

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on January 9, 2007 in Room 241-N of the Capitol.

All members were present except:  
Vaughn Flora- excused

Committee staff present:  
Mary Galligan, Kansas Legislative Research  
Dennis Hodgins, Kansas Legislative Research  
Mary Torrence, Revisor's Office  
Jason Long, Revisor's Office  
Rena Hansen, Committee Assistant

Conferees appearing before the committee:

Others attending:  
See attached list.

Chairman Holmes talked about legislation that might come before us as a committee and its' affects on the placement of peaking plants in the state of Kansas. He noted that as we consider legislation this year we need to consider where we as Kansans want to see the state for our grandchildren in forty years.

Introductions were made by all committee and staff members.

Chairman Holmes reminded the committee we meet Mondays through Fridays. He will have Fridays open for meetings.

The Chairman passed out a list of proposed bills. (Attachment 1)

Representative Tom Sloan moved to introduce the list of bills. Seconded by Representative Peggy Mast. Motion carried.

Chairman Holmes presented the rules of the committee (Attachment 2) and rules for conferees. (Attachment 3)

Comments were then made by the Vice Chair Rob Olson and the Ranking Minority Annie Kuether.

Chairman Holmes then had staff distribute (Attachment 4) the Kansas Electric Transmission Authority 2006 Annual Report to the Governor and the Legislature. He noted that they are looking at taking major steps forward and would be requesting \$1,000,000 to move forward with transmission projects.

Representative Tom Hawk commented he would like to see the Kansas Energy Council report. Chairman Holmes noted that we would be hearing from Ken Frahm and the Lieutenant Governor, Mark Parkinson about that report. Additionally, he noted that the Senate would be hearing the KEC bills first.

Representative Peggy Mast asked a few questions about KETA ( Kansas Electric Transmission Authority).

The next meeting is scheduled for January 10, 2007.

The meeting was adjourned.

# HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 9, 2007

NAME	REPRESENTING
Mark Schreiber	Westar Energy
Joe Duck	KC BPU
PHIL WAGES	KEPCO
Kimberly Spencer	ITC Heat Plains
Tom Day	KCC
Paul Snider	KCPL
Dave Sprung	Curb
Dave Hiltzhaus	KEC
Bell Sreed	Tolsinelli
HARRY BERG	MIDWEST ENERGY
STEVE JOHANSON	Kansas Gas Service / ONEOK
BOB ALDERSON	AQUILA
Scott Heider	Gaches, Braden, Barbee
Lindsey Douglas	HLF
Emily Geier	HLF
LOW STANTON	NORTHERN NATURAL GAS

House Utilities Committee  
Bill Introductions  
January 9, 2007

1. Incentives: Community wind, biomass to energy, waste energy, renewable energy cogeneration, sunset on SB 303 tax credits
2. Theft of utility property
3. Deregulation of municipal utility rates in area more than three miles outside city
4. Inclusion of construction work in progress (CWIP) in rate base mandatory
5. New or expanded nuclear power plants within three miles of existing plant: property tax exemption, exemption from siting act
6. Reintroduction of 2006 SB 70: Energy efficiency incentives, tax credits
7. Update of statutory references to energy efficiency standards
8. Remove sunset on law allowing utilities to recover security expenditures
9. Remove references to "thermal" resources in definitions of "renewable resources"
10. Treece buyout
11. CO2 Reduction Act; Incentives, regulation of injection wells
12. Sales tax exemption for labor to restore electrical service after declared emergency
13. Utility cost recovery for energy efficiency projects
14. Energy efficiency: Minimum standards for educational buildings and other public buildings; LED traffic lights
15. Use of future test year in rate cases instead of only historical years
16. Transmission facilities: Upgrading and extension
17. Kansas crude oil reserve: Incentives, regulation
18. Local wind generation siting
19. Tax incentives for fuel terminals for blending biofuels and gasoline
20. Renewable energy incentives: Utility recovery of cost of purchase or generation of renewable energy
21. Statewide transmission operator: Redraft of 2006 HB 2926
22. Funding of energy and reclamation research
23. KCC consideration of probability that federal regulations will significantly change cost-benefit ratio over life of generation facility for which utility seeks approval
24. Voice over Internet Protocol: Requirement of payment into Universal Service Fund

*ENERGY AND HOUSE UTILITIES*

DATE: 1-9-2007

ATTACHMENT 1

COMMITTEE RULES  
2007  
KANSAS HOUSE OF REPRESENTATIVES  
COMMITTEE ON ENERGY & UTILITIES

The purpose of these rules is to facilitate the understanding of members of the Committee and the public in reviewing the flow of legislation through this committee. Unless stated to the contrary herein, the rules of the House or Mason's Manual of Legislative Procedure will apply.

PROTOCOL OF MEETING & COMMITTEE INFORMATION

1. Items listed on the agenda shall be brought before the committee in order of appearance. However, the chair may bring to discussion, and possible vote any bills previously heard at any time.
2. Original motions shall be in order when a bill is pending for consideration. A substitute motion will not be allowed. Amendments to motions are not in order unless approved by the Chair.
3. An amendment to a bill must be "germane" to the area of law that is being proposed or changed. Since committees serve the purpose of examining issues for which there may be multiple solutions or approaches, "germaneness" will be interpreted as broadly as possible. Only the Chair shall determine if an amendment is "germane".
4. The question of adjournment shall be reserved to the Chair and no motion to adjourn shall be entertained.
5. A motion to "table a bill" shall be in order at any time a question (including an original motion) is pending. The motion to "table a bill" is non-debatable and requires a majority vote of members present to pass. A successful motion to "table a bill" shall lay the bill over a minimum of one day. The Chair may refuse to accept a motion to table a bill or move a bill out of committee, with just cause, as determined by the Chair.
6. A motion to "take from the table" shall be in order only when such item is on the agenda or is taken up by the Chair. The motion requires a simple majority and is debatable.
7. A motion to report a bill "without recommendation" shall not be in order.

*ENERGY AND HOUSE UTILITIES*

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ATTACHMENT

2-1

8. A motion to reconsider a previous successful motion shall only be made by a member voting on the prevailing side of the original motion. A simple majority vote of members present shall be required to reconsider a previous successful motion.
9. A motion to report a bill out of committee shall not be in order until all amendments, which have been prepared by the Revisor of Statutes office reported to the chairman in advance of the meeting, have been considered.
10. No conferee shall be interrupted, except by the chair, during presentation of their testimony.
11. Questioning of a conferee shall be limited to the subject matter on the agenda for the day unless approved by the Chair. If the questioning of a conferee by a committee member goes beyond "reasonableness", the chair may discontinue the committee member's questioning of that conferee.
12. There shall be no recorded committee votes on committee action. Any committee member may request their individual vote be recorded on a bill.
13. The Chair shall set the Committee Agenda.
14. All requests for committee bills shall only be made by committee members or state agencies.
15. All seating will be assigned by the Chair.
16. Requests for excused absences will be honored. Prior notification of absences shall be communicated to the committee assistant, Renae Hansen (296-7670). Any absence by a member not requesting an excused absence, shall be an unexcused absence and recorded as such by the committee assistant unless the Chair makes an exception.
17. All cell phones and pagers in the committee room shall be in "silent" mode and use of cell phones in the committee room will not be permitted. The owner of any cell phone that rings during a committee meeting shall provide apples or oranges for all committee members and staff. (26)
18. Photography, including cell phones, video, and audio taping is prohibited unless approved in advance by the Chair.
19. All powers, duties and responsibilities not addressed above are reserved to the Chair.

INFORMATION FOR CONFEREES  
2007  
KANSAS HOUSE of REPRESENTATIVES  
COMMITTEE ON ENERGY & UTILITIES

1. When time is separately reserved on the agenda for proponents and opponents of an issue and the time expires for either side, the testimony shall cease. Conferee's time limit will be determined by the number of conferees and order of business. The chairman may make exceptions for the original sponsor of a bill, Legislative Staff, and State Agency Personnel. Conferees will be recognized in the order as established by the committee chairman. No conferee will be allowed to "yield" their time to another conferee.
2. All conferees are requested to submit a one page summary of testimony. (More lengthy written testimony may be submitted in addition to the one page summary.)
3. All conferees shall have written testimony and shall provide 50 copies to the committee secretary at the time of appearance. If a one page summary and written testimony are both presented, then 50 copies of each shall be required.
4. All conferees whose testimony extends more than one page or five minutes may expect their time to be shortened by the chair, if necessary, to expedite the meeting. Exceptions will be allowed for the original sponsor of a bill, staff briefings, and state agency briefings.
5. At the option of the chair, all who are scheduled to testify on a bill may be required to submit written testimony 24 hours in advance of the hearing for distribution to committee members.
6. Anyone wishing to testify before the Committee shall contact the Committee Assistant, Renae Hansen at 785-296-7670, a minimum of 24 hours before the meeting.
7. All cell phones and pagers in the committee room shall be in "silent" mode and use of cell phones in the committee room will not be permitted. The owner of any cell phone that rings during a committee meeting shall provide apples or oranges for all committee members and staff. (26)
8. No food or drinks will be allowed in the committee room by guests, spectators or conferees.
9. Any non-committee attendee who sends signals to committee members shall be removed from the committee meeting for the rest of the legislative year.
10. Photography (including cell phones), video, and audio taping is prohibited unless approved in advance by the Chair.
11. All requests for committee bills shall only be made by committee members or state agencies.

*ENERGY AND HOUSE UTILITIES*

DATE: 2-9-2007

ATTACHMENT 3

# Kansas Electric Transmission Authority

2006 Annual Report  
To the Governor  
And the Legislature

**KS Electric  
Transmission Authority**

**KETA**

*ENERGY AND HOUSE UTILITIES*

DATE: 1-9-2007

ATTACHMENT 4-1

KETA was created in 2005 by enactment of HB 2263. Our mission is to ensure reliable operation of the electrical transmission system, diversify and expand the Kansas economy and facilitate consumption of Kansas energy through improvements in the state's electric transmission infrastructure.



**KS Electric  
Transmission Authority**  
**KETA**

January 8, 2007

Honorable Kathleen Sebelius, Governor  
Steve Morris, President of the Senate  
Melvin Neufeld, Speaker of the House

*Representative Carl  
Holmes, Chair*

Governor, President, and Speaker:

*Earnie Lehman,  
Vice-Chair*

The Board of the Kansas Electric Transmission Authority is proud to submit this report of the Authority's first year of activities. The Board has accomplished a great deal since its first meeting after confirmation of the Governor's appointees early this year. The outgrowth of our efforts in concert with those of many organizations and individuals who are dedicated to a robust and secure energy transmission infrastructure will be construction of sorely needed transmission lines in central and western Kansas in the very near future.

*Tim McKee,  
Secretary*

*Senator Jay Emler*

*Les Evans*

*Representative  
Annie Kuether*

This has been a year of fact gathering and orientation for the KETA Board of Directors. We have held eight meetings and have learned about every aspect of the transmission landscape in the State. We have had frank conversations with Kansas' electric utilities, large and small. We have learned from the experiences of independent transmission companies in other states. We have explored the planning process of the regional transmission organization (RTO) to which most Kansas utilities belong. Based on those conversations and our fact-gathering effort, we are confident that the long drought in the field of electricity transmission construction is nearly over.

*Senator Janis Lee*

As we assemble this report, two companies are poised to build sorely needed transmission capacity in south-central Kansas between Wichita and Hutchinson. Additional high-capacity transmission lines will be built if the proposed power plants near Holcomb are constructed. Those transmission lines provide great promise for supporting expansion of wind generation in the western part of the State. KETA is laying the groundwork for identification of its first transmission project that will complement these two major developments.

KETA has operated for the last twelve months in a very frugal manner. The Board's effort to identify electric transmission needs across the State have been supported by the Public Service Regulation Fund and part-

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voice:(785)296-3181 fax:(785)296-3824 [keta@ink.org](mailto:keta@ink.org)  
<http://www.accesskansas.org/keta>

time staff provided by the Legislative Research Department and the Corporation Commission. The Corporation Commission also has provided the Board with meeting space at no cost. As of the end of November we had incurred direct expenses of slightly over \$9,000 but had completed most of our initial fact finding. The upcoming year will require more resources for the Board's next steps. We have requested a loan from the State General Fund, as envisioned in the KETA authorizing legislation, to provide those resources.

The Board's assessment is that three major activities in the upcoming year are crucial to achieving KETA's goal of ensuring reliable operation of the electrical transmission system and diversifying and expanding the Kansas economy. Those efforts are:

- Establishing an on-going dialogue with the Southwest Power Pool to augment the efforts of Kansas utilities and the Corporation Commission to ensure that the State's economic needs are factored into regional planning;
- Sharing information, planning techniques, and implementation strategies with the three other transmission authorities that have similar charges in Wyoming, North Dakota and South Dakota; and
- Preparing for construction of a transmission project in accordance with the KETA's statutory authority.

The KETA Board appreciates the support it has received during this initial year and looks forward to working closely with both the Executive and Legislative Branches of Kansas government to fulfill the goals established with the creation of the Authority.

Respectfully,



Representative Carl Holmes,  
KETA Chairperson

## Overview of KETA Activities

### ***September, 2005***

At an informal meeting, three Board members received orientation presentations from the Southwest Power Pool, representatives of Midwest Energy, Inc., Sunflower Electric Power Corporation, Aquila, and Kansas Corporation Commission staff.

### ***January, 2006***

At its first meeting after appointment of all members, the Board received briefings from the Kansas Development Finance Authority, the Southwest Power Pool, Kansas Corporation Commission staff, and the Federal Energy Regulatory Commission. The Board elected its officers and received briefings regarding the legal framework within which the Authority exists. The Board also formalized its requests for start-up operations financing and staff support, and began work on by-laws.

### ***April, 2006***

The Board received a briefing from Westar and Aquila regarding current and proposed transmission projects. Discussion with utility company staff and the representative of the Southwest Power Pool focused on the differences between economic and reliability projects and methods of cost recovery. The Board was briefed by staff of the Energy Markets and Reliability of the Federal Energy Regulatory Commission regarding the federal Energy Policy Act of 2005, cost benefit analyses from the customer's perspective, and the difference between reliability and economic upgrades of transmission lines.

### ***May, 2006***

The Board met in conjunction with the Southwest Power Pool's Expansion Planning Summit in Kansas City, Missouri.

### ***June, 2006***

KETA received briefings from a variety of organizations regarding transmission issues related to wind energy production in Kansas.

## ***August, 2006***

The Board received additional briefings regarding utility companies' plans for expansion of transmission capacity, particularly in the central and western portions of the State. In addition, the Board held conversations with representatives of independent transmission companies who have constructed lines in other states. Two of those companies are currently working on a project with the Wyoming Infrastructure Authority, a counterpart to KETA.

## ***November, 2006***

The Board received a briefing regarding the proposed new generating plants at Holcomb and the need for transmission capacity that will be created by those new plants. The Board also discussed the appropriate means for interacting with the Southwest Power Pool and making a contribution to the regional planning process as it relates to transmission projects in Kansas. The Board received a briefing from Westar regarding its progress on siting a proposed transmission line in central Kansas that is planned for completion in 2009. Kansas City Power and Light Company provided the Board with information about the transmission needs of the wind farm at Spearville.

Complete minutes of the Board's meetings are posted on the KETA website at <http://accesskansas.org/keta>.

The Board established a work plan for the upcoming year. That work plan follows.

## **Kansas Electric Transmission Authority**

### **2006-2007 Business Plan Outline**

(Reflecting Discussion on November 3, 2006)

#### **I. Situation Assessment**

- A. Poll stakeholders regarding needed investment (DONE)
  - 1. Transmission owners
  - 2. Renewable energy developers
  - 3. Transmission dependent utilities
  - 4. Environmental interests
- B. Identify investments being made or planned (DONE)
  - 1. Southwest Power Pool
  - 2. Transmission owners
  - 3. Independent transmission companies
- C. Establish links to other state infrastructure authorities (in process)
  - 1. Evaluate their processes and progress
  - 2. Share intelligence and ideas
  - 3. Convene a joint meeting
- D. Establish link to Southwest Power Pool (not started)
  - 1. Participate in quarterly Strategic Planning Committee meetings
  - 2. Monitor Regional State Committee activity

#### **II. KETA determines Needed Transmission Construction**

- A. Evaluate the boundaries and rationale for distinguishing economic from

reliability projects (not started)

1. Implications for project feasibility
2. Implications for cost recovery
3. Triggers for economic projects to become reliability projects
4. Recommendations for changes in aggregate study process, if any, to SPP

B. Projects proposed by/for Load Serving Entities (in process)

1. Pending request from Sunflower
2. Wichita-Hutchinson
3. Hutchinson-Summit
4. Hutchinson-Lincoln-Circle
5. Spearville-Morland
6. Rose Hill-Sooner-Cleveland
7. Pauline-Concordia-Summit
8. Fairport-Sibley
9. Ties to Western Area Power Administration – Eastern Plains (Colorado) project
10. Others

C. Renewable energy needs – analyze independent of Southwest Power Pool (will include some projects under B.) (not started)

1. Community wind constraints
2. Major wind projects

D. Environmental constraints concerning transmission line siting– final screen before selecting projects (not started)

E. Finalize project focus list and timeline (in process)

1. First draft to be completed by January 2007

### **III. Transmission Construction**

A. Assess readiness/ability to construct and operate – project by project (in process – mostly complete)

1. Transmission owners
2. Independent transmission companies

B. Monitor utility and independent transmission company-committed transmission construction (not started)

C. Position KETA to develop/finance specific projects (not started)

1. Review statutory requirements
2. Develop “strawman” project, preferably a real one
3. Conduct an exercise with other stakeholders
  - a) Kansas Development Finance Authority
  - b) Southwest Power Pool
  - c) Kansas Corporation Commission
  - d) Operating entities
  - e) Entities whose customers would be surcharged
  - f) Others

### **IV. Secure Resources for KETA to Develop and Finance Transmission**

A. Ongoing administrative support (in process)

1. Prepare 2006 Annual Report
2. Prepare 2007 budget

B. Project management (not started)

### **V. Issue Notices of Intent to Proceed in Construction of Specific Projects**

## ***KETA Budget and Expenditures***

The Authority's actual expenditures during FY 2006, the approved amount for FY 2007, and the amount requested as a loan from the State General Fund for FY 2008 are displayed in the following table. The Authority also has requested a \$1 million contingency appropriation for use during FY 2008 for development of a specific transmission project if expenditure for that purpose is approved by the State Finance Council.

### **Kansas Electric Transmission Authority**

#### **Budget and Expenditure Summary**

	<b>Actual FY 2006</b>	<b>Estimate FY 2007</b>	<b>Request FY 2008</b>
<b>By Program:</b>			
KETA	\$ 3,450	\$ 70,000	\$ 102,577
<b>TOTAL</b>	<b>\$ 3,450</b>	<b>\$ 70,000</b>	<b>\$ 102,577</b>
<b>By Major Object of Expenditure:</b>			
Salaries and Wages	\$ 943	\$ 5,330	\$ 5,330
Contractual Services	2,506	64,670	97,246
Subtotal - Operations	\$ 3,450	\$ 70,000	\$ 102,577
<b>TOTAL</b>	<b>\$ 3,450</b>	<b>\$ 70,000</b>	<b>\$ 102,577</b>
<b>Financing:</b>			
State General Fund	\$ -0	\$ 0	\$ 102,577
Public Service Regulatory Fund	3,450	70,000	-
<b>TOTAL</b>	<b>\$ 3,450</b>	<b>\$ 70,000</b>	<b>\$ 102,577</b>
FTE	0	0	0