

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Rep. David J. Heinemann at  
Chairperson

3:30 ~~am~~p.m. on February 22, 1984 in room 313-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Ramon Powers, Legislative Research  
Theresa Kiernan, Revisor of Statutes' Office  
Pam Somerville, Committee Secretary

Conferees appearing before the committee:

Dr. Stacey Ollar, Jr.  
Jim Haines, Kansas Gas and Electric Company  
Margaret Miller, Wichita  
Pat Moore, Wichita  
Milton B. Parrish, Kansas City  
Alfred Hager, Kansas City

Hearings continued on HB 2810, HB 2927, and HB 2964 regarding excess capacity produced by power stations in Kansas authorizing the Kansas Corporation Commission to determine excess capacity and imprudent management practices.

The first conferee, Dr. Stacey Ollar, Jr., appeared in support of the proposed legislation. He stated that the proposed increases by KCPL and KGE would be a grave hardship on ratepayers, particularly in Johnson County. He asked the committee to give considerable thought to the fact that ratepayers have reached the limits of their ability to afford higher costs for utilities and asked for support of HB 2810, and HB 2927. (Attachment 1).

Mr. Jim Haines, Attorney for Kansas Gas and Electric Company, appeared in opposition to HB 2810, HB 2927, and HB 2964. Mr. Haines stated there were two fundamental principles of regulation that he hoped the committee considered when determining the outcome and final vote on the bills. First, he stated, a public utility is obliged to meet every request for service within its service territory, and second that while the price of public utility service is subject to regulation the owners of a public utility must be given an opportunity to earn a fair return on their investment. (See attachment 2). A question and answer period followed Mr. Haines' remarks and a copy of the transcript provided by the Kansas Corporation is attached- Attachment 2A).

Mr. Ed Reinert, League of Women Voters of Kansas, appeared in support of the proposed legislation. He stated that consumers who do not own, plan, or manage power facilities should not have to pay the costs of inefficiency and excesses of those who do. (See attachment 3).

Margaret Miller, resident of Wichita, appeared in support of HB 2927 and HB 2964. Ms. Miller said she was speaking for the "middle-class" people. She cited an example of a woman who purchased a condominium 8 years ago and at that time her electric bill was \$32.00. At today's costs, the utility bill has now risen to \$262.00; or a 720% increase in eight years. She urged favorable recommendation by the committee. (See attachment 4).

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources,  
room 313-S, Statehouse, at 3:30 a.m. on February 22, 1984.

Ms. Pat Moore, resident of Wichita, appeared in support of HB 2927 and HB 2964. Ms. Moore stressed the fact that utility costs had risen so much the past few years that young people with children, widows, and elderly could not afford increases such as the ones outlined by KG&E. (projected increases of 45%). In closing, Ms. Moore stated she did not feel consumers should pay the brunt of errors on the part of the utility companies (See Attachment 5).

Mr. Milton B. Parrish, Kansas City, represented the churches of Johnson County, and testified before the committee in support of HB 2810 and HB 2927. Mr. Parrish said he saw no reason that consumers should have to bear the brunt and pay for more power than one actually consumes. He stated he felt strong that the Kansas Corporation Commission should be empowered to review any proposed rate increases before they are actually put into effect. He agreed with Mr. Ollar's remarks and asked for favorable passage. (See attachment 6).

Mr. Alfred Hager, Superintendent, submitted written testimony to the committee in support of HB 2810 and HB 2927. Mr. Hager did not appear in person. Written testimony indicated that the proposed increases would dramatically affect the budget of each of the churches in Kansas City (See Attachment 7).



David J. Heinemann, Chairman

Date 2-22-84

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
David W Nickel	Topeka	KCC
Ed Remont	"	KS League of Voters
Darlene Stearns	Topeka	Consultation of Churches
Wendy Ann Kays	Box 153 Sub 15	Wichita Falls Power Assoc.
Bobbie Wicko	Box 7 4403 Sender	W. Gateway
Tim Kelly	Box 333 Lawrence	"
Ted Fleming	1612 Tenn. Apt 2, Lawrence	Patch, Jay
Paul Miller	1247 N Sodawick Wichita	Gray Park Board, Wichita
Paul Miller	6807 E. Bayley Wichita	unaffiliated
Margaret J. Miller	6807 E. Bayley, Wichita	individual
Edwin W. Hite	5312 Martin-Museum, Kansas 66203-1934	individual
Joe Turjanie	Topeka	KASB
Shelby Smel	Wichita	Johnson Co. Co.
CHARLES J. CHAPMAN	Topeka	KANSAS WATER OFFICE
Ron Culbert	Wentz	WJL
Don Stole	Lawrence	self

TESTIMONY

TO: Representative David Heinemann, Chair Person of House Energy and Resource Committee

I am Dr. Stacy Ollar Jr., and I live at 5421 Queal Drive, Shawnee, 66203. I am a United Methodist Minister and the pastor of the Bristol Hill United Methodist Church. I am a ratepayer of Kansas City Power and Light Co. I have been authorized by the 278 Johnson County parishioners of the Bristol Hill Church to speak on their behalf and in addition, I have letters of Consent to speak for the Kansas City District of the United Methodist Church and the Kansas City District of the Nazarene Church.

I do deeply appreciate your allowing me to testify before your Committee concerning HB 2927 and HB 2810 relative to the Wolf Creek Plant and particularly Kansas City Power and Light Co. I am here primarily to support the content of HB 2927 and HB 2810 and to raise some serious questions concerning the completion of the Wolf Creek Plant project.

In my testimony, I will demonstrate that the proposed increases by KCPL as a result of the Wolf Creek Plant going on the line in 1985 will only add undue hardship and extreme burden on the already much downtrodden ratepayer, particularly in Johnson County. Contrary to popular belief, Johnson County is currently experiencing 5,281 un-employed persons, 3,962 families receiving Emergency Utility Assistance, and a Senior Citizen's population of 28,915. Let us keep these figures in mind, because in reality they represent human beings who are hurting and suffering and will hurt and suffer more as utility companies request higher and higher rates for their projects.

As a pastor, I relate to families at the grass-roots level of life and I am already spending a great deal of time, energy, and the securing of funds in order to assist persons who are caught in the economic squeeze, and as a result of utility companies who have not yet learned that ratepayers cannot continue to support their utility adventures!

The following irreparable harms will be incurred by citizens of Johnson County and inflicted by the Wolf Creek Plant and KCPL.

Harm number one (1) to the citizens of Johnson County will result in higher property taxes to support public schools, community colleges, units of government, street lighting, and any additional units that are tax supported, such as Mental Health Centers and Mental Retardation Centers.

Attachment 1

2-22-84

Testimony of Dr. Ollar

I support this argument with the following rationale.

The Shawnee Mission School District is one of the largest users of electrical power in the KCPL system in Johnson County. Mr. Walt Ferguson, Assistant Superintendent, stated that for the school year, 1982-83, the electrical budget was over \$2.1 million dollars and it is projected that the current school year expenses will rise to \$2.3 million dollars. As you and I know our public school system is supported by taxes. As the cost of operation for schools goes up, so do our taxes in proportion.

The Johnson County Community College electrical expenses for 1982-83 school year were \$649,467.00 and is projected to exceed \$700,000 for the current school term. Again, as the cost of operation goes up, so do our taxes, and again the enormous rate increase needed by KCPL to support Wolf Creek Plant will directly cause our taxes to go up in Johnson County to support schools, colleges, units of government, street lighting, and tax supported institutions of all kinds. Is this what the State Legislature really wants for us as taxpayers?

Harm number two (2) inflicted upon the citizens of Johnson County by Wolf Creek Plant and KCPL will be higher cost of goods and services. The cost of goods and services will go up in proportion because every business must pass along the cost of doing business to the consumer in the price of the goods and services rendered. What this means is that the businesses of Johnson County will no longer be competitive with other businesses in surrounding counties because of higher electrical rates when, for example, the Board of Public Utilities in Kansas City, Kansas, in October, 1983, "REDUCED" their electrical rates for ALL of their classes of consumers. I can document that statement, since I am the Chairman of the Citizens Advisory Committee to the Board of Public Utilities in Kansas City, Kansas.

Harm number three (3). As prices for "goods and services" go up, the consumer cuts back in usage. The same holds true for utility companies in the sense that ratepayers cut back on their consumption of electrical power, and thus the utility does not accrue the necessary revenue for that year. The Utility Company must come back requesting higher rate increases and thus continues the spiral upward. An even more devastating impact is made on the ratepayer.

Testimony of Dr. Ollar

This is documented by KCPL in their own rate application (Docket No. 133,002-U) which was filed before the Kansas Corporation Commission on April 12th, 1982.

Harm number four (4). I also contend that the public will be harmed due to the lack of professional ability to operate Wolf Creek Plant with a high efficiency once it goes on the line. I draw this conclusion from a Kansas Corporation Commission Report of 1982, which states and I quote: "KCPL's Lacygne Generating Facility has had an average energy output which is only about half of the industry average. Because of the inefficiency of the Lacygne operations, the Staff has proposed that the company's overall Rate-of-Return should be reduced." The Kansas Corporation Commissioners concurred with their staff report.

Now, if KCPL cannot operate a coal fired plant with any efficiency, what assurances do we have that they can operate a nuclear power plant with any efficiency? Will KCPL return again and again and again asking for higher rate increases to subsidize their inefficiency?

Much consideration should be given to the fact that the ratepayers have reached the limits of their ability to afford higher cost for utilities. Many families at the grass-roots level have indicated that if this all happens, they will be forced to move elsewhere.

I therefore ask you as representatives of the people of Kansas, who have invested their public trust in you to please support HB 2927 and HB 2810. Thank-you.

HOUSE BILLS NO. 2927, NO. 2964, NO. 2810

STATEMENT OF JAMES HAINES

Good afternoon. I am Jim Haines, an attorney for Kansas Gas and Electric Company. I appreciate this opportunity to discuss House Bills 2927, 2964, and 2810.

It appears that these bills might affect KG&E, particularly with respect to the Wolf Creek generating station. I will discuss pertinent fundamental principles of utility regulation, the basis for KG&E's involvement in Wolf Creek, the merits of the bills, and changes which I believe should be made to House Bill 2810 in order to strike a fair balance between the interests of public utility customers and owners.

There are two fundamental principles of regulation which I hope you will keep in mind when you consider these bills. The first is that a public utility is obliged to meet every request for service within its service territory. The second is that, while the price of public utility service is subject to regulation, the owners of a public utility must be given an opportunity to earn a fair return on their investment.

Now let me summarize the basis for KG&E's involvement in Wolf Creek. Until the commercial operation of LaCygne 1 in 1973, KG&E's generation was virtually 100% gas fired. Gas was then plentiful and cheap. As a result, for

Attachment 2

2-22-84



many years KG&E's rates for residential service were among the lowest in the country. During the late 1960's, however, KG&E's gas suppliers indicated that long term gas supplies would not be available for new or existing generating units. Then, in 1978, Congress passed the Fuel Use Act which prohibited the use of gas as boiler fuel after 1990, except under limited circumstances. As a result, to meet its legal obligation to serve existing and projected demands for electric energy, KG&E began the change from gas and oil generation to primarily coal and uranium generation. LaCygne 1 went on line June 1, 1973; LaCygne 2, May 16, 1977; Jeffrey Energy Center Unit 1, July 31, 1978; Jeffrey 2, May 1, 1980; Jeffrey 3, May 27, 1983. With the indefinite delay of Jeffrey 4, Wolf Creek is KG&E's final step in the transition process.

House Bill 2927 would require the Commission to determine whether or not a public utility has "excess electric generating capacity," to phase the cost of any excess capacity into rates over not less than 10 nor more than 15 years, and, once excess capacity has been found, to permanently exclude from rates all carrying costs associated with the value of such excess capacity. With the exception that House Bill 2964 does not prescribe the phase-in period, it is essentially identical to House Bill 2927. There are many reasons why you should take no further action on these bills.



FIRST: The penalty for excess capacity is not contingent upon a finding that such excess resulted from imprudent planning. It takes 10 to 15 years to plan and construct a major generating facility. House Bills 2927 and 2964 would prohibit rate recognition of whatever portion of a new generating facility is not immediately used or required for use, even though 10 to 15 years earlier, when the decision to build the facility had to be made, the information available indicated that the facility would be necessary and was the most economical alternative. A good example of the inherent uncertainty in forecasting the need for electric generating facilities is found in a September 2, 1983, order of the Corporation Commission in Docket No. 137,068-U. In that docket, the Commission had for consideration Sunflower Electric Cooperative's application for a rate increase, primarily as a result of the commercial operation of Sunflower's Holcomb Unit No. 1, a 296 megawatt generating facility. Not quite five years earlier, under the authority of K.S.A. 66-1,159 et seq., the Commission found the Holcomb unit to be reasonable for Sunflower's needs in 1983. Incidentally, the city of Garden

City, Kansas, appeared at the 1978 siting hearings and supported construction of the Holcomb unit.

Now, let me quote a few sentences from the Commission's Order in Docket No. 137,068-U:

The evidence demonstrates that the total capacity resources available to Sunflower equal 624 megawatts, while the maximum member load over the last five years has been 267 megawatts in 1981. Thus, Sunflower has approximately twice its required capacity with Holcomb on line. ... Garden City advocated placing none of Holcomb in rate base until Sunflower could more adequately quantify the percentage of the plant presently needed. (Emphasis added.)

That is a case in which the Commission, the company, and at least one intervenor (Garden City) had previously agreed upon the need for a new electric generating facility. In just five years, however, things changed dramatically.

House Bills 2927 and 2964 condition the opportunity to earn a fair return on the ability to accurately predict the future. Nobody can simultaneously meet that burden and the duty to serve the public on demand.

SECOND: House Bills 2927 and 2964 do not recognize that it is, for all practical purposes, impossible to always exactly match electric

generating capacity with the demand for electric energy. Electric load grows very gradually. Generating capacity, by contrast, is added in large chunks, with the expected result that capacity reserve margins fluctuate over time. Large power plants offer significant economies of scale not only in their construction but also in their operation. The cost benefit of these economies of scale balances the temporary cost of some capacity in excess of immediate needs.

1990 -  
Plan, license  
& construct

THIRD: When it is considered that electric public utility service is indispensable to the welfare of individuals and the prosperity of commerce and industry, I believe we should favor a system which, if it errs, errs on the side of having too much generating capacity rather than too little. The long term availability of adequate and reliable electric service is a significant consideration in business expansion or new business location decisions. I refer you to the documents which are attached to my prepared remarks. The first is a letter to Ralph Fiebach, a former Chairman of KG&E's Board, from Robert W. Thompson of the Fantus Company, a well-known business location consulting company. Attached to the letter is an excerpt from a publication called

Fantus Focus. I would like to read part of the excerpt:

Public utility capacity planning works within a time frame of approximately a decade from recognition of a future need to the completion of capacity to serve that need. Thus, relatively small errors in annual growth rate assumptions can result in substantial errors over a term of years. Current peak demand growth estimates, on a national basis, are about 3% per year. If actual growth and demand is only 1.5% per year greater than the forecast, in 10 years there would be a shortfall between forecast and actuality of 20%. This is as large as the entire reserve that many utilities are currently being advised to seek. Thus, the ability to meet our future needs for electricity hangs on a delicate thread of conjecture which is subject to possible errors significantly in excess of the ability of the system to correct in a timely fashion.

I am reasonably sure that Beech Aircraft would not be in the midst of a five-year \$40 million expansion of its Wichita facilities and that Boeing Military Airplane Company would not be in the midst of a four-year \$500 million expansion of its Wichita facilities if they were not certain of an adequate and reliable long-term supply of electric service in Wichita.

House Bills 2927 and 2964 would reward an electric public utility for having too little capacity and penalize it for having too much when,

*SMU  
planned  
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Metro*

in fact, the prosperity and welfare of a community can be irreparably damaged by the unavailability of adequate and reliable electric energy while the availability of too much is soon negated by load growth and the economies of scale to be gained from large generating facilities.

FOURTH: House Bills 2927 and 2964 do not take into account the possibility that an electric public utility faced with excess capacity has taken prudent measures to alleviate such excess. For examples, when KG&E was planning Wolf Creek, the Kansas Electric Cooperatives, through a federal antitrust lawsuit, forced KG&E and KCPL to permit them to be a 17% partner in Wolf Creek. From that point in the early 70's, KG&E's capacity planning was based upon the cooperatives maintaining that 17% interest. Subsequent government action, however, reduced that interest to 6%. KG&E was forced to back away from a sale of its interest in Jeffrey 3 as a result of onerous conditions which the Corporation Commission would have placed on the sale. The owners of the Jeffrey Energy Center, including KG&E, have indefinitely delayed the construction of Jeffrey 4. Finally, as soon as KG&E recognized that Wolf Creek would temporarily result in some capacity

above reserve requirements, KG&E mounted a vigorous effort to sell participation power.

FIFTH: By prohibiting eventual rate recognition of the carrying charges associated with the value of excess capacity, House Bills 2927 and 2964 do not recognize the future value to customers of having generating capacity locked-in at present as opposed to future costs. A power plant constructed between 1977 and 1985 will cost less than a power plant constructed during a later period. If Wolf Creek were not coming on line in 1985, KG&E would have to bring a major generating facility on line in the late 80's. With Wolf Creek, such a construction project will not be necessary and thus KG&E's cost to provide electric service, perhaps for the rest of this century, will be based largely on the embedded costs of the 60s, 70s, and early 80s. Add — If cash earnings are to be deferred due to a finding of excess capacity, then such deferred earnings should at least accrue carrying charges to account for the benefit which will eventually accrue to customers as a result of the cost of electric service being based on embedded value.

SIXTH: House Bills 2927 and 2964 would prohibit rate recognition of the value of excess



capacity but they are silent with respect to whatever cost benefit such capacity may create for customers. For example, it is anticipated that Wolf Creek will reduce KG&E's fuel expenses by a minimum of \$25 million during its first full year of operation and by substantially greater amounts thereafter. Also, during severely cold weather when gas is curtailed and coal plants cannot operate at full capacity or at all, Wolf Creek would reduce or eliminate the need for expensive purchased power from other utilities. House Bills 2927 and 2964 by their silence on the matter, would give customers all the potential benefits of so-called excess capacity without requiring customers to eventually cover the carrying costs of such capacity.

SEVENTH: By requiring the value of excess capacity to be phased-in in substantially equal increments over not less than 10 nor more than 15 years, House Bill 2927 would provide the Corporation Commission with no flexibility to consider the impact which such a phase-in might have on a company's financial well-being. The electric utility industry is among the most, if not the most, capital intensive of industries. Given the importance of adequate and reliable electric



service, no one would be well served by legislation which could have the result of imperiling an electric company's financial health and, thus, its ability to raise capital for the purpose of maintaining its ability to provide service.

EIGHTH: By essentially defining excess capacity simply in terms of "amount," House Bills 2927 and 2964 ignore the fact that electric utility generating systems are oftentimes subject to unique circumstances such that an "amount" of generating capacity which would be excess in one system would not be excess in another. Consider, for example, that KG&E's generating system contains 1000 megawatts of gas-fired capacity, 300 megawatts of which is more than 30 years old. In determining the "amount" of KG&E's generating capacity it is not appropriate to give KG&E's gas-fired units full credit for their nominal "amount" of capacity.

I sense in House Bills 2927 and 2964 a legislative intent that shareholders should bear the entire risk associated with the planning, construction, and operation of generating facilities. I respectfully submit to you that the risk which shareholders bear under present law is quite substantial. During construction, shareholders bear all the

risks. Because CWIP cannot be included in rate base, the cost of construction is increased. In the case of Wolf Creek this cost alone is estimated at nearly \$900 million and will have been covered entirely by shareholders. Furthermore, shareholders bear the risk of imprudent management of construction and operation. KG&E's shareholders, along with KCPL's and KEPCo's, have borne the risk that Wolf Creek would become a Zimmer, a Marble Hill, or a Shoreham. Now that it appears clear that that will not happen there are efforts underway to enlarge the shareholder's exposure to risk. Shareholders have also had to bear the risk of legislative and regulatory changes. The initial investors in Wolf Creek did not know that K.S.A. 66-128 would be amended in 1978 such that CWIP would not be permitted in rate base. Nor did they know that the 1984 session of the Kansas legislature would seriously consider and perhaps pass legislation which would have the potential to permanently deny them a return on an as yet undetermined portion of their investment in Wolf Creek. There is some sense in requiring shareholders to bear the risk of projects which are not yet used or required to be used in providing service but once those projects are completed and are in use I believe there should be no basis, other than imprudence, for denying a return on the value of such projects.

Now let's turn to House Bill 2810. I have attached to my prepared remarks a marked up copy of House Bill 2810 which

shows the changes which should be made in order to balance the interests of customers and shareholders. Let me explain the more significant changes.

Add We are here because of the significant impact which Wolf Creek would have on rates if its value were reflected in rates all at once. A substantial cause of that significant impact is the 1978 amendment to K.S.A. 66-128 which prohibits facilities from being phased-in to rates from the beginning of construction. If Wolf Creek had been phased-in from the beginning it would have cost almost \$900 million less and it would have caused periodic and gradual increases in rates such that upon commercial operation there would have been at most a modest increase and perhaps a slight reduction in rates. To address for future purposes that part of the cause of significant "one time" rate increases the 1978 amendment should be repealed.

For Wolf Creek, however, the effect of the 1978 amendment is largely water over the dam. We are faced with a significant "one time" increase to which KG&E is entitled under present law. Regardless of present law and the fact that people no doubt invested in KG&E on the assumption that the legal safeguards protecting their investment would not be changed after the fact, we are also faced with the reality that a significant one time increase "won't fly." What can be done about it now, after the fact? House Bill 2810 would avoid a significant "one time" rate increase by giving the

Commission authority to find that a utility has excess capacity and then the discretion to adopt a plan for eventual rate recognition of the value of such excess capacity. Such an after the fact phase-in will mitigate the initial effect of a one time rate increase but in the end it will cost more. Nonetheless, House Bill 2810 recognizes that the increased cost of an after the fact phase-in may be a preferable alternative to a one time increase.

House Bill 2810, however, embodies a dramatic alteration of the long established and fundamental principle that the owners of a public utility surrender their freedom to charge what the market will bear in exchange for the state's assurance of an opportunity to earn a fair return on investment in facilities used to provide service. House Bill 2810 would not only authorize a deferral of a return on facilities which are found to be temporarily in excess of need but also would leave it entirely within the Commission's discretion to permanently deny such a return. Who would invest in a utility which is legally required to serve the public on demand, which requires ten to fifteen years to plan and construct the facilities necessary to provide service, which is denied the opportunity to earn a return on the value of such facilities while they are under construction, and, with House Bill 2810, which may permanently be denied the opportunity to earn a fair return if it failed ten to fifteen years earlier to accurately predict the future. If you

decide that public policy must be changed so that under some circumstances completed utility facilities must be phased-in to rates, then you should also provide assurances in the new policy that phase-in plans will not work to diminish or permanently deny a reasonable opportunity to earn a fair return on the value of such facilities. The changes which I have suggested to House Bill 2810, as reflected in the attached mark-up of that bill, would provide those necessary assurances.

For your information I have also attached to my prepared remarks a summary of a phase-in plan which KG&E has developed for Wolf Creek.

# The Fantus Company

**EB** a company of  
The Dun & Bradstreet Corporation

Location Consultants

Robert W. Thompson  
Senior Vice President

Prudential Building, Chicago, IL 60601  
312-346-1940

December 17, 1982

Mr. Ralph P. Fiebach  
Chairman of the Board  
Kansas Gas & Electric Company  
201 N. Market  
Wichita KS 67201

Dear Mr. Fiebach:

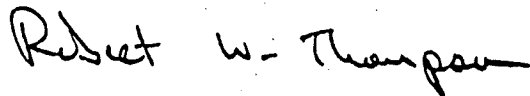
The lead article in the enclosed issue of our publication Fantus Focus will be of interest to you. We at Fantus have worked with the electric utilities for many years, and have observed the efforts of most utilities to encourage industrial and other forms of economic growth in their service areas.

In this milieu, then, it has been disheartening for us to see the regulatory mechanism increasingly injecting itself into the new field of load and system growth planning. The 20-20 hindsight now being exhibited by many such agencies prompted me to write the article, and point out that, in the time frames within which electric utilities must plan, the present apparent system excess capacities of some utilities may be surprisingly fleeting.

You may recall a recent full-page advertisement run by the Edison Electric Institute, quoting our former Board Chairman on similar issues. We continue firmly committed to the attitude expressed by both of these publications.

Although the enclosed publication is being distributed to business leaders throughout North America, it obviously will not serve to ameliorate the problems of rate relief and system planning which face the industry. However, should there be any way we might be of assistance to your company, through assistance to your economic development activities, presentation of expert testimony on the small import of relative rate levels to industrial growth, or in other ways, I would be happy to discuss them with you at your convenience.

Very truly yours,



Robert W. Thompson

RWT/wj  
Enclosure

# Fantus Focus

A commentary on developments that affect decisions to consolidate, expand, build or relocate production, distribution and office facilities.

FALL 1982

## Electricity for the Future

Until the 1970s, the policy of electric utilities in the United States was to encourage consumers to use electric energy. Throughout this same period, industries seeking new locations nearly always made the tacit assumption that ample electric energy would be available at plant start-up and that it would continue to be available to the murkiest reaches of the future.

These assumptions have been shattered in recent years. Almost everyone is familiar with the difficulties that have occurred in the Pacific Northwest, California, Florida and portions of the industrialized Northeast. The possibility of electric capacity shortfalls throughout much of the rest of the nation is less widely recognized.

Public statements, often by utility regulatory agencies and consumer protection groups, have indicated that electric utilities are building excessive capacity. In fact, during the winter of 1981-82 some entire reliability areas had reserve capacity margins in excess of 60 percent. Summer peak capacity margins are usually lower, but figures of 40 percent, or even greater, were also found in several regions this summer. For example, the New England Power Pool had a planned reserve in excess of 43 percent for the summer of 1982, the Oklahoma Group had a reserve in excess of 42 percent, and some other regions have nearly comparable figures.

How, then, is it possible to be concerned about future power adequacy in the United States? First, the reserves previously quoted are derived by adding the capability of every potentially operable generating facility in a region. They are, therefore, susceptible to numerous "corrections," including contracted sales of firm power to other utilities with less comfortable reserves, shutdowns for scheduled maintenance, forced outages resulting from various types of equipment failure and other causes, and other unavailable capability. When these adjustments are made, as they were by the Department of Energy in the summer of 1982, a severe potential shortfall situation is seen in many regions. Under these adjustments, four regions out of the 26 rated show a net negative adjusted reserve for nine or 10 of the summers from 1982 through 1991. Though these regions, which encompass parts of Illinois, North and South Carolina, Pennsylvania, and Ohio, are the most serious cases, they are by no means the only utilities groups with undeniably low or negative reserves.

Public utility capacity planning works within a time frame of approximately a decade from recognition of a future need to the completion of capacity to serve that need. Thus, relatively small errors in annual growth rate

assumptions can result in substantial errors over a term of years. Current peak demand growth estimates, on a national basis, are about three percent per year. If actual growth in demand is only 1.5 percent per year greater than the forecast, in 10 years there would be a shortfall between forecast and actuality of 20 percent. This is as large as the entire reserve that many utilities are currently being advised to seek. Thus, the ability to meet our future needs for electricity hangs on a delicate thread of conjecture which is subject to possible errors significantly in excess of the ability of the system to correct in a timely fashion.

While we certainly do not believe that electric shortages will be experienced throughout the nation, attention to future power availability rather than present excess capacity is an increasingly necessary part of choosing the location for a new plant. In addition, an appraisal of the curtailment plan that the individual utility might impose upon its customers is of value in site selection. Different utility companies and different regulatory philosophies may create distinctions between areas where "turn off the industry" is the plan and other areas where all portions of society would be expected to bear their fair share of energy shortages.



HOUSE BILL No. 2810

By Committee on Energy and Natural Resources

1-31

0016 AN ACT concerning public utilities; relating to the  
0017 valuation of property for rate making purposes; amending  
0018 K.S.A. 66-128 and repealing the existing section.

0019 Be it enacted by the Legislature of the State of Kansas:  
0020 Section 1. K.S.A. 66-128 is hereby amended to read as  
0021 follows: 66-128. ~~Said The state corporation commission~~  
0022 ~~shall have the power and it shall be its duty to ascertain~~  
0023 ~~determine~~ the reasonable value of all or, subject to the  
0024 provisions of Section 2 hereof, whatever fraction or percen-  
0025 tage of the property of any common carrier or public utility  
0026 governed by the provisions of this act which is used or  
0027 required to be used in its services to the public within the  
0028 state of Kansas, whenever ~~it~~ the commission deems the ascer-  
0029 tainment of such value necessary in order to enable the com-  
0030 mission to fix fair and reasonable rates, joint rates, tolls  
0031 and charges; and. In making such valuations they the com-  
0032 mission may avail themselves itself of any reports, records  
0033 or other things available to them the commission in the  
0034 office of any national, state or municipal officer or board.  
0035 ~~(For the purposes of this act, property of any public~~  
0036 ~~utility which has not been completed and dedicated to~~  
0037 ~~commercial service shall not be deemed to be used or~~  
0038 ~~required to be used in said the public utility's service to~~  
0039 ~~the public, except that, any property of a public utility,~~  
0040 ~~the construction of which will be completed in one (1) year~~  
0041 ~~or less, may be deemed to be completed and dedicated to com-~~  
0042 ~~mmercial service.)~~

0043 New Sec. 2 With respect to plant of an electric utility  
0044 which becomes used or required to be used after the effec-  
0045 tive date of this act, but excluding any plant for which the  
0046 commission has issued a permit pursuant to K.S.A. 66-1159 or  
0047 66-1178, the state corporation commission, in fixing fair  
0048 and reasonable rates joint rates, tolls and charges, shall  
0049 have the authority, in addition to disallowing any expendi-  
0050 tures imprudently incurred in the construction or acquisition  
0051 thereof, to adjust defer that portion of the revenue  
0052 requirements of any common carrier or public such an electric  
0053 utility if the commission determines the revenue requirement  
0054 requested is which includes either a return of or a return  
0055 on costs which result from:--(1) Imprudent plant acquisition;

0056 ~~construction or operation; - (2) - inefficient plant operation;~~  
0057 ~~or (3) capacity unreasonably in excess of projected system~~  
0058 ~~requirements within a reasonable period of time thereafter;~~  
0059 ~~provided that in determining the reasonableness of public~~  
0060 ~~utility such rates, the commission; - in its discretion; - may~~  
0061 ~~shall adopt a plan or methodology for the orderly and auto-~~  
0062 ~~matic incremental inclusion in the rates of the electric~~  
0063 ~~utility of that portion of any acquisition or construction~~  
0064 ~~costs previously excluded from the value of the property~~  
0065 ~~used or required to be used because such acquisition or~~  
0066 ~~construction was determined to result in capacity in excess~~  
0067 ~~of system requirements; so deferred, including reasonable~~  
0068 ~~carrying charges thereon, all within not more than four~~  
0069 ~~years thereafter.~~

0070 Sec. 3. K.S.A. 66-128 is hereby repealed.

0071 Sec. 4. This act shall take effect and be in force from  
0072 and after its publication in the statute book.

KANSAS GAS AND ELECTRIC COMPANY  
COMPARATIVE RATE INCREASE ESTIMATES

No Rate Increase				
<u>Year</u>	<u>Rate Increase Amount</u>	<u>Rate Increase Percentage</u>	<u>Interest Coverage*</u>	<u>Peak Borrowing Each Year</u>
(1)	(2)	(3)	(4)	(5)
1984	\$ -	-	1.35 x	\$ 35.0M
1985	-	-	.40	220.3
1986	-	-	.22	420.1
1987	-	-	.33	643.6
1988	-	-	.21	895.4
1989	-	-	.16	1,177.2
Total	<u>\$ -</u>			

Full Rate Increase				
<u>Year</u>	<u>Rate Increase Amount</u>	<u>Rate Increase Percentage</u>	<u>Interest Coverage*</u>	<u>Peak Borrowing Each Year</u>
(1)	(2)	(3)	(4)	(5)
1984	\$ - M	- %	1.35 x	\$ 35.0M
1985	327.2	83.7	3.67	63.1
1986	-	-	4.63	-
1987	-	-	5.19	-
1988	-	-	5.29	-
1989	-	-	5.94	-
Total	<u>\$327.2</u>			

Rate Increase with Five Year Phase-In				
<u>Year</u>	<u>Rate Increase Amount</u>	<u>Rate Increase Percentage</u>	<u>Interest Coverage*</u>	<u>Peak Borrowing Each Year</u>
(1)	(2)	(3)	(4)	(5)
1984	\$ - M	- %	1.35 x	\$ 35.0M
1985	153.9	39.5	1.85	122.5
1986	55.6	10.2	2.53	131.1
1987	57.2	8.9	3.77	100.8
1988	56.3	7.7	4.96	8.8
1989	67.5	8.4	6.67	-
Total	<u>\$390.5</u>			

\*Interest coverage is defined as: net income, plus income taxes (net), plus total interest charges, less allowance for funds used during construction, less deferred earnings, divided by total interest charges.

HOUSE BILL NOS.

2927

2964

2810

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BEFORE THE HOUSE ENERGY AND RESOURCE COMMITTEE  
OF THE  
STATE OF KANSAS

PARTIAL  
TRANSCRIPT OF TESTIMONY

HEARING AT TOPEKA, KANSAS

FEBRUARY 22, 1984

CONNIE T. ZELLER, C.S.R.

REPORTER

Attachment  
2A  
2-22-84

IN RE: HOUSE BILL No. 2927  
HOUSE BILL No. 2964  
HOUSE BILL No. 2810

PARTIAL TRANSCRIPT OF PROCEEDINGS  
HELD BEFORE THE HOUSE ENERGY AND RESOURCE COMMITTEE  
OF THE STATE OF KANSAS, FEBRUARY 22, 1984, IN  
TOPEKA, KANSAS.

THE MEMBERS OF THE COMMITTEE ARE  
AS FOLLOWS: REPRESENTATIVE DAVID J. HEINEMANN, CHAIRMAN;  
REPRESENTATIVES RON FOX, THOMAS F. WALKER, KEITH FARRAR,  
ANITA G. NILES, FRED W. ROSENAU, KATHRYN SUGHRUE, JUDY  
RUNNELS, KEN GROTEWEIL, JIM PATTERSON, DARREL WEBB,  
BEN FOSTER, KEITH ROE, LEROY FRY, GINGER BARR, DON M.  
REZAC, HAROLD W. GULDNER, CLINTON C. ACHESON, W. EDGAR  
MOORE, BETTY JO CHARLTON, AND KENT OTT.

ALSO PRESENT WERE:  
TERESA KIERNAN, REVISOR OF STATUTES; RAMON POWERS, OF STAFF,  
LEGISLATIVE RESEARCH; AND PAM SOMERVILLE, COMMITTEE  
SECRETARY.

AT 3:30 P.M., FEBRUARY 22, 1984,  
THE COMMITTEE HEARD ORAL PRESENTATIONS IN REGARD TO  
HOUSE BILL NOS. 2927, 2964, AND 2810, IN THE OLD  
SUPREME COURT CHAMBERS, STATEHOUSE, TOPEKA, KANSAS.

THE FOLLOWING IS A PARTIAL TRANSCRIPT  
OF THE QUESTIONS PROPOUNDED TO, AND THE ANSWERS GIVEN BY,  
MR. JAMES HAINES, KANSAS GAS & ELECTRIC. THIS TOOK PLACE  
AFTER MR. HAINES GAVE A PREPARED STATEMENT TO THE  
HOUSE ENERGY AND RESOURCE COMMITTEE. THE DISCUSSION WAS  
IN REFERENCE TO THE ABOVE-CITED HOUSE BILLS.

CHAIRMAN HEINEMANN: OTHER QUESTIONS  
FROM THE COMMITTEE?

REPRESENTATIVE FOX: COULD YOU TELL ME  
WHETHER THERE HAS BEEN ANY CWIP RATE GRANTED BY THE  
CORPORATION COMMISSION AT ANY TIME BEFORE 1978?

MR. HAINES: BEFORE 1978?

REPRESENTATIVE FOX: OR AT ANY TIME,  
FOR THAT MATTER, EXCEPT FOR A ONE-YEAR PERIOD,  
POSSIBLY?

MR. HAINES: I'M NOT AWARE OF ANY,  
BUT I'M NOT FAMILIAR WITH WHAT THE KCC WAS DOING  
IN THAT TIME FRAME. I ONLY CAME TO KANSAS IN 1980,  
SO I'M NOT FAMILIAR WITH THAT.

REPRESENTATIVE FOX: WELL, YOU IMPLY  
THAT CWIP WAS FORECASTED AS PART OF THE DEFERRAL OF  
THE COST DURING CONSTRUCTION, AND IN MY RESEARCH

THERE IS NO CASE OF CWIP EVER BEING GRANTED IN THE STATE OF KANSAS, ESPECIALLY FOR A LONG-TERM TYPE PROJECT, AND I WONDER ABOUT A UTILITY TAKING THAT INTO THEIR PLANNING TO ALLOW FOR CWIP WITH THE HISTORICAL BACKGROUND OF THE CORPORATION COMMISSION NOT EVER HAVING GRANTED THAT.

MR. HAINES: I UNDERSTAND WHAT YOU'RE SAYING, AND I WANT TO MAKE IT CLEAR, AS I BELIEVE WAS POINTED OUT YESTERDAY, THAT WHEN KG&E PLANNED WOLF CREEK, THE BUDGETS WERE PREPARED, THE ESTIMATES WERE PREPARED WITH A LINE ITEM FOR THE CARRYING CHARGES ON CWIP. WE PROJECTED OUR FINANCING REQUIREMENTS BASED ON THAT, AND HISTORY HAS SHOWN THAT WE HAVE BEEN ABLE TO FINANCE WITHOUT CWIP IN THE RATE BASE. IT HAS BEEN MORE DIFFICULT, BUT WE HAVE BEEN ABLE TO DO IT. THE POINT OF MY REMARKS WITH RESPECT TO THE 1978 AMENDMENT WAS NOT TO SAY THAT KG&E THOUGHT AT SOME POINT IN THE PAST THAT IT WOULD NECESSARILY GET CWIP IN THE RATE BASE. I DON'T KNOW WHAT KG&E WAS THINKING AT THAT TIME. THE POINT OF MY REMARKS WAS SIMPLY TO SAY THAT IT IS A FACT THAT THE ABSENCE OF CWIP IN THE RATE BASE, AT LEAST WITH RESPECT TO WOLF CREEK, HAS RESULTED IN THE COST OF THAT PROJECT BEING INCREASED BY APPROXIMATELY \$900 MILLION.

REPRESENTATIVE FOX: I GUESS THE POINT I WANT TO MAKE IS THIS: HISTORICALLY, THE 1978



AMENDMENT DID NOT CHANGE PREVIOUS HISTORICAL RULINGS, AND THE FACT OF THE MATTER IS TO IMPLY AT LEAST THAT CWIP, OR THE ACTIONS IN 1978, INCREASED THE COST OF THAT--I DON'T THINK THAT'S QUITE FOUNDED AS A RESULT OF THE 1978 ACT.

MR. HAINES: LET ME RESPOND IN THIS FASHION: IF THE 1978 AMENDMENT HAD NOT BEEN PASSED, I WOULD ASSUME--AND THIS IS JUST AN ASSUMPTION AND IT'S HINDSIGHT AND IT'S SUBJECT TO ALL THE CRITICISM THAT HINDSIGHTS AND ASSUMPTIONS ARE ALWAYS SUBJECT TO--BUT I WOULD ASSUME THAT WHEN KG&E GOT TO THE POINT IN TIME WITH WOLF CREEK WHERE CWIP COULD HAVE BEEN--CWIP IN RATE BASE COULD HAVE BEEN BENEFICIAL, BOTH FOR PURPOSES OF REDUCING THE COSTS OF THE PROJECT AND MAKING IT POSSIBLE FOR KG&E TO RAISE CAPITAL ON MORE FAVORABLE TERMS, I WOULD ASSUME THAT IF WE HAD APPROACHED THE CORPORATION COMMISSION AND PRESENTED THAT EVIDENCE TO THE COMMISSION, THAT WE WOULD HAVE RECEIVED VERY STRONG CONSIDERATION. NOW, MAYBE WE WOULDN'T HAVE. I CAN TELL YOU THIS: IN OUR LAST TWO RATE CASES, WE APPLIED, WITH RESPECT TO SOME MINOR CONSTRUCTION WORK--NONE OF WHICH WAS RELATED TO WOLF CREEK--WE APPLIED TO THE COMMISSION IN OUR LAST TWO CASES TO HAVE A PORTION OF CWIP RECOGNIZED IN COSTS OF SERVICE, AND IN RECOGNITION OF KG&E'S POOR CASH FLOW, THE COMMISSION GRANTED THAT

REQUEST.

REPRESENTATIVE FOX: BUT THOSE WERE ONE-YEAR OR LESS PROJECTS?

MR. HAINES: THAT IS RIGHT--EXCUSE ME, THEY'RE NOT ONE-YEAR OR LESS PROJECTS; THEY'RE PROJECTS THAT WILL BE COMPLETED WITHIN ONE YEAR OF THE TEST YEAR.

REPRESENTATIVE FOX: I WANT TO LOOK AT YOUR MARK-UP OF 2810 AND MAKE SURE I UNDERSTAND EVERYTHING THAT YOU'VE INCLUDED IN 2810. ON LINES 35 THROUGH, BASICALLY, 42, COULD YOU TELL ME WHAT THAT DOES BY SCRATCHING THAT LANGUAGE?

MR. HAINES: 35 THROUGH 42?

REPRESENTATIVE FOX: YES.

MR. HAINES: I BELIEVE THOSE LINES ARE THE 1978 AMENDMENT.

REPRESENTATIVE FOX: WHICH BASICALLY WOULD REPEAL CWIP, OR PROHIBITION THEREOF?

MR. HAINES: THAT IS RIGHT. NOW, WHAT IT WOULD DO--I'LL TELL YOU WHAT I THINK IT WOULD DO. IT WILL PUT KANSAS BACK IN THE POSITION IT WAS IN PRIOR TO THE 1978 AMENDMENT. IT WOULD NOT MANDATE INCLUSION OF CWIP IN RATE BASE; IT WOULD MAKE IT AT THE DISCRETION OF THE COMMISSION.

REPRESENTATIVE FOX: I WANT TO ASK YOU A QUESTION ABOUT THAT. IF WE STRIKE THAT LANGUAGE AT

THIS TIME AND THE CORPORATION COMMISSION DENIES CWIP AND A COMPANY TOOK IT TO COURT, WHAT DO YOU THINK WOULD BE THE INTERPRETATION OF THE LEGISLATIVE INTENT AT THAT TIME, MOST PROBABLY, BEING AN ATTORNEY?

MR. HAINES: I WOULD ASSUME THAT IF ALL YOU DID WAS STRIKE THIS LANGUAGE AND YOU CHANGED NO OTHER WORDS IN THE STATUTE, THAT WOULD, IN EFFECT, REPLACE IT, MY JUDGMENT AS AN ATTORNEY IS THAT THE COURT WOULD SAY THAT THE LAW NOW, AFTER THE REPEAL, IS THE SAME AS IT WAS PRIOR TO THE ENACTMENT.

REPRESENTATIVE FOX: YOU DON'T THINK THERE WOULD BE A STATEMENT THERE THAT THE LEGISLATION DOES NOT INTEND TO DENY CWIP?

MR. HAINES: NO, I DON'T, BECAUSE RIGHT NOW, THE WAY THE LAW IS ON THE BOOKS NOW, THE LEGISLATION SAYS, ". . . SUBJECT TO THE ONE-YEAR EXCEPTION, THE COMMISSION CANNOT--" AND IF YOU CHANGE IT, THE CHANGE WOULD BE THAT THE COMMISSION HAS THE DISCRETION, SO THE COURT WOULD FIND, IN YOUR ACT OF REPEAL, A CHANGE WITHOUT NECESSARILY HAVING TO GO ALL THE WAY TO THE POSITION OF SAYING THAT THIS IS THE LEGISLATIVE INTENT, TO MANDATE CWIP.

I WOULD ASSUME THAT BEFORE A COURT WOULD INTERPRET 66-128 TO MEAN THAT CWIP WAS REQUIRED TO BE INCLUDED IN RATE BASE, THAT THERE WOULD HAVE TO BE SOME AFFIRMATIVE LANGUAGE IN THE STATUTE TO THAT EFFECT AND,

OF COURSE, STRIKING THAT LANGUAGE DOES NOT RESULT IN ANY OF THAT AFFIRMATIVE LANGUAGE.

REPRESENTATIVE FOX: OKAY.

IN SECTION 2, LINES 43, 44, 45, 46 AND 47, THAT REFERS TO K.S.A. 66-1159 OR 66-1178. THAT'S BASICALLY THE POWER PLANT SITING ACT AND THE TRANSMISSION LINE SITING ACT. DO I READ THAT TO MEAN THAT ANY PLANT THAT WAS PERMITTED, BASICALLY FROM THIS POINT HENCE, WOULD NOT BE SUBJECT TO THE PROVISIONS OF SECTION 1?

MR. HAINES: SUBJECT TO THE PROVISIONS OF SECTION 1?

REPRESENTATIVE FOX: RIGHT.

MR. HAINES: THAT'S CERTAINLY NOT THE INTENT, AND I DON'T BELIEVE THAT THAT IS THE CASE.

REPRESENTATIVE FOX: WELL, I THINK THERE MIGHT BE SOME QUESTION ABOUT THAT. ONE OF THE POINTS I THINK YOU MISSED IN 2927, WHICH I AM SPONSOR OF, IS THE FACT THAT ONE OF THE MAJOR POINTS OF THAT IS FACT-FINDING AND DISCLOSURE, AND THE IMPLEMENTATION OF MUCH OF THAT COMES ABOUT ONLY AS A RESULT THEREOF, AND THERE IS REALLY ONLY BASICALLY ONE SECTION THERE THAT IS TOTALLY RESTRICTIVE ON THE CORPORATION COMMISSION. DO YOU HAVE PROBLEMS WITH FULL FACT-FINDING AND DISCLOSURE AT THIS TIME?

MR. HAINES: WHY DON'T I EXPAND MY ANSWER AT THIS TIME? WHAT I'D LIKE TO SAY IS THAT I BELIEVE

WE ARE SUBJECT RIGHT NOW TO FULL FACT-FINDING AND DISCLOSURE, EVEN THOUGH WE HAVE NOT AT THIS POINT FILED A RATE CASE IN WHICH WE SEEK RATE RELIEF FOR WOLF CREEK, NOR HAVE WE FILED A NOTICE THAT SUCH A CASE WOULD BE FILED. THE CORPORATION COMMISSION, SINCE AT LEAST 1980 WHEN IT UNDERTOOK THE CRESAP STUDY THAT I REFERRED TO EARLIER--SINCE AT LEAST 1980, HAS HAD STAFF MEMBERS, SPECIAL CONSULTANTS, IN TOPEKA--ON OCCASION, AT THE WOLF CREEK SITE--STUDYING WOLF CREEK. WE GET NUMEROUS, VOLUMINOUS DATA REQUESTS FROM THE KANSAS CORPORATION COMMISSION ON A WEEKLY IF NOT DAILY BASIS. WE RESPOND TO THOSE. WE HAVE TREATED THE COMMISSION'S INVESTIGATION, CONTINUING INVESTIGATION, OF WOLF CREEK NO DIFFERENTLY THAN WE WOULD TREAT IT IF WE HAD ALREADY FILED OUR RATE CASE. UNDER PRESENT LAW, WE HAVE NO CHOICE BUT TO DO THAT. THE COMMISSION, AS YOU, I'M SURE, ARE AWARE FROM THE EFFORTS WHICH THE COMMISSION HAS MADE TO INCREASE ITS BUDGET, IS IN THE PROCESS OF RETAINING CONSULTANTS TO BEGIN A MORE DETAILED STUDY OF WOLF CREEK. WE HAVE BEEN ASKED BY THE COMMISSION TO BRING A--I THINK IT'S 70 OR 80 FEET LONG AND 12 FEET WIDE--A MOBILE HOME ONTO THE WOLF CREEK SITE, WHICH WE HAVE DONE, TO SUPPLY IT WITH DESKS, FILE CABINETS, ETCETERA, FOR THE SOLE PURPOSE OF SUPPLYING A WORKING PLACE FOR COMMISSION AUDITORS. WE HAVE DONE THE SAME THING FOR THE MISSOURI PUBLIC

COMMISSION AS A RESULT OF THE FACT THAT THE KANSAS CITY POWER & LIGHT COMPANY IS ALSO REGULATED IN MISSOURI. SO WE ARE SUBJECT TO THE MOST FULL INVESTIGATION AND FACT-FINDING AT THIS POINT. I DON'T THINK, UNDER PRESENT LAW, THAT THE COMMISSION'S POWERS IN THAT REGARD ARE IN ANY WAY CONSTRAINED.

REPRESENTATIVE FOX: ONE LAST QUESTION: IN THE CRESAP-McCORMICK REPORT, IN SEVERAL CASES THROUGHOUT THERE, THEY KEEP REFERRING TO THE FACT THAT-- "KG&E'S OPTIMISM ON COMPLETION OF THIS PLANT." THEY BRING THAT UP AT SEVERAL POINTS. I'M CERTAIN YOU'VE READ THAT. THE OPTIMISM OF KG&E TO FINISH-- AND, IN FACT, YOU KNOW, THAT SEEMS TO KEEP ROLLING BACK AND SEEMS TO BE SUPPORTED BY THEIR OBSERVATION THAT THAT HAS CERTAINLY INCREASED THE COSTS OF THE FACILITY. WOULD YOU--

MR. HAINES: I WOULDN'T SAY THAT THE OPTIMISM HAS INCREASED THE COST. WHAT THE OPTIMISM HAS DONE IS THAT WHEN IT HAS BECOME NECESSARY TO CHANGE THE SCHEDULE, IT HAS GIVEN A LOT OF PEOPLE THE WRONG IMPRESSION THAT SOMETHING IS GOING WRONG AT WOLF CREEK.

REPRESENTATIVE FOX: I'M NOT IMPLYING THAT.

MR. HAINES: I UNDERSTAND THAT, BUT WHAT I'M SAYING IS, IF ANYTHING, I THINK THAT IS ALL THAT THE OPTIMISM HAS DONE. LET ME EXPLAIN TO YOU THE BASIS

FOR THAT OPTIMISM. WE HAVE SET, FROM THE BEGINNING, EXTREMELY AGGRESSIVE GOALS AT WOLF CREEK, AND WE HAVE DONE IT BECAUSE WE WANT TO MAINTAIN CONTROL OF THE PROJECT. WE WANT TO MEET THOSE AGGRESSIVE GOALS. WE HAVE SET--RIGHT NOW, FOR EXAMPLE, WHEN WE'RE IN THE FINAL STAGES OF COMPLETING THAT PLANT, WE HAVE SET GOALS FOR THE FINAL TESTING AND START-UP OF THE SYSTEMS THAT ARE BEING COMPLETED. WE HAVE SET GOALS THAT ARE AMONG THE MOST AGGRESSIVE IN THE INDUSTRY. FOR EXAMPLE, WE JUST COMPLETED THE PRIMARY HYDROTEST A WEEK OR SO AGO. THAT'S A TEST IN WHICH ALL OF THE PIPING SYSTEM AT WOLF CREEK IS FILLED WITH WATER AND THE WATER IS INCREASED TO A PRESSURE OF, I BELIEVE, 300 POUNDS PER SQUARE INCH. I MIGHT BE INCORRECT ON THAT. AT ANY RATE, THE COMPLETION OF THAT TEST CAME LATER THAN WE HAD HOPED THAT IT WOULD, BUT IT CAME 46 DAYS EARLIER THAN WE HAD ANTICIPATED A YEAR AGO, AND WE ATTRIBUTE THE FACT THAT IT CAME 46 DAYS EARLIER IN LARGE PART TO THE FACT THAT A YEAR AGO, WE TOOK A LOOK AT THE PROJECT AND WE SAID, "WE'RE COMING TO THE END OF IT. WE'VE GOT TO GET IT FINISHED AS FAST AS POSSIBLE. LET'S SET THE MOST AGGRESSIVE GOALS WE CAN FOR OUR CONSTRUCTORS AND OUR START-UP PEOPLE AND ATTEMPT TO HOLD THEM TO IT." THE RESULT IS THAT IF YOU LOOK AT THE SCHEDULE OF WOLF CREEK--THAT IS THE LENGTH OF TIME THAT IT HAS TAKEN TO BUILD IT--AND COMPARE THAT SCHEDULE



WITH THE SCHEDULE OF OTHER PLANTS WHICH ARE BEING BUILT IN THE SAME TIME FRAME AS WOLF CREEK, WOLF CREEK WILL HAVE BEEN COMPLETED ON THE BEST SCHEDULE, WITH THE EXCEPTION OF ONLY ONE OR TWO PLANTS, OF ANY PLANT BUILT--OF ANY NUCLEAR PLANT BUILT IN THE SAME TIME FRAME. THAT'S THE REASON FOR THE AGGRESSIVENESS, FOR THE OPTIMISM.

REPRESENTATIVE FOX: THANK YOU.

CHAIRMAN HEINEMANN: REPRESENTATIVE NILES?

REPRESENTATIVE NILES: I HAVE TWO OR THREE SHORT QUESTIONS, MR. HAINES. DID OTHER STATES HAVE CWIP BEFORE 1978?

MR. HAINES: YES.

REPRESENTATIVE NILES: DO YOU THINK THAT FACT MIGHT HAVE LED KG&E AND KCP&L TO EXPECT THAT, SOMEPLACE, THEY MIGHT REASONABLY EXPECT CWIP IN KANSAS?

MR. HAINES: IT MIGHT HAVE, AND I GO BACK TO THE ANSWER THAT I GAVE EARLIER: I WOULD THINK THAT AS LONG AS THE ABSENCE OF CWIP IN RATE BASE WAS NOT CREATING DIFFICULTY IN RAISING CAPITAL, WAS NOT HAVING THE EFFECT OF INCREASING THE COST OF CAPITAL THAT YOU RAISE, I WOULD THINK THAT THE UTILITY COMPANIES AND THEIR INVESTORS WOULD NOT BE ALARMED BY THE ABSENCE OF IT FROM RATE BASE. ONCE IT BECAME MORE DIFFICULT TO RAISE CAPITAL AND ONCE THE CAPITAL BECAME MORE EXPENSIVE,

IN PART BECAUSE OF THE FAILURE OF CWIP BEING IN THE RATE BASE, THEN I THINK IT'S REASONABLE TO ASSUME THAT IN THE ABSENCE OF THE 1978 AMENDMENT, THE CORPORATION COMMISSION WOULD HAVE EXERCISED ITS DISCRETION TO PUT NOT NECESSARILY ALL OF CWIP IN RATE BASE, BUT PERHAPS SOME PART OF IT.

REPRESENTATIVE NILES: THANK YOU.

MR. HAINES: IT'S NOT AN ALL-OR-NOTHING PROPOSITION. MANY STATES, FOR EXAMPLE, HAVE A POLICY THAT CWIP WILL BE PERMITTED IN RATE BASE ONLY TO THE EXTENT NECESSARY FOR A COMPANY TO ACHIEVE CERTAIN FINANCIAL INDICATORS, AND ONCE YOU GET TO THAT LEVEL, YOU DON'T GET ANY MORE CWIP IN RATE BASE.

REPRESENTATIVE NILES: I HAVE TWO OTHER QUICK QUESTIONS. CAN YOU TELL ME WHAT FRACTIONAL PART, AND ESTIMATE OF THE PROJECTED COST OF WOLF CREEK, IS DUE TO THE FACT THAT CHANGES WERE MADE BY THE NUCLEAR REGULATORY AGENCY DUE TO THE PROGRESSIVE KNOWLEDGE THEY HAD--THEY GAINED ABOUT UTILITIES, NUCLEAR UTILITIES?

MR. HAINES: THE ANSWER TO THAT QUESTION WOULD REQUIRE A VERY LENGTHY ANALYSIS. IT'S A QUESTION THAT WE ARE LOOKING AT. WE DON'T HAVE THE ANSWER. I CAN ASSURE YOU THAT THE COST IS SUBSTANTIAL, AND BY "SUBSTANTIAL," I DON'T MEAN A FEW MILLION DOLLARS, I MEAN HUNDREDS OF MILLIONS OF DOLLARS.

REPRESENTATIVE NILES: Do OTHER CORPORATION COMMISSIONS IN OTHER STATES LOOK AT THIS WHEN THEY ARE PROJECTING THE RATE BASE?

MR. HAINES: I ASSUME THAT THEY DO, BUT I--I CANNOT, FOR EXAMPLE, NAME A COMMISSION THAT I KNOW DOES. IT IS SUCH AN IMPORTANT CONSIDERATION THAT I CAN'T IMAGINE THAT A COMMISSION WOULDN'T DO THAT.

REPRESENTATIVE NILES: AND YESTERDAY, ONE OF THE CONFEREES ALLUDED TO THE FACT THAT THE SHAREHOLDERS WERE ON MADISON AVENUE COOKING THEIR COUPONS. DO WE HAVE ANY KANSAS SHAREHOLDERS?

MR. HAINES: WE CERTAINLY DO, AND I BELIEVE I CAN GIVE YOU A FAIRLY ACCURATE NUMBER OF KANSAS SHAREHOLDERS IF YOU'LL GIVE ME A MOMENT (PAUSE)

BASED ON INFORMATION AS OF DECEMBER 31ST, 1982-- SO THIS INFORMATION IS ABOUT 13 MONTHS OLD--17.7 PERCENT OF KG&E'S COMMON STOCK WAS HELD BY KANSANS. THE NUMBER OF KANSAS SHAREHOLDERS WAS 10,872. I'M SURE THAT THAT NUMBER HAS INCREASED SINCE THEN. THAT NUMBER CONSTITUTES ALMOST 20 PERCENT OF KG&E'S SHAREHOLDERS, AND I WOULD LIKE TO ADD THAT ALTHOUGH I AM NOT IN THE FINANCE DEPARTMENT AT KG&E, I AM SOMEWHAT FAMILIAR WITH THE OPERATIONS OF THAT DEPARTMENT. KG&E IS NOT A COMPANY WHOSE COMMON STOCK IS INSTITUTIONALLY-OWNED. IT'S NOT OWNED BY INSURANCE COMPANIES; IT'S NOT OWNED BY RETIREMENT FUNDS. IT'S OWNED BY INDIVIDUALS.

I HAVE A VERY GOOD FRIEND WHO IS AN INVESTMENT BANKER AT EDWARD D. JONES & COMPANY IN ST. LOUIS. THAT'S A COMPANY THAT SPECIALIZES IN SELLING STOCK IN SMALL TOWNS AROUND THE COUNTRY. THEY HAVE ONE- AND TWO-MAN OFFICES ALL OVER THE PLACE. THEY DON'T DO ANY BUSINESS IN BIG CITIES. HE TELLS ME THAT KG&E STOCK ALWAYS IS SOLD TO INDIVIDUALS, AND THAT IS ALSO BORNE OUT BY WHAT I AM TOLD BY PEOPLE IN OUR OWN FINANCE DEPARTMENT.

REPRESENTATIVE NILES: ONE MORE QUICK QUESTION: I BELIEVE I HEARD SOMEONE SAY--AND I DON'T REMEMBER IF IT WAS THE CORPORATION COMMISSION OR WHO-- THAT THE EXCESS CAPACITY ON WOLF CREEK COMPARES VERY WELL WITH THE EXCESS CAPACITY IN THEIR OTHER PLANTS WHEN THEY WERE FIRST BUILT. AM I WRONG OR NOT?

MR. HAINES: I'M THINKING ABOUT THAT. I DON'T HAVE THE EXACT PERCENTAGES IN FRONT OF ME NOW. WHENEVER YOU BRING A LARGE POWER PLANT ON-LINE-- A PLANT THAT IS, LET'S SAY, ABOVE 500 MEGAWATTS-- CONSIDERING WHAT I SAID EARLIER, IT TAKES TEN TO 15 YEARS TO BUILD ONE. TEN YEARS AGO IT MAYBE TOOK EIGHT TO 12 TO BUILD ONE, AND YOUR PLANNING WAS ALWAYS ON THE BASIS THAT YOU WOULD LET YOUR RESERVE MARGIN COME DOWN TO A CERTAIN LEVEL, AND THEN YOU HAD TO BEGIN TO BUILD A NEW PLANT AND YOU DIDN'T MAKE YOUR PLANS WITH THE IDEA THAT WHEN THE PLANT WAS COMPLETED YOU

WOULD WANT YOUR RESERVE MARGIN TO BE AT SOME MINIMAL LEVEL BECAUSE IT TAKES SO LONG TO BUILD THE PLANTS. YOU CAN'T HAVE A PLANT COMING ON-LINE EVERY YEAR WHEN YOU'RE IN A SITUATION THE WAY WE ARE HERE IN KANSAS. IF YOU'RE GOING TO TAKE ADVANTAGE OF THE ECONOMIES OF SCALE THAT YOU GET FROM THE CONSTRUCTION AND OPERATION OF LARGE POWER PLANTS, YOU HAVE TO GO THROUGH CYCLES WITH YOUR RESERVE MARGINS IN WHICH YOU'LL GO FROM WHAT APPEAR TO BE VERY HIGH RESERVE MARGINS, AND THEN AS THE LOAD GROWS, THE RESERVE MARGIN COMES DOWN AND WHEN IT GETS TO A CERTAIN POINT, YOU BEGIN THE PROCESS OF PLANNING FOR A NEW PLANT. YOU DON'T EVER WANT TO BE IN A SITUATION IN WHICH YOUR RESERVE MARGIN IS ZERO OR LESS. IF KG&E'S RESERVE MARGIN HAD BEEN ZERO OVER THE CHRISTMAS HOLIDAYS, ALL OF SOUTHEAST KANSAS, ALL OF KANSAS POWER & LIGHT COMPANY'S SERVICE TERRITORY WOULD HAVE BEEN WITHOUT POWER FOR SOME PERIODS OF TIME.

REPRESENTATIVE NILES: THANK YOU.

CHAIRMAN HEINEMANN: REPRESENTATIVE ROE?

REPRESENTATIVE ROE: THANK YOU,

MR. CHAIRMAN. I'M NOT SURE HOW TO POSE THE QUESTION, BUT I THINK THERE IS SOME MISUNDERSTANDING, OR THERE MIGHT BE SOME MISUNDERSTANDING, OF THE COMMITTEE ON CWIP AND WHY THE CORPORATION COMMISSION MIGHT NOT HAVE USED CWIP PREVIOUSLY. BEFORE THE BUILDING OF THE

LARGE--AND I WOULD SUGGEST THAT WE MIGHT WANT TO CHECK AND FIND OUT WHAT THE INTEREST RATES WERE AT THE TIME THAT WE WERE BUILDING SOME OF THE SMALLER PLANTS--I WOULD IMAGINE IF YOU WERE TALKING ABOUT THREE TO FIVE PERCENT, AND I IMAGINE THAT MIGHT BE WHAT IT WOULD BE AT THAT TIME, THAT WOULD HAVE A SIGNIFICANT DIFFERENCE ON WHAT WE ARE TALKING ABOUT ON THE PLANT WHEN THE NEEDS AROSE FOR THIS PLANT.

MR. HAINES: THAT'S ABSOLUTELY RIGHT.

REPRESENTATIVE ROE: I DON'T KNOW WHETHER IT WAS 2 PERCENT--I KNOW SOME OF THOSE LONG RANGE INTEREST RATES WERE VERY LOW. I CAN STILL REMEMBER SOME LOW ONES. I DON'T HAVE THEM ANYMORE, BUT I THINK THAT MAY HAVE MADE A DIFFERENCE ON WHETHER THE CORPORATION COMMISSION WOULD EVEN CONSIDER GRANTING THIS.

MR. HAINES: THAT'S ABSOLUTELY RIGHT.

REPRESENTATIVE ROE: I THINK IT MIGHT BE OF INTEREST TO FIND OUT WHAT SOME OF THE INTEREST RATES WERE FOR SOME OF THE OTHER CONSTRUCTION WE HAD IN THE STATE, SAY THE PREVIOUS TEN YEARS BEFORE WE STARTED WOLF CREEK. I THINK IT WOULD BE BENEFICIAL TO THE COMMITTEE TO KNOW THAT. SINCE QUITE A FEW PEOPLE SEEM TO THINK THERE'S SOME REASON THAT THE CORPORATION COMMISSION DIDN'T ALLOW IT BEFORE, I THINK THAT MIGHT BE ONE OF THE REASONS. IT MAY NOT BE THE

REASON, BUT I RAISE IT AS A POSSIBILITY THAT SHOULD BE CONSIDERED.

MR. HAINES: SIR, I BELIEVE THAT I CAN GIVE YOU A PARTIAL ANSWER TO YOUR QUESTION IF YOU'LL JUST LET ME LOOK FOR A MOMENT (PAUSE)

IN 1973, KG&E WAS ISSUING POLLUTION CONTROL BONDS THAT HAD AN INTEREST RATE OF 5.75 PERCENT. HERE I SEE AN ISSUE OF FIRST-MORTGAGE BONDS IN 1975 AT 9.6 PERCENT. HOWEVER, WHEN WE GET OUT TO THE TERRIBLE INFLATION AND HIGH INTEREST RATES OF 1980 AND 1981, I SEE FIRST-MORTGAGE BONDS OF 16.25 PERCENT. HERE'S AN ISSUE OF FIRST-MORTGAGE BONDS IN 1981 AT 14.875 PERCENT. HERE IS A CREDIT AGREEMENT--THAT WOULD BE A BANK LOAN--OF 16.8 PERCENT. HERE IS A PROMISSORY NOTE, 18 PERCENT. YOU ARE CERTAINLY CORRECT TO SAY THAT NO ONE ANTICIPATED IN THE MID-70'S THAT THE PRIME RATE WOULD CLIMB ABOVE 20 PERCENT AND STAY AT THOSE HIGH LEVELS FOR AS LONG AS IT DID.

REPRESENTATIVE ROE: THANK YOU.

CHAIRMAN HEINEMANN: REPRESENTATIVE GROTEWEIL?

REPRESENTATIVE GROTEWEIL: HOUSE BILL 2810 IS AN EXCESS CAPACITY BILL. WITH YOUR REVISIONS ON THAT BILL, WOULD IT BE FAIR TO CHARACTERIZE IT AS A PHASE-IN BILL?

MR. HAINES: I THINK YOU COULD STILL

REFER TO IT AS AN EXCESS CAPACITY BILL BECAUSE IT CERTAINLY DOES, IN THE BILL, AUTHORIZE THE COMMISSION TO MAKE A FINDING OF EXCESS CAPACITY. THEN IT GOES ON TO PROVIDE THAT IF THE COMMISSION FINDS EXCESS CAPACITY, IT HAS TO GIVE RATE RECOGNITION TO THAT CAPACITY ON AN ORDERLY AND AUTOMATIC BASIS WITHIN FOUR YEARS, SO IT DOES BOTH.

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REPRESENTATIVE GROTEWEIL: THE NEXT QUESTION IS: ACCORDING TO YOUR FINANCIAL STATEMENT, WHICH IS THE LAST PAGE--AND ALSO THE QUESTION BEFORE THAT, ACTUALLY--ACCORDING TO YOUR BILL, THEN ANY CARRYING COSTS WOULD BE BORNE BY THE RATEPAYER UNDER YOUR PROPOSAL?

MR. HAINES: Yes.

REPRESENTATIVE GROTEWEIL: THE NEXT QUESTION THEN: ACCORDING TO YOUR FINANCIAL STATEMENT, THAT AMOUNT UNDER YOUR FOUR- OR FIVE-YEAR PHASE-IN WOULD BE 63 MILLION; IS THAT CORRECT?

MR. HAINES: No, I DON'T UNDERSTAND WHERE YOU--

REPRESENTATIVE GROTEWEIL: IF YOU LOOK UNDER THE SECOND SET OF FIGURES UNDER "FULL RATE INCREASE--"

MR. HAINES: OKAY.

REPRESENTATIVE GROTEWEIL: --THE MAJOR AMOUNT IS 327.



MR. HAINES: RIGHT.

REPRESENTATIVE GROTEWEIL: IF YOU LOOK UNDER THE NEXT PART, IT SAYS "RATE INCREASE WITH FIVE YEAR PHASE-IN."

MR. HAINES: I SEE, YOU SUBTRACTED THE TWO. LET ME THINK ABOUT THIS FOR A SECOND--YES.

REPRESENTATIVE GROTEWEIL: THEN A PHASE-IN IS A LITTLE MORE EXPENSIVE?

MR. HAINES: ABSOLUTELY.

REPRESENTATIVE GROTEWEIL: SO IF THE PLANT STAYS AT THIS RATE, YOU'D CONSIDER THIS AN ACCURATE STATEMENT AND YOU COULDN'T SEE IT GO HIGHER, BECAUSE WE DON'T KNOW THE EXACT COST OF THE PLANT?

MR. HAINES: I'M NOT GOING TO SAY THAT-- THIS IS BASED ON THE BEST INFORMATION THAT WE HAVE AVAILABLE TO US TODAY. IF INTEREST RATES WERE AGAIN TO SHOOT THROUGH THE CEILING, THAT COULD AFFECT THIS. ON THE OTHER HAND, IF INTEREST RATES WERE TO GO DOWN, THAT COULD AFFECT THIS. IF, FOR EXAMPLE, KG&E IS SUCCESSFUL, AS IT IS HOPING TO BE, IN COMPLETING SOME PARTICIPATION POWER SALES, THE RETAIL CUSTOMERS IN KANSAS WOULD GET THE BENEFIT OF THAT, AND THAT WILL HAVE THE EFFECT OF REDUCING THESE NUMBERS. IT COULD GO EITHER WAY. THOSE NUMBERS ARE BASED ON WHAT WE KNOW TODAY AND WHAT WE ASSUME TODAY.

REPRESENTATIVE GROTEWEIL: ONE FINAL

QUESTION THEN: WHILE IT'S NOT A VERY PLEASANT THOUGHT TO YOUR COMPANY, COULD THEY ABSORB \$63 MILLION OVER A FIVE-YEAR PERIOD AND STILL REMAIN SOLVENT, BECAUSE THAT'S THE QUESTION WE'RE FACED WITH IN ALL THESE BILLS IS WHETHER TO MAKE THE STOCKHOLDERS PAY FOR THESE CARRYING CHARGES OR WHETHER THE RATEPAYER SHOULD PAY FOR THEM OR A COMBINATION.

MR. HAINES: WELL, IF THE STANDARD FOR REGULATING A UTILITY COMPANY IS GOING TO BECOME SIMPLY, "DO THEY REMAIN SOLVENT OR DON'T THEY REMAIN SOLVENT," THEN WE'RE IN A WHOLE NEW BALL GAME, AND I'M NOT GOING TO EVADE THE ANSWER. IN THIS SCENARIO, \$63 MILLION IS NOT GOING TO BANKRUPT KG&E. WHAT WE'RE TALKING ABOUT, HOWEVER, IS A QUESTION OF EQUITY. THE PEOPLE WHO HAVE PUT UP THE MONEY FOR WOLF CREEK PUT IT UP UNDER THE ASSUMPTION OF PRESENT KANSAS LAW, THAT WHEN THE PLANT IS FINISHED, THEY WOULD BE PAID A FAIR--OR THEY WOULD BE GIVEN AN OPPORTUNITY TO EARN A FAIR RETURN ON IT. THAT'S THE ISSUE. NOW, THE ANSWER TO YOUR QUESTION, HOWEVER, IS NO, THAT'S NOT GOING TO BANKRUPT KG&E.

REPRESENTATIVE GROTEWEIL: I RECOGNIZE THE SOLVENCY OF THE COMPANY IS AN IMPORTANT QUESTION. THE SOLVENCY OF THE RATEPAYERS IS ALSO A QUESTION, SO WE'RE HERE TO BALANCE THE TWO. THANK YOU FOR YOUR COMMENTS.

CHAIRMAN HEINEMANN: REPRESENTATIVE GULDNER?

REPRESENTATIVE GULDNER: MR. HAINES, DO YOU HAVE ANY IDEA WHAT THE COST PER KILOWATT HOUR OF ELECTRICITY IN SOME OF THE HIGHLY INDUSTRIALIZED MIDWEST OR EASTERN STATES IS?

MR. HAINES: I BELIEVE THAT THE COST OF A KILOWATT HOUR IN THE NEW YORK AREA IS ABOVE 12 CENTS. I BELIEVE THAT THE COST OF A KILOWATT-- OH, WAIT A MINUTE, I THINK I HAVE--I MIGHT HAVE THAT. WELL, NO, I DON'T. THE COST OF A KILOWATT HOUR ON THE WEST COAST, IN SOUTHERN CALIFORNIA, IS ALSO WELL ABOVE 10 CENTS PER KILOWATT HOUR. BY CONTRAST, OUR PROJECTIONS RIGHT NOW ARE THAT IF WE WERE TO TAKE WOLF CREEK INTO RATES ALL AT ONCE, THE AVERAGE COST OF A KILOWATT HOUR IN KG&E'S SYSTEM--I SAY "AVERAGE" BECAUSE THE ACTUAL COST TO A PARTICULAR CUSTOMER IS GOING TO DEPEND ON THE RATE SCHEDULE THAT HE'S ON AND WHERE IN THAT RATE SCHEDULE HE USES THE KILOWATT HOUR--THAT THE AVERAGE COST OF THE KILOWATT HOUR IF WE WERE TO TAKE WOLF CREEK INTO RATES ALL AT ONCE WOULD GO TO BETWEEN 10 AND 11 CENTS PER KILOWATT HOUR. THEN IT WOULD DECLINE, BEGINNING PERHAPS EVEN IN THE SECOND YEAR TO WITHIN TWO OR THREE YEARS, BACK DOWN TO AROUND 8 OR 9 CENTS A KILOWATT HOUR. AND THEN, ASSUMING SOME MODEST INFLATION IN THE GENERAL ECONOMY,

THE COST WOULD GRADUALLY SLOPE UPWARD, BUT UNDER OUR PRESENT PROJECTIONS, I DON'T THINK IT WOULD EVER REACH THE LEVELS OF WHERE THE COST OF ENERGY PRESENTLY IS IN SOUTHERN CALIFORNIA OR NEW YORK. UNDER OUR PHASE-IN PLAN, THE COST OF A KILOWATT HOUR IN THE INITIAL YEAR WOULD NOT GO UP AS MUCH. I THINK IT'S BETWEEN 8 AND 9 CENTS THE FIRST YEAR, AND THEN IT GRADUALLY GOES UP, AND AT THE END OF THE PHASE-IN PERIOD, IT WOULD BE SLIGHTLY ABOVE WHAT IT WOULD HAVE BEEN DURING THE FIRST YEAR IF WE HAD GOTTEN THE INCREASE ALL AT ONCE, AND THEN AFTER THE PHASE-IN PERIOD, AGAIN WE SEE A LEVELING OUT OF RATES.

REPRESENTATIVE GULDNER: DO SOME OF THESE AREAS--AND I DON'T KNOW WHETHER YOU KNOW THE ANSWER TO THIS OR NOT, BUT WOULD YOU HAVE ANY IDEA OF WHETHER THESE AREAS HAVE VERY MUCH EXCESS CAPACITY AVAILABLE IN THE INDUSTRIALIZED OR COAST STATES?

MR. HAINES: I CAN'T SPEAK WITH SPECIFIC RESPECT TO NEW YORK OR CALIFORNIA. I KNOW THAT THERE ARE SOME AREAS IN THE COUNTRY, ACCORDING TO STUDIES THAT I HAVE READ BY THE DEPARTMENT OF ENERGY, THAT ARE PROJECTING SEVERE SHORTAGES OF ELECTRIC GENERATING CAPACITY BEFORE THE END OF THIS DECADE, AND BECAUSE THEY HAVE NO PLANTS UNDER CONSTRUCTION IN THOSE AREAS AT THIS TIME, THERE IS AN ANTICIPATION THAT THERE WILL BE TREMENDOUS DISLOCATIONS OF FACILITIES THAT DEPEND

UPON RELIABLE AND ADEQUATE ENERGY FOR THEIR OPERATION.

REPRESENTATIVE GULDNER: WELL, I GUESS WHAT I WAS TRYING TO THINK ABOUT OR GET AT, MAYBE, HERE IS THE POSSIBILITY THAT IF A KILOWATT HOUR COSTS THAT MUCH AND THERE ISN'T TOO MUCH EXCESS CAPACITY IN SOME OF THESE HIGHLY-INDUSTRIALIZED STATES, THAT POSSIBLY OUR RATES BEING CLOSE TO THE SAME AND WITH A PRETTY GOOD SIZE AMOUNT OF EXCESS CAPACITY, WE COULD HAVE A CHANCE OF ATTRACTING SOME ELECTRIC-INTENSIVE INDUSTRY INTO THIS STATE.

MR. HAINES: I DON'T KNOW IF WE WOULD ATTRACT ELECTRIC-INTENSIVE INDUSTRY--BY THAT, I MEAN A FOUNDRY THAT OPERATES BY AN INDUCTION PROCESS OR AN ALUMINUM COMPANY OR SOMETHING LIKE THAT. THOSE COMPANIES, BECAUSE THEY ARE ELECTRIC-INTENSIVE, MIGHT WELL BE LOOKING FOR PARTS OF THE COUNTRY WHERE THERE IS PLENTIFUL HYDROPOWER, BECAUSE THAT IS--THAT'S DIRT CHEAP. ON THE OTHER HAND, IF YOU LOOK IN THE WICHITA AREA, I POINTED OUT THAT BOEING MILITARY AIRPLANE COMPANY--WHICH IT USES A LOT OF ELECTRICITY, BUT IT IS NOT ELECTRIC-INTENSIVE--BOEING IS IN THE MIDDLE OF A \$500 MILLION EXPANSION PROGRAM, AND THEY MADE THE DECISION TO DO THAT IN WICHITA KNOWING FULL WELL THAT WOLF CREEK IS COMING ON-LINE, AND ONE OF THEIR REPRESENTATIVES WAS QUOTED IN THE WICHITA EAGLE-- HEAVENS, I HATE TO RELY ON THE WICHITA EAGLE--BUT

WAS QUOTED IN THE WICHITA EAGLE AS SAYING THAT EVEN WITH WOLF CREEK, A COGENERATION PROJECT FOR THEM WOULDN'T PAY-OUT FOR 30 YEARS.

REPRESENTATIVE GULDNER: WELL, OKAY, NOT ELECTRIC-INTENSIVE INDUSTRY. DO YOU THINK THAT OTHER INDUSTRIES WOULD TEND TO GRAVITATE TO AN AREA THEN THAT THE CAPACITY IS THERE? I THINK MORE OR LESS MOST OF THEM ARE GOING TO SENSE THAT THERE ISN'T GOING TO BE TOO MUCH GENERATING POWER BUILT FROM NOW ON WITH EXCESS CAPACITY.

MR. HAINES: I THINK THE LONG TERM AVAILABILITY OF ELECTRIC ENERGY IN KANSAS--NOT JUST IN KG&E'S SYSTEM, BUT ACROSS THE STATE--THE LONG TERM AVAILABILITY OF ELECTRIC ENERGY AT TODAY'S PRICES-- AND REMEMBER, THE BIG COMPONENT OF THE COST OF ELECTRICITY IS FUEL AND THE COST OF CAPITAL. WE HAVE LOCKED IN ONE OF THOSE COMPONENTS, THE COST OF CAPITAL AT TODAY'S PRICES FOR MAYBE THE NEXT 30 YEARS, AND WITH WOLF CREEK, BECAUSE URANIUM IS NOT SUBJECT TO THE HIGH TRANSPORTATION COSTS THAT COAL IS, NOR IS IT SUBJECT TO THE PROBLEMS THAT WE'RE GOING TO HAVE WHEN THERE FINALLY COMES A TIME THAT WE HAVE TO DEAL WITH THE ACID RAIN PROBLEM AND THE GREENHOUSE EFFECT AND ALL OF THAT, URANIUM IS GOING TO REMAIN AT A MUCH MORE CONSTANT PRICE THAN COAL WILL. SO I THINK THAT THE TEMPORARY COST THAT RATEPAYERS WILL EXPERIENCE

THROUGHOUT KANSAS AS A RESULT OF SOME CAPACITY IN EXCESS OF REQUIRED RESERVE MARGINS IS MONEY IN THE BANK.

REPRESENTATIVE GULDNER: YOU'RE SAYING THAT ATOMIC ENERGY RATES WILL PROBABLY STAY MORE STABLE THAN OTHER SOURCES OF ENERGY OTHER THAN THE HYDROPOWER THAT YOU WERE TALKING ABOUT?

MR. HAINES: YES, THEY WILL. A CHARACTERISTIC OF URANIUM-FUELED POWER IS THAT THE CAPITAL COSTS ARE VERY HIGH. IT'S VERY EXPENSIVE, AS WE ALL KNOW NOW, TO BUILD A NUCLEAR POWER PLANT, BUT THE FUEL IS VERY INEXPENSIVE. JUST A MINUTE, AND I CAN GIVE YOU SOME MORE DEFINITE INFORMATION ON THAT, I THINK. I SHOULD BE ABLE TO. (PAUSE)

OH, I'VE LOST IT--MISLAID THE PIECE OF PAPER I WAS LOOKING FOR. BUT WITHOUT LOOKING AT THE ESTIMATE THAT WE HAVE, WE PROJECT THAT BY THE MID-90'S, THE COST PER MILLION BTU'S OF NUCLEAR FUEL--I'M TRYING TO RECALL FROM MEMORY, AND I MIGHT MISSTATE THE MAGNITUDE OF IT--I BELIEVE IT WILL BE IN THE NEIGHBORHOOD OF ONE-FOURTH THE COST PER MILLION BTU'S FOR COAL, AND SUBSTANTIALLY BENEATH THE COST FOR NATURAL GAS. SO THE LOW FUEL COSTS OVER TIME WILL BALANCE OUT THESE VERY HIGH CAPITAL COSTS AND, OF COURSE, IT'S THE HIGH CAPITAL COSTS THAT DERIVE THIS SIGNIFICANT, ONE-TIME RATE INCREASE THAT WE'RE ALL CONCERNED ABOUT,

LEGITIMATELY.

CHAIRMAN HEINEMANN: WE'RE RUNNING SHORTLY OUT OF TIME. I HAVE A COUPLE OF QUICK QUESTIONS, AND I'M GOING TO FORGET THE REST FOR NOW. AS YOU UNDERSTAND THE STATE OF THE CURRENT LAW, IF SUNFLOWER HAD COME IN AND NOT REQUESTED THEIR PHASE-IN, WOULD THE CORPORATION COMMISSION HAVE HAD THAT OPTION OF ISSUING THEIR INITIAL ORDER?

MR. HAINES: MAY I BE EXCUSED FROM ANSWERING THAT?

IT WOULD HAVE BEEN DIFFICULT FOR THE COMMISSION TO DO IT, AND IT PROBABLY WOULD HAVE ENDED UP IN COURT. AS MR. MOLINE SAID YESTERDAY, THE LA CYGNE 1 CASE, THE CASE INVOLVING KG&E--AND THE KCC HAS SOME AMBIGUITY IN IT AND, YOU KNOW, YOU READ ONE PART OF THE CASE AND IT SUGGESTS THAT THE COMMISSION MIGHT BE ABLE TO DO IT, AND YOU READ ANOTHER PART OF THE CASE AND IT SUGGESTS THAT THE COMMISSION CAN'T DO IT, SO I GUESS I CAN'T SAY YES OR NO. WHAT I WOULD HAVE TO SAY IS THAT IF I WERE THE COMMISSION AND I COULD JUSTIFY, AS GOOD PUBLIC POLICY, MANDATING A PHASE-IN, I WOULD LOOK AT THE AMBIGUITY IN THE LAW AND I WOULD FIGURE THAT I, AS A PUBLIC OFFICIAL, HAD TO TRY IT AND WOULD DEFEND IT IN COURT. I THINK IT WOULD END UP IN COURT, IS WHAT I'M SAYING.

CHAIRMAN HEINEMANN: I'M SURE IT WOULD.



LINES 43 TO 47 IN NEW SECTION 2, AS I READ THIS, THE BILL, IF AMENDED AS YOU SUGGEST, WOULD ONLY RELATE TO WOLF CREEK; IS THAT CORRECT?

MR. HAINES: Yes.

CHAIRMAN HEINEMANN: IN LINES 49 THROUGH 51, YOUR LANGUAGE IS ". . . IN ADDITION TO DISALLOWING ANY EXPENDITURES IMPRUDENTLY INCURRED IN THE CONSTRUCTION OR ACQUISITION THEREOF . . . ."

IS THAT NOT CURRENT LAW?

MR. HAINES: I BELIEVE THAT IT IS. FRANKLY, GOING BACK TO A QUESTION THAT WAS ASKED EARLIER ABOUT HOW DOES THE COURT INTERPRET LEGISLATIVE ACTION ON A BILL WHEN LANGUAGE IS ADDED OR TAKEN AWAY, AND I BELIEVE--AND I BELIEVE THE CORPORATION COMMISSION BELIEVES THIS, TOO, BECAUSE IN THEIR RECENT KANSAS CITY POWER & LIGHT COMPANY CASE, KCP&L'S RETURN ON EQUITY WAS PENALIZED BY 50 BASE POINTS FOR THE FINDING BY THE COMMISSION IN INEFFICIENT OPERATION ON THE LA CYGNE 1 PLAN. I BELIEVE UNDER PRESENT LAW THE COMMISSION CAN DO THAT. I BELIEVE IF LANGUAGE LIKE THIS IS IN A STATUTE AND THEN A QUESTION COMES UP TO WHICH THIS STATUTE MIGHT NOT APPLY, A COURT PERHAPS MIGHT SAY, "WELL, THIS IS THE LEGISLATIVE EXPRESSION IN 1984 WITH RESPECT TO WHAT THE COMMISSION CAN DO WHEN IT FINDS IMPRUDENT PRACTICES." THAT LEAVES THE IMPRESSION THAT PRIOR TO 1984, THE LEGISLATURE DIDN'T

THINK THE COMMISSION HAD THAT AUTHORITY. WE HAVE THAT LANGUAGE IN THERE SIMPLY BECAUSE WE DON'T WANT TO GIVE ANYONE THE IMPRESSION THAT WE WANT TO BE EXCUSED FROM IMPRUDENT PRACTICES. WE THINK WE HAVE A GOOD PROJECT AT WOLF CREEK. WE THINK WE HAVE A GOOD COMPANY, OVERALL, AND WE ARE WILLING TO SUBMIT THE COMPANY AND WOLF CREEK TO THE TEST OF IMPRUDENCE, AND WE'RE NOT AT ALL AFRAID TO HAVE THAT LANGUAGE IN THE STATUTE. TO ANSWER YOUR QUESTION, NO, I DON'T THINK IT'S NECESSARY AND I THINK IT MIGHT CREATE SOME CONFUSION IF IT'S LEFT IN THERE.

CHAIRMAN HEINEMANN: JUST TOUCHING QUICKLY ON THE LAST PART, AS I READ IT, THE CORPORATION COMMISSION COULD DEFER, BUT BY STATUTE THEY WOULD BE REQUIRED TO INCLUDE, WITHIN FOUR YEARS, A REASONABLE CARRYING CHARGE. THE BASIC QUESTION I HAVE IS WHY IS THERE ANY MAGIC WITHIN FOUR YEARS?

MR. HAINES: THERE ISN'T ANY MAGIC WITH FOUR YEARS. LET'S GO TO THE LAST PAGE OF MY PREPARED STATEMENT, KG&E'S PROPOSED PHASE-IN PLAN. WE HAD ONE GOAL--I SHOULDN'T SAY WE HAD ONE GOAL, BUT THERE WAS ONE VERY IMPORTANT THING WE WANTED TO ACCOMPLISH WHEN WE PUT THIS TOGETHER. WE WANTED TO GET THE INITIAL INCREASE, THE SO-CALLED "RATE SHOCK," AS LOW AS POSSIBLE. IN ORDER TO DO THAT, WE CAN'T STRING OUT THE BALANCE OF IT OVER A LONG PERIOD OF TIME.

THE LOWER YOU GET THAT FIRST INCREASE, THE QUICKER YOU NEED TO RECOVER THE BALANCE IN ORDER TO MAINTAIN YOUR FINANCIAL VIABILITY. IF YOU WANT TO GO TO SEVEN YEARS OR SOMETHING LIKE THAT, THEN WE'RE GOING TO NEED MORE THAN A 39.5 PERCENT INCREASE IN THE FIRST YEAR. IN ADDITION, AS THE CARRYING CHARGES PILE UP, YOU'RE JUST INCREASING THAT \$63 MILLION DIFFERENCE THAT REPRESENTATIVE GROTEWEIL POINTED OUT. SO THERE ISN'T MAGIC WITH FOUR YEARS, BUT WE THINK THAT FOUR YEARS STRIKES A GOOD BALANCE BETWEEN THE NEED TO MAINTAIN THE VIABILITY, THE FINANCIAL VIABILITY, OF THE COMPANY; THE NEED TO KEEP THE COVENANT WITH THE SHAREHOLDER THAT ONCE AN INVESTMENT THAT HE'S MADE GOES INTO SERVICE, HE'LL BE GIVEN AN OPPORTUNITY TO EARN A RETURN ON IT. YOU ALSO NEED TO BE REASONABLY SURE, I WOULD THINK, THAT THE PHASE-IN PLAN IS GOING TO BE COMPLETED BEFORE YOU HAVE TO START THE PROCESS OF PLANNING SOMETHING ELSE. WE HAVE ABSOLUTELY NO PLANS AT THIS POINT. I DON'T WANT TO LEAVE YOU WITH THE IMPRESSION THAT WE'RE PLANNING TO BUILD ANOTHER GENERATING PLANT. WE ARE NOT. I PROMISE YOU THAT, HOWEVER, I WOULD HOPE THAT IF THE TIME EVER COMES THAT WE DO HAVE TO GO TO ANOTHER POWER PLANT, WE ARE NOT STILL FIGHTING OVER WHETHER OR NOT WE ARE GOING TO RECOVER A RETURN ON WOLF CREEK.

CHAIRMAN HEINEMANN: OKAY, ONE FINAL QUESTION: WHAT DATE IS IT NOW THAT WOLF CREEK IS

SUPPOSED TO GO ON-LINE?

MR. HAINES: FEBRUARY 15, 1985, IS  
THE CURRENT ESTIMATE.

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# LWVK LEAGUE OF WOMEN VOTERS OF KANSAS

909 Topeka Boulevard-Annex

913/354-7478

Topeka, Kansas 66612

February 22, 1984

TO THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

I am Ed Reinert speaking for the Kansas League of Women Voters in support of bills 2810, 2927 and 2964.

With regard to utility companies, the consumers who don't own, plan or manage them should not have to pay the costs of inefficiency and excesses of those who do. Carrying out this policy may be the only way to insist that in the world today the only "cheap" energy is that we recover from conservation and efficient use.

*Ed Reinert*

Ed Reinert  
LWVK Lobbyist

2-22-84 Attachment 3

Margaret J. Miller  
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Testimony before the House Energy & Natural Resources Committee,  
February 22, 1984

I am very glad to be able to be here today. I speak for many older people who are not able to come for various reasons--mostly that they cannot afford to come. I am very fortunate in that I have a husband who worked for 42 years in one business and now has Social Security and a company pension. So we are able to afford a car and occasional journeys like this one. The KG&E executives and attorneys, I am sure, do not have to come at their own expense; in fact, they come at ratepayers' expense.

I support House Bill 2927 and the issues it addresses--particularly utility over-capacity, not allowing the ratepayer to be charged for financing and possible mis-management. I urge you to give the Kansas Corporation Commission, which is supposed to represent the best interests of the entire state, the power they need to resolve these issues.

Most people today are having trouble paying their utility bills. Probably the group having the most trouble is that of older widows. Many of them lived in a time when it was not customary for women to work, or at least not to work at a real career. Hence their retirement incomes are at the minimums. Some of them are subsidized by the state and federal governments to bring their incomes up to the poverty level of \$285 per month. They ask how they can possibly live on \$285 a month and I wish I could tell them. Some of them are spending 1/3 to 1/2 of their income on utilities; how can they do this? I think of my mother who had work until literally her dying day to supplement her small Social Security payment. She was forced to do without many things that would have made her life more comfortable. She could not afford a car; her house almost fell down around her because she could not afford to have it repaired. We helped out in a real emergency but had our hands full raising 4 children and helping another dependent parent. But this is the way older people are living today in many cases--it just is not right in this country.

I speak also for so-called middle-class people. I was talking just yesterday with a young woman who is single and living in a condominium which she bought 8 years ago. It is all electric! The first month she lived there her total electric bill was \$32. Last month her electric bill was \$262--a 720% increase in 8 years. If the proposed 95% increase should go into effect, her bill would be \$498 a month--a 1460% increase! Even middle-class people spend proportionately too much money on utilities. And that is hurting every other kind of business. What people are spending on utilities, they

[more]

Attachment 4  
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cannot spend on food, on better housing, on a new car, on clothing, on entertainment.

I am speaking for low-income people for whom exorbitant utilities are an unmitigated disaster.

I would also like to say that business people are going to be hurt by high electric rates. They are going to be hurt, as I have pointed out because people cannot afford to buy their products after paying their utility bills. And they are going to be hurt because their costs will have to increase to pay their utility bills and so they will be less competitive.

People of limited means have always had to decide how to spend their money. In recent years they have had to choose between food and limited utility services. But it is absolutely preposterous that this sad & tragic situation should come about because of the ineptness and mismanagement of those who planned and are building this nuclear plant.

We know that knowledgeable people tried to tell the utilities as long as ten years ago that the nuclear plant would be too expensive and would not be needed. But the utilities would not listen. Now for the third year in a row, KG&E is reporting declining sales. According to the latest figures, KG&E has 25.5% reserve capacity over peak summer demand. If they were to be allowed to operate Wolf Creek (assuming it will work) they would have 46.6% reserve over peak demand. KCP&L has now 61.2% reserve capacity over peak demand. And I have heard that KG&E is trying to sell inexpensive power from Jeffrey to a Texas utility while at the same time they are trying to raise our rates 95% because of Wolf Creek! It is almost unbelievable.

In yesterday's Wichita Eagle-Beacon, Wilson Cadman, president of KG&E, is quoted as saying, "We think we do have for you something that's in the best interest of all parties." Best interest of all parties! I can only say that it may be in the best interest of him and his fellow utility executives and their stockholders, but it is ruinous for the rest of us. He continued, "This is in no way considered by us to be a bail-out scheme." Can you believe that he really said that--and still retain some remnants of credibility?

Nuclear plants, overall, have received large government subsidies in various ways. The cost overruns and safety considerations have been monstrous. Eighteen nuclear plants were cancelled in 1982. More, such as Shoreham on Long Island, Seabrook in New Hampshire, Midland in Michigan, Three Mile Island in Pennsylvania, Marble Hill in Indiana, Zimmer in Ohio, are in trouble or have been stopped.

If we had not been pouring all this money into this nuclear mistake, we could have been providing electricity in all sorts of cost-effective and environmentally-effective ways. KG&E will be surprised how much less electricity they will sell if they raise their rates 95%. If they think they will solve their financial problems by this huge rate hike, then they have an economic lesson to learn. The utilities are their own worst enemies in the present situation.

I urge that the KCC be given the tools to help solve this problem.

My name is Pat Moore. I live at 147 N. Sedgwick in Wichita. I am the founder and co-covonor of the Gray Panthers of Wichita

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Since Gray Panthers was started in 1981 I have addressed the effects of these rate raises to little avail. I have talked of those least able to defend themselves and of how these rates will cause these people, mainly widows but also many young people with children, to suffer much severe and perhaps deadly results.

Today I am going to use the facts about my own case to illustrate those effects even before Wolf Creek comes on line. Let me preface my statement by telling you that I get more Social Security than those on the minimum, so it must be much worse for those people. My own bills have risen to such an extent that I live under what I ~~call conditions~~ which I call camping out in a small area of my home. I have learned that I cannot afford to run my airconditioner so I am reduced to cooling my person. I sleep on a mattress which I pull into the center of the room to catch any breeze and and I lie perfectly still and totally naked so that the air from a small fan can reach all of my body. I cook in my back yard on a hibachi, using wood from the trees that grow in my back yard. Even with nothing running except my refrigerator a small fan and occassionally my tv my level pay-ment plan has more than doubled since 1980.

I exist in a house which is in such a terrible state of disrepair that I worry when friends use my bathroom for fear the stool will fall into the basement, which is supported by beams which I put in to keep it from total collapse. My appliances are so old that I worry what I will do when they wear out. My car is a 1969 model and when it goes I will be without any transportation to do the work of the Gray Panthers.

The recent appearance of termites in my basement was so devastating that I was almost physically ill until I found that my past credit rating would allow me to pay it out in payments. But the amount of those payments plus my medical and Doctor bills have made it necessary for me to cut out some of my food intake. I cannot buy new clothing so I must allow myself to gain weight by eating the high starch diet most people on welfare and low income eat and which makes them obese.

At home, I wear clothing I once would have consigned to the rag bag and save the few things which are still presentable to wear in my public appearances. I am deeply grateful that no one can see what I wear in the way of underwear.

I find I cannot meet those expenses which make life more than just a struggle for survival. Many people under these circumstances withdraw from

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under these circumstances but my reaction is to become fighting mad at these injustices perpetrated against us because we are no longer what is described as "productive members of Society", by those in power over us. We seek to change the attitudes of those who see us as excess baggage with which they are saddled. We remind them that they are just one cerebral accident, or automobile accident away from total dependency upon a society which prefers to forget the helpless and the hopeless. I am fighting mad at a society which puts profit and productivity before people.

Are we who had no part in the decision made by the corporation and its stockholders to build Wolf Creek to be forced to pay for their folly? A stockbroker once told my husband, "If you cannot afford the loss you should not gamble." I did not gamble. Must I be forced to pay the losses of those who did?

What would you have us do? WE CAN NOT PAY ANY MORE!

# CHURCH OF THE NAZARENE

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**MILTON B. PARRISH**, *District Superintendent*

February 20, 1984

Representative David Heinemann, Chairman  
Energy and Resources Committee  
House of Representatives  
Topeka, KS

Dear Representative Heinemann:

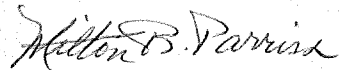
Representing the churches in Johnson County, Kansas, which are a part of the Kansas City District of the Church of the Nazarene, I wish to register our support for House Bills 2927 and 2810 relative to the matter of rate increases which have been requested by Kansas City Power and Light Company.

We see no reason to require the consumer to pay for more power than he actually consumes. Neither do we see any reason for the rate on the power which the consumer actually uses to be raised so as to cover the cost of excess power which the power company may produce. To expect the consumer to accept the burden of guaranteeing the investor a quick return of his investment plus interest is both unreasonable and unfair. This would place a very heavy burden on many people who can ill afford to bear it.

We also feel very strongly that the Kansas Corporation Commission should be empowered to review any proposed rate increases before they are actually put into effect.

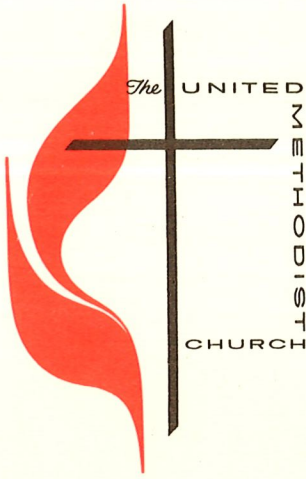
We in the Church of the Nazarene wholeheartedly support the testimony of Dr. Stacy Ollar in regard to this matter.

Sincerely,

  
Milton B. Parrish

MBP:rcr

ATTACHMENT 6  
2-22-84



# KANSAS CITY DISTRICT

6420 Santa Fe Drive • Overland Park, Kansas 66202 • Telephone 913/722-4775

*Bishop, Kansas Area*  
BEN OLIPHINT

*Bishop, Retired  
Consultant, Church Extension*  
DON W. HOLTER

*Superintendent*  
ALFRED D. HAGER

*Administrative Assistant*  
FRANCES DUNLAP

20 February 1984

Mr. David Heinemann, Chairman  
House Energy and Resources Committee  
House of Representatives  
Topeka, Ks. 66612

Dear Mr. Heinemann:

May I respectfully request that support be given to House bills 2810 and 2927.

As the administrative person responsible for fifty United Methodist Churches in Johnson, Wyandotte, Leavenworth and Atchison Counties, I am vitally concerned about the impact on utility rates of the Wolf Creek nuclear power plant. Increases will dramatically affect the budget of each of the churches. None can absorb larger utility increases without severely limiting the work which they carry out. In addition, individuals, particularly those in the lower economic levels and on fixed incomes, would suffer extreme hardships.

I also support and heartily endorse the testimony which Dr. Stacy Ollar will present to your committee on behalf of all consumers and churches.

Sincerely yours,

Dr. Alfred D. Hager, Superintendent  
Kansas City Kansas District  
The United Methodist Church

Attachment 7  
2-22-84