

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Senator Charlie L. Angell at  
Chairperson

8:00 a.m./~~p.m.~~ on Friday, February 3, 1984 in room 123-S of the Capitol.

All members were present except:

Senator Paul Hess

Senator Tom Rehorn

Senator Ed Roitz (Excused)

Committee staff present:

Ramon Powers, Research Department

Raney Gilliland, Research Department

Chris Stanfield, Research Department

Don Hayward, Revisor's Office

LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Michael Lennen, Chairman, State Corporation Commission

Lynn Burris, Director, State Parks and Resources Authority

Vice-Chairman Kerr moved that the minutes of the February 2, 1984 meeting be approved. Senator Werts seconded the motion, and the motion carried.

S.C.R. 1644 - License requirements between Army Corps of Engineers and fish and game commission; Re Proposal No. 24

Senator Gordon moved that the resolution be recommended favorable for adoption. Senator Werts seconded the motion, and the motion carried 6-0.

Michael Lennen read his written statement (Attachment 1). Mr. Lennen said they expect that a rate case will be filed this year in anticipation of the commercial operation of Wolf Creek in 1985. In this regard, the Commission has two legislative objectives: (1) securing the staffing and financial resources necessary to analyze a rate request and to develop testimony on behalf of the public; (2) ensuring the Commission has the legal authority to account for generating capacity that may be in excess of current needs and to provide for appropriate sharing of risk and responsibilities. Mr. Lennen described the ownership, construction costs and estimated rate increases. He said that both KG&E and KCPL have indicated they are considering phase-in proposals which could reduce the initial rate increase. He compared the current costs and projected costs of Wolf Creek with other generating plants. Mr. Lennen talked about the Commission's staff involved with monitoring and studies of the Wolf Creek project. In this regard, S.B. 577 provides for supplemental funding for fiscal year 1984. He noted that H.B. 2810 addresses the area of excess capacity. Mr. Lennen also discussed the AT&T divestiture and related telecommunications issues. He reviewed recent Commission decisions and concerns which will be addressed by the Commission in the near future. Mr. Lennen mentioned he was providing a summary of energy programs now being administered by the Commission (Attachment 1). Chairman Angell asked about the implementation of S.B. 498 (1982) and specifically, regarding inspections of washdowns. Mr. Lennen agreed to provide information on this. Vice-Chairman Kerr said he had been hearing complaints that temporary water wells are not being adequately plugged. Mr. Lennen said he would check into the matter.

Lynn Burris told the Committee that he does not foresee the state taking any financial interest in the Hillsdale project in Miami County for several years because a private developer is working with the Corps of Engineers in an effort to develop a vacation lodge. Mr. Burris said that they plan to shift some land at Cedar Bluff to the Fish and Game Commission and transfer a position and a half because the revenues generated there are insufficient to maintain the operation. The Park and Resources Authority is requesting the addition of two tracts of land to their system, one at Wilson Reservoir and the other at Melvern Reservoir. Mr. Burris said they are not recommending any fee increase or amendments this year but, depending on this summer's cash flow, they may consider increasing the daily permit for vehicles next year. Answering questions from Chairman Angell, Mr. Burris said campers are allowed to stay at one location for 14 days and cannot leave their vehicles unattended over 12 hours. Mr. Burris also mentioned that the Ways and Means Subcommittee has shown an interest in establishing some new agents to sell park users permits.

The meeting was adjourned at 8:57 a.m. by the Chairman. The next meeting of the Committee will be at 8:00 a.m. on February 7, 1984.

Senate Energy & Natural Resources  
Feb. 3, 1984

<u>Name</u>	<u>Organization</u>
Richard D. Kready	KPL/Gas Service Co.
TREVA POTTER	NORTHERN NATURAL GAS
Whitney Damron	KNRC
Eldon Thomasson	Kansas Campers
Paul Johnson	PACK
Glen E. Kirk	U.S. Bureau of Reclamation
Don Schnacke	KI OGA-
GARY L HADEN	KCC
Kent Forster	KCC
Ed Reinert	League Women Voters
<del>Paul R. Allen</del>	Kans Valley REC.
Roy D. Shenkel	K.C.P.C.
Jerry Leonard	KGE
D. WAYNE ZIMMERMAN	THE ELECTRIC COS ASSOC. OF KS.
Dick Compton	MIDWEST ENERGY
Ch Duffy	KLW O

MICHAEL LENNEN  
PRESENTATION TO SENATE ENERGY AND NATURAL  
RESOURCES COMMITTEE 2/3/84

MY THANKS FOR THE OPPORTUNITY TO APPEAR THIS MORNING. AT THE OUTSET I WOULD NOTE THAT THE COMMISSION'S JURISDICTION IS SUFFICIENTLY BROAD TO PRESENT A WIDE RANGE OF POTENTIAL TOPICS THAT I KNOW ARE OF PARTICULAR INTEREST AND CONCERN TO THIS COMMITTEE.

FOR EXAMPLE, COMMISSIONER DICK RECENTLY APPEARED BEFORE YOU AND PROVIDED A THOROUGH AND INFORMATIVE OVERVIEW OF OIL AND GAS ISSUES AND ACTIVITIES IN WHICH THE COMMISSION HAS BEEN INVOLVED OVER THE PAST YEAR. I WOULD, OF COURSE, BE PLEASED TO RESPOND TO ANY QUESTIONS YOU MIGHT HAVE IN THIS AREA.

HOWEVER, I SHOULD LIKE TO ADDRESS MY PREPARED REMARKS THIS MORNING PRIMARILY TO A MATTER THAT HAS PROPERLY BEEN ACCORDED A GREAT DEAL OF PUBLIC ATTENTION IN THE OPENING WEEKS OF THIS LEGISLATIVE SESSION.

THAT IS THE EXPECTATION THAT A RATE CASE WILL BE FILED THIS YEAR IN ANTICIPATION OF THE COMMERCIAL OPERATION OF WOLF CREEK GENERATING STATION IN 1985.

IF THIS EXPECTATION IS REALIZED, IT IS MY INTENTION TO ENSURE THAT THE CASE IS GIVEN A FULL, OBJECTIVE AND FAIR HEARING; THAT THE PUBLIC INTEREST IS WELL REPRESENTED; AND THAT OUR ULTIMATE DECISION REFLECTS AN APPROPRIATE AND REASONABLE WEIGHING OF THE RECORD.

*Atch. 1*

TOWARD THAT END, THE COMMISSION HAS ESTABLISHED TWO FUNDAMENTAL LEGISLATIVE OBJECTIVES THIS SESSION: FIRST, TO SECURE THE STAFFING AND FINANCIAL RESOURCES THAT WILL BE NECESSARY TO ANALYZE THOROUGHLY ANY RATE REQUEST THAT IS FORTHCOMING AND TO DEVELOP AND PRESENT TESTIMONY ON BEHALF OF THE PUBLIC GENERALLY; SECOND, TO ENSURE THAT THE COMMISSION HAS THE REQUISITE LEGAL AUTHORITY, WITHIN THE CONTEXT OF DECIDING A RATE CASE, TO ACCOUNT FOR GENERATING CAPACITY THAT MAY BE IN EXCESS OF CURRENT NEEDS AND TO PROVIDE FOR APPROPRIATE SHARING OF RISK AND RESPONSIBILITIES BETWEEN INVESTORS AND CONSUMERS ALIKE. THOUGH MEMBERS OF THIS COMMITTEE ARE INTIMATELY FAMILIAR WITH WOLF CREEK AND ATTENDANT ISSUES AND UNCERTAINTIES, I FELT IT MIGHT BE HELPFUL IN ASSESSING WHERE WE ARE AND WHAT WE KNOW AT THIS POINT TO PRESENT A SUMMARY OF BACKGROUND INFORMATION.

FIRST THE BASICS:

WOLF CREEK IS DESIGNED TO OPERATE AS A 1,150 MEGAWATT URANIUM-FUELED ELECTRIC GENERATION PLANT. THE PLANT IS OWNED BY KANSAS GAS AND ELECTRIC COMPANY (KG&E) (47% OWNERSHIP SHARE), KANSAS CITY POWER AND LIGHT COMPANY (KCPL) (47% OWNERSHIP SHARE), AND KANSAS ELECTRIC POWER COOPERATIVE, INC. (KEPCo) (6% OWNERSHIP SHARE). APPROXIMATELY 231,153 CURRENT CUSTOMERS OF KG&E WILL BE SERVED BY THE PLANT WHICH WILL PRODUCE 21% OF KG&E'S AVAILABLE ELECTRIC GENERATING CAPACITY. APPROXIMATELY 124,875 CURRENT KANSAS CUSTOMERS AND 222,001 CURRENT MISSOURI CUSTOMERS OF KCPL WILL BE SERVED BY THE PLANT WHICH WILL PRODUCE 16% OF KCPL'S AVAILABLE ELECTRIC GENERATING CAPACITY. KEPCo'S TWENTY-FIVE

MEMBER RURAL ELECTRIC COOPERATIVES (APPROXIMATELY 85,000 CURRENT CUSTOMERS) WILL BE SERVED BY THE PLANT WHICH WILL REPRESENT 19% OF KEPCo'S ELECTRIC POWER REQUIREMENTS.

CONSTRUCTION AT THE WOLF CREEK GENERATING STATION BEGAN IN FEBRUARY, 1977. TOTAL PROJECT COST ESTIMATES HAVE VARIED WITH TIME FROM THE 1973 ESTIMATE OF \$783,528 TO THE PRE-CONSTRUCTION 1976 ESTIMATE OF \$1,042,939,200 TO THE CURRENT ESTIMATE OF \$2,672,758,300. THE CUMULATIVE PROJECT COST AS OF NOVEMBER 30, 1983, INCLUDING ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (CARRYING COSTS), WAS \$1,863,552,747 AS OF THAT TIME. THE PROJECT WAS 90% COMPLETE MEASURED BY LABOR AND MATERIAL IN PLACE AND 67% COMPLETE MEASURED BY FUNDS EXPENDED. PRESENTLY, CASH CONSTRUCTION COSTS ARE INCURRED IN THE APPROXIMATE AMOUNT OF \$34,000,000 PER MONTH AND CARRYING COSTS ACCRUE IN THE APPROXIMATE AMOUNT OF \$18,500,000 PER MONTH. IN THE INTERVENING TWO MONTHS SINCE NOVEMBER 30, IT COULD BE EXPECTED THAT AN AMOUNT IN EXCESS OF \$100 MILLION HAS BEEN EXPENDED, BRINGING TOTAL EXPENDITURES TO APPROXIMATELY \$2 BILLION. THIS REPRESENTS SLIGHTLY UNDER 75% OF THE CURRENT ESTIMATED COMPLETION COST OF \$2.67 BILLION.

SUBJECT TO SEVERAL IMPORTANT QUALIFICATIONS, THE COMMISSION STAFF ESTIMATES THAT KG&E AND KCPL WILL EXPERIENCE RATE INCREASES ATTRIBUTABLE TO THE WOLF CREEK PLANT FALLING WITHIN A RANGE BETWEEN FIFTY AND EIGHTY PERCENT. THE ESTIMATED RANGE ASSUMES FULL RATE BASE TREATMENT FOR PLANT INVESTMENT AND DOES NOT TAKE INTO ACCOUNT FUNDING FOR DECOMMISSIONING OF THE PLANT. BOTH KG&E



AND KCPL HAVE RECENTLY INDICATED THAT THEY ARE SERIOUSLY CONSIDERING A PHASE-IN PROPOSAL WHICH COULD REDUCE THE INITIAL RATE INCREASE ATTRIBUTABLE TO THE PLANT. THE INITIAL RATE INCREASE ATTRIBUTABLE TO THE PLANT COULD BE HIGHER THAN ESTIMATED SHOULD KG&E AND KCPL ENCOUNTER FUTURE CONSTRUCTION OR LICENSING DELAY OR INCREASED PROJECT COST. THE INITIAL RATE INCREASE COULD ALSO BE HIGHER THAN ESTIMATED SHOULD THE COMMISSION AUTHORIZE FUNDING FOR DECOMMISSIONING THE PLANT. THE COMMISSION STAFF HAS ESTIMATED THE BUS-BAR COSTS OF ELECTRIC ENERGY GENERATED AT VARIOUS KANSAS PLANTS FOR COMPARATIVE PURPOSES:

APPROXIMATE "BUS-BAR" COSTS<sup>A</sup>  
(ALL COSTS IN MILLS/KWHR)

	<u>CURRENT COST</u>	<u>1994 PROJECTED COSTS</u>
JEFFREY PLANTS	34	43 TO 47
IATAN	35	43 TO 47
HOLCOMB	39 <sup>B</sup>	62 TO 64 <sup>C</sup>
WOLF CREEK	90-115 <sup>C</sup>	90 TO 125 <sup>C</sup>

A BUS-BAR COSTS INCLUDE RETURN, RECOVERY OF CAPITAL, AND INCOME TAX IF APPLICABLE ON INVESTED CAPITAL AS WELL AS ALL OTHER OPERATING EXPENSES.

B INCLUDES ONLY HALF OF THE FULL CAPITAL COSTS IN UNIT TO ACCOUNT FOR AN APPROXIMATION OF PARTIAL RATE BASE INCLUSION AS ADOPTED.

C ASSUMES THAT FULL INVESTMENT AND RETURN RECOVERY IS ALLOWED.

CURRENT ESTIMATES WOULD RESULT IN A COST PER INSTALLED KILOWATT OF CAPACITY OF \$2,322 WHICH IS SLIGHTLY BELOW THE AVERAGE COST OF \$2,400 FOR PLANTS NOW BEING BUILT. THE COST RANGE FOR THESE POST-THREE MILE ISLAND NUCLEAR PLANTS IS FROM \$1,000/KILOWATT TO

OVER \$4,000/KILOWATT, THE LATTER FIGURE BEING FOR THE SHOREHAM PLANT ON LONG ISLAND.

THE WOLF CREEK PLANT OWNERS HAVE RECENTLY PROJECTED THAT FUEL LOADING WILL BEGIN ON OR ABOUT AUGUST 15, 1984 AND THAT THE PLANT WILL BE COMMERCIALY OPERABLE DURING SPRING, 1985. THE NUCLEAR REGULATORY COMMISSION HAS PUBLICLY QUESTIONED THE OWNERS' PROJECTIONS AND BELIEVES THAT APRIL, 1985 IS A MORE REALISTIC FUEL LOAD DATE WHICH, IN TURN, MEANS A DEFERRAL OF THE COMMERCIAL OPERATING DATE. ASSUMING, HOWEVER, THAT THE OWNERS' PROJECTIONS ARE CORRECT, DURING 1985, KG&E'S GENERATION CAPABILITY WILL EXCEED ITS PEAK DEMAND BY APPROXIAMTELY 968 MEGAWATTS (57.7%) AND KCPL'S GENERATION CAPABILITY WILL EXCEED ITS PEAK DEMAND BY APPROXIMATELY 1,038 MEGAWATTS (46.6%). FURTHER ASSUMING THAT DEMAND FOR ELECTRICITY WILL INCREASE WITH TIME, SURPLUS GENERATION CAPABILITY SHOULD DECREASE WITH TIME. BOTH KG&E AND KCPL, AS MEMBERS OF THE SOUTHWEST POWER POOL, ARE REQUIRED BY THEIR MEMBERSHIP AGREEMENT TO MAINTAIN A GENERATION CAPABILITY RESERVE OF 18%.

ON NOVEMBER 14, 1979, THE COMMISSION ISSUED AN ORDER IN DOCKET No. 120,924-U INITIATING A GENERAL INVESTIGATION OF THE COSTS AND RELATED MATTERS AT THE PLANT. SINCE THAT TIME, THE COMMISSION STAFF HAS MONITORED CONSTRUCTION AT THE PLANT, CONDUCTED A VARIETY OF FINANCIAL AND OPERATIONAL ANALYSES OF THE PLANT AND THE OWNER COMPANIES, AND ACCUMULATED AND COMPILED A DATA BASE IN ANTICIPATION OF ADMINISTRATIVE RATE PROCEEDINGS.

ADDITIONALLY, THE FIRM OF CRESAP, McCORMICK AND PAGET, INC. WAS RETAINED BY THE COMMISSION TO PERFORM A FINANCIAL AND OPERATIONAL STUDY OF THE PLANT, AND ITS REPORT, WHICH WAS ISSUED DURING THE MONTH OF NOVEMBER, 1980, HAS BEEN USED BY THE COMMISSION STAFF AS A FOUNDATION FOR SUBSEQUENT INVESTIGATION.

PRESENTLY, THE COMMISSION'S WOLF CREEK STAFF CONSISTS OF FOUR FULL-TIME POSITIONS AND FOUR PART-TIME POSITIONS INCLUDING ONE ATTORNEY, TWO CERTIFIED PUBLIC ACCOUNTANTS, TWO RESEARCH ANALYSTS, ONE CONSTRUCTION ENGINEER AND ONE ELECTRICAL ENGINEER. THE COMMISSION HAS REQUESTED TWO NEW POSITIONS FOR THE BALANCE OF FISCAL YEAR 1984 AND FOR FISCAL YEAR 1985; A PUBLIC ACCOUNTANT POSITION AND A RESEARCH ANALYST POSITION, BOTH TO BE DEVOTED 100% TIME TO THE WOLF CREEK PLANT INVESTIGATION. FY 1985 PROJECTED COSTS RELATED TO IN-HOUSE STAFFING ARE:

ANNUAL SALARIES	\$220,345
FRINGE BENEFITS (19%)	41,865
CLERICAL SUPPORT	<u>11,484</u>
	<u>\$273,694</u>

FURTHER, DURING NOVEMBER, 1983, THE COMMISSION ISSUED RFP No. 84-2 SEEKING CONSULTANT SERVICES IN AN EFFORT TO FULLY IDENTIFY AND QUANTIFY CAUSES OF COST OVERRUN DURING THE DESIGN AND CONSTRUCTION PHASES, TO EVALUATE COSTS THAT WILL ARISE FOLLOWING CONSTRUCTION, TO DETERMINE THE EXTENT TO WHICH THE PLANT IS NEEDED BY THE RATEPAYERS OF KANSAS, AND TO OFFER EXPERT TESTIMONY AND EXHIBITS AT ADMINISTRATIVE RATE PROCEEDINGS. RFP No. 84-2



WAS DIVIDED INTO THREE PHASES FOR PRIMARILY FISCAL PURPOSES. FUNDING IN THE AMOUNT OF \$353,600 IS CURRENTLY AVAILABLE FOR PHASE I OF THE INVESTIGATION. PHASES II AND III OF THE INVESTIGATION ARE DEPENDENT UPON LEGISLATIVE APPROPRIATION. THE COMMISSION HAS REQUESTED AN ADDITIONAL \$574,000 FOR PHASES II AND III IN ITS COMBINED FY 1984 AND FY 1985 BUDGET REQUESTS. SENATE BILL 577 WHICH CONTAINS THE INCREASED EXPENDITURE AUTHORITY FOR FY 1984 RECEIVED FAVORABLE ACTION BY THE SENATE WAYS AND MEANS COMMITTEE ON WEDNESDAY OF THIS WEEK. ON JANUARY 13, 1984, A NEGOTIATING COMMITTEE AWARDED PHASES I AND II TO TOUCHE ROSS AND COMPANY WITH THE UNDERSTANDING THAT FUNDING FOR PHASE II IS CONTINGENT UPON LEGISLATIVE APPROPRIATION. ANOTHER RFP IS BEING PREPARED FOR PHASE III ABOVE. (SEE ATTACHMENT FOR FURTHER DESCRIPTION OF PHASES I, II AND III.)

IF THE WOLF CREEK PLANT BECOMES COMMERCIALY OPERABLE DURING SPRING, 1985, THE OWNER COMPANIES MAY FILE AN APPLICATION FOR RATE RELIEF AT LEAST 240 DAYS PRIOR TO THE DATE OF COMMERCIAL OPERATION WHICH WOULD REQUIRE ADMINISTRATIVE RATE PROCEEDINGS DURING LATE 1984 AND EARLY 1985.

WE BELIEVE THAT PASSAGE OF HOUSE BILL 2810 WHICH WAS INTRODUCED THIS WEEK IS IMPORTANT TO ENSURE THAT THE COMMISSION HAS THE FLEXIBILITY TO ADDRESS THE EXCESS CAPACITY QUESTION AS WELL AS ISSUES OF MANAGEMENT PRUDENCY, COST OVERRUNS, AND EFFICIENCY OF OPERATIONS.

I WOULD ALSO INDICATE TO THE COMMITTEE THAT WE EXPECT BOTH KG&E AND KCPL TO PRESENT RATE REQUESTS THAT INCLUDE SOME FORM OF PLANT PHASE-IN.

A SECOND AREA THAT HAS REQUIRED AND WILL CONTINUE TO REQUIRE A GREAT DEAL OF COMMISSION ATTENTION IS THE AT&T DIVESTITURE AND RELATED TELECOMMUNICATIONS ISSUES.

ON JANUARY 1, 1984, THE MODIFIED FINAL JUDGEMENT IN THE AT&T ANTITRUST CASE TOOK EFFECT AND THE BELL SYSTEM REORGANIZATION WAS ACCOMPLISHED. AS A CONSEQUENCE OF THAT AND OTHER DECISIONS, THE MANNER IN WHICH TELECOMMUNICATIONS SERVICES ARE PROVIDED HAS CHANGED.

SOUTHWESTERN BELL TELEPHONE COMPANY NOW NO LONGER PROVIDES LONG DISTANCE SERVICES BETWEEN CERTAIN AREAS IN KANSAS. THESE AREAS, KNOWN AS LATA'S (LOCAL ACCESS AND TRANSPORT AREAS) CORRESPOND TO THE 913 AND 316 AREA CODE AREAS EXCEPT THAT THE KANSAS CITY REGION CONSTITUTES A SEPARATE LATA. SERVICE BETWEEN THESE AREAS IS PROVIDED BY AT&T COMMUNICATIONS OF THE SOUTHWEST, A NEW SUBSIDIARY OF AT&T.

THAT NEW COMPANY WAS GRANTED A CERTIFICATE BY THE CORPORATION COMMISSION TO PROVIDE SERVICE IN KANSAS BEGINNING JANUARY 1, 1984.

AT&T AND OTHER PROVIDERS OF INTERLATA SERVICES NOW HAVE TO PAY LOCAL TELEPHONE COMPANIES, INCLUDING SOUTHWESTERN BELL, FOR USE OF THE LOCAL EXCHANGE FACILITIES IN ORIGINATING AND TERMINATING LONG DISTANCE CALLS. THESE "ACCESS CHARGES" REPLACE THE PRIOR PROCEDURES, CALLED DIVISION OF REVENUES AND SETTLEMENTS, BY WHICH ALL TELEPHONE COMPANIES SHARED TOLL REVENUES AS COMPENSATION FOR THEIR EXCHANGE COSTS ALLOCATED TO TOLL SERVICES. THE KANSAS COMMISSION DETERMINED IN ITS ACCESS CHARGE PROCEEDING THAT LOCAL TELEPHONE COMPANIES SHOULD ADOPT THE ACCESS CHARGES DEVELOPED FOR INTERSTATE ACCESS UNDER THE FCC PLAN. THE KCC, HOWEVER, DID NOT ADOPT THE END USER CHARGES PROPOSED UNDER THE FCC PLAN. FURTHERMORE, THE KCC DECIDED THAT ITS PLAN SHOULD BE TEMPORARY-TO LAST ONLY THROUGH 1984.

IN THE ACCESS CHARGE PROCEEDING THE COMMISSION ALSO DETERMINED A TEMPORARY METHOD BY WHICH SOUTHWESTERN BELL AND THE INDEPENDENT TELEPHONE COMPANIES WOULD SHARE OR "SETTLE" THE TOLL REVENUES FROM INTRA LATA SERVICES WHICH THEY JOINTLY PROVIDE. THERE ARE PENDING SEVERAL REQUESTS FOR REHEARING ON VARIOUS DETAILS OF THE ACCESS CHARGE DECISION.

ANOTHER ACTION WHICH MIGHT BE VIEWED AS TEMPORARY IS THE RESOLUTION OF SOUTHWESTERN BELL'S RATE CASE. THE COMMISSION, IN AN INTERIM PROCEEDING, GRANTED BELL AN INCREASE OF \$96.7 MILLION OF THE ORIGINALLY REQUESTED \$204.5 MILLION. THIS MEANT AN INCREASE IN BASIC LOCAL RATES OF \$1.35 FOR RESIDENTIAL AND \$1.75

FOR BUSINESS CUSTOMERS. THE RATES FOR OTHER SERVICES WERE INCREASED FROM 15% TO 20%. MOST OF THE \$96.7 MILLION WAS ACTUALLY GENERATED FROM THE ACCESS CHARGES OF \$65 MILLION WHICH WILL BE PAID BY AT&T.

SHORTLY BEFORE DIVESTITURE, THE FCC ALSO DECIDED TO DEREGULATE THE EMBEDDED CUSTOMER PREMISES EQUIPMENT (CPE) WHICH WAS TRANSFERRED FROM THE BELL OPERATING COMPANIES TO AT&T. CONSEQUENTLY, THOSE TELEPHONE SETS AND SYSTEMS WHICH WERE LEASED FROM SOUTHWESTERN BELL ARE NO LONGER SUBJECT TO TARIFF REGULATION. INSTEAD, THE FCC APPROVED OF A TWO YEAR PRICE PREDICTABILITY AND SALE PLAN FOR AT&T. THE FCC HAS NOT YET DETERMINED HOW THE EMBEDDED CPE OWNED BY INDEPENDENT TELEPHONE COMPANIES WILL BE DEREGULATED.

THE FCC HAS ALSO FINALLY MADE A DECISION IN ITS THREE YEAR OLD JOINT BOARD PROCEEDING ON ALLOCATION OF NONTRAFFIC SENSITIVE COSTS BETWEEN INTERSTATE AND INTRASTATE JURISDICTIONS. THAT DECISION WILL EVENTUALLY ALLOCATE ONLY 25% OF NTS COSTS TO INTERSTATE EXCEPT THAT A CERTAIN PERCENTAGE OF COSTS ABOVE THE NATIONAL AVERAGE WILL ALSO BE RECOVERED BY COMPANIES THROUGH A UNIVERSAL SERVICE FUND.

ALTHOUGH MANY DECISIONS HAVE NOW BEEN MADE AND IMPLEMENTED, THE CORPORATION COMMISSION STILL HAS IMPORTANT DECISIONS TO MAKE IN THE COMING MONTHS AND YEARS. ONE OF THE MOST IMPORTANT CONCERNS IS THE EXTENT OF LONG DISTANCE COMPETITION TO BE ALLOWED

IN KANSAS AND THE MANNER IN WHICH OTHER LONG DISTANCE COMPANIES SHOULD BE REGULATED. ALSO SOON TO BE DECIDED IS THE MANNER OF REGULATING CELLULAR RADIO SERVICES. AND OF COURSE A MORE PERMANENT DECISION ON ACCESS CHARGES AND SETTLEMENTS ARRANGEMENTS WILL BE MADE BEFORE THE END OF THE YEAR. THE COMMISSION IN ITS ORDER IN THE BELL RATE CASE ALSO REQUIRED STAFF TO BEGIN REVIEWING MAJOR ITEMS OF CONSTRUCTION BY SWB. IN ORDER TO ADDRESS ALL THESE ISSUES, THE COMMISSION HAS NOW ESTABLISHED A COMMUNICATIONS SECTION WITHIN THE UTILITIES DIVISION. IT IS OUR INTENTION TO EXAMINE SOME OF THE DETAILS WHICH HAVE NOT BEEN ADDRESSED YET, AND ALSO SOME OF THE LONG TERM QUESTIONS RAISED BY THE CHANGES WHICH HAVE OCCURRED.

FINALLY, I HAVE PROVIDED A SUMMARY OF ENERGY PROGRAMS THAT ARE NOW BEING ADMINISTERED BY THE COMMISSION SINCE IT ASSUMED THE FUNDING OF THE KANSAS ENERGY OFFICE ON JULY 1, 1983. (SEE ATTACHMENT No. 2.)

THE COMMISSION'S PRIMARY FOCUS IS TO ASSURE THAT THE ENERGY NEEDS OF THE MOST VULNERABLE KANSANS ARE MET AND TO ASSIST SMALL BUSINESSES IN THE STATE TO AMELIORATE THE IMPACTS OF ENERGY PRICE INCREASES.

KCC-WOLF CREEK RFP

PHASES I AND II REQUIRE THAT THE CONSULTANT IDENTIFY CAUSES OF AND QUANTIFY COST OVERRUNS IN THE MAJOR COST CATEGORIES IN WHICH OVERRUNS HAVE OCCURRED:

1. PIPING AND WHIP RESTRAINTS
2. MECHANICAL SYSTEMS
3. HEATING, VENTILATING AND AIR CONDITIONING SYSTEMS
4. ELECTRICAL SYSTEMS
5. INSTRUMENTATION
6. STRUCTURAL STEEL
7. SPECIAL FINISHES
8. SITE WORK
9. CONCRETE
10. PARTNERS INDIRECT COSTS
11. KG&E SALARIES
12. QUALITY ASSURANCE/QUALITY CONTROL
13. ENGINEERING
14. MANAGEMENT
15. CONTINGENCIES
16. SUBCONTRACTS
17. SITE IMPROVEMENTS
18. PRE-OPERATIONAL COSTS RELATED TO START-UP AND TESTING;  
INCLUDING AN ANALYSIS OF THE REASONABLENESS OF EACH COST OVERRUN  
IN LIGHT OF ITS CAUSE AND THE PROPER ALLOCATION OF COST OVERRUNS



BETWEEN THE RATEPAYERS AND THE SHAREHOLDERS OF THE OWNER COMPANIES.

PHASE III REQUIRES THAT THE CONSULTANT DETERMINE (1) WHETHER THE WOLF CREEK PLANT CONSTITUTES EXCESSIVE PLANT INVESTMENT OR CAPACITY AND, IF SO, WHETHER THE PLANT INVESTMENTS BY EACH OWNER WERE PRUDENT WHEN MADE AND THE PROPER ALLOCATION OF RESPONSIBILITY FOR THE COST OF THE CONTINUING INVESTMENT BETWEEN RATEPAYERS AND SHAREHOLDERS; (2) TO WHAT EXTENT THE WOLF CREEK PLANT CONSTRUCTION PROGRAM HAS IMPACTED THE FINANCIAL HEALTH AND VIABILITY OF EACH OWNER; (3) THE NET EFFECT OF WOLF CREEK CAPACITY UPON THE OWNERS' NET COST OF PROVIDING ELECTRIC SERVICE INCLUDING AN ANALYSIS OF THE MOST ECONOMICAL FUEL AND GENERATION MIX, THE CHOICE OF PLANT CAPACITY, AND THE AVAILABILITY AND PRICE OF PURCHASED POWER FROM OTHER SOURCES; (4) THE COST EFFECTIVENESS OF THE OWNERS' PLANS FOR THE PURCHASE OF FINISHED NUCLEAR FUEL, FUEL CYCLE MANAGEMENT, AND SPENT FUEL STORAGE; AND (5) WHICH METHOD OF FUNDING FOR DECOMMISSIONING THE WOLF CREEK PLANT WILL BE THE MOST COST-BENEFICIAL TO THE RATEPAYERS OF THE OWNER COMPANIES.

# 2

KANSAS CORPORATION COMMISSION

SUMMARY OF ENERGY PROGRAMS

The Kansas Corporation Commission (KCC) assumed the functions of the Kansas Energy Office July 1, 1983. The focus of energy programs under the direction of the KCC has been developed in response to:

- Anticipated reduction in money available for Kansas energy programs due to declines in federal funding and the spending of past years' budget carryover.
  
- The KCC's desire to assure the energy needs of the most vulnerable Kansans are met.
  
- The recognition of how vital small business is to the Kansas economy and the impact of energy price increases on these firms.
  
- Concerns expressed in the Legislative Post Audit Report of the Kansas Energy Office.

This summary is a presentation of how these concerns have been incorporated into the KCC's management of Kansas energy programs.

A brief outline of all the energy programs under the Commission's jurisdiction and a budget breakout conclude this summary.

A) Energy Programs Funding:

The initial rush of huge sums of federal funds targeted for state energy conservation programs has ended. Up to the past two years annual appropriations for energy programs have been declining. For now, while subject to the nation's political climate, funding appears to be stable.

The Kansas Energy Office was unable to spend all federal money for energy conservation programs in the early years of large funding totals. Consequently the state has relied on this surplus to maintain levels of funding during periods when national energy conservation money has been declining. Program spending will catch up with carryover totals and in Fiscal Year 1985, the size of the energy budget will depend primarily on federal appropriation.

The impact of this expenditure of carryover money on two major state energy programs is presented below.

	Budget FY-1984	Anticipated FY-1985
<u>State Energy Conservation Plan:</u>		
Budget	360,200	358,800
Carryover	<u>285,450</u>	<u>-0-</u>
TOTALS	645,656	358,800
<u>Energy Extension Service:</u>		
Budget	139,100	139,100
Carryover	<u>119,799</u>	<u>-0-</u>
TOTALS	258,899	139,100

The KCC, anticipating this significant reduction in money available for energy conservation programs, has identified specific target groups on which programs will focus.

B) Meeting Energy Needs for Low and Fixed Income Kansans:

The State Energy Conservation Plan (SECP) proposes programs that will assist low and fixed income families in meeting energy needs. Approximately half of the 1983-84 budget, of \$645.7 thousand, goes directly to these programs.

- Low-Income Consultations - \$109.8 thousand. This is a new program developed by KCC staff. The program calls for in-person presentations at the home of families that have requested aid in meeting energy needs. The demonstration offers low cost/no cost energy conservation techniques and suggest lifestyle changes to lower energy consumption. During Fiscal Year 1984, a pilot project will start in Shawnee county.

- Weatherization Labor - \$206.6 thousand. This is a continuation of past use of federal funds. The program finances the labor portion of the state's low-income weatherization program. We estimate that 518 homes will be weatherized with this money.

The Energy Extension Service's (EES) contract with Kansas State University includes programs to assist needy households. EES will present the training sessions for individuals selected to present the energy conservation demonstrations in Shawnee county. Also, EES will provide training sessions for weatherization inspectors with the goal of improving the quality of inspections and the conservation knowledge of the inspectors.

The KCC realizes this shift in focus to programs directed toward low and fixed income households will reduce and, in some instances, eliminate current programs. However, an important need during this uncertain economic period is to insure energy availability to all Kansans.

C) Small-Business Needs:

A goal of lowering operating costs for small businesses in Kansas through reduced energy consumption is also a major focus of the KCC energy programs. Statewide, over 98 percent (98%) of all business establishments employ 100 or less people. With the number of jobs dependent on small business and the realization of how vital these firms are to the economic development of local communities, the KCC has targeted small businesses for assistance through its energy programs.

The Energy Extension Service, under contract to the KCC, is providing building energy surveys, on-site problem specific consultations, and responses to energy related questions over the telephone. Most of the EES contract amount of over \$200 thousand is directed to promoting the services available to small businesses and to providing the surveys and consultations. EES is scheduled to do 160 small business audits in fiscal year 1984.

The KCC believes that the most needy Kansans will be served and will benefit from these more focused energy programs. Also program evaluation has been made a part of all new project budgets and specific monitoring guidelines are developed for contracts the KCC enters into. These measures are being used to provide assurance that energy programs operate effectively and efficiently for target groups to the benefit of all Kansans.

KANSAS CORPORATION COMMISSTION

ENERGY FUNCTIONS

Continuing Programs

A. State Energy Conservation Plan (SECP)

1. Five Mandatory Measures

- a. Thermal Standards - we are reviewing current standards and making recommendations for retrofit standards.
- b. Lighting Standards - we will recommend standards for retrofit.
- c. Procurement Standards - no standards have been implemented yet. The State will be developing a manual.
- d. Rideshare - a rideshare program is operated in Kansas City and a contract for a new one in Wichita has been signed. The state and several large employers operate van pools for employees.
- e. Right-Turn-On-Red - already existed in Kansas prior to SECP.

2. Optional Measures

a. Low Income Energy Use Consultations

This program will provide individual energy-use assistance to low-income households. Consultations will take place in the home and will include information on no-cost/low-cost methods people can implement to reduce energy consumption. The program will target households that have been disconnected from utility service due to high heating bills. Senior citizens and college students will be hired on a part-time basis and trained to conduct the consultations. This service is not currently offered in the state. The program will be tested for effectiveness in Shawnee county before it is implemented state-wide.



b. Household Income/Energy Consumption Comparison

This program will compare levels of income with levels of energy consumption to determine if a correlation exists between increased income and increased consumption.

B. Energy Extension Service (EES)

EES is operated through Kansas State University's Cooperative Extension Service and the County Extension Offices. EES will continue to provide technical energy information to citizens of Kansas through its toll-free Energy Hotline, distribution of literature and personal consultations. This year, EES will focus efforts on the needs of small-business persons in Kansas, particularly those operating in areas facing rate increases.

C. Institutional Conservation Program (ICP)

ICP provides grants for schools, hospitals and local government buildings in Kansas. Two types of grants are offered under this program: Technical Assistance Grants and Energy Conservation Grants. Technical Assistance Grants provide assistance with operational and maintenance procedures to reduce energy consumption. Energy Conservation Grants assist institutions with equipment modifications, equipment replacement or thermal modifications to decrease energy use. Over \$1.7 million has been awarded to 51 institutions in Kansas.

D. Audit for Conservation Today (ACT)

The ACT program offers home energy audits to residential utility customers. Jurisdictional utilities and rural electric cooperatives will provide, upon request, a thorough analysis of a customer's home and will make recommendations for decreasing energy consumption such as thermostat setbacks, caulking or weatherstripping. The auditor will also discuss the costs and effectiveness of more expensive measures such as insulation or replacement heating devices.

E. Energy Preparedness Plan

An Energy Emergency Preparedness Plan is being drafted. The plan will be available to the governor for adoption during any energy resource emergency. The plan will include a listing of priorities for energy allocation and a selection of conservation measures that will enable the vital services of the state to continue while restricting non-priority uses.

## New Energy Programs

### A. Solar Energy and Energy Conservation Bank

Kansas received \$400,000 from the U.S. Department of Housing and Urban Development (HUD) for this new conservation loan program. Homeowners in Kansas planning to take out a loan to install energy conservation measures such as insulation, clock thermostats, replacement heating or cooling devices, storm windows or doors, etc., may be eligible for assistance through the Solar Bank program. Eligibility requirements are based on HUD median-area income levels, and median-area rent levels. For example, if a homeowner earns up to 80% of median area income, he or she is eligible for a 50% buy-down of the cost of the installation up to a maximum of \$1250. That is, if the customer plans to put in \$2,000 worth of insulation or purchase a high efficiency gas fired furnace which costs \$2,000, he or she takes out a loan for \$2,000 through their utility or financial institution. Then the HUD Solar Bank buys-down 50% of the principal and the homeowner negotiates the payments on the remaining \$1,000 at market interest rates. (Kansas did not receive funding for solar measures due to state tax incentives.)

#### Solar Bank Income Requirements and Maximum Allowable Assistance

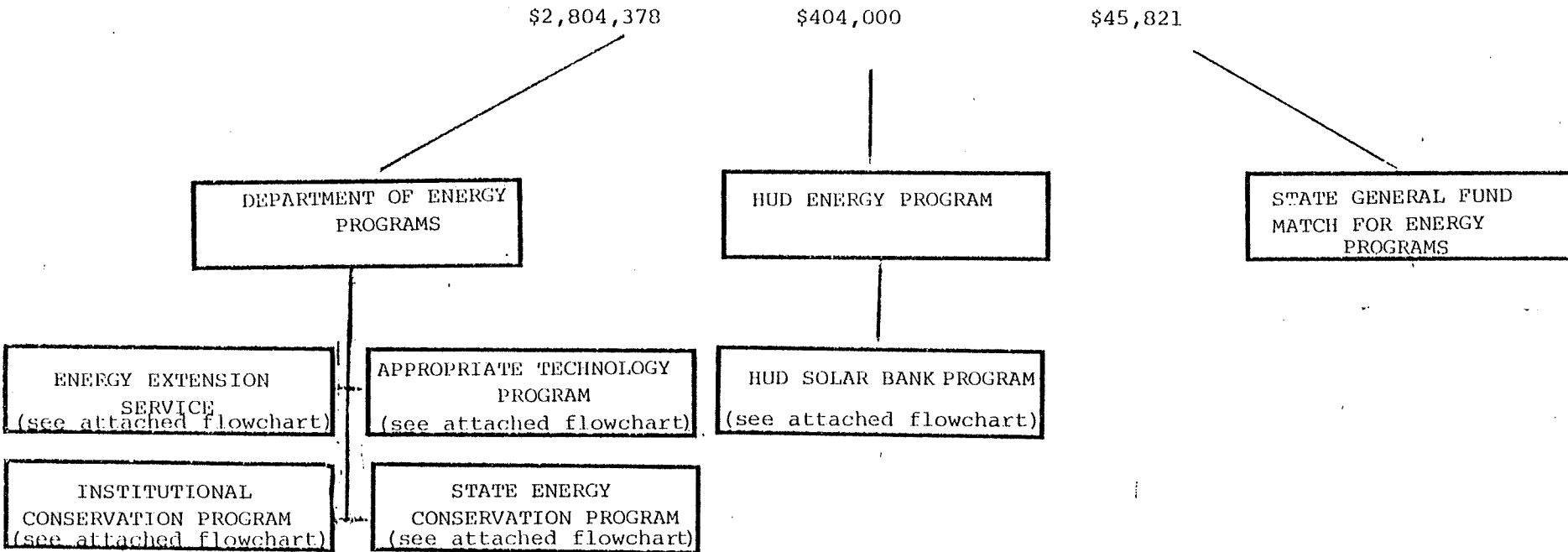
<u>Single-Family Buildings</u>	<u>% of Improvement Costs</u>	<u>Maximum Assistance</u>
Less than 80% of median	50% up to	\$1250
80 to 100% of median	35% up to	875
100 to 120% of median	20% up to	500

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<u>Multi-Family Buildings (75% of tenants must pay median rent or below)</u>		
No income test	20% up to	400 per unit

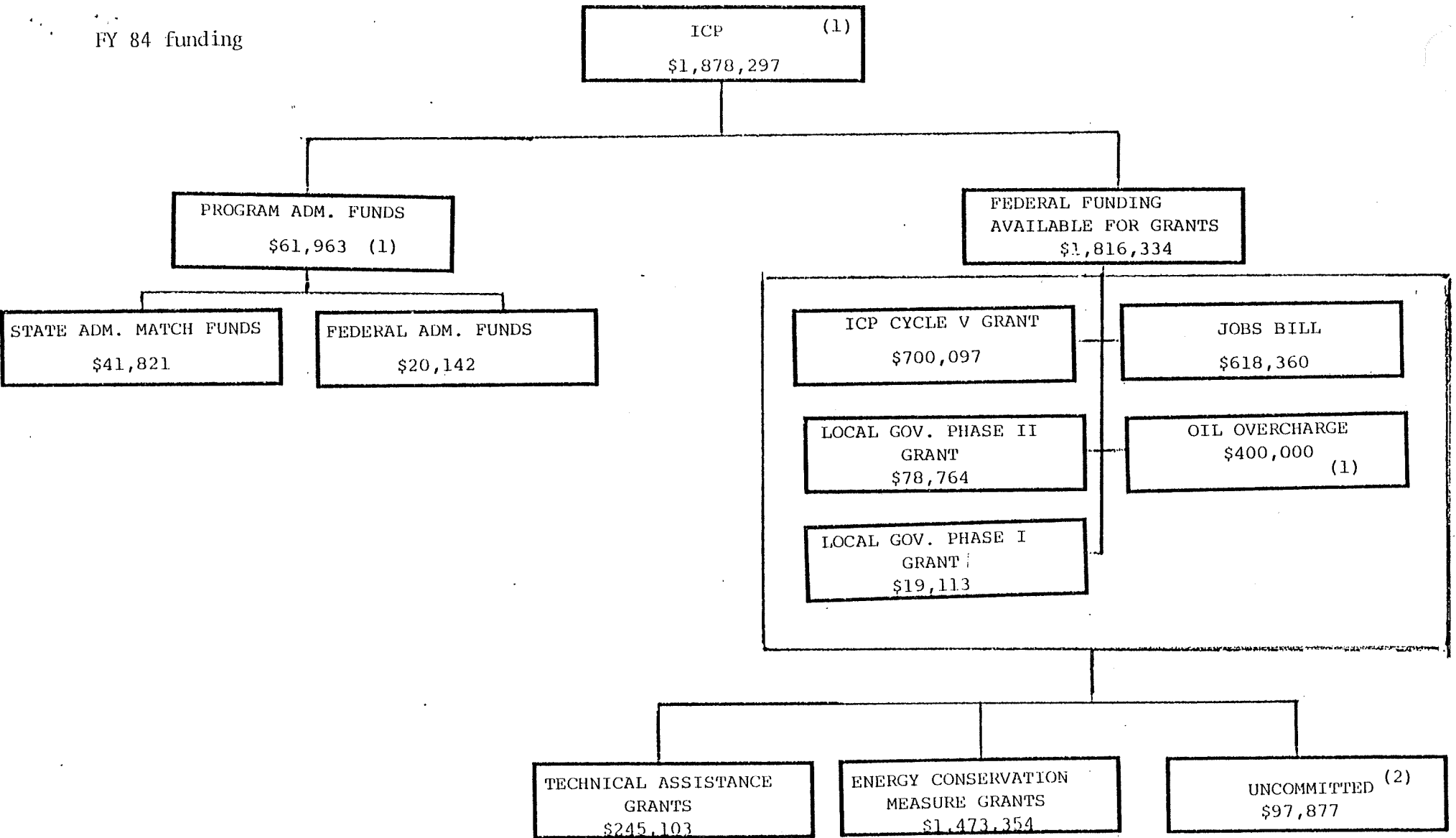
FY 84 funding

KANSAS CORPORATION COMMISSION (1)  
ENERGY PROGRAMS  
(\$3,254,199)



(1) \$1,808,334 of the total is paid directly from federal agencies to program recipients; the remaining \$1,445,865 is a combination of FY 83 carry-over and FY 84 dollars.

FY 84 funding



(1) Of the total program funds available for the ICP program, only \$461,963 require expenditure authority; the remaining funds are granted by DOE directly to the recipient schools and hospitals.

(2) These uncommitted funds are carryover funds from several previous cycles of the program; they will be committed during the next cycle of the Program (Cycle VI) and used as grants to schools and hospitals.

STATE ENERGY (1)  
CONSERVATION PROGRAM  
\$645,656

KCC Administration  
\$43,038

CONTRACTS  
\$602,618

In-House Projects  
\$30,200

Contract Adm.  
\$12,838

KC MARC Rideshare  
\$22,000

Wichita MTA Rideshare  
\$30,000

Illumination Efficiency Standards  
\$6,700

Procurement Practices  
\$6,000

KSU Residential (3)  
Technical Assistance  
\$215,579

Shawnee Cty. Low Income  
Energy Consultations  
\$44,940

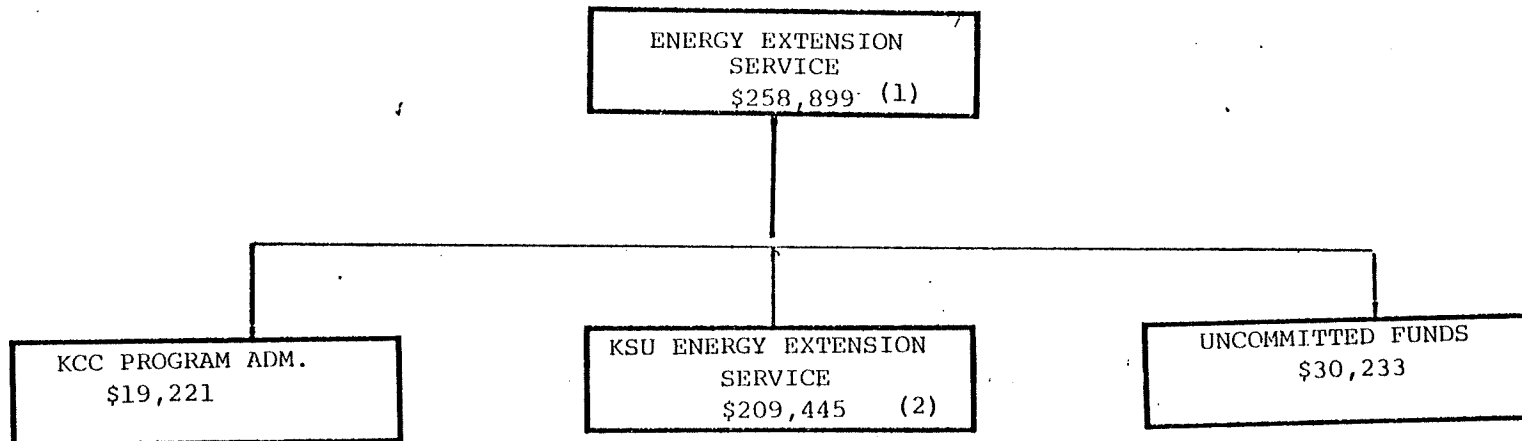
Thermal Standards  
\$6,700

Income & Energy  
Consumption Study  
\$10,800

SRS Weatherization  
\$206,578 (4)

UNCOMMITTED TO-DATE  
\$83,521 (2)

- (1) This amount includes \$285,456 of carry-over funds; anticipated funding for FY 85 is \$358,800.
- (2) We are currently negotiating a contract with Wyandotte County for Low Income Energy Consultations which is being estimated at \$50,000.
- (3) This amount includes \$172,429 of carryover funding from a FY 83 contract.
- (4) This is a direct transfer to SRS and is not reflected in this agency's expenditure authority.



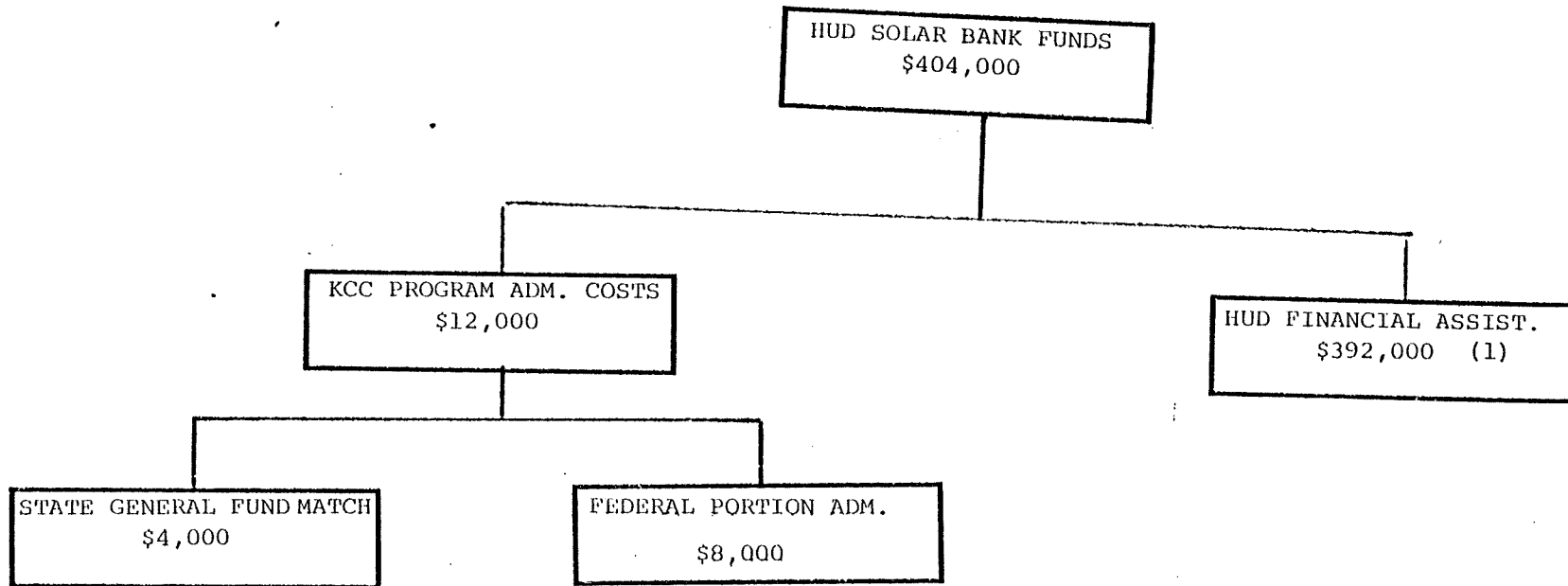
- (1) This amount includes \$119,799 in carry-over funding; anticipated funding for FY 85 is \$139,100.
- (2) This amount includes \$77,053.50 in carry-over funding from a FY 83 contract.

APPROPRIATE  
TECHNOLOGY  
\$21,526 (1)

(1) Most of the the administration and projects required under this grant will be carried out in-house.



FY 84 funding



(1) \$392,000 is flowed through directly to local lending institutions, and utilities for principle buy-downs of energy conservation loans to lower income households.

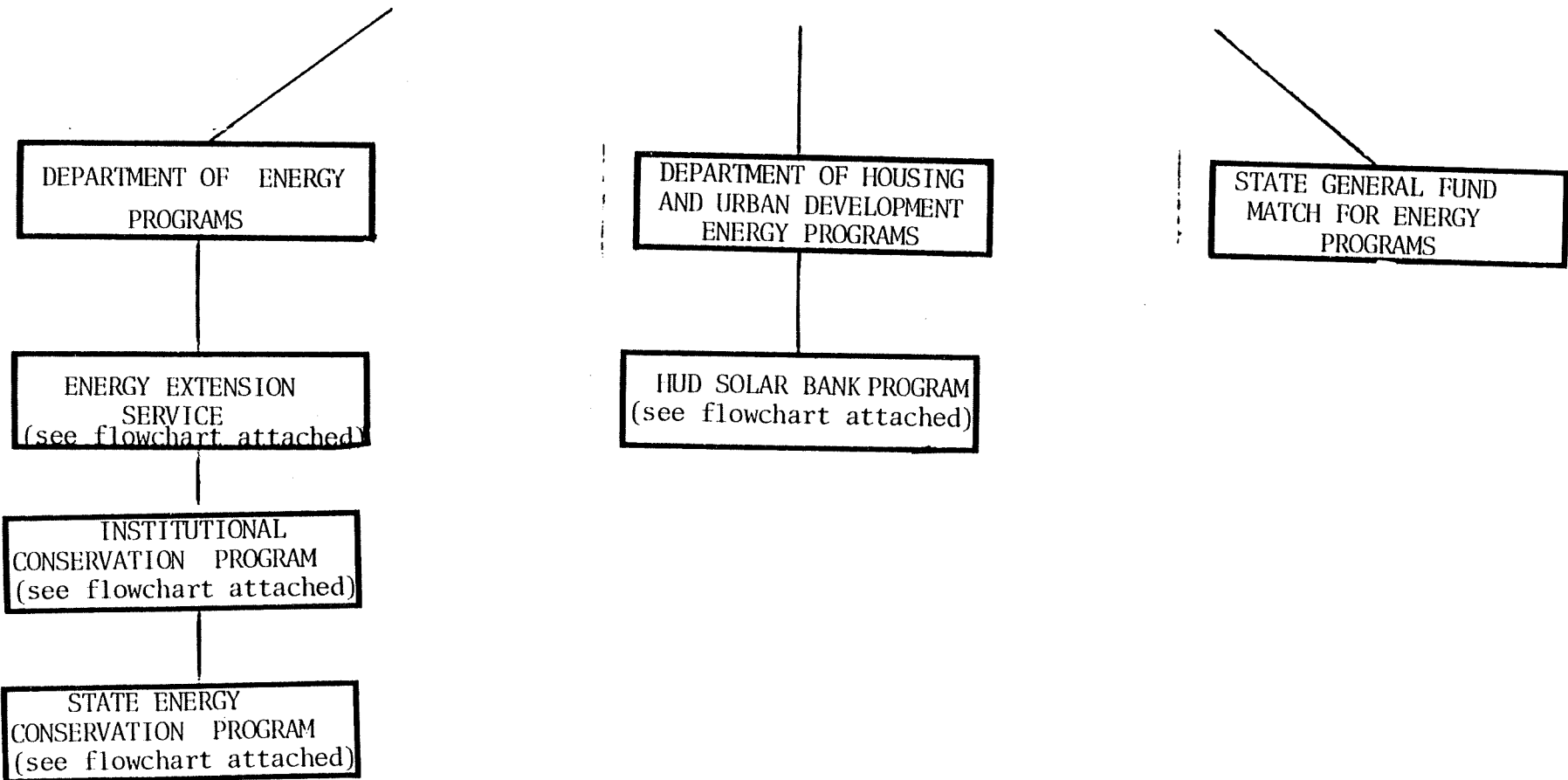
12/22/83

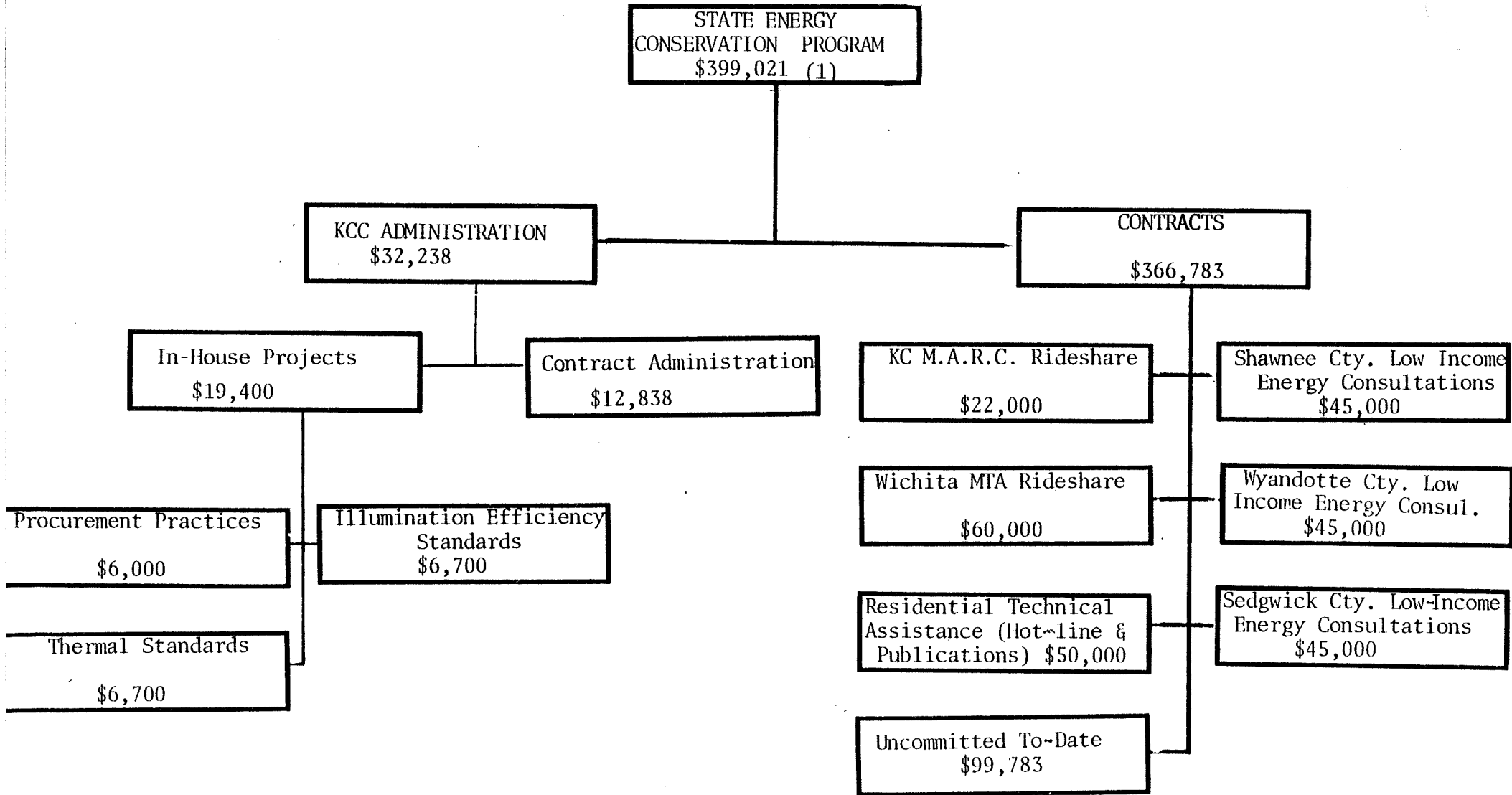
FISCAL YEAR 1985  
KANSAS CORPORATION COMMISSION  
ENERGY PROGRAMS  
(\$1,775,130)

\$1,325,242

\$404,000

\$45,888

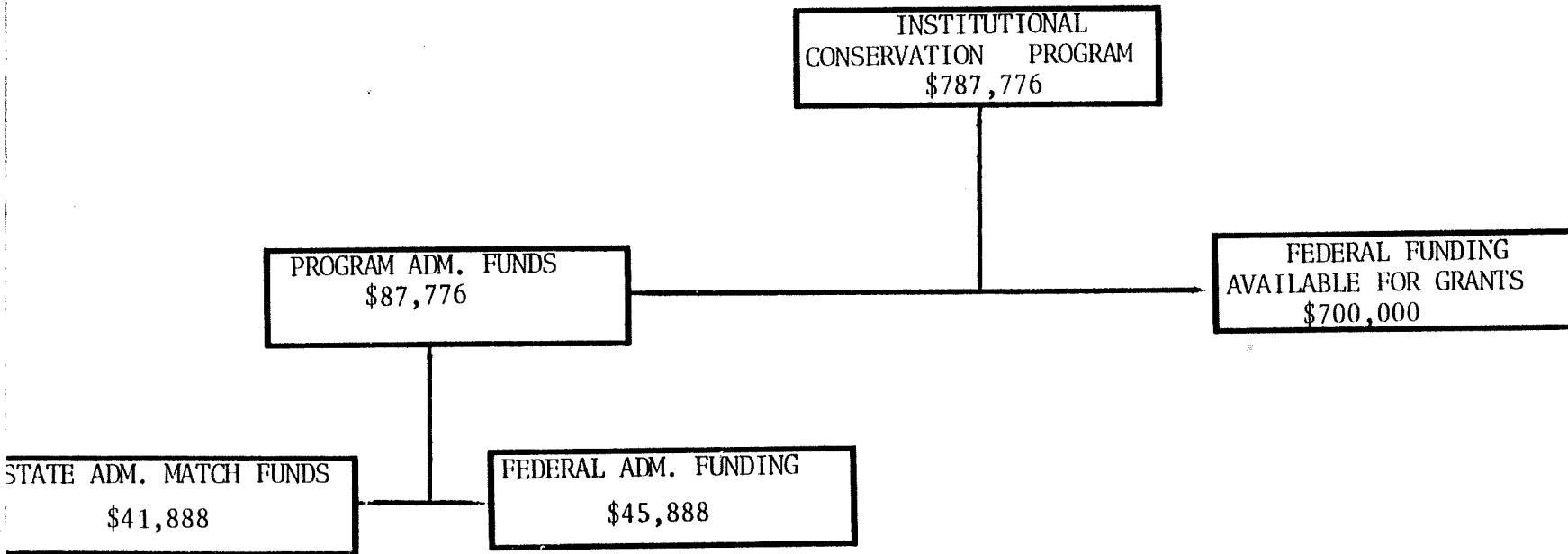




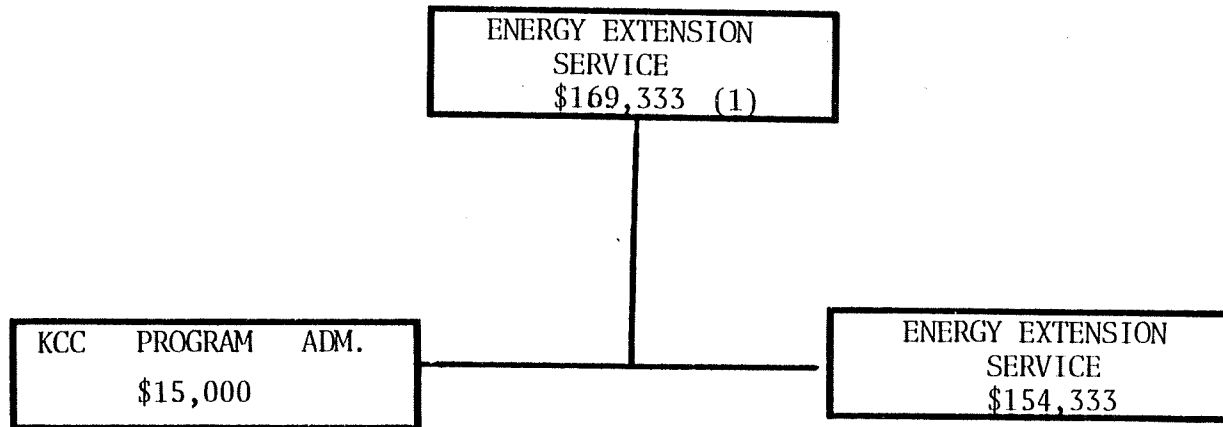
(1) includes uncommitted FY 84 funds which will be carried over.

1/10/84

FY 85 funding

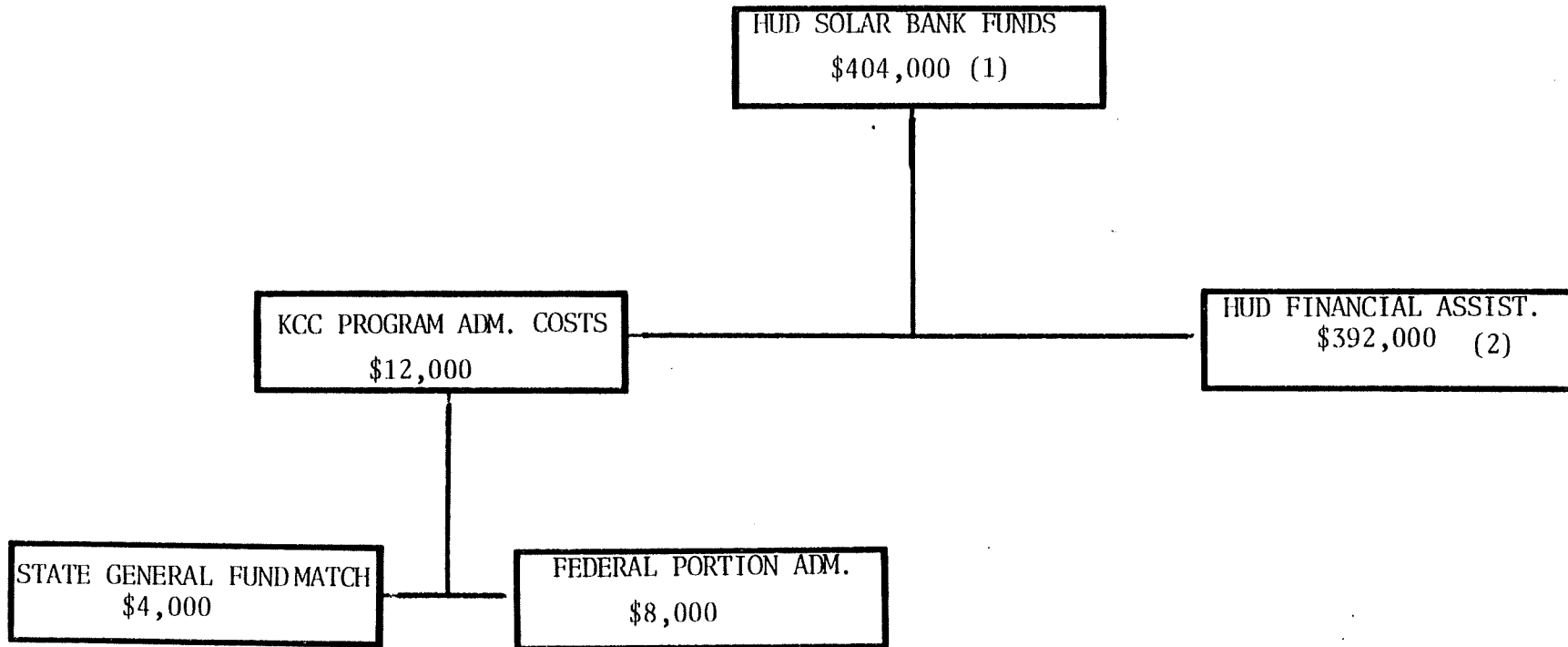


1/10/84



(1) Includes uncommitted FY84 funds which will be carried over.

1/10/84



(1) assumes FY 85 funding will continue at the FY 84 level

(2) \$392,000 will be flowed through to lending institutions and utilities for principle buy-down of energy conservation loans to lower income households.

1/10/84