

## **MINUTES**

### **SPECIAL COMMITTEE ON UTILITIES**

November 7-8, 2001

Room 526-S—Statehouse

#### **Members Present**

Representative Carl Holmes, Chairman  
Senator Stan Clark, Vice Chairman  
Senator Jim Barone  
Senator Jay Emler  
Senator Mark Taddiken  
Representative Nile Dillmore  
Representative Tricia Lightner  
Representative Laura McClure  
Representative Don Myers  
Representative Jerry Williams  
Representative Tom Sloan

#### **Staff Present**

Robert Chapman, Kansas Legislative Research Department  
Mike Heim, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Mary Torrence, Revisor of Statutes  
Lisa Montgomery, Revisor of Statutes  
Jo Cook, Committee Secretary

#### **Conferees**

Stuart Lowery, Kansas Electric Cooperative  
Larry Holloway, Kansas Corporation Commission  
Carroll Waggoner, Sunflower Electric Company  
Bruce Graham, Kansas Electric Power Cooperatives  
Bill Dowling, Midwest Energy  
Burton Crawford, Great Plains Energy  
Dick Dixon, Western Resources  
Joe Bahr, UtiliCorp United  
Carl Husling, UtiliCorp United  
Bill Eliason, OneOK

Colin Hansen, Kansas Municipal Utilities  
Joe Dick, Kansas City Board of Public Utilities  
Rick Anderson, McPherson Board of Public Utilities  
Warren Corman, University of Kansas  
William Hartman, Emporia State University  
Thaine Hoffman, Kansas Department of Administration

## **Others Attending**

See attached list.

## **Wednesday, November 7 Morning Session**

Chairman Holmes called the meeting to order and announced a few changes to the original tentative agenda.

Stuart Lowery, General Council for the Kansas Electric Cooperatives, presented a draft of proposed legislation changing certain sections of the Retail Electric Suppliers Act (Attachment 1). Mr. Lowery outlined the changes agreed upon by the parties. He also indicated that the Revisor's office still had to go over the language. *Representative McClure moved to introduce the proposed legislation, Senator Clark seconded the motion. The motion carried.* The bill will be introduced in the Senate.

Mr. Lowery then addressed the concern between Victory Electric and UtiliCorp regarding the Montezuma Wind Farm and standby power for the transmission station. Also responding to questions on this topic were representatives from Sunflower Electric, Western Resources and the Kansas Corporation Commission.

Larry Holloway, Chief of Energy Operations for the Utilities Division of the Kansas Corporation Commission, provided a press release (Attachment 2) on the agreement reached between the Southwest Power Pool and Midwest ISO to consolidate. Mr. Holloway responded to questions from the committee.

Carroll Waggoner, Senior Manager of Transmission Policy for the Sunflower Electric Power Corporation, submitted testimony regarding the processes they utilize to make sure they are able to continue providing reliable wholesale power to their member cooperatives (Attachment 3). Mr. Waggoner responded to questions from the committee.

Bruce Graham, Vice President of Member Services and External Affairs for the Kansas Electric Power Cooperative (KEPCo) also addressed the committee on KEPCo's generation planning (Attachment 4). Included with his testimony was their position on the

proposed consolidation of the Southwest Power Pool and Midwest ISO. Mr. Graham responded to questions from the committee.

Mr. Bill Dowling, Vice President of Energy Management and Supply for Midwest Energy, Inc., provided information to the committee on his company's generation and transmission plans for the next several year ([Attachment 5](#)). He stated that they will continue to participate in regional planning efforts to ensure that their customers continue to have access to affordable and reliable electric energy. Mr. Dowling answered questions from the committee.

Burton Crawford, Manager of Deregulation for Kansas City Power & Light Company (Great Plains Energy), outlined KCPL's generating capacity ([Attachment 6](#)). Mr. Crawford explained that with the changes associated with the development of Regional Transmission Organizations (RTOs) more generation will be built by independent power producers and less electricity produced by regulated utilities. The current regulatory framework will need to change, recognizing an increasing dependence on purchased power. Mr. Crawford responded to questions from the committee.

Joe Bahr, Retail Energy Markets Team for UtiliCorp United, presented his company's supply plan ([Attachment 7](#)). Mr. Bahr detailed West Plains Energy's (a subsidiary of UtiliCorp) capacity and energy portfolio along with outlining its megawatt load and resources.

Mr. Carl Husling, UtiliCorp United's Director of Transmission Business Operations, provided an overview of RTOs ([Attachment 8](#)). Mr. Husling listed the characteristics and functions of a RTO. He also outlined both the short term challenges and long term benefits of the FERC ordered changes to RTOs.

Mr. Bahr and Mr. Husling responded to questions from the Committee.

### **Afternoon Session**

Dick Dixon, Senior Vice President Customer Operations for Western Resources, presented information on Planning Generation Needs ([Attachment 9](#)). Mr. Dixon, along with Doug Sterben, Senior Vice President Generation and Marketing, gave a detailed account of their reliability assessment through the year 2010. Three issues addressed were: RTO development that reduces transmission congestion and the enhancement of competition; industry restructuring that lowers customer costs; and environmental, social or regulatory influences that may impeded generation and transmission additions. Mr. Dixon responded to questions from the committee.

William Eliason, Vice President-Gas Strategy, for OneOK/Kansas Gas Service, addressed the committee on Natural Gas Resource Planning ([Attachment 10](#)). Mr. Eliason stated that Kansas Gas Services is the largest natural gas distribution company in Kansas with 635,000 customers. He also outlined the effects of deregulation. Mr. Eliason outlined

their pipeline capacity and production plans, along with detailing the company's plan for providing a continual gas supply.

Colin Hansen, Executive Director for Kansas Municipal Utilities, also spoke about planning generation needs ([Attachment 11](#)). Mr. Hansen stated that it is difficult to forecast what may be required in three, six, or 10 years; but the trend is towards additional generation, most likely fueled by natural gas.

Joe Dick, Regulatory Specialist for the Kansas City Board of Public Utilities (BPU), distributed a copy of a news release outlining BPU's discussions on a new power plant ([Attachment 12](#)).

Rick Anderson, McPherson Board of Public Utilities, addressed the committee and told of a recent article in the Wall Street Journal about McPherson's low-cost electricity program.

Mr. Eliason, Mr. Hansen and Mr. Anderson responded to questions from the committee.

Senator Clark distributed a copy of a FERC order dealing with lack of capital to build electric transmission in response to previously asked question. The copy of the order is available through Legislative Research. Also distributed to the committee was a draft copy of the Committee Report dealing with Study Topic 2—State's role in implementing the National Energy Plan ([Attachment 13](#)). The committee was asked to look over the report and be prepared to finalize it tomorrow.

### **Thursday, November 8 Morning Session**

Steve Johnson, Kansas Gas Service, provided a brief update on the ad valorem tax refund issue and stated that the Kansas Corporation Commission was meeting in executive session to discuss the topic that morning.

The proposed Committee Report on the study topic of Natural Gas Pricing and Supply was distributed to the committee members ([Attachment 14](#)) and Vice Chairman Clark lead the committee in discussion of that report. This report included information previously provided on the ad valorem tax refunds. Following discussion, the committee, by consensus, agreed to include in the Committee Report on the above reference study topic that: the House and Senate Utilities Committees meet jointly in January to be brought up to date on the ad valorem tax refund court settlements and that the KCC be more vigilant in protecting the interests of Kansas consumers at the federal level and be alert to the increase in the number of consolidations and mergers and continue its close scrutiny of natural gas contracts.

Steve Johnson, Kansas Gas Service, briefed the committee on the Cold Weather Rule and its implications on customers ability to keep the heat on and continue to pay their bills. Mr. Johnson responded to questions from the committee. Larry Holloway, Kansas Corporation Commission, also responded to questions. Chairman Holmes suggested that a joint meeting be held in January for a more detailed report on the Cold Weather Rule.

The Committee then turned its attention to the Committee Report on National and State Energy Plans (Attachment 15). After discussion and proofing of the draft report, the committee made the following recommendations: the promotion of energy efficiency and energy conservation efforts overall and increased efforts to educate consumer on ways to improve efficiency and conservation; review efforts to create more awareness of energy assistance programs and examining what the Department of Commerce and Housing and SRS are doing to alert those consumer who are eligible for the Weatherization Assistance Program; and utilization by the Board of Regents of incentives to reduce energy costs. *Representative Myers moved to introduce a resolution to urge the US Congress to proceed with all due haste to approve and begin storage of radioactive waste a Yucca Mountain in Nevada. Senator Clark seconded the motion, motion carried.* The resolution will start in the House. *Representative Myers moved to introduce a resolution to urge the US Congress to open Alaska's Arctic National Wildlife Refuge for the exploration of oil. Senator Clark seconded the motion. The motion carried.* The resolution will start in the Senate. *Representative McClure moved to introduce a resolution to urge the US Congress to reauthorize and extend the Federal Tax Credit for wind generation facilities. Representative Dillmore seconded the motion and the motion carried.* This resolution will start in the House.

### **Afternoon Session**

Mr. Warren Corman, representing the University of Kansas, appeared before the Committee to discuss energy conservation (Attachment 16). Mr. Corman provided documentation on various aspects of the University's energy conservation measures. Mr. Corman also introduced other University staff members, who assisted in the presentation and, along with Mr. Corman, responded to questions from the committee. A member of the committee requested information on the report that the University was involved in litigation regarding the ad valorem tax refund. Donald Rau, Director of Administrative Services for KUMC explained that the University was part of an industrial purchasing group that assists in obtaining lower cost natural gas. This group has initiated the litigation.

Bill Hartman, Utility Director for Emporia State University, outlined the energy saving program the University has been using since the early 1990's (Attachment 17). He explained that they had kept a yearly journal showing energy consumed wit a cost per square foot BTU. Their estimated yearly efficiency amount, yearly, is over \$445,000. Mr. Hartman also distributed samples of items they use to lower their energy costs (light bulbs, timers on vending machines, etc.) Mr. Hartman responded to questions from the committee.

Thaine Hoffman, Director Division of Architectural Services for the State of Kansas, address the committee on life cycle costing (Attachment 18). Mr. Hoffman explained that life cycle costing is a process of considering the costs of utilities, maintenance and operation over the life of a building as they relate to certain design decisions, then comparing these to the initial costs of the design options to see which option is less expensive over the life of the building. He also stated that his division needs to implement a life cycle program and that the FCIP financing program should be available to finance optional items that have a reasonable payback period. Mr. Hoffman also stated that all state construction should comply with the energy conservation standards adopted by the Department of Administration. Mr. Hoffman responded to questions from the committee.

Mike Heim, Kansas Legislative Research Department, distributed copies of the proposed committee report on the topic of Municipal Annexation and Electric Service Territories (Attachment 19). Recognizing the cooperation and effort of the parties involved, the committee recommended a bill be introduced that would amend the Kansas Retail Electric Suppliers Act. *Representative Myers moved to accept the committee report and introduce the bill. Senator Taddiken seconded the motion. The motion carried.*

Robert Chapman, Kansas Legislative Research Department, distributed updated portions of the Committee Report on Natural Gas Pricing and Supply that included the committee's recommendations (Attachment 20). Following discussion and changes, by consensus the committee report was approved.

Thanking the committee for their efforts, Chairman Holmes adjourned the meeting of the Special Committee on Utilities for 2001.

Prepared by Jo Cook  
Edited by Robert Chapman, Mike Heim, and  
Dennis Hodgins

Approved by Committee on:

April 12, 2002