

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: JANUARY 18, 2001

NAME	REPRESENTING
Joe White	KCC
Larry Holloway	KCC
Joe Duke	KCKBPU
PHIL HURLEY	PAT HURLEY & CO.
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Whitney Damon	KS Gas Service
Steve Miller	Sunflower
Bob	Helm/Wir
J.P. SMALL	EXXON MOBIL
Don K. Miles	KCC
W. H. H. H.	WR
Denny Koch	PNM
JOHN C. BOTTENBERG	West. Res.
Jeff Wacaman	KCC
Cynthia Smith	KCPL
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NIKI CHRISTOPHER	CURB
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SCOTT SUMNER	GBBA

Timothy Graham
 Amy Campbell
 JC Jones

Hensley Staff
 Madness Energy
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SENATE UTILITIES COMMITTEE GUEST LIST

DATE: 1/18/01

NAME	REPRESENTING
Kellera Reed	KDA
Susan Cunningham	KCC
James G. Flaherty	Greely Gas Co.
Bob Anderson	Amos
Ben Boyd	Greely Gas Co.

What would we like to see in a bill to encourage a coal power plant to be built in Kansas

1. Proposed public policy objectives:
 - a. Promote job creation in power generation, construction and transportation industries in Kansas
 - b. Ease of market entry for new, competitive supplies of power.
 - c. Encouragement of fuel diversification.
 - d. Encourage development of transmission infrastructure to reliably deliver power to customers.
 - e. Promote lower prices for utilities and their retail and wholesale customers by encouraging innovation and an active market for new power supplies
 - f. Promote Kansas as a location for clean, electricity manufacturing plants for export of electricity to other states as well as for local consumption

2. Long term property tax abatement is absolutely essential. Kansas, unfortunately, isn't competitive with other states in this area. In Missouri, we did a Chapter 100 bond deal with Cass County to enable them to own the plant; we negotiated a Payment in Lieu of Taxes for 27 years. We were able to negotiate a deal with the county that wanted us, without state oversight. In other states -- Arkansas law provides for similar treatment; we got comparable results in Illinois; Iowa has replaced property taxes on [new?] power plants with a generation tax.

The capital cost for a coal plant is much larger than for a comparably sized gas-fired plant (~\$1100-\$1200/kW for coal vs. \$550-\$600/kW for combined cycle and \$375-\$420/kW for gas-fired peaking plants). This means that a 600 MW coal plant would cost \$660 to \$720 million. By comparison, the Aries Power Plant in Pleasant Hill will cost ~\$275 million. So, while this is a huge issue for developers for gas-fired plants, its even a larger issue for coal plant developers.

3. Removal of the requirement for the KCC to certify a merchant power plant. My understanding is that this was achieved last year with repeal of the generation siting act.
4. Transmission line siting
 - a. Granting developers the power of eminent domain for transmission lines is a very good thing, as long as there are tight time limits for the KCC to certify the line. If developers build/own the line, so that the cost responsibility is not borne directly by utility ratepayers, approval should be virtually automatic. Also, if the cost of the facility is included in the

price of a power supply contract to a utility that is obtained through competitive bidding, KCC approval should also be encouraged.

- b. I'd like to see the bill encourage development of transmission line infrastructure. That's critical in any state, and Kansas is no exception. Suggestions include granting public utilities the right to use railroad right-of-ways for placing transmission lines (as long as they do not interfere with rail line operations and the land has not reverted back to landowners after abandonment), regardless of whether easements are restricted to rail line use only. We're doing a project in one state that has this provision in state law, and it has literally made the difference on whether we do the project. It allowed us to take advantage of existing infrastructure, minimize the impact to the surrounding community (we want to avoid impacting any farmer's pivot irrigation system), and get easements quickly.
 - c. We'd also like to see the bill allow transmission lines to use county road/state highway right-of-ways, with the explicit provision that if the county/state ever decides to widen the highway that relocation of the line will be at the transmission line owner's expense. The railroad and road provisions will provide a lot of easements, and minimize the need for new routes that necessarily go cross-county.
 - d. If easements for the line can be acquired without condemnation, no KCC certification should be required. The concept here is that if willing buyers and sellers agree on easements, without use of condemnation rights, the state government doesn't need to interfere.
5. Rail line power of eminent domain should be granted for private rail spurs. The state should encourage rail interconnections to multiple rail carriers to promote competitive coal transportation rates. The cost of rail transportation/ton of coal is much larger than the price f.o.b. railcar of Power River Basin coal from Wyoming, and many coal plants that are captive to a single railroad have, over the years, paid rail rates that are well above prevailing levels where rail competition existed. That costs ratepayers money.
 6. Consider requiring competitive bidding by public utilities for all new long-term power supplies. If bidding, evaluation and award is done quickly and efficiently, it will provide equal treatment for suppliers and best prices for utilities and their ratepayers. If done with too much regulatory oversight and process, however, results can turn out badly. Colorado is an example of regulatory overkill, with much too deliberative a process and a lack of any sense of urgency. If Denver and the Front Range doesn't get new plants on line in time, it could get ugly soon.

7. Environmental laws -- no change. They're the law; and driven at the federal level.
8. Zoning laws -- no change. They're local, and allow a community to decide whether they want a large project or not. They're painful for developers to go through, but they're good public policy.
9. Missouri provides a sales tax exemption for manufacturing equipment. If Kansas doesn't also do this, it should.

Senate Utilities Committee
January 18, 2000

Major Policy Issues Over the Next Four Years - Kansas Corporation Commission

- Electric Restructuring

Many states have taken the initiative to restructure the electric industry, however there has also been several federal legislative initiative introduced and considered over the last few years. While the first question Kansas lawmakers must answer is if there is a need for electric restructuring in Kansas, there must also be a continuing awareness of Congressional activity on this issue. Additionally if the legislature decides to move forward in Kansas it must determine how and when Kansas will implement electric restructuring.

- Property Taxes for Electric Generators

Many have speculated that the higher assessment for electric utility property in Kansas has caused electric generation projects to be constructed elsewhere. While many generation projects constructed today are done by nonutility entities, they are still assessed and taxed as utility property in Kansas. The policy of taxing these nonutility assets similar to utility property is likely to remain an issue.

- Electric Transmission Siting

New high voltage transmission lines still require siting permits by the Kansas Corporation Commission. Even lines that do not require siting permits encounter tough local opposition. Nonetheless new transmission lines are needed to provide reliable access to the wholesale power markets in the region.

- Renewable Energy

Policy regarding subsidies to renewable energy sources will undoubtedly remain an issue into the near future. Proposals are likely to take the form of tax credits, net metering, and minimum generation portfolios.

- Low Income Assistance

Increasing volatility in the cost of natural gas and electricity may raise the policy issue of how to assure that low income residents can continue to receive utility service.

- Economic Development

Utilities have traditionally been granted tariffs to encourage economic development through lowered rates for new or expanding businesses. Additionally many large customers have been granted discounted rates when the alternative was moving out of the area or installing their own generation. While these initiatives have worked well when excess electric generating capacity existed, currently many utilities are constructing power plants to meet future capacity requirements. When expansions cause a utility to increase its generating capacity, discounted rates and economic development tariffs may no longer benefit the utility and its customers. Nonetheless, these incentives may be important to the overall Kansas economy.

- Energy Conservation

Encouraging energy conservation will be an increasingly important issue. With increasing energy prices, energy conservation measures such as investments in energy efficient lighting and appliances, as well as weatherization, may be in the public interest even beyond the benefit provided to the business or individual making the investment.