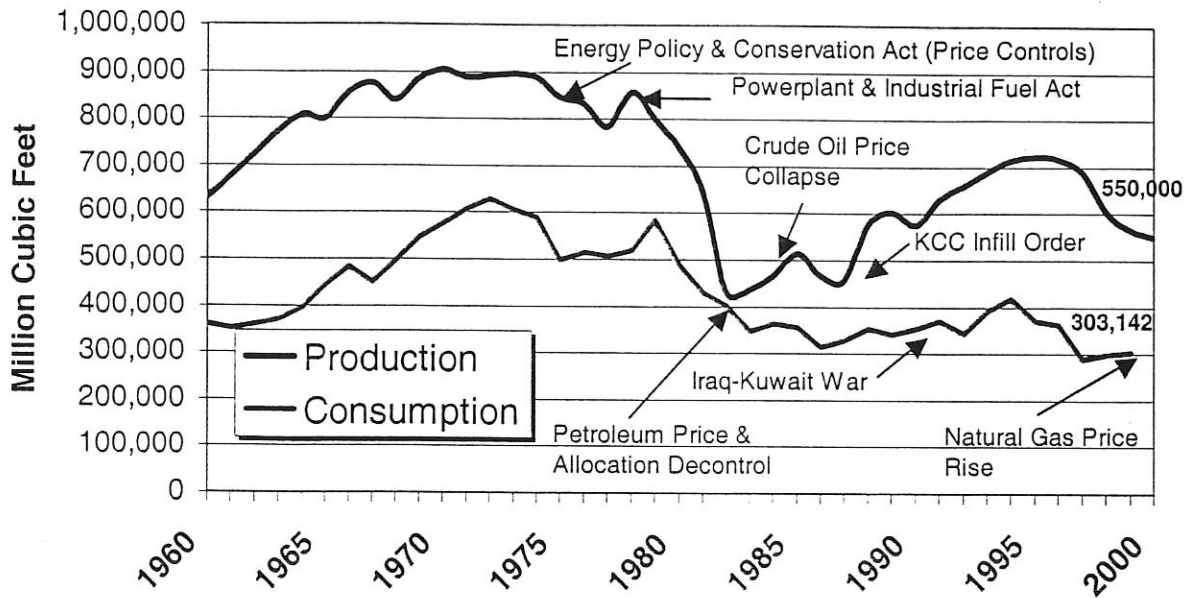


Figure 21 - Kansas natural gas production and consumption, 1960-2000, with major national and international events that affected both production and consumption.

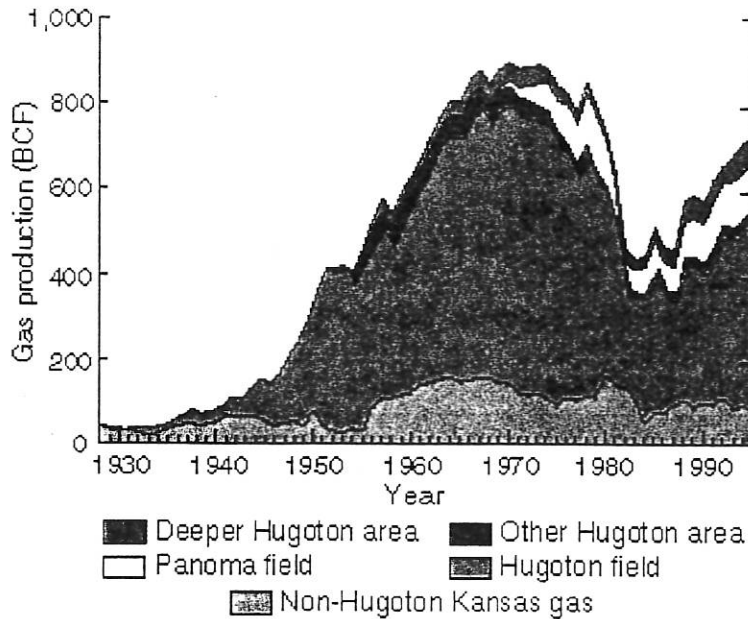


Figure 22 - Gas production in Kansas showing the importance of production from gas fields in the Hugoton area. (BCF = billion cubic feet of gas). Chart from Kansas Geological Survey, Public Information Circular 5, http://www.kgs.ukans.edu/Publications/pic5/pic5_1.html.

HOUSE UTILITIES

DATE: 2-13-01

ATTACHMENT 2

Kansas Electric Demand Through 2010

ATTACHMENT 3
DATE: 2-13-01
HOUSE UTILITIES

Total Kansas SPP Forecasted Net Internal Peak Demand in MW											
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	*2010
Totals	7,463	7,735	7,900	7,979	8,149	8,314	8,498	8,687	8,874	9,065	9265
Annual increase		3.6437%	2.1329%	0.9981%	2.1273%	2.0237%	2.2100%	2.2308%	2.1532%	2.1517%	

Average increase in demand from forecasts 2.1857%

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2.5% increase predicted by SPP	7,463	7,650	7,841	8,037	8,238	8,444	8,655	8,872	9,093	9,321	9,554
1 % above average forecast	7,463	7,701	7,947	8,200	8,461	8,730	9,009	9,296	9,592	9,897	10,213
1% below average forecast	7,463	7,552	7,641	7,732	7,824	7,917	8,010	8,105	8,201	8,299	8,397

* [projected by taking average increase from 2000 forecast]

- 120 -

Kansas Natural Gas Consumption Through 2010

ATTACHMENT 4
 DATE: 10-31-20
 HOUSE UTILITIES

Extrapolated Kansas Natural Gas Usage in Million Cubic Feet based on National Forecast												
Time Period	1995 to 1999 Average	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Overall Consumption	340,116	346,238	352,471	358,815	365,274	371,849	378,542	385,356	392,292	399,353	406,542	413,859
Electric Utility Consumption	29,832	31,115	32,452	33,848	35,303	36,821	38,405	40,056	41,779	43,575	45,449	47,403

Extrapolated Kansas Natural Gas Usage in Million Cubic Feet based on Regional Forecast												
Time Period	1995 to 1999 Average	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Overall Consumption	340,116	345,558	351,087	356,704	362,412	368,210	374,102	380,087	386,169	392,347	398,625	405,003
Electric Utility Consumption	29,832	30,190	30,673	31,164	31,662	32,169	32,683	33,206	33,738	34,278	34,826	35,383

HOUSE UTILITIES COMMITTEE BILLS

1. **Sub HB 2244:** Establishes the energy resources coordinating council to formulate a state plan for coordination of the management, conservation and development of energy in the state (on general orders)
2. **HB 2245:** Creates incentives to generate electricity using renewable resources; requires public utilities, municipal utilities and cooperatives to enter into parallel generation contracts with generators that generate using renewable resources; requires certain provisions be included in the contracts; establishes income tax credits for either the generator or the utility
3. **HB 2266:** Creates incentives for construction of coal-fired merchant power plants and large electrical transmission lines; provides for exemption of merchant plants from KCC regulation, issuance of bonds to pay costs of pollution control devices for the plants and classification of the plants as commercial and industrial property for property tax purposes; provides a 10-year exemption from property tax for merchant plants and 345+ KV transmission lines; provides the same incentives for a merchant plant that uses natural gas for generation if the plant is used only to provide back-up power for a generation facility using renewable energy resources
4. **HB 2267:** Provides incentives for public and private accredited K through 12 schools to produce power using wind generation; requires public utilities, municipal utilities and cooperatives to enter into parallel generation contracts with schools using wind generation; requires certain provisions be included in the contracts; makes it clear that schools may pay for wind generators from capital outlay funds and may issue bonds and levy a tax for that purpose
5. **HB 2268:** Creates incentives to build coal-fired generation facilities; allows the cost of construction work in progress (CWIP) to be included in a utility's ratebase; authorizes issuance of bonds to pay costs of pollution control devices; provides an exemption from property tax for 10 years
6. **HB 2323:** Provides sales tax exemption for sales of certain energy efficient appliances (referred to Taxation Committee)
7. **HB 2475:** Requires consideration of life cycle costs during the design phase of renovation or construction of state buildings
8. **HB 2477:** Provides an income tax credit for the cost of bringing building insulation up to an R-49 rating; caps the credit at \$100 or 30% of the cost, whichever is less
9. **HCR 5012:** Urges cities and counties use the increase over last year's revenues from natural gas franchise fees (those based on gross receipts) to provide funding for attic insulation in residential and commercial buildings and government-owned buildings, including school buildings, to bring the insulation up to an R-49 rating
10. **HCR 5013:** Proposes constitutional amendment to assess public utility property at 25% rather than current 33%
11. **HCR (not introduced yet):** Requests utilities to make two-year loans for attic insulation to customers who are on a level payment plan

HOUSE UTILITIES

DATE: 2-13-01

ATTACHMENT 5

STATE OF KANSAS

COMMITTEE ASSIGNMENTS
VICE-CHAIR: UTILITIES
MEMBER: ENVIRONMENT
HIGHER EDUCATION
KANSAS FUTURES

TOM SLOAN
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TOPEKA

HOUSE OF
REPRESENTATIVES

**TESTIMONY
HOUSE BILL 2323, HOUSE BILL 2477 AND
HOUSE CONCURRENT RESOLUTION 5013
Energy Demand Reduction Incentives**

February 13, 2001

Mr. Chairman, Committee Members:

During my previous appearances before you, I spoke about Utilities Committee efforts to increase the supply of electricity generated in Kansas. Today, I will present information on several bills introduced to reduce demand.

HB 2323 will provide tax exemptions to consumers who purchase and install appliances that meet the federal Energy Star program requirements. The Energy Star program recognizes the appliances (washers, refrigerators, air conditioners) that rank in the top five percent of all such appliances for energy efficiency. It is important to point out that the provisions of this bill will also apply to landlords who install such appliances in their rental properties.

HOUSE UTILITIES

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ATTACHMENT 6

HB 2477 provides a tax credit equal to 30 percent or \$100, whichever is less, to a taxpayer who purchases and installs ceiling insulation to an R-49 value or greater. This is the level of insulation protection recommended for Kansas. Ceiling insulation is specified because, as you recall from physics classes, heat rises. Insulating ceilings will result in more heat being retained in the building, with less energy being needed to maintain the desired internal temperature.

The Utilities Committee believes introduction of these bills is warranted because it is more cost effective to, on a one-time basis, reduce the demand for energy in a home than to continually try and assist people to pay their bills.

HCR 5013 would put a constitutional question to the voters regarding reducing the property tax assessment rate from 33 percent to 25 percent. All other commercial property is assessed at 25 percent of its appraised value.

The Department of Revenue reports that passage of this amendment would result in a tax shift of approximately \$65 million from utilities companies (telecommunications, electric, natural gas, and railroads) to other property classes. The Department of Revenue estimate assumes that local

6-2

and State government expenditures will not decrease by \$65 million, hence the shift.

Utility companies have complained for many years that this hidden form of taxation hurts them in a competitive marketplace with out-of-state companies that have a less onerous taxation system.

Because of the monetary size of such a tax shift, it is unlikely that HCR 5013 will receive serious consideration unless it is significantly modified. Without prejudging the merits of this proposed constitutional change, two possible ways of mitigating the effect of reducing utility company assessments are:

1. "Freezing" utility company tax payments at today's level until the taxes owed at 25 percent assessment "grow" to today's amount; and
2. Reducing the assessment rate from 33 to 25 percent over eight years.

Both options would prevent any drastic shift of property tax liabilities.

Tom Sloan
Representative - 45th District

6-3

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TOPEKA

HOUSE OF
REPRESENTATIVES
February 13, 2001

COMMITTEE ASSIGNMENTS

RANKING MINORITY MEMBER: NEW ECONOMY
MEMBER: HIGHER EDUCATION
UTILITIES
GENERAL GOVERNMENT & HUMAN
RESOURCES BUDGET
KANSAS, INC. BOARD OF DIRECTORS
NCSL: COMMERCE AND COMMUNICATION
ON FEDERAL AFFAIRS
JOINT COMMITTEE ON NEW ECONOMY
CHAIR: SHAWNEE COUNTY LEGISLATIVE
DELEGATION, 1999, 2000, 2001

Joint Hearings with Taxation and Utilities Committees

Substitute HB 2244 is the result of hearings by the Special Committee on Utilities that were held this summer and fall.

We are all aware of the energy crisis in California. We all relate to the crisis with natural gas prices as we struggle to pay our monthly bills. In light of this and the lack of any state or federal energy plan, I present to you Substitute for HB 2244.

1. HB2244 establishes the Kansas Energy Resources Coordinating Council to formulate and update, annually, a comprehensive state energy plan.
2. The recommended plan would be designed to coordinate the management, conservation, and development of the state's energy resources. Develop beneficial policies concerning other natural resources. ie:(wind, solar).
3. Creates a 20-member council(with staff), nine of whom would be appointed by the Governor. These would include:
 - a) Energy economist on the faculty of a Kansas Regents' institution
 - b) Three energy consumers, such as small business owner.
 - c) Member representing oil producers
 - d) Natural gas producer
 - e) Investor-owned electric generator
 - f) Rural electric cooperative
 - g) Electric generator using renewable resources
 - h) Chairs, Vice-Chairs and Ranking Minority members from the House and Senate Utilities Committees
 - i) Secretary of Housing and Commerce or designee
 - j) Secretary of Administration or designee
 - k) State Geologist or designee
 - l) Chair of the KCC (Kansas Corporation Commission)
 - Consumer Counsel of CURB (Citizens' Utility) Ratepayer Board or designee

Staff would be from the legislative staff and technical and clerical support from the KCC.
4. Funding is subject to appropriations. Expenditures for the Council's operations must be approved by the Chairperson of the Council.
5. Take effect after publication in the Kansas Register.

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HOUSE UTILITIES

DATE: 2-13-01

ATTACHMENT 7