

SESSION OF 2003

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2374

As Amended by Senate Committee on
Utilities

Brief*

The bill would enact the Kansas Energy Security Act which would direct the Kansas Corporation Commission (KCC) to include specified provisions in its procedures to implement KSA 66-1233. (The cited statute was enacted in 2002 and provides for public utilities to recover from customers certain costs incurred from implementing security measures implemented to protect electricity and natural gas production and transmission.)

Procedures implemented pursuant to the bill and provisions of the 2002 statute would apply to security expenditures made after September 11, 2001. The KCC's determination of whether a security-related expenditure is prudent could not be based on standard regulatory principles and methods of recovery.

Specifically, the bill would require the KCC to:

- treat as confidential information submitted by a utility regarding the amount and method of cost recovery;
- issue protective orders for filings connected with recovery of security costs to enable CURB to intervene in these cases;
- create procedures that reflect rules of federal regulatory entities governing the release of information and documentation submitted to the KCC, its staff, or interveners;
- prevent the security cost recovery from being identified on customers' bills;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/kldr>

- provide for an expedited review of security-related filings;
- provide that the security cost recovery charge be allocated and added to all wholesale and retail rates and future contracts (any contract existing on the effective date of the bill, which does not specifically prohibit the addition of these charges, would have security cost recovery charges added);
- provide for review only of security-related items to ensure that proposed items provide enhanced security;
- deny any expenditure that is not prudent or is not related to security; and
- allow recovery of capital expenditures over a period no greater than one-half the usable life of the capital investment.

Background

Representatives of Westar Energy and Aquila testified in support of the bill at the House Committee's hearing. Representatives of the KCC and CURB presented testimony in opposition to the bill.

The Division of the Budget's supplemental note for the bill states that enactment would not have a fiscal effect on either the KCC or CURB. The fiscal note also states that rates established to recover security costs ultimately would be borne by utility consumers.