

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on February 4, 2008 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Raney Gilliland, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Mike Corrigan, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Earnie Lehman, President & General Manager, Midwest Energy, Inc.
Robert "Mac" McLennan, Tri-State Generation & Transmission
Jarrod Forbes, Orion Ethanol
Amy Blankenbiller, Pres & CEO Kansas Cof C
Eric Depperschmidt, Finney County Economic Development Corp.
Wayne Penrod, Sunflower Energy
Richard Taylor, Plumbers & Pipefitters Union #441, Wichita

Others in attendance: See attached list

Introduction of bills

Michael R. Murray of Embarras Corporation, requested introduction of a bill that would relate to the ability of Kansas Corporation Commission to approve mergers and acquisitions of price cap companies. This bill would amend 66-2005, 66-127 and 66-136.

Moved by Senator Apple, seconded by Senator Pyle, approve introduction of the bill as set forth by Mike Murray. Motion carried.

Senator Roger Pine requested introduction of the bill draft 7rs126 which concerned proposed rate increases and notification of customers in a timely fashion. The bill would also require timely notification of customers by the Citizens Utility Ratepayers Board as to whether CURB would represent the customers and be part of the consideration of a rate increase.

Moved by Senator Pine, seconded by Senator Apple, introduce draft 7rs126. Motion carried.

Chair opened hearing on **SB 515 - Electric generation, transmission and efficiency and air emissions.**

Chairperson Emler noted because of the number of proponents and opponents, the Senate Utilities Committee will hold hearings for the proponents on Monday and Tuesday, Feb. 4 and 5; and for the neutrals and opponents on Wednesday and Thursday, February 6 and 7. In order to give each conferee time to present their testimony, the Chair set the following rules; (1) a six minute time limit for each conferee; and (2) summarize their written testimony - do not read it. Questions by the committee would be permitted if time allowed after each presentation.

Proponents

Earnie Lehman, President & General Manager, Midwest Energy, Inc., focused on the relatively high rates paid by their customers and highlighted the low average incomes of western Kansans and their greater age. He discussed the lack of new baseload energy alternatives to serve their customers and that Midwest has made larger commitments to wind energy than other large Kansas utilities. He presented an analysis of the differences between average rates paid in 2005 by eastern and western Kansans. Use of natural gas as an alternative is not a sound solution due to the higher cost. Their goal is a balance of renewable energy, energy efficiency and clean gas and coal-fired energy resources. (Attachment 1)

Questions: What are the energy rates for Colorado and Oklahoma and how do they compare to Kansas? Mr. Lehman agreed to provide this info. How will the future rates play out? Incentives not being offered and this would be a big factor.

CONTINUATION SHEET

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Robert “Mac” McLennan, Tri-State Generation & Transmission, stated in their business as a wholesale power supply cooperative they generate, purchase and transmit electricity to cooperatives and public power systems in a 250,000 square mile service territory. Tri-State is involved in Kansas with Sunflower as they both have a mission to ensure reliable, low cost electric service to rural communities. He noted their investment in Kansas to this joint venture has been \$40 million and, beside the coal fired plant in Holcomb, would include an integrated bioenergy center in Finney County. He described several projects in which Tri-State is involved and supports **SB 515** as it encourages the development of renewable resources and energy efficiency. ([Attachment 2](#))

Questions: How will the new interconnect allow generation to Colorado? By Converter AC/DC/AC which will allow transmission both ways.

Jarrold Forbes, Orion Ethanol, spoke in support of **SB 515** and the economic development it represents for rural Kansas. In building the \$100 million ethanol project in Pratt, the community of Pratt has been revitalized. This legislation establishes incentives for carbon mitigation, the greatest of which is for carbon sequestration. He stated Sec. Bremby’s decision caused Orion to abandon a planned investment in Kansas of \$300,000.000 due to regulatory uncertainty and that the facility has been contracted in Texas. ([Attachment 3](#))

Amy Blankenbiller, Pres & CEO, Kansas Chamber of Commerce and Industry, stated the decision to deny the Holcomb air permit has created widespread concern about the regulatory permitting process in Kansas and has made an impact on economic development. Businesses and industry, both in and out of Kansas, are questioning future investments until greater predictability can be restored. The Chamber suggested the language in Sections 30, 31, 32 and 33 be broadened to ensure a fair and predictable regulatory process for not just air permitting issues, but all environmental media. The Chamber is concerned about the legislation creating an emission limit for a specific environmental component through statute rather than regulation. The bill includes a carbon tax which makes Kansas the first state in the nation to adopt a carbon tax by statute rather than regulation. She urged the Committee to address the Chamber’s issues of concern and consider their suggestions. ([Attachment 4](#))

Ms. Blankenbiller agreed to provide information from their Area Development’s Corporate Survey.

Some discussion on whether the proposed carbon tax is inadequate and whether a federal tax would remove the state carbon tax or be an additional cost.

Eric Depperschmidt, President, Finney County Economic Development Corp. , noted **SB 515** has several progressive elements regarding the development of Kansas energy policy. It would promote a level playing field by ensuring regulatory certainty and consistency. It also recognizes a way to reduce and or mitigate carbon dioxide emissions and limitations. ([Attachment 5](#))

Wayne Penrod, Sunflower Energy, voiced Sunflower’s support of the bill and need for regulatory certainty. He reviewed the steps they took in applying for a permit and the outcome. He reviewed the various features of the bill and noted some are unique. It contains statutory limitations on the release of carbon dioxide on new fossil-fueled steam electricity generating units. He provided information on their Bio-Energy Integrated Center and the uses of algae. ([Attachment 6](#))

Richard Taylor, Plumbers & Pipefitters Union #441, Wichita, noted the building trades have supported the Holcomb Project and have committed to opening a training center in Garden City to train the workforce needed for this construction. Over 2,000 craftsmen would be needed for the building and several hundred permanent jobs would result after the plant completion. ([Attachment 7](#))

Written testimony only was provided by Judy Moler, Kansas Association of Counties. ([Attachment 8](#))

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary Attachments - 8