

SESSION OF 2008

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 586**

As Agreed to May 6, 2008

Brief*

SB 586 would enact new law authorizing electric utilities to recover certain costs related to planning for new nuclear generation capacity and regarding depreciation of nuclear facilities. Existing law would be amended regarding rate recovery of certain nuclear facility construction costs. In addition, the bill would create the Joint Committee on Energy and Environmental Policy if Sen. Sub. for HB 2412 does not become law. Specific provisions of the bill are described below.

Nuclear Power Generation

The bill would require the Kansas Corporation Commission (KCC) to authorize an adjustment to an electric utility's rates to recover the utility's prudent expenditures for development costs for a new nuclear generation facility, subject to review by the KCC. These development costs would include preliminary engineering, study, feasibility, prepayments for major equipment, and permitting. Electric public utilities would be allowed to apply for and request from the KCC a predetermination of ratemaking principles that would apply to the utility's rates to recover these development costs.

The bill also would allow an electric utility that receives a license to operate a nuclear generation facility on or after July 1, 2008, to use a book depreciable remaining life of not more than the amount of time remaining on the facility's operating

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license. In addition, the bill would allow the costs of construction for a nuclear generation facility to be included in the customer rate base before the facility is operational.

Joint Committee on Energy and Environmental Policy

If Sen. Sub. for HB 2412 does not become law, SB 586 also would establish the Joint Committee on Energy and Environmental Policy, an 11-member bipartisan committee. The committee would be composed of six members of the House of Representatives, appointed by the Speaker of the House and the Minority Leader, and five members of the Senate, appointed by the President and the Minority Leader. The political parties would have proportional representation. Members of the committee would serve two-year terms, except that the term of initial members appointed on or after November 10, 2008 would end on the first day of the regular 2009 legislative session.

Beginning in 2009, the chairperson would serve for a biennium and appointment authority for the chairperson would alternate between the House of Representatives and the Senate. The initial chairperson, and the chairperson for the biennium beginning in 2009, would be a Senator.

The Committee could meet at any time and place within the State on the call of the chairperson. Members would receive compensation, travel expenses and subsistence expenses for attendance at Committee meetings.

The Committee would be authorized to introduce legislation, and would be required to submit a report before December 31st each year, with any findings it deemed necessary concerning energy and environmental policy, to the Legislature and to standing committees assigned to utility, energy, environment and natural resources issues.

Conference Committee Action

The Conference Committee agreed to SB 586, as passed by the House with the following changes:

- Deletion of a provision regarding capitalization and addition to a utility's rate base any investments in and expenditures for energy efficiency, conservation and demand management programs approved by the KCC; and
- Inclusion of provisions of SB 692 creating the Joint Committee on Energy and Environmental Policy if Sen. Sub. for HB 2412 is not enacted.

Background

SB 586 was introduced at the request of Senator Reitz, who testified in support of the bill at the Senate Committee hearing. At both the Senate and House Committee hearings on the bill, representatives of Westar and Kansas City Power and Light testified in support of the bill. Written testimony in support of the bill was submitted on behalf of the Board of Commissioners of Coffey County at the Senate Committee hearing. The Sierra Club and the Citizens' Utility Ratepayer Board testified in opposition to the bill at both the Senate and House Committee hearings.

The Senate Committee amended the bill to remove a provision that would have required the KCC, when conducting its review of the prudence of an electric utility's expenditures for study and feasibility costs of a new nuclear facility, to carry out the review in an expedited manner. The Senate Committee also made a technical amendment.

The fiscal note prepared by the Division of the Budget on the introduced version of SB 586 indicates enactment of the bill would have no effect on the state budget. The Senate

Committee amendments to the bill do not appear to change the potential fiscal impact of the bill.

A representative of Sunflower Electric Power Corporation testified in favor of SB 692 during the Senate Utilities Committee hearing on the bill. No opponents testified on the bill at that hearing. The Senate passed the bill without amendment. The bill was in the House Committee on Energy and Utilities when the Conference Committee took action on this bill.

The fiscal note prepared by the Division of the Budget for the introduced version of SB 692 estimated a cost to the State General Fund of \$42,558 in FY 2009, assuming the Committee would have six two-day meetings.

At the time the Conference Committee reached its agreement, the conference committee report on Sen. Sub. for HB 2412 had been adopted by the Senate.