

Approved: February 12, 2004
Date

Carl Dean Holmes

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:06 a.m. on January 15, 2004 in Room 231-N of the Capitol.

All members were present except: Representative Eric Carter
Representative Mary Compton
Representative Roger Toelkes

Committee staff present: Mary Galligan, Legislative Research
Dennis Hodgins, Legislative Research
Mary Torrence, Revisor of Statutes
Jo Cook, Administrative Assistant

Conferees appearing before the committee: Barbara Hinton, Legislative Post Audit
Lee Allison, Kansas Energy Resources Coordination Council

Others attending: See Attached List

Chairman Holmes asked for any bill introductions. Representative Krehbiel asked that a Committee bill be introduced that would facilitate the Kansas Department of Transportation providing access to open tower space to other agencies. Representative Long-Mast seconded the motion. The motion carried.

Chairman Holmes introduced Barbara Hinton, Legislative Post Auditor, who addressed the committee with the Division of Post Audit's concerns about the language in **HB 2476 (Attachment 1)**. Ms. Hinton detailed those concerns and provided options to adjust the language in the bill. Following her presentation, Chairman Holmes told the committee that Ms. Hinton would be available to meet with committee members in his office upon adjournment of the House. He also informed the committee that they would begin debate on **HB 2476** on Tuesday with a base bill analysis provided by Mary Galligan, Legislative Research.

Chairman Holmes then welcomed Lee Allison, Chairman of the State Energy Resources Coordination Council, who provided a power point presentation (Attachment 2) on the Kansas Energy Plan 2004. Mr. Allison explained that the Kansas Energy Plan 2004 was available online at www.kansasenergy.org or in print as provided to the committee. Mr. Allison shared the Council's activities from the past year, which included the formation of a Transmission Task Force and a Wind & Prairie Task Force, as well as a Natural Gas Summit and a systems benefit charge review. Additionally, the Governor will be signing a new Executive Order to maintain the Council, however, there will be additional members and a new name (Kansas Energy Council). Following Mr. Allison's presentation, he responded to questions from the committee.

Chairman Holmes announced that there would be a Transmission Planning Meeting sponsored by the Southwest Power Pool, in Wichita on February 17. Further information will be provided to the committee at a later date.

The meeting adjourned at 10:22 a.m.

The next meeting will be Tuesday, January 20, 2004.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 15, 2004

NAME	REPRESENTING
SCOTT SCHNEIDER	GIBBA
MARK SCHREIBER	Westar Energy
Sandra Braden	Great Plains Energy
Dan Murray	Federico Consulting
Ron Seiber	Hiv Law Firm
Jimelle Austin	Intern-Rep. Judy Snowalter
Lee Allison	KOS-SERCO
TOM DAY	KCC
Dan Springle	Curb
BRUCE SNEAD	CITY OF MANHATTAN



LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

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TOPEKA, KANSAS 66612-2212
TELEPHONE (785) 296-3792
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E-MAIL: lpa@lpa.state.ks.us

January 14, 2004

Representative Carl Holmes, Chair
House Utilities Committee
Room 115-S, Statehouse
Topeka, Kansas 66612

Dear Representative Holmes:

I've belatedly become aware of all the audit requirements—and the ramifications of those requirements—being placed on Legislative Post Audit by HB 2476 and other legislation your Committee is considering regarding wireless enhanced 911 services. Although each bill is somewhat different, the potential problems I see in HB 2476 run across many of them. I know the hearings on those audits concluded today, but I wanted to pass my concerns on anyway:

Page 4, lines 13-18: This section authorizes 911 fund moneys to be used to pay for the audits required in Sections 3, 12, and 14, but not for the audits required in Section 11.

Page 4, lines 40-43: As written, the annual audit required under this section essentially would be an audit of the State Treasurer's handling of moneys in the State Treasury. Is that what the Committee intends? In general, the annual audit in this section would assess whether:

- the amounts distributed from the fund were recorded accurately
- the amounts distributed from the fund complied with any requirements placed on the distribution of those funds
- the ending and beginning balances in the fund were accurate

Page 10, lines 30-43, and page 11, lines 1-9: Auditing each carrier, city or county, and PSAP, as required by new section 14, would be extremely costly, easily running into hundreds of thousands of dollars in contracted audit work in both 2006 and 2008. These costs alone would significantly exceed the 5% cap on administrative costs that can be spent from the fund. To make the audit more cost-effective, the Committee may want to consider changing the requirement to allow the audit work to be performed on a sample basis.

The Committee also may want to clarify for wireless carriers and local collection point administrators what the audit issues are. For example, for wireless carriers would the primary audit question be whether they had actually collected and remitted the tax and fee moneys they should have under the law? That's not clear under the current language. For the local collection point administrators—if the primary audit question is whether they distributed moneys

HOUSE UTILITIES

DATE: 1-15-04

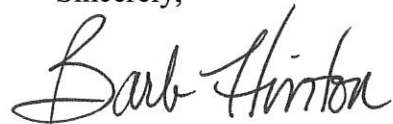
ATTACHMENT 1

appropriately, that audit work already appears to be covered on page 10, lines 7-10.

Page 11, lines 10-13: This section should refer just to wireless carriers (similar to page 10, lines 16-19). Most city and county expenditure records are public documents, and local officials could not request that this information be “withheld” from the public.

I would be happy to discuss these issues with you or appear before your Committee at any time. I also am available to work with the Committee and the Revisor’s staff to help refine or develop any language.

Sincerely,

A handwritten signature in cursive script that reads "Barb Hinton".

Barbara J. Hinton
Legislative Post Auditor



2004

Kansas Energy Plan

State Energy Resources Coordination Council



HOUSE UTILITIES

DATE: 1-15-04

ATTACHMENT Z

SERCC Goals

- ◆ Energy self-reliance
- ◆ Restore Kansas energy exports
- ◆ Low-cost, reliable, sustainable energy

SERCC

Self-reliance in energy:

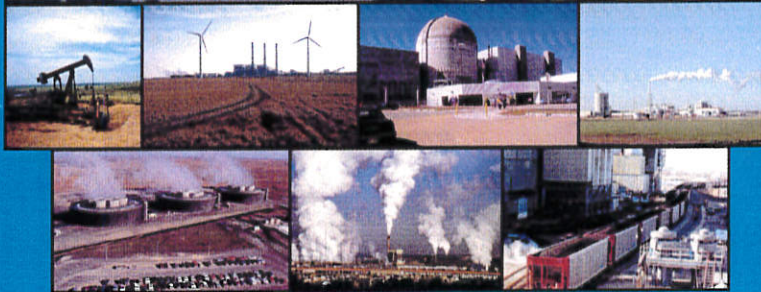
- Extend the life of existing energy sources (oil and gas fields)
- Increased conservation and efficiency
- Develop new energy sources (e.g. wind, ethanol, coalbed methane)



Released
August
2003

Technical Series 18

Kansas Energy Abstract

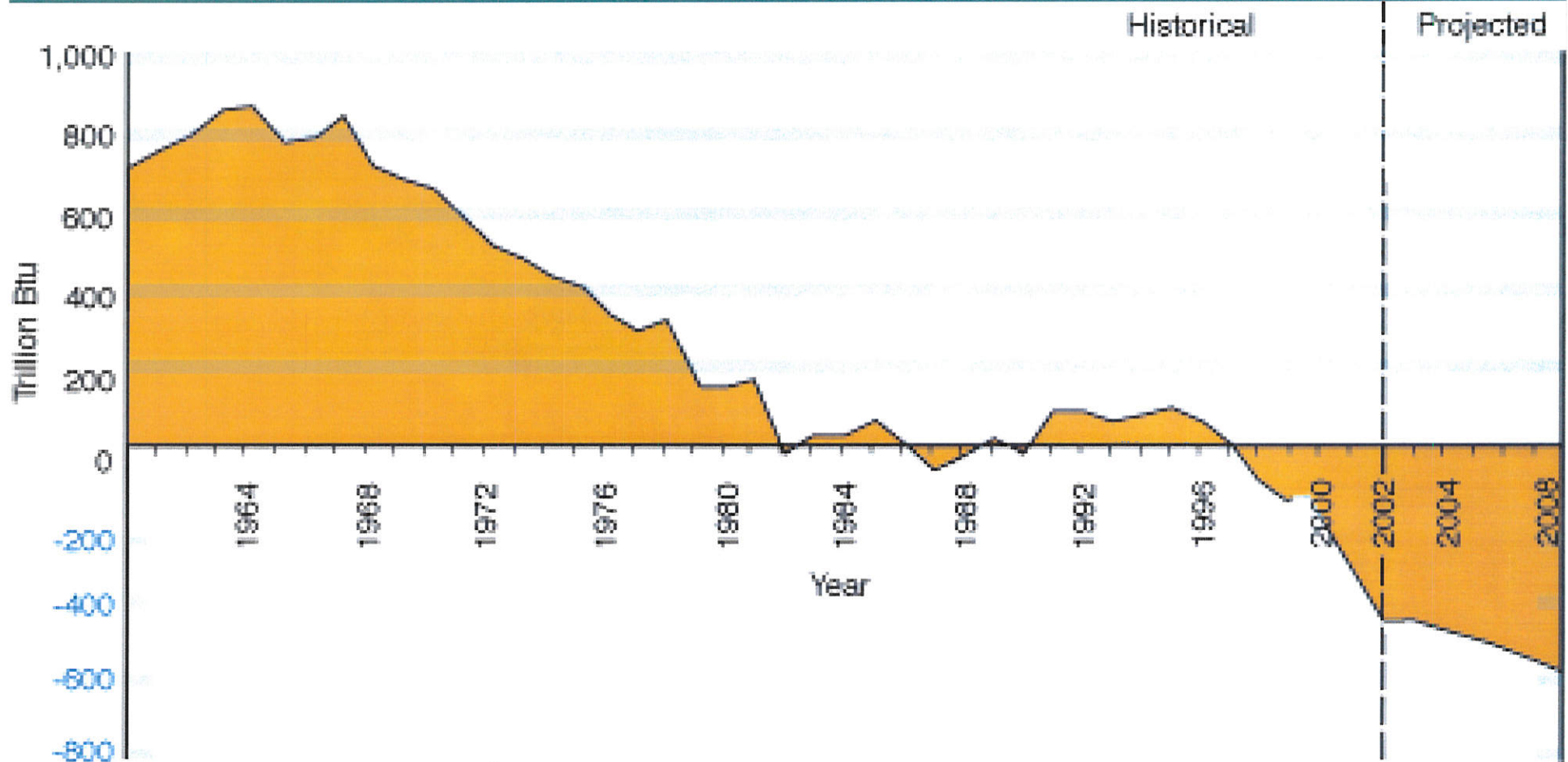


2003

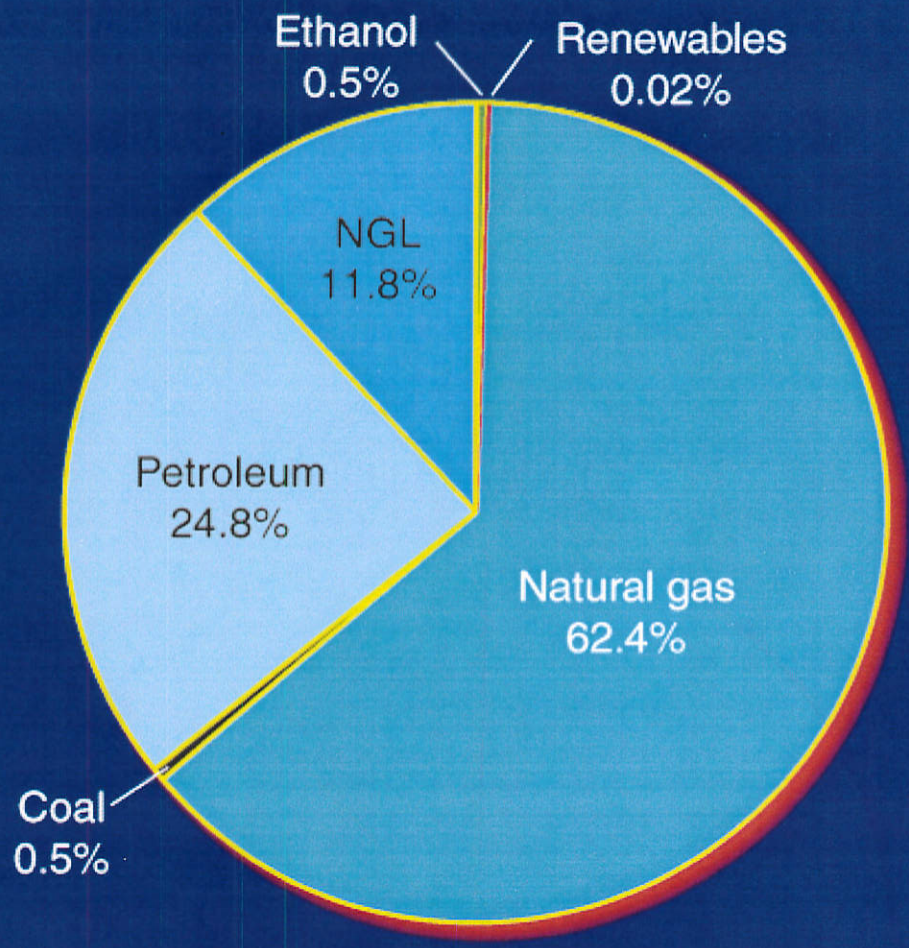
Published by the Kansas Geological Survey
in association with the
State Energy Resources Coordination Council

Net energy balance in Kansas 1960-2008

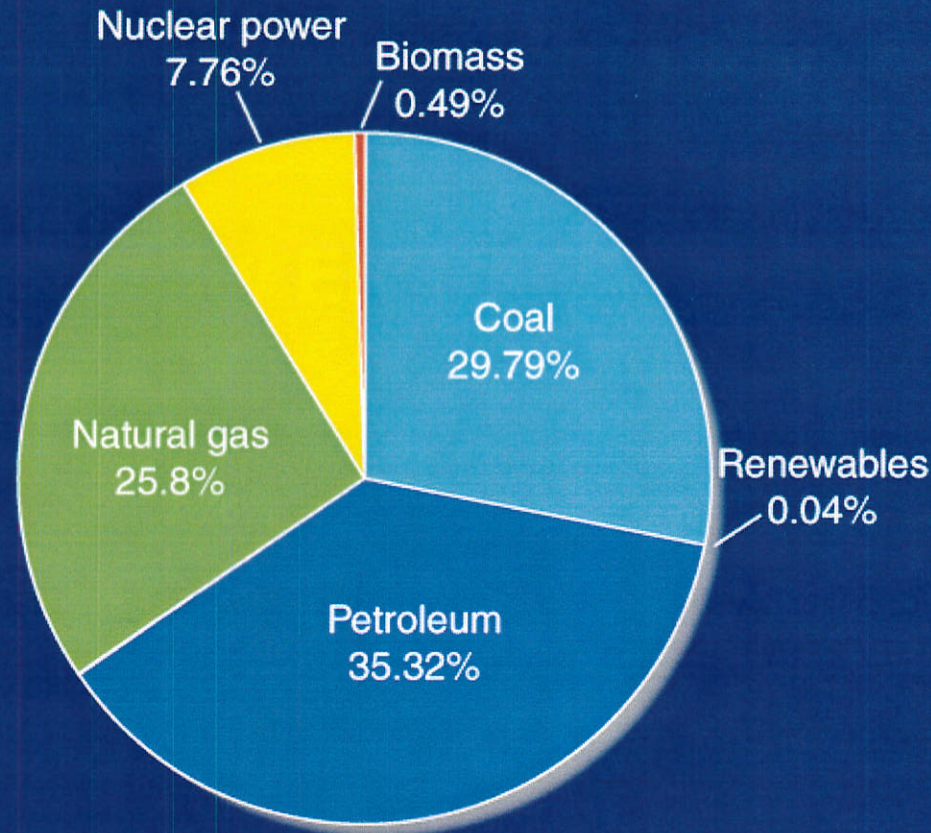
2-5



Kansas Primary Energy Production, 2001



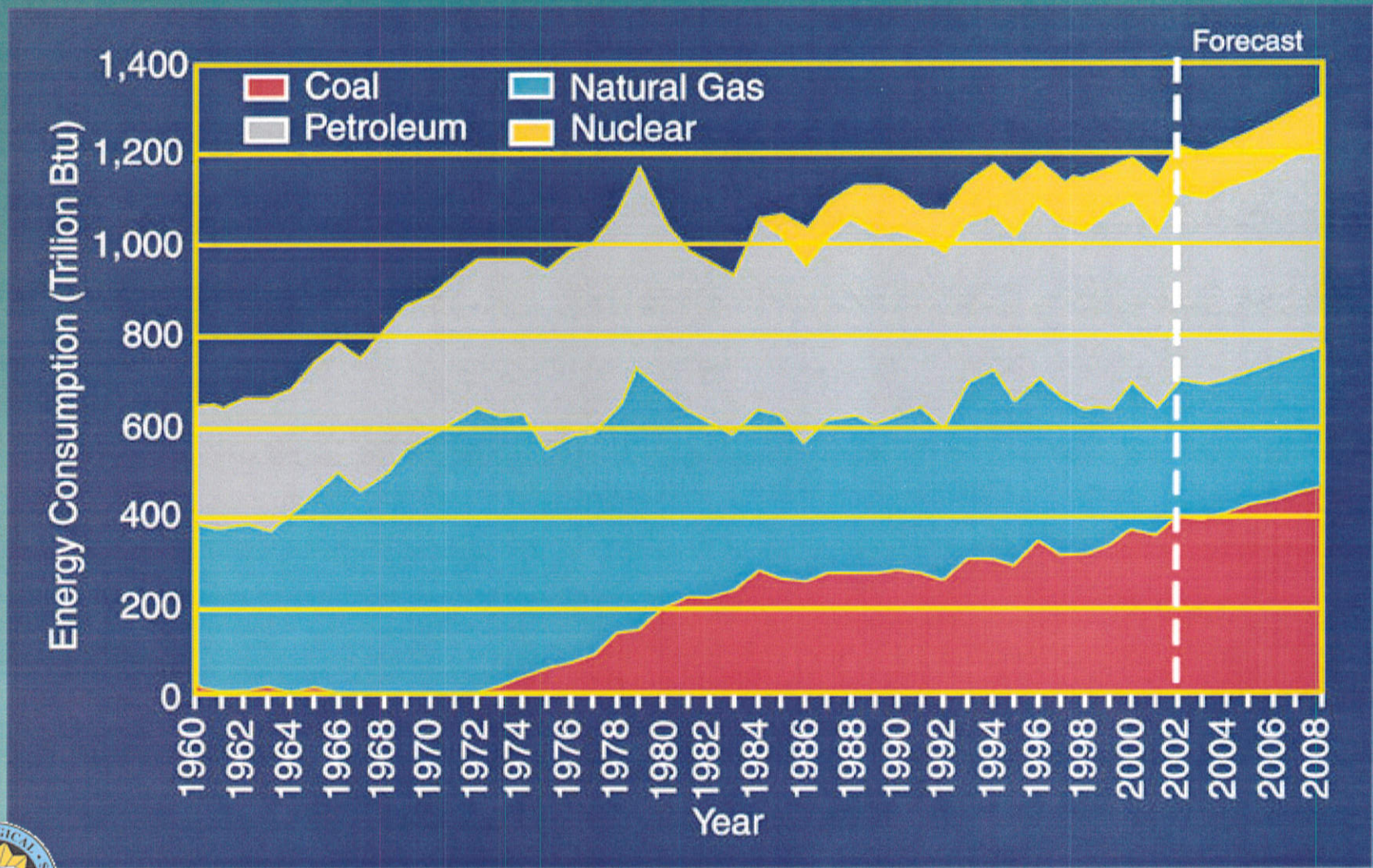
Kansas Primary Energy Consumption by Fuel Source, 2000



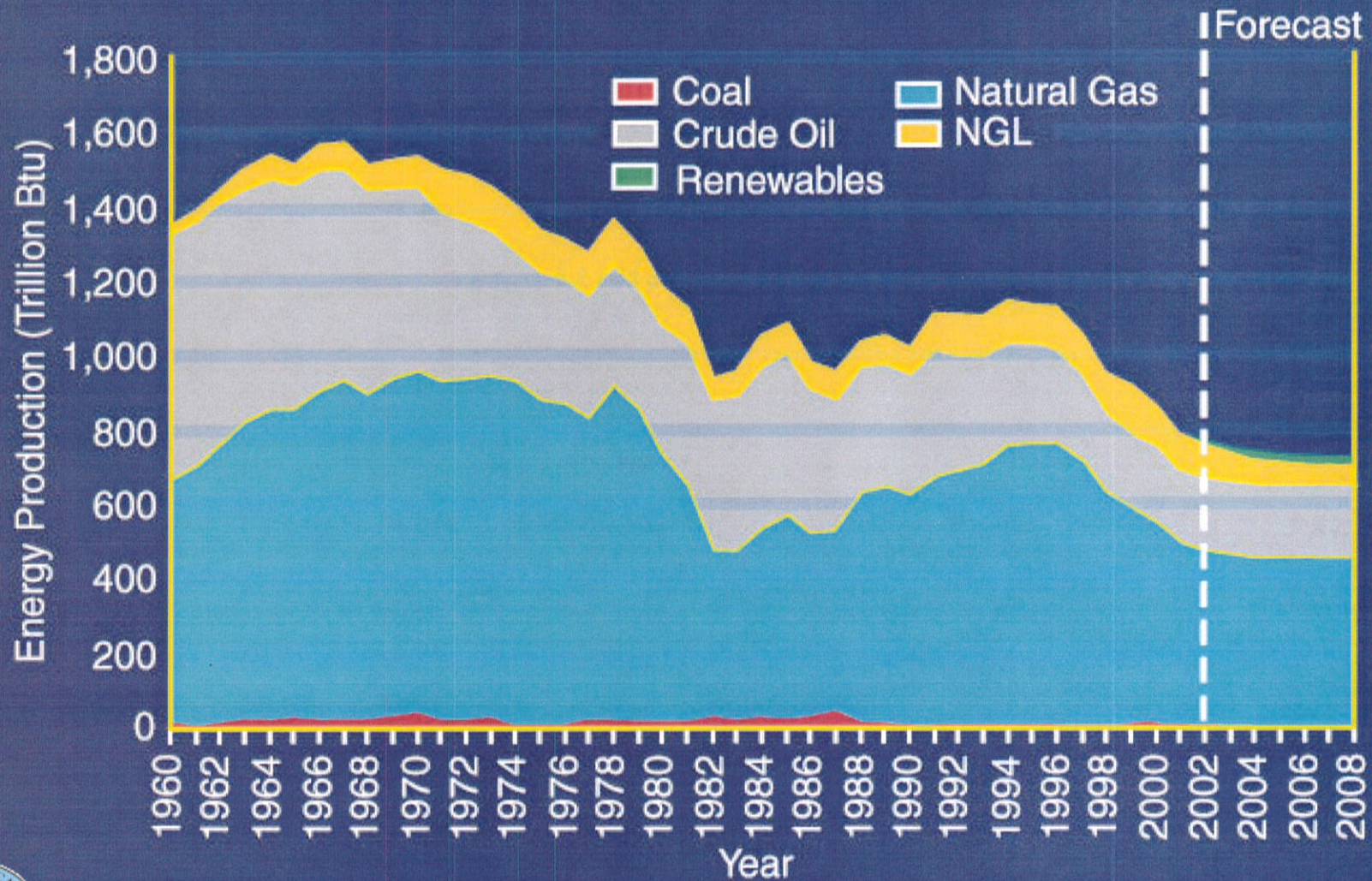
Total Kansas Energy Consumption, 2000: 1,117.2 trillion Btu



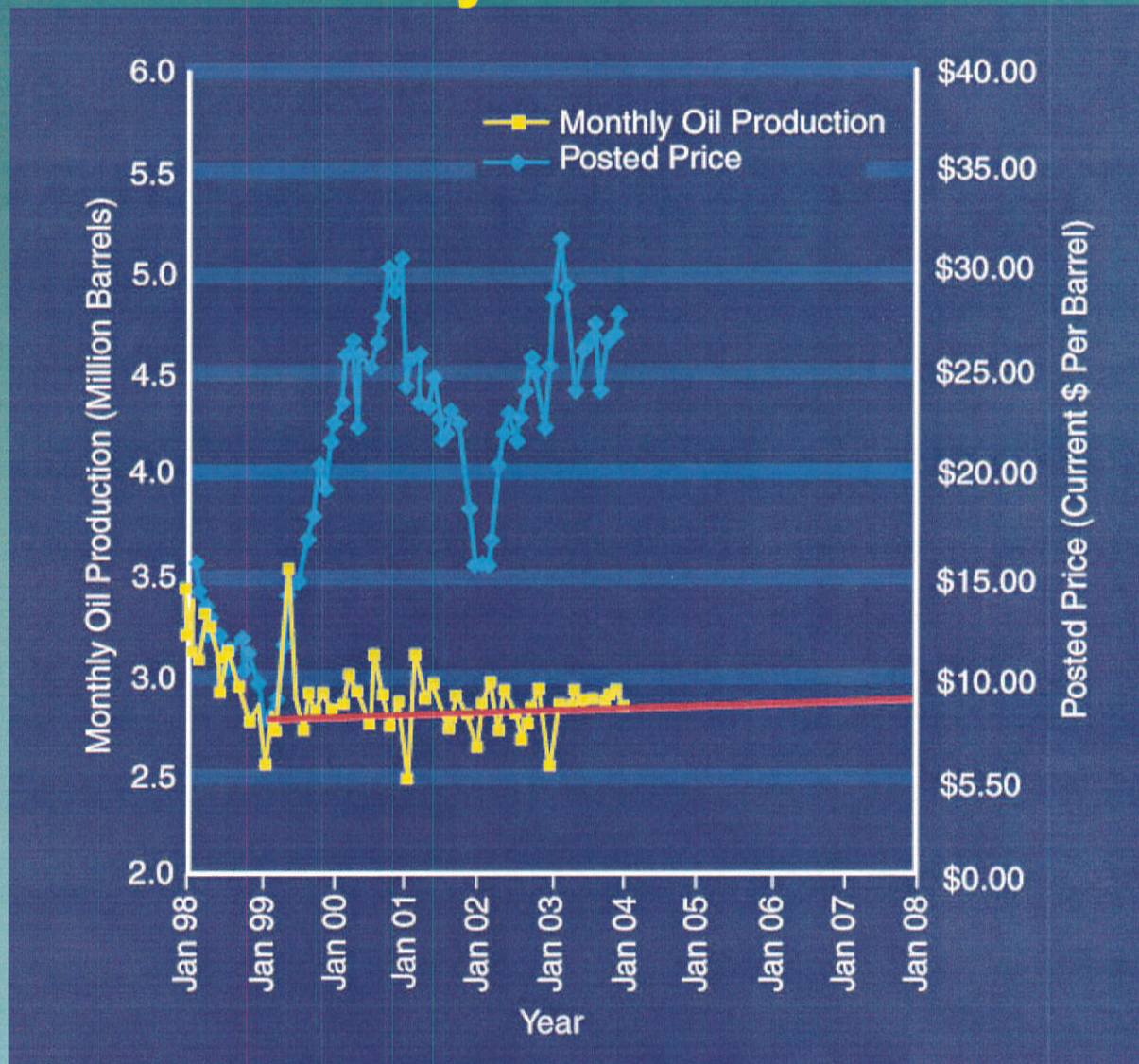
Energy Consumption, 1960–2002 (Projections–2008)



Energy Production, 1960–2002 (Projections– 2008)



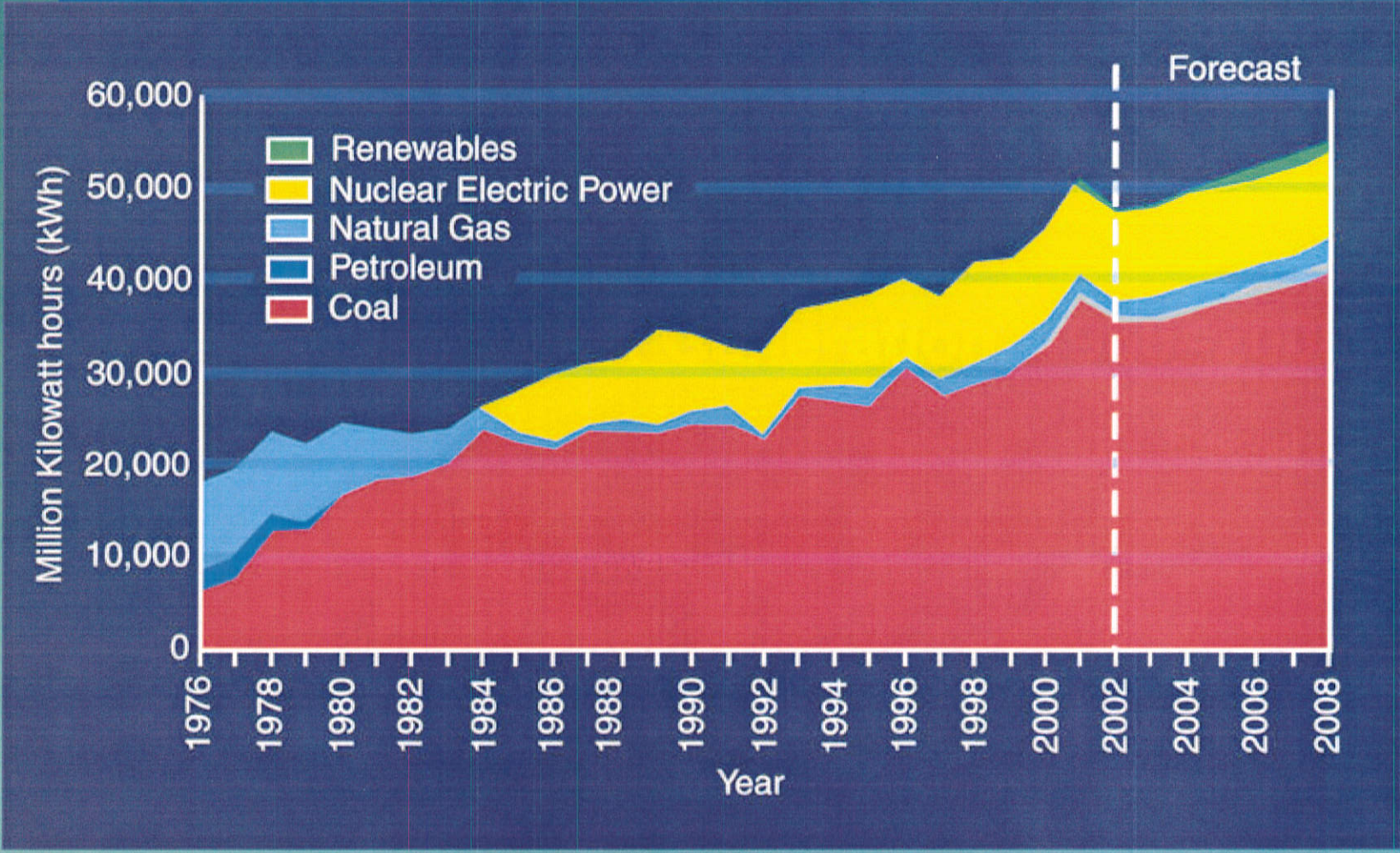
Kansas Monthly Oil Production and Monthly Posted Price



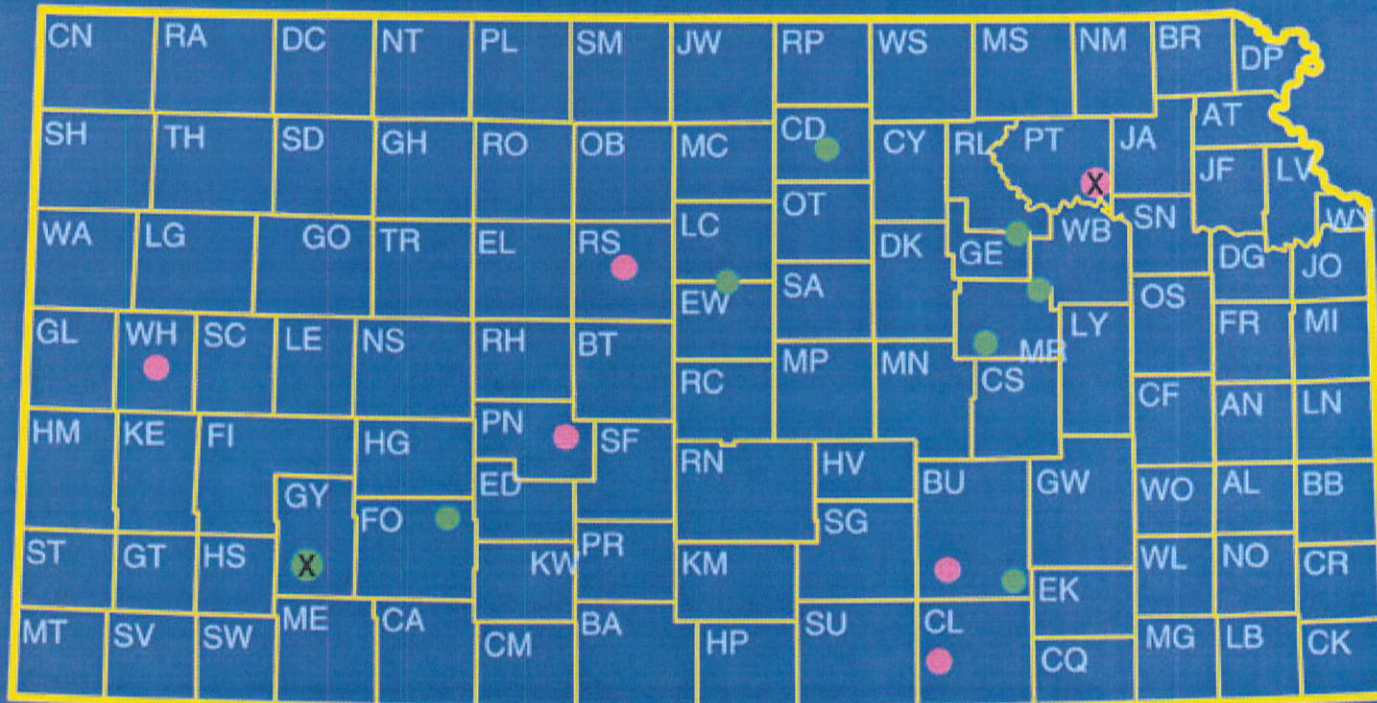
Kansas Monthly Natural Gas Production and Monthly Posted Price, January 1998–January 2003



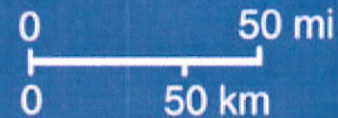
Kansas Electrical Generation, 1960–2008



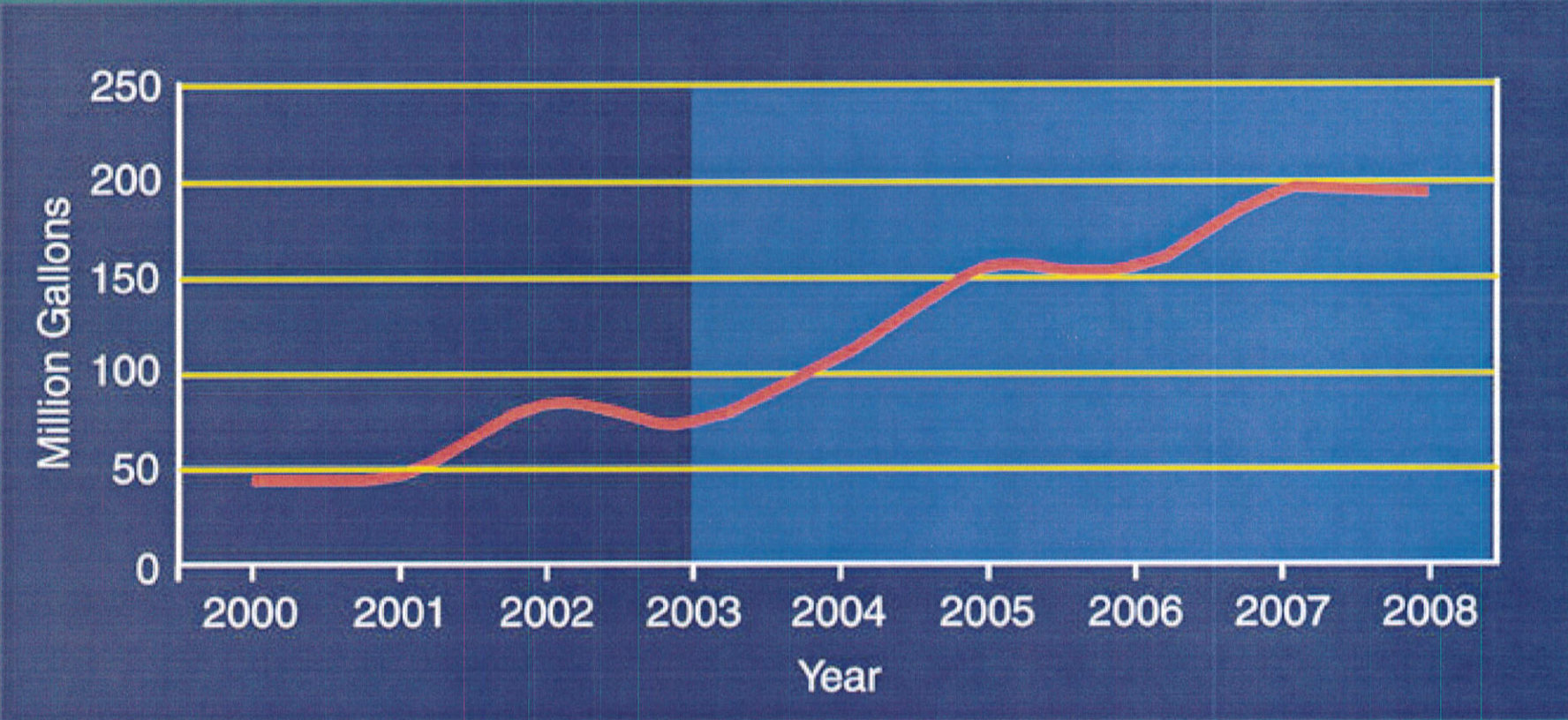
Existing and Planned Wind Energy Projects



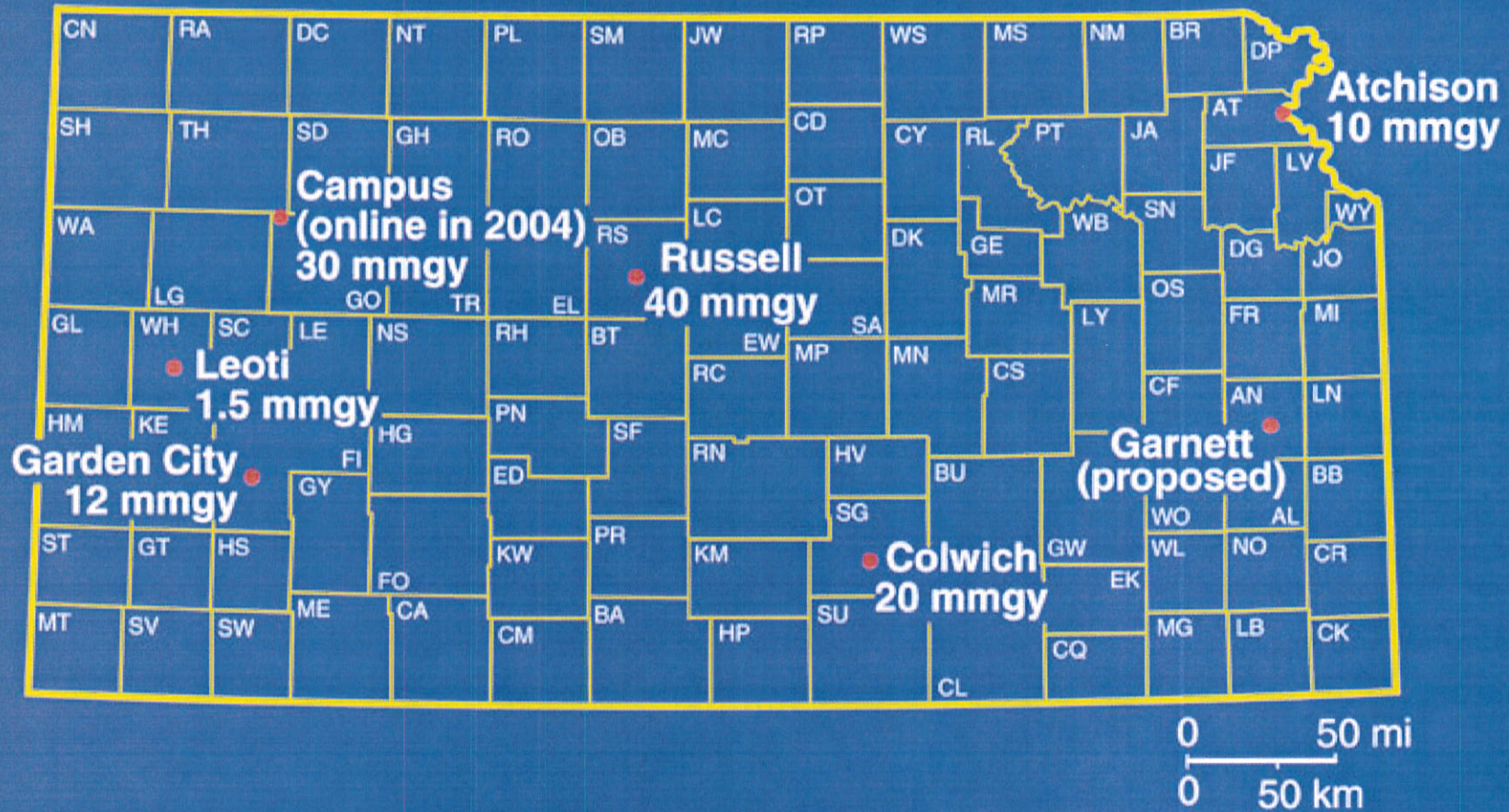
- X Existing
- Less than 50 megawatts
- Greater than 100 megawatts



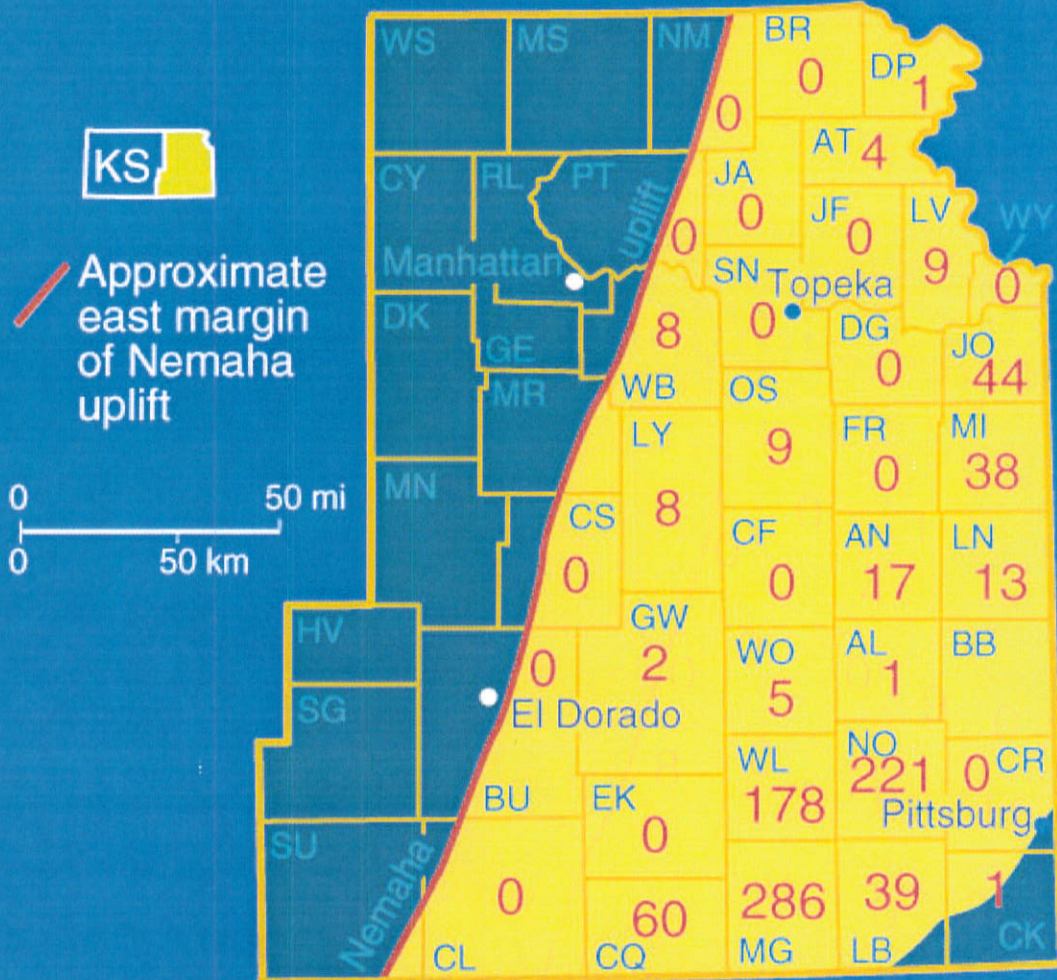
Kansas Ethanol Capacity, 2000–2008



Existing and Proposed Ethanol Plants



Area of Potential Coalbed Methane Development



Kansas Coalbed Methane Activity

2-17




Kansas Geological Survey

www.kansasenergy.org

Council activities....

- ◆ Transmission Task Force
- ◆ Natural Gas Summit
- ◆ Wind & Prairie Task Force
- ◆ Systems Benefits Charge review

617
2-19



ISAT GeoStar 45
23:15 EST 14 Aug. 2003

Transmission Task Force

Challenges:

- ◆ Insufficient capacity to move power out of central and western Kansas
- ◆ Kansas operates within regional and national systems
- ◆ Who funds transmission capacity to move wind power out of state?
- ◆ Generation or transmission – which comes first?
- ◆ Meet the DOE goal of 100,000 MW of wind power

Transmission Task Force

Charge to the Task Force:

- ◆ Identify capacities, needs, limitations, and opportunities
- ◆ Determine the reliability of the Kansas grid
- ◆ Solutions to remove constraints, develop capacity, and ensure reliability

Interim Progress Report SERCC Transmission Task Force

November 19, 2003

2-22

Preliminary Findings

- ◆ The Kansas transmission system is reliable and adequate.
- ◆ Industrial development has not been hindered by reliability or electric cost concerns.
- ◆ Transmission system expansion is governed by processes outside of state control.

2-23

Preliminary Findings (continued)

- ◆ The process for considering transmission system expansion does not work very well.
- ◆ Utility willingness to expand the transmission system is hindered by uncertainty about how and from whom the costs of expansion will be collected.

2-24

Next Steps

- ◆ Assess long-term transmission reliability.
- ◆ Assess available transmission capacity.
- ◆ Identify and evaluate pros and cons of various methods of funding transmission system improvements.

2-25

Next Steps (continued)

- ◆ Identify best-in-class transmission planning processes.
- ◆ Determine the transmission components of the SERCC's state energy plan.
- ◆ Develop possible regulatory and legislative initiatives.

02-2

Bills

race for big gas

A combination of short natural gas supplies and cold weather could mean bloated prices this winter

By AMY BICKEL

The Hutchinson News

Natural gas reserves are at an all-time low, and if Kansas residents are faced with a winter like last year's, they can expect to see the ballooning costs added to their heating bills.

The nation's energy consumption is outstripping production. With usage continuing to grow both in residential and industrial sectors - consumers' heating costs are expected to jump.

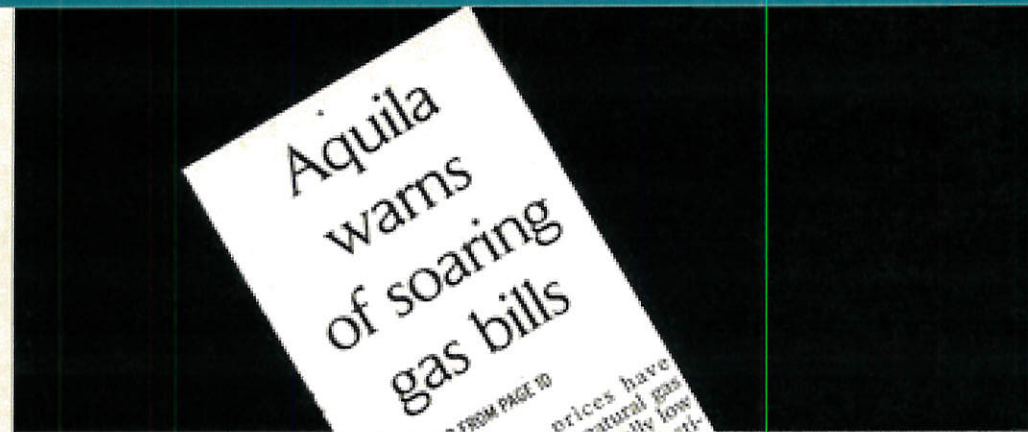
Even summer gas prices have been higher - a time of year most residents don't think about their energy bills because costs usually are lower. July prices are averaging around \$5 a thousand cubic feet, compared to around \$2 to \$3 a year ago.

"The reason we're so high is, we just about ran dry," said Tim Carr, Kansas Geological Survey's petroleum research section chief. "We got down to 623 billion cubic feet, a record low. That is essentially empty."

The United States uses about 22 to 24 trillion cubic feet of natural gas a year, Carr said. Utilities typically purchase natural gas for storage between April and November.

But Kansas experienced a colder than winter last year, although it is the East Coast demand more than Kansas. New York and other states have a higher population and also had a colder year.

Now utilities are storing for the winter. Aquila, a natural gas utility, is



Skyrocketing gas prices affect businesses

By AMY BICKEL

The Hutchinson News

With the agriculture economy slipping since the late 1990s, Tom Oxley knows his customers are not keen on increased prices.

So the higher cost of running the six, natural gas-fired furnaces at Haven Steel each day can't be passed on, he said, not if his company wants to be competitive.

"We're not really able to pass on those costs," said Oxley, the company's general manager. "Customers are at a point - unwilling to accept. And we have to pass it on."

So the spring price of natural gas is

'We're not really able to pass on those costs. Our customers are at a point where they're unwilling to accept costs we have to pass on.'

said Gary Leftock, plant manager of Koch's Dodge City plant.

"Natural gas is an integral part of production, and according to our Web site, the company's total cost is more than \$27 million a year," he said.

"Probably will be a problem, however, affecting what farm-ers can do."

"In July, the average Kansas resident's gas bill was \$36 more than in July 2002. Minter said those increases likely would become larger with the onset of winter. Wholesale natural gas prices typically increase as colder weather arrives.

"We know that natural gas prices are probably going to go higher than they are today, but we just don't know how much higher," Minter said.

PLAZA SE Aquila, P.O. Box 1000, Hutchinson, Kan. 67501. For more information, call 781-234-1234.

"I hope the price of natural gas goes down. We use about 4,500 thousand cubic feet a month," he said. "So it is a big concern of ours. It's part of our utility cost overall. Unfortunately, with a commodity like natural gas, it is at the whim of supply and demand."

Reporter Amy Bickel can be reached at abickel@hutchnews.com or at (620) 694-5700, ext. 530.

Plan now for soaring gas bills

UTILITIES

Aquila customers may see 74 percent cost increase starting in August

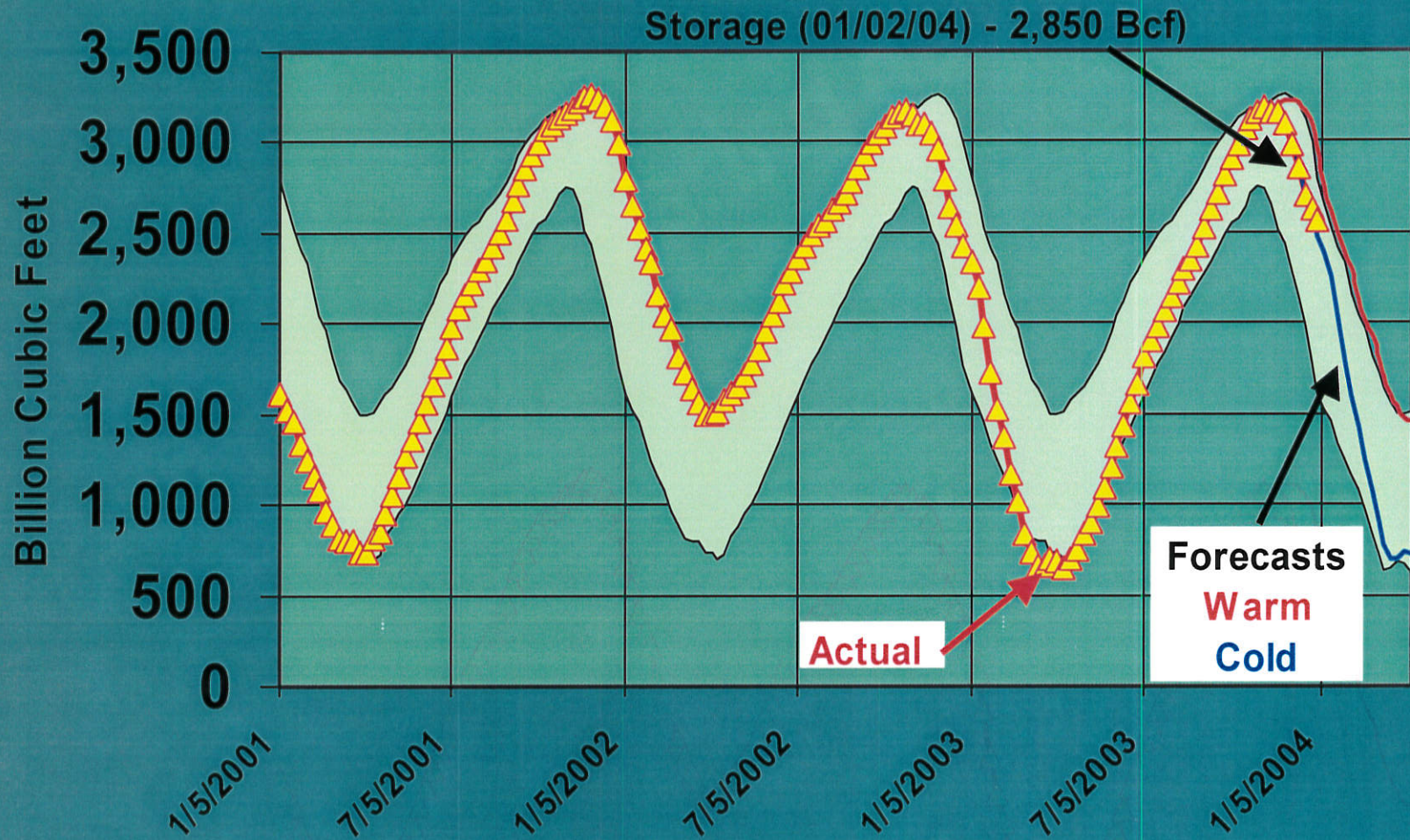
George Minter, a spokesman with Kansas City, Mo.-based Aquila, said the average monthly payment for Kansas StreamLINE customers would increase from \$90 to \$87. There are 3,300 Lawrence customers that are part of the program. Minter said, "We're coming and so they can't pass it on. The program allows for a monthly increase in the price of natural gas at that time. The extra cost will be passed on to customers and elevators will see the increased cost when purchasing natural gas."

In July, the average Kansas resident's gas bill was \$36 more than in July 2002. Minter said those increases likely would become larger with the onset of winter. Wholesale natural gas prices typically increase as colder weather arrives. "We know that natural gas prices are probably going to go higher than they are today, but we just don't know how much higher," Minter said.

12-2

U.S. natural gas storage

82-2



NOTE: Colored Band is Normal Stock Range from previous 4 years

Summit on Natural Gas

Washburn U. – October 2, 8:30 am

- ◆ Ensure adequate supplies of natural gas this winter
- ◆ Mitigate the impact of high prices on consumers and the economy

Summit on Natural Gas Results

- ◆ Short term – increase LIHEAP funds (>\$12 M for Kansas)
- ◆ Long term – 66 recommendations, incorporated into 2004 Kansas Energy Plan

Legislative recommendations

- ◆ 1. Amend the K.S.A. 55-1302 definition of “pool” in order to allow unitization of more than one single and separate natural reservoir if the same are in communication so as to constitute a single pressure system.

Enhances production

- ◆ 2. Amend Article 9 of the Uniform Commercial Code to restore a priority creditor status for sellers of oil and gas production when a purchaser is in bankruptcy. Such an amendment would follow the language of the former K.S.A. 84-9-319, which was repealed in 2000.

No cost to treasury

- ◆ 3. Promote exploration for and production of coalbed methane gas by extending the period for severance tax exemption under K.S.A. 79-4217(b)(4) from twenty-four (24) months to forty-eight (48) months or more.

Enhances natural gas production

Legislative recommendations

- ◆ 4. Increase the price reference points for severance tax exemptions for low-volume gas wells under KSA 79-4717 (b)(1), low-volume oil wells under KSA 79-4917(b)(2), and for utilization of enhanced recovery techniques under KSA 79-4917 (b)(6), in recognition of the cost increases that have occurred since the reference points were established or last revised.

No cost unless oil and gas prices drop below ref. pt.

- ◆ 5. Fund support for SERCC activities through the Kansas Geological Survey at the University of Kansas, at the level of \$150,000 for staff and operations, and \$100,000 for contract services.

Governor requested \$150,000 for KEC in KCC budget

Energy council actions - 1

- ◆ 1. Reconsider a proposed systems benefit charge limited to funding an effective state energy program.
- ◆ 2. Inventory Kansas energy activities with the intent to improve coordination and cooperation, increase effectiveness, and reduce redundancy.
- ◆ 3. Work with existing organizations (e.g., KACEE and KIOGA education foundation) to implement energy education for the general public and K–12 students.
- ◆ 4. Continue to support the Transmission Task Force, review activities and conclusions, and make recommendations.

2-33

Energy council actions - 2

- ◆ 5. Review options to meet state energy-policy-planning needs.
- ◆ 6. Develop a "roadmap" for Kansas renewable energy development.
- ◆ 7. Investigate the state's potential for the **FutureGen** project.
Working group to be formed
- ◆ 8. Develop guidelines for the siting of wind-energy development in Kansas. *Assigned to the SERCC Wind & Prairie Task Force*

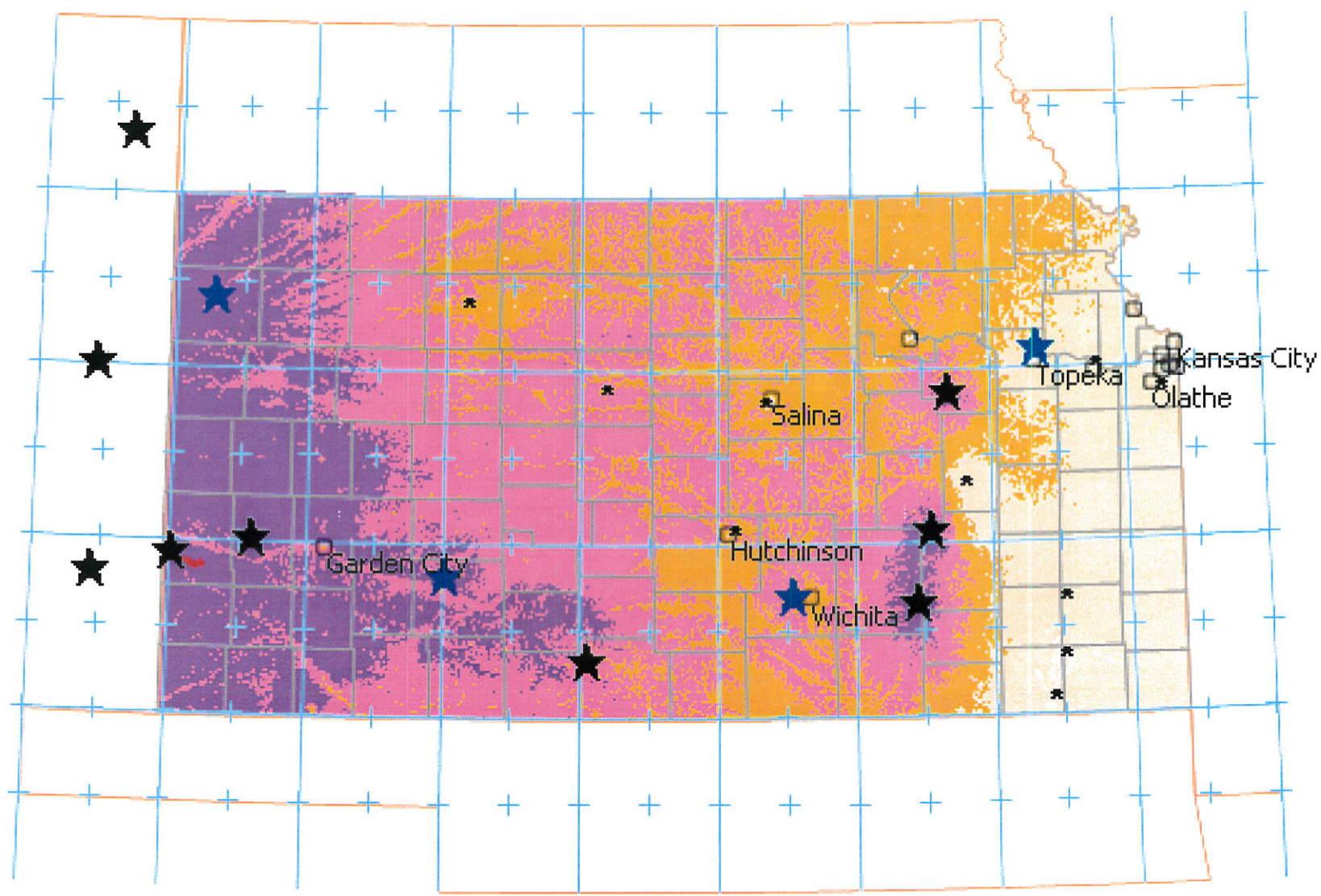
HC-2

Priority study items

- ◆ Review existing programs for Renewable Portfolio Standards (RPS)/Green Tags/Renewable Energy Credits Recommend a preferred program to SERCC for consideration.
- ◆ 2. Review strategies and programs to promote energy conservation and efficiency and develop specific policy recommendations for state energy plan.

2-33

Kansas Wind Resources



Vote likely on Butler wind farm guidelines

NEW WIND PROJECT

A company wants to build four wind turbines near Augusta. 5B

BY MARK BERRY
Eagle correspondent

EL DORADO — The Butler County Commission is expected to give initial approval Monday to a set of proposed guidelines for companies that want to develop wind farms.

The guidelines would then go on to the county planning commission, which will review them Oct. 7 and recommend whether the County Commission should accept or reject them.

both to new wind farm applications and to permit for each farm.

the propos Windfarm commission:

Two near suits seekir A third law sion's deni Power LLC build a 6,0 Among tl sions:

ld be closer than 1,000 ver and communication alled underground. ld need to show plans deal with erosion, r quality. proved, the company ir to find a buyer for its her year to start con-

would be considered



Monty Davis/File

re nearly 200 wind-powered turbines are d against the sky near Montezuma, in wes Butler County officials are expected to vote i guidelines for wind farms in their county

FRIDAY
SEPTEMBER 19, 2003
THE CAPITAL-JOURNAL

Group oppo wind turbin

Banker Sabatini, others worry about ecosystem in Flint Hills

By Fredrick J. Johnson
THE CAPITAL-JOURNAL

The Tallgrass Ranchers are riding into the fight over wind turbines in the Flint Hills.

Capital City Bank chairman and Flint Hills landowner Frank Sabatini said Thursday about 50 people who own property in the hills gathered at Emporia last week to talk about the effect of turbines and wind farms on the landscape. From that meeting came the Tallgrass Ranchers, dedicated to preserving the ecosystem and scenic beauty of the Flint Hills.

The meeting was organized by Sabatini and Bruce Waugh, a lawyer with a Kansas City, Mo., firm who also owns land in the Flint Hills. They said they weren't opposed generally to turbines or wind energy, but that the industry just didn't belong in the tallgrass prairie of the Flint Hills.

The pair planned to attend a Wabunsee County Planning Commission meeting Thursday night in Alma, where the issue was discussed. The commission has been asked to approve a zoning change that would allow construction of wind farms on land zoned for agricultural use.

Waugh said the 300-foot-tall industrial wind turbines would destroy the landscape and change forever the character of the area.

The Flint Hills represent the last 3 percent to 5 percent of a prairie that once covered several states, Waugh

The potential is huge'

Ford Co. officials OK wind farm near Spearville

By TIM VANDENACK

The Hutchinson News

DODGE CITY - Wind power - and an accompanying economic surge - could be gusting its way into Ford County.

The Ford County Commission on Monday granted EnXco, a California-based wind energy company, a conditional-use permit to build a 100- to 200-megawatt wind farm amid the wheat and milo north of Spearville.

EnXco still has to carry out an engineering study to specify feasibility details of the project, which has a preliminary price tag of \$100 million. It also has to line up clients for the power. But Paul White, the company's Midwest project director, said if plans progress as hoped, construction could start by September 2004, and the plant could be completed by year's end.



2002 FILE PHOTO/The Associated Press

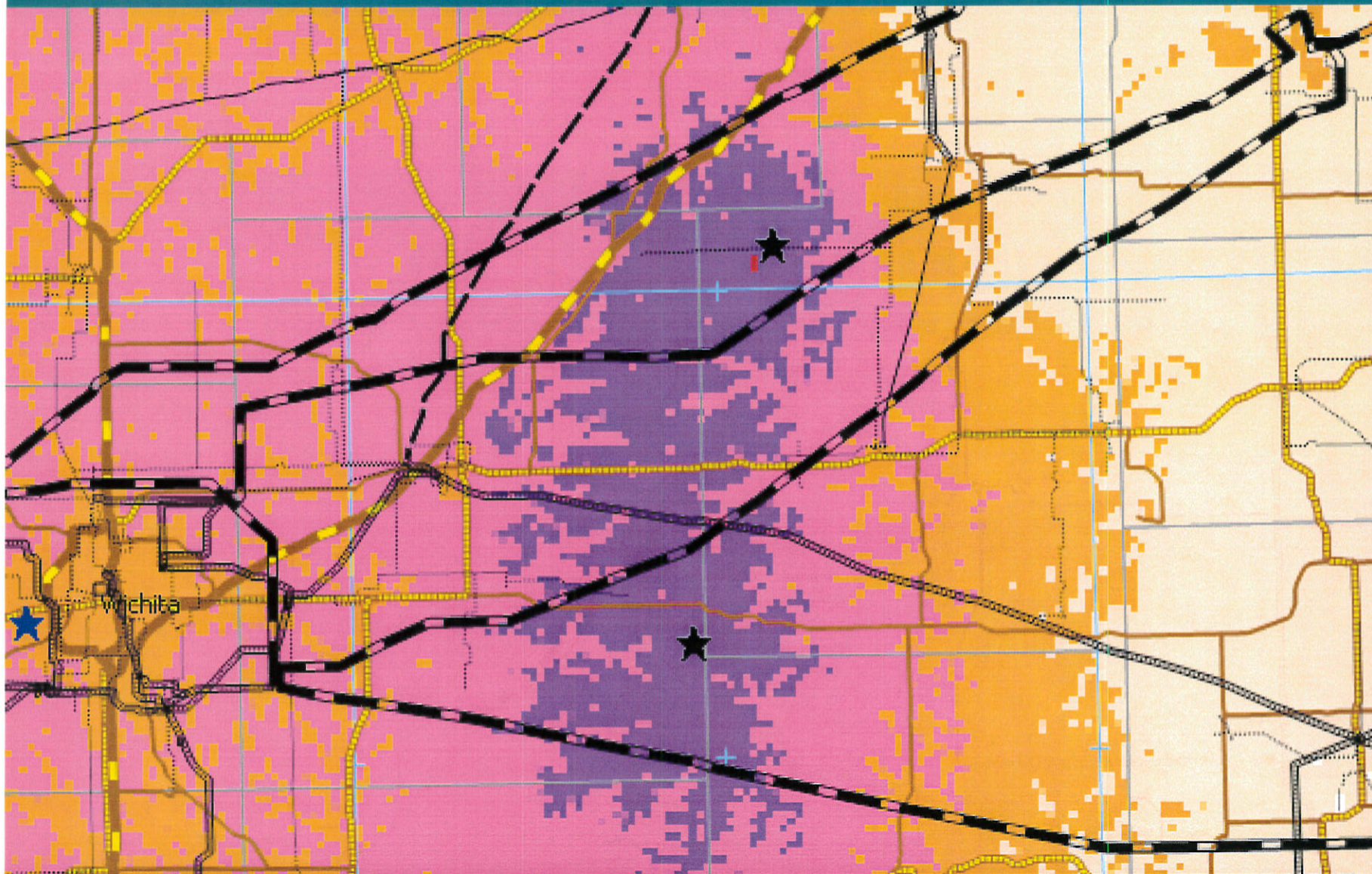
wners have formed a group to fight m such as this for the Flint Hills. nd farm in Wabunsee County.

Wichita Eagle
9/17/03

137

827

Wind Resources - Southern Flint Hills

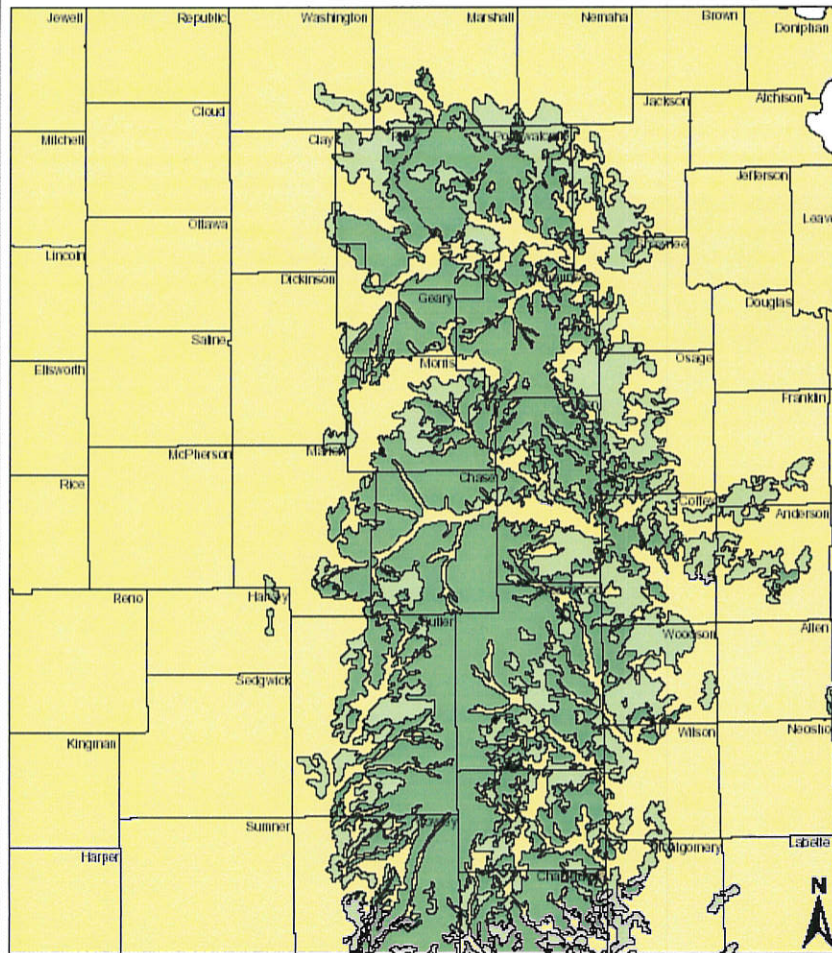


1032

Untilled Areas - the Tallgrass Prairie Ecosystem

Kansas: Wind & Prairie

Wind Resource



Map compilation by the Kansas Geological Survey (KGS), University of Kansas, December, 2003

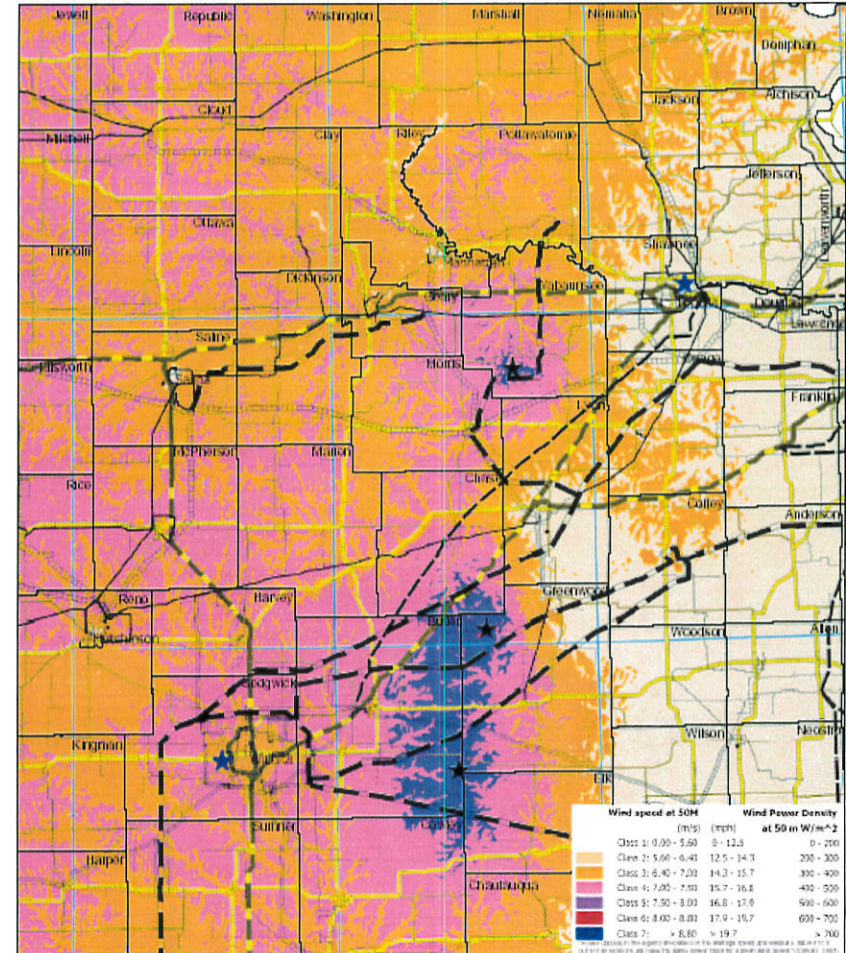
- Data sources:
1. Base map (county boundaries) - TIGER 2000, US Census Bureau
 2. Untilled areas: The Nature Conservancy
 3. Untilled fragments: The Nature Conservancy

"Untilled areas were identified as an interpretation of Landstat Thematic Mapper (TM) satellite imagery. These areas were described as one of two types: 1) areas with largely intact natural or semi-natural vegetation; and 2) fragmented areas with a concentration of natural community remnants." (The Nature Conservancy, 2003)

1:1,500,000

Legend

- Counties
- Untilled areas
- Untilled fragments



Map compilation by the Kansas Geological Survey (KGS), University of Kansas, December, 2003

- Data sources:
1. Base map (county boundaries) - TIGER 2000, US Census Bureau
 2. Wind resources - Corliss, 2003

The map frame shows an excerpt from the "Kansas Wind Resource Map" published by Corliss and the Kansas Corporation Commission. For more information regarding this data, visit the Corliss web site at <http://www.ccorliss.com/windmap>. The resource estimates have NOT been validated by the National Renewable Energy Laboratory (NREL), or independent meteorologists. All wind energy projects should confirm wind resources by direct measurements in accordance with wind energy industry standards." (Corliss, 2003)

Wind speed at 50M

Class	(m/s)	(mph)
Class 1:	0.00 - 5.60	0 - 12.5
Class 2:	5.60 - 6.40	12.5 - 14.3
Class 3:	6.40 - 7.20	14.3 - 15.7
Class 4:	7.20 - 7.50	15.7 - 16.8
Class 5:	7.50 - 8.00	16.8 - 17.9
Class 6:	8.00 - 8.80	17.9 - 19.7
Class 7:	> 8.80	> 19.7

Wind Power Density at 50m W/m²

0 - 200
200 - 300
300 - 400
400 - 500
500 - 600
600 - 700
> 700

Legend

- Kansas Cities (KGS value = 250, pop)
- Kansas Highways (State Route, US Route, Interstate, etc.)
- Meteorological Site (AWS, FWS, etc.)
- Electric Transmission Lines (Voltage in kV)

Obtain: Corliss and Kansas Corporation Commission (KCC), 2003, Kansas Wind Resource Map, Corliss and KGS.

Wind & Prairie Task Force

- ◆ Governor's goals to SERCC:
 - Preserve the remaining untilled prairie
 - Encourage wind energy development in appropriate areas

07-2

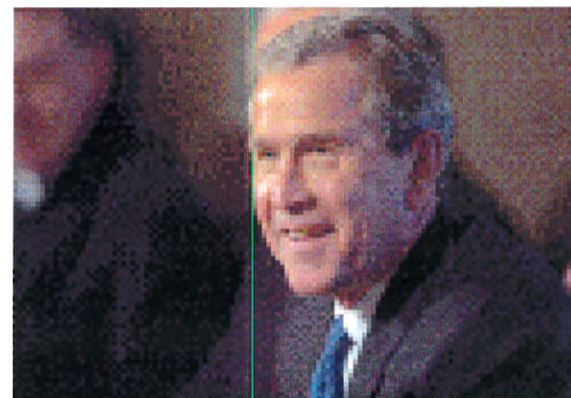
Wind & Prairie Task Force

- ◆ Develop principles, guidelines, and tools for local government and stakeholders
- ◆ Co-chairs
 - Jerry Karr, rancher, former Senator
 - Jerry Lonergan, Kansas Inc.

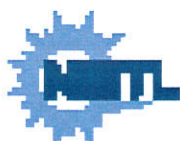
27-2

FutureGen: A Presidential Initiative

One billion dollar, 10-year demonstration project to create world's first, coal-based, zero-emission electricity and hydrogen plant



*President Bush
February 27, 2003*

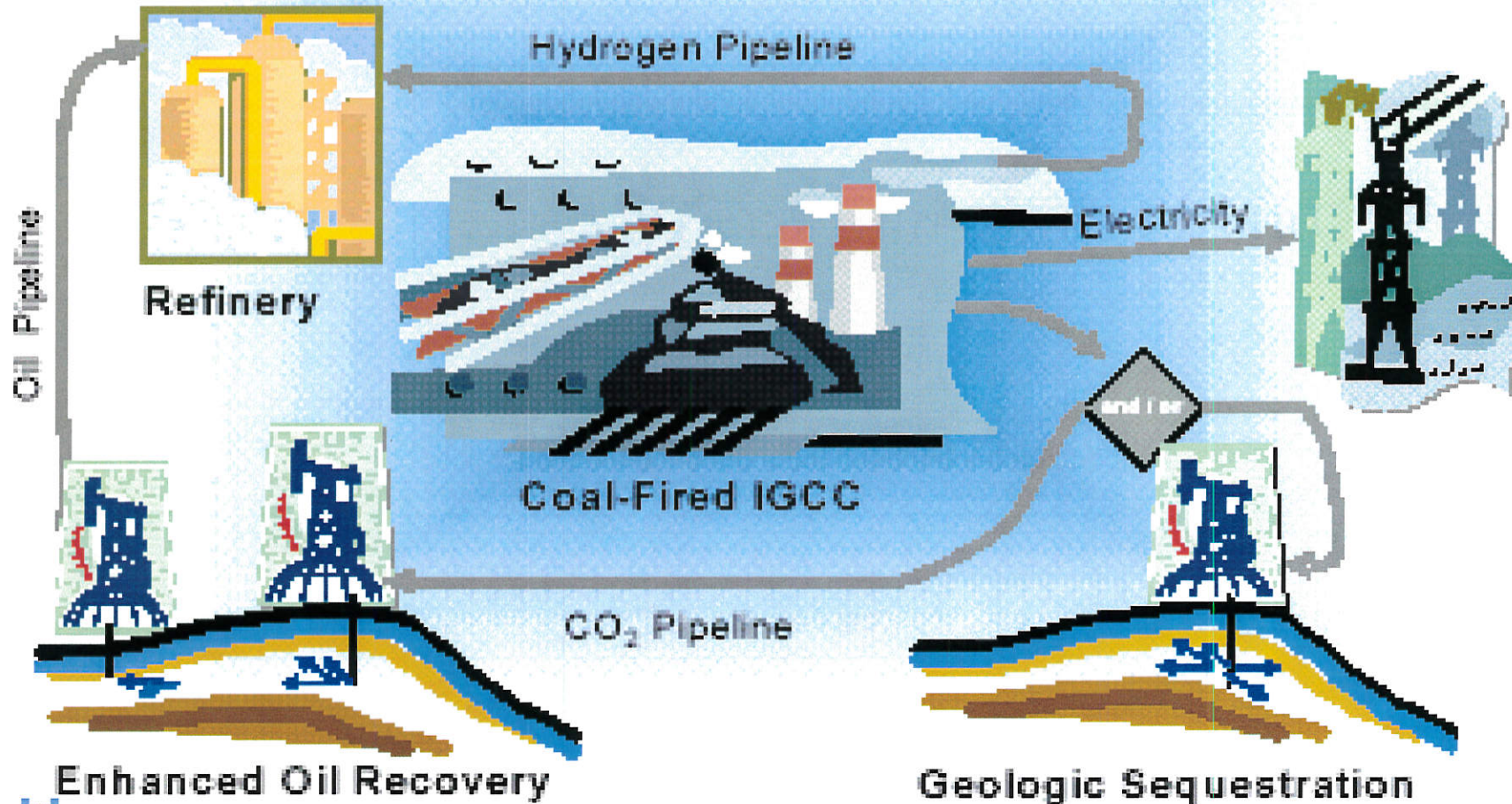


White House Photo by Fred Mercer

© 2003 NREL

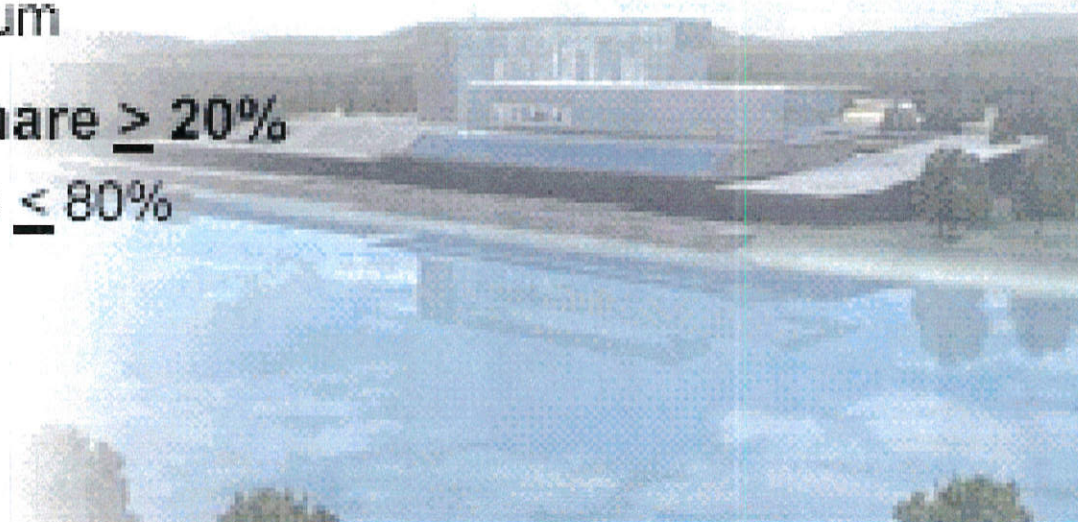
37-2

FutureGen: A "Zero Emissions" Plant



FutureGen: A Global Partnership Effort

- **Broad U.S. participation**
 - DOE contemplates implementation by consortium that owns and produces $> 1/3$ of coal and $1/5$ coal-fueled electricity
- **International collaboration**
 - Carbon Sequestration Leadership Forum
- **Industry cost share $\geq 20\%$**
 - DOE cost share $\leq 80\%$



State Energy Resources Coordination Council



Kansas Geological Survey
University of Kansas



Kansas Energy Atlas

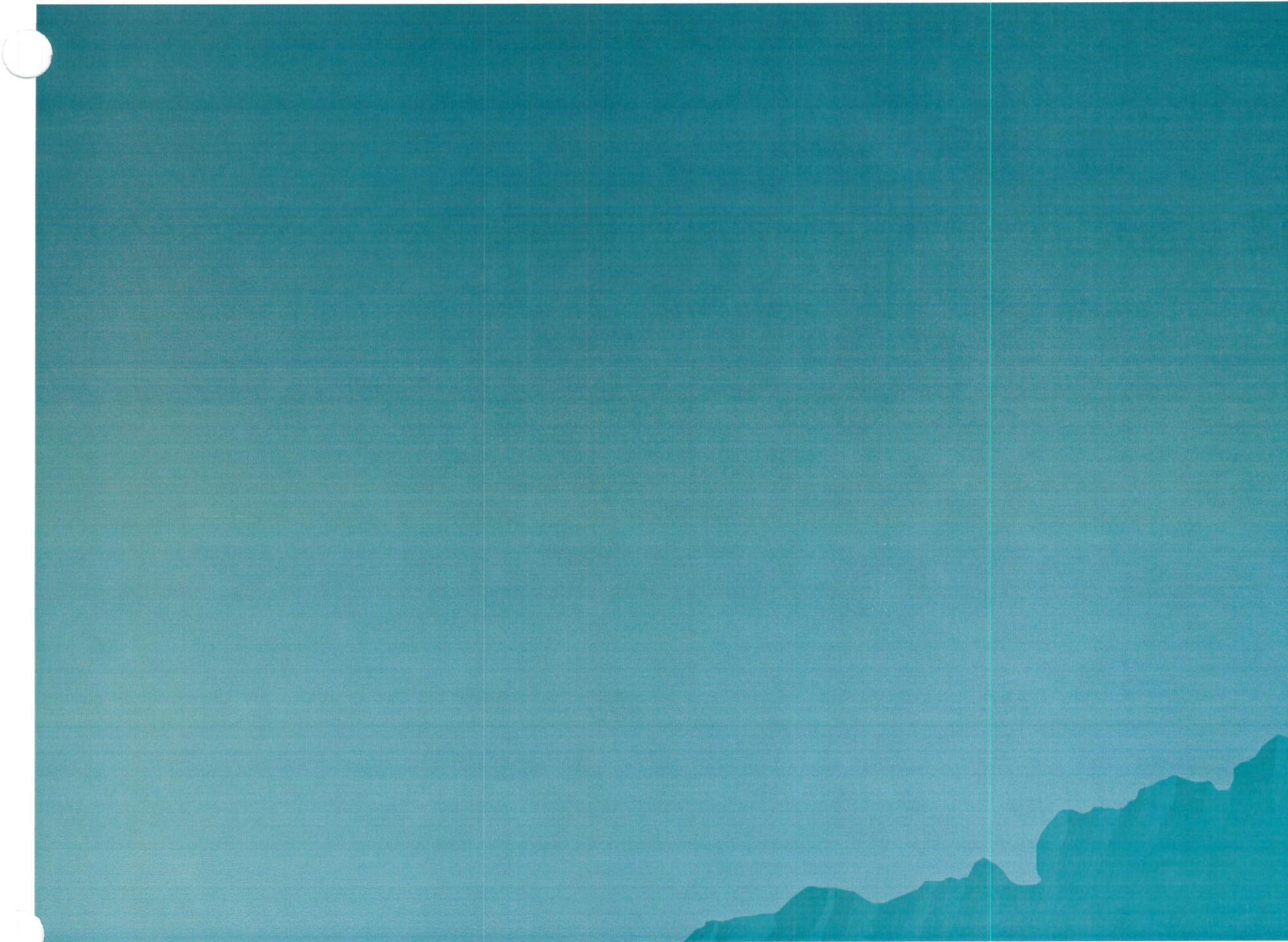
http://neutrino.kgs.ku.edu/website/energy_atlas/

SERCC website

www.kansasenergy.org

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2004

Kansas Energy Plan

State Energy Resources Coordination Council



Kansas Geological Survey

www.kansasenergy.org