

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on February 2, 2006 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Athena Andaya, Kansas Legislative Research Department  
Raney Gilliland, Kansas Legislative Research Department  
Bruce Kinzie, Revisor of Statutes' Office  
Diana Lee, Revisor of Statutes' Office  
Ann McMorris, Committee Secretary  
Leann Hirschfeld, Intern

Conferees appearing before the committee:

Brad Dixon, president, Kansas Gas Service  
Richard C. Loomis, Aquila, Inc.  
Larry Berg, Midwest Energy, Inc.  
Ron Gaches, Atmos Energy  
David Springe, CURB  
Don Low, KCC

Others in attendance: See attached list.

Chairman Emler opened the hearing on

**SB 414 - Enacting the gas safety and reliability policy act.**

Proponents

Brad Dixon, President, Kansas Gas Service, spoke in favor of **SB 414** because it furthers the ability of natural gas utilities operating in Kansas to provide safe and reliable gas service. The provisions in this bill will enable natural gas public utilities to comply more effectively and efficiently with state and federal requirements. This bill provides a more streamlined approach to provide for non-revenue generating investments. (Attachment 1)

Richard C. Loomis, Aquila, Inc. favored this bill because it allows recovery of utility investment in non-revenue generating projects through a gas system replacement surcharge. (Attachment 2)

Larry Berg, Vice President of Corporate Relations, Midwest Energy, Inc., agreed with the reasons presented by Kansas Gas Service and Aquila and also noted the ability to pass through the cost of prudent safety and reliability investments in a timely manner is crucial to their on-going financial health and the customer base that remains. (Attachment 3)

Ron Gaches, Atmos Energy, urged passage of **SB 414** as this will encourage natural gas companies to increase the investment levels necessary to maximize the safety and reliability of their systems. (Attachment 4)

Questions from the committee regarding a cap and asking each company what their cost would be in a rate case. The responses on rate case cost ranged from \$250,000 to \$1.2 million, depending on the size of the company, not including KCC or CURB assessments.

Opponents

David Springe, consumer counsel, Citizens' Utility Ratepayer Board (CURB), spoke against **SB 414** saying that the bill is over-broad, ill-defined and one-sided in favor of the utilities and offers no protection for consumers. Without withdrawing or waiving CURB's outright opposition, CURB provided the Committee some suggested mark-up's to the bill to remove what CURB considers the most egregious language in the bill. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on February 2, 2006 in Room 526-S of the Capitol.

Don Low, Director of the Utilities Division for the Kansas Corporation Commission, spoke in opposition of **SB 414** because it does not allow for a determination of the reasonableness of and need for a surcharge based on the individual circumstances of each natural gas utility. The KCC concern is that, without vesting discretion in the Commission to weigh the equities, circumstances could arise whereby the surcharge could result in customers paying unreasonable rates. (Attachment 6)

Due to the lack of time, the committee members were unable to complete their questioning and the Chairman scheduled the continuation of the hearing to February 9, 2006 at 9:30 a.m. in Room 235-S.

Approval of Minutes

Moved by Senator Reitz, seconded by Senator Lee, the minutes of the meetings of the Senate Utilities Committee held on January 31, 2006 and February 1, 2006 be approved. Motion carried.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 6