

SESSION OF 2003

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2018**

As Amended by Senate Committee on  
Utilities

**Brief\***

HB 2018 would create the Renewable Energy Generation Cooperative Act. In addition, the bill would authorize the Kansas Development Finance Authority (KDFA) to issue revenue bonds to finance the construction, upgrade, or acquisition of electric transmission lines. Finally, the bill would impose duties on the Kansas Corporation Commission (KCC) related to interconnection agreements between electric utilities and generators of electricity from renewable resources.

The Renewable Energy Electric Generation Cooperative Act would provide for creation of a cooperative by five or more persons. Any cooperative created under the act would be formed to generate electricity from renewable resources and would be a nonprofit, membership corporation. Electricity generated by these cooperatives could be sold only at wholesale. Members of any cooperative created under the act would have to operate generation facilities that use renewable resources and have a capacity of at least 100 kilowatts of electricity.

The bill would define "renewable resources or technologies" to include wind, solar, thermal, photovoltaic, biomass, hydropower, geothermal, waste incineration, and landfill gas resources or technologies. "Person" under the bill would be defined to include any natural person, firm, association, corporation, limited liability company, business trust, or partnership.

The bill would establish a framework for organization of renewable energy cooperatives that parallels the statutory framework in existing law for electric cooperatives. In addition to provisions of the bill specifically applicable to renewable energy cooperatives, those cooperatives would be subject to the authority of the KCC as are other

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/klrd>

electric utilities. Further, the Commission would have to approve mergers of renewable energy cooperatives.

A renewable energy cooperative would be required to pay for its use of existing distribution and transmission systems to transmit electricity, the costs of a generation interconnect study (if such a study is required), the costs of transmission system improvements, and other upgrades necessary for system operation. Any such costs would be determined through negotiations between the cooperative and the owners of the distribution or transmission system.

Members of renewable energy cooperatives located in the territory of a retail electric supplier could be charged a monthly fee by the retail supplier. That monthly fee would include the cost of providing standby electric service, distribution system repair and maintenance, and other reasonable costs of being a provider of last resort. A renewable energy cooperative or any member of a cooperative would be specifically prohibited from reselling to its provider of last resort. The bill would provide that actions against a cooperative would be limited only to matters affecting easements and leases.

The bill also would authorize the Kansas Development Finance Authority to issue revenue bonds to pay for construction, upgrading, and acquisition of electric transmission lines, and certain related expenses. Transmission lines that would be eligible for bond financing would be those used for transfer of at least 69 kilovolts of electricity. "Electric transmission line" would be defined to mean any line or line extension that is at least five miles long and used for bulk transfer of electricity. The availability of the bond financing mechanism created by the bill would not be restricted to renewable energy cooperatives. Bonds issued under authority created by the bill would be payable from revenue generated from the use of transmission lines.

Finally, the bill would require that by September 30, 2003, the KCC establish standard provisions, including applicable fees of interconnection agreements between electric public utilities and generators of electricity from renewable resources. This provision of the bill would be applicable to parallel electricity generators as well as to renewable energy cooperatives.

## Background

The House Committee amended the bill to:

- require that all members of a renewable energy cooperative operate facilities capable of generating at least 100 kilowatts of electricity from renewable resources;
- require renewable energy cooperatives to pay for an interconnection study only to the extent such a study is required by the standard interconnection agreement provisions established by the KCC;
- lower the capacity threshold for transmission facilities eligible for KDFA bond financing from 115 to 69 kilovolts;
- eliminate a provision that would have required the KCC to develop standard interconnection provisions only for generators with a capacity of five or fewer megawatts of electricity; and
- clarify that the provision of the bill limiting actions against a cooperative would be applicable only to matters affecting easements.

Testimony supporting the bill was submitted to the House Committee on Utilities on behalf of the Kansas Electric Power Cooperative, Inc., Kansas Electric Cooperatives, Inc., Sunflower Electric Power Corporation, Kansas Renewable Energy Working Group, the Kansas Chapter of the Sierra Club, Westar Energy, and the Kansas Corporation Commission. The Kansas Trial Lawyers Association suggested an amendment to the bill. No testimony in opposition to the bill was presented to the House Committee.

The Senate Committee on Utilities amended the bill to limit actions against a cooperative to matters affecting leases as well as to easements. Another amendment was technical in nature.

The Division of the Budget's fiscal note for the bill indicates that the bill would have a fiscal impact on the KCC. According to the fiscal note, the Commission anticipates paying for consultants to determine prudent fees for interconnection agreements. The anticipated cost for such consultants is \$20,000 to \$25,000. The fiscal note also states that additional expenditures associated with the Commission's responsibilities related to interconnection agreements would be a

function of the number of cooperatives formed. The fiscal note states that the Commission could absorb the work associated with formation of one or two cooperatives.