

SESSION OF 2008

SUPPLEMENTAL NOTE ON SENATE BILL NO. 586

As Amended by House Committee on
Energy and Utilities

Brief*

SB 586, as amended, 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 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.

In addition, the bill would amend current law to require the KCC to allow requesting utilities to capitalize and add to their rate base, investments in and expenditures for energy efficiency, conservation, and demand management programs. Any such programs must be approved by the KCC. The bill also would make technical amendments to current law.

*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>

Background

The bill was introduced at the request of Senator Reitz, who testified in support of the bill. At 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 by the Board of Commissioners of Coffey County at the Senate hearing. The Sierra Club and the Citizen's Utility Ratepayer Board testified in opposition to the bill at 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 Committee also made a technical amendment.

The House Committee amended the bill to allow utilities to recover their development costs for a new nuclear generation facility. The Committee also amended the bill to allow a utility to request from the KCC a predetermination of ratemaking principles that would apply to the utility's rates to recover these development costs. The Committee also amended the bill to include all provisions of HB 2632, as that bill passed the House, to require the KCC to allow requesting utilities to capitalize and add to their rate base investments in and expenditures for energy efficiency, conservation, and demand management programs. At the time the House Committee took action on SB 586, HB 2632 had been heard, but not acted upon, by the Senate Committee on Utilities. Finally, the House Committee included in SB 586 technical amendments to existing law to correct cross-references to conform with a 2007 enactment.

The fiscal note prepared by the Division of the Budget for the introduced version of SB 586 indicates passage of the bill would have no effect on the state budget. The fiscal note prepared by the Division of the Budget for the introduced version of HB 2632 indicates that passage of the bill would

have little or no fiscal effect on the operation of the KCC or the Citizens' Utility Ratepayer Board.