

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Rob Olson at 9:00 A.M. on January 18, 2007 in Room 231-N of the Capitol.

All members were present except:
Carl Holmes-excused

Committee staff present:
Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Mary Torrence, Revisor's Office
Jason Long, Revisor's Office
Rena Hansen, Committee Assistant

Conferees appearing before the committee:
Colin Hansen, Executive Director, Kansas Municipal Utilities
Don Gaeddert, City Manager, City of Larned, Kansas, and current KMU President
Rick Anderson, General Manger, McPherson Board of Public Utilities
Larry Holloway, Chief of Energy Operation, KCC
Timothy Carr, Kansas Geological Survey
Rex Buchanon, Kansas Geological Survey Tour

Others attending:
See attached list.

Hearing on:

HB 2032: Deregulation of municipal gas and electric utility's rates, charges and terms and conditions of service in area more than three miles outside municipality.

Colin Hansen (Attachment 1), Executive Director, Kansas Municipal Utilities, spoke in favor of **HB 2032**, which would include municipal utilities in a deregulation base process through the Kansas Corporation Commission, that would affect customers that are outside of the 3 mile radius of the city limits. It would remove a significant administrative cost of filing these cases.

Don Gaeddert, City Manager, City of Larned, Kansas, and current KMU President, (Attachment 2), spoke in favor of **HB 2032**.

Rick Anderson, General Manger, McPherson Board of Public Utilities, (Attachment 3), presented testimony in support of **HB 2032**. He noted this bill pertains to an area that amounts to only about 4% of their customers. The municipality ends up subsidizing the extra cost of getting electricity to those members outside the 3 mile radius. Unfortunately, the costs of filing the rate cases out weigh the costs they would recoup in the rate filing case.

Questions were asked by Representatives: Peggy Mast, Josh Svaty, Oletha Faust-Goudeau, Forrest Knox, and Tom Sloan.

Larry Holloway, Chief of Electric Energy Operation, KCC, noted it was in the late 1960's that the commission gained jurisdiction for those customers outside the 3 mile limit. The legislation proposed in the 1990s was not the same as the legislation in the 1960's. The 1990's legislation proposed to allow them to raise the rates, as long as the fee of those outside the 3 mile radius was the same as those in the radius.

A discussion ensued about the patrons outside of the city limits who do not elect city council members, and do not have a voice, but are still subject to the rates that are set.

Hearing closed on **HB 2032**.

Timothy Carr, Kansas Geological Survey, (Attachments 4 and 5), presented testimony on the state of Oil and

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Gas in Kansas. He noted we have been in the oil and gas business since 1889 in Kansas. Mr Carr told of the specific historical trail of both oil and natural gas in the state of Kansas. The value decline of the natural gas in the Hugoton natural gas field. has been offset by increases in Wilson county and South Central Kansas. He noted coal bed methane's peak period takes about 2 years to reach a peak, but then it continues to produce at that rate for a period of time of about 10-12 years, compared to natural gas which reaches its' peak quickly and then tapers off in a more rapid manner.

The value to Kansans of oil and gas is similar to the value of the crops in Kansas. He noted that oil and gas is a very difficult business to track long term, as the price is so volatile because Kansas does not set the price. He noted that the Coal bed methane activity is showing a huge increase in the total percentage of production of oil and gas products overall in our state.

There is currently an effort for commercialization of Bio-energy Technology and he focused on the integration of the bio-ethanol and oil and gas. He noted that the theoretical maximum for production of ethanol is about 16 billion gallons / year before we run out of sources for the ethanol, with current production at 11.3 billion. Therefore, there is a big need for cellulosic alcohol to come on board.

The CO₂ that is put into the ground from the CO₂ flooding oil field flooding could eventually become a viable source of a carbon credit, based on proposed legislation in Washington DC, and perhaps states like California would be willing to purchase those credits. This process allows you to get another 20% oil out of the ground that you would not get without the process. This process would be a very clean and reasonable way to offset a coal fired energy plant's emissions.

Questions were asked and comments made by Representatives: Vaughn Flora, Carl Holmes, Forrest Knox, Oletha Faust-Goudeau, Rocky Fund, Tom Moxley, Terry McLachlan, and Rob Olson.

Rex Buchanon spoke to the committee on the Kansas Geological survey tour. This year they are going to the Wichita area June 6-8, 2007. One of the stops is an ethanol plant in Coldridge. Kansas.

Representative Tom Sloan moved to introduce a bill that would give incentives for small renewable energy generators. Seconded by Representative Vaughn Flora. Moved unanimously.

Representative Holmes announced he will be appointing a sub-committee on **HB 2035.**

The next meeting is scheduled for January 19, 2007.

Meeting Adjourned.