

Approved: April 29, 2005
Date

Carl D. Holmes

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:15 a.m. on February 23, 2005 in Room 231-N of the Capitol.

All members were present except: Representative Peggy Mast - Excused
Representative Jason Watkins - Unexcused

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: Representative Tom Sloan, Lawrence, KS

Others attending: See Attached List

HB 2146 - Information required with payment to oil and gas royalty interest or working interest owners

Chairman Holmes announced that a sub-committee had been formed. Members of the sub-committee are: Representative Myers, chair; Representative Mast, and Representative Long.

HR 6019 - Urging corporation commission to open docket to require all electric public utilities belong to same regional transmission organization

Chairman Holmes opened the hearing on **HR 6019**.

Representative Tom Sloan explained the need for the resolution and the need for having all of the state's electric transmission operators belong to the Regional Transmission Organization. Representative Sloan responded to questions from the committee. (Attachment 1)

Chairman Holmes closed the hearing on **HR 6019** opened the debate.

Representative Krehbiel moved to amend line 15 to read "all electric public utilities providing service in Kansas and under the jurisdiction of the state corporation commission." Representative Jim Morrison seconded the motion. The motion carried. Representative Sloan moved to amend line 20 to read "January 1, 2006." Representative Judy Morrison seconded the motion. The motion carried. Representative Sloan moved to recommend **HR 6019**, as amended, favorable for adoption. Representative Kuether seconded the motion. The motion carried. Representative Sloan will carry the resolution.

The meeting adjourned at 9:37 a.m.

The next meeting is Thursday, March 3, 2005 at 9:00 a.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

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NAME	REPRESENTING
Steve Johnson	Kansas Gas Service
Dan Sprmye	Curb
Mark Schwesber	Westar Energy
Dane HOLTBAUS	KEC
HARRY BERG	MIDWEST ENERGY
Tom Day	KCC
BRUCE GRAHAM	KEPCO
Anne Spiess	KTA

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 MEMBER: UTILITIES
 ENVIRONMENT
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 RESOURCES BUDGET
 KANSAS WATER AUTHORITY

Testimony on HR 6019
 February 23, 2005
 House Utilities Committee

Mr. Chairman, Members of the Committee: As you recall from previous Committee meetings, the Federal Energy Regulatory Commission (FERC) has called for the development of Regional Transmission Organizations (RTO) to coordinate electric transmission operations. We have discussed the Southwest Power Pool's (SPP) role in connection with HB 2045 – transmission construction cost recovery – and HB 2263 – the Kansas Transmission Authority.

Several years ago, Aquila acquired the St. Joseph Light and Power Company. As a condition for approving that merger, FERC required the combined company to join an RTO. At that time, the only recognized RTO in the midwest was the Midwest Independent System Operator (MISO). The SPP was a reliability council and negotiations were on-going between MISO and the SPP about the two organizations merging to form a larger RTO. As part of the regulatory process, the Kansas Corporation Commission (KCC) approved the merger between Aquila and St. Joe and approved Aquila's joining MISO.

Subsequently, the MISO-SPP negotiations failed and FERC recognized the SPP as a RTO in its own right.

Transmission service historically has been priced so that each utility over whose lines power flowed collected their own service charge. For example, if power flowed from Utility A to Utility E over the lines of A, B, C, and D, each company charged for such service. This is called license plate pricing (similar to registering a truck in KS, MO, AR – each state collects a fee).

RTOs price the movement of power between utilities **within the RTO** differently. These transactions are on a flat rate basis with the RTO dividing the money amongst the utilities based on a formula that can recognize volume of power, miles of service, share of infrastructure investment, or other criteria. This is called postage stamp pricing (similar to a 37 cent stamp carrying a letter anywhere in the U.S.)

RTO's negotiate transaction prices or tariffs to move power between the two or more RTO's? Transactions within one RTO are, accordingly, less expensive than

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ATTACHMENT 1

transactions between RTOs. The line between one RTO and another is called a seam. Seams are “bad” because they increase transaction costs.

So, why is HR 6019 important? If Kansas electric transmission operating companies belong to more than an RTO, costs of moving power between parts of Kansas and between Kansas utilities will be more expensive. Those higher costs are, in my opinion, unnecessary and very undesirable as we seek to protect consumer interests and develop our ability to export power. HR 6019 directs the Kansas Corporation Commission to require all electric utilities operating in Kansas to belong to the same RTO after determining which RTO best “fits” our needs. For the past year, the KCC has had an open docket studying RTO operations, costs, and the relationship between each electric utility operating in Kansas and MISO and the SPP.

FERC Chairman Pat Wood has visited Kansas in 2003 and 2004 for Summits on Kansas transmission issues. Participants in these Summits included the CEOs of Kansas’ electric utilities, the KCC Commissioners and staff, SPP’s CEO, Chairman Holmes, me, and MISO representatives, among others. A major topic of formal and informal discussion at these meetings was seams – where they will be, what the consequences of their location will have on retail customers, and what are the best public policies for our state’s consumers. Kansas potentially could have several seams that increase transmission costs, reduce regional reliability planning, and adversely impact consumers.

The consensus of opinion at those Summits was that all of our state’s electric transmission operators (IOUs, Municipals, Cooperatives) should belong to the same RTO.

HR 6019 directs the KCC to determine which RTO best serves all Kansas electric transmission operators and their customers (wholesale and retail) interests and order the transmission operators to join that RTO.

Mr. Chairman, this is a long, and very much simplified, recital of background information and context for HR 6019. The goal is to permit what almost everyone wants - Kansas electric utility customers to have lower cost transmission/electric service. After conversations with representatives of the Kansas Corporation Commission, CURB, Kansas’ electric utilities, and the SPP, the following amendments are proposed for HR 6019:

line 15 - all *jurisdictional* electric

line 15 - delete: serving
add: *providing services in*

line 20 - *January 1, 2006*

Thank you Mr. Chairman. I sincerely hope that the Committee will support HR 6019 and I will be pleased to respond to questions.

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