

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:15 A.M. on March 18, 2008 in Room 783 of the Docking State Office Building.

All members were present.

Committee staff present:

Mary Galligan, Kansas Legislative Research
Carol Toland, Kansas Legislative Research
Melissa Doeblin, Revisor's Office
Rena Hansen, Committee Administrative Assistant

Conferees appearing before the committee:

David Owens, Executive Vice President, Edison Electric Institute
Caren Byrd, Executive Director, Morgan Stanley

Others attending:

Forty six including the attached list.

Discussion on:

SB 586-Incentives to encourage development of nuclear power by utilities and authorizing recovery of certain costs.

Representative Forrest Knox, (Attachment 1), spoke to the committee on a proposed amendment to **SB 586** noting that what we do now will affect our grandchildren and we need to get this correct.

Representative Forrest Knox moved to amend SB 586. (Attachment 1), seconded by Representative Bill Light.

Discussion ensued between Representatives: Forrest Knox, Tom Sloan, Josh Svaty, Annie Kuether, and Terry McLachlan.

Motion to amend carried 12-4.

Melissa Doeblin, Revisors Office noted a technical error on line 20 page 1, removal of the coma before the strike out.

The chairman allowed the staff to make said changes.

Discussion continued by Representative Tom Sloan.

Representative Tom Sloan moved to amend SB 586, adding language that would "Upon application of a utility the KCC may provide an expediated ruling on the prudence of major expenditures proposed to acquire equipment for a nuclear generation plant, including monies expended to acquire a containment vessel, Seconded by Representative Dan Johnson.

Discussion on the motion ensued between Representatives: Vern Swanson, Tom Sloan, Josh Svaty, Tom Hawk, and Vaughn Flora.

Representative Sloan closed on the motion to amend.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:15 A.M. on March 18, 2008 in Room 783 of the Docking State Office Building.

Motion to amend fails 6-9.

Representative Joshua Svaty moved to amend the energy efficiency bill **HB 2632** into **SB 586**, seconded by Representative Rob Olson.

Discussion ensued by Representatives: Don Myers, Josh Svaty, Rob Olson, and Annie Kuether.

Motion to amend passed,

Representative Tom Sloan moved to amend **SB 586** adding the words “upon application of a utility the KCC will consider any single projected expenditure over 20 million dollars to start a project”, seconded by Representative Dan Johnson.

Discussion ensued between Representatives: Don Myers, Tom Sloan, and Forrest Knox.

Motion to amend failed, 6-7.

Chairman Holmes suspended the debate on **SB 586** until Thursday.

Senate Utilities Chairman Jay Emler, convened a joint House and Senate committee meeting.

Presentation by:

David Owens, Executive Vice President of Business Operations, Edison Electric Institute spoke to the committee on, “Current National Issues Affecting the Electric Utility Industry”, (Attachment 2). He noted that we are entering into an interesting time period in our nation economically. He noted our energy demand is increasing because of the increase in population but more importantly the increase in use of electronic equipment. Additionally, our transmission lines are getting older. The average age of transmission lines nationwide is about 27 years. He noted that the price of copper alone from 2003-2006 has increased 400% and that is just one part of the piece. The addition of other nations into the industrialized world that were formerly third world countries is putting a strain world wide on the resources needed to industrialize. We are in a rising cost and price environment that are clearly out of our control.

He also spoke to the Committee on green house gas emissions. He noted 6 solutions that need to be looked at to help slow green house gas emissions 1. Renewables 2. Energy Efficiency 3. Clean coal technologies 4. Carbon capture and storage. 5. New Nuclear Energy Production, and 6. Plug-in hybrid electric vehicles. He noted the lowest hanging fruit to help change the course of green house gas emissions are to highly promote energy efficiency.

Whatever we do will be very expensive, but we should not be concerned only with the cost, but with involving all potential solutions to the problem. Furthermore, all major countries and industrial areas need to be involved with finding the solution to the green house gas problem.

In summary he noted there are four significant problems, and how we deal with them will determine if we are in a situation of solution or of chaos.

1. Energy Supply margins are declining and demand is increasing
2. No longer a declining cost industry
3. Aging workforce increasingly an important problem
4. Increasing concerns about the environment

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:15 A.M. on March 18, 2008 in Room 783 of the Docking State Office Building.

Finally, he commented that this is a global issue that requires the involvement of all countries and all new technologies and technological advancements. He noted that energy infrastructure security legislation will be necessary. It was noted that the Federal Administration stated that energy efficiency will have to be incorporated into a smart grid with more real time comprehensive and instantaneous information. A board needs to be set up to develop a comprehensive plan. Mr. Coles noted some of the issues that Europe has had with their energy emission solutions and we need to look at their mistakes so that we don't repeat them. Additionally, as we look at carbon emission solutions we need to be investing and accumulating funds that can go into technological advancement for the future. He noted that he believes that the Nuclear Regulatory Commission will choose three designs for new nuclear power plants and that there will be investment by collective groups.

Questions were asked and comments made by: Senator Roger Reitz, Senator Janis Lee, Representative Tom Sloan, and Representative Vern Swanson.

Caren Byrd, Executive Director-Investment Banking Division, Morgan Stanley, spoke to the joint committee on , "The Investor Outlook for the Electric Utility Industry", ([Attachment 3](#)).

From the investor point of view, capitol requirements over the next 15 years is needed to double the United States' existing electric capacity, generation, distribution, transmission, conservation, and efficiency. We will spend about 900 billion dollars over the next 15 years, or 60 billion dollars a year. She noted that as a nation we will require 50 - 100 % more needed capitol investment from the capitol markets. For investment to take place, the utility companies need at least a BBB (triple B) financial rating. Big rate increases will be necessary across the board for this needed expansion to take place. Ms Byrd also noted that there are many pending rate increase cases nationwide. She noted that over the next 15 years the cost of electricity will double. Energy efficiency is being embraced across the nation but she commented that the rules need to be laid out so that the best dollar investment is made. Energy production will have to increase two-fold, and coal and nuclear will have to be part of that mix. The overall challenge for the future is the need for collaboration not confrontation for rate regulation and energy policy change. She also noted that one of the unexpected consequences of an RPS is the cost of transmission lines to get the renewable energy to the market areas.

Questions were asked and comments made by: Representative Annie Kuether, Senator Mark Taddiken, and Senator Janis Lee.

Westar also offered to the Committee a biographical business summary, ([Attachment 4](#)) for each of the presenters.

The next meeting is scheduled for March 19, 2008.

The meeting was adjourned at 10:31 a.m.