

Kansas Corporation Commission

*Overview Presentation
House Committee on Energy and Environment
January 15, 2013*



Regulatory Role and Perspective: Mission Statement

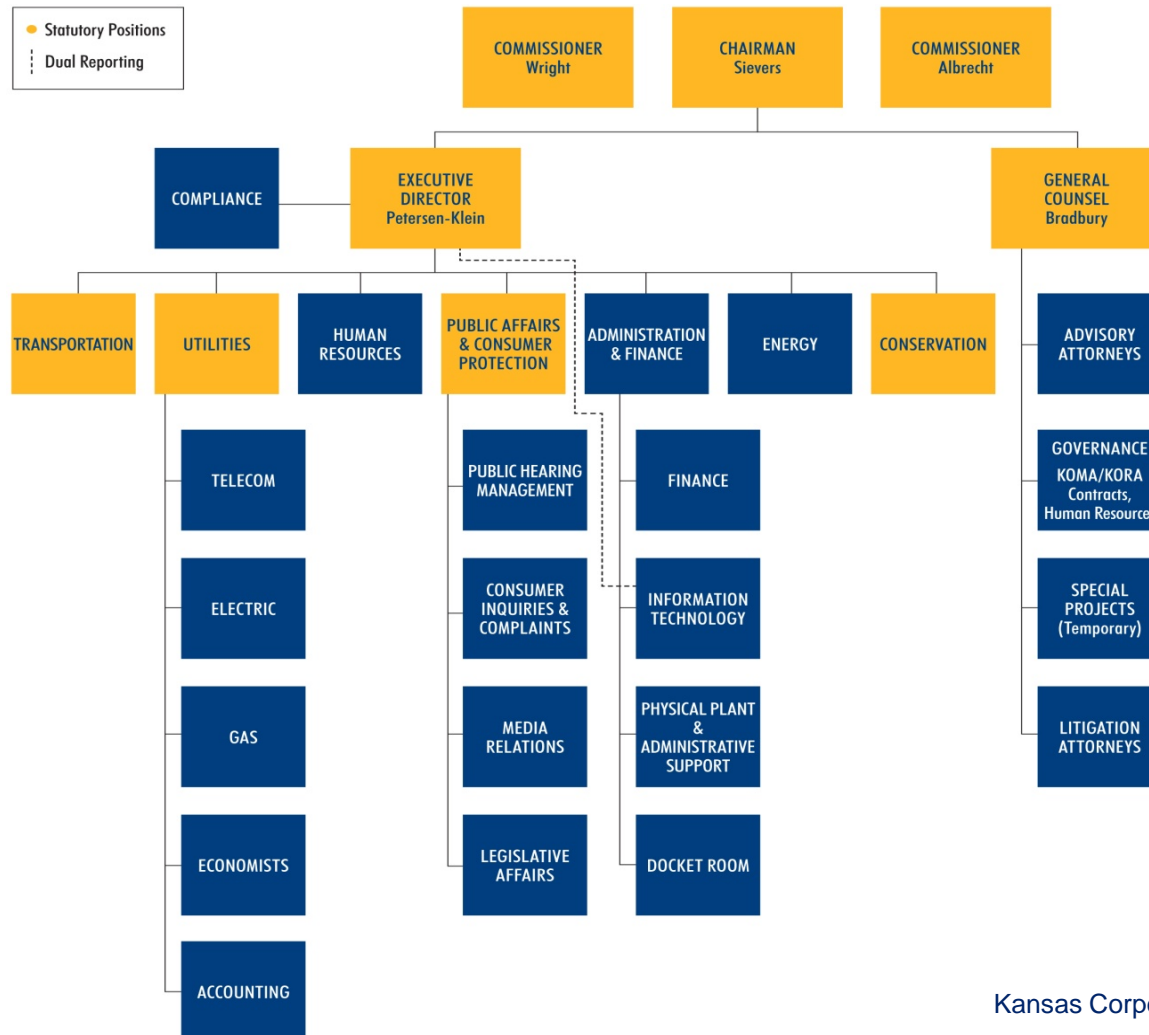
The economic, legal, and managerial missions of the KCC are to protect the public interest through impartial, efficient, and transparent resolution of all jurisdictional issues; and by participating in other forums and tribunals where articulated state policy objectives are at issue. The agency shall: regulate rates, services and safety of public utilities, common carriers, and motor carriers; regulate oil and gas production by protecting correlative rights, environmental resources, and energy storage; and promote energy-related programs.

Structure and Organization

- The Commission consists of three members appointed by the Governor to overlapping four-year terms.
- No more than two members may be of the same political party.
- The Office of the Commission includes the Executive Director and the General Counsel.
- To carry out its multi-faceted mission, the Commission is financed from assessments, registration fees, operating charges, federal funds, and other sources.
- The Commission has five main divisions: Administration, Conservation, Utilities, Transportation, and Energy.
- The authority of the Commission is derived from KSA 74-601 to 74-631, regulatory authority for the Conservation Division and Utilities Division is derived from KSA 55-101, *et. seq.*, and 66-101, *et. seq.*

KCC Functional Structure

Organization and staffing are determined by the Executive Director and managers, driven by workflow and benchmarking.



Division Overview

- **Administration Division**: Includes the Office of the Commission and various supporting functions. These are 1) legal; 2) public affairs and consumer protection; 3) human resources; 4) information technology; 5) docket management; and 6) fiscal management and support services.
- **Conservation Division**: Mission is to protect correlative rights and environmental resources. This is done in part by preventing waste and by enforcing regulations that provide guidelines of producing resources efficiently. Office is located in Wichita and has four District Offices located in Dodge City, Wichita, Chanute, and Hays.
- **Utilities Division**: Mission is to establish and regulate rates for public utilities, including electricity, natural gas, liquid pipeline, and telecommunications. The Division also houses the pipeline safety program, and administers the Kansas Universal Service Fund (KUSF) through a third party administrator pursuant to KSA 66-2008-2010.

Division Overview – *Continued*

- **Transportation Division**: Mission is to ensure appropriate and effective regulatory oversight of motor carriers with the goal of protecting the public interest and promoting safety through comprehensive planning, licensing, education, and inspection. This includes licensing, auditing, inspections, and other administrative procedures that promote efficient motor carrier operations, while balancing the public interest and safety, and minimizing the administrative burden to the extent possible.
- **Energy Division**: Mission is to promote renewable energy, energy conservation, and efficiency in Kansas. The Division serves as a clearinghouse for information on a variety of energy topics. The Division administers programs, promotes public education through outreach activities, and provides objective and up-to-date information on energy-related topics. It is also authorized to accept federal funds on behalf of the State of Kansas.

Role, Charge, and Perspective

1. Regulate electric, gas utilities, and oil and gas producers. Three member Commission sits as a quasi-judicial fact finding administrative body – reviews various applications from industry, reviews staff requests for penalty orders, and sets policy through established general investigation docket proceedings.
2. The Energy Division is the grant funded arm with the lens into the Federal Department of Energy and the National Association of State Energy Offices.
3. Combined, three divisions (Utilities, Conservation, and Energy) enable KCC to embody an all-of-the-above approach to energy and cover the continuum of energy resources – traditional – efficiency – renewables.
4. One stop shop for stakeholders including this committee.
5. Seamless integration ensures balance in making decisions and setting operational priorities.

Activity Metrics

Activity	Approximate Annual Metrics
Staffing & Budget (FY 2013)	211.5 FTE; \$22,399,467 million; fee funded
Agency Filings	5,000 filings; 2,000 orders 1,300 dockets opened (275 open at any time) 20 federal (FERC & FCC) filings
Major Proceedings > 80 hours to complete	22 proceedings; 3-4 appeals 20,000 hours of professional staff time 8,700 hours of legal staff time
Oil and Gas Wells	3,900 well inspections; 6,757 well permits granted 273 + horizontal wells
Transportation	57,000 drivers & 35,000 vehicle inspections 450 compliance reviews/audits 160 educational seminars (1,800 attendees)
Pipeline Safety	700 person-days on-site inspections
Public Affairs and Consumer Protection	2,767 complaints; 2,709 public comments; \$103,471 returned to consumers

Oil and Gas Metrics

	Approximate Annual Metrics
Oil and Gas Industry	65,300 oil wells (41.5 M bbls/yr) (at \$100bbl=\$4.15 B) 24,400 gas wells (311 Bcf/yr) 2,397 active licensees; 9,416 inactive licensees 16,244 Class II wells
KCC Responsibilities	<ol style="list-style-type: none"> 1. Develop and enforce operational rules regarding drilling. 2. Plug abandoned wells and assign financial responsibility. 3. Develop and enforce rules related to (a) underground gas storage; (b) CO2 sequestration; and, (c) compressed air energy storage. 4. Investigate and direct spill clean-ups. 5. Manage contamination cases. 6. Manage Class II UIC program.
Activities	28,929 filings processed*; 397 dockets opened; 88 penalty orders issued (*Includes: drilling permits, pit permits, well transfers, completion reports, plugging applications, plugging reports, and UIC applications)
Abandoned Wells	17,731 total – about 5,140 requiring action 400 to be plugged at state expense in 2013 at \$4,250 each 211 10-year TA applications since 2008
Environmental Issues	Hydraulic fracturing; disposal of drilling waste; groundwater contamination (abandoned wells); boom-town development

Electricity Metrics

	Approximate Annual Metrics
Electric Industry	<p>Total retail electric expenditure = \$2.53B Westar 49%; KCP&L 27%; Empire 1.1%; Sunflower 9.2%; Midwest 5.9%; MKEC 7.3%</p> <p>Kansas average bill = \$98.73 (residential) US average bill = \$110 (11.4% higher than Kansas)</p>
KCC Responsibilities	<ol style="list-style-type: none"> 1. Regulate market entry & exit in distribution and transmission (not generation). 2. Set rates, returns on IOU offerings (not cooperatives, municipalities). 3. Regulate transmission line sitings. 4. Review decommissioning cost projections for Wolf Creek. 5. Participate in Southwest Power Pool (SPP).
Activities	116 new dockets; 20 tariff filings; 52 certificate area swaps
Environmental Issues	CSAPR; Regional Haze Rule; MACT; Water discharge; Ash disposal; nuclear waste disposal; Greenhouse gases

Gas/Pipeline Metrics

	Approximate Annual Metrics
Gas Industry	<p>Major local distributors (591 communities; 900k customers; 193 BcF gas annually; \$1.35 B plant investment)</p> <p>KGS (74%), Black Hills (9.5%), Atmos (13.3%), Midwest (3.5%)</p> <p>11 non-profits/cooperatives; 55 municipalities; 15 master meters</p> <ul style="list-style-type: none"> • 37 transmission lines • 6 gathering lines • 24,400 miles of distribution, transmission, and gathering pipelines • 90% of pipeline is distribution pipe serving 939,000 consumers <p>Kansas average bill = \$92 (residential)</p> <p>US average bill = \$119 (30% higher than Kansas)</p>
KCC Responsibilities	<ol style="list-style-type: none"> 1. Regulate market entry and exit 2. Set rates, returns on IOU gas systems 3. Oversee pipeline safety for all systems
Activities	200 filings processed; 30 dockets opened; 700 person days doing on-site inspections

Energy Division Metrics

	Approximate Annual Metrics
KCC Responsibilities	<ol style="list-style-type: none"> 1. Administer energy efficiency programs and grant funding 2. Promote public education through outreach programs 3. Provide program management for alternative energy and energy efficiency
Activities	<ol style="list-style-type: none"> 1. Efficiency Kansas loan program (transitioned to private financier for improvement loans, focusing on small business lighting projects) 2. Facility Conservation Improvement Program (provides facility improvements and allows access to favorable financing) (to date – \$278M in construction; \$20M annual energy savings; 3,032 job years) 3. Small Business Renewable Energy Program. Will improve 6 small business facilities in Rural Opportunity Zones in FY 2013.

Energy & Environmental Policy Management

1. Commission Dockets – Major Proceedings, General Investigations
2. **Intra**-agency workgroups
FERC-EPA – Transmission (ETWG)
3. **Inter**-agency workgroups
KDHE – critical to Conservation and Utilities Divisions
Department of Commerce – Mississippian Lime Play
Kansas Water Office – Conservation Division – Ground Water Protection; and Utilities Division – Wolfe Creek reservoir
4. Stay current, be compliant, and innovate in a rapidly changing regulatory environment with overlapping federal-state jurisdiction

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