

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:14 a.m. on February 3, 2000 in Room 522-S of the Capitol.

All members were present except: Rep. Gene O'Brien

Committee staff present: Lynne Holt, Legislative Research Department  
Mary Torrence, Revisor of Statutes  
Jo Cook, Committee Secretary

Conferees appearing before the committee: J. C. Long, UtiliCorp United  
Sheldon Hamilton, UtiliCorp United  
Max Sherman, Aquila Energy

Others attending: See Attached Guest List

**HB 2597 - Natural gas, underground storage; condemnation, procedure and compensation; migrated gas**

Chairman Holmes opened the debate on **HB 2597**.

Rep. Loyd distributed copies of proposed amendments. Rep. Loyd moved that three amendments be adopted. Rep. Dahl seconded the motion. Rep. Alldritt requested that the amendments be addressed separately. The Chairman allowed. Rep. Loyd's first amendment would change page 3, line 13 from "...in the form of annual payments which shall not exceed the highest existing rates payable...." to "...in the form of annual payments. If annual payments are elected, such payments shall be based on current rates payable....". Rep. Loyd closed on the first amendment, motion carried. The second amendment changed the words on page 4, line 23 from "not exceed the highest" to "be based on current". Rep. Loyd closed on the second amendment, motion carried. The third amendment added a (4) under Sec. 4 to provide that subsection (c)(3) be the exclusive remedy for recovery of damages or compensation. Rep. Loyd closed on the third amendment, motion carried. Rep. Loyd also provided another amendment to add a new Sec 4 and Sec 5 relating to K.S.A. 55-1208 and K.S.A. 55-1209 and changing the word 'owner' to 'utility' and requiring the filing of a plat map with the register of deeds of each county the facility is located. Rep. Loyd moved the adoption of the amendments, Rep. Sloan seconded the motion. Motion carried. Rep. Kuether moved to change the publish date to the Kansas Register. Rep. McClure seconded the motion. Motion carried. Rep. Loyd moved that the committee report HB 2597, as amended, favorable for passage. Rep. Kuether seconded the motion. Motion carried. Rep. Loyd will carry the bill.

Chairman Holmes welcomed J. C. Long, UtiliCorp United, to the Committee. Mr. Long introduced Sheldon Hamilton, Property Tax Manager for UtiliCorp and Max Sherman, Vice President for Project Development - Aquila Energy's Merchant Energy Partners (MEP).

Mr. Hamilton presented background information about UtiliCorp as well as comparative tax information about Kansas and surrounding states. Mr. Hamilton stated that UtiliCorp ranks 132<sup>nd</sup> on the Fortune 500 list and pays approximately \$10.6 million a year in property tax in Kansas. He explained that the taxes in Kansas for a new generation plant would exceed the estimated Missouri property taxes by nearly \$2.65 million per year. This accounts for one reason their merchant power plant is being built in Missouri. (Attachment 1)

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES in Room 522-S on February 3, 2000 at 9:14

## CONTINUATION SHEET

a.m.

Mr. Sherman provided information about why MEP chose to build the Aries Power Plant in Missouri, about national electric needs and tax changes that affect Kansas' competitive position for new plants and what our state can do to improve its competitive position. (Attachment 2) Mr. Sherman stated that, nationally, we need more power plants, but the regulatory paradigm makes it difficult for regulated utilities to build plants. He stated that most new plants are being built in the competitive market and that utilities can reduce their risk by buying power in that market. He stressed that power plants do not have to be built locally to meet the local power needs because of the ability to cost-effectively transport power.

Mr. Sherman then explained why the Aries Power Plant was built in Missouri. He stated three reasons:

- 1) Economics - open competitive bidding process, taxes and an economic development competitive package
- 2) Favorable site characteristics - location, existing infrastructure, and environmental (rural area)
- 3) Ability to quickly complete the project - fast track development required, favorable regulations (no siting act), and electric interconnection.

Mr. Sherman then outlined the company's current concerns about Kansas. They include high property taxes relative to other states, competition for plants in a large geographic market, locational disadvantages, the need for additional power supplies and the discouragement of investors for new plants by the Generation Siting Act. Mr. Sherman explained that Kansas can do three things to be more competitive. First, encourage power plant development, second, repeal the generation siting act and third, act quickly.

Mr. Hamilton and Mr. Sherman responded to questions from Rep., Sloan, Rep. Loyd, Rep. McClure and Rep. Holmes.

Chairman Holmes reminded the committee that the KAN-ED Sub-Committee would be meeting on Monday, February 7 and Wednesday, February 9.

The meeting adjourned at 10:43 a.m.

Next meeting will be Tuesday, February 8, 2000 at 9:00 a.m.