

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 526-S Statehouse, at 3:30 p.m. on February 16, 1993.

Approved: [Signature]

Date 2/23/93

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Carl Holmes at 3:30 p.m. on February 16, 1993 in Room 526-S of the Capitol.

All members were present except: Representative Lloyd, excused

Committee staff present: Raney Gilliland, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Mary Torrence, Revisor of Statutes
April Howell, Committee Secretary

Conferees appearing before the committee: Don Low, Director, Utilities Division
Kansas Corporation Commission

Others attending: See attached list

Chairperson Holmes opened the hearing on **HB 2420** and introduced Don Low, Director of the Utilities Division of the Kansas Corporation Commission who presented his testimony in favor of **HB 2420** (Integrated Resource Planning). He outlined to the Committee that there were two (2) purposes of the Bill: to ensure commission flexibility regarding ratemaking treatment relating to IRP costs and to explicitly authorize commission consideration of "externalities" in reviewing IRP plans. He defined "externalities" as the external costs with an impact on society as a whole, such as on the environment or on the general economy. Specific amendments which the KCC are proposing would clarify the Commission's discretion in consideration of externalities, what factors to include and how they should be reflected, trade-offs with rate impacts and other considerations and to allow flexibility in the future. (ATTACHMENT I)

The floor was opened for questions by the Committee.

There were no opponents to **HB 2420**.

The Chair closed the hearing on **HB 2420**.

No action was taken at this time

The Chair opened the hearing on **HB 2039**

HB 2039 - Commercial Guide Services, Provisional Guides

The proposed change to this Bill is to allow the Wildlife & Parks to implement this with rules and regulations.

Representative Freeborn moved that **HB 2039** be recommended favorable for passage as written. Representative McKinney seconded the motion. Motion carried. The Committee further discussed the effects of **HB 2039**. On a verbal vote, the motion carried. Representative Webb will carry the bill on the House Floor.

The Chair opened the hearing on **HB 2040**

HB 2040 - Secretary of Board of Agriculture Made Member of Water Authority

The Chair stated that he had received letters from the Department of Wildlife & Parks, the Department of Health & Education and the Kansas Corporation Commission requesting an amendment to make the ex-officio members to have an alternate. The amendment asks that upon written notification to the authority Chairman, non-voting members ex-officio may appoint a delegate to represent them and their authority in the committees. However, this statement did not reflect the Chairman's opinion as to his favorability or opposition.

Representative Gatlin moved that **HB 2040** be recommended favorable for passage. Representative McKinney seconded. Motion carried. The Committee further discussed the effects of **HB 2040**. A few members were concerned as to the necessity of more than one (1) representative from the State Board of Agriculture as an ex-officio member. On a voice vote, a division was called. On a show of hands, motion carried. Representative Kejr will carry the bill on the House Floor.

The meeting was adjourned at 4:04 p.m.

The next meeting is scheduled for February 17, 1993.

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GUEST REGISTER

HOUSE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

[illegible]

February 16, 1993

PRESENTATION TO
THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

By
THE CORPORATION COMMISSION
Don Low - Director, Utilities Division
On

HB 2420 - INTEGRATED RESOURCE PLANNING

PURPOSES OF BILL:

1. To ensure commission flexibility regarding ratemaking treatment relating to IRP costs.
2. To explicitly authorize commission consideration of "externalities" in reviewing IRP plans.

DETAILS OF BILL:

1. Incentive and cost recovery mechanisms.

Need for amendments

- Current statute explicitly authorizes bonus rate of return for investment in renewable resources, energy conservation and efficiency.
 - Arguably forecloses different incentive mechanisms which may be preferable to rate of return bonus.
 - Is unclear whether covers costs of programs which do not involve utility owned equipment and facilities, such as customer owned DSM or educational programs.
- Commission needs flexibility to adopt mechanisms which best promote implementation of cost effective integrated resource plans.

Effects of amendments:

- Allows for Commission adoption of other incentive mechanisms as well as alternative cost recovery treatment.
- Clarifies language to include implementation of programs and measures which have desired effects.
- Disclaims any implication of limiting Commission's ratemaking flexibility in other contexts.

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Attachment I
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2. Externalities.

Need for amendments:

- Basic issue is whether KCC should consider "externalities" in addition to direct costs. The prices of goods and services usually reflect only the direct costs, such as labor, materials, and taxes, incurred in producing the good or service, including the costs of complying with governmental regulations. The external costs are the impacts on society as a whole, such as on the environment or on the general economy, associated with providing the good or service but not otherwise reflected in prices.
- Inclusion of externalities could affect decisions as part of IRP process.
 - E.g. - gas fired electric generation could be more cost effective than coal when costs associated with air emissions from coal generation or effects on Kansas economy are considered; or greater levels of DSM could be justified compared to additional generation.
- Some question exists whether the Commission has authority to consider environmental and other externalities as part of IRP process.
 - "Externalities" are explicit consideration now only in specific contexts: environmental impacts relating to siting of generation facility under K.S.A. 66-1,162 and KAR 82-8-3; and adverse economic impacts in connection with prudence aspect of valuation of electric generating facility, under K.S.A. 66-128g.
- According to one count, over 30 states have some form of environmental externalities requirements while others have concluded that do not have authority.
- Legislative clarification of Commission's discretion is desirable.

Effects of amendments:

- Would explicitly authorize KCC consideration of externalities in reviewing IRP plans for resource acquisitions, at its discretion.
- Does not specify degree or kind of consideration to be given.
 - KCC would determine what factors to include, how they should be reflected, and trade-offs with rate impacts and other considerations.
- Would allow for flexibility in future.

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