

MINUTES OF THE HOUSE UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on February 2, 2006 in Room 231-N of the Capitol.

All members were present except:

Oletha Faust-Goudeau- excused

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Mary Torrence, Revisor's Office
Renaë Hansen, Committee Secretary

Conferees appearing before the committee:

Representative Tom Sloan
Charles Benjamin, Sierra Club
Bruce Sneed, Kansas Energy Council
Larry Holloway, KCC
David Springe, CURB
Michael Klein, Salvation Army
Bobbi Mariani, SRS
Joe Harkins, Governors Staff

Others attending:

See attached list.

Hearing on:

HB 2657 **Recovery of certain amounts spent by electric or natural gas public utility for customer energy efficiency and conservation programs.**

Proponents:

Representative Tom Sloan presented testimony (Attachment 1), in support of **HB 2657** noting that the bill provides for energy efficiency and conservation programs receiving prior approval of the Commission.

Charles Benjamin, Sierra Club, (Attachment 2), presented testimony in favor of **HB 2657** stating that the bill allows utility companies to receive their authorized rate of return on the monies spent on energy efficiency and conservation programs.

Bruce Sneed, Kansas Energy Council, (Attachment 3), offered testimony in support of **HB 2657** for a number of reasons. Mr. Sneed also offered an amendment (Attachment 4), to the bill that would clean up and make some necessary proposed changes.

Opponents:

Larry Holloway, KCC, (Attachment 5), offered testimony in opposition to **HB 2657** stating specific reasons why the KCC believes this legislation is not workable.

David Springe, CURB, (Attachment 6), presented testimony to **HB 2657** in opposition to some specific sections of the bill.

Michael Klein, Salvation Army, (Attachment 7), offered opposition testimony to **HB 2657** as they are concerned with section (b) of the bill that would allow utilities to reduce uncollectible bills of "high risk" residential customers by requiring "prepaid energy cards or similar programs".

Bobbi Mariani, SRS, (Attachment 8), offered comments in opposition to **HB 2657**.

CONTINUATION SHEET

MINUTES OF THE House Utilities Committee at 9:00 A.M. on February 2, 2006 in Room 231-N of the Capitol.

Questions were asked and comments offered by Representatives: Melody Miller, Forrest Knox, Josh Svaty, Vaughn Flora, Carl Holmes, and Tom Sloan.

Hearing closed on **HB 2657**.

Hearing on:

HB 2642 **Energy policy advisory group established; state energy plan.**

Representative Tom Sloan presented testimony, (Attachment 9), in support of **HB 2642** that would create a standing Kansas Energy Council as opposed to one that is by executive order only.

Charles Benjamin, Sierra Club, (Attachment 10), offered testimony in support of **HB 2642** and establishing a standing Energy policy advisory group.

Joe Harkins, Governors Staff, (Attachment 11), offered support of **HB 2642** with some changes in the form of amendments that are attached to his testimony.

Questions were asked and comments offered by Representatives: Lynne Oharah, Don Myers, Virginia Beamer, Tom Hawk, and Margaret Long.

Hearing on **HB 2642** was closed.

Chairman Holmes recommended that changes to the proposed bills be presented in formal amendment format.

The next meeting is scheduled for February 7, 2006.

Meeting Adjourned.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 2, 2006

NAME	REPRESENTING
Mark Schreiber	Westar Energy
Jordan Frieb	Intern For Rep. Svaty
PAUL WAGGS	KEPCO
David Spryng	Curb
NIKI CHRISTOPHER	CURB
Dave Holtzwas	KEC
Tom DAY	KCC
Lindsey Douglas	Hein Law Firm
Tom Palace	PMCA OF KS
Mary Jane Stankiewicz	KAEP
Chelsea Harris	Intern
Matt Tome	KCC
Larry Holloway	KCC
Eric Wiseman	KDA
Mike Klein	The Salvation Army
B. Mariani	SRS
John Brown	SRS
Heberah Porter	The Salvation Army
Brian Carroll	The Salvation Army
JOE HARKINS	GOV. OFFICE

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 2, 2006

NAME	REPRESENTING
Duby J. J. J. J.	Kansas Inc.
Justin Supply	KCC
Jim & Roger	KCC
Breck Swess	KCC

STATE OF KANSAS

TOM SLOAN
REPRESENTATIVE, 45TH DISTRICT
DOUGLAS COUNTY

STATE CAPITOL BUILDING
ROOM 446-N
TOPEKA, KANSAS 66612-1504
(785) 296-7677
1-800-432-3924

772 HWY 40
LAWRENCE, KANSAS 66049-4174
(785) 841-1526
sloan@house.state.ks.us



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: HIGHER EDUCATION
MEMBER: UTILITIES
ENVIRONMENT
AGRICULTURAL & NATURAL
RESOURCES BUDGET
KANSAS WATER AUTHORITY

Testimony on HB 2657 - Incentives for Utility-Customer Energy Conservation Partnerships

February 2, 2006

House Utilities Committee

Mr. Chairman, Committee Members: HB 2657 is identical to a bill that passed both this Committee and the full House last session. Unfortunately, the Senate Utilities Committee needed a bill to address an immediate problem being experienced by municipal utilities and did a "gut and go" on "this" bill.

HB 2657 provides that *for energy efficiency and conservation programs receiving prior approval of the Commission*, the Corporation Commission shall authorize electric and natural gas utilities to recover the utility's authorized rate of return on investments made in such programs for residential and commercial customers.

This bill passed in 2005 because utilities have previously implemented demand side management programs, as directed by the Commission, but the programs "died" because the utilities perceived a financial cost to them that was not recognized by the Commission and hence not recovered. The 2005 Utilities Committee and House members believed that incentives to encourage partnerships between electric and natural gas utilities with their customers to invest in energy conservation is an effective means of helping people reduce their energy bills.

The Special Joint Committee on Energy made the provision of tax credits for investments in energy conservation one of the key elements of the energy planning/development/export/conservation program recommendations. HB 2657 captures the spirit and intent of those recommendations and provides tangible incentives for utilities to make such investments in cooperation with their customers.

Thank you Mr. Chairman and Committee Members.

HOUSE UTILITIES

DATE: 2/2/06
ATTACHMENT 1

Charles M. Benjamin, Ph.D., J.D.

Attorney at Law
P.O. Box 1642
Lawrence, Kansas 66044-8642
(785) 841-5902
(785) 841-5922 facsimile
chasbenjamin@sbcglobal.net

Testimony in Favor of H.B. 2657

Relating to energy efficiency and conservation programs

On behalf of the Kansas Chapter of Sierra Club

Before the Kansas House Utilities Committee

February 2, 2006

Mr. Chairman, members of the Committee, thank you for the opportunity to testify in support of H.B. 2657 on behalf of the Sierra Club, the oldest and largest grass roots environmental organization in the world with over 750,000 members including over 4,000 in Kansas. The Sierra Club supports public policies that encourage energy efficiency, no matter the source of the energy, and renewable energy technologies.

H.B. 2657 allows utilities to recover their authorized rate of return on investments in energy efficiency and conservation programs for residential customers who have an energy audit and are current in their utility bills. We think this is a common sense policy that encourages the state's utilities to engage in more energy efficiency measures. We would support any friendly amendments designed to strengthen such energy efficiency and conservation programs.

Thank you for your time and attention.

HOUSE UTILITIES

DATE:

2/2/06

ATTACHMENT

2

**Utilities Committee
Kansas House
Written Testimony of Bruce Snead
Kansas Energy Council – Energy Efficiency Representative
Manhattan, Kansas
February 2, 2006**

HB 2657

Mr. Chair and members of the committee, thank you for the opportunity to testify on this bill, and while I support its intent, I believe it needs improvement through a proposed amendment. I would like to present background information first, then specifics of the proposed amendment.

My experience, research and knowledge of Kansas tells me that we have very significant untapped potential to use energy more efficiently, to conserve and extend the life of increasingly scarce energy resources, to reap economic and environmental benefits in the process, and provide better energy services to Kansas citizens. And that we can do so with very reasonable investments that return 2 or 3 or more dollars back in economic benefits for every program dollar spent.

Why should the utilities, or some other agency or entity conduct energy conservation and efficiency programs for customers? Why is this bill needed?

Because, there is demonstrated potential, as has been shown in many other states, to delay or avoid adding costly generation, to stabilize or reduce total utility bills for customers, to reduce demand for natural gas, to reduce pollution, and to enhance economic development.

Because, with a few exceptions, there are few programs being offered by Kansas utilities that tap into this potential.

Because, there are numerous examples of successful and exemplary programs being conducted elsewhere, with key components and actual results identified.

Because, the general public and citizens, when asked, have consistently expressed understanding of the logic of energy efficiency and support for efforts to invest more resources to achieve cost effective results.

Where does Kansas and its utilities rank in energy efficiency investments? Several sources provide a consistent picture of where we stand. At the bottom.

HOUSE UTILITIES
DATE: 2/2/06
ATTACHMENT 3

The American Council for an Energy-Efficient Economy (ACEEE), a nonprofit organization dedicated to advancing energy efficiency as a means of promoting both economic prosperity and environmental protection, recently published its 3rd National Scorecard On Utility and Public Benefits Energy Efficiency Programs: A National Review and Update of State Level Activity, October 2005. It shows how the states rank in terms of energy efficiency investments from utilities and state benefit funds, and also in energy efficiency policies. Kansas ranks 47th, 48th and 49th in the following parameters:

- Energy efficiency expenditures as a percentage of utility revenues;
- Energy efficiency expenditures per capita
- Electricity savings as a percentage of electricity sales

What could or should Kansas and its utilities consider investing in energy efficiency?

ACEEE's Five Years In: An Examination of the First half-Decade of Public Benefits Energy Efficiency Policies, indicates that for states with comprehensive statewide PBF energy efficiency programs, funding tends to be in the range of 1-3% of total utility revenues.

In dollar amounts, state evaluations and other studies have generated specific amounts that follow policy and goal recommendations. A study by the Southwest Energy Efficiency Project for six states (Arizona, Colorado, Nevada, New Mexico, Utah, Wyoming) in that region show a range from \$2 million to \$12 million per year in 2001-2002, with significant benefits obtainable with ramping up to nine times that amount through a surcharge of .02 cents per kWh.

The state governments of Idaho, Montana, Oregon and Washington, northwest electric utilities, public benefits fund administrators and the Bonneville Power Administration (BPA) have committed \$100 million over the next five years to continue regional energy efficiency efforts through their partnership with the Northwest Energy Efficiency Alliance. The money will be pooled and used to pay for market-based, energy efficiency programs throughout the region. Since the Alliance began in late 1996, its programs as well as related utility, public benefits, and state efforts have saved the region an estimated 130 average megawatts of electricity through 2003. The cost of the savings is about a penny per kilowatt-hour—one-quarter of the cost of generating electricity from a gas-fired power plant—and was valued at \$57 million in 2003 alone.

Iowa's utilities are presently spending about \$36 million per year on electric efficiency programs and \$12 million per year on natural gas programs. Wisconsin's program indicates about \$62 million from all sources.

ACEEE's report, Natural Gas Crisis in the Midwest, indicates there is considerable research from leading states that a broad group of energy efficiency programs can save electricity at a cost of 3 cents per kWh and natural gas at a cost of \$1.50 per Mcf. These costs of conserved energy are much cheaper than the corresponding costs to obtain supply side energy resources, thus they are cost effective just for the energy resource they provide.

A National Best Practices Study just completed for California has produced a comprehensive and comparative understanding of energy efficiency program efforts throughout the United States. It offers a database of energy efficiency (EE) best practices that can be used as a resource to enhance the design, implementation, and management of energy efficiency programs for Kansas.

Kansas utilities and the KCC can take advantage of the wealth of existing information and exemplary program evaluations to move quickly. This legislation, if we enhance it with the proposed amendment, is a starting point for establishing that energy efficiency in all sectors can help stabilize or reduce bills, extend the life of existing resources and help reduce demand. It is essential that we take advantage of the knowledge gained by other states and programs to appropriately ramp up a program that is tailored for Kansas and its conditions. This legislation, if amended, enables two paths to accomplish this. One through utilities based programs which must be approved by the KCC, and another through programs proposed for the utilities by the KCC. Both will have oversight by the KCC.

What does the amendment do?

- Builds on the existing statute maximizing the potential rate of return for utility investments in KCC approved energy efficiency programs for all customer classes.
- Directs the KCC to consider factors of time, cost effectiveness, reliability, low income customer impacts, audits of program performance and other factors in evaluation and approval of programs.
- Directs the KCC to require utilities to conduct energy efficiency and conservation programs if the KCC finds that the investment or improvement will result in energy savings at a total cost less than the utility's cost to produce or purchase an equal amount of new energy supply.
- Enables the KCC to propose specific utility investments in energy efficiency and conservation programs, potentially setting rates, prices and terms for the programs.
- Enables the KCC to change the programs to promote efficient and effective programs.

- Enables the KCC to contract for program review and evaluation services.

I believe this amendment is essential given the performance of the utilities I have described in my testimony. We need to enable the KCC to propose programs, because the utilities may not propose anything. We need to provide some guidance to the KCC in their approval process to enable effective programs to be established based on sound information and experience. We need to authorize the KCC to establish efficiency and conservation programs if and when it can be demonstrated that it would be cheaper than the corresponding costs to obtain supply side energy resources. And, this amendment will clarify legislative intent for the KCC in this arena. I believe this amendment would also be consistent with current KCC staff recommendations regarding low-income assistance rates issues and the possibilities for energy conservation programs to address needs of those groups. Thank you again for the opportunity to testify and I am ready to answer questions.

Member – Kansas Energy Council – Energy Efficiency representative

Bruce Snead

810 Pierre St.

Manhattan, KS 66502

785-537-7260 Home 785-532-4992 Work

Testimony to House Utilities on HB 2657

Testimony to House Utilities on HB 2657

Bruce Snead
Efficiency and Conservation Representative
Kansas Energy Council
City Commissioner and Mayor Pro-Tem – Manhattan
State Extension Specialist – Energy and IAQ
Engineering Extension – Kansas State University
February 2, 2006

1

Energy Efficiency Defined

- Energy efficiency reduces the energy used by specific end-use devices and systems, typically without affecting the level of service and without loss of amenity.
- Energy savings and peak load reductions are achieved by substituting technically more advanced equipment, processes, or operational strategies to produce the same or an improved level of end-use service with less electricity.

2

Bruce Snead –EE and Conservation Representative
Kansas Energy Council February 2, 2006

3-5

Testimony to House Utilities on HB 2657

Benefits of Energy Efficiency

- Reduces load, peak demand, & energy use
- Reduces market prices for all consumers
- Often less costly and more cost-effective
- Distributed (no need for T & D)
- Diverse
- Less subject to market and fuel price volatility
- Less subject to security risks and interruptions
- Promotes environmental enhancement
- Provides benefits to consumers and businesses
- Creates jobs and improves the economy 3

What Do We Mean By Energy Efficiency Potential?

- **Naturally occurring:** Market acceptance of economic efficiency technologies without intervention
- **Achievable:** Market acceptance of economic efficiency technologies with intervention
- **Economic:** Amount of technical potential available at costs below avoided electric supply or other economic criteria
- **Technical:** Amount of efficiency theoretically available without regard for cost.

4

Bruce Snead –EE and Conservation Representative

Kansas Energy Council February 2, 2006

Testimony to House Utilities on HB 2657

Table 1. Summary of Results from Recent Technical, Economic and Achievable Energy Savings Potential Studies.

Region	Year	Fuel	# Years	Potential (%)		
				Technical	Economic	Achievable
California	2003	Electric	10	18%	13%	10%
Massachusetts	2001	Electric	5		24%	
New York	2003	Electric	20	36%	27%	
Oregon	2003	Electric	10	31%		
Puget	2003	Electric	20	35%	19%	11%
Southwest	2002	Electric	17			33%
Vermont	2003	Electric	10			31%
U.S.	2000	Electric	20			24%
Median		Electric		33%	21.5%	24%
California	2003	Gas	10		21%	10%
Oregon	2003	Gas	10	47%	35%	
Puget	2003	Gas	20	40%	13%	9%
Utah	2004	Gas	10	41%	22%	
U.S.	2000	Gas	20			8%
Median		Gas		41%	22%	9%

Note: This table only includes the longest time periods and more aggressive scenarios covered in each study.

From the proceedings of the 2004 ACEEE Summer Study on Energy Efficiency in Buildings

5

Rates vs. Bills

- Since energy efficiency programs reduce units sold and add internal administrative costs, they will have an upward pressure on rates
- Reduced energy use through these programs creates downward pressure on bills
- Several other factors can create downward pressure
 - Program design
 - Effective implementation

6

Bruce Snead –EE and Conservation Representative

Kansas Energy Council February 2, 2006

Testimony to House Utilities on HB 2657

Implications for States & Others of Energy Policy Act of 2005

- New federal tax incentives create an efficiency promotion opportunity
 - -Provide local promotion and technical assistance
 - -Consider coordinated state or utility incentives
 - -Promotion coordination via the Tax Incentives Assistance Project (TIAP)—watch www.energytaxincentives.org
- New federal efficiency standards could affect qualification levels for local incentive programs
- If new federal/state programs are funded, they could create additional partnership opportunities

7

Commitments to Energy Efficiency as a Resource – State Targets

- California:
 - CPUC new EE savings targets will double savings over the next decade—to ~5000 MW peak demand and ~23,000 GWh by 2013
 - Budgets for programs have been increased accordingly—unprecedented levels of state funding commitment
- Illinois: Implementing an “Energy Efficiency Portfolio Standard”—will require utilities to meet 10% of annual load growth by 2008; 25% by 2017
- Texas: Regulated distribution utilities must meet 10% of new demand growth through energy efficiency
- Iowa: 10% reduction in overall end-use
- New Jersey: (BPU) set energy efficiency goals of 1,813,750 MWh for electricity savings and 2,596,706 Dekatherms for natural gas savings for 2005 through 2008. Funded by \$472 million from New Jersey’s Societal Benefit Charge, to be made initially available to programs managed by the utilities.
- Wisconsin: PSCW ordered We Energies to acquire 55 MW energy efficiency in conjunction with new baseload plant construction

8

Bruce Snead –EE and Conservation Representative

Kansas Energy Council February 2, 2006

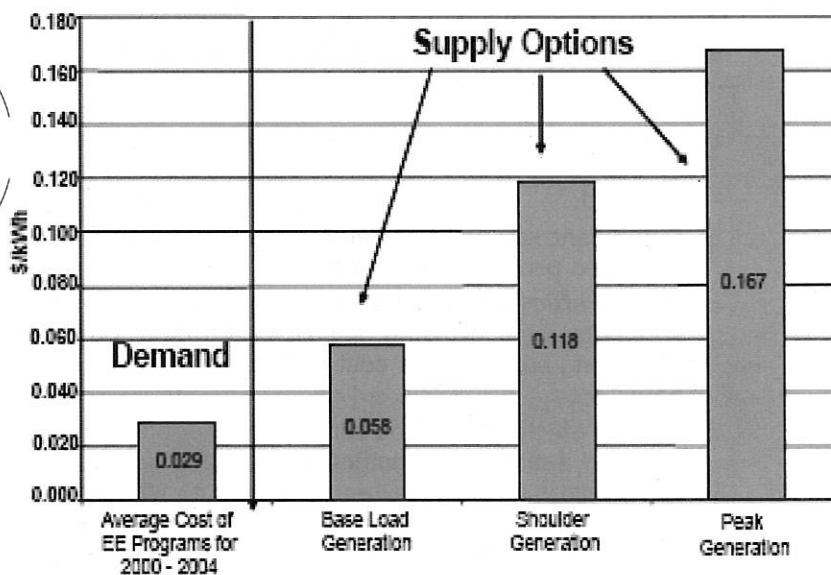
Testimony to House Utilities on HB 2657

Where Does Kansas Rank?

- ACEEE studies show KS at the bottom in:
 - Energy efficiency expenditures as a percentage of utility revenues;
 - Energy efficiency expenditures per capita
 - Electricity savings as a percentage of electricity sales
 - And lacking in most all EE policy categories
- No significant utility programs to speak of except for Midwest Energy, some REC's and some Municipals
- Kansas does not and has not contributed any state funds to weatherization.
- KCC approved plan for KCPL has some measures contemplated

9

Comparison of CA EE Program Costs to Supply Generation Costs



10

Bruce Snead –EE and Conservation Representative

Kansas Energy Council February 2, 2006

Testimony to House Utilities on HB 2657

Why Energy Efficiency is Even More Important Today

- Energy efficiency is still the least-cost resource
- Growing risks associated with new power plant construction
 - Construction costs
 - Fuel price risks
 - Future environmental costs
- Increasing evidence of climate change; energy efficiency is a proven, cost-effective means to reduce emissions of green house gases (along with other pollutants)

11

Lessons Learned from States

- There is significant cost-effective potential for energy efficiency to help meet electricity and natural gas demand;
- Significant savings are being achieved through well-designed programs and policies;
- Energy efficiency can be cost-competitive with new supply to meet growing electricity demand, often delivering savings at a cost of 2 to 4 cents per kilowatt-hour;
- Energy efficiency can be targeted to reduce peak demand, leading to significant cost savings and natural gas savings at a time when supply is constrained; and
- Energy efficiency can reduce electricity demand in transmission-constrained areas, deferring investments for transmission upgrades.

12

Bruce Snead –EE and Conservation Representative

Kansas Energy Council February 2, 2006

Proposed amendment to HB 2657- 2/2/06

Bruce Snead, EE Representative KS Energy Council

Formatted: Font: 20 pt

Formatted: Font: 12 pt

Session of 2006

HOUSE BILL No. 2657

By Committee on Utilities

1-19

Deleted: ¶

Formatted: Font: 12 pt

AN ACT concerning certain public utilities; relating to energy efficiency and conservation programs for certain customers; providing for recovery of certain amounts therefor.

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

Section 1. (a) For energy efficiency and conservation programs receiving prior approval of the commission, the state corporation commission shall authorize any electric public utility or natural gas public utility to recover the utility's authorized rate of return on investments, and on applicable incentives per KSA 66-117(e), by such utility in energy efficiency and conservation programs for customers.

Deleted: ¶

Formatted: Font: 12 pt

Deleted: residential

Deleted: -¶

Deleted: who have an energy audit and are current in the payment of their utility bills or payments under their utility bill payment plan

Formatted: Line spacing: 1.5 lines

(b) In the process of evaluation and approval of proposed energy efficiency and conservation programs, the commission shall consider:

- (1) The proposed time period for the program and how that addresses initiation, promotion, implementation and evaluation of program effectiveness.
- (2) The cost-effectiveness and the reliability of technologies employed.
- (3) The percentage of proposed program expenditures devoted to residential programs that directly address the energy efficiency and conservation of residential rental property, and low-income persons.
- (4) The mechanism or process for an independent audit of the utility's programs, investments, expenditures, and energy savings.
- (5) Other relevant factors or criteria.

HOUSE UTILITIES

DATE:

2/2/06

ATTACHMENT

4

(c) The commission shall require a utility to conduct an energy efficiency and conservation program, or other investments, in energy efficiency and conservation, whenever the commission finds that such programs or investments will result in energy savings at a total cost to the utility less than the cost to the utility to produce or purchase an equivalent amount of new supply of energy.

(d) The commission may propose an electric or natural gas public utility make investments and expenditures in energy efficiency and conservation programs, explicitly setting forth terms under which the improvements must be offered to customers.

(e) The commission may, by order, establish a list of programs, and from time to time change and or subtract from said list of programs, that may be offered as energy efficiency and conservation programs by any electric public utility or natural gas public utility.

(f) The commission may contract with any qualified entity to review public utility and commission proposed energy efficiency and conservation programs.

Sec. 2. This act shall not preclude the commission and the public utility from entering into energy efficiency and conservation agreements not undertaken pursuant to this act nor preclude the commission from exercising its authority pursuant to KSA 66-117(e).

Sec. 3 This act shall take effect and be in force from and after its publication in the statute book.

Formatted: Line spacing: 1.5 lines

Deleted: For energy efficiency and conservation programs receiving prior approval of the commission, the commission shall authorize any electric public utility or natural gas public utility to recover the utility's authorized rate of return on investments by such utility in programs to reduce uncollectible bills of residential customers of the utility through prepaid energy cards or similar programs that place responsibility for wise use of energy on customers at high risk of having uncollectible bills. Before the commission authorizes the recovery, the utility shall be required to submit to and obtain approval by the commission of the utility's policies for identifying such high-risk customers. Such policies shall take into account the customer's previous failures to meet terms of payment plan agreements, landlord preferences and such other factors as agreed to by the utility and the commission.

Formatted: Font: 12 pt

Deleted: (c)

Deleted: The state corporation commission shall authorize any electric public utility or natural gas public utility to recover the utility's authorized rate of return on any investments by such utility in energy efficiency and conservation programs for commercial customers who have an energy audit and are current in payment of their utility bills.

Formatted: Font: 12 pt



KANSAS

CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR
BRIAN J. MOLINE, CHAIR
ROBERT E. KREHBIEL, COMMISSIONER
MICHAEL C. MOFFET, COMMISSIONER

**BEFORE THE HOUSE UTILITIES COMMITTEE
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION
February 2, 2006
HB 2657**

Thank you, Chairman and members of the Committee. I am Larry Holloway, Chief of Energy Operations for the Kansas Corporation Commission. I appreciate the opportunity to be here today to testify for the Commission on HB 2657.

Section 1 (a) and Section 1 (c) of this bill mandates that the Commission allow electric or natural gas utilities to recover their authorized rate of return on any investment made on behalf of a commercial or residential customer, provided that: the investment is in accordance with a Commission approved energy efficiency and conservation programs; the customer has an energy audit; and the customer is current in the payment of their bills. Section 1 (b) of this bill states that for Commission approved energy efficiency and conservation programs, the Commission shall authorize electric or natural gas utilities to recover their authorized rate of return on any investment made to implement prepaid energy cards or similar programs for customers at risk for uncollectible bills, provided the Commission has approved the utility's policies for identifying such high-risk customers.

The Commission opposes this bill and has concerns regarding each of the major provisions.

Section 1 (a) and Section 1 ^c(b) of the Bill

HOUSE UTILITIES
DATE: 2/2/06
ATTACHMENT 5

The Commission agrees that it does make sense that electric or natural gas utilities would seek Commission approval before implementing energy efficiency or conservation programs, particularly those that require investments on behalf of their customers. Nonetheless, the Commission has several concerns regarding the language of this bill.

First, most energy efficiency and conservation programs are evaluated in the context of a utility's overall least cost planning strategy. As such, they are normally limited in both scope and investment. Suppose, for example, that a utility finds that a specific energy efficiency program, if implemented at a certain level, will allow it to delay construction of a power plant for a few years but will do nothing after that point. It would then make sense to implement the program at a specific level and timeframe. Just as it does not make sense to build a much larger power plant than the utility needs, most energy efficiency and conservation programs have a limited scope and budget. Additionally, all well run energy efficiency and conservation programs require careful evaluation both before and after implementation. It would make little sense, for example, for the utility to pay for 12 inches of additional attic insulation for one customer that already has 12 inches of insulation, if other customers have none. The bill seems to indicate that once the program concept is approved the Commission will be unable to revisit prudent implementation or evaluation.

Second, the bill requires that the only test as to whether or not the electric or natural gas utility will make the investment on behalf of the residential or commercial customer, is whether that customer has an energy audit. The bill does not specify that the audit identify a need for the specific energy efficiency or conservation investment, only that the audit has been performed. In fact, the bill would seem to require the Commission allow recovery on a conservation or

efficiency investment even if an audit showed that the specific investment is not needed for the particular customer.

Third, this bill seems to imply that the Commission could only allow an electric or natural gas utility to recover energy efficiency or conservation investments made for residential customers that are current on their bills. This seems to prohibit programs that could decrease energy costs for low-income customers, perhaps allowing them to afford their energy costs and stay current on their utility bills. Additionally, the requirement for an energy audit may prohibit many programs that could improve the energy efficiency of low-income rental property. Landlords may have little incentive to pay for an energy audit if the renters are paying the utility bill. Nonetheless, this is exactly the type of residential property where energy efficiency and conservation investments may be most effective in allowing low-income customers to lower their energy costs and stay current on their utility bills.

Finally, the bill only allows the authorized rate of return on energy efficiency and conservation investments, putting it in conflict with current law. K.S.A. 66-117(e) currently reads:

Upon a showing by a public utility before the state corporation commission at a public hearing and a finding by the commission that such utility has invested in projects or systems that can be reasonably expected (1) to produce energy from a renewable resource other than nuclear for the use of its customers, (2) to cause the conservation of energy used by its customers, or (3) to bring about the more efficient use of energy by its customers, the commission may allow a return on such investment equal to an increment of from 1/2% to 2% plus an amount equal to the rate of return fixed for the utility's other investment in property found by the commission to be used or required to be used in its services to the public. The commission may also allow such higher rate of return on investments by a public utility in experimental projects, such as load management devices, which it determines after public hearing to be reasonably designed to cause more efficient utilization of energy and in energy conservation programs or measures which it determines after public hearing provides a reduction in energy usage by its customers in a cost-effective manner.

This statute allows the Commission to grant an electric or natural gas utility an incentive of ½% to 2% above the Commission authorized rate of return for energy efficiency and conservation programs. HB 2657 would require the Commission to grant only the authorized rate of return and would, at the very least cause confusion about Commission authority, and possibly be read to remove the existing incentive.

Section 1 (b) of the Bill

Section 1 (b) of the bill requires that the Commission allow an electric or natural gas utility to receive its authorized rate of return on investments for energy cards or similar programs to reduce uncollectible bills. The only discretion the Commission is allowed is to review and approve the utility's program for identifying high-risk customers. The Commission has several concerns regarding this section.

First, the bill allows no discretion by the Commission in determining whether or not the electric or natural gas utility's expenditures will provide overall benefits to other customers. This bill prohibits the Commission from even determining if the expenditures are prudent, needed or provide for more efficient and sufficient service. The only decision the Commission may make is whether the electric or natural gas utility has properly identified high-risk customers.

Second, the Commission does not have discretion under this bill to determine if the utility's expenditures are less expensive than the costs it seeks to collect. Under this legislation the utility could spend, for example, \$10,000 on a customer to make sure it collects on the customer's winter utility bill of \$1000. The Commission would then be required to allow the utility to recover \$10,000 from its customers that do pay their bills.

Finally, the proposed legislation envisions a type of device that takes prepayment cards or something similar to provide utility service. In the late 1980s and early 1990s, Kansas electric utilities, through the Kansas Electric Utility Research Program, ran pilot programs with similar token-operated electric meters. While many of the customers liked the concept, the customers were frustrated by the fact that they could only buy the tokens at the utility walk-in service center from 8am to 5pm on weekdays, and not on holidays. Since that time, almost all of the major electric and gas utilities in Kansas have closed walk-in service centers. Regardless, this legislation would not allow the Commission to review, investigate or decide whether or not the utilities' distribution network for pre-paid cards was adequate or available to customers placed on the program. Additionally, it appears that the utility could place any customers that it determines meets its approved criteria on this program, without the customer's agreement or consent.

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
A.W. Dirks, Vice-Chair
Carol I. Faucher, Member
Laura L. McClure, Member
Douglas R. Brown, Member



State of Kansas
Kathleen Sebelius, Governor

David Springe, Consumer Counsel
1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone:(785) 271-3200
Fax: (785) 271-3116
<http://curb.kcc.state.ks.us/>

HOUSE UTILITIES COMMITTEE H.B. 2657

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 2, 2006

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2657. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

1. Energy Conservation and Efficiency

CURB is neutral with regard to Section 1(a) and the requirement that the KCC shall authorize the electric and natural gas public utilities be allowed to recover their authorized rate of return on investments in Commission approved conservation and efficiency programs. However, CURB is concerned that as written, there is no requirement that the conservation and efficiency programs be "cost effective". CURB does not believe that the legislature would encourage conservation and efficiency programs that are not cost effective. As such, CURB believes it imperative that Section 1(a) be amended to include the requirement that the Commission only approve authorized rates of return on investment in "cost effective" Commission approved programs.

CURB is opposed to the language in Section 1(c). This language is similar to that in 1(a), except that the language in 1(c) applies only to commercial customers and does not contain any requirement that the Commission approves the energy conservation and efficiency programs or that the programs are cost effective. As written, the Commission will be forced to allow the authorized return to the utility on every dollar spent (as long as the commercial customer has an energy audit and is current on its bill), regardless of whether there are any energy savings. This is an irresponsible public policy. CURB would be more supportive of Commission approved, cost effective conservation programs, consistent with the suggested language in Section 1(a). CURB would recommend that Section 1(a) of the bill be amended to apply a consistent approach to all energy conservation and efficiency programs regardless of customer class.

2. Prepaid energy programs

CURB is strongly opposed to the language in Section 1(b) of the bill. While Section 1(b) purports to address energy efficiency and conservation programs, the Section requires that the Commission allow a utility's authorized rate of return on investment in

HOUSE UTILITIES

DATE:

2/2/06

ATTACHMENT

6

programs designed to reduce uncollectible bills of only residential customers through prepaid energy cards or similar programs. Prepaid energy cards or similar programs are generally not considered to be energy conservation and efficiency programs. The bill goes on to state that these programs “place the responsibility for wise use of energy on customers at high risk of having uncollectible bills.” CURB knows of no evidence that would suggest that residential consumers that struggle and sometimes fail to pay their utility bill somehow fail to use energy wisely. Further the bill requires that before the Commission authorizes this recovery, the utility should be required to submit and receive approval for the utility’s policy for identifying such “high-risk” customers. The policies “shall” take into account previous failures to meet the terms of a payment plan agreement, and landlord preferences. CURB has no idea what “landlord preferences” means in this context, but would suggest that a customer’s failure to meet the terms of a previous payment plan may be more of a function of income level than the customer’s wise use of energy.

Uncollectible bills are a continuing problem, especially as customers are seeing record high natural gas prices on their bills. Many customers with inflexible incomes are struggling to pay their current bills. If a customer has a past due balance that they must also pay along with their current bill, this may simply be an impossible task. Given the high level of natural gas prices over the last few years, CURB believes more customers may be falling into this cycle, with no way to escape. Wise use of energy will not necessarily overcome the lack of income to make ends meet. CURB does not support what is proposed in Section 1(b) of the bill and recommends that the committee delete this language from the bill. We should not, as a policy, go down the path of deciding who shall receive heat in the winter through some policy of identifying who is “at risk” of not being able to pay. CURB believes we have more compassion as a state than is suggested by this policy.

Kansas as a state has a universal service fund to help provide affordable telephone service in high cost areas, and lifeline rates to allow low-income individuals access to the telephone network at reduced prices. We do these things because we believe it is important that everyone have access to the telephone network. We have no equivalent policy in Kansas when it comes to providing heat for homes in the winter. In fact the KCC has determined that it cannot offer a low income rate under the current law. The KCC did however recently change its policy regarding uncollectible accounts, allowing the gas utilities to flow the gas cost portion of uncollectible accounts (about 70% of the total) directly to consumer bills annually in the PGA, rather than through periodic rate cases. The effect of this change is that every year, the utilities will receive money, and be made whole, on the gas portion of all uncollectible accounts. The consumers who pay their bills provide the money that makes the gas utilities whole. In effect we have a universal service fund for gas utilities in this state, as they are protected from uncollectible bills and consumers provide this funding. The only people in the state that are not included in this program are the people that can’t pay their bills. It is possible that if these customers received an actual credit to their accounts for the money we pay the utilities for uncollectible costs, like they do through LIEAP credits, some of these customers could get back to being current on their bills, and be able to maintain that status going forward without the excess burden of past due balances and payment plans.



GOVERNMENT RELATIONS
TESTIMONY HB 2657
February 2, 2006

Thank you Mr. Chairman and members of the House Utility Committee for this opportunity to provide testimony on HB2657. My name is Michael Klein, Divisional Government Relations Director for The Salvation Army Kansas and Western Missouri Division. The Salvation Army is among the largest faith-based social services agencies in Kansas providing multiple family-support programs for individuals, families and children.

The Salvation Army is involved in partnerships with the state, utility companies, businesses and other community and faith-based agencies to efficiently utilize limited funds that assist low-income working families unable to meet their basic needs.

The purpose of this testimony is to voice our concern for section b of the bill that would allow utilities to reduce uncollectible bills of 'high risk' residential customers by requiring 'prepaid energy cards or similar programs'. The question we ask: "Would the families whose prepaid utility funds has run out, automatically be shut-off and if so would they still be covered by the cold-weather rule?"

The Salvation Army is concerned about the uncollectible bills as we see the numbers of 'high risk' families growing each day. The working poor who are playing by the rules and do not have enough money must choose which bill to pay: Utilities, food, rent health care! They are high risk.

We are encouraged by the language on energy efficiency and conservation programs. We have had many discussions on better weatherization and home insulation that will upgrade and make affordable the existing housing stock.

Thank you!

Prepared by A. Michael Klein, ACSW, LCSW, Divisional Government Relations Director; 816-285-2796;
mike_klein@usc.salvationarmy.org

HOUSE UTILITIES

DATE: 2/2/06

ATTACHMENT 7

Kansas Department of

Social and Rehabilitation Services

Gary Daniels, Secretary
For additional information contact:

House Utilities Committee
February 2, 2006

HB 2657 - Pre-paid Energy Cards

Bobbi Mariani
Integrated Service Delivery
785-296-6750



Public and Governmental Services Division
Kyle Kessler, Director of Legislative and Media Affairs

Docking State Office Building
915 SW Harrison, 6th Floor North
Topeka, Kansas 66612-1570
phone: 785.296.0141
fax: 785.296.4685
www.srskansas.org

HOUSE UTILITIES
DATE: 2/2/06
ATTACHMENT 8

**Kansas Department of Social and Rehabilitation Services
Gary Daniels, Secretary**

House Utilities Committee
February 2, 2006

HB 2657- Pre-paid Energy Cards

Mr. Chairman and members of the Committee, thank you for the opportunity to appear today on HB 2657. My name is Bobbi Mariani with the Department of Social and Rehabilitation Services. This legislation proposes the use of prepaid energy cards or similar programs for consumers at high risk of having uncollectible bills. The Department is concerned about the impact of these changes on low-income Kansans.

By it's nature, a prepaid energy card, implies the consumer can only access the utility to the limit of the amount for which they have prepaid. Given that many low-income Kansans don't currently have the resources to pay their heating bill in full each month and rely on some type of payment plan, this bill would place those Kansans at great risk. While the consumer has the responsibility to pay their heating bill, the proposal needs to consider the person's resource capacity.

We are also concerned that while this proposal would appear to target the "won't pay" consumer it will do so at the expense of the consumer that "can't pay". It is important to remember that a consumer that "won't pay" may or may not have the capacity to do so while a "can't pay" consumer truly does not have the resources.

During 2005, the Low Income Energy Assistance Program (LIEAP) provided services to 42,308 Kansans whose income was at or below 130% of the Federal Poverty Level. Of these Kansans, 74.4% had income below 100% of FPL. These Kansans could reasonably be considered to be those most vulnerable to the provisions of this bill. For these individuals and others experiencing similar circumstances, this bill could place them in danger during extreme cold weather and create situations that jeopardize public safety as they pursue alternative methods of heating their homes.

I would like to thank the committee for this opportunity to provide testimony on this issue and I am available to respond to questions.

TOM SLOAN
 REPRESENTATIVE, 45TH DISTRICT
 DOUGLAS COUNTY


TOPEKA

 HOUSE OF
 REPRESENTATIVES

 STATE CAPITOL BUILDING
 ROOM 446-N
 TOPEKA, KANSAS 66612-1504
 (785) 296-7677
 1-800-432-3924
 772 HWY 40
 LAWRENCE, KANSAS 66049-4174
 (785) 841-1526
 sloan@house.state.ks.us

Testimony on HB 2642 - Creating the Kansas Energy Policy Act

February 2, 2006

House Utilities Committee

Mr. Chairman, Members of the Committee: HB 2642 was introduced at the request of the Special Joint Committee on Energy. As I have previously mentioned, the Committee examined ways in which the state might better promote the production of energy, "exportation" of energy, energy conservation, and an energy planning process that will aid future decision-makers. HB 2642 seeks to place in statute that planning process.

Governors Graves and Sebelius have issued Executive Orders creating Energy Councils. The Special Committee on Energy believes that energy policy-making is too important to be left to executive orders and the whim of a Governor. Committee members extensively discussed whether to recommend creation of a Department of Energy, before ultimately endorsing HB 2642 as a minimal expansion of state government, with a maximum potential for providing data and policy recommendations to future Governors and Legislators.

To summarize the bill, it builds upon the membership categories of the existing Kansas Energy Council with the primary additions being bio-fuel and agriculture interests, a tax specialist, and additional public representation. In addition, it creates a non-voting group of representatives that represent state agencies and the Legislature. One of the primary problems with the Energy Councils created by Executive Order has been the absence of formal dialogue between Council members and legislators. With Executive and Legislative Branch representatives being non-voting, the strategic planning process is less likely to be hijacked. Veteran members of this Committee will remember that the Legislature sent Governor Sebelius a bill in 2005 to make agency representatives on the Kansas Water Authority non-voting members. HB 2642 recognizes the intent of that action.

The bill also provides for a small professional staff to be housed at the KCC, but be independent of that organization in the same manner as CURB. The Special Committee on Energy recognized that without a staff collecting and analyzing data — as directed by the Energy Policy Advisory Group — it is unlikely that beneficial policy recommendations will be made to legislators and Governors. This new organization will have responsibility for developing energy strategies for consideration by elected officials.

Mr. Chairman, the bill contains the specific composition of and charges to the group. The Special Committee on Energy believes that public policy-making will benefit with the codification of a planning process and policy advisory group. I will be pleased to respond to questions.

HOUSE UTILITIES

DATE:

2/2/06

ATTACHMENT

9

Charles M. Benjamin, Ph.D., J.D.
Attorney at Law
P.O. Box 1642
Lawrence, Kansas 66044-8642
(785) 841-5902
(785) 841-5922 facsimile
chasbenjamin@sbcglobal.net

Testimony in Support of H.B. 2642

Enacting the Kansas energy policy act and establishing the energy policy advisory group
On Behalf of the Kansas Chapter of Sierra Club
Before the Kansas House Utilities Committee
February 2, 2006

Mr. Chairman, members of the Committee, thank you for the opportunity to testify in support of H.B. 2642 on behalf of the Sierra Club – the oldest and largest grass roots environmental organization in the world with over 750,000 members including over 4,000 in Kansas. Sierra Club supports public policies that encourage energy efficiency, no matter the source of that energy, and the implementation of renewable energy technologies.

According to the 2006 Kansas Energy Report, issued by the Kansas Energy Council: "Kansas continued to be a net energy importer in 2005, consuming 432 trillion BTU (British Thermal Units) more than it produces." It wasn't always this way. Kansas was once a net energy exporter. Kansas exported its oil, natural gas and even coal. Kansas imported dollars from all over the U.S. to pay for this energy. Those dollars coming from out of state created jobs and economic opportunity in Kansas.

The Hugoton natural gas field, once the largest in North America, is now 2/3 depleted.

High oil prices have provided an incentive for more exploration and extraction in Kansas' oil fields. However, what's left of that oil is getting harder to extract. No matter how high oil prices get it will not change the fact that Kansas is running out of oil. Even now we import oil to meet our transportation needs.

Kansas once exported coal from the southeast part of the state. However, the state's coal is high in sulfur. When this high sulfur coal is burned it combines with oxygen to produce sulfur dioxide that produces "acid rain" in other states and in Canada.

Kansas' utilities now import coal from Wyoming to burn in their boilers. Almost \$1.5 billion a year is leaving Kansas to pay for this coal. Wyoming, a state with fewer than 600,000 people, has billion dollar surpluses. I'll wager that the Wyoming legislature doesn't have problems funding its schools with dollars from Kansas and other states.

Wyoming coal contains a significant amount of mercury. Liquid elemental mercury, the kind that you used to find in thermometers, is not particularly dangerous if one swallows a small amount of it. However elemental mercury is volatile at room temperature. Mercury vapor is dangerous because it can pass into the blood stream through the lungs and then pass through the blood brain barrier. The mercury vapor emitted from power

HOUSE UTILITIES

DATE:

2/2/06

ATTACHMENT

10

plants that burn Wyoming coal falls into water bodies hundreds of miles away from the coal plants and is then transformed into methyl mercury. Methyl mercury is one of the most toxic substances known to man. Every lake and stream in Missouri has a mercury advisory. Mercury levels appear to be increasing in Kansas rivers and streams. A mercury advisory means that the unborn children of women who eat fish from these rivers and streams run a high risk of being born with brain damage. Last year the Centers for Disease Control (CDC) stated that one in six women of child bearing age have blood levels of mercury that would threaten their unborn child.

Kansas utilities are planning to build thousands of megawatts of new coal burning power plants with no plans to tear down their existing coal plants. Kansas now ranks 18th among the 50 states in the amount of mercury produced. We should be moving up in those rankings soon because EPA regulations only require Kansas coal plants that use dry scrubbers to remove about 25% of their mercury emissions.

In the meantime, Kansas has some of the best potential for renewable energy in the nation. Kansas has a world class wind resource. Wind developers from as far away from Germany, Spain, California and the east coast are willing to invest hundreds of million of dollars into Kansas to develop "wind farms." Those wind farms pour money into rural communities that are dying. The farmers in Gray County that host FPL Energy's wind turbines will make at least \$~~7.7~~ million and Gray County's local ^{6.8 mil} governments and schools will receive millions of dollars in the next 20 years. These wind turbines do not require water from the Ogallala aquifer nor do they require coal from Wyoming or elsewhere. But the representatives of Kansas utilities stand up here and tell you that they can't use wind because it is "intermittent." Why is wind being successfully used all over the U.S. and all over the world? Apparently someone other than Westar, Kepco and Sunflower have figured out how to solve the so-called wind intermittency problem. Kansas also has great potential for solar energy and energy produced from crop and plant residues. While some progress has been made we are no where near where we could be.

Some of you on this committee are beginning to question what it will take to make the transition from the Kansas energy production of the past and move into the Kansas energy production of the future. H.B. 2642 is an important start for the state of Kansas to begin to shape its energy future. We urge your support.

TESTIMONY REGARDING HB 2642
BEFORE THE HOUSE UTILITIES COMMITTEE

THURSDAY, FEBRUARY 2, 2006

By
Joe Harkins, Special Assistant to the Governor

Good morning. My name is Joe Harkins. I serve as Special Assistant to Governor Kathleen Sebelius. I am here to speak in favor of HB 2642 subject to some amendments, which are attached, that are intended to provide for a smooth transition from the current Kansas Energy Council established by a Governor's Executive Order to the permanent policy planning body that would be created by this bill.

The first State Energy Office was established in 1975 as a part of Governor Bennett's office. It was given agency status in 1978 when the Energy Advisory Council was established. By 1980 the Energy Office had 21.5 positions.

In 1983 the State Energy Office and Energy Advisory Council were sunset. At that time the Energy Office and a small staff (currently 2 FTE) were transferred to the Kansas Corporation Commission. No provisions were made to retain the function of the Energy Advisory Council.

In 2002 legislation was introduced to establish an energy advisory body. It did not pass. Governor Graves then established the State Energy Resources Coordinating Council (SERCC) by Executive Order. In 2004 Governor Sebelius issued a revised Executive Order that changed the SERCC name and membership to what is now the Kansas Energy Council (KEC).

During the last few months the KEC and the Energy Office have been implementing a collaborative effort to strengthen the energy policy planning effort. The KEC office is now co-located with the Energy Office.

The KEC has adopted a planning process, selected planning priorities, and has initiated a vigorous planning effort with the intent of delivering a set of thoroughly researched policy recommendations to the Governor and Legislature before the next session. I think a smooth transition from the current effort to the one that would be established by this bill can and should be done.

We are at the beginning of a century that has already presented many challenges and choices regarding energy policy. There are many more to come. We have recognized the need for a thoughtful energy policy development capacity for 30 years but have not quite succeeded in developing a permanent organized process. This bill is a step in the right direction. Thank you for your attention.

HOUSE UTILITIES

DATE:

2/2/06

ATTACHMENT

11

HOUSE BILL No. 2642

By Committee on Environment

(By request of Select Joint Committee on Energy)

1-18

AN ACT concerning energy; enacting the Kansas energy policy act; establishing the energy policy advisory group and prescribing the powers and duties thereof; amending K.S.A. 74-616 and repealing the existing section.

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

New Section 1. Sections 1 through 4, and amendments thereto, may be cited as the Kansas energy policy act.

New Sec. 2. (a) There is hereby established the energy policy advisory group, which shall be composed of:

(1) The following members appointed by the governor: (A) An energy economist affiliated with a state educational institution under the supervision of the state board of regents; (B) three representatives of businesses which consume fuel in production of their products; (C) one representative of renewable energy producers and two representatives of other energy producers; (D) three representatives of the energy consuming general public; (E) two representatives of agricultural interests, one representing commodity producers and one energy consumers; (F) one representative of energy conservation and efficiency interests; (G) one representative of a refinery located in Kansas; (H) a tax specialist knowledgeable in federal and state energy tax matters; (I) one representative of environmental advocacy groups; and (J) two representatives of energy production, consumption, conservation or efficiency interests not otherwise represented by members of the advisory group; and

(2) the following nonvoting members ex officio: (A) Three members of the house of representatives who have substantial knowledge of energy, agriculture or business development, two to be appointed by the speaker of the house of representatives and one by the minority leader of the house of representatives; (B) three members of the senate who have substantial knowledge of energy, agriculture or business development, two to be appointed by the president of the senate and one by the minority leader of the senate; (C) the secretary of commerce; (D) the secretary of administration transportation; (E) the secretary of agriculture; (F) the state geologist; (G) the chairperson of the state corporation commission or designee; and (H) the

2

consumer counsel of the citizens' utility ratepayer board.

(b) Of the members of the advisory group first appointed by the governor, the governor shall designate nine to serve terms of four years and nine to serve terms of two years. Thereafter, such members shall serve for terms of four years. Any vacancy in the term of a member appointed by the governor shall be filled for the remainder of the unexpired term by the governor's appointment of a person with the same qualifications.

(c) The governor shall designate annually a voting member of the advisory group to serve as chairperson.

(d) The advisory group shall hold such meetings as in its judgment may be necessary for the performance of its powers, duties and functions.

Any member of the advisory group who does not otherwise receive compensation and expenses for the member's service on the advisory group shall receive compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223, and amendments thereto, for each day of attendance at a meeting of the advisory group or a subcommittee

meeting thereof authorized by the advisory group.

(e) The establishment of the advisory group will be effective September 1, 2006.

New Sec. 3. (a) Within the limits of appropriations, ~~therefor~~, the advisory Group shall appoint an executive director, subject to approval by the Governor, and who shall be in the unclassified

~~service under the Kansas civil service act and one clerical and two research staff members, one of which may be an educator, who shall be in the unclassified service under the Kansas civil service act.~~

(b) The advisory group may appoint technical advisory committees to study and advise the advisory group as the advisory group requires. Any member of such a technical advisory committee who does not otherwise receive compensation and expenses for the member's service on the technical advisory committee shall receive compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223, and amendments thereto.

(c) All budgeting, purchasing and related management functions of the advisory group shall be administered under the direction and supervision of the ~~advisory group~~ state corporation commission. All vouchers for expenditures from appropriations

made for the use of the advisory group shall be approved by the state corporation commission chairperson or a person or persons designated by the chairperson for such purpose.

(d) The state corporation commission shall provide such administrative assistance and office space as needed to support advisory group staff ~~required by the advisory group and the~~

~~advisory group shall reimburse the commission for the costs thereof.~~

New Sec. 4. (a) The energy policy advisory group shall:

(1) Develop and update annually a state energy plan which recommends to the governor, legislature and general public policies regarding energy production, consumption and sales for a period of not less than five years into the future; and

3

(2) submit annually to the legislature and the governor a written ~~report~~ plan and recommendations regarding public policies to address both short-term and long-term opportunities to produce more energy, diversify the supply of energy both for consumption within the state and for export outside the state and provide a stable supply of energy in the most cost effective manner.

(b) ~~The energy advisory policy group shall direct its staff~~ executive director shall propose, and the energy policy advisory group shall approve an annual work plan to:

~~(1) Coordinate existing and create new databases as necessary to: (A) Identify and predict trends in energy consumption by Kansans in such a manner as will facilitate the making of public policy recommendations which will reduce energy costs, conserve resources and benefit the residential, agricultural, commercial and industrial sectors of the population;~~

~~and (B1) identify and analyze energy production patterns in such manner as will facilitate the making of public policy recommendations which will increase energy production levels from existing Kansas sources, extend the life of such existing production resources and develop alternative revenue and energy options for the time when production from existing energy supplies is no longer financially feasible;~~

~~(2) determine what energy infrastructure changes may be needed in Kansas, as indicated by fuel and engine research of manufacturers of automobiles, trucks, farm equipment and stationary and small engines;~~

(3) identify potential opportunities, beneficial to Kansans, for partnerships between energy production and consumption industries and faculty at state educational institutions under the supervision of the state board of regents;

(4) review actions taken by legislatures and governors in other states to identify for energy ideas that can be built upon to expand economic opportunities for Kansas businesses and consumers;

(5) identify and recommend to the advisory group cutting edge energy production, sources and conservation opportunities which will best position Kansans to make wise energy choices and economically produce energy to meet the needs of the state, region and nation; and

(6) research and perform such other functions as appropriate to the duties of the advisory group.

(c) The energy policy advisory group may:

(1) Seek and accept grants and other financial assistance that the federal government and other public or private sources make available and utilize the same for the purposes of the advisory group; and

(2) contract with public agencies or with qualified private persons or agencies organizations to accomplish the purposes of the advisory group.

d) Plans, reports or recommendations of any nature adopted by the energy policy advisory group shall be considered advice to the governor and legislature and shall not be construed as official policy, position, or interpretation of laws and regulations by the state corporation commission nor shall the commission be bound in any manner to consider such advice when conducting its administrative and regulatory responsibilities.

Sec. 5. K.S.A. 74-616 is hereby amended to read as follows: 74-616.

In addition to other powers and duties provided by law, in administering the provisions of this act the state corporation commission shall:

4

(a) Adopt rules and regulations necessary for the administration of this act;

~~(b) develop a comprehensive state energy conservation plan and the procedures for implementing the plan according to federal requirements-~~
b) Coordinate existing and create new databases as necessary to identify and predict trends in energy consumption by Kansans in such a manner as will facilitate the making of public policy recommendations which will reduce energy costs, conserve resources and benefit the residential, agricultural, commercial and industrial sectors of the population;
and;

(c) make requests for and accept funds and other assistance from federal agencies for energy conservation and other energy-related activities in this state, including, but not limited to, the state energy conservation program, ~~and the energy extension service program. and the institutional building conservation program;~~

(d) administer federal energy conservation programs in this state;

(e)(1) seek and accept grants and other financial assistance that the federal government and other public or private sources make available and utilize the same for the purposes of the advisory group; and

(2) contract with public agencies or with qualified private persons or organizations to accomplish the purposes of the advisory group.

~~collect and compile necessary data on energy resources; and monitor energy resources supplies in this state;~~

~~(f) prepare an energy resources emergency management plan for adoption during any energy resources emergency proclaimed to exist by the governor under K.S.A. 74-619, and amendments thereto, which plan shall include the system of priorities for energy resources allocation and~~

~~curtailment of energy resources consumption established under K.S.A. 74-620, and amendments thereto;~~

~~(f) cooperate in the implementation of any emergency energy rationing resources emergency management plan or~~

~~program which may be imposed by the federal government or any agency thereof;~~

~~(g) prepare and have available for public inspection an annual report which describes the energy resources emergency management program; and~~

~~(h) make and enter into all contracts and agreements and do all other acts and things necessary or incidental to the performance of functions and duties and the execution of powers under this act.~~

Sec. 6. K.S.A. 74-616 is hereby repealed.

Sec. 7. This act shall take effect and be in force from and after its publication in the statute book.