

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on March 21, 2001, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list.

The minutes of the March 19, 2001, meeting were approved.

HB 2245—Concerning certain parallel electric generation services.

Chairman Corbin noted that **HB 2245** was heard and amended by the Senate Utilities Committee and was referred to the Assessment and Taxation Committee on March 20. Senator Clark, Chairman of the Utilities Committee, pointed out that there is an identical bill on the floor of the Senate which has not yet been worked.

Chairman Corbin called attention to written testimony in support of the concepts in **HB 2245** submitted by Leslie Kaufman, Kansas Farm Bureau. (Attachment 1)

Dick Rohlfs, Western Resources, Inc., testified in support of **HB 2245**, which would provide a payment to small power producers using renewable technologies such as wind and solar generation. He explained that the payment would be 150 percent of the utility's monthly system average cost of energy and would be paid to the customer depending on the size of the unit installed and whether the customer is residential or commercial. He went on to discuss the Public Utility Regulatory Policies Act (PURPA), which was enacted in 1978 to assure fair and equitable treatment for renewable generators and that payment is provided them at no more than "avoided cost," defined as the incremental cost of electric energy which the utility would have to generate or purchase from another source. Mr. Rohlfs called attention to an attachment to his written testimony which includes an example of the current calculation of "avoided cost" and a comparison of the 150 percent calculation as it relates to Western Resource's KPL division. He pointed out that **HB 2245**, as currently written, has no fiscal note because there is no tax credit, rather the payment would be from the utility to the renewable generator. (Attachment 2)

For informational purposes, Senator Clark asked Mr. Rohlfs to discuss the Bowersock Dam in Lawrence, which is a 2 to 2.5 megawatt or 2,000 to 2,500 kilowatt hydro facility run of the river. In 1980-81, the Kansas Corporation Commission determined that, for any facility over 100 KW, the utility and renewable generator were to negotiate a contract based on the avoided cost at that time. Western Resources has been operating under that framework with Bowersock Dam since 1992. He confirmed that Bowersock would not benefit from the provisions of **HB 2245**.

There being no others wishing to testify, the hearing on **HB 2245** was closed. Senator Clark noted that there were no tax implications in the bill after it was amended by the Utilities Committee.

HB 2266—Concerning certain electric generation facilities; relating to regulation and taxation.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:50 a.m. on March 21, 2001, in Room 519-S of the Capitol.

Senator Clark informed the Committee that **HB 2266**, as amended by the Utilities Committee, is identical to **SB 177**, which was passed by the Senate last week on a vote of 38 to 2. He explained that **HB 2266** was passed out of the Utilities Committee for the purpose of providing a conference committee bill. With this, the hearing on **HB 2266** was closed.

Senator Clark moved to recommend **HB 2245**, as amended by the Senate Utilities Committee, favorably for passage, seconded by Senator Lee. The motion carried.

Senator Clark moved to recommend **HB 2266**, as amended by the Senate Utilities Committee to insert **SB 177**, favorably for passage, seconded by Senator Donovan. The motion carried.

The meeting was adjourned at 11:05 a.m.

The next meeting date is to be announced.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: March 21, 2001

NAME	REPRESENTING
<i>Dick F. Rohlf</i>	<i>Western Resources</i>
<i>Jim Ludwig</i>	" "
<i>Larry Kleeman</i>	<i>LKM</i>
<i>BILLYANEK</i>	<i>KS Assn of REALTORS</i>
<i>Don Hottel</i>	<i>WR</i>
<i>Karl Peterjohn</i>	<i>KS Taxpayers Network</i>
<i>Jakub Col</i>	<i>Sen Tyson Office Staff</i>
<i>John Lutzolt</i>	<i>CITY OF SEDGEE</i>
<i>Doug Smith</i>	<i>Pinegar-Smith Company</i>
<i>Bill Brady</i>	<i>KS GOV'T Consulting</i>
<i>J.C. Long</i>	<i>UtiliCorp United Inc.</i>
<i>Jack Graves</i>	<i>Wabe - P.H. KM City</i>
<i>TOM DAY</i>	<i>KCC</i>
<i>Patrick Whurley</i>	<i>KCPH</i>
<i>Jana Johnson</i>	<i>KDOR-PVD</i>
<i>Scott Anglemeyer</i>	<i>KDOC#H</i>
<i>Richard Crum</i>	<i>KDOR</i>



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT & TAXATION

RE: HB 2245 – parallel electricity generation from renewable fuels

**March 21, 2001
Topeka, Kansas**

**Presented by:
Leslie J. Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Corbin and members of the committee, thank you for the opportunity to present comments on behalf of Kansas Farm Bureau's farmer and rancher members across the state and share our support for concepts contained in HB 2245. I am Leslie Kaufman and I serve KFB as Associate Director of Public Policy.

The voting delegates at our 82nd Annual Meeting, who are agricultural producers, reaffirmed and strengthened our commitment for initiatives that can increase renewable fuel use. Kansas Farm Bureau has long been a supporter of crop-based renewable fuels. This past summer, our focus expanded beyond the crop-based fuels to include wind energy, through our co-sponsorship of a wind energy conference.

In November, our members adopted new language urging the legislature, governor and appropriate agencies to examine wind as a renewable energy source and develop a plan that encourages wind generation in Kansas. We commend the legislature for considering this, and other proposals, to encourage the development of wind and other renewable electricity generation.

We believe the work you are doing fits with the concepts of our policy encouraging the growth of wind generation in Kansas. While there may be other approaches that are valid, as well, HB 2245 can be a catalyst for renewable energy development in Kansas.

Thank you.

*Senate Assessment & Taxation
3-21-01
Attachment 1*

Testimony of
Dick F. Rohlfs
Senior Manager, Regulatory Requirements
Western Resources, Inc.

On
House Bill No. 2245
March 21, 2001

The bill will provide a payment to small power producers using renewable technologies (wind, solar, etc.). A payment of 150% of the utilities monthly system average cost of energy would be paid to the customer depending on the size of the unit installed and if the customer is residential or commercial.

Permit me to provide all of you some background on PURPA. In 1978 PURPA was passed as part of a comprehensive national energy policy. PURPA was designed to encourage cogeneration and renewable energy. It required utilities to purchase the excess energy at no more than the utility's avoided cost. In 1981 and 1982, the Kansas Corporation Commission examined and considered evidence on the rate to be paid cogenerators for their power. (Docket No. 115,379-U). In accordance with PURPA, avoided cost of electric energy was defined as the incremental cost of electric energy, which the utility would have to generate or purchase from another source, if it did not buy from a cogenerator. The KCC found that since Kansas electric utilities bill their customers based on average embedded cost for energy, cogenerators should be paid on the same basis. Cogenerators can request to be reimbursed at the utility's incremental rate provided that the extra cost of metering is paid for by the cogenerators.

The definition of avoided cost of energy can include adjustments to the cost of energy. The KCC considered the cost of avoided capacity in their decision making. While this component is controversial, the KCC ruled that some capacity credit shall be included in the payment to cogenerators. This part of the KCC's ruling was challenged in court.

*Senate Assessment & Taxation
3-21-01
Attachment 2*

The court found that the KCC's decision to include a credit for capacity exceeded avoided cost if a utility had excess capacity.

The final component part of avoided cost is the losses in the transmission and distribution system. The KCC ruled that utilities would avoid some losses of energy in their transmission and distribution system. While the amount of line losses avoided was unknown the KCC found that a credit equal to 50% of each utilities average line loss be provided to cogenerators.

I have attached a simple example of the current calculation and a comparison of the 150% calculation as it relates to Western Resources' KPL division. Finally, HB 2245 has no fiscal note as it is currently written.

Western Resources, Inc.
 Calculation of Avoided Cost
 for the KPL system

1 Average cost of fuel	\$0.013410	January 2001
2 Capacity credit	\$0.002680	
3 sub - total	\$0.016090	
4 Line loss credit @ 3.6%	\$0.000579	
5 Total payment	\$0.016669	

KPL's average cost of fuel in 2000 ranged between \$0.01137 (Jan) and \$0.01981 (July).
 KPL's average for the year 2000 was approximately \$0.016 to \$0.017 per kWh

Current tariff applies to payments to small power producers of 100 kW or less
 Larger power producers contract with the utility.

Example of 150% of monthly system average cost of energy

	Low	Mi point	High
Average cost of fuel	\$0.011370	\$0.016500	\$0.019810
150% of avg cost of fuel	\$0.017055	\$0.024750	\$0.029715