

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 382

As Amended by House Committee on
Utilities

Brief*

SB 382 would extend until July 1, 2008, the authority for the State Corporation Commission to allow electric and natural gas public utilities to recover costs incurred from implementing security measures used to protect electricity and natural gas production and transmission. These provisions were scheduled to expire July 1, 2004.

Background

This bill was requested by a spokesperson from Great Plains Energy (Kansas City Power and Light). At the hearing on the bill, a spokesperson from Great Plains explained that the current two-year period for recovery of security costs is not long enough to allow recovery of costs incurred over the next several years to ensure reliable electrical service. A spokesperson from Westar also presented testimony in support of the bill. He stated after September 11, 2001, new regulations and guidelines were issued requiring utilities to spend additional amounts on security. For example, the Nuclear Regulatory Commission issued orders requiring security upgrades at all nuclear plants including Wolf Creek. Also, the North American Electric Reliability Council issued a series of cyber and physical security guidelines that requires electric utilities to complete cyber and physical upgrades by the end of 2005.

A spokesperson from the State Corporation Commission presented a neutral position on the bill. He stated that an accounting order treatment for the types of expenses envisioned by the legislation was more appropriate and better ratemaking policy and that greater

*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>

confidentiality is achieved under an accounting order than under the immediate recovery option provided by the legislation. He also stated that the Commission currently has the responsibility and authority to take any needed action to implement mechanisms for recovery of additional costs utilities may face due to extraordinary circumstances, including unexpected economic conditions, acts of nature, or governmental actions.

A representative of the Citizens' Utility Ratepayer Board presented testimony in opposition to the bill. He stated that although CURB does not advocate that all security information should be public information, it believes that consumers who pay utility rates have a right to know when, why, and by how much their utility rates are being increased.

The Senate Committee on Utilities amended the bill to provide an extension of the provisions until July 1, 2006. The introduced version of the bill would have repealed the sunset provisions altogether.

The House Committee on Utilities amends the bill to extend the provision of the statute to July 1, 2008.

The fiscal note on the original bill indicates that there would be no fiscal impact.