

SESSION OF 2006

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2657

As Amended by House Committee on
Utilities

Brief*

The bill would enact new law authorizing electric or natural gas public utilities that invest in approved energy efficiency and conservation programs for customers to recover the utility's cost of these programs. The bill would establish criteria to be used by the Kansas Corporation Commission (KCC) in evaluating and approving proposed energy efficiency programs. Those criteria include:

- The proposed time period for the program including initiation, promotion, implementation, and evaluation;
- The cost-effectiveness and reliability of technologies employed;
- The percentage of proposed program expenditures devoted to residential programs;
- The mechanism or process for an independent audit of the utility's programs, investments, expenditures and energy savings; and
- Other relevant factors.

The bill also would authorize the Commission to suggest that an electric or natural gas utility invest in energy efficiency and conservation; establish a list of programs that may be offered as energy efficiency and conservation programs; and contract with a qualified entity to review proposed energy efficiency and conservation programs. The bill would specify that its provisions would not preclude the Commission and a utility from entering into energy efficiency and conservation agreements not covered by the bill. Likewise, the bill would specify that it would not preclude the Commission from exercising its authority pursuant to K.S.A. 66-117(e).

The latter statute provides that the Commission may authorize utilities an additional rate of return on investment for energy efficiency or conservation programs or energy produced from renewable resources. The incremental additional rate of return under that statute

*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>

would be from ½ percent to 2 percent over the rate of return established by the Commission for the utility's other relevant investments. The statute also authorizes the Commission to allow the higher rate of return on investments in experimental energy conservation or efficiency projects.

Background

The bill as introduced was identical to 2005 HB 2084 as passed by the House. The substance of that bill was replaced by a substitute bill regarding telecommunications by the Senate Utilities Committee during the 2005 Session.

At the House Utilities Committee hearing on HB 2657, enactment of the bill was supported by Representative Tom Sloan, a representative of the Kansas Chapter of the Sierra Club, and a member of the Kansas Energy Council. The representative of the Kansas Energy Council proposed amendments to the introduced version of the bill. Opponents to the introduced version of the bill included representatives of the Kansas Corporation Commission, the Salvation Army, the Citizens' Utility Ratepayer Board, and the Department of Social and Rehabilitation Services.

The House Committee amended the bill by incorporating in the bill most of the recommendations of the representative of the Kansas Energy Council. Those amendments resulted in deletion of provisions of the introduced bill that would have limited cost recovery to programs for energy efficiency and conservation for residential customers who have an energy audit and are current in payment of their utility bills. The Committee also deleted from the bill a provision that would have permitted utilities to recover costs of certain programs designed to reduce uncollectible bills of residential customers. Finally, the Committee deleted a provision that would have required the Commission to authorize utilities to recover the cost of investments in energy efficiency and conservation programs for certain commercial customers.

The fiscal note prepared by the Division of the Budget for the bill states that enactment of the bill would not impact the State budget. The fiscal note also states that enactment would create a fiscal impact on utility customers who would pay for energy conservation and efficiency programs covered by the bill. The fiscal note appears to remain relevant to the amended version of the bill.