

MINUTES OF THE JOINT HOUSE UTILITIES/TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 1, 2006 in Room 313-S of the Capitol.

All members were present except:

Representative Jim Morrison- excused
 Representative Judy Morrison- excused
 Representative Jason Watkins- excused

Committee staff present:

Martha Dorsey, Kansas Legislative Research Department
 Mary Galligan, Kansas Legislative Research Department
 Dennis Hodgins, Kansas Legislative Research Department
 Heather Klaasen, Research Intern
 Mary Torrence, Kansas Legislative Revisors Office
 Rose Marie Glatt, Committee Secretary
 Renae Hansen, Utilities Committee Secretary

Conferees appearing before the committee:

Representative Carl Holmes
 Tim Rens, CFO, Coffeyville
 Jim Loving, President, Nat'l Cooperative of Refinery Association, McPherson
 Leslie Kaufman, Kansas Cooperative Council (written only)
 Donald P. Schnacke, Attorney, TransCanada PipeLines Limited
 Ron Gaches, President, Gaches, Braden, Barbee & Associates
 Michael Hopkins, MidStream Gas & Liquids for the Williams Companies, Inc.
 Mark Schrieber, Manager, Government Affairs, Westar Energy
 Phil Wages, Director of Member Services and External Affairs for KEPCO
 Gene L. Merry, Coffey County Commissioners
 Ronald F. Hammerschmidt, Ph.D., Director, Division of Environment, KH&E

Others attending:

See attached list.

HB 2900 - Oil refineries; tax incentives; K DFA bonds; permits

HB 2901 - Crude oil pipelines; tax incentives; K DFA financing

HB 2902 - Integrated coal or coke gasification nitrogen fertilizer plants; tax incentives; K DFA bonds

HB 2903 - Cellulosic alcohol plants; tax incentives; K DFA financing

HB 2904 - Electric generation facilities; tax credits and exemptions; K DFA bonds; safety requirements

The Chairman explained that all conferees for the bills would be heard, followed by committee questions. He asked Martha Dorsey to brief the committee on the five energy bills. She explained the similarity and differences of the bills. A memo, prepared by Mary Galligan, Assistant Director for Information Management and Mary Torrence, Revisor of Statutes Office, was distributed. The memo was comprised of short summaries for each of the Committee bills and gave definitions and what the bill would provide if enacted (Attachment 1).

Representative Carl Holmes said that they had an opportunity to move Kansas forward into the position of being a major ENERGY PROCESSOR, due to passage of the Energy Policy Act of 2005. Companies are currently making decisions where to spend their capital investment dollars to develop new energy plants. Work still needs to be done on the demand side of energy usage. That side was not included in this legislation, but would be considered at a later date. He gave an overview of each of the bills: Refinery Legislation, Pipeline Legislation, Integrated Gasification Nitrogen Fertilizer, Cellulosic Alcohol and Integrated Combined Cycle & Nuclear Power Plant Construction (Attachment 2). He used a power point presentation to provide a general overview of the energy picture for the world, the country and for Kansas (Attachment 3).

He called attention to the following reports included in his testimony: 1) Press release - TransCanada secures

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long-term commitments for Keystone Oil Pipeline project, 2) Maps of the Keystone Pipeline Project, 3) Policy paper on *Oil & Security* by George P. Shultz and R. James Woolsey, and 4) Executive Summary regarding the “Importance of Electricity,” the website of perclimate.org. ([Attachment 4](#)).

Tim Rens, CFO, Coffeyville, testified in support of two bills: **HB 2900** - the refinery bill and **HB 2902** - the nitrogen fertilizer legislation. He provided background of Coffeyville Resources, whose operations have been in place since 1906. He described: Petroleum Refining Operations, Coke Gasification - Fertilizer Operations, and Status of Coffeyville Resources’ Operations. In conclusion he said these bills would not only provide economic support for their operations, but would encourage additional economic stimulus to their industry counterparts ([Attachment 5](#)).

Jim Loving, President, Nat’l Cooperative of Refinery Association (NCRA), testified in support of **HB 2900**. NCRA believes that refinery expansion investments are huge and those investments will occur where investors believed they would reap the best returns. Kansas’ access to crude oil, excellent work force, existing refineries and petroleum product distribution assets, along with encouragement from the legislature, would make Kansas a prime target for investor dollars ([Attachment 6](#)).

Ronald F. Hammerschmidt, Ph.D., Director, Division of Environment, KH&E, presented written testimony that included suggested changes to **HB 2900** that would require the refinery owner or operator to submit a request to the Department of Health and Environment that includes: a detailed description of the construction project; a list of the environmental statutes or regulations that required the completion of the project; the cost associated with the project; and a certification regarding the data submitted. In addition, they proposed the addition of authority for the Secretary to adopt any needed administrative regulation to implement the provisions of the bill. The authority to adopt administrative regulations also includes a provision that would allow the Secretary to implement a fee to recover the costs of implementing the application review ([Attachment 7](#)).

Leslie Kaufman, Kansas Cooperative Council, submitted written testimony in support of **HB 2900** and **HB 2902** ([Attachment 8](#)).

Donald P. Schnacke, Attorney, TransCanada PipeLines Limited rose in support of **HB 2901**. He spoke of the potential benefits and economic multiplier effect that communities would experience if the Keystone Pipeline Project were to include the Cushing branch through Kansas. He added that relief from the use and sales tax for equipment would provide an even more attractive incentive to his company and suggested that perhaps an amendment could be considered ([Attachment 9](#)).

Ron Gaches, President, Gaches, Braden, Barbee & Associates appeared in support of **HB 2901**. He said there were several changes they would amend into the existing bill and he introduced Mr. Hopkins, from the Williams Company for continued testimony.

Michael Hopkins, MidStream Gas & Liquids for the Williams Companies, Inc., explained the operations of the Conway fractionator located near McPherson. The proposed tax credit, in its current form, only applies to pipelines located in Kansas that primarily engage in the transportation of crude oil. They suggested the bill should be amended to include pipelines transporting natural gas liquids within Kansas to further stimulate the economic environment to the state. Language to that effect was attached ([Attachment 10](#)).

Mark Schrieber, Manager, Government Affairs, Westar Energy, said that although Westar had no plans to pursue construction of either an IGCC or nuclear plant, they support the tax credit in **HB 2904**. They believe it was large enough to truly incent a company with the necessary size and financial resources to undertake such a project. The key is the size of the credit and the ability to use it over a period of up to 15 years ([Attachment 11](#)).

Phil Wages, Director of Member Services and External Affairs for KEPCO said they support **HB 2904** which establishes property tax exemptions for the construction or expansion of an integrated coal gasification power plant or nuclear generation facility. The passage of the bill would place Kansas in a better position to keep native utility generation investment in Kansas, as well as attract out-of-state utility investment ([Attachment 12](#)).

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Gene L. Merry, Coffey County Commissioners, said that nuclear power must be an essential component of long term plans for energy independence for our state and country. To that end, he spoke in support of **HB 2904**. There are more than 20 nuclear power plants under construction throughout the world. While there are no nuclear power plants being built in the United States, this legislation recognizes that should change in the near future (Attachment 13).

Discussions followed regarding: time line for completion; fiscal impact of each bill; EPA regulations; and refinery and pipeline locations.

Representative Holmes assigned Utility Sub-Committee members: Representatives Holmes, Krehbiel and Hawk to work on the energy bills. Chairman Wilk said that he would appoint Representative Carlson and would announce the other two members on the floor.

Chairman Holmes acknowledged the hard work as well as the many hours it has taken to provide the material for the meeting. He thanked Mary Galligan, Mary Torrence and Renae Hanson for all their help.

The Chairman adjourned the meeting at 10:58 A.M. The next meeting on the Taxation Committee is March 2, 2006.