

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on February 17, 2003 in Room 231-N of the Capitol.

All members were present except:

Committee staff present:     Raney Gilliland, Legislative Research  
                                      Bruce Kinzie, Revisor of Statutes  
                                      Ann McMorris, Secretary

Conferees appearing before the committee:

Earl Watkins, Sunflower Electric, Hays  
Mike Palmer, Empire District Electric Company  
Bruce Graham, KEPCO  
Tim Rush, Great Plains Energy  
Steve Ferry, VP, Electric Operations Aquila/Kansas  
Terry Leatherman, KCCI  
Larry Holloway, KCC  
David Springe, CURB

Others attending:     See attached list

Chair opened the hearing on:

**SB 104** - Prior authorization of ratemaking principles and treatment, K DFA issuance of bonds

Proponents

L. Earl Watkins, Executive Vice President and General Counsel, Sunflower Electric Power Corporation, explained the development steps for the Sand Sage Project - a new coal-fired power plant in southwest Kansas. They have worked with International Energy Partners and DTE Energy Services to form a partnership in the development. There are four steps to be completed - (1) necessary permits; (2) identification of investors; (3) construction phase and (4) long-term off-take customers. Problems facing this project are the turbulent financial marketplace and the inadequacies of the existing regional transmission system. This proposed legislation would provide a level of comfort to the credit ratings agencies, the capital markets and the utility. Sunflower has met with KCC regarding **SB 104** but no agreement was reached. They are asking that the language give lenders and credit rating agencies some comfort about ratemaking principles that will be utilized in new generation and/or transmission projects to determine the financial fate of sponsoring utilities and utilizes any tool at their disposal that will encourage the expansion of needed transmission facilities in Kansas. (Attachment 1)

Mike Palmer, Vice President, Commercial Operations, the Empire District Electric Company, stated that **SB 104** would give them the needed assistance to make the best decisions for Kansas ratepayers. This bill would allow the utility to present their plans to the KCC for determination of ratemaking principles for the construction costs of new generation. **SB 104** is crucial for long-term energy cost stability for Kansas ratepayers. (Attachment 2)

Bruce Graham, Vice President of Member Services and External Affairs, Kansas Electric Power Cooperative, Inc. (KEPCO) supports the concept outlined in **SB 104** that would permit utilities to request that the KCC review a construction project or contract and issue ratemaking principles in advance. (Attachment 3)

Tim Rush, Director, Regulatory Affairs, Kansas City Power & Light Company, is in support of this bill and has some concerns with part of this bill. KCPL supports Section 1. KCPL suggests that in Section 1(c)& (d) the 90-day period be revised to twelve months. KCPL is generally opposed to Section 2.

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE at on February 17, 2003 in Room 231-N of the Capitol.

Steve Ferry, Operating Vice President, Kansas Electric, Aquila, Inc., on behalf of Aquila, supports **SB 104**. He suggests that Section 2 be stricken from the bill. (Attachment 5)

Terry Leatherman, Vice President, Legislative Affairs, Kansas Chamber of Commerce & Industry, noted KCCI supports state and federal legislation and regulation that will result in a predictable process, which creates investment certainty for regulated utilities. KCCI views this bill as an economic development measure. (Attachment 6)

Opponents

Larry Holloway, Chief of Energy Operations, Kansas Corporation Commission, stated the Commission does not support the provisions of Section 1 and 2 of **SB 104**. The reasons for not supporting this bill are set forth in detail in his written testimony. He provided a markup of **SB 104** that attempts to allow additional public input to compensate for this assumption of risk. (Attachment 7)

David Springe, Consumer Counsel, Citizens' Utility Ratepayer Board, opposed the bill because CURB believes the language in Section 1 of **SB 104** is extremely vague and the bill in its current form should not be adopted. (Attachment 8)

Due to the lack of time for questions, the Chair appointed a subcommittee consisting of Vice Chair Emler, Ranking Minority Barone and Sen. Taddiken to conduct further study on **SB 104** and report back to the Senate Utilities Committee. The subcommittee will continue the hearing on **SB 104** on Wednesday, February 19 at 9:30 a.m. in Room 231-N.

The next meeting of the Senate Utilities Committee will be on February 18.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 8