

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on March 12, 2002 in Room 231-N of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research  
Bruce Kinzie, Revisor of Statutes  
Ann McMorris, Secretary

Conferees appearing before the committee:

Rep. Carl Holmes  
Stuart Lowry, Kansas City Electric Cooperatives  
David McCoy, Great Plains Power  
Mark Schreiber, Westar Energy

Others attending: See attached list.

The committee members were provided information regarding a new study entitled "Generating Solutions - how states are putting renewable energy into action" that ranks Kansas #1 in Wind and Overall Renewable Energy Potential. (Attachment 1)

On March 11, 2002 the committee members were invited to a Homeland Security Briefing at the Kansas Defense Building. Chairman Clark explained where three or more committee members attend as a group, the law requires that the chair call a meeting to order and minutes be prepared.

In regard to the reappointment of Brian Moline as a member of the KCC which has been assigned to the Utilities Committee for the confirmation process, Chair asked the committee to let him know by 5:00 p.m. today if they felt Mr. Moline needed to appear before the committee for a hearing before voting whether to recommend his confirmation.

Chair opened the hearing on:

**HB 2746** - Station power exempted from retail electric suppliers act.

Proponents:

Rep. Carl D. Holmes (Attachment 2)

Stuart Lowry, Kansas Electric Cooperatives, Inc. (Attachment 3)

David M. McCoy, Great Plains Power, Inc. (Attachment 4)

Mr. McCoy offered an amendment.

Mark Schreiber, Westar Energy (Attachment 5)

After questions from the committee regarding the proposed amendment and language in **HB 2746**, the Chair continued the hearing on **HB 2746** and asked for input from the proponents on the proposed amendment.

Moved by Senator Emler, seconded by Senator Barone, minutes for the February 26, 2002, March 7, 2002 and March 11, 2002 meetings be approved with correction in February 26 minutes by striking the recorded "NO" votes on SB 546. Motion carried.

The next meeting of the Senate Utilities Committee will be held on March 13, 2002.

Adjournment.

Respectfully submitted

Ann McMorris, Secretary

Attachments - 5

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 12, 2002

Name	Representing
Stuart Lowry	KEC
Jon Miles	KEC
MARK SCHREIBER	Westar Energy
Joe Dick	KCKBPU
Ron Gaches	GBBA
Fred Ho CHAIR	Hein Law
Karl Olson	Westar Energy
TOM DAY	KCC
Jack Glaves	PH - Duke + KCM
Cyrus Smith	GPE
David McCoy	GPE
Doug Shepherd	KEC
Shane Abstein	KEC

**Sclark**

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**From:** Jim Ploger [j.ploger@kcc.state.ks.us]  
**Sent:** Monday, March 11, 2002 6:20 PM  
**To:** John Wine; Cynthia Claus; b.moline@kcc.state.ks.us; \*JEFF WAGAMAN; l.holloway@kcc.state.ks.us; \*JOE WHITE; John Cita; r.foreman@kcc.state.ks.us; Tom Day; Rep. Carl Holmes; Sen. Stan Clark; Rep. Laura McClure; Rep. Tom Sloan  
**Subject:** New Study ranks Kansas #1 in WIND and OVERALL Renewable Energy Potential

A new study on renewable energy, "Generating Solutions - How States are Putting Renewable Energy into Action", has been released by the U.S. PIRG Education Fund and the State Public Interest Research Group:

[http://www.uspirg.org/reports/generatingsolutions2\\_02.pdf](http://www.uspirg.org/reports/generatingsolutions2_02.pdf)

Appendix C of this study lists the "potential" of all states in wind, geothermal, landfill gas and clean biomass.

Kansas ranks 1st in the WIND and the OVERALL categories in this study -- which projects the potential of 1,704,789 million kilowatts. Texas ranks 2nd in WIND and OVERALL; North Dakota ranks 3rd in WIND and OVERALL; Nebraska ranks 4th in WIND and OVERALL; South Dakota ranks 5th in WIND and OVERALL.

***Jim Ploger***

Energy Program Manager

**KANSAS CORPORATION COMMISSION**

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Senate Utilities Committee  
March 12, 2002  
Attachment 1-1

3/11/2002

## APPENDIX C. STATE RENEWABLE ENERGY POTENTIAL (BY SOURCE)

ALL NUMBERS ARE IN MILLIONS OF KILOWATT-HOURS (kWh). REFER TO APPENDIX B FOR A DETAILED DESCRIPTION OF THE METHODOLOGY AND SOURCES USED TO COMPILE THIS DATA.

State	Wind Potential	Geothermal Potential	Landfill Gas Potential	Clean Biomass Potential	TOTAL (mill. kWh)
Alabama	0	0	555	24,304	24,858
Arizona	6,902	6,973	531	1,091	15,497
Arkansas	22,257	0	39	19,118	41,415
California	85,892	111,553	8,714	13,034	219,192
Colorado	524,303	18,062	1,476	4,881	548,722
Connecticut	10,005	0	175	737	10,918
Delaware	4,806	0	123	561	5,490
Florida	0	0	1,276	7,423	8,699
Georgia	1,075	0	443	21,945	23,463
Idaho	62,624	9,260	14	10,258	82,156
Illinois	105,907	0	3,023	45,823	154,753
Indiana	0	0	1,274	25,505	26,779
Iowa	879,101	0	398	45,563	925,062
Kansas	1,675,895	0	410	28,484	1,704,789
Kentucky	769	0	680	14,842	16,291
Louisiana	0	0	390	16,338	16,727
Maine	9,351	0	0	3,106	12,457
Maryland	5,640	0	515	2,333	8,489
Massachusetts	34,926	0	513	1,104	36,543
Michigan	73,554	0	1,019	16,341	90,914
Minnesota	991,332	0	313	27,927	1,019,571
Mississippi	0	0	195	25,329	25,524
Missouri	81,333	0	737	27,273	109,342
Montana	1,034,866	0	81	9,884	1,044,830
Nebraska	1,347,555	0	145	30,258	1,377,958
Nevada	23,691	22,912	362	43	47,008
New Hampshire	7,591	0	164	2,784	10,540
New Jersey	15,327	0	1,374	482	17,182
New Mexico	297,012	7,012	114	1,222	305,361
New York	100,158	0	2,845	9,657	112,660
North Carolina	5,946	0	982	14,658	21,585
North Dakota	1,571,387	0	0	29,250	1,600,637
Ohio	5,929	0	1,763	25,120	32,812
Oklahoma	1,091,020	0	411	17,893	1,109,325
Oregon	50,697	22,483	383	14,501	88,063
Pennsylvania	67,894	0	1,748	9,969	79,611
Rhode Island	833	0	287	100	1,220
South Carolina	667	0	254	10,769	11,690
South Dakota	1,246,858	0	0	22,560	1,269,417
Tennessee	2,442	0	663	20,546	23,651

State	Wind Potential	Geothermal Potential	Landfill Gas Potential	Clean Biomass Potential	TOTAL
Texas	1,663,389	0	2,431	27,146	1,692,966
Utah	23,901	10,557	265	721	35,444
Vermont	8,183	0	16	1,428	9,626
Virginia	13,366	0	1,098	11,669	26,132
Washington	50,569	2,858	807	14,222	68,456
West Virginia	9,764	0	0	5,323	15,087
Wisconsin	90,372	0	779	20,599	111,750
Wyoming	930,130	0	0	1,719	931,849

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TOPEKA

HOUSE OF  
REPRESENTATIVES

## COMMITTEE ASSIGNMENTS

CHAIRMAN: UTILITIES COMMITTEE  
CHAIRMAN: FISCAL OVERSIGHT COMMITTEE  
MEMBER: E-GOVERNMENT COMMITTEE  
MEMBER: AGRICULTURE & NATURAL RESOURCES  
BUDGET COMMITTEE  
MEMBER: JOINT COMMITTEE ON ADMINISTRATIVE  
RULES AND REGULATIONS  
MEMBER: NATIONAL CONFERENCE OF STATE  
LEGISLATURES -  
ASSEMBLY OF FEDERAL ISSUES  
LEGISLATIVE HOTLINE  
1-800-432-3924

Chairman Clark and Senate Utilities committee members, I appreciate the opportunity to testify on HB 2746. The request for this bill is the result of the question of "station power" and if it should be a wholesale transaction or retail transaction subject to the Retail Electric Service Act. This issue was a result of questions raised during meetings of the Interim Special Committee on Utilities

Station power means electric energy used for operating equipment necessary for the process of generating electricity at any generating plant owned by a utility. Station power could be electrical energy generated by generating plants or provided through transmission interconnects. Station power does not include electric energy used for heating, lighting, air conditioning and office needs of the buildings at a generating plant site.

Station power did not become an issue until the wind generation plant was built in SW Kansas and part of the plant was built in territory with retail electric service supplied by a REC. Florida Power & Light, who owns the wind farm, was required to sign a contract with the REC to allow

for it to use station power from the transmission lines in place. The REC is not providing the electricity.

Looking back at various power plants, any power plant not built in its certified territory, would be subject to the station power issue. I believe this would apply to Wolf Creek, for example. The station power issue would also apply to any merchant electric generation power plant. This legislation will only apply to generating plants placed in service on or after January 1, 2002.

The first time this issue was raised, to my knowledge, was in regard to FPL's wind farm, but it applies to all electric generation.

I appreciate the opportunity to present the reasons behind this bill.

## **Senate Utilities Committee**

### **Testimony of Kansas Electric Cooperatives, Inc. House Bill 2746**

Good Morning, Mr. Chairman and members of the Committee. My name is Stuart Lowry, and I am Corporate Counsel for Kansas Electric Cooperatives, Inc., the statewide association of rural electric cooperatives in Kansas. We are here today to testify in support of House Bill 2746.

During the course of the Special Utilities Committee meetings held last summer, Chairman Carl Holmes raised a concern with the provision of station power to new generating units and expressed a desire to offer every incentive possible to promote the construction of new generation in the state. He believed one such incentive to be choice in who provides station power to new plants. The electric cooperatives in Kansas support the installation of new generation facilities in the state, and the resulting positive effects such investment has on job creation, local and state tax base, and economic development.

Prior to the session, we were asked to develop language that would give utilities options as to station power service and we were involved in preparing the language contained in HB 2746. Station power is defined in the bill as the electric energy used for operating equipment necessary for the process of generating electricity at any generating plant owned by a utility and placed in use on or after January 1, 2002. The bill also provides that station power is not "retail service" within the meaning of the Retail Electric Suppliers Act, and thus station power does not have to be provided by the retail electric supplier serving in the area where the plant is located. Instead, the bill would allow station power to be provided through a transmission interconnect with the generating plant if the owner of the generating plant so chooses.



The definition of station power does not include electric energy used for heating, lighting, air conditioning and office needs of buildings at the generating plant site. This type of service would continue to be retail service. We believe that this language will accomplish the purpose stated by Rep. Holmes, that being to give utilities maximum options as to provision of station power at generating plants put into service after January 1 of this year.

Great Plains Energy offered three amendments at the hearings before the House Utilities Committee, two of which we agreed to. A third amendment, which I understand will be offered today, would in our opinion, allow service to offices, heating, and air conditioning to be served from the transmission interconnect as station power. We clearly believe that service to office needs, lighting, heating and air conditioning constitutes end-use retail service not directly connected to the station power needs of the generating plant and should not be considered as station power.

We thank you, Mr. Chairman, for giving us the opportunity to testify in support of House Bill 2746. I would be happy to answer any questions that you may have.

**Testimony on House Bill 2746  
Kansas Senate  
March 12, 2002**

**David McCoy  
Great Plains Power, Inc.**

My name is David M. McCoy and I am AVP and Director of Acquisitions for Great Plains Power, Inc., which is an affiliate of Kansas City Power and Light Company. I'm presenting testimony in support of House Bill 2746, the Station Power Bill.

This bill **removes a barrier to entry** for wholesale electrical generating companies that are considering doing business in the state of Kansas. To produce and sell electricity, generators must establish a connection to the high voltage electrical grid through a transformer or set of transformers. This transformer connection point is ideally suited for supplying station power when the generator is off for maintenance or other reasons. When the generator is on line and operating it can provide its own power needs. Without the proposed legislation this usage would be prohibited.

Station power includes electric energy used by the equipment that is required to generate electricity. Under current law, station power has to be supplied by the local retail electric supplier that has the franchise for sale of electricity in the geographic area where the generator is located. This means that the wholesale power producer that is considering locating in Kansas will have to pay for construction of unnecessary electrical distribution lines from the local utility and pay retail rates, which are typically higher than its own wholesale rates for electrical station power.

Power is also needed to heat, cool and light the facilities. To the extent that the interconnection point can provide power for all of the generator's needs, this should be permitted. It is more efficient and redundant facilities are avoided. If distribution lines already supply or must be used to supply heating, cooling and lighting needs, then the local retail electric supplier should be utilized. For the bill to accomplish this objective, we suggest the following amendment, which would make the station power exclusion only apply to heating, cooling and lights served by distribution lines:

Page 2, Line <sup>3</sup>41, add after the word energy, "provided by Distribution Lines and"

In conclusion, Great Plains Power encourages the passage of House Bill 2746, as amended. It will encourage the development of electrical generation in the state of Kansas by allowing generators to produce their own station power and buy it through their own connection point when their units are not on line and operating. I would like to thank the Senate for giving this bill consideration and for allowing me the opportunity to testify on its behalf.

HOUSE BILL No. 2746

By Committee on Utilities

Great Plains Power  
amendment

1-29

10 AN ACT concerning retail electric service; relating to station power;  
11 amending K.S.A. 66-1,170 and 66-1,173 and repealing the existing  
12 sections.

13

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

15 Section 1. K.S.A. 66-1,170 is hereby amended to read as follows: 66-  
16 1,170. As used in this act, the following words and phrases shall have the  
17 meanings respectively ascribed to them herein:

18 (a) "Distribution line" means an electric line used to furnish retail  
19 electric service, including any line from a distribution substation to an  
20 electric consuming facility; but such term does not include a transmission  
21 facility used for the bulk transfer of energy **even if such energy is re-**  
22 **duced in voltage and used as station power.**

23 (b) "Electric consuming facility" means any entity which utilizes elec-  
24 tric energy from a central station service.

25 (c) "Commission" means the state corporation commission of the  
26 state of Kansas.

27 (d) "Retail electric supplier" means any person, firm, corporation,  
28 municipality, association or cooperative corporation engaged in the fur-  
29 nishing of retail electric service.

30 (e) "Certified territory" means an electric service territory certified  
31 to a retail electric supplier pursuant to this act.

32 (f) "Existing distribution line" means a distribution line which is in  
33 existence on the effective date of this act, and which is being or has been  
34 used as such.

35 (g) "Single certified service territory" means that service area in  
36 which only one retail electric supplier has been granted a service certif-  
37 icate by the commission.

38 (h) "Dual certified service territory" means that service area where  
39 more than one retail electric supplier has been granted a service certifi-  
40 cate by the commission.

41 (i) "Station power" means electric energy used for operating equip-  
42 ment necessary for the process of generating electricity at any generating  
43 plant owned by a utility and placed in use on or after January 1, 2002,

1 whether such electrical energy is generated at such generating  
 2 plant or provided through the adjacent transformation and trans-  
 3 mission interconnect, *but does not include electric energy used for heat-*  
 4 *ing, lighting, air conditioning and office needs of the buildings at a gen-*  
 5 *erating plant site.*

provided by Distribution Lines and

6 Sec. 2. K.S.A. 66-1,173 is hereby amended to read as follows: 66-  
 7 1,173. Every retail electric supplier shall have the exclusive right and  
 8 responsibility to furnish retail electric service to all electric consuming  
 9 facilities located within its certified territory, and shall not furnish, make  
 10 available, render or extend its retail electric service to a consumer for use  
 11 in electric consuming facilities located within the certified territory of  
 12 another retail electric supplier. ~~Provided, That except that:~~

13 (a) Any retail electric supplier, with the approval of the commission,  
 14 may extend distribution or transmission facilities through the certified  
 15 territory of another retail electric supplier, if such extension is necessary  
 16 for such supplier to connect with any of its facilities or those of others to  
 17 serve consumers within its own certified territory; and

18 (b) *station power shall not be deemed to be retail electric service for*  
 19 *the purposes of this act.*

20 Sec. 3. K.S.A. 66-1,170 and 66-1,173 are hereby repealed.

21 Sec. 4. This act shall take effect and be in force from and after its  
 22 publication in the Kansas register.



**Testimony before the  
Senate Utilities Committee**

**By**

**Mark Schreiber, Senior Manager, Government Affairs  
Westar Energy  
March 12, 2002**

Chairman Clark and members of the committee, I am Mark Schreiber, senior manager, government affairs for Westar Energy.

Westar Energy supports House Bill 2746.

Last year this committee and the Legislature worked hard to establish incentives for construction of new power plants in our state. Those incentives provide encouragement for construction of all types of new generation, including merchant plants.

HB 2746 was requested to eliminate another potential barrier, or complication, in building new generation capacity in our state. Because of the structure of the Retail Electric Supplier Act, owners of some generation facilities may be required to negotiate with electric suppliers that hold a certificate for the territory where a plant is proposed for construction.

At issue is "station power" the electricity that is consumed when the plant is not operating. As it stands today, this power is considered a retail transaction that is subject to RESA, meaning that the supplier holding the certificate would have the right to supply the power at retail rates.

Senate Utilities Committee  
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In Westar Energy's case, at least one merchant power plant is proposed in an area where, due to the site of the plant and the configuration of the system, interconnection must be with our system rather than the electric cooperative. The plant is located in the service territory of an electric cooperative. For many reasons, the cooperative cannot provide the retail electricity in a manner useful to the plant when it is off line. While the cooperative has been very cooperative in agreeing to a service territory change to facilitate our service of this plant, it still requires regulatory review and approval.

We believe it is appropriate to clearly define station power and make it clear that station power is not subject to the requirements of RESA. This bill achieves that outcome and as a result would eliminate a step in the planning, design and construction of new generation in our state.

We participated with the Kansas Electric Cooperatives in drafting the original legislation. We also have reviewed the amendments passed by the House Utilities Committee and are pleased to say that those proposed changes are acceptable to us.

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