

M I N U T E S

SPECIAL COMMITTEE ON ENERGY

October 13-14, 1977

Room 532-State House

Members Present

Representative Donald E. Mainey, Chairman
Senator Arnold Berman
Senator Bill Morris
Representative August Bogina
Representative Tim Holt
Representative J. Littlejohn
Representative Robert H. Miller
Representative Charles J. Schwartz

Staff Present

Ramon Powers, Kansas Legislative Research Department
Mary Torrence, Revisor of Statutes Office
Ron Smith, Kansas Legislative Research Department

Conferees Present

Tom Van Bebber, Commissioner, Kansas Corporation Commission
Representative E. Richard Brewster
Betty Moore, Ottawa, Kansas
Representative Patrick B. Augustine
Louis Stroup, Jr., Executive Director, Kansas Municipal Utilities, McPherson
J. A. Wilson, Superintendent of Utilities, Iola
E. A. Mosher, Executive Director, League of Kansas Municipalities, Topeka
Jim Kriss, Mayor, Colby
Donald Bell, Attorney, Curfman, Brainered, Harris, Bell, Weignad, and Depew, Wichita
Robert M. Shepard, Kuhn Loeb and Co., New York
Barry Bennington, City Attorney, St. John
Fred Diehl, Mayor, McPherson; member Governor's Advisory Council to Kansas Energy
Office and member Governor's Task Force on Water
Jack Alexander, Water Commissioner, Topeka
John Nichols, Aurora
Jack Rose, City Commissioner, Lawrence
Lee Hornbaker, Attorney, Junction City
Steve Harris, Director, Kansas Energy Office
Letha Bailey, Topeka Housing Complaint Center
Pat Danner, Federal Co-chairman, Ozarks Regional Commission
Richard A. Watson, Ozarks Regional Project Coordinator
Dilip Limaye, MATHECH, Inc., New Jersey

October 13, 1977

Morning Session

Chairman Mainey called the meeting to order at 9:30 a.m. Committee members were furnished copies of the agenda for the meeting on Proposal No. 23 - Municipal Utility Rates and State Jurisdiction. Chairman Mainey stated that he felt there was some misunderstanding about the subject under consideration, and he explained that the Committee was not considering state jurisdiction over municipal water, refuse, or sewer systems in its study of municipal utilities. Rather, the Committee is focusing its attention on municipal electric utilities and possibly gas systems in its consideration of municipal utility rates and possible state jurisdiction over those utilities.

Chairman Mainey then requested that Ramon Powers review the memorandum on Proposal No. 23, prepared by the Legislative Research Department for the Committee. Mr. Power's review included background information on municipal utility rate setting, laws which relate to municipal utility rates, the interim study on municipal utilities undertaken in 1973 by the Special Committee on Utilities, and H.B. 2301, which, as introduced during the 1977 Session, proposed deletion of the exemption of municipally owned utilities from jurisdiction of the State Corporation Commission. It was noted that the fiscal note in connection with H.B. 2301 stated that the enactment of H.B. 2301 would result in a total of 408 utilities being added to the present 145 utilities presently regulated by the Commission. The cost of extending jurisdiction over those utilities would be approximately \$2,000,000 for preparation of the extension of jurisdiction.

Mr. Powers also discussed other bills concerning municipal utilities introduced during the 1977 Session, and reviewed the report on municipal utility rates of the 1973 interim Committee, which noted the practice of transfer of utility funds to fund other city activities.

Chairman Mainey introduced Commissioner Tom Van Bebber of the Kansas Corporation Commission (KCC). The Commissioner stated that the KCC was not asking that the municipal utilities be placed under their jurisdiction, and he added, there is some reluctance regarding extending authority beyond what the Commission has at the present time. He described significant differences between municipal and investor-owned utilities, with municipals being accountable to their electorate instead of investors as is the case with investor-owned companies. Commissioner Van Bebber noted that K.S.A. 66-133 allows 10 or more taxpayers in a municipality with a utility operating under a franchise agreement to appeal to the KCC although this has not occurred in any instances that could be recalled.

Commissioner Van Bebber said that an estimated initial cost of \$2 million would be required to prepare for the additional regulation of municipal utilities in Kansas, and that substantial staff additions would also be necessary. He pointed out that the present system of records of municipal utilities do not lend themselves to KCC records keeping procedures, and that a complete process of education would have to be carried out before any change could be made.

Commissioner Van Bebber pointed out that one problem area in municipal rate regulation is that, in rate setting, the burden of certain expenses which are not allowed investor-owned utilities in rate-making is shifted to shareholders, while in municipal rate setting these expenses would be shifted to the consumer-public.

During Committee discussion following Commissioner Van Bebber's testimony, he explained most municipal utilities' records are kept on a strictly cash-flow basis with expenses determining rates. One Committee member questioned if there was incentive to keep rates low under these circumstances, and it was noted that the rate payers are voters and can vote out those who operate municipal systems against their will. It was noted that voters are known to "storm city-hall."

When asked if he saw any advantages in the placing the jurisdiction of municipal utilities with the KCC, Commissioner Van Bebber said that uniformity of rates might be basis for such change. However, Van Bebber expressed doubts that, in general, much can be accomplished by a change of jurisdiction over municipal utility rates. It was noted that the KCC would not allow municipal systems to direct funds from utilities to the city general fund for other uses.

Discussion turned to the forthcoming report of KCC relating to H.C.R. 5031. Commissioner Van Bebber said that the report being prepared by the KCC would include findings and recommendations of the Commission.

Chairman Mainey then introduced Representative Dick Brewster. Representative Brewster said that H.B. 2301 had not been drafted to accomplish what he had intended to accomplish. His concern was for conservation in the area of gas and electric utilities, not extending jurisdiction over sewage or water systems. His purpose was directed toward establishing uniform rates and a statewide uniform conservation effort. Representative Brewster urged Committee members to look into the subject and to seek answers for possible legislative action. Perhaps the Committee could recommend mandating that municipal utilities practice conservation such as being required to enforce the insulation standard of the recent KCC order instead of being subject to complete KCC regulation.

Chairman Mainey introduced the next conferee, Betty Moore, Ottawa. The Chairman said that he had received a letter from Mrs. Moore stating that Ottawa utility funds have been syphoned into city general funds, and when repairs for electric and water plants were needed in Ottawa, a bond issue was necessary. Mrs. Moore stated she was unable to secure from the city the information she wished to present as testimony because of the illness of the City Manager of Ottawa. She expressed her concern over high costs of water and electricity in Ottawa, and of utility funds being transferred into other city funds.

Committee members' attention was directed to a schedule of Comparison of Rates for six major electric companies of Kansas (Attachment No. 1) furnished by Commissioner Van Bebbler, and to the schedule of rates of municipals included with the Memorandum on Proposal No. 23.

When asked the cause of variations in fuel adjustment costs, Commissioner Van Bebbler explained that the more coal that is used in generation, the less fluctuation in fuel adjustment results; but that when more gas is used, fuel adjustments vary considerably because of the expense and fluctuation in the price of gas and the greater the difference in fuel cost when the utility is forced to go to coal. He said summer peakloads are another factor in fuel adjustment costs. The Commissioner added that fuel adjustment charges are investigated by the Commission, and that new techniques of projecting fuel adjustments to reduce time lag will be implemented within 18 months or by the time of a utility's next rate case.

Mary Torrence, of the Revisor of Statutes Office, furnished Committee members with copies of Proposed Bill No. 1635 (Attachment No. 2), relative to energy conservation standards for new construction. Miss Torrence discussed the changes which had been made in the bill and said that the language of the KCC order had been incorporated in the bill.

When Senator Morris commented that standards should not be specified which cannot be complied with, it was suggested that the Kansas Energy Office (KEO) might conduct a study of the availability of insulation products. It was also suggested that if insulation is not available, all new construction might stop. Chairman Mainey said that the companies he had talked to indicated there was an approximately six weeks lag in insulation availability.

The question of the KCC rehearing on the insulation order arose, Senator Morris stated that he believed that the rehearing schedule should have no effect on the Committee's proceeding with its decision on the matters involved.

The subject of the exclusion of federal buildings from the standard in the bill was discussed. Representative Miller stated he favored leaving out the exclusion of federal buildings.

The subject of more stringent standards already in effect in some areas was discussed. Miss Torrence suggested that language could be added to the bill whereby cities may set more severe standards, i.e., standards which meet or exceed the standards established in the bill. The Committee agreed that such a provision should be included in the bill.

Miss Torrence also furnished members of the Committee with copies of Proposed Bill No. 1677 (Attachment No. 3), which would establish thermal insulation standards.

3a. Chairman Mainey then introduced Representative Patrick B. Augustine. Representative Augustine spoke in opposition to placing municipally owned utilities under the jurisdiction of the KCC. Representative Augustine stressed the importance of maintaining local controls in Kansas communities. He said that state control of municipal utilities would result in increased rates to consumers as well as unnecessary costs and added work load for the KCC. The Representative asked Committee members to reject Proposal No. 23 and to continue the policy of exempting municipal utilities from regulation of the KCC.

During Committee discussion which following Representative Augustine's presentation, the question of municipal utilities' hiring private consultants who recommend rate increases arose. Monies transferred from utility funds to general city funds was also discussed, and one Committee member expressed the opinion that this practice amounted to "hidden" taxation which he opposed. Another member of the Committee questioned whether the average citizen could know if a "hidden" tax existed or not, under the accounting system used by the municipal utilities. Representative Augustine stated that a city's annual financial statement would clearly show any transfer of monies to a general fund. It was noted that Mrs. Moore of Ottawa, Kansas, had not been able to obtain the information she wanted. Representative Augustine reminded the Committee that any local government is obligated to supply this sort of information upon request. Chairman Mainey expressed his appreciation for Representative Augustine's appearance before the Committee, and announced that the Committee would recess until 1:30 p.m.

Afternoon Session

The Committee reconvened at 1:30 p.m. to continue hearings on the feasibility of placing municipal utilities under jurisdiction of the Kansas Corporation Commission.

The Chairman introduced Louis Stroup, Jr., Executive Director of Kansas Municipal Utilities, Inc. Mr. Stroup furnished Committee members with folders containing the following statements and memorandums:

Order of Testimony (Attachment No. 4);
Letter dated September 30, 1977 from Senator Robert V. Talkington (Attachment No. 5);
Statement of Proposal No. 23 by E. A. Mosher (Attachment No. 6);
Resolution of the League of Kansas Municipalities (Attachment No. 7);
Testimony by James L. Kriss (Attachment No. 8);
Testimony of Donald A. Bell (Attachment No. 9);
Testimony of Robert M. Shepard (Attachment No. 10);
Testimony of Barry A. Bennington (Attachment No. 11);
Testimony of Fred D. Diehl (Attachment No. 12);
Testimony of Don Gerard (Attachment No. 13);
Letter dated October 12 from City Commission of Ottawa (Attachment No. 14);
Testimony of Louis Stroup, Jr. (Attachment No. 15);
Letter dated October 11, 1977 from Dennis J. Keenan with attached Resolution of Ellinwood, Kansas No. 101077 (Attachment No. 16);
Letter dated February 16, 1977 re: Fiscal Note on H.B. 2301 from James W. Bibb, Director of Budget (Attachment No. 17);
Attorney General Opinion No. 77-194 dated June 13 re: Cities - Utilities - Rates (Attachment No. 18);
Information Bulletin of League of Kansas Municipalities No. 98 dated September 19, 1977 (Attachment No. 19); and,
Statement of Opposition to Proposal No. 23, Corning, Kansas (Attachment No. 20).

Mr. Stroup suggested that to save time, discussion and questions be taken up after all conferees appearing for Kansas Municipal Utilities had completed their presentations. Mr. Stroup introduced Jim Wilson, Superintendent of Utilities of Iola, appearing in behalf of Senator Talkington who was unable to attend the meeting. Mr. Wilson directed attention to Senator Talkington's letter in opposition to KCC jurisdiction over municipal utilities. He said that such change would mean higher taxes for Iola citizens because of increased costs for KCC auditing and rate hearings. He also pointed out that access to city commission hearings and election of city officials is more direct control than the people would have over the KCC.

Mr. Stroup then introduced Ernie Mosher. Mr. Mosher said he appeared as Executive Director of League of Kansas Municipalities in behalf of 498 member cities. The League is in general opposition to any proposal for placing municipally owned utilities under state jurisdiction. He cited the League's convention statement in favor of local control of municipal utilities. Mr. Mosher stressed the magnitude of any effort of state jurisdiction over municipal utilities which would involve 511 Kansas cities operating water, electric, or gas utility systems or a combination of such systems. He emphasized that municipal utilities are responsive to consumers, and that though the League supports a strong and effective KCC, it is not the time for the KCC to take over of municipal utilities.

Mr. Stroup next introduced Jim Kriss, Mayor of Colby. Mr. Kriss spoke in opposition to Proposal No. 23, and to the excessive costs which would be incurred if municipal utilities were placed under control of the KCC.

Donald A. Bell, Wichita attorney, was then introduced by Mr. Stroup. Mr. Bell stated that the KCC, at present, does not have the capacity to absorb jurisdiction of municipal utilities in an efficient manner, and that this must be a significant factor in any study of the feasibility of placing municipal jurisdiction under the KCC.

Mr. Bell described the traditional rate-making procedures and explained how the principle of a reasonable rate of return as used by the KCC in rate setting is geared exclusively to investor-owned utilities. He said the criteria for determination of fair rates for investor-owned utilities might be impossible to adopt for municipal utilities which have traditionally operated on the basis of recording income and expense on a cash flow basis. Mr. Bell said most municipalities would not have records to ascertain reasonable value of property and other data needed to calculate rates in the situations which would be encountered in municipal utility regulation.

Mr. Bell also stressed the problem of covenants in municipal revenue bonds which contain provisions that revenues generated by the system must cover bonded indebtedness to a certain ratio. The purchasers of the bonds rely upon such covenants for assurance of payments. Such covenants are not consistent with traditional rate making procedures. Municipal utilities must be assured of rate-making procedures which recognize their bond requirements or the salability of Kansas municipal utility bonds will be destroyed, Mr. Bell said.

Mr. Stroup then introduced Robert M. Shepard, Managing Director of Municipal Finance Department of Kuhn Loeb, Inc., New York. Mr. Shepard said he serves for Kuhn Loeb as investment banker for public power entities. Mr. Shepard stated that Proposal No. 23 would weaken one of the principal advantages of municipal systems - the ability to finance 100 percent of the cost of construction of facilities through issuance and sale of tax exempt bonds. Explaining that revenue requirements of municipal utilities are less than one-half that of investor-owned utilities, Mr. Shepard said that tax exempt financing results in retail rates 10 to 15 percent lower than utility rates of investor-owned systems. Mr. Shepard stated that investors would be reluctant to buy bonds of municipal systems subject to rate regulation unless the system had substantial equity or mechanisms to absorb the impact of adverse rate decisions. Any mechanisms that would be developed would be complex and expensive.

Because of the reasons he had described, Mr. Shepard said that the overwhelming majority of states do not regulate rates of municipal systems. He suggested that state regulation of municipal utility rates, where it has occurred, has not led to significant benefits and should not be adopted in Kansas without demonstration that it would be more effective than it has been in other states. In conclusion, Mr. Shepard said that he personally believes state jurisdiction of municipal utilities would result in higher rates for consumers and would not accomplish the goals legislators wish to accomplish.

Barry Bennington, City Attorney of St. John, Kansas, was introduced and spoke in opposition to Proposal No. 23. He praised the Home Rule amendment and the right of people to determine local affairs. Mr. Bennington reminded Committee members that the Legislature has distinguished between public utilities and municipal utilities since 1911, recognizing the efficiency and expediency in allowing cities to manage and regulate their own municipal utilities. Mr. Bennington also emphasized that local governing bodies are more responsive and representative of the people's will than the KCC could be. Mr. Bennington concluded by stating that state regulation of municipal utilities is philosophically inconsistent with the Kansas Constitution.

Mr. Stroup introduced Fred Diehl, Mayor of McPherson. Mr. Diehl, by way of introduction, said he was a professional engineer and had spent 50 years in the electric utility business. He said that he serves on both the Governor's Energy Advisory Council and the Water Resources Task Force. Mr. Diehl spoke in opposition to Proposal No. 23. He described the real difference between state and local regulation of municipal utilities is that municipals have local citizens setting rates with citizen-owners constantly looking over the shoulders of regulators. Such is not the case with the KCC setting rates of utilities. Mr. Diehl said he views transfer of surplus earnings of municipal utilities into the city general fund as a taxpayers dividend which stabilizes property taxes and benefits every taxpayer in the city. Mr. Diehl reported that McPherson citizens have had the lowest electric rates in Kansas for the past several years, and cited several reductions in rates during the period 1959 to 1968. He challenged that the KCC has not ordered reduced rates for any utility. Mr. Diehl directed attention to the tabulation attached to his statement showing the cost of electricity to five typical cities under KCC regulation compared with five self-regulated municipal utilities. The chart reveals, with one exception, self-regulated utilities having lower rates than cities under KCC regulation.

Mr. Stroup asked that Committee members note the statement of Don Gerard, General Manager of the Board of Public Utilities, McPherson, Kansas, which was submitted as Attachment No. 13 since Mr. Gerard could not be in attendance. Mr. Gerard's letter was written in opposition to Proposal No. 23, based on his experience in developing a rate case for hearing by KCC. Mr. Gerard felt that it would be most difficult for small municipal utilities to comply with accounting procedures necessary in a formal rate hearing case. He argued that the provision for annual audits is adequate protection to the consumers of municipal utility services.

Mr. Stroup also asked that Committee members note the letter of the Ottawa Mayor and Commission, written in opposition to Proposal No. 23. They stated that the direct local control of utility rates is more significant control than that of a state agency.

In the conclusion of the Kansas Municipal Utilities' testimony in opposition to Proposal No. 23, Mr. Stroup emphasized the massive costs of placing municipal utilities under state regulation which, he contended, have been under-estimated. These immense costs would force municipal systems to raise gas and electric rates to a non-competitive price range, Mr. Stroup said. He also pointed out that the additional costs of preparing for and attending rate hearings, plus the costs to the 485 systems to add additional personnel to cope with KCC regulation, would increase municipals operating costs hundreds of thousands of dollars.

Mr. Stroup stated that another area of concern involves possible delays in obtaining revenues to meet bond covenants. Mr. Stroup pointed out that the League of Kansas Municipalities has already issued a special information bulletin and a model ordinance for Kansas cities so that they can comply voluntarily with the KCC insulation order. He agreed that it is most desirable to promote energy conservation and uniformity of heating and cooling standards for new construction. Mr. Stroup urged legislators to recommend Proposal No. 23 unfavorably to avoid unwarranted costs and duplication of regulation.

Committee members emphasized to conferees that legislation to place all municipal utilities under authority of the KCC has not been drafted, and the interest of the Committee is directed more toward conservation of energy than to the regulation of water and sewage systems.

Mr. Wilson was asked if when he prepared a recommendation for a rate increase for the city commission, the material he developed is made public before that city holds its' commission hearing on the matter. It was stated that while no specific announcement is made that the information is available. Also the subject is discussed in commission meetings before the meeting planned for any decision. It was noted that the process might be such that citizens or consumers might not be aware of pending rate increases.

Committee discussion then turned to the subject of the transfer of utility funds to city general funds, and the question of this being, in reality, a "hidden tax." Mr. Bennington of St. John said that \$10,092 from their utility fund had supplied free electricity to St. John playgrounds, swimming pools, and recreational facilities.

Mr. Bell was asked about municipal utilities not having records adaptable or available to the KCC for rate-setting purposes. Mr. Bell said that since rate base is not a factor in setting municipal rates, such records have never been kept on a capital investment basis. Rather municipalities operate on a revenue-expense-debt service coverage, or cash-flow basis. The question of lack of incentive for conservation was raised, and it was suggested that municipal utilities are as conscious of saving energy as are other fuel users although there might be a problem in an isolated situation. The whole municipal system, however, should not be condemned for the situation which might exist in one or two instances.

The subject of a federal mandate regarding electric generation systems changing from natural gas to other fuels was discussed. Mr. Stroup explained that most municipal systems were exempt since they are small and cannot convert although they are, he said, experiencing severe curtailments. Mr. Stroup commented that municipal utilities do not oppose some sort of mandate in regard to conservation.

Committee discussion then turned to the goal gasification plant in Wichita, and the proposed billion dollar bond issue, and how much citizens have to say about the matter. When it was suggested that the electorate can vote officials out of office, one Committee member suggested that this might not help since it most likely could not be accomplished until after the damage was done. Mr. Stroup reminded Committee members of the recall situations at Girard and Ellis. Chairman Mainey thanked Mr. Stroup and other conferees for their presentations. The Chairman then asked if any others present wished to present statements to the Committee.

Jack Alexander, Topeka Water Commissioner, made a brief statement in opposition to Proposal No. 23. He emphasized that elected officials feel personally accountable to the public. He reminded Committee members of the recent 66 percent rate increase in water rates in Topeka. He said that after securing commission approval and conducting an extensive news media campaign of public education and understanding, he was re-elected. Mr. Alexander asked Committee members to avoid adding another level of bureaucracy to government by placing municipal utilities under the authority of KCC.

Jack Nichols, Mayor of Aurora, Kansas, stated his opposition to Proposal No. 23. He pointed out that additional paperwork for the part-time officials of small towns is an impossible and unnecessary hardship, and that state regulation of municipal utilities is a real infringement on the home-rule concept. He said that he believed that five elected local officials are more qualified to regulate utilities in small towns than three state commissioners at the state level.

Senator Berman emphasized to Mayor Nichols that the Committee's study dealt mainly with state-wide, long-range energy conservation. He pointed out that in the study of rate structure changes, it would be difficult to justify changes in rate structures, in the name of energy conservation, for all investor-owned utilities in Kansas, and not include 25 percent of the energy consumers in the municipal utility sector of Kansas. Mayor Nichols agreed that it might be necessary, if rate structures were changed to achieve energy conservation, to change rate structures of both municipal and investor-owned utilities. He said, however, that this would be better than placing municipals under KCC regulation.

Mayor Nichols was asked the amount of rate difference charged for the consumers in the three-mile area outside city limits. He said these customer charges are generally about 5 percent higher than those within the city.

The question of monies from the higher rates paid by consumers outside the city limits being transferred into city general funds was raised. Mr. Diehl suggested that money so transferred relieves the taxpayers and collects money from people who are not on the tax rolls for public services that everyone enjoys.

Jack Rose, Lawrence, spoke in opposition to Proposal No. 23 on behalf of the Mayor of Lawrence who was unable to attend the meeting. Mr. Rose stated that the Mayor had believed that Proposal No. 23 applied to water and sewer utilities, and that they opposed the concept of placing municipal utilities under the jurisdiction of a state agency such as the KCC.

Lee Hornbaker, attorney from Junction City, spoke in behalf of two cities of the third-class in Geary County - Milford and Grandview Plaza. Mr. Hornbaker reviewed the problems of very small towns. He argued that city officials in such towns are extremely responsive to their utility consumers and consciencious in their setting of utility rates. He declared that added federal and state controls would mean unnecessary costs and burdensome obstacles. Mr. Hornbaker emphasized especially the burden of additional paperwork which would be required. He praised the KCC for the help they have provided small cities, but asked that municipal utilities not be placed under KCC authority. Mr. Hornbaker furnished members of the Committee with copies of his statement (Attachment No. 21).

The Chairman directed attention of the Committee members to a letter from Bill Bond, President of the Gardner Chamber of Commerce and Industry, Gardner, Kansas, with a resolution of opposition to Proposal No. 23, because he could not attend the Committee meeting (Attachment No. 22). Chairman Mainey thanked all conferees for their presentations. The meeting recessed for the day.

October 14, 1977

Morning Session

Chairman Mainey called the meeting to order at 9:30 a.m. He introduced Steve Harris, Director of the Kansas Energy Office (KEO). Mr. Harris furnished members of the Committee copies of a memorandum on Kansas Energy Conservation Plan Implementation Study (Attachment No. 23), and copies of graphs of Kansas Gas Supply/Demand Balance, Potential National Energy Savings, Public Awareness of Energy Problem, and listing of KEO Proposed Conservation Program Activities for 1978-79 (Attachment No. 24).

Mr. Harris reviewed the background of the Kansas Energy Conservation Plan developed under contract at Kansas State University, which had been submitted to Federal Energy Administration and approved. Mr. Harris described the plan as one which allows flexible approaches to policy making with a variety of options and built-in mechanism for changes by amendment. He told Committee members that he believes in the use of governmental agencies and cities in the implementation of the Kansas Energy Conservation Plan. He related how the Energy Office had requested that the State Financial Council approve the new appointments of physical scientist, media specialist, planner, two additional clerical positions, and general contracting authority for KEO's implementation of the Kansas Energy Conservation Plan. These requests were refused by the Council on September 14, Mr. Harris noted.

Mr. Harris stated that now, after securing results of a survey made for the KEO by Energy Management and Control Corporation, KEO is recommending plans which can be implemented with the present staff and funds presently available. Mr. Harris reviewed the list of priority programs to be implemented, giving top priority to the promotion of heat pumps for new homes and a residential "Project Conserve" program.

Mr. Harris directed Committee members attention to the graphs which he had furnished to show the need and importance of energy educational programs. A national study indicated that only 38 percent of the population is aware that a real energy problem exists, and only 48 percent of the population is aware that the United States imports oil. Mr. Harris said he felt that there is great demand for information by individual citizens regarding insulation and other conservation methods which should be supplied by sources other than utility companies since these companies do not have credibility to consumers.

As recommended by their consultant firm, Mr. Harris said that the KEO hopes to implement some energy programs by means of general contracts. He also said that he plans to request authority for additional staff which will include a physical scientist, a media specialist and three clerical persons, and the approval of bid specifications for contracting. Mr. Harris emphasized that the KEO also wants to work very closely with any government officials and agencies who are interested in a good state energy conservation program.

During Committee discussion following his statement, Mr. Harris described a program planned by the KEO wherein questionnaires are mailed to homeowners who complete descriptions of individual energy problems. These questionnaires would be completed and returned to the KEO, which would evaluate the forms and return to the individual recommendations, cost estimates, pay-back methods, tax incentive and other pertinent information regarding insulation, storm windows, heat pumps, or whatever would be requested.

Mr. Harris was asked about the Kansas-Nebraska Agricultural Conservation Program which was recently halted. He said the program was aimed at reaching farmers to demonstrate effective techniques of conservation and included 20 counties. He reported that a final report of results and potential energy saving techniques in irrigation, tillage, and vehicle maintenance had been submitted.

The question was asked as to why Energy Management Control Corporation was selected to prepare KEO's implementation study, Mr. Harris said that he had wanted an outside opinion, and that the Corporation was recommended by other KEO staff members, and that the price of the study was \$925.00.

Mr. Harris was questioned in regard to his statements to the Finance Council and following the Council's decision not to approve the requested positions and contracting authority. It was reported that he stated that without approval of the five KEO personnel requested, the state would not receive federal funds. Mr. Harris said that he may have been misquoted because he had stated that Kansas would run the risk of not receiving federal funds if it appeared that no good faith effort was being made to implement the plan. Mr. Harris also stated that he felt his proposal to the Finance Council had not been as complete as it should have been, and the Council may have needed more information which he would supply at the time of his next request. He added that many factors, ill-will toward the former director of the KEO, controversy between the Legislature and the governor, and other factors may have contributed to his problems in connection with the Finance Council meeting. Mr. Harris emphasized that his desire is to have a close working relationship between the KEO, the Legislature, and Legislative staff.

Discussion turned to government procurement practices and if a program costing \$15,845 to assist purchasing agents in the procurement of energy efficient vehicles, is necessary. Mr. Harris said he feels both state and local officials need training programs to assure that efficient equipment is purchased.

Mr. Harris repeatedly emphasized the responsibility of convincing the public that there is a serious energy problem. He stressed that conservation programs can be carried out more effectively at the local level by mayors, school boards, county officials and the like, who are closer to the people and who have the most credibility with their townspeople.

When Committee discussion turned to Wichita's proposed coal gasification plant, Mr. Harris asked Committee members what the KEO might do to help. Two Committee members from Wichita stated that conflicting information makes it impossible to support any particular position. They suggested that an independent study is needed. Mr. Harris stated that his office could investigate the Wichita coal gasification plan. He added that KEO has authority to conduct hearings wherever needed which might be the best route to follow on this question. Several Committee members expressed the need for a totally unbiased, independent report on the project. Chairman Mainey thanked Mr. Harris for his presentation and announced a short recess.

Following the recess, the Chairman introduced Letha Bailey. Ms. Bailey stated that she represented the Topeka Housing Complaint Center in Topeka, a non-profit organization which helps renters on low or fixed incomes and aids in their education regarding rental laws. Ms. Bailey stated her concern over the lack of uniformity of late payment fees assessed by utility companies. She recommended and suggested a legislative mandate to provide for a 30 day period before a penalty for late payment is assessed with an additional 15 day period before disconnection of utility service could be made. Referring to a recent news article, she reported that in Topeka, there were 3,000 residences who would not have heat this winter because of unpaid bills.

The Committee discussion following Ms. Bailey's statement dealt with the variance in late payment charges and the difficulty of separating those consumers who could not make prompt payment of bills and those who are chronic late payers.

Committee members' discussion turned to possible action regarding Proposal No. 23. It was noted that the Committee had had little input from citizens in regard to the Proposal. Senator Berman suggested that he felt the Committee had two choices of action: (1) the Committee could recommend placing municipally owned utilities under the jurisdiction of KCC; or, (2) the Committee could recommend legislation mandating municipal utilities be subject to the KCC insulation order.

A brief discussion of the need to address the problem of the five or six privately owned utilities serving one city (like the private gas company serving Lawrence, Kansas) and whether to place them under the authority of KCC followed.

Representative Miller reminded Committee members of Aurora Mayor Jack Nichols' request that any Committee action regarding Proposal No. 23 be taken issue by issue. Representative Miller then made the motion that the report of the Committee show that the Committee finds it unfeasible at this time to place municipally owned utilities under the authority of the Kansas Corporation Commission, and the Committee recommends that municipal utility issues be dealt with by legislative action on an issue-by-issue basis. The motion was seconded and following brief discussion the Committee voted upon the motion favorably.

Committee members discussed the matters which should be taken up during the November meetings. It was suggested that the issue of carpool-vanpools, conservation gas, and allowable business expenses in rate-making be discussed. Senator Berman stated that he would appreciate Committee direction on the issue of "allowable business expenses". Representative Miller suggested the Committee should take a position on the fuel adjustment issue. It was agreed that the Committee should have KCC representatives present for the deliberations during the November meeting. Senator Berman said he believed, in all fairness, utility companies should have a chance to respond on some of the issues before final action was taken by the Committee.

Chairman Mainey said that the November 3-4 meeting would be spent on the bills which have been drafted for Committee action, and the entire meeting of November 9-10 should be reserved for Committee decisions on Committee reports and bill drafts. The Committee recessed for lunch.

The meeting reconvened at 1:30 p.m. The Minutes for the September meeting were approved. Chairman Mainey introduced Frank Shelton of Cherryvale, Kansas. Mr. Shelton furnished Committee members copies of his profile (Attachment No. 25) and a Petition for Relief from Confiscatory Electric Bills (Attachment No. 26).

Mr. Shelton stated that he spoke in behalf of average citizens, particularly rural and small town farmers, ranchers, and small businessmen who favor (1) discount rates for basic energy needs of residential consumers, (2) barring utilities from including political, institutional and promotional advertising as operating expenses, (3) the allowance of automatic adjustment clauses only when necessary for immediate short-term financial obligations or to provide incentives for energy efficiency, and (4) reimbursement from utilities for expenses of any group bringing rate action cases. Mr. Shelton challenged the Legislature, the Governor, and the KCC to enact statutes and regulations to protect the middle class from confiscatory electric rates and other energy-related costs which can destroy the rural sector.

Chairman Mainey then asked Steve Harris of KEO to present conferees for the Ozark Regional Commission (ORC) who were scheduled to present an Energy Alternative Study for the State. Mr. Harris introduced Pat Danner, Federal Co-chairman of ORC. Ms. Danner stated the Commission was established to plan the orderly, economic development of the states of Arkansas, Kansas, Louisiana, Missouri and Oklahoma.

Mr. Harris then introduced Richard Watson, ORC Project Coordinator, who stated that the final report of the Energy Alternatives Study, conducted by ORC for identification and evaluation of major energy policies to be recommended for member states, would be published in the next three or four weeks. He said that today's presentation would deal specifically with the Executive Summary for Kansas, and he introduced Dilip Limaye, principal investigator in the study conducted under contract with MATHTECH, Inc. Committee members were furnished copies of the publication, Ozarks Regional Commission Regional Alternatives Study (a copy of the publication is on file in the Legislative Research Department).

Mr. Limaye used slides to supplement his presentation for Committee members. He reviewed the following objectives of the study: (1) to identify major energy policy options; (2) to evaluate economic, social and environmental implications of the policy options; (3) to identify institutional, regulatory and legislative constraints and opportunities in implementing these policies; and (4) to perform assessment and recommend strategies and programs for the region and for individual states.

He reviewed Kansas energy use by fuel showing that in 1975, Kansas relied on gas for 59 percent of its total energy, and he reviewed projections of energy requirements and the projected depletion pattern of natural gas to 1985. Mr. Limaye listed policy options as (1) switching from gas to other fuels, such as coal, (2) more efficient use of energy, (3) increased energy production, (4) increasing availability of energy from out of state sources, (5) reducing impacts of energy shortages and (6) developing adequate organizational/institutional structures.

Mr. Limaye then described the projected effectiveness of major fuel switching policies such as utilities switching to coal and nuclear power for base load generation, prohibiting new industries in the use of gas, restricting new residential and commercial gas use, and switching to gas in industry where it is suitable for conversion to alternate fuels.

He recommended that Kansans study future coal transportation plans which show that most transportation will be by rail. He predicted that Kansas City will be a major rail hub and that Kansas will experience significant impact problems in terms of noise, air pollution, traffic, and accidents. He cited a coal slurry pipe-line as an alternative to compete with rail transportation of coal.

Mr. Limaye also reviewed Kansas energy planning issues. He stressed that additional conservation in the industrial sector is absolutely necessary. He said that he believes contingency planning is most important and recommended that the state adopt a contingency plan to alleviate impacts of future curtailments and energy shortages.

Mr. Limaye said that Kansas is behind other states in energy planning, partly because the KEO has lacked staff, authority and resources. Mr. Limaye also advocated participation and cooperation in regional energy planning.

During Committee discussion following Mr. Limaye's presentation Lon Wege of Cities Service Gas Company questioned the recommendation of the ORC to prohibit new gas hook-ups since Cities Service has announced greatly increased gas supplies from Wyoming, which would be available to Cities' system in Kansas and Missouri.

Representative Holt asked if shortages of heat pumps, furnaces, water heaters and other electrical equipment had been investigated, and how these shortages might effect "no-growth" recommendations concerning natural gas made by the Commission. Mr. Limaye said they had not checked on availability of such equipment and said that the recommendation was that restrictions should be examined and considered.

Chairman Mainey thanked ORC conferees for appearing before the Committee and announced a short recess.

Following the recess, Chairman Mainey reported that approval for the additional November 3-4 Committee meeting had been received from the Coordinating Council as well as approval for the scheduled meeting to be changed from November 10-11 to November 9-10. He said that the agenda for the next meeting would be mailed to members early so that any additions members wished to make could be made.

Committee members agreed that because the Federal Power Commission has jurisdiction over the wheeling of electrical power, and Committee does not have time to study the issue, the Committee is relieved of responsibility for any action on Proposal No. 24 - Wheeling of Electric Power. It was requested that the staff include this in the final Committee report.

Mary Torrence furnished Committee members with copies of drafts of proposed bills previously requested by the Committee: Bill Number 1676, a concurrent resolution directing the Secretary of Revenue to formulate and submit to the Legislature a plan for

1678(?)

a system of passenger vehicle registration fees, based on vehicle horsepower and weight; Bill Number 1666, relating to the State Corporation Commission, concerning valuation of certain property of public utilities and common carriers; and Bill Number 1633, relating to the transfer of certain passenger vehicles to the state motor pool and placing certain limitations on the acquisition of passenger vehicles (Attachment Nos. 27, 28, and 29). Miss Torrence commented on changes in the bills which might be considered. It was suggested by Chairman Mainey that Committee members study the drafts before the November 3-4 meeting.

The meeting was adjourned.

Prepared by Ramon Powers

Approved by Committee on:

12-22-77

(date)

RP/dmb

COMPARISON OF RATES FOR SIX MAJOR ELECTRIC COMPANIES IN THE STATE OF KANSAS URBAN RESIDENTIAL SERVICE

Attachment No. 1

Prepared by	Initials	Date
Approved by		

Page 1 of 6

WILSON JONES
MADE IN U.S.A.

Date	KWH USAGE PER MONTH					
	300	500	750	1,000	1,500	2,000
CENTRAL KANSAS POWER CO. - Hays						
Schedule RL-5 - Docket 99,844-U - Filed 10-17-74						
Communities of Hays & Wakeeney						
	ENERGY COMPONENT					
	FUEL COMPONENT - 4.66¢/kwh					
	BASE RATE					
1976	Fuel Adj. Lag					
Jun.	2 Mos.	Fuel Adjustment added (kwh)	.484¢			
Jul.	"	"	.4707¢			
Aug	"	"	1.0535¢			
Sept.	"	"	1.4031¢			
Oct	"	"	1.4306¢			
Nov.	"	"	.7585¢			
Dec	"	"	1.3504¢			
1977						
Jan.	"	"	1.5390¢			
Feb.	"	"	1.4914¢			
Mar	"	"	1.5820¢			
Apr	"	"	1.1631¢			
May	"	"	1.2236¢			
Jun	"	"	.8193¢			
Jul	"	"	.6267¢			
Aug	"	"	.5795¢			
Sept	"	"	.8704¢			
Oct.	"	"	.7740¢			

URBAN RESIDENTIAL SERVICE

WILSON JONES
MADE IN U.S.A.

DATE	WESTERN POWER DIVISION	KW/Hr USAGE PER MONTH						11	12	13
		300	500	750	1,000	1,500	2,000			
1	CENTRAL TELEPHONE & UTILITIES CORP.									
2	Schedule 75(A)-RS-I - Large Towns Area I									
3	Docket 103,901-U - Filed 6-13-75									
4	ENERGY COMPONENT	\$9.13	\$12.32	\$16.30	\$20.29	\$28.26	\$36.23			
5	Fuel adj computed in \$/MBTU FUEL COMPONENT .419¢/kwh	1.26	2.10	3.15	4.20	6.30	8.40			
6	1976 BASE RATE	\$10.39	\$14.42	\$19.45	\$24.49	\$34.56	\$44.63			
7	Jun. Fuel Adjustment Added .3177¢	.95	1.59	2.38	3.18	4.77	6.35	Reflects Refund-k.P.&L. (.513¢)		
8	Jul. " " " .7568¢	2.27	3.78	5.68	7.57	11.32	15.14			
9	Aug. " " " .6973¢	2.09	3.49	5.23	6.97	10.46	13.95			
10	Sept. " " " .8993¢	2.70	4.50	6.74	8.99	13.49	17.98	" " " (.0213¢)		
11	Sch. 76-BS-I D-106,361-U - Effective 8-31-77									
12	changed from \$/MBTU to \$/kwh									
13	ENERGY COMPONENT	\$10.00	\$13.57	\$18.04	\$23.10	\$33.54	\$43.97			
14	FUEL COMPONENT - .8136¢/kwh	2.44	4.07	6.10	8.14	12.20	16.27			
15	BASE RATE	\$12.44	\$17.64	\$24.14	\$31.24	\$45.74	\$60.24			
16	Sept Fuel Adjustment Added .5138¢	1.54	2.57	3.85	5.13	7.70	10.27	Reflects Refund-k.P.&L. (.0213¢)		
17	Oct. " " " .7081¢	2.12	3.54	5.31	7.08	10.62	14.16			
18	Nov. " " " .6889¢	2.06	3.44	5.16	6.88	10.33	13.77			
19	Dec. " " " .5049¢	1.51	2.52	3.78	5.04	7.57	10.09			
20	Schedule 76(A)-RS-I Docket 106,361-U Filed 12-21-76									
21	(Rehearing)									
22	ENERGY COMPONENT	\$10.31	\$14.03	\$18.66	\$23.91	\$34.69	\$45.47			
23	FUEL COMPONENT .8136¢/kwh	2.44	4.06	6.10	8.13	12.20	16.27			
24	BASE RATE	\$12.75	\$18.09	\$24.76	\$32.04	\$46.89	\$61.74			
25	Jan Fuel Adjustment Added .9267¢	2.78	4.63	6.95	9.26	13.90	18.53			
26	Feb. " " " 1.1101¢	3.33	5.55	8.32	11.10	16.65	22.20			
27	Mar. " " " 1.3221¢	3.96	6.61	9.91	13.22	19.83	26.44			
28	Apr. " " " 1.5676¢	4.70	7.83	11.75	15.67	23.51	31.35			
29	May " " " 1.3419¢	4.02	6.70	10.06	13.41	20.12	26.83			
30	Jun. " " " 1.0546¢	3.16	5.27	7.90	10.54	15.81	21.09			
31	Jul. " " " .6372¢	1.91	3.18	4.77	6.37	9.55	12.74			
32	Aug. " " " .6455¢	1.93	3.22	4.84	6.45	9.68	12.91			
33	Sept. " " " .7131¢	2.13	3.56	5.34	7.13	10.69	14.26			
34	Oct. " " " .5429¢	1.62	2.71	4.07	5.42	8.14	10.85			

URBAN RESIDENTIAL SERVICE

WILSON JONES
PAGE IN USE

		1	2	3	4	5	6	7	8	9	10	11	12	13
		KWH USAGE PER MONTH												
Date	EMPIRE DISTRICT ELEC. CO. - Joplin Mo.	300	500	750	1,000	1,500	2,000							
1	Schedule D-1 740178 Filed 8-27-74													
2	Communities of Baxter Springs, Columbus, Galena													
3	ENERGY COMPONENT	\$7.82	\$11.62	\$16.36	\$21.11	\$28.09	\$35.08							
4	Computed in ¢/MBTU FUEL COMPONENT (38.82 MBTU) 3024 ¢/KWH	.91	1.51	2.27	3.02	4.54	6.05							
5	1976 BASE RATE	\$8.73	\$13.13	\$18.63	\$24.13	\$32.63	\$41.13							
6	Jun. Fuel Adjustment Added .417 ¢	\$1.22	\$2.09	\$3.13	\$4.17	\$6.26	\$8.34							
7	Sch D-1 D-106,691-U	\$8.54	\$12.21	\$17.85	\$22.94	\$31.12	\$39.30							
8	Effective 6-24-76 Filed 6-17-76 FUEL COMPONENT (53.09 ¢/MBTU) 5642 ¢/KWH	1.69	2.82	4.23	5.64	8.46	11.28							
9	BASE RATE	\$10.23	\$15.53	\$22.08	\$28.58	\$39.58	\$50.58							
10	Jul. Fuel Adjustment Added .243 ¢	.73	1.22	1.82	2.43	3.65	4.86							
11	Aug. " " " .253 ¢	.76	1.27	1.90	2.53	3.80	5.06							
12	Sept. " " " .145 ¢	.44	.73	1.09	1.45	2.18	2.90							
13	Oct. " " " .088 ¢	.26	.44	.66	.88	1.32	1.76							
14	Nov. " " " .117 ¢	.32	.59	.88	1.17	1.76	2.34							
15	Dec. " " " .103 ¢	.31	.52	.77	1.03	1.55	2.06							
16	1977													
17	Jan. " " " .115 ¢	.35	.58	.86	1.15	1.73	2.30							
18	Feb. " " " .138 ¢	.41	.69	1.04	1.38	2.07	2.76							
19	Mar. " " " .152 ¢	.46	.76	1.14	1.52	2.28	3.04							
20	Apr. " " " .179 ¢	.54	.90	1.34	1.79	2.69	3.58							
21	May. " " " .184 ¢	.55	.92	1.38	1.84	2.76	3.68							
22	Jun. " " " .209 ¢	.63	1.05	1.57	2.09	3.14	4.18							
23	Jul. " " " .346 ¢	1.04	1.73	2.60	3.46	5.19	6.92							
24	Aug. " " " .401 ¢	1.20	2.01	3.01	4.01	6.02	8.02							
25	D-110,653-U Filed 8-25-77	\$9.99	\$14.99	\$21.17	\$27.30	\$37.36	\$47.42							
26	Effective 9-1-77 FUEL COMPONENT (53.09 ¢/MBTU) 50804 ¢/KWH	1.52	2.54	3.81	5.08	7.62	10.16							
27	BASE RATE	\$11.51	\$17.53	\$24.98	\$32.38	\$44.98	\$57.58							
28	Cont. Fuel Adjustment Billed .391 ¢	\$1.17	\$1.95	\$2.93	\$3.91	\$5.86	\$7.82							
29														
30														

URBAN RESIDENTIAL SERVICE

WILSON JONES
MADE IN USA

Date	KANSAS CITY POWER & LIGHT CO.	KWH USAGE PER MONTH						11	12	13
		300	500	750	1,000	1,500	2,000			
1	Schedule 2-R-74 D-99,304-U - Effective 12-23-74									
2	Rate Area #2									
3	computed on \$/MBTU - 31¢ base									
4	1976									
5	Jun	Fuel Adjustment Added - .2613¢								
6	Jul	" " "								
7	Aug	" " "								
8	Sch 2-11 D-105,000-U									
9	Effective 8-25-76 \$/MBTU - 62.35¢									
10										
11	Sept	Fuel Adjustment Added								
12	Oct	" " "								
13	Nov	" " "								
14	Dec	" " "								
15	1977									
16	Jan	" " "								
17	Feb	" " "								
18	Mar	" " "								
19	Apr	" " "								
20	May	" " "								
21	Jun	" " "								
22	Jul	" " "								
23	Aug	" " "								
24	Sept	" " "								
25	Oct	" " "								

URBAN RESIDENTIAL SERVICE

				KWH USAGE PER MONTH									
Date	KANSAS GAS & ELECTRIC - Wichita			300	500	750	1,000	1,500	2,000				
1	Sch. RSW-875 Filed 7/29/75; Effective 7/30/75	D-102,640-U											
2	Area of Wichita & Eastborough												
3		ENERGY COMPONENT		\$ 8.56	\$ 11.60	\$ 12.91	\$ 17.55	\$ 27.26	\$ 36.97				
4		FUEL COMPONENT .478¢ KWH		1.43	2.39	3.58	4.78	7.17	9.56				
5	1976	BASE RATE		\$ 9.99	\$ 13.99	\$ 16.49	\$ 22.33	\$ 34.43	\$ 46.53				
6	Jun.	Fuel Adjustment Added	.376¢ KWH	\$ 1.13	\$ 1.88	\$ 2.82	\$ 3.76	\$ 5.64	\$ 7.52				
7	Jul.	"	.323¢	.97	1.62	2.42	3.23	4.85	6.46				
8	Aug.	"	.302¢	.91	1.51	2.27	3.02	4.53	6.04				
9	Sept.	"	.260¢	.78	1.30	1.95	2.60	3.90	5.20				
10	Oct.	"	.359¢	1.08	1.80	2.69	3.59	5.39	7.18				
11	Nov.	"	.479¢	1.44	2.40	3.59	4.79	7.19	9.58				
12	Dec.	"	.409¢	1.23	2.05	3.07	4.09	6.14	8.18				
13	1977												
14	Jan.	"	.434¢	1.30	2.17	3.26	4.34	6.51	8.68				
15	Feb.	"	.559¢	1.68	2.80	4.19	5.59	8.39	11.18				
16	Mar.	"	.860¢	2.58	4.30	6.45	8.60	12.90	17.20				
17	Apr.	"	.788¢	2.36	3.94	5.91	7.88	11.82	15.76				
18	May	"	.801¢	2.40	4.01	6.01	8.01	12.02	16.02				
19	Jun.	"	.556¢	1.67	2.78	4.17	5.56	8.34	11.12				
20	Sch. RSW-677 Filed 6-16-77	ENERGY COMPONENT		\$ 9.33	\$ 12.69	\$ 16.91	\$ 22.08	\$ 32.89	\$ 43.71				
21	D-109,227-U, Effective 6-20-77	FUEL COMPONENT .727¢		2.18	3.64	5.45	7.27	10.91	14.54				
22	1977	BASE RATE		\$ 11.51	\$ 16.33	\$ 22.36	\$ 29.35	\$ 43.80	\$ 58.25				
23	Jun.	"	May 1977 Correction = .344 - .037 = .307¢	.92	1.54	2.30	3.07	4.61	6.14				
24	Jul.	"	Fuel adder .90 + .397 = .487¢	1.44	2.44	3.65	4.87	7.31	9.74				
25	Aug.	"	" .90 + .554 = .644¢	1.93	3.22	4.83	6.44	9.66	12.88	←	+ 10.47%		
26	Sept.	"	" .90 + .503 = .593¢	1.78	2.97	4.45	5.93	8.90	11.86	←	"		
27	Sch. RSW-977, Filed 9-21-77	ENERGY COMPONENT		\$ 9.34	\$ 12.70	\$ 16.90	\$ 22.07	\$ 32.89	\$ 43.71				
28	D-109,227-U, Effective 9-29-77	FUEL COMPONENT 1.098¢ KWH		3.29	5.49	8.24	10.98	16.47	21.96				
29	(Revised)	BASE RATE		\$ 12.63	\$ 18.19	\$ 25.14	\$ 33.65	\$ 49.36	\$ 65.67				
30	Oct	Fuel Adjustment Added (Includes Fuel Adder)	.145¢	.43	.72	1.08	1.45	2.17	2.90	←	+ 9.11%		

Revised

URBAN RESIDENTIAL SERVICE

Date	KANSAS POWER & LIGHT CO., Topeka	KWH USAGE PER MONTH							
		300	500	750	1,000	1,500	2,000		
1976	Sch. Da-75 D-102,560-U Effective 3-10-75 Group "A" - Topeka								
	ENERGY COMPONENT	\$6.88	\$10.60	\$15.25	\$19.89	\$28.18	\$37.48		
	FUEL COMPONENT .44174 kWh	1.33	2.21	3.31	4.42	6.63	8.83		
	BASE RATE	\$8.21	\$12.81	\$18.56	\$24.31	\$34.81	\$46.31		
Jun.	Fuel Adjustment Added .763¢	\$2.28	\$3.81	\$5.72	\$7.63	\$11.44	\$15.26		
	ENERGY COMPONENT	6.89	\$10.61	\$15.26	\$19.91	\$29.21	\$38.51		
	FUEL COMPONENT 1.6¢	4.80	8.00	12.00	16.00	24.00	32.00		
	BASE RATE	\$11.69	\$18.61	\$27.26	\$35.91	\$53.21	\$70.51		
Jul.	Fuel Adjustment Added	(.292)¢ kWh	(.88)	(1.46)	(2.19)	(2.92)	(4.38)	(5.84)	
Aug.	"	(.170)¢	(.51)	(.85)	(1.28)	(1.70)	(2.55)	(3.40)	
Sept.	"	(.152)¢	(.46)	(.76)	(1.14)	(1.52)	(2.28)	(3.04)	
Oct.	"	(.142)¢	(.43)	(.71)	(1.07)	(1.42)	(2.13)	(2.84)	
Nov.	"	(.153)¢	(.46)	(.77)	(1.15)	(1.53)	(2.30)	(3.06)	
Dec.	"	.052¢	.16	.26	.39	.52	.78	1.04	
1977	Jan.	"	.334¢	1.00	1.67	2.51	3.34	5.01	6.68
Interim	Sch. Da-77 D-108,387-U Effective 2-11-77 Final order 5-13-77								
	ENERGY COMPONENT	\$7.32	\$11.32	\$16.32	\$21.32	\$31.32	\$41.32		
	FUEL COMPONENT 1.6¢	4.80	8.00	12.00	16.00	24.00	32.00		
	BASE RATE	\$12.12	\$19.32	\$28.32	\$37.32	\$55.32	\$73.32		
Feb.	Fuel Adjustment Added	.550¢	\$1.65	\$2.75	\$4.13	\$5.50	\$8.25	\$11.00	
Mar.	"	.544¢	1.63	2.72	4.08	5.44	8.16	10.88	
Apr.	"	.225¢	.68	1.13	1.69	2.25	3.38	4.50	
May	"	.301¢	.90	1.51	2.26	3.01	4.52	6.02	
Jun	"	.158¢	.47	.79	1.19	1.58	2.37	3.16	
Jul.	"	.019¢	.06	.10	.14	.19	.29	.38	
Aug.	"	(.074)¢	(.22)	(.37)	(.56)	(.74)	(1.11)	1.48	
Sept.	"	.084¢	.25	.42	.63	.84	1.26	1.68	
Oct.	"	.025¢	.08	.13	.19	.25	.38	.50	

WILSON JONES
MADE IN U.S.A.

Attachment No. 2

PROPOSED BILL NO. _____

By Special Committee on Energy

AN ACT establishing certain energy conservation standards for certain buildings; requiring certification of compliance to certain utilities; prescribing penalties for violation.

Be it enacted by the Legislature of the State of Kansas:

Section 1. As used in this act, unless the context otherwise requires:

(a) "ASHRAE handbook of fundamentals" means the handbook of fundamentals published in 1972 by the American society of heating, refrigeration and air conditioning engineers.

(b) "Building" means any structure which is heated or cooled except:

(1) Structures which have a peak design rate of energy usage, for all purposes, of less than one watt (3.4 B.T.U.'s per hour) per square foot of floor area;

(2) structures which are owned or leased by the United States; and

(3) mobile homes which are subject to the national mobile home construction and safety standards act of 1974 (42 U.S.C. 5401 et seq.).

(c) "Energy efficiency ratio" means the ratio of net cooling capacity in B.T.U.'s per hour to electric input in watts.

(d) "Heated space" means space within a building which is provided with a positive heat supply having a connected output capacity in excess of ten (10) B.T.U.'s per hour per square foot.

(e) "Mobile home" means a structure, transportable in one or more sections, which has a body width of eight (8) feet or more and a body length of thirty-two (32) feet or more and which is built on a permanent chassis and designed to be used as a dwelling, with or without a permanent foundation, when connected

Atch. 2

to the required utilities, and includes the plumbing, heating, air-conditioning and electrical systems contained therein.

(f) "New building" means, with respect to each standard established by this act:

(1) Any building, other than a mobile home, of which the foundation has not been completed prior to the date such standard takes effect; or

(2) any mobile home subject to this act of which assembly has not commenced prior to the date such standard takes effect.

(g) "New residential building" means any new building of which any part is used as a dwelling or as a hotel, motel or other temporary lodging or boarding facility.

(h) "Utility" means any gas or electrical utility.

Sec. 2. (a) From and after July 1, 1978, each new building, except new residential buildings, in this state shall be constructed in such a manner that the total heat loss of such building, based on the ASHRAE handbook of fundamentals, does not exceed thirty-five (35) B.T.U.'s per hour per square foot of floor area of heated space at a design temperature differential of eighty degrees Fahrenheit (80° F).

(b) From and after July 1, 1978, each new residential building in this state shall be constructed in such a manner that the total heat loss of such building, based on the ASHRAE handbook of fundamentals, does not exceed thirty-five (35) B.T.U.'s per hour per square foot of floor area of heated space at a design temperature differential of eighty degrees Fahrenheit (80° F) with a maximum of one and a half (1 1/2) air changes per hour and shall have storm doors and windows or equivalent door and window thermal treatment.

(c) From and after July 1, 1978, and prior to November 1, 1979, no new building in this state shall be equipped with any air-conditioner which has an energy efficiency ratio of less than seven (7) or any heat pump which has an energy efficiency ratio of less than six and seven-tenths (6.7).

(d) From and after November 1, 1979, no new building in

this state shall be equipped with any air-conditioner which has an energy efficiency ratio of less than eight (8) or any heat pump which has an energy efficiency ratio of less than seven and a half (7.5).

(e) No utility shall connect or attach service to any new building in this state until the builder certifies to the utility that such building complies with the applicable standards established by this section.

Sec. 3. Violation of any provision of this act is a class C misdemeanor.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

Attachment No. 3

PROPOSED BILL NO. _____

By Special Committee on Energy

AN ACT establishing thermal insulation standards for certain existing buildings; requiring certification of compliance to certain utilities in certain instances; prescribing penalties for violation.

Be it enacted by the Legislature of the State of Kansas:

Section 1. As used in this act, unless the context otherwise requires:

(a) "Building" means any structure which is heated or cooled except:

(1) Structures which comply with the standards established by 1978 _____ Bill No. _____;

(2) structures which have a peak design rate of energy usage, for all purposes, of less than one watt (3.4 B.T.U.'s per hour) per square foot of floor area;

(3) structures which are owned or leased by the United States; and

(4) mobile homes which are subject to the national mobile home construction and safety standards act of 1974 (42 U.S.C. 5401 et seq.).

(b) "Ceiling" means any wall or ceiling area between heated space and unheated attic space or a roof.

(c) "Existing building" means:

(1) Any building, other than a mobile home, of which the foundation has been completed prior to the effective date of this act; or

(2) any mobile home subject to this act of which assembly has commenced prior to the effective date of this act.

(d) "Heated space" means space within a building which is provided with a positive heat supply having a connected output

Atch. 3

capacity in excess of ten (10) B.T.U.'s per hour per square foot.

(e) "mobile home" means a structure, transportable in one or more sections, which has a body width of eight (8) feet or more and a body length of thirty-two (32) feet or more and which is built on a permanent chassis and designed to be used as a dwelling, with or without a permanent foundation, when connected to the required utilities, and includes the plumbing, heating, air-conditioning and electrical systems contained therein.

(f) "Person" means person as defined by K.S.A. 1977 Supp. 21-3110 and amendments thereto.

(g) "R value" means resistance to heat transfer expressed as (hours)(square feet)(degrees Fahrenheit of temperature differential)/B.T.U.'s transferred.

(h) "Renovate" means reconstruct or remodel in an amount equal to twenty-five percent (25%) or more of the replacement value of a building.

(i) "Utility" means any gas or electrical utility.

Sec. 2. (a) From and after July 1, 1979, no person who owns an existing building in this state shall transfer title thereto unless all ceilings in such building are insulated with thermal insulation having a minimum R value of thirty (30).

(b) No utility shall furnish service to any existing building in this state to which title is transferred on or after July 1, 1979, until the owner certifies to the utility that such building complies with the standard established by this section, except that a utility may furnish such service if a previous owner has certified to the utility that the building complies with such standard.

Sec. 3. From and after July 1, 1978, any person who renovates or causes to be renovated any existing building in this state shall install or cause to be installed any thermal insulation necessary to insulate all ceilings in such building with thermal insulation having a minimum R value of thirty (30).

Sec. 4. Violation of any provision of this act is a class C misdemeanor.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

PATRICK B. AUGUSTINE
 REPRESENTATIVE 110TH DISTRICT
 RUSSELL, ELLIS, ROOKS COUNTIES
 713 ROSS STREET
 ELLIS, KANSAS 67637



TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 MEMBER: JUDICIARY
 SUBCOMMITTEE A
 LOCAL GOVERNMENT
 SPECIAL ASSIGNMENTS
 VICE CHAIRMAN: KANSAS ADVISORY
 COMMISSION ON DRUG ABUSE

STATEMENT OF REPRESENTATIVE PATRICK B. AUGUSTINE BEFORE THE SPECIAL
 COMMITTEE ON ENERGY

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you today in opposition to Proposal Number 23. I am opposed to placing municipal-owned utilities under the jurisdiction of the Kansas Corporation Commission.

My legislative district has four utilities that would be affected by the proposal before you today. Municipal utilities are paid for by local taxes and rates that are set locally. They have been operating and serving their people with efficient and effective service since 1890. The municipal owned utilities in my district take great pride in the fact that they have been able to provide their citizens with an adequate supply of both electricity and water at rates which are both favorable and competitive.

They have been able to accomplish this because they are owned and governed by elected representatives of the people of their respective communities. Our citizens, who own these utilities, elect the local governing body who in turn hires personnel to run the utility. Nothing is more basic to American democracy than the maintenance of local control. This proposal destroys that concept and takes away the power of the people to chart their own destinies at the local level and gives it to the state.

Atch. 3a.

Thus, the entire direct and indirect control of management and cost would be controlled in Topeka and the costs would be passed on to the citizens in these local communities in the form of higher rates.

For instance, additional personnel would be required and needed for the Commission's staff to review, respond to and file the reports and paperwork of several hundred additional utility systems that would come under their jurisdiction. These are costs that the local citizens could not control, where they can now, and would be required to pay for this extra bureaucracy through assessments. Again, recovery would come through increased rates which are unnecessary under the present situation.

Then, to be able to pass these costs on, it would be necessary to bear the costs of a rate hearing and the time burden of regulatory lag. Also, the scheduling of hearings for public owned utilities makes for nearly a full docket now for the Commission. Thus, more backlog and spending of unnecessary taxpayers money would result.

These unnecessary expenses, it has been told to me but I can not prove to you, would amount to about \$3 million.

It was just a few years also, we had the same battle in Topeka. Considerable opposition surfaced to the proposal then and the Kansas Legislature in its wisdom rejected a proposal such as the one you are now considering. I hope the present membership has the same knowledge and wisdom that the former body had when it rejected the proposal to bring municipal owned utilities under the control of the State Corporation Commission.

The municipal owned utilities in my Legislative District have provided to my people both efficient and effective service over the years. Why change the system to bring about unnecessary policing that is not needed and is adequate now under the local election process, an utter waste of taxpayers dollars and the demolition of local control which is so essential to our democratic society. Several years ago, the Legislature passed a bill allowing County Home Rule Authority and City Home Rule Authority so things of local concern could be handled locally. Are we going to reverse this trend?

I should hope not. I thank you for your time and ask that you reject Proposal 23 and continue to exempt municipal utilities from the jurisdiction of the Kansas Corporation Commission.

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Kansas Municipal Utilities, Inc.

ORDER OF TESTIMONY FOR OCTOBER 13, 1977
SUMMER STUDY PROPOSAL NO. 23
MUNICIPAL UTILITY RATES AND STATE JURISDICTION
BEFORE JOINT SENATE/HOUSE SPECIAL COMMITTEE ON ENERGY

1. Introduction of speakers by Louis Stroup, Jr., executive director, Kansas Municipal Utilities, Inc., McPherson
2. Senator Robert V. Talkington, chairman of the Senate Transportation and Utilities Committee, Iola
3. J.A. Wilson, superintendent of utilities, Iola, and former KMU president
4. E.A. Mosher, executive director, League of Kansas Municipalities, Topeka
5. Honorable Jim Kriss, mayor, Colby
6. Donald Bell, attorney, Curfman, Brainerd, Harris, Bell, Weignad & Depew, Wichita
7. Robert Shepard, Kuhn Loeb & Co., New York investment banker, New York City
8. Barry Bennington, city attorney, St. John
9. Honorable Fred D. Diehl, mayor, McPherson; member of Governor's Advisory Committee to Kansas Energy Office and member of Governor's Special Task Force on Water
10. Concluding remarks by Louis Stroup

KANSAS MUNICIPAL UTILITIES, INC.
OPPOSITION TO
PROPOSAL NO. 23
OCTOBER 13, 1977

P.O. Box 1225 McPherson, Kansas 67460 316-241-1423

For the Protection and Improvement of Municipal Utilities In Kansas



Attch. 4

SENATOR
ROBERT V. TALKINGTON
VICE-PRESIDENT OF THE SENATE
P. O. BOX 725
IOLA, KANSAS 66749



TOPEKA

SENATE CHAMBER
OFFICE OF THE VICE-PRESIDENT

COMMITTEE ASSIGNMENTS
CHAIRMAN: TRANSPORTATION AND UTILITIES
MEMBER: ELECTIONS
PUBLIC HEALTH AND WELFARE
WAYS AND MEANS
GOVERNOR'S COMMITTEE ON
CRIMINAL ADMINISTRATION

September 30, 1977

Rep. Donald E. Mainey, Chairman
Special Committee on Energy
Research Department - 5th Floor
State House
Topeka, Kansas 66612

Re: Proposal No. 23

Dear Mr. Chairman:

As I will be unable to attend your meeting on October 13, 1977, I wish to take this means of conveying my thoughts to the members of the Special Committee on Energy regarding proposal No. 23 and the possibility of placing municipally owned utilities under the jurisdiction of the State Corporation Commission.

Being a resident of a city which owns its own utilities and having in my district other municipally owned utilities, it is my opinion that the Legislature should not place municipally owned utilities under the jurisdiction of the State Corporation Commission.

I personally, in Iola, feel that our property tax rate would be much higher if we had not owned our utilities, especially in the last several years. Placing a system such as Iola's under the Corporation Commission would only increase the cost because of the auditing that would be necessary and also for rate hearings which would be necessary.

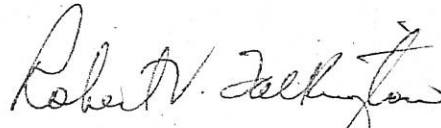
Also the people of Iola do not have a direct vote on the members of the Kansas Corporation Commission whereas they do elect the mayor and members of the city commission. If they are unhappy with their rates, they have direct access to the city commission meetings as well as the final decision when they go to the poles at election time.

Rep. Donald E. Mainey, Chairman
Page 2
September 30, 1977

I know there are many other good and valid reasons supporting my position and it is my understanding many of these will be presented to you today by conferees appearing before your committee.

Thank you very much.

Very truly yours,

A handwritten signature in cursive script that reads "Robert V. Talkington". The signature is written in dark ink and is positioned above the printed name.

ROBERT V. TALKINGTON
State Senator
12th District

RVT/dls

Statement on Proposition No. 23:
Municipal Utility Rates and State Jurisdiction

To: Special Committee on Energy
By: E. A. Mosher, Executive Director, League of Kansas Municipalities

My name is E. A. Mosher, Executive Director of the League of Kansas Municipalities, appearing on behalf of our 498 member cities, in general opposition to any proposal to place municipally owned and operated utilities under state jurisdiction.

The basis for this position is a League convention adopted statement which provides: "We believe the operation and control of municipally-owned utilities, including charges, delinquency penalties and deposit interest, should be subject to local control. We therefore oppose any state legislative or administrative action subjecting such utilities to state regulation."

This has been the basic policy position of the League for many years. Since 1962, it has been considered and reaffirmed each year. It is a position based on the principle that local affairs ought to be determined locally, by locally elected governing bodies, to the maximum extent possible.

We have in Kansas, according to League records, a total of 133 municipal electric utilities, 69 municipal gas systems, and 497 municipal water systems. All told, there are 511 different Kansas cities which operate a water and/or electric and/or gas utility system. The cities of Clay Center and McPherson have a board of public utilities, appointed by and responsible to the elected governing body. In Kansas City, the municipal water and electric system is under an elected board. In the remaining 508 cities, the municipal utility (one or more) is under the general direction and supervision of the locally elected city governing body. In most of these cities, as you know, the governing body consists of a mayor and five councilmembers, responsible to the public through the election process.

It might be noted that we have a number of other municipal utilities besides water, electric and gas. There are sewerage system utilities, refuse collection utilities, parking utilities, and even golf course and swimming pool utilities. They operate through a utility fund, are financed by service charges, and have the traditional attributes of a public utility.

I cite the figures as to the number of municipal systems simply to show the magnitude of any effort by the Kansas Corporation Commission, to exercise jurisdiction over municipal utilities.

Atch. 6

Even if municipal water systems are excluded, we are still talking about 202 separate electric and gas utilities, involving 188 different cities. There is one thing that cities in Kansas don't need, and that is more state or federal rules and regulations and more state or federal forms and reports to be completed and filed. Adding anywhere from 202 to 510 utility operations to the KCC jurisdiction is going to take a lot of paper, and a lot of time and expense for someone.

No one I know claims that all municipal utilities are models of efficient operation, or their rates perfectly equitable. We don't think jurisdiction by the KCC is going to change that. But there is one thing municipals do have going for them--they are responsive to the public. The idea of an appointed state board intervening its wishes between the public and the publicly elected governing body, seems foreign to us.

Finally, we cannot but help observe that the Kansas Corporation Commission has enough to do already without taking on municipal utilities. Indeed, the challenge to the KCC to secure the public interest in relation to utilities not under elected governing bodies, and to deal effectively with the energy concerns of this state, is more than enough to keep the agency well occupied in the future. Our convention adopted statement of municipal policy states that "We believe the technical and professional staff capacity of the Kansas Corporation Commission should be expanded to permit the commission to effectively meet its future public responsibilities, and that the basic KCC staff should be supported by state general fund appropriations, and not from regulated companies."

We support a strong and effective KCC, to perform the responsibilities it already has. In principle, and in practical effect, it is not the time for KCC take over of municipal utilities.

RESOLUTION OF THE
LEAGUE OF KANSAS MUNICIPALITIES

WHEREAS, the Joint Kansas Senate/House Interim Committee on Energy has drafted legislation (Proposal Number 23) to place all municipal utilities under the jurisdiction of the Kansas Corporation Commission, and;

WHEREAS, this proposal would seriously impair the financial integrity of the bonded indebtedness of all Kansas Municipal Utilities, and;

WHEREAS, the marketability of said securities would suffer, and would have the effect of limiting growth and service to citizens of all communities served by Municipal Utilities, and;

WHEREAS, the cost of utility services to citizens would actually be increased by such action, and;

WHEREAS, such action would significantly add to the workload and cost of the Kansas Corporation Commission and Kansas State Government;

NOW, THEREFORE, BE IT RESOLVED BY THE LEAGUE OF KANSAS MUNICIPALITIES, IN CONVENTION ASSEMBLED;

THAT this convention go on record as encouraging the implementation of the League Policy I-8, which states: "We believe the operation and control of municipally-owned utilities, including charges, delinquency penalties and deposit interest, should be subject to local control. We oppose any state legislative or administrative action subjecting such utilities to state regulation. . . . We oppose the taxation of municipally-owned utilities," and;

BE IT FURTHER RESOLVED that all convention delegates strongly encourage their Legislators to support withdrawal of the measure from consideration by the Kansas State Legislature.

Adopted by the City Voting Delegates
67th Annual City Convention
League of Kansas Municipalities
October 11, 1977

TESTIMONY

by James L. Kriss, Mayor
Colby, Kansas

Mr. Chairman, members of the Committee. I am Jim Kriss, Mayor of Colby. Prior to being elected Mayor, I was a member of the Council for six years and the Planning Commission for two years.

I want to register my opposition to Proposal No. 23.

It appears to me this proposal would cost millions of dollars in administrative costs, costs of preparing for rate hearings and personnel costs.

If the customers of our municipal utilities had no other recourse in the event of an unfair rate, maybe these costs could be justified. This is not the case. In Colby, for example, our utilities serve only the owners of the utility. If the elected officials are not doing a satisfactory job it isn't difficult for the voters to make a change.

I see no reason to spend all that extra money and take the control of municipal utilities out of the hands of their customers.

I, therefore, vigorously oppose Proposal No. 23.

Thank you.

TESTIMONY OF DONALD A. BELL
(On behalf of Kansas Municipal Utilities, Inc.)

BEFORE THE SPECIAL LEGISLATIVE COMMITTEE ON ENERGY

October 13, 1977

Concerning Municipal Utility Rates and State Jurisdiction

In the area of public utility rates, the Kansas Corporation Commission has had very little experience with municipal utility regulation and ratemaking. The Kansas experience in this regard is not unusual. The vast body of text material and reported court decisions barely touch on the peculiar problems connected with municipal utility regulation and ratemaking.

Corporation Commission jurisdiction over public utilities under Article 66 of the Kansas Statutes Annotated includes complete control of services rendered, requiring annual and other reports, control on liens on property, specific procedures for issuance of securities and special control over electric generation facilities, as well as the whole spectrum of ratemaking procedures. In addition, the Commission is involved in a myriad of decision making procedures in the fields of oil and gas, motor carriers, railroads, and other regulated industries. The Corporation Commission, within its present administra-

tive framework, simply does not have the capacity to handle jurisdiction of municipal utilities. The Commission already has a case load of public utility matters and other matters within its jurisdiction which makes it relatively impossible to have an early hearing in a large rate case. Typically, extended hearings are interlaced with smaller hearings involved in the broad spectrum of the Corporation Commission's jurisdiction. The capacity of the Commission to absorb jurisdiction of municipal utilities in a fair and efficient manner must be a very significant factor in any study of the feasibility of placing the municipal utility under the jurisdiction of the Corporation Commission.

In the area of ratemaking which, as pointed out, is only one facet of the Corporation Commission's jurisdiction, significant problems would be involved in Corporation Commission jurisdiction of municipal utilities. Any attempt to place municipal utilities under Kansas Corporation Commission jurisdiction cannot ignore these problems. They must be spoken to and solutions found which will be fair to both the municipalities and the ratepaying public. Traditionally, ratemaking is accomplished by determining first, a rate base; secondly, examining revenues and expenses for a "test period"; third, determining a reasonable rate of return; and fourth, determining rates taking into consideration the rate base, test period revenues and expenses, and a reasonable

rate of return. Determination of a reasonable rate of return has been geared almost exclusively to the investor owned utility. Thus, it is common to state all criteria with reference to a reasonable rate of return in the context of investment return, financial integrity and attraction of new capital. The criteria involved in these determinations are very complex and will either have to be adapted to municipal utilities, which might be impossible, or other criteria developed which will reach a fair result.

On the question of "rate base" alone the municipal utilities have a distinct problem. Municipal utilities have traditionally operated on the basis of recording income and expenses and debt service requirements, but records in most cases are simply not available for determining a rate base in the traditional sense. Most investor owned utilities in Kansas use a rate base of original cost less depreciation. Most municipalities would not have the records necessary to take that approach at this time. K.S.A. 66-128 requires the Corporation Commission to ascertain the reasonable value of all property of a public utility used or required to be used in its services to the public within the State of Kansas whenever the ascertainment of such value is necessary in order to enable the Corporation Commission to fix fair and reasonable rates. There is substantial question as to how such reasonable value would be determined with reference to a municipally owned utility, if, in deed, the Commission determines that the ascertainment of such value is necessary. This question in and of itself is very controversial since the ascertainment of such value may or may not be significant depending on the whole approach of the Corporation Commission to rate-

making for municipal utilities. It is my understanding that currently with regard to setting of rates outside a municipal's three mile limit, the Corporation Commission has basically refused to allow the municipality a "return on investment". Rates of municipal utilities apparently are currently being viewed by the Commission as primarily a function of determining revenues and expenses. It would be grossly unfair to even contemplate subjecting the municipal utilities to complete Corporation Commission jurisdiction unless and until there is a complete recognition of the peculiar problems involved in setting of rates for municipals and some agreement reached on the basic guidelines which would be applied to municipal utility ratemaking. If there is any question in the Committee's mind as to the complexity of the ratemaking process, it should perhaps refer to such texts as Public Utility Accounting: Theory and Application, by James E. Suelflow, 1973, Michigan State University. Such text, which is one of the better ones in the area, points out the complexity of the situation and illustrates the problems which would be encountered in municipal utility regulation.

Very few municipal utilities currently have the expertise to deal with the complexities of Corporation Commission jurisdiction. The hiring of such expertise in and of itself will cause a significant increase in expenses of the utility which will have to be included as part of the utility's costs and passed on to ratepayers.

In addition to all of the above, Corporation Commission jurisdiction of existing municipal utilities is inconsistent with traditional financing of municipal utilities. Where feasible, the financing of muni-

cipal utilities is accomplished through the issuance of municipal revenue bonds. Such bonds are issued pursuant to an ordinance in the case of cities or a resolution in the case of other municipalities. Such ordinance or resolution in almost every case contains certain covenants which are traditionally relied upon by purchasers of municipal revenue bonds to insure their payment. Unfortunately, such covenants are not always consistent with traditional ratemaking procedures. For example, a typical municipal revenue bond covenant would require the municipality to set rates designed to bring in net operating revenues at least equal to a certain percentage of annual debt service. This concept simply has no present recognition in traditional ratemaking procedures. If traditional ratemaking procedures would bring about that result it would be accidental rather than contemplated. Municipal utilities must be assured of ratemaking procedures which will recognize their traditional revenue bond requirements to insure the continued market for their bonds. Any change in present municipal ratemaking procedures could completely upset the broad acceptance of Kansas municipal utility bonds in the financial marketplace.

DONALD A. BELL

Testimony Before Legislature

Of State of Kansas

October 13, 1977

My name is Robert M. Shepard. I am the Managing Director-in-Charge of the Municipal Finance Department of Kuhn Loeb & Co. Incorporated. I received a BCE from Cornell University in 1954, an MBA from Hofstra College in 1960, and an LLB from Yale Law School in 1963.

I taught integral calculus at Cornell in 1954; I practiced civil engineering--specializing in highway, bridge and dam design--until 1960 and am a licensed professional engineer in the States of New York and Connecticut; and I practiced corporate law with the firm of Cravath, Swaine & Moore in New York from 1963 until I joined Kuhn Loeb in 1970.

At Kuhn Loeb I have concentrated on acting as investment banker for public power entities. I am financial advisor to Platte River Power Authority, Sacramento Municipal Utility District and Lincoln Electric System; and am responsible for my firm's role as managing underwriter for the Power Authority of the State of New York, Massachusetts Municipal Wholesale Electric Company, Western Minnesota Municipal Power Agency, Vanceburg Electric Light, Heat and Power Systems and Buckeye Power, Incorporated. I have given talks to public power groups in California, Colorado, Kansas, Maine, Missouri, Ohio and Texas; and am co-author of the

article "Is Geometric Debt Service an Idea Whose Time Has Come" appearing in the May-June 1977 issue of Public Power magazine.

I wish to direct my testimony today at Proposal No. 23 of the Coordinating Council, placing municipal electric, water and gas systems under the jurisdiction of the Corporation Commission for rate regulatory purposes. Putting aside the wisdom of involving the Corporation Commission in the question of how revenues are raised to pay for municipal services where reduced utility rates might necessitate raising taxes to replace lost funds, I believe this Proposal could in many cases weaken one of the principal advantages of municipal systems--the ability to finance 100% of the cost of construction of system facilities through the issuance and sale of tax-exempt bonds. Before examining this conclusion, I believe it would be useful to explore the financing advantage I have referred to.

The capital structure of an investor-owned utility comprises both debt and equity. Typically the amount of debt ranges between 50% and 60% of total capitalization, the balance being divided between common and preferred stock. In order to enable the utility to meet its interest charges and pay preferred stock dividends, with enough net income remaining to provide for the payment of corporate income taxes and an after-tax return of 12% to 16% on common stock, which is needed to support equity financings on favorable terms, the utility must realize annual net revenues of 15% or more of total capital. On the other hand, the revenue requirement of a municipal system financing exclusively with tax-exempt debt would be less than half the revenue requirement of the investor-owned utility. Assuming operation (including fuel),

maintenance and distribution expenses are the same in either case, the advantage of tax-exempt financing translates into retail rates around 10% to 15% below those that would have to be charged by an investor-owned utility under similar circumstances.

Regardless of the soundness of rate regulatory procedures, the impact of rate regulation is to prevent or, most commonly, delay rate increases. This regulatory lag can delay for several years the fine tuning of rates when adjustments are needed to meet rapidly changing conditions and can create uncertainty in the minds of investors. Since, however, the requirements on the part of an investor owned utility to pay interest on debt and dividends on preferred stock are fixed, the regulatory lag has its impact solely on the permitted return on common equity.

Although a policy of holding down return on equity could make the floating of new common stock issues difficult and could reduce interest coverage to an extent that would cause bond-credit ratings to be lowered, thereby necessitating the payment of higher interest rates, rate regulation of an investor-owned utility would not normally interfere directly with the utility's ability to pay interest. The equity beneath the debt on the balance sheet acts as a shock absorber to cushion the impact of an adverse rate decision before it directly impairs the ability to service debt. How badly it impacts the equity is reflected in the market price and yield of common stock. The equity return of 12% to 16% is much higher than interest rates on debt precisely because of the risks attendant to owning common stock with fluctuating investment returns.

The situation is very different with municipal systems. They are often financed exclusively through the issuance and sale of tax-exempt debt without an equity shock absorber to protect debt servicing capacity in the event of an adverse regulatory decision. Municipal system power bonds generally contain covenants requiring that rates be established that will ensure achieving the minimum cash flow that will enable the system to meet its debt service requirements, with a modest surplus cover requirement, and any cause for concern that the rate covenant might be rendered nugatory by a regulatory body could adversely impact the marketability of the municipal system's bonds, especially where the system has undertaken a major capital improvement program and has a large amount of outstanding debt.

Without an equity cushion, rate regulation could increase the risk of investing in municipal system bonds beyond that which buyers of such bonds would normally be willing to accept. To state the proposition differently, investors would be reluctant to buy the bonds of a municipal system subject to rate regulation unless the system had substantial equity or an effective mechanism were devised to absorb the impact of adverse rate decisions. Possibilities include substantial reserve funds or extraordinary cover requirements. Each of these arrangements would increase financing costs, since investors would be uncertain that the desired shock absorber effect would be achieved.

Only if it were clear that rate regulation would not deny a return on any equity in times of rapidly increasing costs, would the shock absorber effect occur. However, because the equity would probably belong to the municipal system, rather than to equity investors, bondholders could not be

certain a regulatory body might decide that the investment return on the equity of the municipal system should be foregone at a time of steeply inflating costs, all to protect the interests of customers, disregarding the unfairness to bondholders buying low interest bonds in the belief that bond covenants would be complied with.

The result would not be unlike that of the infamous New York City moratorium on the payment of debt, where a political decision was made that the interests of the City's residents and employees were paramount to those of its bondholders. Only when it is accepted in the market-place that a recurrence in New York is not possible, will New York City again have access to the market. Thanks to the decision of the New York Court of Appeals holding the moratorium unconstitutional, as well as the decision of the United States Supreme Court holding the attempted repeal of New York Port Authority covenants unconstitutional, New York City's market access is likely to be reestablished soon. It is equally important in Kansas that holders of municipal system bonds be convinced that payment of debt service and compliance with debt covenants is not subject to the vagaries of the political process.

In structuring a municipal system financing in the event that the issuer is subject to rate regulation, I believe it would be necessary to set coverage requirements approaching two-times debt service. But even a covenant to achieve such coverage might not do the trick if there were no track record for establishing rates under such conditions. Accordingly, there would be no assurance that the regulatory agency would permit rates sufficient to comply with rate covenants and to allay investor concern about the ability of the municipal system to continue to pay debt service.

Even if an arrangement such as I have just described would enable a debt security to be marketed on reasonable terms, this would be possible only by accepting the facts that, first, considerably less than 100% of construction costs could be financed from the issuance and sale of tax-exempt debt, the balance, possibly in the area of 40%, would have to be financed through equity of the municipality, and, second, rates would have to be much higher than would be the case for the same amount of debt if there were no rate regulation. Thus the wholly unintended result is reached that the imposition of rate regulation, designed to keep rates as low as possible, would be the principal reason rates charged by municipal systems in Kansas could have to be higher than in other states.

It is for this reason that the overwhelming majority of states do not subject municipal systems to rate regulation with respect to rates charged to customers residing within a municipality's corporate limits. A number of states do provide for regulation of rates charged by municipal systems to customers residing outside such limits, but such regulation seldom has significant effect on a municipal system's financial condition. If rate regulation of municipal systems had been successful where it is used, it would be reasonable to expect such regulation to have proliferated long ago. The small number of states providing for such regulation suggests that regulation has not led to significant benefits where it has been tried and should not be adopted in Kansas absent a clear and convincing demonstration that it would be more effective there.

TESTIMONY BEFORE THE JOINT SPECIAL COMMITTEE ON ENERGY
KANSAS LEGISLATURE
OCTOBER 13, 1977

Mr. Chairman and Members of the Committee:

My name is Barry A. Bennington and my address is 106 East Third Street, St. John, Kansas. I am appearing here today as the City Attorney of the City of St. John, Kansas.

My appearance is for the purpose of opposing Proposal Number 23. On July 1, 1961, the Home Rule Amendment to the Kansas Constitution became effective. The purpose of this amendment was to empower cities to determine their local affairs and government which by words of the Kansas Constitution specifically include taxes, excises, fees, charges and other exactions. This provision of the constitution further says that the powers and authority granted to cities shall be liberally construed for the purpose of giving cities the largest measure of self-government.

The constitution is not only a grant of powers and a check upon authority. It is the expression of the public will and I urge you to bear this particular expression of public will in mind during your deliberations upon Proposal Number 23. The people of Kansas have said that cities shall have the right to determine their local affairs and that this right shall be liberally construed to give cities the largest measure of self-government. Can any one honestly

say that to place the utility departments of the City of St. John under the supervision and control of the Kansas Corporation Commission is within the spirit of the constitution in allowing cities to govern their own local affairs?

Can any one possibly say that the utility rates in the City of St. John are of such state-wide concern that they justify the attention of the legislature of the State of Kansas or the Corporation Commission of the State of Kansas.

Although my research is not exhaustive I find that according to the notes of the revisor of statutes appended to K.S.A. 66-104, the legislature has distinguished between public utilities and municipal utilities since at least 1911. By the provisions of K.S.A. 66-104 the term public utility has included that portion of every municipally owned or operated electric or gas utility located outside of and more than three miles from the corporate limits of such municipality.

It seems obvious that the geographical limitation upon municipal utilities was for the sole purpose of maintaining their local nature. For at least 50 years before the Home Rule Amendment in 1961 the legislature had recognized the efficiency and expediency of allowing cities to manage and regulate their own municipal utilities. The effect of the Home Rule Amendment was to change this from an implied right to an express right. In other words, the philosophical distinction made by the legislature in 1911 when it drew its

three mile circle around the cities, is on sounder ground today after the adoption of the Home Rule Amendment than ever before. If this committee chooses to recommend the regulation of municipal utilities by the Kansas Corporation Commission it is choosing a course of action that is clearly contradictory to the expressed will of the people of Kansas.

The last point that I would like to present for your consideration today is that one criterion of advisability of such regulation would be to compare the representative nature of regulation by the Kansas Corporation Commission with regulation by city governing bodies. In other words, can this Committee say that the Kansas Corporation Commission is more responsive and more representative of the will and desire of the people than the local Governing Body in each city? There have been city council meetings in the City of St. John where ten per cent of the registered voters of the city have appeared at the council meeting to express their opinion on the subject at hand. I submit that there has never been a utility rate regulation hearing before the Corporation Commission where ten per cent of those persons affected by the proposed rate changes appeared. Surely, city councils are more nearly the personification of the ideal of local government and of representative government than the Corporation Commission can ever be.

Furthermore, should the people be totally dissatisfied or ignored by the Kansas Corporation Commission there would

be little if any thing the population of a small city like St. John could do. This is not the case with Governing Bodies however. The process of recall is not dead in Kansas as the citizens of Girard can tell you. If the city council of St. John adopts a utility rate that is oppressive the simple and inexpensive process of petition can resubject the governing body members to the will of the people. There is no corresponding process available to local citizens with regard to the Corporation Commission.

Those persons who opposed this proposal prior to me to day have explained in great detail the many reasons why the regulation of municipal utilities is physcially and financially impratical. I have attempted to show you that such regulation is philosophically inconsistent with the Kansas Constitution and that such proposed regulations would stray far from the representative form of government that we in small cities now enjoy and in fact perfer to keep.

Thank you.

Testimony by Fred D. Diehl,
Mayor of the City of McPherson
October 13, 1977

Mr. Chairman, members of the committee.

I am Fred D. Diehl, Mayor of the City of McPherson, I am a registered, professional engineer, and have spend 50 years in the electric utility business; 13 with a private utility, 30 years as manager of municipal utilities, and seven as a management consultant to municipal utilities. I am presently serving on the Governor's Energy Advisory Council, and Water Resources Task Force.

I am strongly opposed to Proposal No. 23, and would like to discuss some factors relating to municipal rate regulation as it concerns taxpayer owners of the municipal utilities in our Kansas cities.

Since retiring in 1972, I have acted as a consultant to 25 cities in Kansas, and in 19 of these cities, I have prepared electric and water rate reports, and in all cases have found it necessary to rearrange their rate schedules upward.

Most municipal utilities have outstanding electric and/or water revenue bonds to finance major capital improvements. The bond ordinance and covenants require that the net operating income of the municipal utility be between 125% and 150% of the principal and interest annual payments on these bonds. The covenants also provide that should the operating net income of the municipal utility not be sufficient to cover these debt service requirements that the bond holders have the option of stepping in

and changing the rates to satisfy these requirements. The amount of funds over and above the debt service requirements can be lawfully used by the municipal utility to finance normal extensions and betterments, emergencies, reserve funds, and pay taxpayer dividends. Now if the KCC were to regulate municipal utility rates, they would be bound to approve rates that would provide sufficient net operating income to cover debt service requirements, whatever they may be.

At the present time, the KCC consists of one certified public accountant, and two lawyers. In my experience with 25 cities since 1972, I find that the city commissions and councils are made up of people with at least an equal range of expertise, consisting of doctors, lawyers, accountants, businessmen, housewives, professional women, and leading citizens, so in my opinion, there is no difference in the quality of personnel doing the regulating, whether it be of the investor owned utilities or municipal utilities. The real difference is that the municipal utilities have local people doing the regulating, and the citizen owners are constantly looking over the shoulder of the regulators. I find that the local citizen input has a very considerable effect on actions taken by city commissions and councils. Local regulation, therefore, is carried out by local people, and is certainly very effective. Furthermore, if the local citizens are not satisfied with the regulating being done by the governing body, they can take care of the problem at the next election. Without exception, I have found that when city commissions and councils are considering a utility rate change they are always exceedingly concerned that the rates established be just and reasonable, with every attempt made to

eliminate discrimination of any kind, and yet meet the requirements of the bond debt service.

In regulating an investor owned utility, the KCC must allow rate schedules which will provide a reasonable rate of return on investment, as well as enough revenue to operate and maintain the utility, provide for modest capital improvements, maintain reserves, pay principal and interest on outstanding bonds, and provide an attractive dividend to the stockholders. This is definitely proper procedure under our private enterprise system. If dividends were not adequate, the investor utility would have difficulty in financing major capital improvements.

A municipal utility must establish its rates to do exactly the same thing. A municipal utility may under the law pay a "taxpayers dividend" in the form of cash from the surplus earnings of the utility, generally into the city general operating fund, which in effect stabilizes property taxes within the corporate limits of the city. This benefits every taxpayer owner of the municipal utility.

So, I ask you what is the difference between an investor utility dividend to its stockholders, and a taxpayers dividend to its owners. A major difference is that the taxpayers dividend is paid to local citizens; whereas the investor owned utility dividend is paid to investors throughout the United States. In other words under municipal ownership, the dividends remain at home to stabilize taxes.

The attorney general's opinion No. 77-194, dated June 13, 1977, and addressed to the Hon. William H. Eddy, State Representative, states in effect that as long as municipal utility rates are "reasonable", taxpayer dividends may be paid to city funds.

It has been said that municipal utility rates and operations are tax collection agencies. To refute this charge, I cite the record of the McPherson municipal electric department. McPherson is a city of about 12,000 people (Chamber of Commerce figures.) From 1932 through 1977, McPherson Electric Department will have paid a taxpayers dividend of \$5,194,178. From 1932 to 1958, McPherson electric rates were stable. McPherson citizens presently and for the past several years have enjoyed the lowest electric rates in the State of Kansas. Following is a record of municipal utility rate self-regulation in McPherson:

January 1, 1959 An electric rate reduction of 10% was placed in effect. This same year the electric utility designed, purchased, and built a \$450,000 street lighting system, and gave it to the city to prevent crime and provide better traffic safety.

January 1, 1965 An electric rate reduction of 9% was placed in effect.

January 1, 1968 An electric rate reduction of 5% was placed in effect.

June 1, 1976 An electric rate increase of 9.5% was placed in effect to cover increased operating costs and secure a better debt service coverage.

This raises the question has anyone in recent memory found the KCC ordering one of the utilities under its regulation to reduce its electric rates.

A recent story in the Wichita Eagle headlined "19 Increases in Past 5 Years - Utility Rate Hikes Becoming a Fact of Life."

To illustrate how self-regulation of electric rates in Kansas is working, I have attached Exhibit "A", which is an up-to-date tabulation of the cost of electricity to average residential customers using 750 KWH per month for five typical cities under KCC regulation, and five typical municipal utilities under self-regulation. It is evident from this exhibit that the self-regulated municipal utilities shown here, with one exception, have lower electric rates than cities under KCC regulation.

Thank you for your attention. I will be pleased to try to answer any questions.

EXHIBIT A

COST OF ELECTRICITY TO AVERAGE RESIDENTIAL CUSTOMERS USING 750 KWH PER MONTH
IN THE FOLLOWING KANSAS CITIES

10-13-77

SOME CITIES SERVED BY INVESTOR OWNED UTILITIES - KCC REGULATION

	<u>Base Cost Under Present Rate Schedules</u>	<u>Fuel Adjustment Adder per KWH For Sept. Billing</u>	<u>Total Bill for 750 KWH</u>
Great Bend (Western)	\$24.77	\$.007131	\$30.11
Salina (KPL)	28.73	.00084	29.36
Emporia (KPL)	28.73	.00084	29.36
Arkansas City (KGE)	24.76	.00593	29.21
Newton (KGE)	24.76	.00593	29.21

SOME CITIES SERVED BY MUNICIPALLY OWNED UTILITIES - SELF REGULATION

Chanute	\$32.00	\$.00565	\$36.24
Iola	22.15	.0082	28.30
Coffeyville	20.58	.0082	26.73
Wellington	18.44	.0099	25.87
McPherson	17.00	.008036	23.03

3% Sales Tax Omitted

stimony by Don Gerard
General Manager, Board of Public Utilities
McPherson, Kansas

Mr. Chairman, Members of the Committee:

I am Don Gerard, the General Manager of the BPU of the City of McPherson.

I am a graduate civil engineer, licensed in the state of Kansas, and I have been engaged in the engineering profession for over twenty-nine years. I have been associated with the BPU, City of McPherson for approximately eight years.

I am opposed to Proposal No. 23 based on my recent experience and actual knowledge of developing a rate case for hearing by the State Corporation Commission.

The BPU is the second largest municipal utility in Kansas. To my knowledge the BPU is the largest municipally owned public utility that has filed a rate case with the State Corporation Commission.

In 1975 it became apparent that the existing rate schedules of the BPU would not yield adequate revenues to provide the required debt service coverage even though the depreciation of the plant would be funded. The return on the investment was nearly zero, and the financial credibility of the utility was in jeopardy.

It was decided to assign the work of preparing a rate study along with development of a cost of service analysis to an in house employee of professional status and to hire an outside accounting consultant.

The BPU has approximately 6000 customers of record. Only 850 of these customers were under State Corporation Commission jurisdiction. In order to avoid any area rate discrimination in our territory it was necessary to design the majority of our rate

schedules to the criteria to meet jurisdictional approval.

Active work was started on the rate study in late 1975. The new rates were designed, a proforma test was run on the computer, and the cost of service was released for printing. The elapsed time was approximately 6 months.

In May of 1976 the new rates were placed into effect for all BPU non-jurisdictional customers. An attorney was engaged to represent the BPU at the State Corporation Commission, and the new rates were filed for hearing with the State Corporation Commission.

Subsequent audits and additional filings of financial data were submitted to the State Corporation Commission. In November of 1976 these rates were approved as submitted, and they were ordered into effect for all jurisdictional customers.

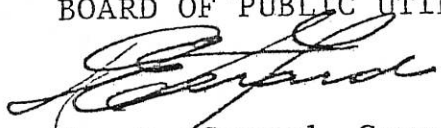
The approximate cost of this relatively minor rate increase was about \$20,000.

I believe that smaller municipal utilities will find it very difficult to comply with all of the exacting accounting procedures necessary to substantiate a formal rate hearing case.

All municipal government is subjected to the discipline of home rule. Also municipal governments are limited to the cash basis law with annual audits. This is more than adequate consumer protection as it is applied at the primary level of government.

I respectfully urge this Committee to set aside this burdensome and unnecessary legislation.

BOARD OF PUBLIC UTILITIES



Don E. Gerard, General Manager

DEG/cc

THE CITY OF OTTAWA

CITY HALL

(913) 242-2190

OTTAWA, KANSAS 66067

Attachment No. 14

October 12, 1977

Joint Senate House Committee on Energy
State Capitol
Topeka, Kansas

Dear Mr. Chairman and other members of the committee:

We address this letter to the committee concerning your summer study proposal No. 23 to advise that the City of Ottawa urges you to recommend to the respective Houses in the State Legislature that it is not in the best interest of the State of Kansas nor to the municipalities of Kansas to place municipal utility systems under the jurisdiction of the Kansas Corporation Commission. This City Governing Body concurs and supports the League of Kansas Municipalities policy statement which specifically provides that neither by legislative or administration action that the municipal utility systems of this state be controlled or to be otherwise subservient to the Kansas Corporation Commission.

We would like to remind the committee members of the significant Constitutional amendment authorized a few years ago by the voters of this state, that local governments be given home rule powers. It is our position that the people of the State of Kansas explicitly authorize municipalities the authority and responsibility to manage their own affairs. We feel that the utility rates regarding the City of Ottawa's electric, water and sewer utilities are substantiated by comprehensive rate studies which have been made public for the purpose of allowing the public the necessary information to closely scrutinize the justification for said rates. This Governing Body like all municipal officials, must be credible in its management of the public's affairs. The present situation gives our utility customers the opportunity to change those who are responsible for the rates they pay through the power of the vote. This direct control is much more significant than what might be imposed by a state agency.

Attch. 14


Joint Senate House Committee on Energy
October 12, 1977
Page Two

This Governing Body concurs with the position of the Kansas Municipal Utilities, Inc., and the League of Kansas Municipalities regarding proposal No. 23. It is our sincere desire that the committee closely examine this issue and recommend to the Legislature that municipal utility systems not come under the jurisdiction of the Kansas Corporation Commission but rather leave intact local control of said utility systems and let those whom we serve be the regulator. Your consideration is appreciated.

Sincerely,


Viola L. Reusch, Mayor

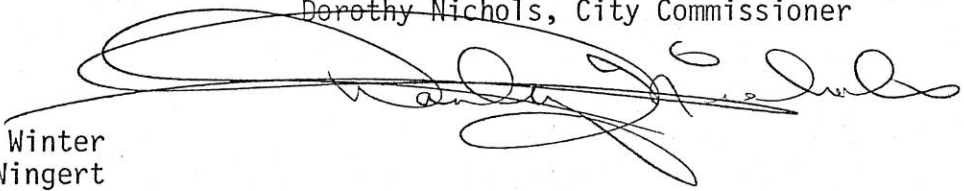
Fred Zook, City Commissioner


Paul Gaynor, City Commissioner

Dorothy Nichols, City Commissioner

CC:pb

cc: Senator Wint Winter
Rep. George Wingert



Testimony by Louis Stroup, Jr., Executive Director
Kansas Municipal Utilities, Inc., McPherson
October 13, 1977

Mr. Chairman, members of the committee. I am Louis Stroup, Jr. Executive Director of Kansas Municipal Utilities, Inc., a statewide organization of municipal electric, water and gas systems.

We strongly oppose Proposal No. 23, and I would first like to discuss the harsh fiscal impact that would be imposed on our municipal utilities by this proposal.

For example, the fiscal note on House Bill 2301 which was introduced during the 1977 legislative session by Rep. Brewster of Topeka and which I presume is the bases for Proposal No. 23, puts an estimated cost of placing our municipal water, electric and gas systems under state regulatory jurisdiction at \$2 million dollars -- and this is just auditing costs.

We feel this \$2 million estimate is very conservative since the fiscal note underestimated the number of municipal water systems by about 100. Thus, auditing costs could be \$3 million or more.

There are approximately 485 municipal water systems within the state. Of those cities, 133 have electric systems and 50 of them have gas systems.

The Commission currently has jurisdiction over 145 utilities -- this number would jump to 620 if municipal systems are placed under KCC control.

The millions of dollars in auditing costs is just the beginning. The fiscal note also estimates it would cost another \$256,290 for personnel and related support expenses. Again, we assert this would not cover the costs of needed additional personnel since the fiscal note erred in the

number of municipal systems involved. All these costs, both for auditing and for personnel would be assessed back to the municipal systems.

Under Proposal No. 23, assessments to our systems for auditing and additional KCC staff would be more than the amount assessed against the private sector; yet our total revenues from all systems is many times smaller than those of the private utilities. This is based on the latest figures I have of the 1974-75 KCC budget of \$2,385,065 of which only \$562,529 was assessed to the 145 utilities under its jurisdiction.

Giant cost increases such as these assessments would force our systems to raise their rates and would definitely place us in a non-competative climate as far as gas and electricity is concerned.

If this picture isn't bleak enough from a cost standpoint, let me point out that there are two other major factors involved that would add many hundreds of thousands of dollars to the costs of operating our utilities:

- a) Costs of preparing for and attending rate hearings, and
- b) Costs of the 485 systems having to add additional staff to cope with KCC regulation.

An example of what rate cases cost can be shown by the \$20,000 spent in 1976 by the McPherson Board of Public Utilities to prepare for a rate increase to just 770 of its 6,138 customers. The 770 are BPU's customers that live outside the 3-mile limit and currently are jurisdictional customers. This type of situation applies to 19 electric systems who currently have jurisdictional customers. These 3,276 customers represent only 1.5% of our total municipal electric customers (207,500).

Thus, costs of preparing for rate cases and the hiring of legal counsel (you must be represented by counsel in a rate case before the Commission), consulting engineers and accountants will add many hundreds of thousands of dollars annually to our operations -- costs which are unnecessary and duplicative.

Since most of our systems are small, nearly all would have to add at least one additional staff person to cope with KCC requirements. If only one person per municipal system were added at an average cost of \$10,000, this would place an annual lug of \$485,000 additional expenses upon our systems.

The \$20,000 spent by McPherson BPU for a single rate hike covering only 770 of its customers in fact represents more than the total annual gross revenues in 1976 of 150 of our water systems, more than the total revenues for 12 of our gas systems and more than total revenues for 5 of our municipal electric systems.

Another area of serious concern to us is the possibility of delays in obtaining needed revenues to meet our bond covenants. The Commission staff can't handle its current load and if you place our 485 systems under its jurisdiction, the situation is bound to become very chaotic and delays could affect our bond ratings -- a very serious matter of concern for our cities.

I also might point out that the Commission does not have historic or current expertise in water system management.

Furthermore, Commission jurisdiction would be a duplication of authority that already exists. Local officials are much more responsive to the needs of the people who own their own utilities. If our customers don't like the

way local officials are running their utilities, they can simply vote them out of office at the next election or do what Girard did earlier in the year -- ask for a recall election and within 60 days they had new commissioners running the business. Such a change couldn't be made if our customers didn't like a Commission decision, since the Commission serves at the pleasure of the Governor.

According to the latest information available, a 1973 report published by the Federal Power Commission on Federal and State Commission Jurisdiction and Regulation of Electric, Gas and Telephone Utilities, there are 2,111 municipal electric systems in the United States of which only 9% or 199 are regulated by state authority.

The same report shows there are 667 municipal gas distribution systems of which 23% or 155 systems are regulated.

State regulation over retail rates of municipal electric utilities occurs in only 11 states -- 39 have no such regulation. The same number of states regulate gas systems (other than from a safety standpoint).

A third area I would like to mention is that the KCC recognizes there is a distinct difference between municipals which are under control of local city governing officials and the private and rural electric cooperative sector which would have no governmental control unless the Commission had jurisdiction.

An example was the Commission's 1975 general investigation to establish general policies with regard to purchased natural gas, fuel for electric power generation and purchased electric power.

On April 19, 1977, the Commission issued an order in this matter which

concluded that municipally-owned or operated utilities should be exempt from the required usage of the standard energy adjustment clauses prescribed by the Order.

Our municipal systems with jurisdictional customers will have to meet certain reporting conditions pertaining to those particular customers -- a condition which was agreeable to us. Our other systems were exempted because of the economic impact and harm such requirements would place on them.

Another example is the February 25, 1977 investigation by the Commission which concerns all electric and gas utilities with reference to changes in tariffs to restrict connections in new residential dwellings and new commercial buildings to those meeting insulation requirements. Our municipal utilities, except those with jurisdictional customers, are not affected by the order -- yet we anticipate most of them will voluntarily establish a program to meet the conservation guidelines proposed by the Order.

In fact, the League of Kansas Municipalities, with our help, issued a special information bulletin last month along with a model ordinance for our systems so they could voluntarily comply with the Commission's Order. A copy of that bulletin and model ordinance is attached to our testimony. Both the League and KMU felt it was extremely desirable not only to promote such conservation of energy, but also to provide a uniformity of heating and cooling standards for all our customers even though we are not under the Commission's jurisdiction.

I would further point to a statement made by Fred Adam, director of the KCC utility section, which appeared in the June 30 edition of the *Wichita Eagle* in which he said "The KCC has no interest in seeking broader

authority, which would require a legislative change in state statutes." He was, of course, referring to the extension of Commission jurisdiction over municipals for the purpose of meeting the new insulation standards order.

During the 1971 legislative session, KMU supported a bill that would place our municipal gas distribution systems under Commission jurisdiction for a safety-standpoint only. We did this because no duplication resulted, but Commission jurisdiction over the other aspects of our operations would be duplication.

In the 1973 session, we again supported a KCC bill, SB 447, that would assess our systems for part of the cost of this safety program. Again we did this because there was no duplication of service and we felt it only right that we should pay our fair share of such a vital program.

Proposal No. 23, on the other hand, is duplication of regulation and costs and, as mentioned earlier, we strongly object to such unnecessary regulation and assessment of costs against our systems and their consumers.

Our feeling in this matter are the same as Governor Robert F. Bennett's when on July 22, 1977, in referring to President Carter's proposed new water policy program, he labeled such action as a threat by federal officials who want to usurp the state's right to manage its own water. Governor Bennett added "The possibility of losing our local authority on water issues is not an empty threat."

On July 28, 1977, in Denver, Lt. Governor Shelby Smith presented testimony on behalf of Governor Bennett in the federal water hearings and stated "I am gravely concerned about the innuendos contained in the institutional issue paper implying a takeover by the Federal Government

of the historic function of the states to make their own decisions relative to the allocation of water. The veiled threat of federal sanctions if the state does not comply with a federal mandate to accept a federal model water code or to enact state statutes in order to comply with federal policies is distasteful."

Members of the committee, we not only agree with the Governor's statement and philosophy as it refers to the water field, but we also would find it extremely distasteful to a takeover by the Commission of our historic function of governing our own municipal utilities. You, as elected state officials, do not like federal interference, and our city officials do not want nor need state interference in our utilities -- utilities that we have managed by ourselves since the 1890s.

We are proud of our systems, our self-government and our integrity in their operations and management. And we feel local control is much more responsive than control from Topeka. Our goals have always been to provide the best possible service at the lowest possible cost -- and we could not do this with Commission jurisdiction. Proposal No. 23 would add many millions of dollars on unneeded and unwanted costs to our systems and would be a giant roadblock in our efforts to keep costs as low as possible for our consumers, who are the most important aspect of municipal ownership.

Therefore, we respectfully urge this committee to give Proposal No. 23 an unfavorable recommendation so as not to foster duplication of regulation and unwarranted costs upon us.

KEENAN, MAUCH AND KEENAN, P. A.
ATTORNEYS AT LAW
GREAT BEND, KANSAS 67530
TELEPHONE 316 793-7813; 793-3165

ROBERT P. KEENAN
HUGH D. MAUCH
LARRY E. KEENAN
DENNIS J. KEENAN
RONALD D. SMITH

2200 LAKIN
P. O. DRAWER 459

October 11, 1977

Mr. Ken Bittel
City Administrator
Ellinwood, Kansas 67526

Re: Possible KCC Authority

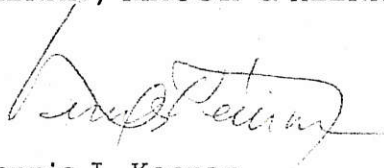
Dear Ken:

Having worked with the KCC for a two and a half year period, I would simply like the Council to know that I feel very strongly against the KCC exercising any authority over municipal utilities. This would have a dramatic effect upon all phases of rates, bonds and important decision matters. Quite frankly, they are a very good agency, however, they do not have the time to exercise authority over every municipal power plant in the State of Kansas. The needs of Ellinwood are much different than the needs of some bigger city and to put them on a comparable basis would be improper.

I think what bothers me the most is the fact that the "bureaucracy" is once again attempting to take over local government. I know of no way that things are controlled any better than by the local people. If for one reason or another the local utility service rates or services available would become inadequate or too expensive, the people would have the voice in determining how to solve the proposal. I strongly feel that we have had too much power placed in higher government and we need to keep "grass roots" in our local system.

Yours very truly

KEENAN, MAUCH & KEENAN, P.A.



Dennis J. Keenan

DJK:hh

RESOLUTION No. 101077

WHEREAS, the City of Ellinwood, Kansas, owns and operates the municipal electric production and distribution utility system and the municipal water utility system serving its citizens; and

WHEREAS, the electric utility serves 1,240 customers and the water utility serves 1,017 customers which are all located within a one mile area surrounding the city limits; and

WHEREAS, local control by elected officials over its own utilities has always been and still is a source of pride to the citizens of Ellinwood, and is a historic governmental function of cities in Kansas; and

WHEREAS, an extension of the authority of the Kansas Corporation Commission (KCC) over the operations and affairs of municipal utilities will not serve the best interests of their customers and will cause a dramatic increase in operating costs, paperwork, red tape and personnel

NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF ELLINWOOD, KANSAS:

That the City of Ellinwood, by official action of its elected officials individually and as its Governing Body, does hereby go on record as being opposed to Proposal No. 23 of the 1977 Session of the Kansas Legislature, being a study of the utility rates charged by municipally-owned utilities and the feasibility of placing municipally owned utilities under the jurisdiction of the State Corporation Commission (KCC), and now before the Special Committee on Energy for study, hearing and recommendation to the 1978 Session of the Legislature.

That a certified copy of this Resolution be mailed to each member of the Special Committee on Energy, Honorable State Senator Jack W. Janssen, Honorable State Representative Kent A. Roth, and presented to said Committee at Public Hearing on this matter being held on October 13, 1977, in Topeka, Kansas.

PASSED AND ADOPTED by the Governing Body of the City of Ellinwood, Kansas, this 10th day of October, 1977.

Arthur E. Husley
President of the Council

Joseph W. Michel
Council Member

Richard A. Hester
Council Member

Robert J. Spruce
Council Member

Willie E. Schuby
Council Member

Council Member

(SEAL)

ATTEST:

Chris Brown
City Clerk

CERTIFICATE

I, Chris Brown, City Clerk of the City of Ellinwood, Kansas, do hereby certify that the foregoing Resolution No. 101077 is a true and correct copy of the original passed and adopted by unanimous vote of the Governing Body of said City at its regular meeting held on October 10, 1977.

CERTIFIED hereto by my hand and the official seal of the City of Ellinwood, Kansas, this 11th day of October, 1977.

(SEAL)

Chris Brown
City Clerk

Atch. 16

The Honorable Donald E. Mainey, Chairperson
Committee on Energy and Natural Resources
House of Representatives
Third Floor, Statehouse

Attachment No. 17

Dear Representative Mainey:

SUBJECT: Fiscal Note for House Bill No. 2301 by
Representative Brewster

In accordance with K.S.A. 75-3715a, the following fiscal note concerning House Bill No. 2301 is respectfully submitted to your committee.

House Bill No. 2301 is an act concerning public utilities: relating to the jurisdiction of the State Corporation Commission. The bill amends existing statutes to provide that all utilities, both inside and outside the three mile city limit, are to be under the jurisdiction of the Commission.

The bill would extend the Commission's authority to regulate approximately 120 municipal electric systems, 75 municipal and private one-town natural gas systems and 179 municipal water systems. The Commission would also have full regulatory authority over 19 additional municipal electric systems and 18 municipal gas systems over which the Commission now exercises authority beyond the three mile limit. This will add approximately 408 utilities to the 145 currently regulated.

The Corporation Commission would need to hire the following additional positions for FY 1978 in order to perform the required regulation: four utility engineers; three utility rate engineers; two engineering technicians; one senior auditor; one economist; three auditor II's; and two clerk stenographers. Equipment costs for FY 1978 would be \$5,445, and the travel and subsistence expense for the above mentioned professional positions would be \$34,845.

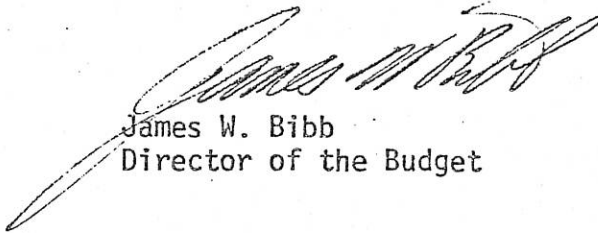
The Commission would also have to spend \$2,000,000 for the purpose of investigating and reviewing the books, records and engineering practices of the municipal systems, in order to prepare these systems for state regulation. This would include, but not be limited to, preparation of rules, regulations and tariffs for each utility and instituting appropriate accounting procedures. The cost would include an education program for each utility to familiarize them with the current Commission practices, procedures, policies and the requirements for compliance with the statutes.

The total estimated cost resulting from the passage of this bill is \$2,256,290. Of the \$256,290 for personnel costs and related support expense, \$188,134 will be financed by assessing back such amount to municipal utilities, and \$68,156 will be financed by the Public Service Regulation Fees Fund in FY 1978. The \$2,000,000 expense resulting from the Commission's initial investigation and review of the municipal systems will be incurred over the first several years following the implementation of the act, and will be assessed back to the municipal utilities.

Atch. 17

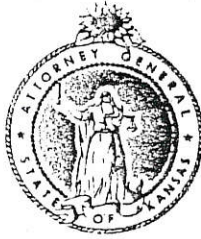
Revenues derived resulting from the passage of this bill to the Public Service Regulation Fees Fund from the Commission's assessment on such utilities will be as follows: municipal electric utilities, \$114,531; municipal gas utilities, \$7,343; and municipal water utilities, \$61,555, for a total of \$183,629. Since the Corporation Commission already contributes the \$200,000 maximum to the State General Fund, all of the aforementioned revenue will be deposited in the Public Service Regulation Fees Fund.

The additional expenditures and revenue derived as a result of the passage of this bill are not provided for in the 1978 Governor's Budget Report.



James W. Bibb
Director of the Budget

JWB:TRT:emb



Attachment No. 18

STATE OF KANSAS

Office of the Attorney General

1st Floor, State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

Curt T. Schneider
Attorney General

June 13, 1977

ATTORNEY GENERAL OPINION NO. 77- 194

The Honorable William M. Eddy
State Representative
8009 Belinder
Leawood, Kansas 66206

Re: Cities--Utilities--Rates

Synopsis: Charges for municipally-owned utility services are not per se unreasonable and excessive merely because the revenues therefrom are sufficient to provide a surplus which may be transferred as authorized by the Kansas Legislature to the general fund of the city for application to general municipal expenses.

* * *

Dear Representative Eddy:

You inquire whether under the laws of Kansas relating to municipal utilities, a city may raise gas or electric rates for the sole purpose of raising funds to transfer into the general operating fund of the city, to be used for purposes unrelated to operation of the utility, and thus avoid the aggregate levy limitations of the "tax lid."

K.S.A. 12-825d provides in pertinent part thus:

"In any city of the first, second or third class owning a waterworks, fuel, power or lighting plant, the revenue derived from the sale and consumption of water, fuel, power or light shall not be paid out or disbursed except for the purpose of operating, renewing

Atch. 18

The Honorable William M. Eddy
Page Two
June 13, 1977

or extending the plant or distribution system from which such revenue was derived, the payment of interest on outstanding bonds issued for the construction, extension or purchase thereof, and the payment of the salaries of the employees; and at any time that there may be a surplus of such fund, it shall, if needed to redeem bonds, be quarterly placed in a sinking fund Provided, That when any surplus of either the operating fund or sinking fund is not needed for any of the above stated purposes, said surpluses:

(a) May be transferred and merged into the city general revenue fund or any other fund or funds of such city" [Emphasis supplied.]

In Holton Creamery Co. v. Brown, 137 Kan. 418, 20 P.2d 503 (1933), the court stated thus, in its syllabus:

"The regulation and control of utility rates and services supplied by an electrical power . . . plant owned and operated by a municipality is vested in the city government, subject to judicial review of the reasonableness of the city ordinances pertaining thereto."

However, "the city cannot exact any rates it sees fit to impose. Such rates must be reasonable; and persons and corporations dependent on these utilities are entitled to judicial protection against excessive or confiscatory rates." 137 Kan. at 419. The court quoted with approval from 5 McQuillin, Municipal Corporations, 2d ed., 64, 65, as follows:

"Where a municipality owns its water or light works, it is settled that it has the right to charge rents against consumers who make use of its service. However, the rates must be reasonable, although the municipality may charge a rate which will yield a fair profit, and need not furnish the supply or service at cost; and the same rules in regard to the reasonableness of rates apply as in case of the rates of private companies

The Honorable William M. Eddy
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owning a public utility. Otherwise stated, where the municipality owns its plant, the rates for water, light, or any other product, furnished by it must be fair, reasonable and just, uniform and nondiscriminatory." [Emphasis supplied.]

See also 12 McQuillin, § 35.37c (3d ed.), and cases cited therein. In City of Niles v. Union Ice Corporation, 133 Ohio St. 169, 12 N.E.2d 483 (1938), the court discussed at length various contentions which were raised against the transfer of surplus revenues derived from electric rates of the city-owned utility to other city funds:

"Appellants . . . contend that if a municipal utility is permitted to charge a rate in excess of the cost of furnishing the service or product, and if such excess were used to finance the cost of municipal government, that such excess, so used, would assume the nature and be used in lieu of taxes and the municipality would thereby be enabled to evade the constitutional limitations upon its power of taxation, and that municipalities would be free to impose the cost of municipal government upon the consumers of light and power.

This contention proceeds on the theory that a municipality has no right to charge for its utility service or product a rate in excess of cost, i.e., that it has no right to make a profit. Nevertheless, we are not referred to any statute or constitutional provision denying this right. In the absence of such prohibition, a municipality, no less than a private corporation engaged in the operation of a public utility, is entitled to a fair profit. In the operation of a public utility, a municipality acts, not in a governmental capacity as an arm or agency of the sovereignty of the state, but in a proprietary or business capacity . . . In its proprietary capacity it occupies the same 'posture' as that occupied by a private corporation engaged in business

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The Honorable William M. Eddy
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So long as the rate is reasonable, the courts cannot prohibit a municipality from making a profit on the operation of its electric light and power system, in the absence of any restriction in the statute which enables it to operate such system." 12 N.E.2d at 488-489.

And in Western Heights Land Corporation v. City of Fort Collins, 362 P.2d 155 (Colo. 1961), the court stated thus:

"The rates adopted by the city with reference to the facilities involved here cannot be considered as taxes even though imposed and collected by the city. The ordinances involved are not revenue measures. A revenue measure is one levying a tax to defray general municipal expenses. If its principal object is to defray the expense of operating a utility directed against those desiring to use the service, the incidental production of revenue does not make it a revenue measure. 362 P.2d at 158.

Thus, to respond specifically to your question, a rate fixed by a city for gas or electric service furnished by a municipally-owned utility to residents within the territory of such city may be deemed reasonable and proper by a court reviewing such rates notwithstanding the rates are fixed in such amounts as to produce surplus revenue which may be transferred to the city general fund as the legislature has authorized in K.S.A. 12-825d. Stated otherwise, a particular rate is not per se unreasonable and excessive merely because it is fixed so as to provide the city surplus revenues which may be applied to other purposes. A city which operates a public utility is entitled to a profit on such operations just as a privately owned utility, and the profits so derived from the utility revenues may be applied to the general municipal expenses of the city.

You indicate concern that in doing so, a city may avoid the aggregate levy limitations of K.S.A. 1976 Supp. 79-5001 et seq. That act imposes limitations upon ad valorem property tax levies, and not upon utility rates or revenues derived from non-tax sources, and thus has no application to the question you pose.

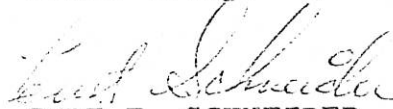
The Honorable William M. Eddy
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Lastly, you inquire whether a "city may levy a special sewer service charge based on water consumption for the express purpose of raising funds for transfer into the general operating fund of the city, such funds to be used for purposes other than the operation of the utility." K.S.A. 12-631g provides that a city which operates a sewer system may establish "just and equitable rates . . . for the use of such sewage disposal system" The disposition of revenues derived from charges fixed under the authority of this section is fixed by K.S.A. 12-631L. K.S.A. 12-3104 authorizes cities to adopt by ordinance or resolution "sewer service charges based on a per unit volume of water used and based on the strength and volume of sewage contributed" K.S.A. 12-631L provides in pertinent part thus:

"All revenues derived from sewage service charges shall be deposited in the treasury and credited to a separate fund to be known as the sewage disposal fund and such revenues shall be used exclusively for the administration, operation, maintenance, repair, replacement, extension, enlargement, betterments, depreciation and obsolescence of said sewage disposal system [and may be applied to general obligation and revenue bonds issued for said system]"

It is not clear from your letter whether you are referring to a sewer service charge now assessed by a Kansas city. It would be premature for us to offer any view regarding that charge without more information, and particularly, a copy of the ordinance or resolution authorizing such charges, and the use of proceeds therefrom.

Yours truly,


CURT T. SCHNEIDER
Attorney General

CTS:JRM:kj

Special

Information

Bulletin

The League of Kansas Municipalities
112 WEST SEVENTH STREET TOPEKA, KANSAS 66603
AREA 913 354-9565

Attachment No. 19

No. 98
September 19, 1977

Heating and Cooling Requirements for New Construction-- A Model Ordinance for Municipal Utility Cities

In an order dated May 13, 1977, the Kansas Corporation Commission (KCC) mandated certain heating and cooling standards, including insulation and air conditioning efficiency requirements, for new residential dwellings and new commercial buildings to be effective November 1, 1977, with certain stricter standards to be imposed effective November 1, 1979. The order was prompted by the KCC's concern for energy conservation. This concern was expressed by the following findings contained in the order:

"The evidence of record indicates a continuing decline of petroleum and natural gas supplies in the United States and in Kansas, resulting in a need for stringent energy conservation measures now, rather than waiting for the energy crisis to worsen. This is particularly true in Kansas, which places great reliance on the use of natural gas in heating homes and commercial buildings, as well as generating electricity. Additionally, large amounts of electricity are used for space heating and air conditioning, both in homes and in commercial establishments . . . Residents of Kansas will be facing increasing energy costs, and action to reduce energy waste is essential to protect our dwindling supplies of natural gas and oil to the maximum extent possible. With few exceptions, all parties agreed with the Commission's action initiating these proceedings and felt it was essential that steps be taken to conserve energy by imposition of insulation requirements which would reduce heat loss and increase the energy efficiency ratio (EER) of air conditioning."

The standards will be enforced by prohibiting hookups by gas and electric utilities subject to KCC jurisdiction to customers whose new structures do not meet the standards. The owner must also provide supporting statements from an architect and/or building contractor, if such persons were employed for the design and construction of this structure. The utilities under KCC jurisdiction are required to file tariffs with the KCC which would assure compliance with the order.

Municipally-owned gas and electric utilities are not subject to this jurisdiction of the KCC for services within the city and a three-mile area outside the city. Therefore, such utilities, and their customers, do not have to comply with the requirements set forth in the KCC order. However, the League is of the opinion that, as a policy matter, it is desirable

Attch. 19

to promote the conservation of energy and provide uniformity of heating and cooling standards. Louis Stroup, Jr., Executive Director of Kansas Municipal Utilities, Inc., concurs in this opinion. Without some control in municipal utility cities, there is concern that energy-inefficient equipment may be "dumped" into such cities. Further, if a city is served by a municipal gas system and by a private electric utility, or vice-versa, a double standard can occur within the same city. Moreover, the absence of local controls may provoke state legislation for complete jurisdiction over municipal utilities by the KCC.

In an effort to meet these objectives, the League has drafted a model ordinance relating to the heating and cooling standards addressed in the KCC order. The ordinance is proposed for consideration by municipalities operating a municipal gas and/or municipal electric utility. The text of this model ordinance appears below. The requirements of the KCC order are copied nearly verbatim in sections two and three of the model ordinance.

The ASHRAE Handbook of Fundamentals referred to in both the KCC order and the model ordinance is available at forty-two dollars (\$42) a copy postpaid from the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., 345 East 47th Street, New York, New York 10017.

ORDINANCE NO. _____

An ordinance restricting (gas) and/or (electric) utility connections in new residential dwellings and new commercial buildings within the city to those meeting certain heating and cooling standards.

Be it Ordained by the Governing Body of the City of _____, Kansas:

SECTION 1. For the purposes of this ordinance, the following rules of construction and definitions shall apply.

(a) The word "city" refers to the city of _____, Kansas.

(b) The words "shall" and "will" are mandatory.

(c) "ASHRAE" refers to the American Society of Heating, Refrigerating and Air-conditioning Engineers, Inc., of New York, New York.

(d) "BTUs" means British Thermal Units.

(e) "EER" means Energy Efficiency Ratio, the ratio of net cooling capacity in BTUs/hr. to total electric input in watts.

(f) The words "heated space" shall mean that space within a building which is provided with a positive heat supply having a connected output capacity in excess of ten (10) BTUs/hr. per square foot.

(g) The words "new commercial building" shall mean any building used to provide, at wholesale or retail, storage, services, supplies, goods or products to the public, other than a building used for the purpose of manufacturing raw material into a finished product, but shall not be construed to apply to any such building whose foundation has been completed by (the effective date of this ordinance/November 1, 1977).

(h) The words "new residential dwelling" shall mean all new hotels, motels, apartment houses, lodging houses, private homes and other residential dwellings, construction of which

commences on or after the effective date of this ordinance, but shall not be construed to apply to mobile homes, or any such new residential dwelling where the foundation has been completed by November 1, 1977. This definition shall apply to buildings of mixed occupancy.

(i) The word "owner" shall mean a person, as defined herein, holding legal title to the residential dwelling or commercial building.

(j) The word "person" shall mean any individual, individuals, corporation, partnership, unincorporated association or other business organization, committee, board, trustee, receiver or agent.

(k) The words "city utility" shall mean the (gas) and/or (electric) system operated by the city.

SECTION 2. No connections or attachments of service to new residential dwellings or new commercial buildings shall be made by a city utility until such utility has received a certificate of compliance from the owner that the residential dwelling or commercial building meets the standards set forth in Section 3 of this ordinance. Such certificate of compliance shall include supporting statements from the architect and/or contractor, if either or both such persons were employed in the design and construction of the new residential dwelling or new commercial building. Receipt by the city utility of such certificate of compliance shall be required for permanent utility service.

SECTION 3. Certificates of compliance required by Section 2 of this ordinance shall certify that the following heating and cooling standards have been met where applicable:

(a) New residential dwellings shall be constructed so the total heat loss, based on the ASHRAE Handbook of Fundamentals does not exceed 35 BUTs per square foot per hour of heated floor area of finished living space, at a design temperature differential of 80 degrees Fahrenheit with a maximum of 1 1/2 air changes per hour.

(b) New commercial buildings shall be constructed so heat transmission loss of heated areas, based on the ASHRAE Handbook of Fundamentals, does not exceed 35 BTUs per square foot per hour of floor area based on a design temperature differential of 80 degrees Fahrenheit.

(c) The EER of all air conditioners in new residential dwellings and new commercial buildings on and after (the effective date of this ordinance/November 1, 1977), shall be not less than 7.0; the EER of heat pumps in such structures shall be not less than 6.7.

(d) The EER of all air conditioners in new residential dwellings and new commercial buildings on and after November 1, 1979, shall be not less than 8.0; the EER of heat pumps in such structures shall be not less than 7.5.

(e) In the case of a new residential dwelling or new commercial building which is heated and/or cooled in only a portion of the structure, the requirements of this Section shall apply only to the heated and/or cooled portion of the structure.

SECTION 4. This ordinance is adopted by authority of and under the provisions of Article 12, Section 5(b) of the Kansas Constitution.

SECTION 5. This ordinance shall take effect and be in force from and after its publication in the official city newspaper.

Passed by the Governing Body of the City of _____, Kansas, this _____ day of _____, 1977.

Approved:

Mayor

Attest:

City Clerk

We the undersigned, Governing Body of the City of Cerning, Kansas
strongly oppose Resolution No. #23.

Signed Mayor Norbert Esimbath
City Councilman Robert M. Esimbath
City Councilman Allice A. Nichols
City Councilman Floyd Alexander
City Councilman Andrew Wilty
City Councilman John Williams

City Seal.

Ethel L. Frederickson
City Clerk.

POSITION STATEMENT

Re: Study Proposal #23
Placing all Municipal Owned Utilities under KCC control

My name is Lee Hornbaker. I am an attorney in Junction City, Kansas. I appear here on behalf of two cities of the 3rd class in Geary County, Kansas ---the only cities in our county other than Junction City. I like to think I express the viewpoint of all small 3rd class cities.

My firm has been city attorney for Grandview Plaza since it was formed about 1961. I have been city attorney of Milford since 1960. That city was inundated by the waters of Milford Reservoir. We had to build a new city. Believe me, unless and until you have served as city attorney of a 3rd class city, you don't know what problems are.

In Milford we have a municipal water system, a municipal gas system a municipal refuse franchise system, and a municipal sewer and sewage disposal utility system. Private capital can't and won't serve us. KP&L would not consider extending its gas lines to us, we had to spend \$80,000.00 to put in our transmission line and distribution system.

We have an 8 mile transmission line and we made the mistake of serving about 60 rural customers who pleaded for service and who are now jurisdictional gas customers. Believe me, we wish we were rid of them. The KCC is wonderful to us and helps us, but it is an added burden and in our mind an unjustified expense. In Grandview Plaza we have a municipal water system and a municipal franchise trash system.

We have 650 people in Milford--maybe 150 to 200 voters. We have 1,000 people in Grandview Plaza--maybe 300 voters. Both cities have substantial military personnel living in the city. Our city fathers are close to the people. They listen. They watch the rates, they know that if we need a new

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treatment plant, as we did at Milford, rates must be increased. But, no one wants to unduly or unnecessarily increase the rates--just enough to keep operating without going into the red and to meet the bond and interest costs.

Gentlemen, it costs us \$2,000.00 a year extra in Milford right now because our revenue bonds on the gas requires an annual CPA audit. We're glad to do it--otherwise we would never have had gas in our little city. But, if we must keep the books, compile the figures and justify every proposed rate increase, like the big boys, it may just have a reverse effect and cause unjustified operating costs.

America was founded on the "town meeting". Do we need Washington and Topeka controlling every move?

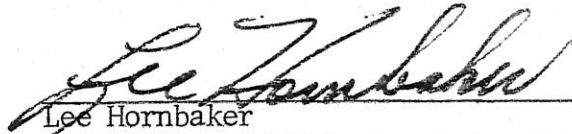
Right now we're under federal and state inspection on both gas and water. And, we're glad to comply, for it affects our own good health. But surely, the need for control ceases some place and where the council is so close to the people, that's where we way it is no longer necessary.

Let me give an illustration. We need some streets paved in Milford. The county offered us \$30,000.00 of federal money. We got the estimates, the work had to come up to certain federal specifications. The estimated cost was \$60,000.00. The people raised a fuss, and rightfully so. So, the city turned down the federal money. We got another set of plans and another bid--cost \$15,000.00, and we couldn't do that.

You can't have controls and requirements without cost. Several of my learned colleagues from the larger cities have stressed that fact. If it's a problem for Kansas City, Chanute, Colby, McPherson, gentlemen, it's practically an unsurmountable obstacle for Milford and Grandview Plaza, for the 3rd class City!

Let me add, the KCC has been kind and helpful to us--and in my opinion, if you saddle the KCC with this additional work, you will create at least 3 disservices--one-to the users of the large utilities now subject to KCC control for its services will be diluted and made less effective, two--to the users of the municipal utilities who will find their rates increasing to meet additional operating expenses and will find their services deteriorating because the city fathers will find it just too burdensome to do the things that should be done to maintain the system, and three--the general taxpayer and user who will be called upon to pay the increased cost of the increased governmental regulation.

Gentlemen--on behalf of Milford and Grandview Plaza, and on behalf of all 3rd class cities, we urge that you do not recommend that municipal owned utilities be put under KCC control.



Lee Hornbaker

for Cities of Milford and Grandview Plaza

Gardner Chamber of Commerce

P.O. BOX 402
GARDNER, KANSAS 66030

"WHERE THE TRAIL DIVIDES"

October 8, 1977

Re: Proposal No. 23, placing all municipal water, gas, & electric systems under full jurisdiction of the Kansas Corp. Commission.

Gentlemen:

We, the Board of Directors of the Gardner Chamber of Commerce & Industry, unequivocally oppose any legislation that even hints of relenquishing local control over our utilities.

First State control, then Federal control via regulations and standards set in Washington and enforced through strings attached to money grants in the form of matching funds.

These Federal funds in many instances could, and would, be refused at the local level because of the restrictions imposed but it is near impossible at the state level.

Thanks for your attention.

Bill Bond

Bill Bond, Pres.
Gardner Chamber of Commerce & Industry
Gardner, Ks.



Attch. 22

RESOLUTION NO. 781

A RESOLUTION OPPOSING PROPOSAL NO. 23 BEFORE THE JOINT SENATE/HOUSE SPECIAL COMMITTEE ON ENERGY WHICH SEEKS TO PLACE ALL MUNICIPAL WATER, GAS AND ELECTRICAL SYSTEMS UNDER THE FULL JURISDICTION OF THE KANSAS CORPORATION COMMISSION.

WHEREAS, the City of Gardner, Kansas presently operates a combined water and electrical distribution system within the City of Gardner, Johnson County, Kansas, and the operation and maintenance of said combined system is under the jurisdiction of the Governing Body of the City of Gardner, Kansas; and

WHEREAS, the Joint Senate/House Special Committee on Energy is conducting hearings on Proposal No. 23 which seeks to place all municipal water, gas and electric systems under the full jurisdiction of the Kansas Corporation Commission.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF GARDNER, KANSAS:


SECTION ONE: The Governing Body of the City of Gardner, Kansas now deems it advisable and in the best interests of the residents of the City of Gardner, Kansas to strongly oppose Proposal No. 23 presently pending before a Joint Senate/House Special Committee on Energy in the Legislature of the State of Kansas and further to fully support the position taken by the League of Kansas Municipalities and Kansas Municipal Utilities, Inc. in opposition to Proposal No. 23.

SECTION TWO: The Governing Body of the City of Gardner, Kansas further wishes to set forth in opposition to Proposal No. 23 that if the combined water and electrical distribution system of the City of Gardner, Kansas was placed under the full authority and jurisdiction of the Kansas Corporation Commission it would severely limit the ability of the City of Gardner, Kansas to effectively expand and operate said utilities, due to the City's lack of authority to adjust rates and obtain financing by the issuance of tax exempt municipal bonds in an effort to provide the inhabitants of said City with adequate water and electrical utilities at the lowest possible annual costs.


SECTION THREE: The Governing Body of the City of Gardner, Kansas, in the operation of its combined water and electrical distribution system, is directly answerable to the residents of the City of Gardner, Kansas through municipal elections and is in the best position to determine what action in regard to said utilities is in the best interests of the inhabitants of said City.

SECTION FOUR: The City Clerk of the City of Gardner, Kansas shall direct a copy of this Resolution to the Chairman of the Joint Senate/House Special Committee on Energy prior to its hearing on October 13, 1977.

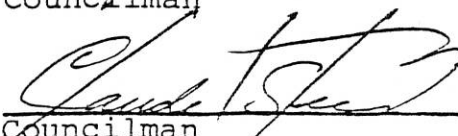
ADOPTED AND APPROVED this 5 day of OCTOBER, 1977.



Mayor



Councilman



Councilman

John R. Keeney
Councilman

Robert E. Payne
Councilman

Rab J. Lawrence
Councilman

ATTEST:

Russell McConnell
City Clerk
(SEAL)

Kansas Energy Conservation Plan
Implementation Study

for the

KANSAS ENERGY OFFICE

October 12, 1977

Energy Management and Control Corporation
634 Harrison, Suite B
Topeka, Kansas 66603

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EXECUTIVE SUMMARY

The Kansas Energy Office, under its present organization, will contribute approximately 1.8 positions to the implementation of the Kansas Energy Conservation Plan. These positions are primarily administrative.

The Kansas Energy Conservation Plan was reviewed, in depth, to identify those programs necessary to satisfy the requirements of the plan. It was assumed that the Agricultural programs would be accomplished totally by contract. Within the twelve remaining program measures specified in the plan were eighty-seven sub-programs or tasks. Each of these tasks was further divided by potential KEO staff involvement and those public and private agencies necessary to accomplish the tasks. A time commitment by each of the KEO staff categories was estimated for each of the sub-programs.

A series of hierarchies were developed based on estimated energy saving benefit of each program as well as cost and KEO staff commitment. These results culminated in a final hierarchy which weighted each program by energy savings, cost, and manpower requirements.

Based on the final hierarchy, it was determined that under the present KEO organization, 13 sub-programs, many with multiple tasks, could be implemented immediately, (subject to budget limitations), should it be necessary to implement the five mandatory programs, immediately, eleven subprograms could be conducted.

Lastly, it was recommended that the Kansas Energy Office expand its present structure. The new professional positions would include a media specialist, an education specialist, and a conservation engineer. Certain clerical support will be necessary for these new positions, but no evaluation was made concerning service support employees.

FORWARD

INTRODUCTION:

The State of Kansas Energy Office has engaged Energy Management and Control Corporation to provide recommendations concerning the implementation of the Kansas Energy Conservation Plan (KECP). The objective of the study was to provide assistance in determining which programs of the plan would be most beneficial toward conserving energy subject to the staff constraints. In addition, suggestions were to be offered as to Kansas Energy Office (KEO) restructuring (as it relates to the KECP), if any benefits would be cost effective in restructuring, and what restructuring should occur.

The analysis which is performed in the study is bounded by two system constraints. The support for the implementation of the Kansas Energy Conservation Plan by the Department of Energy may be finite in scope. At latest report, the plan implementation will be supported through 1980 by DOE. Therefore, any expansion in the Kansas Energy Office staffing must be either supported by the State or reduced following the first three years of implementation. Recommendations which follow are based on this assumption. Secondly, Kansas is a net energy exporting state, and will continue to enjoy that status for at least the near future. It is necessary that a viable Energy Office be developed to assure that the Kansas energy industry continue to enhance the Kansas economy. This will require a major contribution by the KEO to encourage conservation, resource development, and programs planning. Such a requirement may necessitate a restructuring of the present KEO organization.

In summary, the goals of this study were twofold; to provide guidelines to satisfy the requirements of the Kansas Energy Conservation Plan in an optimum manner, and to assure an ongoing effective conservation program in the State of Kansas.

THE KANSAS ENERGY SCENE:

The Ozarks Regional Planning Commission recently released a report which showed the future energy supplies and demands for a five state region including Kansas. To quote the study, "...The continued economic growth and well-being of the Ozarks Region will depend on the ability of the states to alleviate the impact of

the gas shortage...there are many policy options at the state ... level which can help to alleviate or avoid future energy problems." One of these policy options is a viable conservation program.

In 1975, 75.8 percent of the energy required by Kansas industry was supplied by natural gas. Natural gas supplied 38.1 percent of the electric utilities' energy requirement during the first quarter of 1977. The growth rate in demand for natural gas in Kansas has been 1.3 percent per year, and the growth in total energy requirements in the state has been 2.8 percent.

Because of regulation of interstate pipelines, the Region has suffered from curtailments even though it produces more gas than it consumes. The gas curtailment for Kansas during the 1975 - 76 heating year was 96 billion cubic feet. Even under the most optimistic scenario provided by the Ozarks Regional study¹, where there would be a high supply and a low growth in demand, Kansas will experience an 81 billion cubic foot shortage in 1980, and a 146 billion cubic foot shortage in 1985 (36% of the estimated demand). This could be as high as 207 and 338 cubic feet respectively under the most pessimistic scenario.

"The implications of this situation are that not only must policies be adopted to avoid future shortages, but also a high priority must be given to policies to ameliorate the impact of short-term shortages which are inevitable." Loss of low cost energy supplies in the State will affect all sectors of the Kansas economy.

The Ozarks Regional study lists conservation as a priority second only to the conversion of industry from gas to coal as an energy planning issue. The study states that Kansas has a, "... need to implement additional conservation efforts in industry ..." and a "... need 'for' aggressive public education/information program on potential shortages." The study concludes its recommendations for Kansas by stating..."Kansas should provide adequate staff and financial resources to the Kansas Energy Office for the development and implementation of energy related plans and programs..."

1. The Ozarks Regional Commission Regional Energy Alternatives Study, Kansas Summary, Ozarks Regional Commission, Little Rock, Arkansas, August, 1977.

THE KANSAS ENERGY CONSERVATION PLAN:

The Kansas Energy Conservation Plan was developed by the Kansas Energy Office under a federal support program. The plan was accepted by the Department of Energy, and \$283,000.00 (Two Hundred Eighty Three Thousand Dollars) was released for the implementation of the first phase.

Five programs of the plan were labeled as mandatory by the Department of Energy, and as such must either be implemented by the State of Kansas, or a waiver approved to be eligible for federal financial assistance. These five programs are: Illumination Efficiency Standards, Carpool/Vanpool, Government Procurement, Thermal Efficiency Standards, and Right Turn on Red. These programs are described in more detail in the main body of the report.

SECTION I

KANSAS ENERGY OFFICE PRESENT ORGANIZATION

BACKGROUND

Following the Arab oil embargo of 1973, a Fuels Allocation Office was formed within the Kansas Department of Economic Development. As the global energy situation reached crisis conditions, it was apparent that Kansas, as an energy exporting state, needed to expand its efforts in energy management. The Kansas Energy Office was formed in 1975, and was attached directly to the Governor's Office.

KEO's RESPONSIBILITY

The scope of the Kansas Energy Office (KEO) is well summarized on page 1 of the annual budget request of the office for FY 1979. Briefly the office must serve as an educational source for the energy consumer and policy developers within the State. It must encourage conservation of energy resources as well as support appropriate development of all forms of energy production. It serves as a liaison between all local, state, and federal agencies on energy concerns of the State, and assists with state and national energy policy development. In addition, the KEO has been charged with the administration of the Kansas Energy Conservation Plan (KECP).

At present, these needs are assumed by three unclassified State positions; the director, who reports directly to the Governor of the State of Kansas and who is advised by the Energy Advisory Council, and by two assistant directors, who are responsible for conservation/allocation and resource development. There are no clerical staff positions assigned to the KEO. A SETA employee presently provides clerical assistance.

PRESENT STAFF SUPPORT OF THE KANSAS ENERGY CONSERVATION PLAN

It is necessary that the staff of the Kansas Energy Office (KEO) contribute considerable time to the Kansas Energy Conservation Plan (KECP) so that the plan may become effective as soon as possible. However, other responsibilities of the office also demand time of the staff. It is presently anticipated by the staff of the KEO that the Director will spend approximately 50% of his time in direct support of the KECP. The Assistant Director for Conservation/Allocation will be assigned 100% time toward the KECP, and the Assistant Director for Resource Development will spend approximately 30% time on the plan. This equates to 1.8 staff time available for support of the KECP, and is predominantly administrative in nature.

Although many programs within the KECP can be administered under contractual agreements with other State agencies, State institutions, or private firms, there remains a number of programs whose implementation will be delayed because of the constraints imposed due to limited staff manpower, this will become more apparent in Section 2 of this report. As will be emphasized in Section 4 of this report, certain inefficiencies of staff time are inherent under a totally contractual mode of operation. The immediate effect of delaying certain programs will be a scarcity of energy availability to both the private and commercial sectors within the State. It is not the intent of this report to develop a prognosis of energy supply and demand, nor what effect it may have on the economy of the State. However, as efforts toward conservation are increased, the severity of reduced energy resources is lessened.

Under the present structure of the Kansas Energy Office, technical support must be provided through arrangements made with other state agencies, institutions, or private firms. In-house technical support of the administrative efforts of the KEO will increase in importance as the KEO becomes more involved in the KECP. Without such support, efficient administration of the KECP, as well as other responsibilities of the KEO, will be difficult.

SECTION 2

PROGRAMS AND AGENCY SUPPORT REQUIREMENTS of the KANSAS ENERGY CONSERVATION PLAN

The goal in the preparation of the Kansas Energy Conservation Plan, was to develop programs that would reduce the energy consumed in the State 5% in the year 1980. The authors of the plan determined that a 6.1% could be realized if the programs were actively pursued.

An in-depth review of the KECP was undertaken to specifically identify each program suggested by the plan. Excluding the Agricultural program measures*, eighty-seven programs have been identified and are presented in Table 1.

In addition, an attempt was made to determine the time demand on the KEO by each of the programs, and to indicate those state, local, and private agencies identified in the plan as necessary for support. The Kansas Energy Office requirement was further divided to identify staff categories, and an estimated time allotment assigned to each category by task. The staff categories selected were as follows: KECP Director, Administrative Officer, Planner, Media Specialist, Training Specialist, Conservation Engineer - Building Systems, Transportation Engineer, Utilities Engineer, and Purchasing Specialist. The category titles were somewhat arbitrary, and were used only to provide insight as to specialty requirements of each task. Certain staff categories were pooled for Section 4 where new position recommendation were made. The results are listed in Table 1.

Each program or subprogram measure is divided into specific programs or tasks. Staff category involvement is shown by an "X" following that task. When all the tasks within a program measure are identified and assigned, an estimate of the tenths time requirement of each staff category is shown. It should be noted that only professional staff requirements are shown.

The staff requirement estimates are only in support of the Kansas Energy Conservation Plan. No attempt is made to include the other duties of the office, beyond the scope of the plan. In addition, the supporting agency involvements are only those specifically identified by the plan. This should not be interpreted to mean that such support is exclusive of other agencies, nor that those agencies identified will not be involved in other tasks of the plan.

* The plan suggests that the entire Agricultural program be accomplished by contract with a State agency. This is feasible because Kansas has been involved with such a program for two years prior to the implementation of the KECP.

TABLE 1
PROGRAMS AND MANPOWER
REQUIRED TO SATISFY THE
KANSAS ENERGY CONSERVATION PLAN

AGENCY INVOLVED

KANSAS ENERGY OFFICE (STAFF INVOLVEMENT AND ESTIMATED TENTHS TIME REQUIREMENT)

PROGRAM MEASURE	SUB-PROGRAM MEASURE	TASK DESCRIPTION	TASK NUMBER	AGENCY INVOLVED																				
				KFCP Director	Admin. Officer	Planner	Media Special.	Training Special.	Conserva. Engr-Bldg.	Transport. Engr.	Utilities Engineer	Purchase. Special.	KCC	KDOT	KRP	DOA	State Architect	State Legislature	Misc. State Agencies	Division of Purchasing	Local Governments	Utility Companies	Contracting Agencies	
Illumination Efficiency Standards		Develop illumination efficiency standard	1.1		X				X						X									
		Order issued to implement standard for new buildings.	1.2	X												X								
		Conduct training seminars and workshops on illumination efficiency.	1.3					X																
		Distribute information bulletins.	1.4				X																	
		Training sessions for local officials on implementing illumination standards.	1.5					X																
		Enforcement of illumination standards financed by building permit.	1.6																			X		
		TOTAL 1		0.1	0.1		0.1	0.4	0.2															
		Coordinate matching and promotion campaign with metropolitan planning organization.	2.1	X							X											X		X
		Maintain surveillance of programs.	2.2		X																			
		Encourage adoption by State and Local Governments	2.3	X							X											X		
		Promote vanpooling in local governments and large corporations.	2.4	X							X													
		Encourage updating of public transportation by local governments and transit authorities.	2.5																			X		
		TOTAL 2		0.3	0.1				0.1															

Carpool/
Vanpool

AGENCY INVOLVED

KANSAS ENERGY OFFICE (STAFF INVOLVEMENT AND ESTIMATED TENTHS TIME REQUIREMENT)

PROGRAM MEASURE	SUB-PROGRAM MEASURE	TASK DESCRIPTION	TASK NUMBER	AGENCY INVOLVED																			
				KECP Director	Admin. Officer	Planner	Media Special.	Training Special.	Conserva. Engr-Bldg.	Transport. Engr.	Utilities Engineer	Purchase. Special.	KCC	KDOT	KHP	DOA	State Architect	State Legislature	Misc. State Agencies	Division of Purchasing	Local Governments	Utility Companies	Contracting Agencies
Recycling Possibilities		Investigate recycling potential in Kansas.	13.1	X	X																		
		Implement recycling plans.	13.2	X	X												X						
		TOTAL 13	0.1		.1																		
		ESTIMATED TOTAL TIME REQUIREMENT	2.1	1.1	.9	1.9	2.4	2.6	0.8	0.6	0.4												
FOOTNOTES:				<p>1. In specific instances a staff position is shown to support a particular task without any time allocated to that task. This implies that it has been estimated that time devoted to that task is less than 0.1.</p> <p>2. Providing such service is in direct competition with private industry.</p> <p>3. The entire Agricultural program area should be accomplished through negotiated contract with an existing state agency. Such a program was previously undertaken by a state agency, and proved successful. However, federal funding for the program ended at the close of F.Y. 77. As a result the program was halted. So that the KECP may benefit by the experience of the previous program, funding should be released to continue the project. If an extensive delay develops, the benefit of the previous program will be markedly reduced.</p> <p>4. Staff requirements greater than 1.0 under Tasks 11.4 and 11.5 are not included in total. It was assumed that such a task may be contracted thus its inclusion in the total would over-shadow remaining task/staff requirements.</p> <p>5. Staff requirements for alternate energy tasks are only those necessary to satisfy the KECP and should not be interpreted as the total state effort.</p> <p>6. KCC Kansas Corporation Commission KDOT Kansas Department of Transportation KHP Kansas Highway Patrol DOA Kansas Department of Administration</p> <p>7. The time estimated for the Administrative Offices may be conservative. The monitoring and reporting programs required by DOE are quite extensive, and may even increase in complexity.</p>																			

SECTION 3

RECOMMENDED PROGRAM HIERARCHY UNDER THE PRESENT STRUCTURE OF THE KANSAS ENERGY OFFICE

INTRODUCTION

Programs amenable to the present structure of the KEO are based on cost effectiveness and are estimated to be within the bounds of the present office organization.

HIERARCHY DEVELOPMENT

Program measures identified in the KECP are rank ordered by their cost/benefit ratio (as shown in the KECP) and are itemized in Table 2.

TABLE 2

COST BENEFIT RATIO RANK ORDER OF KECP PROGRAMS

<u>Program Measure</u>	<u>Cost/Benefit Ratio</u> ¢/million BTU
Residential	0.2
Lighting Efficiency Standards	0.3
Carpool, Vanpool	0.4
Transportation	0.5
Industrial	0.5
Utilities	0.9
Alternate Energy Sources	0.9
Thermal Efficiency Standards	1.2
Commercial	1.6
Government Procurement	1.8
Agriculture	3.3
Recycling	8.0
Government Operations	18.7

NOTE: The Department of Energy requires that at a minimum the five mandatory programs be accomplished unless a waiver is approved by DOE. These include Illumination Efficiency Standards, Carpool/Vanpool, Government Procurement, Thermal Efficiency Standards, and Right Turn on Red.

In addition to cost benefit of each program, consideration must be given to the limitations imposed by the present structure of the KEO. It is assumed that tasks number 2.1 and 2.2 under Carpool/Vanpool, and Public Transportation will be accomplished by contract.

This program must be implemented by January 1, 1978, per Department of Energy order. The program is presently being negotiated.

The Agricultural program measure will also be accomplished under contract. Although the Department of Energy has not specified a deadline, rapid implementation is necessary. Kansas State University, under an earlier federal contract, has developed an agricultural energy conservation program. Funding for that program was terminated during the summer of 1977. For the KECP to benefit from the program, funding should be released to prevent excessive delay which could be damaging to the continued effectiveness of the program.

Residential: Fourteen tasks are identified on Table 2 under the residential program measure. The program is estimated to have a 2.2 staff time requirement. This program alone, exceeds the time available under the present KEO personnel structure. It will therefore be necessary to accomplish this program measure primarily by contract. Tasks requiring technical assistance such as task 5.1.4 could possibly be accomplished under contract with another state agency or institution. The workshops and seminars could be developed and presented by one of the continuing education networks existing in the State. It may be necessary to contract with a public relations or advertising firm for the development of the public awareness programs, identified. To some extent the monitoring required of each sub program may be accomplished by the contractor, but the coordination of all the subprograms must be accomplished within the Kansas Energy Office. A minimum of 0.3 time must be allocated to this effort.

Illumination Efficiency Standards: Six tasks are required to accomplish the lighting efficiency standards, which have a personnel requirement of 0.9 time. Although the educational programs may be contracted to the continuing education groups as described under "Residential", the coordination required for legislation and monitoring should be the responsibility of the KEO. It is estimated that a 0.2 time staff effort will be required to administer the six tasks.

Carpool/Vanpool: The five tasks specified under Carpool/Vanpool are estimated to require 0.5 time. As previously mentioned two of the five tasks will be implemented under contract in the near future. The tasks that remain are primarily administrative and promotional in nature. Promotion may be accomplished by contract, but administration should be performed by the KEO. This will require a 0.4 staff effort to implement all five tasks.

Industrial: A total of 3.2 staff time positions would be required to accomplish the 9 tasks necessary under the Industrial program measure. However, 0.8 time will be devoted to education and promotion and 1.7 time to technical assistance. The remaining 0.7 time administration (including planning and monitoring of the program) should be provided by the KEO.

Unfortunately the demand on KEO staff time available now totals 2.4 and only 1.8 is available. It may be possible to only partially support a portion of those tasks within these five program areas, or accomplish them in succession. Nine program areas remain containing 54 tasks and account for a total of 6.0 staff time requirements.

Realistically a portion of the entire 14 program measures will be undertaken at approximately the same time, leaving certain tasks until such time that staff is available. Realizing this fact, a table has been developed which rank orders each task within a program measure.

When possible the hierarchy has been developed by dividing the estimated energy savings of a subprogram (as cited in the KECP) by the estimated staff time requirement. No attempt was made to estimate the potential savings in energy where none was provided by the plan. Those programs not listed in the hierarchy warrant consideration when programs are chosen for implementation.

TABLE 3

SUGGESTED HIERARCHY OF TASKS WITHIN PROGRAM MEASURES

Program Measure (Listed by Hierarchy developed in Table 2)	Task Hierarchy - (Most Effective to Least Effective per Unit staff time)	Subgroup Energy Savings per Unit Staff Time (Subgroup Composite) (BTUx10 ¹² /staff posit
Residential	5.7	40.0
	5.1	23.9
	5.5	5.8
	5.2	4.8
	5.4	1.3
	5.6	1.1
	5.3	0.4
Illumination Efficiency Standard Carpool, Vanpool Transportation	1	3.26
	2	4.94
	9.9	(negligible staff requirement)
	9.10	19.5
	9.1	5.2 (mean)
	9.11	3.0
	9.8	2.5
	9.2	2.0
	9.12	0.4
	9.7	(energy savings not estimated)
	9.3	"
	9.4	"
	9.6	"
9.5	"	
Industrial	7.4	(energy savings not estimated)
	7.2	
	7.1	
	7.3	
Utilities	8.2	Total = 7=6.56
	8.1	13.25 (Program to be admini: tered by KCC)
Alternate Energy Sources Thermal Efficiency Standard Commerical	12	1.9
	4	3.9
	6.2	4.7
	6.3	1.1
	6.1	0.3
	6.5	-
	6.4	-
Government Procurement	3	0.7
Agriculture	-	-
Recycling	13	0.5
Government Operation	11	2.4

NOTE: The preceding table should not be interpreted to imply that the total energy savings of one task or subprogram is greater than that below it in the hierarchy. The hierarchy is normalized on the amount of time estimated to implement a certain program. For example it is estimated that 14.34×10^{12} BTU's can be saved with subprogram 5.1 and only 4×10^{12} BTU's will be saved under subprogram 5.7. Because the staff requirements to implement 5.7 are significantly less for 5.7 than 5.1, the normalized unit savings is greater, thus 5.7 precedes 5.1 in the hierarchy.

COST ANALYSIS:

So as to select which programs would provide the greatest benefit as a function of staff time and program costs, the values in Table 3 (where values existed) were weighted by those in Table 2. The results are presented in Table 4.

TABLE 4
ENERGY SAVING POTENTIAL
AS A FUNCTION OF STAFF
REQUIREMENT AND COST 1,2

Subprogram Number	Weighting (x 10 ³)
5.7	7.66
5.1	4.58
9.10	1.49
5.5	1.11
5.2	0.92
8.2	0.56
7	0.50
2	0.47
1	0.42
9.1	0.40
5.4	0.25
9.11	0.23
5.6	0.21
9.8	0.19
9.2	0.15
4	0.12
6.2	0.11
12	0.08
5.3	0.08
6.3	0.03
9.12	0.03
6.1	0.01
3	0.01

1. Sample Calculation:

$$\text{Weighting} = \left(\frac{\text{Subgroup Energy Savings : Table 3}}{\text{Unit Staff Time}} \right) \left(\frac{\text{Sum of Cost Benefit Ratio :Table}}{\text{Program Cost Benefit Ratio}} \right)$$

$$\text{EXAMPLE: Task 5.7: } (40) \left(\frac{38.30}{0.2 \times 1000} \right) = 7.66$$

2. Those subprograms not listed were not estimated for energy savings in KECP.

SUBPROGRAM KEY

- 5.7 Residential, Increased Emphasis on heat pumps
- 5.1 Residential, Project Conserve
- 9.10 Transportation, Enforcement of 55 mph speed limit
- 5.5 Residential, Night time change in thermostat
- 5.2 Residential, Gas Furnace pilot light turn off, and relight
- 8.2 Electric and Gas Utilities, Gas Utility Energy Savings Techniques
- 7 Industrial Manufacturing
- 2 Carpool/Vanpool
- 1 Illumination Efficiency Standards
- 9.1 Transportation, Annual Tune Up
- 5.4 Residential, Loans for Energy Conservation
- 9.11 Transportation, Driver Education for Energy Conservation
- 5.6 Residential, Arkansas Plan for home construction
- 9.8 Transportation, Promotion of bikeways and bicycle parking racks
- 9.2 Transportation, Vehicle registration fee
- 4 Building Thermal Efficiency Standards
- 6.2 Commercial night time change in thermostat setting, and reduction in operating hours
- 12 Alternate energy sources
- 5.3 Residential, Public information program for conservation options
- 6.3 Commercial, Increased emphasis on heat pumps
- 9.12 Transportation, Diesel Highway Patrol Vehicles
- 6.1 Commercial, Project Conserve
- 3 Government Procurement Practices Improvement

Based on the results of Table 4, it is now possible to determine which programs could be implemented immediately by the KEO under its present organization.

Task 5.7, Residential-Increased Emphasis on Heat Pumps: KEO time is negligible, program promotion through contract.

Task 5.1, Residential-Project Conserve: KEO will require 0.2 time in-house, program promotion and technical services by contract.

Task 9.10, Transportation - Enforcement of 55 mph Speed Limit: KEO will require 0.2 in-house administration and coordination; program will be accomplished by Kansas Highway Patrol.

Task 5.5, Residential, Night Time Change in Thermostat Setting: KEO time is negligible, program promotion through contract.

Task 8.2, Electric and Gas Utilities, Gas Utility Energy Saving Techniques: KEO will require 0.1 time for coordination, program will be conducted by KCC.

Task 7, Industrial Manufacturing, Energy Seminars and Courses: KEO will require 0.1, training services will be conducted by contract.

Task 2, Carpool/Vanpool: KEO will require 0.4 time for entire program (0.2 time will be required initially to administer first contract), remainder of program accomplished by contract.

Task 1, Illumination Efficiency Standards: KEO will require 0.2 time for administration, training and promotion conducted by contract.

Task 9.1, Transportation, Annual Tune-Up: KEO will require 0.1 time for administration and monitoring, promotion will be conducted by contract.

Task 5.4, Residential, Loans for Energy Conservation: KEO will require 0.3 time for administration and monitoring.

Task 9.11, Transportation, Drivers Education for Energy Conservation: KEO will require 0.1 time for development and promotion.

Task 5.6, Residential, Arkansas Plan: KEO will require 0.1 for administration, promotion will be accomplished by contract.

Task 9.8, Transportation, Promotion of Bikeways and Bicycle Parking
Rucks: KEO time is negligible, promotion and planning will be
accomplished by contract.

The 1.8 staff time allotted to the KECP has been committed to the
13 tasks noted above. Because of public awareness, or a change in
emphasis, certain programs of the KECP may eventually be substi-
tuted for those tasks specified. However, it is evident under the
present structure of the KEO, a number of programs must be delayed.
In addition the majority of programs initiated will require con-
tractual agreements for implementation.

It may not be possible to complete all projects in the order shown
on Table 4. The Department of Energy requires that the five
mandatory programs be implemented. This may necessitate ele-
vating Building Thermal Efficiency Standards (Program Number 4),
and Government Procurement (Program Number 3) to a higher priority
in the hierarchy. In addition, it is required that a monitoring
program be developed to investigate the effectiveness of Right
Turn on Red.

A minimum of 0.3 administrative support will be necessary to im-
plement programs 3 and 4. This assumes that promotion, technical
support, and education will be accomplished by contract. In addi-
tion it will be necessary to temporarily appoint or acquire on
loan from another state agency a purchasing specialist. A 0.1
appointment will be required to monitor the Right Turn on Red pro-
gram.

The result of this shift in hierarchy will be that Tasks 5.4 and
below on Table 4 will be delayed.

The programs recommended for immediate implementation were based
on manpower requirements. Budget limitations may prevent adherence
to the suggested list. It has also been assumed that all the
administrative requirements of the programs suggested can be met
by the present staff. This may be partially invalid because of the
technical nature of certain programs.

SECTION 4

RECOMMENDATIONS CONCERNING EXPANSION OF THE "IN-HOUSE" CAPABILITIES OF THE KANSAS ENERGY OFFICE

INTRODUCTION

Two basic problem areas have become evident in Section 3 of this report. Under the present organization of the KEO, insufficient staff time exists to accomplish the Kansas Energy Plan in a manner that would assure maximum effectiveness. Delay in some programs will be necessary so as to implement others. Secondly a considerable degree of contracted services will be necessary for the accomplishment of even the most critical programs. This may be satisfactory within certain programs, but the lack of continuity which will exist because of the disassociation of contractors in separate fields such as a continuing education organization and a public relations firm or engineering firm will require an increased effort by the administration within the KEO. Certain inherent deficiencies can be avoided through careful consideration of the requirements of the conservation plan.

RECOMMENDATIONS:

Three general areas of support of the KECP are lacking within the present structure of the Kansas Energy Office. These include media and public relations, adult education and engineering.

Most of the programs identified within the KECP require public awareness or industrial exposure. It is estimated in Table 1 that a staff effort by 1.9 specialists would be required to accomplish all the tasks. It is not suggested that 1.9 positions be authorized for the office. However, it is apparent that such a position is necessary for adequate KECP support. It is recommended that a 1.0 position be created for a media specialist. This will assure that administrative requirements resulting from contractual coordination will be reduced. Should additional public awareness programs be necessary beyond the capabilities of the single staff person, contract arrangements could be made with public relations firms.

Because an effective continuing education network has been established by the State universities and colleges, the need for a large in-house training staff is minimized. As noted in Table 1, 2.4 full time positions would be necessary to accomplish the entire set of tasks. A training coordinator within the KEO could arrange

for all training specified under the KECP. In addition the training coordinator could actively conduct training programs, coordinate with vocational technical schools, etc. Therefore it is recommended that a 1.0 position be established for the training coordinator.

At present, the KEO must seek outside assistance in all matters related to the technical application of energy conservation. As programs are developed by the KEO there will become an ever increasing need for an in-house technical advisor. In addition, increasing requests will be made of the office by various federal, state, and local agencies for technical support in implementing the KECP. It should not be inferred that such a staff member would accomplish all of the engineering services specified by the conservation plan. A total of 4.0 positions would be required as shown in Table 1 excluding energy audit capabilities. The position would support the plan as a coordinator and advisor concerning the technical facets of the program.

To a large extent the problems identified earlier in this section could be alleviated by the addition of the three new positions. By reducing the coordination effort necessary to operate under a pure contract operation more time will be available for implementing additional programs. Although it may not be possible to implement all the programs simultaneously, the increased staffing will improve the effectiveness of the conservation plan.

It is not recommended that sufficient permanent positions be established to satisfy all of the immediate requirements of the plan. The reason for this is two-fold. First, federal support past 1980 cannot be assumed. Secondly, and possibly more critical, as certain programs are developed, they may either gain sufficient momentum that support by the KEO will not be necessary or the goal of the program will be satisfied and terminated.

Where in-house support is necessary, but known to be either temporary or less than full time, it is recommended that arrangements be made with other state agencies for temporary loan of the necessary staff person or a joint appointment be developed. Such would be the case in the 0.4 requirement for a purchasing specialist as shown in Table 1.

COST JUSTIFICATION FOR INCREASING STAFF:

Accomplishing tasks in-house, rather than under contract, reduces the program cost by the amount of profit required by the contractor. This reason, alone, may not be sufficient to justify KEO expansion because of the direct competition to private industry. However, the savings could be substantial. For example, if it could be assumed that the contractor's profit was 10%, and his operating costs were equal to that of the KEO for a particular program, the potential savings to the State for FY 78 would be \$6,550.00. This is based on the KEO conservation activities which are proposed for accomplishment by private industry through contract during FY78. This savings could be utilized in implementing additional programs.

Obviously not all the programs would best be accomplished in-house for reasons given earlier.

It cannot be assumed that other state agencies can provide all the contractual requirements of the KEO. Although this would avoid the cost of profit, state agencies are limited in time available to accept additional responsibilities.

A less obvious cost benefit for KEO expansion is the fact that certain administrative actions could be completely eliminated. For example, at present it will be necessary for the KEO to contract with a private firm to prepare specifications for the writing of a proposed illumination efficiency standard. The specifications, prepared by contract, will then be released for bid for the actual preparation of the standard. If the KEO had its own technical staff person, that person could develop the standard, thus completely eliminate the cost of the initial contract to prepare the specifications. A more subtle savings would also exist because the need for contract administrative time of the second contract would be eliminated.

It is estimated that the savings for this single task would be in excess of \$1,000.00 (One Thousand Dollars). Savings of a similar magnitude could be expected from other tasks accomplished by KEO staff.

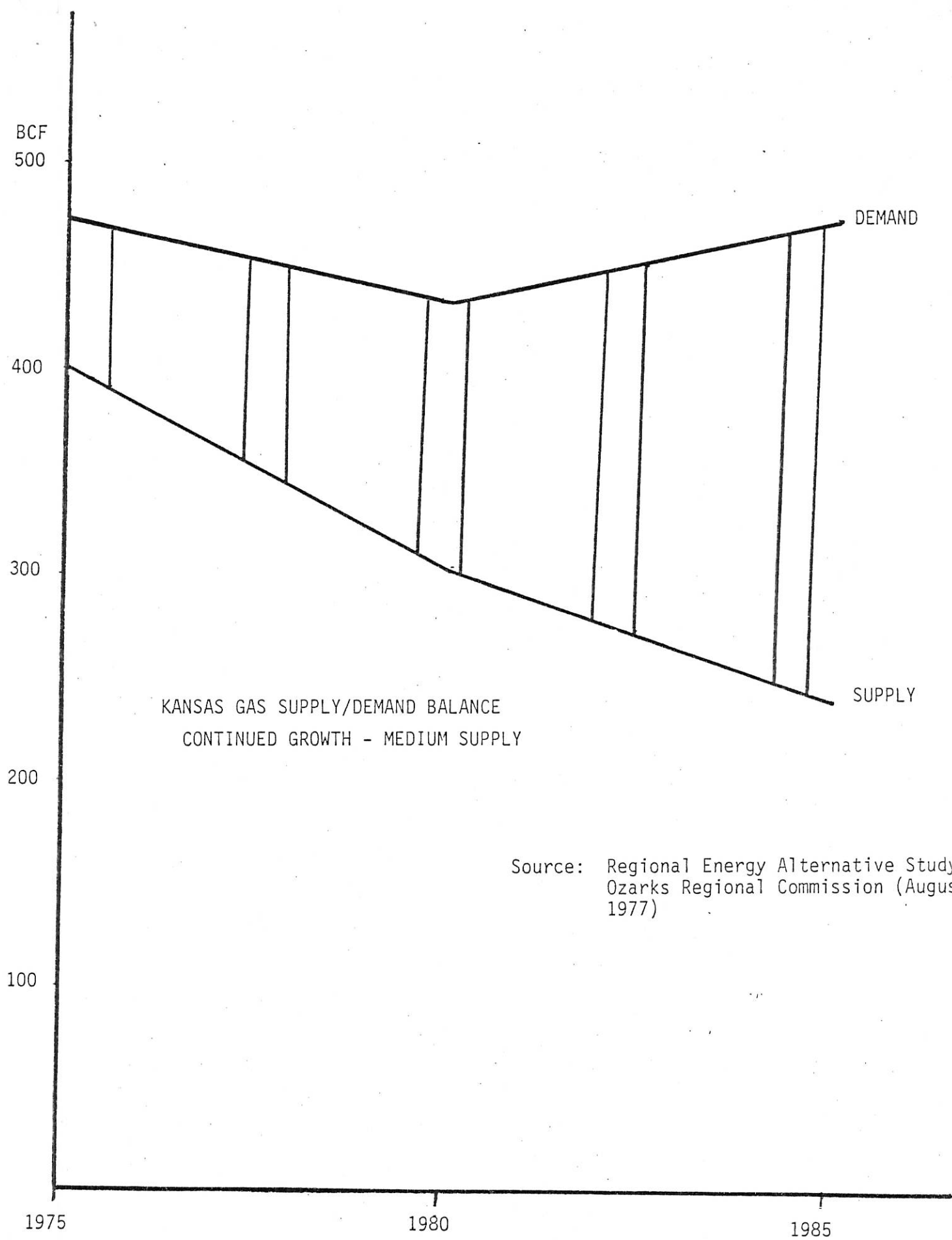
Similarly, as each new KEO program is initiated which requires public awareness or specialized training, a new contract will be prepared and released for bid. Without an in-house staff expertise in the area of the contract, the KEO will be forced to rely on outside assistance. This results in increased program cost.

Not only will an increase in staff within the KEO increase the number of programs initiated because of increased manhours, but programs can be operated at reduced cost thus making funds available for new programs.

SUMMARY

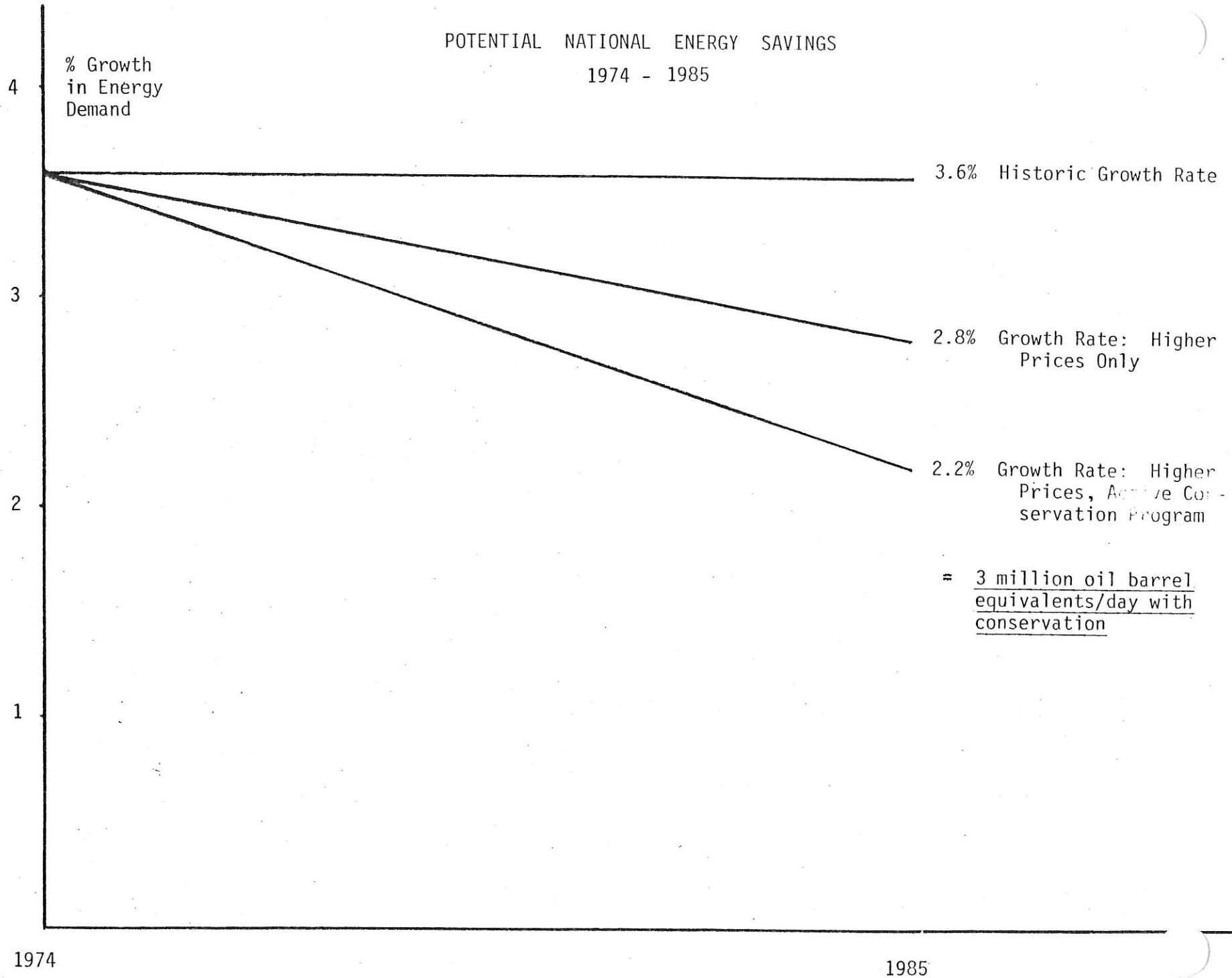
In summary, it is recommended that the present organization of the Kansas Energy Office be expanded to three additional positions, a media specialist, an education specialist, and an engineer. These positions should be totally in support of the Kansas Energy Conservation Plan. Other responsibilities of the KEO beyond the conservation plan may necessitate additional positions for reasons similar to those given here.

It is recommended that as new programs are developed or as KECP programs are implemented that the effectiveness of the program be estimated and a cost benefit study performed to assure optimum utilization of manpower and funds.



Source: Regional Energy Alternative Study, Ozarks Regional Commission (August, 1977)

POTENTIAL NATIONAL ENERGY SAVINGS
1974 - 1985

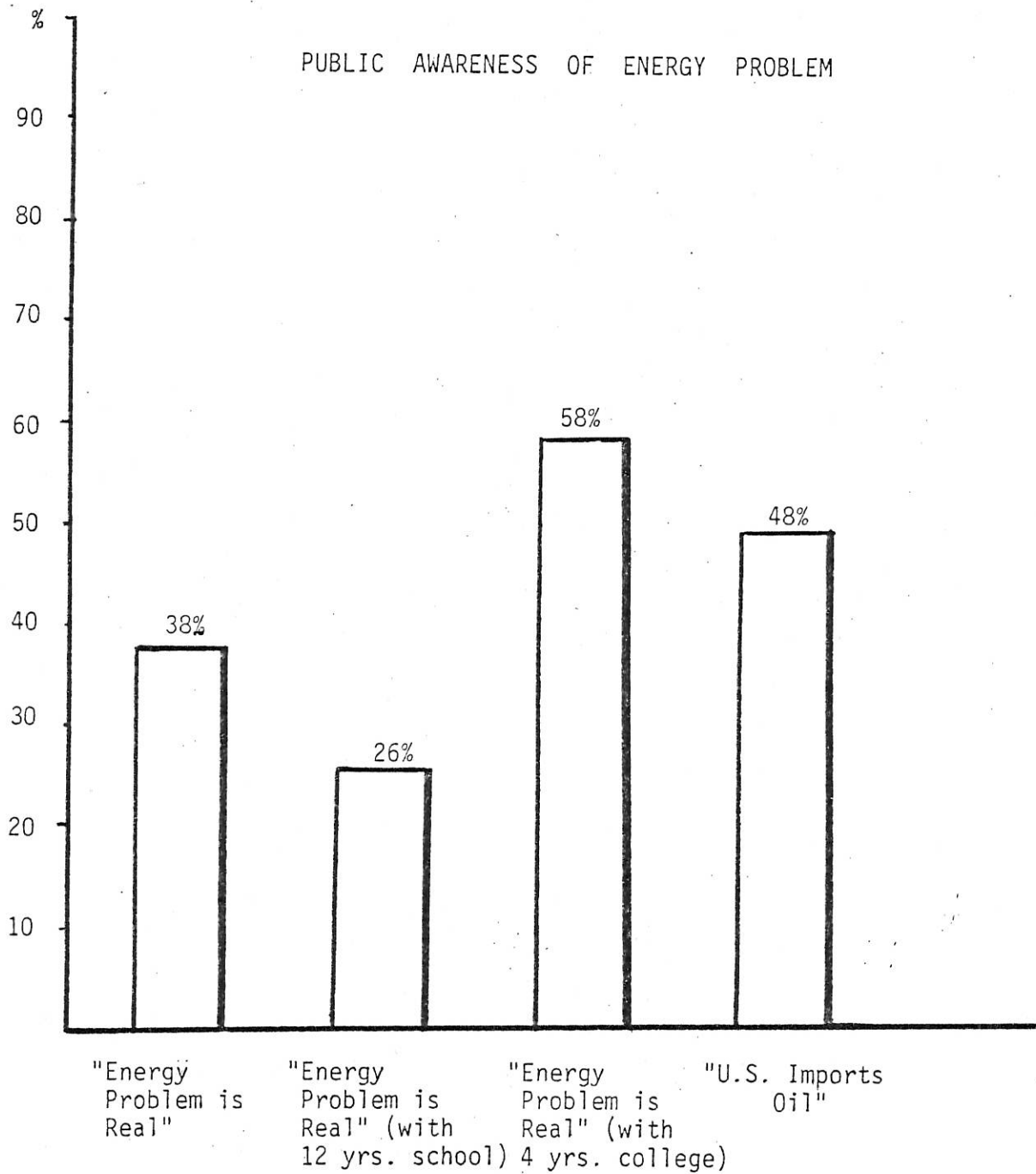


1974

1985

Source: National Energy Outlook, FEA (1976)

PUBLIC AWARENESS OF ENERGY PROBLEM



Source: N.Y Times - CBS Poll (August, 1977)

KEO PROPOSED CONSERVATION PROGRAM ACTIVITIES
1978 - 1979

<u>PROGRAM AREA</u>	<u>PROGRAM TITLE</u>	<u>PRIMARY DELIVERY MECHANISM</u>	<u>FY 78 FUNDING</u>	<u>FY 79 FUNDING¹</u>
RESIDENTIAL	Project Conserve	Local governments; processing by KEO	61,816	*
RESIDENTIAL	Promotion of Heat Pumps in New Homes	Contract or KEO staff	8,000	-
RESIDENTIAL	Promotion of Night-time Thermostat Set-back	Contract or KEO staff	4,000	-
RESIDENTIAL	Implementation Strategy for Arkansas Plan Construction	Contract or KEO staff	12,000	-
RESIDENTIAL	Municipal Utilities - Loans for Retrofits	Local Demonstration Program	3,000	-
ALL SECTORS	Public Awareness	Local Demonstration program, some contract, some additional KEO staff	-	178,231
ALL SECTORS	Training of Energy Auditors	Contract	17,000	*
ALL SECTORS	Energy Audits	Contract	*	150,210
INDUSTRIAL	Technical Assistance to Small Business	Contract/KEO staff	24,000	*
AGRICULTURE	Energy Conservation in Production Agriculture	Contract with other governmental unit	70,000	78,425
TRANSPORTATION	Promotion of Bikeways	Contract with other governmental unit	4,000	-
TRANSPORTATION	Carpool/Vanpool	Local Demonstration Program	17,500	17,325
GOVERNMENT	Lighting Efficiency Standards	Contract or KEO staff	6,250	-
GOVERNMENT	Thermal Efficiency Standards	Contract or KEO staff	6,250	-
GOVERNMENT	State Government Conservation Program	KEO staff	-	12,128
GOVERNMENT	State Government Purchasing	Contract with other governmental unit	-	15,845
GOVERNMENT	Local Government Assistance	Local Demonstration programs, contract	-	68,454
GOVERNMENT	Energy Extension Service - Monitoring of Pilot Programs	Contract/KEO staff	-	26,502
-	Monitoring of Conservation Program Results	Contract/KEO staff	-	40,000
			233,816	587,620

¹ includes overhead and support costs

* included under other program descriptions

Attachment No. 25

PROFILE OF
FRANK W. SHELTON, JR. - AB, PE, LLB, JD

Residence: Freedom Sentry Ranch, RD 2, Cherryvale, Kansas 67335 (316-336-2479)
PO: Freedom Sentry Ranch, Liberty Township, PO Box 1776, Independence, Kansas 67301

Born (2-2-07) in Independence, Kansas; both parents MDs, built the first hospital in Montgomery County. Graduate of: Independence High School; AB pre-med University of Cincinnati, 1928; LLB, Franklin University, Columbus, Ohio, 1941; JD, Capital University, Columbus, Ohio, 1966; Registered Professional Engineer (OHIO) 1937. Member of Ohio, Federal District and U.S. Supreme Court Bars. Awarded varsity "C" (1927) for athletics, University of Cincinnati. Ex-member of national board of Directors Delta Tau Delta (social) fraternity. Member Pi Delta Epsilon honorary journalistic fraternity. Member of the National and Kansas Societies, Sons of the American Revolution. President Independence Chapter, American Association of Retired Persons (380 members). On the state Taxation and Legislative Committees of the Kansas Livestock Assn. Initiated and is chairman of the Board, Young Patriots for Freedom which is sponsoring a good citizenship contest for all students in Montgomery County, grades kindergarten through high school. On the Board of the Montgomery County-Independence High School Alumna Association.

The Sheltons operate and do all the work on their ranch. They have two daughters: Kersten 8 and Gretl 7 (in Cherryvale Schools). Frank has a son and five grandchildren living in New Jersey. His grandson is enrolled in engineering at Georgia Tech. University.

Frank Shelton was the first Executive Director of the Ohio Transportation Research Center (1970-71) and is Executive Director Emeritus (retired). Prior to being selected to build the Center in 1970, he was Engineer of Consultant Contracts on the staff of the Ohio Director of Highways for three years. In that capacity he developed definitive contracts with consultants for the design of all major highway construction and related projects, and coordinated those contracts with the Federal Highway Administration. From 1933 to 1941 he had been an engineer in the Ohio Department of Highways.

In 1967 he retired from Long Lines Dept., American Telephone & Telegraph Co. for which he had worked as attorney, Ass't. Division Attorney (Ohio, Michigan, Indiana), Labor Lawyer, Ass't. to Area General Manager (east coast states from Maine to Virginia), and Information Manager - starting in Ohio and having his office in New York City headquarters for the last seventeen years with the company.

Frank was on the Advisory Committee on Technology, Bowling Green State University; and is on the Executive Committee of the Board of Consultants, the Herman Schneider Laboratory of Basic and Applied Science Research, University of Cincinnati.

His previous public services include: Legal counsel to the Ohio Society of Professional Engineers and to the Ohio Civil Service Employees Association; member of the Ohio Highway Recodification Commission; vice-chairman Ohio State Housing Board; one of the five charter members of the Ohio Civil Service Employees Association (1937); sponsored first legislation barring strikes by public employees; chairman of the first rural zoning commission in Ohio (1947-51), Munson Twp., Geauga County; chairman of Hanover Township, New Jersey, Sewerage Authority during design, financing and construction of system (1961-66); member of the board and lawyer for the Ohio Highway Employees Credit Union (1968-69).

He taught embryology and comparative anatomy, University of Cincinnati (1927-28); was on the staff of the Bell System Executive Conference (1954-55); and has addressed seminars at Ohio State; Ohio University; University of Cincinnati; M.I.T.; Purdue; University of California; Southern California University; University of Mass.; Penn State; University of Connecticut.

Mrs. Shelton is a native of Minnesota; graduate of University of Minn. in education; post-graduate studies at Michigan State Univ. and Ohio State University; taught school in Michigan. Member of Daughters of the American Revolution; Ladies Library & Art Assn.; Monday Music Club; and on the Board of Meadowlark Girl Scout Council.

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Attachment No. 26

PETITION FOR RELIEF FROM CONFISCATORY ELECTRIC BILLS

Addressed to: President Ross O. Doyen, Kansas Senate; Speaker John Carlin, Kansas House of Representatives; Hon. Robert F. Bennett, Governor of Kansas; Hon. Curt T. Schneider, Kansas Attorney General; U.S. Senator James B. Pearson; U.S. Senator Robert Dole; Congressman Joe Skubitz; Kansas Senator Robert V. Talkington, Chairman, and Senator John F. Vermillion, Vice-chairman, Transportation and Utilities Committee; Kansas Representative Donald E. Mainey, Chairman, Energy and Natural Resources Committee; Chairman G. T. Van Bebber, Kansas Corporation Commission.

Whereas, inflation is a major factor in the deterioration of the social, economic and political well-being of our Nation and its citizens; and

Whereas, said inflation is largely induced by governmental deficits, excessive Federal government payrolls, unrestrained labor-management practices, escalation of production costs not offset by increased productivity, political chicanery and self-interest, inept and undisciplined corporate management, unjustified and pyramided excessive costs by monopolies which are favored with exclusive territories, and the uncontrolled growth of population which presently far exceeds many native resources; and

Whereas, it has become the practice of many monopolistic essential public utilities to be unreigned in expenditures, expecting state and Federal commissions to grant adequate rate increases to profitably enhance their incomes; and

Whereas, the misbegotten policy and philosophy of the Federal Administration, evidenced in its Energy Bill pending in Congress, ~~to~~ promote inflation of oil, gas and electricity costs by means of taxes and other penalties against innocent citizens in the name of conservation; and

Whereas, the larger residential users of electricity, particularly the farmers, ranchers and all-electric home-owners, are being unnecessarily and brutally damaged by the rate schedules, practices and policies of governments, commissions and monopolies; and

Whereas, many electric power retailers are not producers of the energy marketed and are merely additional-cost-and-profit middlemen parasitically saddled on the consumers; and

Whereas, the self-supporting aged and others on fixed incomes are being destroyed by the policies, practices and statutes which franchise exclusive territories to monopolies which charge excessive rates for electric service; and

Whereas, some consumers are enslaved in territories served by parasite electric retailers which are two-companies-distant from the producer, and which charge 18 to 100% above current fair market - such a company is Twin Valley Electric Cooperative; and

Whereas, the Kansas Legislature and the Kansas Corporation Commission were petitioned to grant relief to the consumers residing in the exclusive territory of Twin Valley Electric Cooperative and similar high-cost non-productive monopolies, and to hold hearings in the territories affected, but no such relief has been forthcoming; and

Whereas, if the representatives and ostensible protectors of the citizens of this state and Nation do not take prompt remedial steps, and if the citizens are further subjected to growing tax and energy costs beyond their capacity to bear, it is foreseeable that the citizens will force the nationalization of such monopolies.

Now therefore: We citizens of Kansas petition those to whom this document is addressed to take the following actions forthwith -

1 - Hold public hearings for the immediate redress of excessive rates and for the early elimination of non-productive middlemen electric energy retailers.

2 - Pass necessary corrective legislation for the periodic (not to exceed five years) public review of the territorial boundaries of operating electric utilities, and to determine whether the costs and rates of such companies should prevent the renewal of their franchises.

3 - Prohibit the lobbying and image advertising costs of such companies to be charged to the consumers.

4 - Take all other corrective measures to insure reasonable-low-cost electric service.

The signatures of the petitioners are attached. Address communications to Frank W. Shelton, Jr., Freedom Sentry Ranch, RD 2, Cherryvale, Kansas 67335 (316-336-2479)

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PROPOSED CONCURRENT RESOLUTION NO. _____

By Special Committee on Energy

A CONCURRENT RESOLUTION directing the secretary of revenue to formulate and submit to the legislature a plan for a system of passenger vehicle registration fees, based on vehicle horsepower and weight.

Be it resolved by the _____ of the State of Kansas, the _____ concurring therein: That the secretary of revenue is hereby directed to formulate a plan for a system of passenger vehicle registration fees based on vehicle horsepower and weight, which will encourage ownership of passenger vehicles having low fuel consumption rates and will provide for maintenance of the current level of revenues from passenger vehicle registration fees; and

Be it further resolved: That the secretary of revenue shall submit such plan to the 1979 Legislature; and

Be it further resolved: That the secretary of state is hereby directed to transmit an enrolled copy of this resolution to the secretary of revenue.

PROPOSED BILL NO. _____
By Special Committee on Energy

AN ACT relating to the state corporation commission; concerning valuation of certain property of public utilities and common carriers; amending K.S.A. 66-128 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 66-128 is hereby amended to read as follows: 66-128. ~~Said~~ (a) The state corporation commission shall have the power and ~~it shall be its~~ duty to ascertain the reasonable value of all property of any common carrier or public utility governed by the provisions of this act used or required to be used in its services to the public within the state of Kansas, whenever ~~it~~ the commission deems the ascertainment of such value necessary in order to ~~enable the commission to~~ fix fair and reasonable rates, joint rates, tolls and charges ~~and~~. In making such valuations ~~they~~, the commission may ~~avail themselves of~~ consider any reports, records or other things available to ~~them~~ the commission in the office of any national, state or municipal officer or board.

(b) For the purposes of this section, property of any public utility which is not completed and in use in commercial service shall not be deemed to be used or required to be used in such public utility's service to the public.

Sec. 2. K.S.A. 66-128 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the official state paper.

PROPOSED BILL NO. _____

By Special Committee on Energy

AN ACT concerning state motor vehicles; requiring transfer of certain passenger vehicles to the state motor pool; placing certain limitations on the acquisition of passenger vehicles; amending K.S.A. 75-4603 and 75-4609 and repealing the existing sections; also repealing K.S.A. 75-4613.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 75-4603 is hereby amended to read as follows: 75-4603. (a) (1) The secretary of administration may direct any state agency to transfer to the department of administration, for the central motor pool or any branch thereof, any motor-vehicle truck currently assigned to or owned by such state agency for--the-central-motor-pool-or-any-branch-thereof. Any such direction shall specify a date when possession of and title to any such motor-vehicle truck shall be delivered to the department of administration.

(2) The provisions of this subsection shall not apply to trucks of the highway patrol or to trucks of any other state agency which, in the opinion of the secretary of administration, are specially equipped for the needs of such state agency.

(b) (1) On the effective date of this act, each state agency shall transfer to the department of administration, for the central motor pool or a branch thereof, all passenger motor vehicles assigned to or owned by such state agency.

(2) The provisions of this subsection shall not apply to specially equipped passenger motor vehicles purchased in accordance with K.S.A. 75-4609 and amendments thereto.

(c) To the extent that funds are available therefor, the secretary of administration may purchase or otherwise acquire in the manner provided by K.S.A. 75-3739 and amendments thereto

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additional motor vehicles as may be necessary for the central motor pool or any branch thereof. From and after January 1, 1979, not less than eighty percent (80%) of all passenger motor vehicles purchased or otherwise acquired by the secretary of administration for the central motor pool and branches thereof shall have a fuel consumption rating by the federal environmental protection agency, or its successor, of not less than thirty-three (33) miles per gallon for highway driving and twenty-four (24) miles per gallon for city driving.

(d) In the manner provided by said K.S.A. 75-3739 and amendments thereto, the secretary of administration may sell or otherwise dispose of any vehicle in the central motor pool or any branch thereof, and any cash proceeds arising therefrom shall be deposited in the state treasury and credited to the motor pool service fund.

(e) The title to all motor vehicles assigned to or purchased or acquired for the central motor pool or any branch thereof shall be in the name of the department of administration, except motor vehicles acquired by lease.

Sec. 2. K.S.A. 75-4609 is hereby amended to read as follows: 75-4609. ~~From--and--after--the--effective--date--of--this act,~~ No state agency, ~~except the governor,~~ shall lease, purchase or otherwise acquire any passenger motor vehicle, except under the following conditions: (a) Moneys for the purchase of such passenger motor vehicle are included within funds appropriated for the state agency and the purchase, lease or other acquisition has been approved by the secretary of administration, and

(b) ~~the passenger motor vehicle has, in the opinion of the secretary of administration, only~~ is equipped with special systems and or equipment which are not customarily incorporated into a standard passenger motor vehicle completely equipped for ordinary operation, ~~or is equipped with additional systems or equipment~~ and which are found by such secretary to be appropriate in the particular purchase, and

(c) the purchase, lease or other acquisition price of the

passenger motor vehicle, exclusive of ~~any~~ such ~~additional~~ special systems or equipment, is not in excess of such amount as may be available from funds appropriated for such agency.

Sec. 3. K.S.A. 75-4603, 75-4609 and 75-4613 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.