

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 23, 2007 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Jason Long, Revisor's Office
Renae Hansen, Committee Assistant

Conferees appearing before the committee:

Jim Ludwig, Westar
Don Low, Director of Utilities, KCC
David Springe, CURB
Phil Wages, KEPCo, Westar, KCP&L
Whitney Damron, Coffee County
Tom Thompson, Sierra Club

Others attending:

See attached list.

Representative Tom Sloan moved to introduce a bill that would provide tax credits for the purchase of hybrid vehicles. Representative Rob Olson seconded the motion. Motion passed.

Representative Rob Olson moved to introduce a bill such that a utility promotion shall not discriminate on individuals with disabilities. Seconded by Representative Tom Sloan. Motion passed.

Hearing on:

HB 2033: Certain public utility construction work in progress required to be included in rate base.

Proponents:

Jim Ludwig, Vice President of regulations and public affairs, Westar, (Attachments 1 and 2) spoke in favor of **HB 2033** with proposed amendments offered, explaining how a bill like this would affect Westar and its' customers.

Paul Snider submitted written testimony, (Attachments 3).

Questions were asked and comments made by Representatives: Tom Moxley, Annie Kuether, Carl Holmes, and Tom Sloan.

Opponents:

Don Low, Director of Utilities, KCC, (Attachments 4), presented testimony opposed to **HB 2033**, as it mandates them to approve consumers paying for the upgrade when the construction process starts, and before the consumers begin getting any benefit from the new construction. He also made some comments on Westar's amendments.

David Springe, Consumer Council, CURB, (Attachment 5), spoke in opposition to **HB 2033**, explaining some of the particulars of CWIP, and the reason for coming into existence. He explained how this change of language from "may" to "shall" would entirely change and confuse the scheme of what the original language of 66-128 is designed to do. It moves the financial risk of construction from the companies to the consumers.

Tom Thompson, Kansas Sierra Club, (Attachment 6), offered testimony in opposition to **HB 2033** as it gives unfair favor to coal fired powered plants.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on January 23, 2007 in Room 241-N of the Capitol.

Questions were asked by Representatives: Tom Sloan, Tom Moxley, Forrest Knox, Carl Holmes, Cindy Neighbor, and Josh Svaty.

Hearing on **HB 2033** was closed.

Chairman Holmes noted the document presented by the Kansas Petroleum Council, (document can be found with Ken Peterson, KPC).

Representative Tom Hawk moved to introduce a bill concerning KAN-ED. Representative Vern Swanson seconded the motion. Motion passed.

Hearing on:

HB 2038: Nuclear power plants; application of siting act; property tax exemption.

Proponents:

Phil Wages- KEPCo, (Attachment 7), spoke in favor of **HB 2038**, and applauds the Energy and Utilities Committee for creating progressive legislation that would help promote new energy production in Kansas.

Whitney Damron, Coffey County Kansas, (Attachment 8), gave testimony in favor of **HB 2038**.

Opponents:

Tom Thompson, Kansas Sierra Club, (Attachment 9), spoke in opposition to **HB 2038** noting the controversies surrounding the production of nuclear energy and its cost prohibitiveness. He noted other options that are cleaner and cheaper that would help with the demands of energy including energy efficiency and renewable energy production.

Questions were asked and comments were made by Representatives: Peggy Mast, Cindy Neighbor, Tom Hawk, Tom Sloan, Josh Svaty, Don Myers, Judy Morrison, and Vaughn Flora.

Hearing on **HB 2038** was closed.

The next meeting is scheduled for January 24, 2007.

Meeting Adjourned by Vice-Chair Rob Olson.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 23, 2007

NAME	REPRESENTING
Phil Wages	KEPCO
Joe Dick	KCBPU
Whitney Damron	Coffey Co. Commission
Lindsey Douglas	Hein Law Firm
Paul Snider	KCPD
Dave Holtzhaus	KEC
Tom Day	KCC
Dick Rohlfes	WESTAR ENERGY
Tom Thompson	Sierra Club
Mark Schreiber	Westar Energy
Jim Ludwig	Westar Energy
David Pringle	Club
Kimberly Green	ITC Heat Plains
Lon Stanton	Northern Natural Gas
Tom Gartner	AT&T
Steve Johnson	Kansas Gas Service / ONEOK
Nelson Krueger	Leading Edge Ltd.
Don Low	KCL

**Testimony of
James Ludwig
Vice President, Regulatory and Public Affairs
Westar Energy
On House Bill 2033
January 23, 2007**

Chairman Holmes and members of the committee, my name is Jim Ludwig. I am Vice President of Regulatory and Public Affairs for Westar Energy. Thank you for the opportunity to address you today on house Bill 2033. Westar Energy supports HB 2033. We do have amended language we would like to propose and I have copies of the language for the committee.

Before I get to the amended language, I would like to first explain Construction Work In Progress (CWIP) and its impact on Westar Energy and its customers. An important aspect to remember is that the types of construction projects that I will be discussing are large multi-year commitments. They have significant exposure to fluctuations in interest rates, and material and labor costs.

Construction Work In Progress is the accumulation of such costs as labor, material, equipment, overheads and Allowance for Funds Used During Construction, commonly referred to as AFUDC (interest or carrying costs) associated with each major construction project. The current statute makes CWIP an optional adjustment by the Kansas Corporation Commission (KCC) at its discretion. Passage of this bill would require the inclusion of CWIP into rates when requested by a utility in a general rate case. There would be no need for the utility to accumulate AFUDC on the amount of CWIP being recovered in rates, thereby reducing the effect of carrying costs on rates. An important note to remember is that the KCC authority to evaluate and rule on the prudence of the construction projects remains intact.

Attached to my testimony are two examples of the effect of CWIP on customer rates.

In 1985, the Wolf Creek Generating Station began commercial operation providing energy to Kansas Gas and Electric Company (KGE), Kansas City Power and Light Company (KCPL) and Kansas Electric Power Cooperative (KEPCo). As example 1 indicates the total cost for KGE's 47% share of Wolf Creek was \$1.4 billion. Included in the total cost was \$432 million of interest or approximately 31% of the cost. If the entire interest cost associated with Wolf Creek's construction could have been avoided by inclusion of CWIP in rates, the average KGE residential customer would have saved approximately \$65 per year. Likewise in example 2, KPL's interest expense for building the Jeffrey Energy Center that began construction in 1974 was \$108 million. If CWIP had been allowed to be included in rates, the average KPL customer would have saved \$14 per year.

ENERGY AND HOUSE UTILITIES
DATE: 1/23/2007
ATTACHMENT 1-1

The legislature has endorsed the equivalent of recovery of construction work in progress in public works projects through the passage of an increased fuel tax incorporated in the comprehensive highway legislation. The tax is collected during the construction years of the program. If the state waited until the 10-year highway plan was built before charging a higher fuel tax, the impact on gasoline prices would have been more severe. In the private sector, I can go to Representative Proehl's bank, for example, for a home construction loan. Then I would be expected to pay on the loan as construction progresses, and in doing so would ultimately pay a lower overall cost than if I waited until construction was complete before paying anything.

There are at least four benefits to electric utilities and their customers with this legislation:

1. Lower construction costs resulting in overall lower rates. CWIP reduces carrying costs for the project thus reducing the overall cost of the project.
2. Avoidance of rate shock. CWIP allows rates to be increased gradually rather than sudden one time increases.
3. KCC retains ability to evaluate the prudence of all construction projects. Regulatory oversight remains in force.
4. Indirect savings can also come from lower financial risk of major construction projects, resulting in lower cost of capital and better access to capital.

The amended language rephrases the current bill so that recovery of CWIP applies to all projects except nuclear facilities. The current bill at (b) (1) prohibits recovery of CWIP except for the exceptions listed in (b) (2). For example, the way the bill is drafted, recovery of CWIP related to a major natural gas distribution line construction project would be prohibited. Our amendment would allow recovery for such a project. Thank you for the opportunity to provide testimony this morning. I will be glad to stand for questions at the appropriate time.

Cost Comparison

1-3

Example 1

KGE's Cost to Build Wolf Creek
Total Cost \$1.4 Billion

\$432
Million
Interest
31%

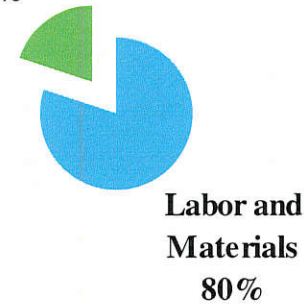


■ Labor and
Materials
■ \$432 Million
Interest

Example 2

KPL's Cost to Build JEC
Total Cost \$535 Million

\$108
Million
Interest
20%



■ Labor and
Materials
■ \$108 Million
Interest

West

66-128

Chapter 66.--PUBLIC UTILITIES

Article 1.--POWERS OF STATE CORPORATION COMMISSION

66-128. Valuation of property for rate-making purposes by commission; construction work in progress. (a) The state corporation commission shall determine the reasonable value of all or whatever fraction or percentage of the property of any common carrier or public utility governed by the provisions of this act which property is used and required to be used in its services to the public within the state of Kansas, whenever the commission deems the ascertainment of such value necessary in order to enable the commission to fix fair and reasonable rates, joint rates, tolls and charges. In making such valuations the commission may avail itself of any reports, records or other things available to the commission in the office of any national, state or municipal officer or board.

(b) (1) For the purposes of this act, except as provided by subsection (b)(2), property of any public utility which has not been completed and dedicated to commercial service shall not be deemed to be used and required to be used in the public utility's service to the public.

~~(2) Any public utility property described in subsection (b)(1) may be deemed to be completed and dedicated to commercial service if: (A) Construction of the property will be commenced and completed in one year or less; (B) the property is an electric generation facility that has a capacity of 100 megawatts or less and converts wind, solar, biomass, landfill gas or any other renewable source of energy; (C) construction of the property has been authorized by a siting permit issued under K.S.A. 66-1,158 et seq. or 66-1,177 et seq., and amendments thereto; (D) the property is an electric generation facility or addition to an electric generation facility, which facility or addition to a facility is placed in service on or after January 1, 2001; or (E) the property is an electric transmission line, including all towers, poles and other necessary appurtenances to such lines, which will be connected to an electric generation facility.~~

~~(3) Electric generation facilities under the provisions of subsection (b)(2)(D) or (b)(2)(E) shall not include facilities used in generating electricity by nuclear resources or technologies, or by using renewable energy resources or technologies, as defined in K.S.A. 79-201, and amendments thereto.~~

~~(c) As used in this section, "electric transmission line" means any line or extension of a line with an operating voltage of 34.5 kilovolts or more which is at least five miles in length and which is used or to be used for the bulk transfer of electricity.~~

History: L. 1911, ch. 238, § 28; R.S. 1923, 66-128; L. 1978, ch. 266, § 1; L. 1984, ch. 247, § 1; L. 1995, ch. 264, § 1; L. 2001, ch. 207, § 1; L. 2004, ch. 120, § 6; July 1.

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 2

**Written Testimony in Support of HB 2033
Before the House Energy and Utilities Committee
January 23, 2007**

Kansas City Power & Light encourages the committee to support House Bill 2033. Passage of this legislation adds certainty to the regulatory process and provides utilities of all sizes better financing options. Just as consumers look for creative ways to finance their homes or transportation purchases, utilities also look for financing options that lower the overall rate impact on our customers.

HB 2033 would not change the ability of the KCC to review and determine the appropriateness of utility investments and expenses. Allowing Construction Work in Progress cost recovery is a fiscally responsible tool that will save Kansas consumers money and allow utilities to continue to make significant investments in the state.

###

Kansas City Power & Light Company (KCP&L), a wholly owned subsidiary of Great Plains Energy Incorporated, is a leading regulated provider of energy-related products and services for homes, businesses, industries, and municipalities in the Kansas City metropolitan area. Committed to reliable and affordable electricity for its nearly 500,000 customers in Kansas and northwest Missouri, the company is implementing its strategic plan to meet future energy needs. Visit www.kcpl.com and click on "Comprehensive Energy Plan" to learn more about KCP&L's collaborative and innovative approach.

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 3



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 January 23, 2007

HB 2033

Thank you, Chairman and members of the Committee. I am Don Low, Director of the Utilities Division for the Kansas Corporation Commission. I appreciate the opportunity to testify for the Commission on HB 2033. The Commission opposes the bill.

This bill would remove the Commission's discretion on whether to allow cost recovery for certain utility projects that are still under construction. The bill would instead mandate that ratepayers begin paying immediately for such projects before they begin providing service. Before I discuss the KCC's concerns with this bill, I want to provide some background on the CWIP issue, which has been the subject of debate for many years.

In general, under traditional utility regulation, ratepayers are not required to pay for utility assets unless those assets are "used and useful" or, as stated in K.S.A. 66-128, "used and required to be used." This general principle has meant that ratepayers should not pay for "gold-plated" facilities or plant that represents "excess capacity." It has also generally meant that ratepayers shouldn't pay for plant under construction and not yet in service, or as it is commonly referred to: "Construction Work in Progress" or "CWIP". However, as reflected in the statute, there is no absolute prohibition against allowing cost recovery of CWIP. Instead, the current statute lays out specific situations in which the KCC may consider CWIP to be used and required to be used. That discretion allows the Commission to evaluate the conflicting considerations that come into play on this issue. Some of those considerations are:

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 4-1

- Not allowing CWIP corresponds to the general practice in the marketplace of consumers paying for goods or service only when such goods or services are ready to be used. This logical practice especially makes sense if it is unknown either when development of the product will be finished or if the consumers will fully utilize the product when it is produced.
- With regard to utility assets, there is a general regulatory philosophy that one generation of ratepayers should not pay for facilities that will only provide service to future generations. This “intergenerational equity” concern has increasing applicability as the construction period lengthens since there will be a corresponding increase in the number of current customers who move or pass on before the plant is completed.
- On the other hand, assuming that a construction project is eventually put into service and fully utilized, the total cost to ratepayers over the life of the asset is usually greater if the facility is added to rate base after it begins providing service than if cost recovery commences during construction. This is because of the accounting recognition given to the carrying costs associated with the money that is tied up during the construction period if CWIP is not recognized.¹ A commitment to allow CWIP cost recovery might also reduce costs of debt because of a perceived reduction in financial risk by lenders.
- Aside from policy considerations, there are accounting considerations. For example, the Commission has generally agreed that Staff should be able to audit the actual costs incurred rather than rely on projections or estimates. This has meant as a practical matter that CWIP is usually allowed only for projects that are completed about six months after the close of the test year in rate cases. Also, if the project is likely to have offsetting effects on the costs or revenues of the utility, CWIP is not allowed without consideration of such offsets in order to provide a fair representation of the company’s overall revenue requirements.

¹ This “Allowance for Funds Used During Construction” (“AFUDC”) is added to the cost of the facility that is put into ratebase when the plant is completed and in service. The “return of” (through annual depreciation expense) and “return on” (through the overall rate of return given on net ratebase) the AFUDC component increases the total costs to ratepayers.

With regard to the CWIP issue, K.S.A. 66-128 originally gave the KCC discretion to allow only projects that would be completed within a year.² In 1995, the legislature added to the eligible CWIP facilities: generation from a renewable resource that is 100 megawatts or less, and transmission lines or generating facilities that have received siting approval from the KCC. In 2001, the legislature added: all generation placed in service after 2000, and all transmission lines and appurtenances. There have been no requests for CWIP under the latter amendments.

The Commission opposes the proposed change in this statute to mandate cost recovery of CWIP. The KCC believes it has reasonably exercised its discretion to allow CWIP in appropriate circumstances and has been flexible in meeting utility financial needs with regard to major projects. (For example, KCPL is in the midst of a complicated four year resource plan that was negotiated with staff and approved by the Commission. Also, the KCC's approval of Westar's mechanism to annually recover costs of new pollution control equipment was recently upheld by the Court of Appeals.) We see no compelling need to make the radical change proposed in this bill.

The proposed change could lead to undesirable or uncertain results. For example, what happens if a new generating facility, such as a nuclear plant, gets CWIP treatment during construction but never gets put into service because of technical, economic or other problems? The Commission could be foreclosed from requiring a refund of any of the costs that were paid by ratepayers, even though they will never receive any benefits from the un-completed plant. Also, what is the KCC's ability to address imprudent or unreasonable decisions to commence a project or to continue construction in light of escalating costs, diminished need or other changed circumstances? With this bill, the KCC is potentially handicapped in how it addresses these issues. Without this bill, the KCC continues to have the discretion to consider the potential problems with allowing cost recovery for CWIP in specific circumstances and impose appropriate conditions or otherwise tailor make solutions.

² The 1984 amendment clarified the 1978 version to state that construction of the project had to be *commenced* and completed within one year or less rather than just completed in one year or less.

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. 2033

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
January 23, 2007

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2033. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

HB 2033 amends K.S.A. 66-128 to change the statutory framework from a permissive "may" to a mandatory "shall" statute. CURB believes that this simple word change has the effect of repealing the entire statutory framework created by K.S.A. 66-128 through K.S.A. 66-128p and removes that last vestige of any protection for consumers left in this statute.

A touchstone consumer protection in the regulation of public utility rates is that the cost of utility plant is not allowed into consumer rates until that plant is finished and operational. K.S.A. 66-128 through K.S.A. 66-128p establish the Kansas statutory framework implementing this basic protection. These sections also set forth the Kansas Corporation Commission's duties and obligations in valuing utility plant and determining what costs can be placed in consumer rates. K.S.A. 66-128(b)(1) is specific in that **"property of any public utility which has not been completed and dedicated to commercial service shall not be deemed used and required to be used"** in the public utility's service to the public.

The exception to this touchstone rule appears in K.S.A. 66-128(b)(2), which allows that certain property **"may"** be deemed **"completed and dedicated to utility service"** if certain requirements are met. This exception allows the cost of certain facilities to be placed into consumer rates when the facilities are not yet used and useful, but are under construction. This is generally known as the "construction work in progress" exception, or "CWIP".

Historically, CWIP was used on those projects that would be completed within the very near term after a utility had filed a rate case. The rationale is that the utility should not have to file a second rate case to recover costs that were just outside of the test year in a rate case. And since the statute contained the word "may", consumers still had some level of protection as the Commission is required to balance the interest of consumers in determining whether or not to allow the proposed CWIP costs into rates.

Over time the CWIP exceptions have grown so broad that there is no longer a linkage in time to a current rate case proceeding. For example, in K.S.A. 66-128(b)(2)(D)

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 5-1

all that is required now to meet CWIP is that the costs are for "an electric generation facility or addition to electric generation facility" placed in service after January 1, 2001. There is no restriction on when that generation facility begins operation and actually supply power to consumers. K.S.A. 66-128(b)(2)(E) has similar language for transmission lines, K.S.A. 66-128(b)(2)(B) has similar language for a 100 MW renewable resource and K.S.A. 66-128(b)(2)(C) has language that would allow the cost of a nuclear plant sited pursuant to K.S.A. 66-1,158 to be placed into consumer rates long before that plant ever comes online. This last provision is of interest in that much of Commission duties and consumer protections in K.S.A. 66-128 relate to and are a result of the Wolf Creek nuclear power plant.¹

The single remaining protection for consumers in this statute is the word "may". The Commission retains some level of discretion to balance the interest of ratepayers and the utility. Utilities cannot automatically pass costs onto consumer bills without convincing the Commission that consumers should pay those costs. Consumers have an opportunity to be heard by the Commission on those costs. Replacing "may" with "shall" removes even this protection for consumers.

Read literally, if this change is approved, K.S.A. 66-128 will now say that a generation plant that is not completed and dedicated to commercial service shall not be deemed used and required to be used in the public utility's service to the public, except that the same generation plant shall be deemed completed and dedicated to commercial service and shall be deemed used and required to be used in the public utility's service to the public. This seems rather nonsensical.

It may be argued that making CWIP mandatory will reduce the regulatory risk faced by utilities. This is true, but only because the risk has been shifted to consumers. The legislature passed K.S.A. 66-1239 to provide additional certainty to utilities with regard to the regulatory process. Making CWIP mandatory, in conjunction with K.S.A. 66-1239 gives the utilities regulatory certainty and direct access to the consumer's checkbook. Further, once the Commission allows (or is required by this proposed statutory change) costs into utility rates, the Commission is legally precluded from ordering a refund if at a later date the utility is found to have been imprudent. This does not represent a fair balance between consumers and the utility shareholders.

CURB respectfully urges the Committee to read carefully each section of in K.S.A. 66-128a through K.S.A. 66-128p² before voting on this bill. It is clear that making CWIP, as set forth in K.S.A. 66-128(b)(2) mandatory rather than permissive goes against the entire framework of this statutory section. Consumers will lose the little protection left in this statute, and the balance of the public interest will fall to the utility shareholders.

¹ For an interesting discussion of this law as applied to Wolf Creek, see *Kansas Gas and Electric v. Kansas Corporation Commission*, 239 Kan. 483, 720 P.2d. 1063 (1986)

² For example: K.S.A. 66-128b....The Commission may require a public utility to defer inclusion of all or any portion of the reasonable value of property determined not currently used and required to be used... or K.S.A. 66-128c...In the event the state corporation commission determines that a portion of the costs of acquisition, construction or operation were incurred due in whole or in part to a lack of efficiency of prudence.....it shall have the power and authority to exclude all or a portion of the revenue requested by the utility...

**Testimony before the House Energy and Utility Committee
January 22, 2007
Opposing H.B. 2033**

Chairperson Holmes and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I have come today to speak in opposition to H.B. 2033.

H.B. 2033 gives an unfair favor to coal fired powered plants. It essentially mandates that work not completed be deemed completed. This is done without any oversight by the KCC as to whether this appropriate and justified.

The Sierra Club opposes the construction of new coal fired power plants and HB 2033 gives those interested in such construction a short cut for getting them built.

The Sierra Club opposes H.B. 2033.

Thank you for your time

Sincerely

Tom Thompson
Sierra Club

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 6



Kansas Electric Power Cooperative, Inc.

HOUSE ENERGY AND UTILITIES COMMITTEE H.B. 2038

Testimony on behalf of Kansas Electric Power Cooperative, Inc., Westar Energy, and Kansas City Power & Light

Mr. Chairman and members of the committee:

I am Phil Wages, Director of Member Services and External Affairs for Kansas Electric Power Cooperative, Inc. KEPCo is a not-for-profit generation and transmission utility, providing electricity to nineteen member rural electric cooperatives serving the eastern two-thirds of the state.

I am testifying today on behalf of Westar, KCP&L, and KEPCo. Collectively, our three companies own the Wolf Creek Nuclear Generating Station.

The owners of Wolf Creek support H.B. 2038 and applaud the efforts of this committee to continue the development of progressive legislation that supports energy development in Kansas. H.B. 2038 establishes a ten-year property tax exemption for the construction of a nuclear generating facility and expedites the permitting process. It also supports the expansion of Wolf Creek.

Wolf Creek is a very efficient, clean and successful generating facility. The success of Wolf Creek allows many Kansas utility customers to enjoy reliable, reasonably priced electricity.

The costs associated with the construction of a nuclear facility are substantial. A ten-year property tax exemption will directly reduce the costs associated with the facility, thus providing a savings to the residents of Kansas that would receive energy generated from the new facility. Incentives, such as the ones proposed in H.B. 2038, can be determining factors of where a utility decides to construct generation. Although the owners of Wolf Creek are not in a position today to invest in a new nuclear facility, the passage of this bill will place Kansas in a better position to keep native utility generation investment in Kansas, as well as attract out-of-state utility investment.

Mr. Chairman, this concludes my testimony and I stand for questions.

Phone: 785.273.7010

Fax: 785.271.4888

www.kepco.org

P.O. Box 4877

Topeka, KS 66604-0877

600 Corporate View

Topeka, KS 66615

A Touchstone Energy Cooperative 

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 7

Whitney B. Damron, P.A.
919 South Kansas Avenue
Topeka, Kansas 66612-1210
(785) 354-1354 • (785) 354-8092 (Fax)
E-Mail: wbdamron@aol.com

SUBMITTED TESTIMONY

TO: The Honorable Carl Holmes, Chair
And Members Of The
House Energy and Utilities Committee

FROM: Whitney Damron
On Behalf Of The
Coffey County Board of Commissioners

RE: HB 2038 An Act concerning nuclear power plants; concerning
siting permits; providing certain property tax
exemptions.

DATE: January 23, 2007

Good morning Chairman Holmes and Members of the House Energy and Utilities Committee. On behalf of the Coffey County Board of Commissioners, I am pleased to offer these comments in support of HB 2038, which provides property tax incentives to a new nuclear generation facility or an expansion of an existing facility, which in Kansas is applicable to the Wolf Creek Nuclear Generating Plant located in Coffey County.

According to the Nuclear Energy Institute (www.nei.org), there are currently 103 commercial nuclear power plants producing electricity in the United States, located at 65 sites in 31 states. Nuclear power plants supply approximately 20 percent of our nation's electricity each year.

As of January, 2007, 30 countries worldwide were operating 435 nuclear power plants for electricity generation and 29 new nuclear plants were under construction in 12 countries. While there are currently no new nuclear power plants under construction in the United States, it is possible, perhaps even likely we will see renewed interest in this source of energy as the United States seeks to lessen its reliance on fossil fuels and oil imports.

Legislation such as HB 2038 may very well provide the kind of incentives needed for the nuclear industry to consider an expansion of the Wolf Creek Nuclear Generating Plant and we encourage your favorable consideration of this legislation.

ENERGY AND HOUSE UTILITIES
DATE: 1/23/2007
ATTACHMENT 8

**Testimony before the House Energy and Utility Committee
January 22, 2007
Opposing H.B. 2038**

Chairperson Holmes and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I have come today to speak in opposition to H.B. 2038.

H.B. 2038 gives a ten-year property tax exemption for nuclear power plants to expand their facilities.

Nuclear power is controversial and one of the most expensive ways to meet the energy needs of ratepayers. They are typically very large facilities that when they have an unplanned outage can cause disruption to the grid.

Today there are other things that can be done that are far more cost effective. Yesterday, HB 2037 was a beginning to making the state more energy efficient. Conservation and energy efficiency have been found to be more cost effective. Incentives for energy efficient doors and windows, compact fluorescent lights, programmable thermostats, photovoltaic, Energy Star appliances and the list goes on, have not been used to their greatest capacity.

Furthermore, renewable sources of energy are just now coming into their own. They have yet to be used and developed to their greatest potential yet are cheaper than nuclear and can react quickly to meet energy needs once transmission capacity is adequately developed.

The Sierra Club believes it is time to put the efforts of the state into these cost effective ways to meet energy needs and not nuclear power.

The Sierra Club opposes H.B. 2038.

Thank you for your time

Sincerely

Tom Thompson
Sierra Club

ENERGY AND HOUSE UTILITIES

DATE: 1/23/2007

ATTACHMENT 9