

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on February 1, 2006 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Athena Andaya, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes' Office
Diana Lee, Revisor of Statutes' Office
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Jim Ploger, Kansas State Energy Office
Steve Weatherford, Kansas Development Financing Authority
Paul Johnson, Kansas Catholic Conference

Others in attendance: See attached list

Briefings on:

Financing of Energy Conservation Projects

Mr. Jim Ploger, director of the Kansas Energy Office of the Kansas Corporation Commission, briefed the committee on financing of energy conservation projects on State buildings. The Kansas Energy Office administers the Facility Conservation Improvement Program (FCIP), a streamlined program which allows public entities to finance energy improvements with future avoided utility costs. (Attachment 1)

Energy Conservation Finance Options

Steve Weatherford, president of the Kansas Development Finance Authority (KDFA), noted that KDFA financing typically involves the issuance of tax-exempt bonds, which offer borrowers the lowest borrowing cost available. He reviewed the types of revenue bonds KDFA is authorized to issue and their purposes. (Attachment 2)

Energy Conservation & Bonds

Paul Johnson of Kansas Catholic Conference, presented concerns in three areas regarding conservation financing that could be considered which could assist in economic development by attracting new business and assisting existing firms in reducing their operating costs. (Attachment 3)

Considerable discussion on energy costs, interest factors, other borrowing alternatives, waiting periods and eligibility criteria.

Adjournment.

Respectfully submitted

Ann McMorris, Secretary

Attachments - 3



KANSAS

CORPORATION COMMISSION

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

**BEFORE THE SENATE COMMITTEE ON UTILITIES
PRESENTATION OF THE
KANSAS CORPORATION COMMISSION
February 1, 2006**

Briefing on Financing of Energy Conservation Projects

Thank you, Chairman and members of the Committee. I am Jim Ploger, Director of the Kansas Energy Office at the Kansas Corporation Commission. I appreciate the opportunity to be here today to brief you on the financing of energy conservation projects on State buildings.

The Kansas Energy Office administers the Facility Conservation Improvement Program, commonly known as FCIP. It is a streamlined program allowing public entities to finance energy improvements with future avoided utility costs.

Typically, an institution contacts our office expressing interest in the program. In most cases, the Kansas partners providing energy services conduct a walk-through analysis of the buildings. This is followed, usually within a couple weeks, by the Energy Service Companies (ESCOs) making a presentation to the institution indicating their visions of the potential energy related improvements.

The institution, with the consultation of the state's FCIP administrator, selects an ESCO to conduct an investment grade audit – which may take several weeks, depending on the number of buildings involved and complexity.

Senate Utilities Committee
February 1, 2006
Attachment 1-1

The institution then determines which proposed energy conservation measures to move forward with – assuming the projected avoided energy costs can cover the financing of the project. Financing is obtained (which will be discussed later) and construction begins.

All throughout this process, the FCIP administrator from the Kansas Energy Office provides third-party, objective oversight between the institution and ESCO. This service remains available for the institution throughout the financing period in case there are any future disputes on the measurement and verification of results.

For this service, a small fee – usually financed with the project – is assessed for the FCIP administrator’s services.

For a brief history of the development of our program, HB 2603 became effective when it was published in the Kansas Register on April 20, 2000. The bill, commonly referred to as “enabling legislation”, applies to all state agencies and municipalities throughout the state. This includes unified school districts, cities, counties, municipal hospitals, state colleges and universities and all state agencies.

The enabling legislation became a reality as a result of nearly unanimous support from the public and private sectors. A task force worked on the draft legislation in the fall of 1999 and presented it to the Joint Committee on State Building Construction in December. The committee then pre-filed the bill before the start of the Kansas 2000 Legislative session.

With strong support from trade associations and individuals representing schools, hospitals, state agencies, counties, cities and energy service companies (ESCOs) serving Kansas, HB 2603 passed the Kansas House by a 118-0 margin, then cleared the Kansas Senate by a 40-0 margin; and was signed by Governor Bill Graves on April 12, 2000.

KSA 75-37,125 states: *(b) Subject to the provisions of subsection (c), a municipality or state agency may enter into a contract or lease-purchase agreement for an energy conservation measure which meets the criteria of this section.*

The law also allowed the state to use the state procurement method to establish a “state contract” establishing pre-qualified energy service companies (ESCOs) for use by public entities in implementing energy savings performance contracts (ESPC).

With the passage of the legislation, a request for qualifications was issued to energy service companies. A three member procurement negotiating committee (PNC) was formed. The Department of Administration, the Division of Purchasing and a representative of a state agency (University of Kansas) served on the PNC. Nine ESCO’s responded to the RFP. Interviews occurred in the fall of 2000 and the field was reduced to a group of five ESCO’s.

The program is similar to the U.S. Department of Defense Super ESCO Program – with pre-qualified ESCO’s providing services through the FCIP. This allows agencies and municipalities with limited technical staff to enter into agreements with less time and expense involved in the contract development stage and helps to assure thoroughness and uniformity on projects.

The negotiating process continued through the spring of 2001 during which standard fees for investment grade audits and contract service markups were agreed. The FCIP entered its first energy savings performance contract in the August 2002.

As they say, the rest is history. Since then, over \$85 million in energy conservation projects have been implemented for state agencies and municipalities (including schools and community colleges).

The early successes of the program allowed Pittsburg State University to address two aging central plant steam boilers. One did not pass the boiler inspectors review and the other failed shortly after firing up in the fall of 2002. These units were well beyond their expected useful life. These were replaced in an exceptionally short time, using the FCIP process, in less than 60 days. This would not be possible under more traditional methods of procurement.

At the Hutchinson Correctional Facility, water consuming appliances were replaced as a cost saving measure. After the first several months of completion, the city came out and replaced the water meters assuming that they had failed. The reduction in water consumption was exceeding all projections.

The University of Kansas realized enough utility cost reductions through projects to allow excess savings to fund the much-needed completion of a primary electrical distribution loop. This enhanced the reliability of the electric system, thus making the University a more attractive prospect for research grants, estimated to be possibly worth \$200 million.

Soon after FCIP projects began, it was discovered that the Kansas partner ESCOs could bring more competitive private financing of projects than the Division of Accounts and Reports could acquire. The traditional Accounts and Reports request for proposal covered, at a minimum, a one year period of time ensuring that the financing institution followed the Kansas instrument for lease finance and secured a rate for this annual period.

The ESCOs requesting financing for specific projects from the same financing institutions were familiar with and had agreed to the terms and conditions of Division and Accounts and Reports lease instrumentation were able to competitively secure finance rates for the moment. In other words, by removing the risk of securing the finance rate for any other obligations including the balance of the year and focusing only on a specific project, the finance

institutions are able to be far more aggressive. A number of national financing firms, such as GE Finance, CitiCapital, and SunTrust Bank were very familiar with the concept of energy performance contracts. This methodology of finance procurement resolves the fundamental request for competitive bidding; while significantly streamlining the process.

Also, project-by-project financing became more appropriate with specifics being known, such as exact funds needed, the specified financing period, and the exact entities (customer and ESCO). The program is a testimony to the success of pre-planning. For cities, counties and municipalities other than state agencies, the FCIP program recognizes that the end user may enter into its own procurement methodologies as they see fit. This is just another way that the program provides structure, proven success and programmatic methodology while allowing flexibility to fit a variety of stake holders.

For your information, I am attaching a summary of the state owned building projects completed or underway. This list does not include the newest project – as of last week – a \$12.3 million project at Wichita State University with an estimated payback of about 11 years.

Also attached for your information is a sample of the pro forma cash flow sheet for a project currently underway, the Kansas Insurance Department. It illustrates the financial arrangements that are typical of a FCIP project.

Thank you. I would be happy to answer any questions.

Attachment A

Kansas Facility Conservation Improvement Program Projects

(State Owned Building Projects - as of January, 2006)

| Agency | Area (Sq. Ft.) | Project Amount | Avoided Annual Energy Costs |
|--------------------------------------|-----------------------|-----------------------|------------------------------------|
| Kansas School for the Blind | 112,689 | \$467,153 | \$44,519 |
| Hutchinson Correctional Facility | 424,030 | \$2,355,000 | \$332,196 |
| Pittsburg State University | 1,379,549 | \$4,500,000 | \$358,975 |
| Kansas State University - Housing | 1,080,981 | \$2,418,169 | \$356,097 |
| Kansas Neurological Institute | 414,539 | \$2,268,817 | \$177,764 |
| University of Kansas - Campus | 5,881,330 | \$18,393,010 | \$1,723,488 |
| University of Kansas Medical Center | 1,912,889 | \$12,500,000 | \$964,768 |
| Kansas State University - Campus | 5,532,479 | \$21,090,000 | \$1,629,935 |
| Winfield Correctional Facility | 227,385 | \$1,164,639 | \$182,400 |
| Wichita Work Release Facility | 54,672 | \$261,000 | \$33,100 |
| Norton Correctional Facility | 308,150 | \$1,682,971 | \$189,000 |
| Lansing Correctional Facility | 716,157 | \$3,583,697 | \$445,736 |
| Fort Hays State University | 1,839,022 | \$4,689,072 | \$348,816 |
| Parsons State Hospital | 394,618 | \$2,058,435 | \$194,542 |
| Kansas School for the Deaf | 243,108 | \$1,016,810 | \$95,151 |
| El Dorado Correctional Facility | 609,431 | \$2,123,556 | \$220,610 |
| Topeka Correctional Facility | 245,069 | \$887,985 | \$96,252 |
| Ellsworth Correctional Facility | 201,676 | \$998,090 | \$111,829 |
| Larned Correctional Facility | 131,327 | \$178,035 | \$19,996 |
| Pittsburg State University - Housing | 232,009 | \$1,550,401 | \$60,425 |
| Kansas Insurance Department | 36,000 | \$692,419 | \$83,143 |
| TOTAL | 21,977,110 | \$84,879,259 | \$7,668,742 |

Kansas Energy Office

Attachment B

Table O.1

**Kansas Insurance Department
Pro Forma Cash Flow for Kansas Insurance Department FCIP Project**

| | | | | |
|-----------------------------------|-----------|----------------|-----------------------------------|------------------|
| Project Costs | | | Projected Savings (Annual) | |
| Installation Costs | \$ | 670,137 | Utilities | \$ 11,041 |
| Investment Grade Audit Fee | \$ | 2,880 | O&M | \$ 1,628 |
| FCIP Fee | \$ | 19,403 | Net Projected Savings | \$ 12,669 |
| Less Up-front Avoided Future Cost | \$ | - | | |
| Net Financed Amount | \$ | 692,419 | | |
| Annual Costs | | | Finance Factors | |
| Technical Services Fee (Year 1) | \$ | - | Term | 10 years |
| Annual Avoided Future Cost | \$ | 71,000 | Interest Rate (Estimated) | 3.70% |
| Net Annual Costs | \$ | 71,000 | Ongoing Fee Escalation Rat | 2.0% |
| | | | Energy Escalation Rate | 2.0% |
| | | | O&M Escalation Rate | 2.0% |

| YEAR | PROJECTED UTILITY COST SAVINGS | GUARANTEED UTILITY SAVINGS | OPERATIONAL & MAINTENANCE COST SAVINGS | AGREED ANNUAL CAPITAL CONTRIBUTION | TOTAL ANNUAL FUNDS AVAILABLE | ANNUAL DEBT SERVICE | TECHNICAL SERVICE FEE | GUARANTEED PROGRAM COST | PROJECTED ANNUAL EXCESS SAVINGS |
|---------------------|--------------------------------|----------------------------|--|------------------------------------|------------------------------|---------------------|-----------------------|-------------------------|---------------------------------|
| Construction | \$255 | \$243 | \$0 | \$0 | | \$2,313 | \$0 | | |
| 1 | \$11,041 | \$10,515 | \$1,628 | \$71,000 | \$83,143 | \$82,945 | \$0 | \$82,945 | \$724 |
| 2 | \$11,262 | \$10,726 | \$1,661 | \$71,000 | \$83,386 | \$82,945 | \$0 | \$82,945 | \$978 |
| 3 | \$11,488 | \$10,940 | \$1,694 | \$71,000 | \$83,634 | \$82,945 | \$0 | \$82,945 | \$1,236 |
| 4 | \$11,717 | \$11,159 | \$1,728 | \$71,000 | \$83,887 | \$82,945 | \$0 | \$82,945 | \$1,500 |
| 5 | \$11,952 | \$11,382 | \$1,762 | \$71,000 | \$84,144 | \$82,945 | \$0 | \$82,945 | \$1,769 |
| 6 | \$12,191 | \$11,610 | \$1,797 | \$71,000 | \$84,407 | \$82,945 | \$0 | \$82,945 | \$2,043 |
| 7 | \$12,435 | \$11,842 | \$1,833 | \$71,000 | \$84,675 | \$82,945 | \$0 | \$82,945 | \$2,323 |
| 8 | \$12,683 | \$12,079 | \$1,870 | \$71,000 | \$84,949 | \$82,945 | \$0 | \$82,945 | \$2,608 |
| 9 | \$12,937 | \$12,320 | \$1,907 | \$71,000 | \$85,228 | \$82,945 | \$0 | \$82,945 | \$2,899 |
| 10 | \$13,196 | \$12,567 | \$1,946 | \$71,000 | \$85,512 | \$82,945 | \$0 | \$82,945 | \$3,196 |
| 11 | \$13,460 | \$12,818 | \$1,985 | \$0 | \$15,444 | \$0 | \$0 | \$0 | \$15,444 |
| 12 | \$13,729 | \$13,075 | \$2,024 | \$0 | \$15,753 | \$0 | \$0 | \$0 | \$15,753 |
| 13 | \$14,003 | \$13,336 | \$2,065 | \$0 | \$16,068 | \$0 | \$0 | \$0 | \$16,068 |
| 14 | \$14,283 | \$13,603 | \$2,106 | \$0 | \$16,389 | \$0 | \$0 | \$0 | \$16,389 |
| 15 | \$14,569 | \$13,875 | \$2,148 | \$0 | \$16,717 | \$0 | \$0 | \$0 | \$16,717 |
| 16 | \$14,860 | \$14,152 | \$2,191 | \$0 | \$17,051 | \$0 | \$0 | \$0 | \$17,051 |
| 17 | \$15,158 | \$14,435 | \$2,235 | \$0 | \$17,392 | \$0 | \$0 | \$0 | \$17,392 |
| 18 | \$15,461 | \$14,724 | \$2,280 | \$0 | \$17,740 | \$0 | \$0 | \$0 | \$17,740 |
| 19 | \$15,770 | \$15,019 | \$2,325 | \$0 | \$18,095 | \$0 | \$0 | \$0 | \$18,095 |
| 20 | \$16,085 | \$15,319 | \$2,372 | \$0 | \$18,457 | \$0 | \$0 | \$0 | \$18,457 |
| TOTALS | \$268,279 | \$255,496 | \$39,556 | \$710,000 | \$1,012,075 | \$829,453 | \$0 | \$829,453 | \$188,382 |

- Notes 1) Custom Energy guarantees efficiency will be achieved that may generate dollar savings to cover total annual program costs.
 2) One hundred percent (100%) of excess savings may be spent at discretion of Client.
 3) Escalation for Utility/O&M savings & technical service fee is estimated.
 4) Maintenance savings are associated with reduced replacement for lighting / mechanical equipment and outsourced maintenance.
 5) Actual debt service payment will be per the amortization schedule established by the lessor with Client.

Custom Energy Services, L.L.C.
08/04/2005

Kansas Insurance Department
Energy Performance Contract
Schedule O: Annual Installment Payment Schedule
Page 2 of 2

ESCO _____ Date _____

Customer _____ Date _____

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**TESTIMONY
OF
KANSAS DEVELOPMENT FINANCE AUTHORITY
STEPHEN R. WEATHERFORD, PRESIDENT
BEFORE THE SENATE UTILITIES COMMITTEE
February 1, 2006**

Honorable Chairman, Members of the Committee, I am Steve Weatherford, President of Kansas Development Finance Authority, (“K DFA”) and I want to thank you for inviting me to share some information with you regarding energy conservation finance options.

As you are all aware, K DFA was created by the legislature in 1987 for the primary purposes of enhancing the ability of the State to finance capital projects and public programs by centralizing the function of debt issuance and management, and for improving access to long-term capital financing for State agencies, political subdivisions, and other public and private organizations and businesses.

K DFA financings typically involve the issuance of tax-exempt bonds, which offer borrowers the lowest cost of borrowing available. It is important to distinguish among the different types of revenue bonds K DFA is authorized to issue which may be primarily divided into the following categories:

Governmental Bonds (Public Purpose Bonds): Bonds issued on behalf of a governmental entity to finance projects or activities which serve a public purpose and primarily benefit a governmental entity. An example would be bonds issued to renovate the State Capitol.

Governmental Bonds are almost always entitled to tax-exempt treatment.

Debt service on Governmental Bonds may come from, for example, a state general fund appropriation in the instance of bonds issued to renovate the State Capitol, or from a dedicated revenue stream from the facility being financed. An example of the latter might include bonds issued to renovate a **university dormitory** or to finance a **parking facility**, wherein the revenues generated from the dormitory rents, or parking garage fees are pledged to debt service the bonds.

Private Activity Bonds: These obligations are issued on behalf of a private entity to finance activities which primarily benefit that private entity. An example are bonds issued to finance an affordable housing complex or a hospital. These bonds are solely the obligation of the private entity, and are payable only from revenues of the private entity—again, the pledged revenues of the housing rents, or hospital general receipts. They are never an obligation of the State of Kansas.

These bonds may also be issued as tax-exempt obligations if they are “Qualified Private Activity Bonds”, which may be issued to finance certain activities that Congress has determined are eligible to be financed with tax-exempt bonds. Again, examples include hospitals and affordable housing projects, among other activities.

Energy Conservation Finance Options Through K DFA

State Agencies and Institutions have access to various financial resources to finance energy conservation improvements.

In past years, K DFA has issued bonds to finance conservation improvements installed in numerous state agency and university facilities.

Through 1996, K DFA issued bonds to finance energy improvements at state facilities pursuant to authorization set forth in K.S.A. 75-37,111 *et seq.* (the "Act").

The Act was passed by the 1989 Kansas Legislature, and authorized the financing of energy conservation improvements for state facilities in the amount of \$5,000,000 a year, and provides that the moneys derived from the measured energy cost savings would be used to repay the costs of financing such projects.

Improvements sought under this authorization require the approval of the Division of Architectural services, the Secretary of Administration, and review by the Joint Committee on State Building Construction.

K DFA has not issued bonds to finance energy conservation improvements pursuant to the Act since 2001, in part because the \$5 million annual cap is so low, and the Act applies only to State facilities. Should the legislature want to see increased use of the Act in order to facilitate additional energy conservation projects, K DFA would suggest consideration of raising the cap to e.g. \$50 million a year for State facilities, and by authorizing municipalities, school districts, and private entities to access financing under the Act as well.

Any bonds K DFA would issue on behalf of municipalities or school districts, would become **solely the obligations** of such municipalities or school districts, with no recourse to the State, presumably also payable from realized energy cost savings. Also as explained earlier, any bonds issued by K DFA on behalf of a private entity, are solely the repayment obligation of the private entity, and again, there is no possible recourse to the State.

The 2003 Kansas Legislature authorized certain energy conservation improvements for state educational institutions, as set forth in Chapter 138, Section 67 (e)(1) of the 2003 Session Laws of Kansas. This authority also appears in the 2004 and 2005 Session Laws of Kansas.

This authorization allows any state educational institution to seek K DFA financing for the purposes of making energy and other conservation improvements.

This authorization does not place a cap on the amount which might be borrowed to make conservation improvements, but does require that the State Board of Regents must first advise and consult the joint committee on state building construction regarding a proposed project, and any such project must also be approved by the State Finance Council.

The authorization also requires that any energy conservation project, for which bonds are issued for financing under this authority, shall be designed and completed in order to produce cost savings sufficient to be equal or greater than the cost of debt service on such bonds.

The Board of Regents is further directed to prepare and submit a report to the House Appropriations Committee, and the Senate Ways and Means Committee on the savings attributable to the energy conservation improvements for which bonds are issued for financing under this authorization, to have begun at the start of the 2004 Legislative Session.

KDFA issued \$34,100,000 in bonds to finance energy conservation improvements at Kansas State University and the University of Kansas Medical Center.

KDFA has been advised by the Regents institutions that this particular authorization would probably be used more extensively if the approval process could be expedited, for example, requiring the approval of the Secretary of Administration or Director of the Budget, rather than the State Finance Council. Because the interest rate environment can change so quickly, waiting for State Finance Council meeting dates can significantly increase the cost of a conservation transaction as proposed by the provider—for this reason, if there will be a significant delay, even though tax-exempt bond rates almost always represent the lowest cost of borrowing, the institutions may choose to go ahead with a lease transaction at the rate quoted by the lessor, not wanting to build in the extra time necessary to await State Finance Council review.

Again, thank you for the opportunity to offer some comments on some of the existing energy conservation finance options available through KDFA. I would be happy to answer any questions.

**ENERGY CONSERVATION
FINANCINGS THROUGH
KANSAS DEVELOPMENT FINANCE AUTHORITY**

**KDFA 1990 H Revenue Bonds (Department of Administration: DoA, SRS, KU, KSU, WSU, PSU & ESU)
\$4,415,000
Authority: K.S.A. 75-37,111 to K.S.A. 75-37,114**

**KDFA 1992 G Revenue Bonds (Kansas Board of Regents: KU, KSU, ESU) \$3,600,000
Authority: K.S.A. 75-37,111 to K.S.A. 75-37,114**

**KDFA 1993 L Revenue Bonds (State and Board of Regents: KHP, KSU, KU, KUMC, FHSU & WSU)
\$3,975,000
Authority: K.S.A. 75-37,111 to K.S.A. 75-37,114**

**KDFA 1995 E Revenue Bonds (State and Board of Regents: KHP, KBI, DOC,
KSU, ESU & FHSU)
\$2,734,000
Authority: K.S.A. 75-37,111 to K.S.A. 75-37,114**

**KDFA 1996A Revenue Bonds (Board of Regents: ESU, KSU, KU, WSU)
\$5,105,000
Authority: K.S.A. 75-37,111 to K.S.A. 75-37,114**

**KDFA 2003 J-1 (Board of Regents: KSU & KUMC)
\$34,100,000
Authority: Section (e)(1) of Ch. 138 of the 2003 Session Laws of Kansas**

**SENATE UTILITIES COMMITTEE
FEBRUARY 1, 2006
ENERGY CONSERVATION FINANCING & BONDS BRIEFING
PAUL JOHNSON - KANSAS CATHOLIC CONFERENCE**

- 1) The testimony this morning shows the efforts of the Kansas Energy Office and the Kansas Development Finance Authority to assist public agencies with energy conservation financing. Similar financing should be offered to private industry. Kansas should consider dedicating a portion of its Private Activity Bonds (PAB's) to assist small and large businesses with the most energy efficient renovations or expansions. Kansas' allocation of PAB's (federally tax-exempt bonds) in 2005 was \$249,180,000. These bonds do not add to the indebtedness of Kansas. The same rules of acquiring an independent energy analysis and energy savings guarantee would apply to these private projects as applies to the public projects. This could be another economic development tool for attracting new businesses to Kansas or assisting existing firms in reducing their operating costs.

- 2) For Kansas to have a serious debate on the potential of energy conservation and efficiency, we need to develop a comprehensive energy end use analysis. Several states have made such an investment. In California, the cost-effectiveness of energy efficiency programs shows that the cost of saved electricity (air conditioners, lighting, motors, etc.) was 3 cents a KWH versus 6 to 8 cents for new coal generation. Kansas has one million occupied residences with half of them built prior to 1960. What is the efficiency of their air conditioners and furnaces? The level of insulation? 32% of these residences are rental. Would 100,000 new efficient air conditioners be a better investment than the 4th coal unit at Jeffrey's? What would be the economic impact to the Kansas economy if that coal plant investment went into hundreds of Kansas communities, lowering consumers cooling bills and circulating those savings on Main Street? This economic multiplier effect should be considered.

- 3) The broader energy conservation debate must center on the mandate for public utilities (found in K.S.A. 66-101b) that they 'be required to furnish reasonably efficient and sufficient service and facilities'? If an energy analysis in Kansas proved that energy efficiency programs were half the cost of new power, what is the mandate to the KCC? As to investments by utilities in conservation, the KCC has not decided how such investments could be recovered by the electric or natural gas utilities. Hopefully the KCC and the Kansas Legislature can formally discuss opportunities in conservation investments and update the appropriate statutes.