

MINUTES OF THE HOUSE SUB COMMITTEE ON ENERGY

The meeting was called to order by Representative Jim Patterson at  
Chairperson

3:45 a.m./p.m. on February 21, 1985 in room 313-S of the Capitol.

All members were present except:

Representative Keith Roe (excused)

Committee staff present:

Theresa Kiernan, Revisor of Statutes' Office  
Ramon Powers, Legislative Research

Conferees appearing before the committee:

Representative Darrel Webb  
Mark Sholander, Kansas City Power & Light Co.  
Bob Phillips, Kansas Electric Cooperatives, Inc.  
Representative Ken Grotewiel  
Bill Ewing, Southwestern Bell Telephone Co.  
Representative George Dean

The meeting was called to order by Chairman Patterson at 3:45 due to the delay of the Senate Assessment and Taxation Committee vacating the committee room.

Representative Darrel Webb presented HB 2176 relating to rates of public utilities. The bill would amend KSA 66-110 so that the Kansas Corporation Commission could not approve a tariff with a rate for electric service that encouraged the use of a particular type of electrical device or equipment. He also submitted an amendment that would alter the bill by changing the wording "electrical device or equipment" to "incentive for the use of residential electric space heating devices." (Attachments 1 and 2)

Some of the committee members expressed opinions that this would not seem to be fair for those people that had purchased all electric homes or heat pumps based upon the expectation of a tariff rate less than those who did not have this type of electrical equipment.

Representative Webb stated he did not expect the bill to pass but wanted to bring this tariff rate concept to the attention of the Commission.

Mark Sholander, Assistant General Counsel for the Kansas City Power and Light Company, speaking for the Electric Companies Association of Kansas appeared in opposition to HB 2176. He gave two major reasons for the electric companies opposing the bill. First, the proposed language would prohibit any rate for electric service which happened to provide an incentive for the use of certain electrical equipment regardless of whether the rate for that electric service was at or above the cost of providing that electric service. Also Mr. Sholander pointed out that charging rates for electricity used to power industrial equipment that reflects the true cost of off-peak usage will help Kansas remain competitive in the competition for industrial expansion and relocation. (Attachment 3).

Orally Mr. Sholander indicated the Electric Companies Association of Kansas would also oppose the bill whether or not Representative Webb's amendment was included. He pointed out that such limitation upon the Kansas Corporation Commission allowing reduced rates in off-peak periods could result in over-all increased cost to all users of electricity.

## CONTINUATION SHEET

MINUTES OF THE HOUSE <sup>SUB</sup> COMMITTEE ON ENERGY,  
room 313-S, Statehouse, at 3:45 ~~xxx~~ a.m./p.m. on February 21, 1985

Bob Phillips presented a statement on behalf of Kansas Electric Cooperatives in opposition to HB 2176. The Kansas Electric Cooperatives consists of 36 rural cooperatives serving Kansas. He said, "If it is the purpose of this legislation to prohibit utilities from encouraging the use of particular appliances by charging discriminatory or unduly preferential rates, the bill is unnecessary." A utility that implements marketing or promotional rate programs for the purpose of improving load factor is actually benefiting all users of electricity, according to Mr. Phillips. He also stated the Kansas Electric Cooperatives was opposed to the bill whether or not it was amended as requested. (Attachment No. 4)

Representative Grotewiel presented HB 2277 that would authorize the State Corporation Commission to provide financial assistance for the cost of persons intervening in proceedings and hearings to represent residential rate payers. The plan would be to reimburse intervenors for their contribution after the case had been settled.. It was also pointed out that the funding of this intervenor cost would be assessed to the utilities and become part of the rate base increasing the cost of utilities to the consumer. (Attachment No. 5)

The discussion centered upon the Corporation Commission's responsibility to represent all interested parties. It was also mentioned that the Attorney General of the State enters proceedings and hearings to represent the people.

In response to questions by committee members, Brian Moline of the Commission explained the quasi-judicial hearings and other procedures.

Bill Ewing of Southwestern Bell Telephone Company appeared in opposition to HB 2277. He pointed out the bill did not spell out the kind of financial assistance to be offered. It was assumed by him the cost would be paid by the utility and become a rate payer expense that would result in over-all cost to the consumer. He explained there are existing options today whereby rate payers can make their views known. He said eight public hearings throughout the state in the telephone company's 1983 rate case had over 1200 participants. (Attachment No. 6)

D. Wayne Zimmerman appeared on behalf of the Electric Companies Association of Kansas in opposition to HB 2277. He stated the opposition to the bill was because of additional cost that may result from duplicating the representation already provided for consumers. His statement referred to representation of the public by the Attorney General, advisory boards, Kansas Legal Services and others. Also cities and counties currently plan to intervene. His conclusion was that consumers are now able and do participate in proceedings and hearings before the KCC and that effective representation is available to residential consumers under present law and practice. (Attachment No. 7)

Bob Phillips offered testimony for the Kansas Electric Cooperatives opposing HB 2277. His statement says members of the Electric Cooperatives are the owners, the stockholders, and the consumers of the business. The organizational structure provides the consumers direct input and control over the setting of rates. The member-consumers have paid the cost for a rate application and also foot the bill for a second tier representation by the Corporation Commission's staff. It was expressed this bill would add another layer of expense, and the Cooperatives strongly oppose the bill for the following reasons:

1. The Cooperatives members board adequately represent the people;
2. The Corporation Commission has adopted a consumer compensation rule that allows consumers of investor-owned utilities to qualify for financial assistance in certain rate issues; and

CONTINUATION SHEET

MINUTES OF THE HOUSE <sup>SUB</sup> COMMITTEE ON ENERGY

room 313-S, Statehouse, at 3:45 ~~am~~ p.m. on February 21, 1985

3. The management of the Electric Cooperatives are informing their consumers of pertinent issues affecting their utility rates. (Attachment No. 8)

Representative Dean presented HB 2382 that would amend KSA 66-107 and 66-110 to require all public utilities and common carriers (governed by the provisions of this act) to furnish "reasonably efficient and sufficient service ... furnished by such public utility or common carriers." The bill specifically provides for an emergency telephone service rate to eligible rate payers of 30 local telephone calls or transmissions each billing period for no more than \$3.50. For calls over this limit, they would pay the same rate as everyone else.

Bill Ewing of Southwestern Bell Telephone Company offered testimony in opposition to HB 2382. Southwestern Bell policy was not opposed to "lifeline service", but "lifeline service" should be established on a state-by-state basis; qualifications should be determined by appropriate state organizations; and, funding should be from sources other than telephone service subscribers. His position is that when a legislative body establishes a rate for telephone service, it performs a regulatory role, dis-enfranchises the Commission in its function, and rescinds the power it has given the Commission to regulate rates. He also said that capability to measure the number of calls could not be before the 4th quarter of 1987, and the equipment would cost \$6 million at the expense of the rate-payers. (Attachment No. 9)

The committee adjourned at 5:30 p.m.

Testimony on H.B. 2176

Representative Darrel Webb

Before I discuss H.B. 2176, I have to straighten out a problem that occurred concerning the hearing on H.B. 2100. I have to do this so that my friends at KGE do not distort this issue like they distorted the facts concerning H.B. 2100.

First, as a result of the hearing on H.B. 2100 members of this Committee were so misled by KGE's testimony that some of you believed that I was advocating an "Essential Use" rate for the pricing of electricity and KGE was totally opposed to any "Essential Use" rate. In fact, Mr. Haynes told all of you that my bill was grossly unfair because a well-to-do lawyer like himself could qualify for that rate. Of course, he was correct, but he failed to tell you the whole truth.

I proposed H.B. 2100 because KGE, in its Wolf Creek rate filing, proposes to adopt an "Essential Use" rate. They describe that rate as a rate that is designed to assist the low income and the elderly.

At first glance it appeared that KGE has suddenly been converted to support a form of life-line utility rate. But, look a little closer. The "Essential Use" rate proposed by KGE requires that the customer, to qualify for the rate, must not use over 500 kwh during any one month for 12 full months. The interesting point is that there is no income qualification for the customer to be eligible for the KGE "Essential Use" rate.

In other words, a well-to-do lawyer like Mr. Haynes could potentially qualify for the KGE "Essential Use" rate.

I was very disappointed that Mr. Haynes would make light of the "Essential Use" rate referred to in H.B. 2100 but failed to tell you that his boss is proposing such a rate.

H.B. 2100 merely provides that if an "Essential Use" rate is approved by the Commission, that rate would apply to each billing cycle. In other words, that "Essential Use" rate must apply monthly. In proposing the bill, I wanted to raise the policy issue of what type of "Essential Use" rate should be allowed.

I feel that proposing an "Essential Use" rate that a customer must qualify for 12 months is deceptive. If an elderly or low income person stayed under 500 kwh for 11 months and went above 500 kwh the last month, that person would not qualify for the KGE "Essential Use" rate.

If you object to the "Essential Use" rate as I am proposing to limit it in H.B. 2100, do you support KGE's proposed "Essential Use" rate?

The point I am making is, how does KGE justify its rates? If they want to help the elderly and low income people, KGE will not do it by a rate that is deceptive.

A question to ask is: Is the KGE "Essential Use" rate justified on a cost-to-serve basis?

It seems to me that it is impossible to justify KGE's "Essential Use" rate on a cost-to-serve basis . A customer's usage pattern under the KGE "Essential Use" rate might not be any different from the usage pattern under the "Essential Use" rate as limited by H.B. 2100, except that under KGE's proposal, a customer must stay under 500 kwh for a full 12 months.

The point was made in the testimony on H.B. 2100 that lowering the cost per kwh to certain customers, such as the low income and the elderly, must be subsidized by other customers of the utility.

Okay, if we want to discuss rates that subsidize certain customers, let's turn to H.B. 2176. This bill is also a direct response to the KGE rate filing in the Wolf Creek case. In that filing, KGE is proposing the following:

Seasonal Energy (Code No. 10) - Customers who meet all space heating requirements with permanently installed electric space heating equipment or with an add-on electric heat pump equipped with a radio controlled load management device.

For Bills, October through May

first 500 kwh	8.316 cents
additional kwh	4.620 cents

For Bills, June through September

all usage	10.290 cents
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H.B. 2176 provides that the Corporation Commission could not approve any rate tariff that "includes a rate for electric service that provides an incentive for the use of any particular type of electrical device or equipment."

So that my purpose for introducing this bill is not distorted, I am proposing an amendment to H.B. 2176. The amendment begins on line 55 after the word "which" and would insert: "provides an incentive for the use of residential electrical space heating devices."

According to the Wichita Eagle story on the KGE rate filing, this "Seasonal Energy"<sup>rate</sup> proposed by KGE would result in a reduction in the electric utility costs of persons with all-electric homes.

When the cost of electricity drops from 8.3 cents to 4.6 cents per kwh (from October through May of each year) for persons with all-electric homes or heat pumps, that price reduction is obviously an incentive to people using those types of heating equipment. And, if one type of customer has a reduction of 3.7 cents per kwh in the cost of electricity beyond the first 500 kwh, there is a subsidy. Why should the poor and elderly or the middle income utility customers without all-electric homes or without heat pumps subsidize those customers during the October to May period of each year.

Perhaps there are good reasons for KGE's proposed rates. I only want to have those rate proposals discussed because they affect the people in my area in a dramatic way.

The full effect of the proposed increases is being cushioned. Rather than ask for one increase all at one time, KG&E has suggested that it be phased in over several years. This adds some to the long-range cost, but holds down the immediate impact.

### **"ESSENTIAL SERVICE RATE" PROPOSED TO HELP PERSONS ON LOW OR FIXED INCOMES**

The company also is asking the Kansas Corporation Commission to approve a new type of electric rate. Called the "Essential Service Rate," it is available to any residential customer who uses 500 or fewer kilowatt-hours every month. *We are asking that no change be made in the cost per kilowatt-hour for these customers.*

Considering both expected fuel savings and a proposed change in the monthly customer charge, we project that the increase for a customer using 500 kwh on this rate would be less than \$1.00 per month.

While this rate would be available for the primary residence of any customer, it is particularly intended to help the elderly and others on fixed incomes whose needs are mainly for essential uses, and for which no competing form of energy is available.

### **JOB DEVELOPMENT RATE INCLUDED**

KG&E also has proposed a Job Development Rate which offers reduced prices to industries which add electrical loads to add jobs in this area.

### **KG&E COST CUTTING PROGRAM CONTINUED**

A number of steps ranging from hiring freezes to cost cutting in other areas have been used by KG&E to help hold down costs. Also important are the company's efforts to sell additional electricity to other areas and within this area. Additional sales to other utilities reduce the amount of rate increases needed because they are credited against operating expenses, directly reducing costs. Wolf Creek, because of its low energy cost, can enable the company to increase sales of this kind. Although some of our efforts have not been successful to date, KG&E is optimistic about the future.



**RATES, From 1A**

**VERS** — those whose increase would be the  
s — include residential customers who use  
little power and those who have all-electric homes,  
who actually could see their bills decrease next year.  
The bottom line — the amount you pay every  
month — is made up of several major components: a  
flat customer charge, which pays for poles, power  
lines, salaries and the like; an energy charge, the cost  
of generating power, charged for every kilowatt-hour  
used; a fuel adjustment charge, which fluctuates most  
months, depending upon the cost of fuel in KG&E's  
power plants.

Also tacked onto the existing bill is a small charge  
for research and development, an interim rate in-  
crease given to KG&E by the KCC last year, and  
taxes.

The energy charge for power used is the biggest  
part of most customers' bills. It is higher in the  
summer than during the rest of the year, because  
that is the season when customers use the most  
power, forcing the utility to run all of its generators  
and sometimes buy expensive power from outside  
sources.

**UNTIL NOW**, the higher summer rate has been in  
effect only during July, August and September. KG&E  
has proposed also charging the rate during June,  
arguing that customers' heavy demand during that  
month justifies such a move.

In detail, here is how KG&E's rate increase would  
affect customers next year, depending upon how they  
are charged for power and how much of it they use:

**Small apartment,  
winter rate**

**\$24.24 this year  
\$25.46 next year**

This bill is based on a customer using only 300  
kilowatt-hours of electricity, enough for lights and  
small appliances, but not enough for large appliances,  
heat or central air conditioning.

The key to the small increase is KG&E's newly  
proposed "essential service rate," intended to give a  
price break to as many as 13,000 residential custom-  
ers who use little power. For this special rate, the  
company wants to boost its monthly customer charge  
but would not increase the energy charge.

In general, the rate is aimed at poor and elderly  
customers, but any customer can qualify if he or she  
uses less than 500 kilowatt-hours a month for an  
year.

**Small apartment,  
summer rate**

# Want to Figure What Bill Will Be?

If you're curious about what the Wolf Creek  
nuclear power plant could do to your household  
electricity bill, it's easy to figure out.

Using a calculator or old-fashion multiplication,  
a copy of one of your bills and the following  
figures, you can project what your bill will be if  
KG&E gets its entire rate increase next year.

**Customer charge:** This year, you pay \$5.47 a  
month. Next year, that would be \$9.58.

**Energy charge:** Multiply the number of kilowatt-  
hours you used by 5.93 cents for all power used  
from October through June. For July, August and  
September the first 500 kilowatt-hours cost 5.93  
cents apiece; the rest, 6.93 cents. Next year, multi-  
ply all kilowatt-hours used from October through  
May by 8.316 cents; multiply kilowatt-hours used  
during the other four months by 10.29 cents. This  
year and next, customers with electric heat or a

heat pump should multiply the kilowatt-hours in  
excess of 500 used from October through May by  
4.62 cents.

Add the customer charge and the energy charge.

**Fuel adjustment charge:** This is a little trickier.  
For this year, multiply all kilowatt-hours used dur-  
ing the summer months by 0.146 cents; add that to  
the total bill so far; during the other months,  
multiply the kilowatt-hours by 0.273 cents and sub-  
tract that from the total. For next year, multiply  
the summer kilowatt-hours by 0.214 cents and sub-  
tract that from the total; for the other months,  
multiply the kilowatt-hours by 0.634 cents and sub-  
tract that total.

Finally, on this year's bill, multiply all kilowatt-  
hours by 0.36 cents — an interim rate increase  
tacked on last year — and add that to the total.

Local taxes and a small research-and-develop-  
ment charge are not included.

**\$24.99 this year  
\$26.72 next year**

Although the rate is no higher during the summer  
months under the special essential service rate, the  
bill for the same 300 kilowatt-hours of power jumps  
almost entirely because of the higher customer  
charge.

**Home with appliances,  
winter rate**

**\$41.79 this year  
\$55.67 next year**

The amount of power in this bill — 600 kilowatt-  
hours — is too large for a customer to take advantage  
of the proposed special essential service rate, but still  
is relatively modest. With 600 kilowatt-hours, a cus-  
tomer can operate the basics in a household, plus, for  
instance, a washer and dryer.

**Home with appliances,  
summer rate**

**\$45.30 this year  
\$70.64 next year**

Again, the higher summer rate accounts for the  
difference between winter and summer bills for the  
same 600 kilowatt-hours of electricity. A small win-  
dow-mounted air conditioner could be run part of the  
time on that amount of power, but not a central air  
conditioner.

**Home with central air  
conditioning, summer rate**

**\$112.43 this year  
\$160.72 next year**

A central air conditioner, lights and household  
appliances could be operated with the amount of  
power contained in this bill — 1,500 kilowatt-hours.

**Home with electric heat  
or heat pump, winter rate**

**\$104.74 this year  
\$99.81 next year**

The possibility of a lower bill for 1,800 kilowatt-  
hours after the rate increase can be traced to the fact  
that customers with all-electric homes get an extra  
break from KG&E during the winter months, in the  
form of an energy charge about half as high as the  
regular residential energy charge. The company has  
not asked for an increase in that rate. In addition, a  
lower fuel adjustment charge also cuts into the bill.

**Small business**

**\$133.80 this year  
\$171.30 next year**

This amount of power — 1,500 kilowatt-hours — is  
about enough to run a small business for a month, a  
specialty shop with a handful of employees, for in-  
stance.

Businesses and industries are charged somewhat  
differently than KG&E's residential customers. In  
addition to all other charges, these customers are  
charged separately for their demand. In this exam-  
ple, the small business used 12 kilowatts of power.

While the bill last summer was \$5.95 higher be-  
cause of a higher demand charge during the summer  
months, KG&E has proposed eliminating the differing  
demand charges next year, resulting in the same  
rates year-round.

**Fast-food restaurant**

**\$787.84 this year  
\$1,042.47 next year**

The basic rate is the same as for a small business,  
but both the number of kilowatt-hours used — 12,500  
— and the power demands — 50 kilowatts — is  
higher, because of the large number of energy-gob-  
bling machines used by the restaurant and the long  
hours of operation.

**Manufacturing plant**

**\$110,048.75 this year  
\$149,103.80 next year**

A large factory that buys its power from the com-  
pany in what is called KG&E's "high load factor" rate  
is using the electricity for everything from its lights  
to its manufacturing processes.

The amount of power in this bill — a demand of  
5,000 kilowatts and consumption of 2.5 million kilo-  
watt-hours delivered over 138 kilovolt lines — is used  
to illustrate the size of the increase. However, a bill  
could be much different for several factories that use  
about the same amount of power because industries'  
exact needs for power vary widely. The utility also  
offers incentives to hold down electricity costs that  
could reduce the bill.

**ALL OF** those estimates are only the start.

Precise estimates about KG&E's request can be  
made only for 1985 bills because KG&E has only  
formally asked the KCC for a 1985 rate increase.

But KG&E's five-year phase-in plan calls for in-  
creases following next year's that would average 11.5  
percent in 1986, 10.8 percent in 1987, 8.2 percent in  
1988 and 4.6 percent in 1989.

If the company gets everything it wants next year,  
as well as its following four increases, it would mean  
that this year's household winter bill of \$41.79 would  
be \$77.83 in five years; the bill for a home with  
central air conditioning would go from \$112.43 to  
\$224.72; the small business bill would go from \$133.80  
to \$239.51; and the manufacturing plant's bill would  
go from \$110,048.75 to \$208,478.96.

PROPOSED AMENDMENTS TO H.B. NO. 2176

"AN ACT concerning public utilities; relating to the powers and duties of the state corporation commission; amending K.S.A. 66-110 and repealing the existing section."

Be amended:

On page 2, in line 55, by striking all after "which"; by striking all in line 56; in line 57, by striking all before the period and inserting "provides an incentive for the use of residential electric space heating devices";

And the bill be passed as amended.

COMMENTS OF ELECTRIC COMPANIES ASSOCIATION OF KANSAS  
IN OPPOSITION TO HOUSE BILL NO. 2176

My name is Mark Sholander, and I am Assistant General Counsel for the Kansas City Power & Light Company. I am speaking here today on behalf of the Electric Companies Association of Kansas to express its opposition to House Bill No. 2176, which was introduced on February 5, 1985. The bill would insert the following language into K.S.A. 66-110:

"The state corporation commission is hereby prohibited from authorizing or approving the implementation of any tariff which includes a rate for electric service that provides an incentive for the use of any particular type of electrical device or equipment."

The Electric Companies Association of Kansas opposes the above proposed language for two basic reasons. First, the proposed language would prohibit any rate for electric service which happened to provide an incentive for the use of certain electrical equipment regardless of whether the rate for that electric service was at or above the cost of providing that electric service. It does not cost an electric utility the same to provide electric service at all times of the day or to all types of customers or equipment. For example, it actually costs more to provide electricity during periods of heaviest demand, called peak periods. For Kansas electric companies, the annual peak period occurs when air conditioning usage is highest in the summer. Conversely, it costs less to provide electricity in Kansas during "off-peak" periods, such as during the winter when total consumption is lower. If the proposed bill is adopted, it would make it difficult, if not impossible, for the Kansas State Corporation Commission to reflect these differences in cost in setting rates for different types of customers or equipment.

For example, if it costs less to provide electricity for use in a certain appliance, such as a heat pump, because that appliance is used primarily during

off-peak periods, it is entirely appropriate to set a separate lower rate for electricity used by that appliance to reflect the lower cost of providing that electricity. Yet, under the proposed House Bill No. 2176, the KCC could be prevented from setting such a lower rate, even though it reflected lower costs, if the effect of the lower rate would be to provide an incentive for the installation of that appliance.

Similarly, it can cost less (on a per Kwh basis) to provide electricity to a certain class of customers because that class of customers uses more of its electricity during off-peak periods. This is true of most industrial customers, for example. As a result, it is entirely appropriate to set a lower rate for electricity provided to those classes of customers to reflect the lower costs of providing electricity to them. Yet, if the proposed House Bill No. 2176 is passed, the KCC could possibly be prevented from setting such a lower rate, even though it reflected lower costs, if the effect of the lower rate was to provide an incentive for the installation or use of electrical equipment used in the manufacturing processes of those customers.

The Electric Companies Association of Kansas opposes the proposed House Bill No. 2176 not just because it would make it difficult for the KCC to set different rates for electric service to reflect different costs of providing service. If the effect of a lower, cost-based rate is to encourage installation of equipment which is used primarily during off-peak periods, such as heat pumps or electric manufacturing equipment, the effect of eliminating the lower rate would obviously be to discourage their installation.

This would have unfortunate, and unintended consequences. Discouraging the installation and use of heat pumps, and discouraging the installation and use of industrial manufacturing equipment, could have the effect of reducing off-peak electric consumption which would result in a deterioration of electric utility load

factors. (Simply stated, load factor is a measure of the proportion of electricity which is generated during off-peak periods, and it is thus a measure of the efficiency with which electrical generating plant is used.) The result of poorer load factors would be less efficient and more costly generation of electricity and, if serious enough, could actually result in higher electric rates for the customers which remain on the electric utility system. With fewer off-peak Kwh being sold, the fixed costs which must be recovered from rates charged for all Kwh sold would have to be recovered through the sales of fewer total Kwh, resulting in a higher rate charged for each Kwh sold.

Obviously, the opposite is possible to achieve. " If the rates charged for off-peak electric service are allowed to reflect their true lower cost, they may very well have the effect of encouraging the installation and use of electrical equipment which is used primarily during off-peak periods, such as heat pumps and industrial equipment. This would result in increased off-peak electric consumption, and an improvement in the electric utility load factors. If large enough, the improvement in load factors could even lead to reductions in rates charged to all customers as a greater portion of the fixed costs of producing electricity could be recovered through greater off-peak sales. "

Finally, charging rates for electricity used to power industrial equipment that reflects the true lower cost of off-peak usage will help Kansas remain competitive in the competition for industrial expansion and relocation. The Electric Utilities do not wish to appear as alarmists, but the passage of the proposed House Bill No. 2176 would make it extremely difficult for the KCC to set lower, cost-based rates for electric service to customers using industrial manufacturing equipment in order to help stimulate industrial expansion and relocation in Kansas. Ironically, if those lower rates successfully provided the incentive for the installation and use of such equipment, enabling that expansion, they would automatically be unlawful under the proposed House Bill No. 2176.

The Electric Utilities have one final comment. It seems likely that the basic reason why House Bill No. 2176 has been proposed is out of a desire to prevent electric utilities from setting subsidized, below cost rates for usage by particular types of electrical equipment just to spur sales of that equipment. If that is the reason for the proposed House Bill No. 2176, it can certainly be amended to achieve that purpose without causing the unfortunate consequences I have discussed. For example, the proposed new language in House Bill No. 2176 could be amended to read as follows:

"The state corporation commission is hereby prohibited from authorizing or approving the implementation of any tariff which includes a below cost rate for electric service that provides an incentive for the use of any particular type of electrical device or equipment."

So amended, House Bill No. 2176 would still permit a lower rate for service to customers or equipment even if it happened to provide an incentive for the use of particular equipment, but only if the rate actually reflected the costs of providing the service.

However, the Electric Companies do not necessarily recommend the adoption of even this amended version of House Bill No. 2176, because, as amended, it is entirely duplicative of existing Kansas law as applied by the KCC. However, if House Bill No. 2176 must be adopted, the amended version I have indicated should be adopted.

On behalf of the Electric Companies Association of Kansas, I thank the House Energy Committee for this opportunity of giving these comments.

STATEMENT  
ON BEHALF OF  
KANSAS ELECTRIC COOPERATIVES, INC.  
TO THE  
HOUSE ENERGY SUBCOMMITTEE  
HB 2176  
FEBRUARY 21, 1985

The attached statement is submitted for your information  
and for inclusion in the Committee record.

Kansas Electric Cooperatives, Inc. is a statewide trade association with membership consisting of 36 rural electric cooperatives (two generation and transmission cooperatives and 34 distribution cooperatives) serving Kansas.

ATTACHMENT NO. 4

TESTIMONY BEFORE  
HOUSE ENERGY SUBCOMMITTEE

HB 2176

FEBRUARY 21, 1985

BY

BOB PHILLIPS

KANSAS ELECTRIC COOPERATIVES, INC.

Mr. Chairman and Members of the Committee:

As we read House Bill No. 2176, the intent is to prohibit the Corporation Commission from allowing a utility company to implement any rate which would provide an incentive for customers to use a particular type of electrical device or equipment. The language as used in the bill leaves a clear implication that incentive rates are to be prohibited as a matter of public policy. If this is the intention of the drafters, we strenuously object.

There is nothing inherently wrong about stimulating consumers to utilize particular types of electrical devices or equipment. From the days that electric energy was first made commercially available, incentives have existed for its use. Individuals, businesses, and industry use electricity because it improves lifestyles, productivity, and efficiencies. Consumers demand electrical energy because they have a need to power particular types of electrical devices and equipment to accomplish certain tasks. Electric cooperatives were formed and organized specifically for the purpose of promoting and extending the use of electric service throughout the areas of our state where it was not considered feasible or economically possible to serve.



If it is the intention of the drafters to prohibit the use of incentive rates which are not cost-based, we hasten to point out that this legislative body in 1911 mandated that public utility rates be established on a just and reasonable basis and further prescribed that every unjust or unreasonable discriminatory or unduly preferential rule, regulation, classification, rate, joint rate, fare, toll or charge is prohibited and declared to be unlawful and void (K.S.A. 66-107). The legislature vested the necessary power in the state corporation commission to enforce the legislative mandate. If it is the purpose of this legislation to prohibit utilities from encouraging the use of particular appliances by charging discriminatory or unduly preferential rates, the bill is unnecessary.

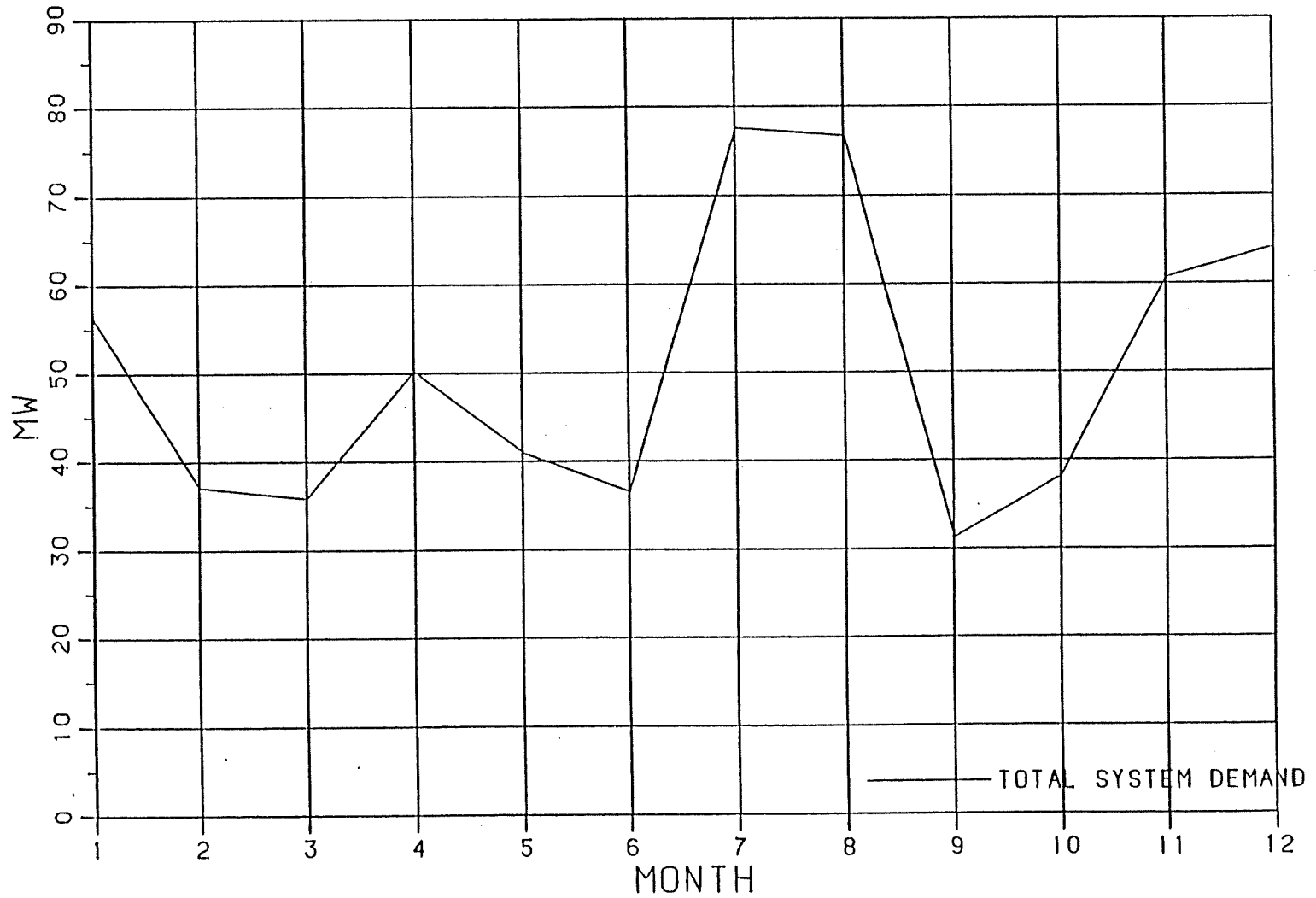
The state corporation commission in the past several months has directed a great deal of attention toward the issues of rate design and in particular the use of promotional or incentive rates. In this regard, the Commission has found merit in utility requests to implement marketing or promotional rate programs for the purpose of improving load factor. Utilities and the Commission have often disagreed about the types of rates which should be used to accomplish an improvement in load factor, but agreement has been reached that there are benefits for both the utility and the consumer through incentive rates. The use of the term incentive here does not imply that a rate is developed which artificially reflects a lower or subsidized cost for particular customers or particular end uses. A chart showing a typical utility system load curve is attached.

I would like to direct your attention to it in order to illustrate how savings might be achieved by the improvement of load factor.

Our present Corporation Commission has embraced the philosophy that utility companies should offer as many optional rates to consumers as practical. The Commission has promoted more aggressive use of seasonal and time-of-day pricing. The Commission has also encouraged utilities to adopt load control or load management rates. These types of rates provide an incentive for consumers to modify their individual usage patterns. Some may increase usage during off-peak periods, others may elect to reduce usage during peak periods, while others may choose both options. Most important is that fact that the choice or option is left to the consumer.

All of the rates which I have just described provide incentives in one form or another directed not only to the types of electrical devices which are used but the times during which consumers may choose to use them. We believe that adoption of House Bill No. 2176 would remove the options now available to consumers and prohibit utility companies from designing rates which encourage the most efficient use of utility resources.

Thank you.



DEMAND COMPARISONS

STATE OF KANSAS

KEN GROTEWIEL  
REPRESENTATIVE, NINETY-SECOND DISTRICT  
1425 W. MURDOCK  
WICHITA, KANSAS 67203  
(316) 265-2704



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER ENERGY AND NATURAL RESOURCES  
FEDERAL AND STATE AFFAIRS  
PENSIONS, INVESTMENTS AND BENEFITS

TO: ENERGY SUBCOMMITTEE  
FROM: REPRESENTATIVE KEN GROTEWIEL  
RE: INTERVENOR COMPENSATION (HB 2277)

In looking at representation of consumers before the Corporation Commission in rate cases, an Interim Committee last fall concluded:

"While the Corporation Commission presently encourages groups and individuals to testify at public hearings, the Committee recognizes that residential and small business utility customers are at a disadvantage. They often do not have the resources to present their viewpoints properly before the Commission, represented by an attorney, in the quase-judicial technical hearings on rate cases. The need for this representation comes about because the point of view of the smaller customer needs to be in the record so that, if the Commission sees merit in a small customer's point of view, it can rule in his or her favor without being overturned later in the courts for not basing a decision on the merits of the case."

How could allowing intervenors to be compensated improve this situation? It would in a number of ways.

- 1) It would make it possible for residential and small business consumers to be adequately represented.
- 2) It would provide balance in the testimony on rate cases.
- 3) It would expand an existing mechanism of intervenor compensation under rules established by the Public Utility Regulatory Policies Act (PURPA).
- 4) It would reimburse intervenors for their contribution after the case had been settled.
- 5) It would be more independent than Public Advocate funded by the legislature, but much less independent than a Citizen Utility Board.

Would providing intervenor compensation funds save the utility consumers money? Yes, that is the whole point.

Pg. 2

Even the smallest change in rate design, for example, could save consumers millions of dollars.

How would this be funded? It would be assessed to the utilities, and become part of the rate base.

Finally, line 031 and 032, could be more specific by saying that the intervenor must make a significant contribution to the approval of a position that benefits residential and small business customers.

PRESENTED BY BILL EWING, PUBLIC AFFAIRS MANAGER REPRESENTING  
SOUTHWESTERN BELL TELEPHONE COMPANY

HOUSE BILL 2277 HAS A DESIRABLE GOAL TO ENCOURAGE PARTICIPATION IN  
PROCEEDINGS AND HEARINGS HELD BY THE STATE CORPORATION COMMISSION AND  
TO PROVIDE EFFECTIVE REPRESENTATION OF RESIDENTIAL CONSUMERS AT SUCH  
PROCEEDINGS AND HEARINGS. FURTHERING RESIDENTIAL-CONSUMER UNDERSTANDING  
OF OUR BUSINESS AND OUR UNDERSTANDING OF CONSUMER CONCERNS IS BENEFICIAL  
TO ALL.

HOWEVER, WHAT WE OPPOSE IS THE OFFERING OF FINANCIAL ASSISTANCE TO  
ENCOURAGE THIS PARTICIPATION.

AS YOU EXAMINE THE BILL YOU MUST ASK WHAT FINANCIAL ASSISTANCE IS TO BE  
OFFERED? THE BILL IS OPEN ENDED ON THIS POINT.

IS IT TRANSPORTATION, LODGING, FOOD, LEGAL COUNCIL, ALL OF THE ABOVE  
AND EVEN SOME EXPENSES I HAVEN'T THOUGHT OF?

WHOSE TO BE RESPONSIBLE FOR THE EXPENSE OF THIS FINANCIAL ASSISTANCE?

THIS ISN'T COVERED IN THE BILL. HOWEVER, I ASSUME THIS WOULD BE THE RESPONSIBILITY OF THE UTILITY AND ULTIMATELY BECOME A RATE PAYER EXPENSE.

I SUBMIT THERE ARE EXISTING OPTIONS TODAY FOR RESIDENTIAL CONSUMERS TO MAKE THEIR VIEWS KNOWN TO THE KANSAS CORPORATION COMMISSION AND/OR PARTICIPATE IN THE HEARINGS. CONSUMERS MAY WRITE THE KCC EXPRESSING THEIR VIEWS AND THOSE LETTERS WILL BE REVIEWED BY THE KCC STAFF AND MADE A PART OF THE FILE ASSOCIATED WITH THE HEARING OR PROCEEDING. OR CONSUMERS MAY SIMPLY CALL THE KCC AND EXPRESS THEIR VIEWS.

ALSO IN AN EFFORT TO INCREASE CONSUMER PARTICIPATION IN HEARINGS, EIGHT PUBLIC HEARINGS WERE HELD THROUGHOUT THE STATE IN OUR 1983 RATE CASE. THESE LOCATIONS WERE:

GOODLAND

DODGE CITY

TOPEKA

WICHITA

KANSAS CITY

PARSONS  
SALINA  
MISSION

NOTE: OVER 1200 CONSUMERS PARTICIPATED IN THE ABOVE HEARINGS.

THESE SERVED AS AN EFFECTIVE AND EASILY ACCESSIBLE METHOD OF ALLOWING  
CONSUMERS TO TESTIFY BEFORE THE COMMISSION.

IN CLOSING, MR. CHAIRMAN, IT IS OUR OPINION THAT THERE ARE ADEQUATE  
METHODS IN PLACE THAT AFFORD THE CONSUMER AMPLE OPPORTUNITY TO EXPRESS  
THEIR VIEWS TO THE REGULATORY BODY WITHOUT FINANCIAL ASSISTANCE.

RESPECTIVELY, I URGE THAT HB 2277 NOT BE ADOPTED



STATEMENT  
ON BEHALF OF  
THE ELECTRIC COMPANIES ASSOCIATION OF KANSAS  
TO THE  
HOUSE ENERGY SUBCOMMITTEE  
HB 2277  
FEBRUARY 21, 1985

The attached statement is submitted for your information  
and for inclusion in the Committee record.

The Electric Companies Association is a trade association with membership consisting of the six investor-owned electric utilities serving Kansas. They are: The Kansas Power & Light Company, Kansas City Power & Light Company, Kansas Gas and Electric Company, The Empire District Electric Company, Western Power Division of Centel and Southwestern Public Service Company.

TESTIMONY BEFORE  
HOUSE ENERGY SUBCOMMITTEE

HB 2277

FEBRUARY 21, 1985

BY

D. WAYNE ZIMMERMAN

THE ELECTRIC COMPANIES ASSOCIATION OF KANSAS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

OUR OPPOSITION TO HB 2277 IS BECAUSE OF THE ADDITIONAL COST THAT MAY RESULT FROM DUPLICATING THE REPRESENTATION ALREADY PROVIDED FOR CONSUMERS.

K.S.A. 66-106 REQUIRES THE ATTORNEY GENERAL TO ASSIST THE COMMISSION ATTORNEY, WHEN REQUESTED, TO HELP CARRY OUT HIS DUTY TO REPRESENT THE PEOPLE OF KANSAS.

THE ATTORNEY GENERAL MAY, ON HIS OWN VOLITION, INTERVENE TO REPRESENT THE PUBLIC IN MATTERS BEFORE THE COMMISSION.

THE COMMISSION MAY, AND FREQUENTLY DOES, RETAIN OUTSIDE COUNSEL, AUDITORS AND OTHER OUTSIDE ASSISTANCE TO HELP THE COMMISSION STAFF DEVELOP AND PRESENT THE CONSUMER VIEWPOINT.

THE KCC ALSO MAY APPOINT, AND HAS APPOINTED, ADVISORY BOARDS, SUCH AS C.I.B. (CONSUMER INFORMATION BOARD) TO ASSIST THEM. KANSAS LEGAL SERVICES FREQUENTLY REPRESENTS INTERVENORS BEFORE THE COMMISSION. ALL OF THESE ARE NOW PROVIDED AT TAXPAYER AND RATEPAYER EXPENSE. SOME HAVE BEEN FUNDED UNDER KCC REGULATIONS ADOPTED TO CARRY OUT THE REQUIREMENTS OF PURPA. SEVERAL CITIES AND COUNTIES HAVE GIVEN NOTICE THAT THEY WILL INTERVENE IN A RATE CASE NOW BEFORE THE KCC TO REPRESENT THE INTERESTS OF

THEIR CITIZENS. ONE OF THOSE CITIES HAS HIRED A FORMER ASSISTANT GENERAL COUNSEL OF THE KCC TO ADVISE THEM.

IN ADDITION TO THE STATUTORY LANGUAGE REQUIRING THE KCC TO REPRESENT THE PUBLIC INTEREST, THAT OBLIGATION IS RECOGNIZED IN STATEMENTS EXPLAINING KCC OPERATIONS FOUND IN SEVERAL OTHER PLACES.

FOR EXAMPLE, IN THE 1985 FISCAL YEAR BUDGET DOCUMENT ONE OF THE ADMINISTRATIVE PROGRAM OBJECTIVES STATED IS: "TO INFORM THE PUBLIC ON MATTERS OF COMMISSION POLICY AND ENCOURAGE THE PUBLIC TO PARTICIPATE IN RATE CASES BY ISSUING MEDIA RELEASES AND HOLDING PUBLIC HEARINGS THROUGHOUT THE STATE ON PENDING UTILITY RATE CASES".

IN THE GUIDE TO RATE HEARINGS DISTRIBUTED TO THE PUBLIC BY THE KCC, IT IS STATED "THE COMMISSION STAFF IS A PARTY TO THE CASE, AS A REPRESENTATIVE OF THE CONSUMERS, JUST AS IT IS IN ALL PROCEEDINGS BEFORE THE COMMISSION. STAFF CONSISTS OF A GROUP OF EXPERTS IN LAW, FINANCE, ACCOUNTING, ENGINEERING, AND RELATED FIELDS. A MEMBER OF THE LEGAL STAFF REPRESENTS THE STAFF AND PUBLIC GENERALLY, AS ITS LAWYER. THE STAFF HAS GENERAL INSTRUCTIONS FROM THE COMMISSION TO PRESENT A STRONGLY CONSUMER-ORIENTED CASE IN EVERY PROCEEDING BEFORE THE COMMISSION, AND TO EXAMINE THE RATE REQUEST CAREFULLY AND TO TAKE ISSUE WITH THE COMPANY WHERE APPROPRIATE."

THE LEGISLATIVE POST AUDIT DIVISION REPORT DATED AUGUST 17, 1982, MAKES REFERENCE SEVERAL TIMES TO THE ACTIVITIES OF THE COMMISSION THAT REPRESENT THE PUBLIC INTEREST.

BIENNIAL REPORTS OF AGENCIES OF STATE GOVERNMENT FOR MANY YEARS INCLUDED STATEMENTS MUCH LIKE THE FOLLOWING FROM THE 1974 REPORT: "THE STATE'S OBJECTIVES WITH RESPECT TO REGULATION OF PUBLIC UTILITIES AND COMMON CARRIERS ARE THE SAME AS THOSE THAT ARE NATIONWIDE - TO SEE THAT PUBLIC INTEREST IS SERVED BY THE RENDERING OF SUFFICIENT, NONDISCRIMINATORY SERVICE AT RATES THAT ARE FAIR, EQUITABLE AND REASONABLE TO THE CUSTOMER, YET ALLOW THE ENTERPRISES SUCH A RETURN ON INVESTMENT AS WILL BE ADEQUATE TO ENABLE THEM TO RENDER CONTINUING EFFICIENT AND SUFFICIENT SERVICE....."

IT SEEMS APPARENT THAT THE CONSUMERS ARE ABLE NOW, AND DO PARTICIPATE IN PROCEEDINGS AND HEARINGS BEFORE THE KCC AND THAT EFFECTIVE REPRESENTATION IS AVAILABLE TO RESIDENTIAL CONSUMERS UNDER PRESENT LAW AND PRACTICE.

WE ASK THAT YOU DO NOT SUBJECT THEM, IN THESE TIMES OF RISING COSTS, TO THE ADDITIONAL COST OF DUPLICATING SERVICES THAT ALREADY EXIST.

STATEMENT  
ON BEHALF OF  
KANSAS ELECTRIC COOPERATIVES, INC.  
TO THE  
HOUSE ENERGY SUBCOMMITTEE  
HB 2277  
FEBRUARY 21, 1985

The attached statement is submitted for your information  
and for inclusion in the Committee record.

Kansas Electric Cooperatives, Inc. is a statewide trade association with membership consisting of 36 rural electric cooperatives (two generation and transmission cooperatives and 34 distribution cooperatives) serving Kansas.

TESTIMONY BEFORE  
HOUSE ENERGY SUBCOMMITTEE

HB 2277

FEBRUARY 21, 1985

BY

BOB PHILLIPS

KANSAS ELECTRIC COOPERATIVES, INC.

Mr. Chairman and Members of the Committee:

Electric cooperatives are truly unique entities in the world of regulated utilities because they are owned and operated by the people they serve. Members of the electric cooperative are the owners, the stockholders, and the consumers of the business. Under state enabling statutes and the bylaws of an electric cooperative the members elect a board of trustees to manage the business affairs of the corporation. This organizational structure provides the consumers direct input and control over the management of the cooperative including the setting of rates.

The board of trustees elected by the members are not figureheads. They are involved consumer-members who have both a personal interest and a fiduciary obligation in the prudent management and operation of the electric cooperative which serves them and their neighbors.

Once the board of trustees makes the difficult decision that an increase in rates is necessary an application must be filed with the state corporation commission. In all proceedings and hearings the Commission utilizes its staff for the purpose

of insuring that any rates which are approved are just and reasonable without being unduly preferential, or unjustly discriminatory. The legal division of the Commission represents "the Commission staff and the public generally." In the case of an electric cooperative, the member-consumers have not only paid for the cost of preparing and filing a rate application at the direction of their elected board of trustees, they are also footing the bill for a second tier of representation by the Corporation Commission's staff.

Recently, the costs incurred by electric cooperatives in obtaining approval for rate increases from the state corporation commission have ranged from \$30,000 to \$40,000. This includes not only the cooperative's expenses to prepare, file and proceed to hearing on an application, but also the expenses of the Corporation Commission staff. In most cases, this means that the cost of obtaining a rate increase would average \$10 to \$30 per meter. As I mentioned earlier, the cooperative also pays the cost of the staff's involvement in the case which typically ranges from 25% to 50% of the total amount.

House Bill 2277 would, in effect, provide the mechanism for another layer of expenses to be added to the consumer-member's bill. We are strongly opposed to this legislation for several reasons.

First and foremost, we believe that a cooperative's board of trustees fairly and adequately represents the people who elect them. This includes conducting business affairs of the cooperative and establishing fair and reasonable rates.

The Commission staff's involvement in rate cases and the Commission's regulation of the rates through formal proceedings provides a second level of "protection" for the consumer-members.

Another point which should be brought to your attention, is the fact that the Corporation Commission has already adopted a consumer compensation rule which allows consumers of investor-owned utilities to qualify for financial assistance in presenting certain rate issues during the course of retail rate applications. The electric cooperatives were specifically exempted from this requirement under the federal law and in the state corporation commission rulemaking precisely because the cooperatives are consumer-owned and controlled.

Finally, and perhaps most important of all, the boards of trustees and management of the electric cooperatives are going the extra mile in an effort to inform their consumers of pertinent issues affecting their utility rates. The cooperatives are concentrating their efforts on building good two-way communications with their membership. First, they are providing information to the membership. This is done in a number of ways. Many cooperatives are holding member informational meetings, preparing special brochures and mass membership mailings, and by forwarding written information to their members on a regular basis, which for the majority of electric cooperatives is monthly through the Kansas Country Living magazine or by individual cooperative newsletters.

The cooperatives are not only forwarding information to their members they are soliciting direct member involvement.



This has been done most recently by a number of cooperatives forming consumer rate committees. The function of these committees is to review the financial condition of the cooperative, evaluate the necessity of obtaining a rate increase, and make recommendations to the board with respect to the design of rates.

Mr. Chairman and Members of the Committee, we firmly believe that adoption of House Bill 2277 will only add to the burden of Kansas electric utility consumers without providing any substantial benefit. We are strongly opposed to the legislation. Thank you for the opportunity to appear before you.

*The C & W*  
*Rural - Electric - Cooperative - Association*

INCORPORATED  
CLAY CENTER, KANSAS 67432

October 3, 1984

State Corporation Commission  
Micheal Lennen, Chairman  
R. C. Loux, Commissioner  
Keith Henley, Commissioner  
State Office Building  
Topeka, Kansas 66612-1571

Honorable Commissioners:

Late in 1983 it became apparent to the C&W Rural Electric Cooperative Board of Trustees that an increase in the Cooperative's revenue would have to be accomplished. A November ice storm inflicted major damage to the Cooperative's lines further aggravating an already deteriorating financial condition. The Board instructed staff to use 1983 as the test year and prepare an application for adjustment of its rates.

Since capacity charges have risen more rapidly than energy charges in the past three years some rates being charged had gone out of balance with cost of service by rate classes. A consultant, C. H. Guernsey & Co., was engaged to make a cost-of-service study. The adjustment necessary to eliminate the inequity ruled out use of the "short form" or "expedited" rate application.

Application was made to the Commission Secretary on March 23, 1984. Hearing on the application was on July 10 and an order granting a part of the requested increase was issued on July 30, 1984. We express appreciation to the Commission and staff for this reasonably prompt response to our need to adjust rates to effect a much needed improvement in the Cooperative's financial condition.

We are, however, gravely concerned over the cost to the Cooperative in accomplishing this much-needed adjustment. These costs are detailed as follows:

C. H. Guernsey & Co.	\$15,185.34
State Corporation Commission	13,538.24
C&W Staff Salaries & Overhead	2,714.50
Legal Services	1,898.75
Required Notice to Consumers	485.36
Transportation Expense	314.73
Telephone (Estimate)	200.00
Transcript	88.50
Postage	56.10
	<u>\$34,481.52</u>

The first two of the above items are of special concern to us. The amount of detail required in the application appears to cause the cost of the consultants'

October 3, 1984

work to approximate the providing of similar information about a large utility whose consumers are not also owners as are the C&W consumers. We wonder about the need to provide this level of support of our need to raise our own rates.

The amount of Commission staff time billed to us appears extremely high. This is especially true when we note there were no accounting issues argued in the hearing. Also, the Cooperative engages a Certified Public Accountant whose report is furnished the Commission and whose work papers could have been made available to Commission Staff.

The most out-of-line Commission Staff charge appears to have been in the area of rate design. C&W proposed only two rate design conditions even remotely questionable. One was to continue its managed capacity rate which had more than six years of successful experience to support it. The other was a proposal for a second energy step to assist marketing and improve system load factor. The two-step energy rate was denied, not because it would fail to accomplish its intended purpose but because of a previous Commission Order against declining block rates. We cannot understand why it should have taken so much staff time to conclude our proposal was contrary to an existing Commission Order--particularly since the identical proposal had been rejected in a previous application (Ark Valley).

Honorable Commissioners, we earnestly believe our member-consumers cannot afford this kind of "protection" from themselves. To the best of our knowledge, not a single C&W consumer protested, objected or even questioned either the general increase in rates or the design of proposed rates. We believe our consumer-members know full well we, their elected Board of Trustees, move to increase rates only when there is no viable alternative and only in the essential amount needed to fulfill our obligations as Trustees. Whatever obligation we place on our members we also place on ourselves.

We sincerely request the Commission review these concerns to determine if present procedures are, in fact, in the best interests of the public and particularly, C&W member-consumers.

Thanking you for your attention, we remain

Respectfully yours,

THE C&W RURAL ELECTRIC  
COOPERATIVE ASS'N, INC.

---

Raymond James, President

---

Ernest Sharp, Trustee

---

Dale Keesecker, Vice President

---

Don Sutter, Trustee

---

J. Wendell Eggerman, Secretary

---

Lloyd E. Nemnich, Trustee

*Bob Phillips K.E.C.*

OFFICERS & DIRECTORS

Wesley Nunemaker, Langdon, President  
Alvin L. Zwick, Sterling, Vice President  
Harold W. Reed, Lyons, Secretary  
Wendell H. White, Geneseo, Treasurer

Paul Rogers, Pretty Prairie  
George H. Schlickau, Haven  
Edwin Shultz, Arlington  
Richard A. Benjes, Hutchinson, Attorney



THE ARK VALLEY ELECTRIC COOPERATIVE ASSN. INC.

10 East 10th Street • South Hutchinson, Kansas 67505 • AC 316/662-6661

MAILING ADDRESS: P.O. BOX 1246 • HUTCHINSON, KANSAS 67504-1246

DELBERT E. TYLER  
General Manager

November 13, 1984

State Corporation Commission  
Michael Lennen, Chairman  
R. C. "Pete" Loux, Commissioner  
Keith Henley, Commissioner  
State Office Building  
Topeka, Kansas 66612-1571

Honorable Commissioners:

Last month you received a letter from the Trustees of C & W Rural Electric Cooperative Association.

My Board of Trustees thought you would like to see a list of our costs for our most recent rate case - Docket 140,958U.

Our costs were:	C. H. Guernsey & Co.	\$18,875
	Kansas Corp. Comm.	8,892
	Ark Valley Salaries & Overhead	3,127
	Legal Services	1,924
	Required Notice to Consumers	450
	Transportations Expenses	200
	Telephone	150
	Transcript (not received yet)	&
	Postage	50
		<hr/>
		\$33,668

Our consultants fees are higher than C & W because we had Mr. Patwardhan meet with the board several times to gain input for and provide output regarding the rate case. Guernsey's plane also picked up my board in Hutchinson and transported the group to Topeka. This is included in Guernsey's fees.

We also note that the KCC expenses were lower for Ark Valley which we appreciate.

As you can see our other costs are in line with C & W Electric.

We, too, would like to see these costs reduced to our members who will pay on future power bills.

Very truly yours,

Delbert E. Tyler  
General Manager

RECEIVED

NOV 16 1984

DET:fs

10/16/84

FINAL RATE CASE EXPENSES

Twin Valley Electric Cooperative - Docket No. 140,841-U,  
Rate Application - 1984

Rate Consultants	\$17,454	
Kansas Corporation Commission	\$30,861 *	53%
Engineers	\$ 1,462	
Legal	\$ 4,830	
Notice	\$ 470	
Transportation	\$ 609	
Telephone	\$ 65	
Services	\$ 2,054	
	<hr/>	
	\$57,805	

- \* \$9,697.02 was billed to the cooperative in 1984, the remaining \$21,164 is carried forward to subsequent years due the limitation of K.S.A. 66-1502 providing that annual assessments may not exceed 3/5ths of 1% of gross operating revenues.

Twin Valley serves consumer-members at 2,099 metered locations. The average cost for this rate application is \$27.54 per meter.

PRESENTED BY BILL EWING, PUBLIC AFFAIRS MANAGER REPRESENTING SOUTHWESTERN BELL TELEPHONE COMPANY

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I'M BILL EWING, PUBLIC AFFAIRS MANAGER FOR SOUTHWESTERN BELL TELEPHONE COMPANY AND I'M HERE TO SPEAK IN OPPOSITION TO HB 2382; HOWEVER, NOT IN OPPOSITION TO THE PRINCIPLE OF LIFELINE SERVICE.

LET ME FIRST GIVE YOU OUR SOUTHWESTERN BELL POLICY REGARDING LIFELINE SERVICE "LIFELINE SERVICE SHOULD BE ESTABLISHED, WHERE NECESSARY, AND ADMINISTERED ON A STATE-BY-STATE BASIS, AND QUALIFICATIONS SHOULD BE DETERMINED BY APPROPRIATE STATE ORGANIZATIONS. THE FUNDING FOR LIFELINE SERVICE SHOULD BE FROM SOURCES OTHER THAN TELEPHONE SERVICE SUBSCRIBERS."

NOTE: SOUTHWESTERN BELL TELEPHONE COMPANY IS DEDICATED TO THE PRINCIPLE OF "UNIVERSAL SERVICE." IN SIMPLE TERMS - SERVICE TO ALL WHO WANT IT AT AFFORDABLE RATES. THE MORE WHO HAVE SERVICE, THE MORE VALUABLE THE

SERVICE IS TO EACH CUSTOMER.

THE LEGISLATURE HAS ADDRESSED THE LIFELINE PRINCIPLE A NUMBER OF TIMES IN RECENT YEARS WITHOUT BEING ABLE TO ARRIVE AT A EQUITABLE SOLUTION TO THE AFFORDABLE RATE PROBLEM, AND I CAN ASSURE YOU THAT WE ARE SYMPATHETIC TO THE COMPLEXITY OF THE PROBLEM. JUST LAST SUMMER THE INTERIM ENERGY AND NATURAL RESOURCES COMMITTEE STUDIED SPECIAL RATES FOR SPECIAL CLASSES OF CUSTOMERS WITHOUT COMING TO A CONSENSUS, AS TO A SOLUTION TO THE PROBLEM.

WHEN A LEGISLATIVE BODY ESTABLISHES A RATE FOR TELEPHONE SERVICE, IT PERFORMS A REGULATORY ROLE, ACTING IN THE ARENA OF THE KANSAS CORPORATION COMMISSION. IT DISENFRANCHISES THE COMMISSION IN THIS FUNCTION AND RESCINDS THE POWER IT HAS GIVEN THE COMMISSION TO REGULATE THESE RATES.

PLEASE REFER TO THE ATTACHMENT WHICH SHOWS A BREAKDOWN BY SERVICE CLASSES OF SOUTHWESTERN BELL TELEPHONE COMPANY IN KANSAS.

JUST A FEW OF THE PROBLEMS WITH HB 2382 ARE AS FOLLOWS:

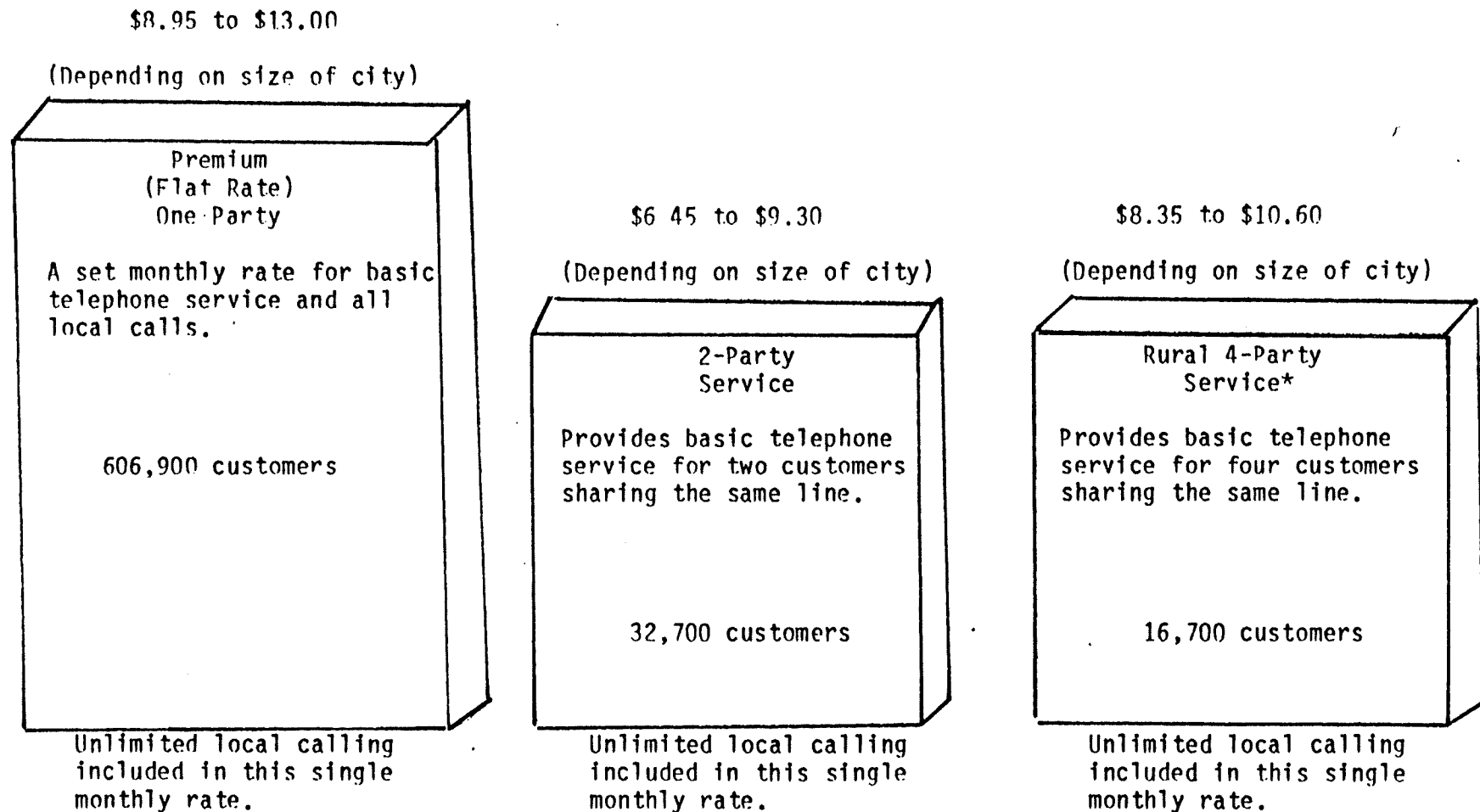
- A. WE WOULD NOT HAVE THE CAPABILITY TO MEASURE THE NUMBER OF CALLS BEFORE THE 4TH QUARTER OF 1987.
- B. COST TO INSTALL MEASURING EQUIPMENT - 6 MILLION DOLLARS.  
NOTE: THIS COST WOULD BE BORNE BY ALL RATE PAYERS.
- C. USING A FIXED RATE FOR ALL WHO QUALIFY CREATES INEQUITIES DEPENDING ON WHERE THE CUSTOMER LIVES -

EXAMPLE =	<u>KANSAS CITY, KS.</u>	<u>COLBY</u>
PRESENT RATE	\$13.00	\$ 8.95
PROPOSED RATE	<u>3.50</u>	<u>3.50</u>
SAVINGS	\$ 9.50	\$ 5.45

IN CONCLUSION, LET ME SAY, ESTABLISHING LIFELINE RATES FOR A SELECT GROUP IS A SOCIAL PROBLEM, NOT A RATE MAKING EXERCISE AND IT (LIFELINE) SHOULD BE VIEWED STRICTLY IN THAT CONTEXT.



OPTIONS FOR LOCAL RESIDENTIAL PHONE SERVICE  
Fixed Monthly Rates



\*Available to customers with service beyond the Base Rate Area.