

Approved March 6, 1986  
Date

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

The meeting was called to order by Representative Ron Fox at  
Chairperson

3:30 ~~xxx~~ p.m. on February 24, 1986 in room 526-S of the Capitol.

All members were present except:

Representative Barr (excused)  
Representative Ott (excused)  
Representative Spaniol (excused)

Committee staff present:

Ramon Powers, Legislative Research Department  
Theresa Kiernan, Revisor of Statutes' Office  
Betty Ellison, Committee Secretary

Conferees appearing before the committee:

Representative Eugene Shore  
Marsha Marshall, Kansas Natural Resource Council  
Clark Duffy, Assistant Director, Kansas Water Office

Representative Helgerson  
Kent Forster, Kansas Natural Resource Council  
Mary Abbott Mills, Wichita, Kansas  
George Dugger, Kansas Department on Aging  
Leonard Dodson, Kansas Coalition on Aging  
Nadine Burch, Kansas Coalition on Aging  
Ralph Turner, Silver Haired Legislature, Douglas County  
Earl Nehring, Common Cause/Kansas  
Don Marker, Rate Design Administrator, Kansas Corporation Commission  
Bill Ewing, Public Affairs Manager, Southwestern Bell Telephone  
John C. Jordison, Peoples Natural Gas, Council Bluffs, Iowa  
Jerry Coonrod, Kansas Gas and Electric  
Randy Burleson, Empire District Electric  
Wilbur G. Leonard, Executive Vice President, Kansas Telephone Association  
Louis Stroup, Jr., Executive Director, Kansas Municipal Utilities  
Richard D. Kready, Director of Governmental Affairs, KPL Gas Service  
Dan R. McGee, Customer Services Administration, Centel Corporation (Written testimony only)  
Basil Covey, Chairman, Legislative Committee, Kansas Retired Teachers (Written testimony only)

The meeting was called to order by Chairman Ron Fox. Since there were no objections to the minutes of February 18, they were adopted.

HCR 5042--Urging the Congress of the United States to further address the water depletion problem in the 1985 Farm Bill.

Representative Shore, sponsor, explained that the important points of the proposed program would be water conservation, keeping people in place, employed, using and paying for available services (schools, merchants, etc.). He felt that the program could possibly be more cost effective than it might seem on the surface. A related worksheet was attached to his written testimony. (See Attachment 1)

Clark Duffy represented the Kansas Water Office. He testified in support of HCR 5042 because it would compliment existing state policies and programs of the State Conservation Commission, as described in Agriculture Conservation Section of the State Water Plan. It also would compliment proposed policy in the 1986 State Water Plan.

Marsha Marshall, representing the Kansas Natural Resource Council, spoke in support of the resolution, noting that it was developed by people who farm and who understand the farm and natural resource crisis in Kansas. She felt that it was a way of using federal dollars in a positive way. (See Attachment 2)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,  
room 526-S, Statehouse, at 3:30 ~~xxx~~ a.m./p.m. on February 24, 1986

Representative Helgerson, sponsor, briefly summarized the bill. He noted that the State Corporation Commission is charged to make sure that the utilities have an opportunity to gain a fair rate of return and also is charged with representing all classes of customers. This bill clearly states that the residential consumers shall have an advocate representing them throughout the process. Committee discussion followed.

Marsha Marshall introduced Kent Forster, Energy Analyst for Kansas Natural Resource Council. Mr. Forster testified in support of the bill and submitted a fact sheet showing consumer utility representation in other states across the country. (See Attachment 3)

Mary Abbott Mills, Wichita, testified in favor of the bill. She said that her work with the Electric Shock organization had saved rate-payers large amounts of money by their intervention in the Wolf Creek rate case.

George Dugger represented the Kansas Department on Aging with favorable testimony on the bill. He felt that it would increase the quality and completeness of information upon which the Kansas Corporation Commissioners must base their decisions, as well as providing consumers with improved access to and representation in judicial, legislative, and other regulatory arenas. (See Attachment 4) During discussion, Mr. Dugger was asked if this was the position of the Governor, and he replied that it was not.

Leonard Dodson spoke on behalf of the Kansas Coalition on Aging. He was in favor of the bill, noting that this problem was not limited to the aging.

Nadine Burch also represented the Kansas Coalition on Aging. Her testimony supported the bill and made the point that a most important item would be to have a well educated technician to represent the citizens. She felt that consumers were seldom represented in a learned manner.

Ralph Turner testified as a representative of the Silver Haired Legislature. He was a proponent of the bill, noting that the Kansas Corporation Commission could not represent any one class of customers. His special concern was for the low-income elderly and the handicapped. (See Attachment 5) In response to a question of the Chairman, Mr. Turner said that the Silver Haired Legislature had not taken a position on this bill because it was a fairly new concept being developed.

Earl Nehring, representing Common Cause/Kansas, spoke in favor of House Bill 2871. He said that Missouri, Arizona, and Texas have agencies similar to the one proposed. He felt that the need was for a means to provide assured and competent representation on a continuing basis for residential consumers. (See Attachment 6) Discussion followed.

Don Marker, Rate Design Administrator for the Kansas Corporation Commission, took a neutral position regarding House Bill 2871. He noted that current utility rate schedules and accounting practices would not readily facilitate the isolation of either farm or small business utility sales and that a requirement to identify these specific customers would involve considerable costs. (See Attachment 7) Mr. Marker and Brian Moline, General Counsel for the Corporation Commission, answered questions of the committee. It was their opinion that the Corporation Commission had fulfilled its charge to represent the public generally, and had not made any decisions which adversely affected residential consumers. In reply to a question, it was noted that the Commission is bound by evidence in the record; to the extent that certain evidence is not present in the record, it cannot be used as a basis for a decision.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,  
room 526-S, Statehouse, at 3:30 ~~xxx~~ a.m./p.m. on February 24, 1986

Bill Ewing, representing Southwestern Bell Telephone Company, opposed the bill, feeling that it was a duplication of effort. (See Attachment 8) He believed that in 3 to 5 years, the funding level of a new agency would double; also that once an agency has been established, it is difficult to do away with it. In response to a question relative to divestiture, Mr. Ewing said that the intent of the FCC was to work for the consumer, but the jury was still out regarding the result.

John Jordison spoke on behalf of Peoples Natural Gas Company, Council Bluffs, Iowa. His company opposed House Bill 2871, as well as any attempts to create an additional level of regulation within the Kansas Corporation Commission. He felt that additional representation of an individual class of customers would be duplicative and unnecessarily expensive. (See Attachment 9)

Jerry Coonrod testified on behalf of Kansas Gas and Electric Company, Wichita. He opposed the bill in its present form because it would add another layer of expense to the regulation of Kansas utilities to provide a service which is already provided. (See Attachment 10) Discussion followed.

Randy Burlison represented Empire District Electric in southeast Kansas. He wanted to go on record as opposing House Bill 2871.

Wilbur Leonard appeared on behalf of the Kansas Telephone Association. His testimony was in opposition to the bill because it would involve additional costs upon rate payers to support the agency. (See Attachment 11) He also noted that if it is to be a flat percentage assessment across the board to fund this agency, should the bill pass, then it does discriminate against customers of small telephone companies, of which there are 37 operating in Kansas.

Louis Stroup, Jr. represented Kansas Municipal Utilities, Inc. He urged the defeat of this measure as being, from a municipal utility standpoint, unnecessary, unworkable, and duplicative in cost, as well as a potential source of conflict of interest between residential customers of the utility industry. (See Attachment 12)

Richard Kready testified on behalf of KPL Gas Service. He opposed the measure because it would be unreasonable to set up another agency duplicating many of the activities of the Kansas Corporation Commission, and end up charging customers for it, as well. He said the cost would be more than it was made to sound like, but would amount to about \$200,000 to \$400,000 per year for KPL Gas Service customers. (See Attachment 13)

Dan McGee represented Centel Corporation with written testimony opposing House Bill 2871. (See Attachment 14)

Basil Covey, representing Kansas Retired Teachers, submitted written testimony in support of the bill. (See Attachment 15)

The meeting was recessed at 5:55 p.m. until February 25 at 3:30 p.m.

Date: Feb. 24, 1986

## GUEST REGISTER

## HOUSE

## COMMITTEE ON ENERGY AND NATURAL RESOURCES

NAME	ORGANIZATION	ADDRESS	PHONE
DICK COMPTON	MIDWEST ENERGY	P.O. Box 898 - Hays	913/625-3437
ROBERT J. ANDERSON	Mid Cont Oil Ref	Box 7 OTTAWA	913-248-1234
DON MARKER	KCC	4th Floor S.O.B.	296-2073
Randy Barleson	Empire Electric	Columbus KS	429-2325
ROSS MARTIN	KS PETROLEUM COUNCIL	TOPEKA	234-0589
Wray Coover	KGE	"	354-1771
TREVA POTTER	NORTHERN NAT. GAS	"	357-5121
HAROLD PITTS	TARTA	"	272-8777
John Jordison	PEOPLES NAT. GAS	25 MAIN PLACE LOUNCL BLUFFS. IA	712-325-2155
Roy D. Shonkel	K.C.P. & L. Co	Shawnee KS.	913-631-6598
Mary Jane Hamilton	Cong. Jim Slattery Office	444 Quincy	295-2817
Wilbur G. Leonard	Ks. Tel. Ass'n	917 Merchants Nat/BK Topeka	234-0307
Louis Stroup Jr	KANSAS MUNICIPAL UTILITIES	M Pherson	241-1423
Ralph J. Jurek	Silver State Leg. <sup>KGOA</sup>	5-308 Wenden Pkwy	843-5871
Malcolm Moore	Sierra Club	S.W. Ulrich Rd. Auburn	671-2171
Bill Anderson	Water Dist #1 of Jo Co	Mission	722-3000
Ed Reinert	KS League Women Voters	Topeka	273 6097
David L. Pope	DWR, WBA	Topeka	296-3717
Tom Elliott	KSBA	Topeka	296-2263
PAT DONAHUE	KANSAS LEGAL SERVICES, INC	TOPEKA, KS.	233-2096
Martha Dodson	Kansas Coalition on Energy	Topeka, KS.	332-0857
Marsha Marshall	KNRC	"	233-6707



EUGENE L. SHORE  
 REPRESENTATIVE, 124TH DISTRICT  
 GRANT, W. HASKELL, MORTON,  
 STANTON AND STEVENS COUNTIES  
 ROUTE 2  
 JOHNSON, KANSAS 67855-9804  
 (316) 492-2449



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER: ENERGY AND NATURAL RESOURCES  
 PENSIONS, INVESTMENTS AND  
 BENEFITS  
 TRANSPORTATION

TESTIMONY *HCR 5042*  
 FEBRUARY 24, 1986  
 HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

I AM VERY CONCERNED ABOUT THE WATER SITUATION IN WESTERN KANSAS AND SURROUNDING STATES OVERLAYING THE OGALLALA. AFTER LOOKING AT THE NEW FARM BILL I FEEL WE SHOULD HAVE BEEN MORE INVOLVED IN THE PLANNING STAGES OF THIS BILL.

WE ARE SEEING DECREASES IN THE WATER TABLE AGAIN THIS PAST YEAR AND QUITE FRANKLY UNLESS WE COME UP WITH SOMETHING INNOVATIVE AND SOON, WE ARE DEPLETING OUR WATER, GROWING SURPLUS CROPS AND BREAKING EVEN AT BEST WHILE DOING IT.

I HAVE AN IDEA OR TWO I WOULD LIKE TO PRESENT AND GET INPUT FROM OTHERS AS TO CONCEPT AND PRACTICALITY.

WHY NOT EXPAND THE CONSERVATION RESERVE TO RECOGNIZE UNDERGROUND WATER WHICH IS IN DANGER OF BEING DEPLETED IN ADDITION TO SOIL WHICH IS FRAGILE AND SUBJECT TO EROSION?

IF A PROGRAM COULD BE ENACTED WHICH WOULD ALLOW AN IRRIGATED FARM TO BECOME A DRYLAND FARM FOR A PERIOD OF TIME, RATHER THAN TAKEN COMPLETELY OUT OF PRODUCTION IT WOULD SAVE THE WATER UNTIL IT WAS NEEDED, YET KEEP THE POPULATION IN THE LOCAL AREA RATHER THAN PLANTING THE LAND TO GRASS AND MOVING TO TOWN AS HAPPENED WITH THE SOIL BANK AND COULD HAPPEN WITH THE CONSERVATION RESERVE. THE IMPORTANT POINTS WOULD BE WATER CONSERVATION, KEEPING PEOPLE IN PLACE, EMPLOYED, USING AND PAYING FOR AVAILABLE SERVICES (SCHOOLS, MERCHANTS, ETC.) THIS PROGRAM POSSIBLY COULD BE MORE COST EFFECTIVE THAN IT APPEARS ON THE SURFACE. THE PROFITS FROM IRRIGATED FARMING TODAY ARE VERY LOW DUE TO ENERGY PRICES, COMMODITY PRICES AND OTHER CHANGING CIRCUMSTANCES, SO INCENTIVES TO CONVERT TO DRYLAND WOULD BE MORE ATTRACTIVE THAN IN PRIOR YEARS. THE REDUCTION IN BUSHELS GROWN AND THUS ELIGIBLE FOR PROGRAM BENEFITS WOULD BE DRASTICALLY REDUCED RESULTING

Attachment 1

IN EQUAL COST REDUCTIONS TO THE GOVERNMENT, EXAMPLE (MILO IRRIGATED = 100 BU/A, MILO, DRYLAND SUMMERFALLOW = 30 BU/A - 1.5 BU/A ANNUALLY) TO BE ELIGIBLE FOR PRICE SUPPORT, DEFICIENCY PAYMENTS, LOAN AND DIVERSION PAYMENTS. YIELDS WOULD HAVE TO BE BASED ON COUNTY AVERAGES TO BE EFFECTIVE. ACRES IRRIGATED AND TO WHAT CROP CAN BE EASILY CHECKED BY USING ASC CERTIFIED ACRES PLANTED IN PRIOR YEARS.

IF SOME OF THESE COSTS TO THE GOVERNMENT COULD BE TRANSFERRED AS INCENTIVES TO THE FARMER TO CONVERT IRRIGATED LAND TO DRY LAND INSTEAD OF PRICE SUPPORTS FOR EXCESS PRODUCTION, WE HAVE THE POTENTIAL TO REDUCE PRODUCTION, KEEP PEOPLE EMPLOYED, MAINTAIN INCOME, AND CONSERVE WATER AS A BONUS. IN SOME INSTANCES A 5 OR 10 YEAR PROGRAM OF THIS KIND MAY SERVE AS A TRANSITION TO PERMANENT DRYLAND, RESULTING IN LONG TERM REDUCTION IN WATER USE.

I CAN THINK OF NOTHING MORE TRAGIC THAN DEPLETING OUR WATER, USING OUR NATURAL GAS FOR ENERGY TO PRODUCE A CROP WHICH IS SURPLUS AND LOSING MONEY WHILE DOING IT. YET OUR WESTERN KANSAS ECONOMY IS BUILT AROUND IRRIGATED AGRICULTURE AND WE ARE DOING JUST THAT.

WITH THE BUDGET EXPOSURE OF THE 1986 FARM BILL THERE IS AN OPPORTUNITY TO REDUCE FEDERAL EXPENDITURES, KEEP FARMERS FARMING, REDUCE SURPLUSES, AND CONSERVE OUR WATER. OUR UNDERGROUND WATER HAS TO BE AS GOOD AS MONEY IN THE BANK IF SAVED UNTIL IT IS NEEDED, BUT ONCE USED IS GONE FOREVER.

FEDERAL BUDGET EXPOSURE

1985 FARM PROGRAM

HER 5042

160 ACRE IRRIGATED FARM

	<u>BASE</u>	<u>PLANTED</u>	<u>YIELD</u>	<u>DIVERSION</u>	<u>DEFICIENCY</u>	<u>LOAN</u>	
WHEAT	80A	60A	50	\$110	\$5940	\$7,200	= 13,250
CORN	80A	64A	125	117	8880	\$15,360	= 24,357
FALLOW	0A	36A					

TOTAL BUDGET = \$37,607  
\$235.04 PER A

160 ACRE DRY LAND FARM

	<u>BASE</u>	<u>PLANTED</u>	<u>YIELD</u>	<u>DIVERSION</u>	<u>DEFICIENCY</u>	<u>LOAN</u>	
WHEAT	80	53	25	\$48	\$2617	\$3807	= 6,472
MILO	80	53	25	\$22	\$1410	\$2905	= 4,337
FALLOW	0	53	-				

TOTAL BUDGET \$10,809  
\$67.56 PER A

DIFFERENCE IN BUDGET EXPOSURE ON THE SAME FARM AS A DRY LAND FARM CONVERTED FROM AN IRRIGATED FARM IS \$26,798.

OF THE MANY PEOPLE I HAVE CONFERRED WITH IT SEEMS A PAYMENT OF \$75 PER ACRE OR \$12,000 WOULD ALLOW MOST FARMS TO CONVERT TO DRYLAND - A NET SAVINGS OF \$14,798 TO THE FEDERAL GOVERNMENT

SAVINGS IN WATER CAN BE JUST AS DRAMATIC. THE SAVINGS FROM 64 ACRES OF CORN WOULD BE 128 ACRE FEET AND 60 ACRES OF WHEAT WOULD BE 60 ACRE FEET OR A TOTAL OF 188 ACRE FEET (60 MILLION GALLONS OF PER YEAR).



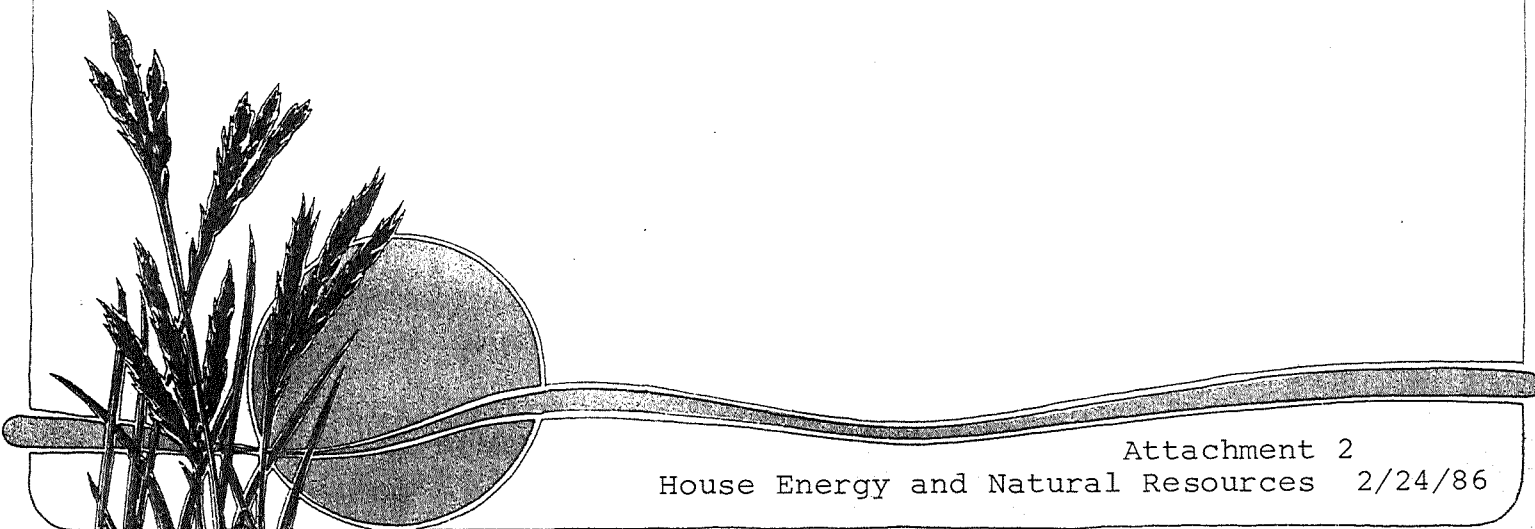
# Kansas Natural Resource Council

Testimony before the House Energy and Natural Resources Committee  
Concerning HCR 5042, urging Congress to address water depletion  
problems through the 1985 Farm Bill

Prepared by Marsha Marshall  
February 24, 1986

As a Kansas-based organization with a particular interest in the environment, KNRC is aware of the contribution of federal farm programs to irreversible water and soil depletion problems in the Great Plains. HCR 5042 recognizes the influence of federal farm programs in relation to groundwater depletion. But more than focusing on the negative effects of federal programs, the resolution suggests a positive use for federal dollars to reduce groundwater mining.

The federal government, in developing farm programs, needs direction and assistance from agricultural states, and from people who do the farming. This resolution was developed by people who farm, and who understand the looming farm and natural resource crisis in Kansas in important ways that are not clearly visible to policymakers in Washington. This resolution is a way of conveying that local understanding and perspective to Washington. KNRC supports HCR 5042.



Attachment 2  
House Energy and Natural Resources 2/24/86

BILL ANALYSIS

Date of Final Committee Action February 26, 1986

Sponsor Rep. Eugene Shore Committee Energy & Natural Resources

Brief Explanation Memorializes the U.S. Congress to address the declining water table in the Ogallala and other depleting aquifers by expanding the conservation reserve to allow incentives to convert irrigated cropland to dryland. Advantages are water conservation, reduced costs to the federal government, and keeping people on the farm, employed and using available local services (schools, merchants, etc.)

Proponents _____	Opponents _____
_____	_____
_____	_____
_____	_____

If close vote explain \_\_\_\_\_

Explain Important Committee Amendments (if any) \_\_\_\_\_

Fiscal Note (if any) \_\_\_\_\_

Other Comments \_\_\_\_\_

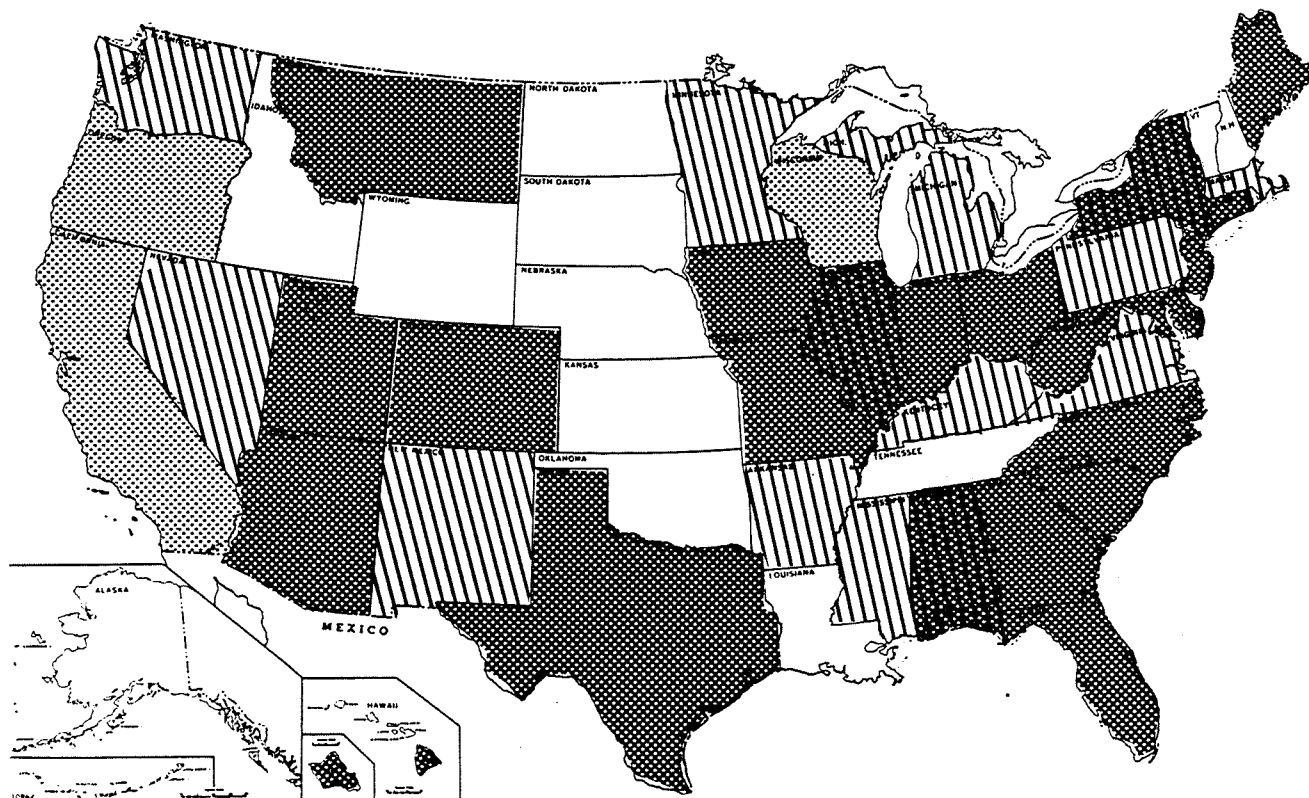
Signed Eugene L. Shore  
Chairman or Designee


Notes for Individual Legislators use:


# Kansas Natural Resource Council

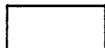
## FACT SHEET


### Consumer Utility Representation



 Residential Utility  
Consumer Offices

 Citizen Utility  
Board

 Commission Staff

 Attorney General

### How States Represent Ratepayers

In response to concerns that utility regulators are unable to adequately represent all the different customer classes, thirty eight states and the District of Columbia have established some form of consumer representation before state regulatory commissions. Only Kansas and 10 other states still rely on the Commission staff to represent all customers classes.

Attachment 3

House Energy and Natural Resources 2/24/86

1516 Topeka Avenue • Topeka, Kansas 66612 • (913) 233-6707

## Why More Consumer Representation?

- \* Regulatory commissions are usually under-funded, under-staffed, over-worked and forced to rely on consultants; most staff has minimal training or experience.
- \* Commission staff is expected to represent the Commission, the staff and the "public in general"--not the residential customer per se, the latter having at least three potentially differing and conflicting interests.
- \* Large industrial customers regularly intervene in rate proceedings representing their interests.
- \* In the Wolf Creek case, utilities and staff spent over \$10 million while ALERT (small business intervenor) and Electric Shock (residential ratepayer intervenor) combined spent \$150,000. Such campaigns rely upon massive volunteer efforts rather than paid professional staff and do not provide long-term customer class representation.

## Consumer Representation Options

1. Public counsel and utility consumer offices: 23 states plus the District of Columbia have formed these state agencies mostly in the mid to late 1970's to represent residential and small business consumers in utility matters.
2. Attorney General (AG) offices: 15 states have staff assigned to utility interventions for residential customers.
3. A citizen utility board (CUB): 5 states have these not-for-profit, membership organizations with an elected board of directors representing residential customers.

Three states have a combination of the public counsel, Attorney General or CUB programs.

## Budgets, Funding and Staffing

Budgets for consumer representation offices range from \$83,000 to \$4 million with most in the \$200,000 to \$500,000 range. 17 offices are funded by general revenues and 13 by assessment on utilities; a few collect funds from both state and utility coffers. CUB's solicit funds thru access to utility bill mailings.

For half the agencies, the staff size is less than 10. Almost all have less than 20 with at least one attorney, clerical support, some economists, accountants and a few engineers.

## Ratepayer Costs and Savings

Public counsels assessed to utilities run between 40 cents to \$1.50 per person per year (estimates for Kansas are around 65 cents). CUB participation usually runs approximately \$2 to 5.00 per billing customer per year. While actual savings to customers are somewhat speculative, millions of dollars have been saved in other states with consumer advocacy programs. For example, the Arizona Residential Utility Consumer Office saved over \$76 million in 1984-85.

Sources: Edison Electric Institute, Kansas Corporation Commission

# Kansas Natural Resource Council

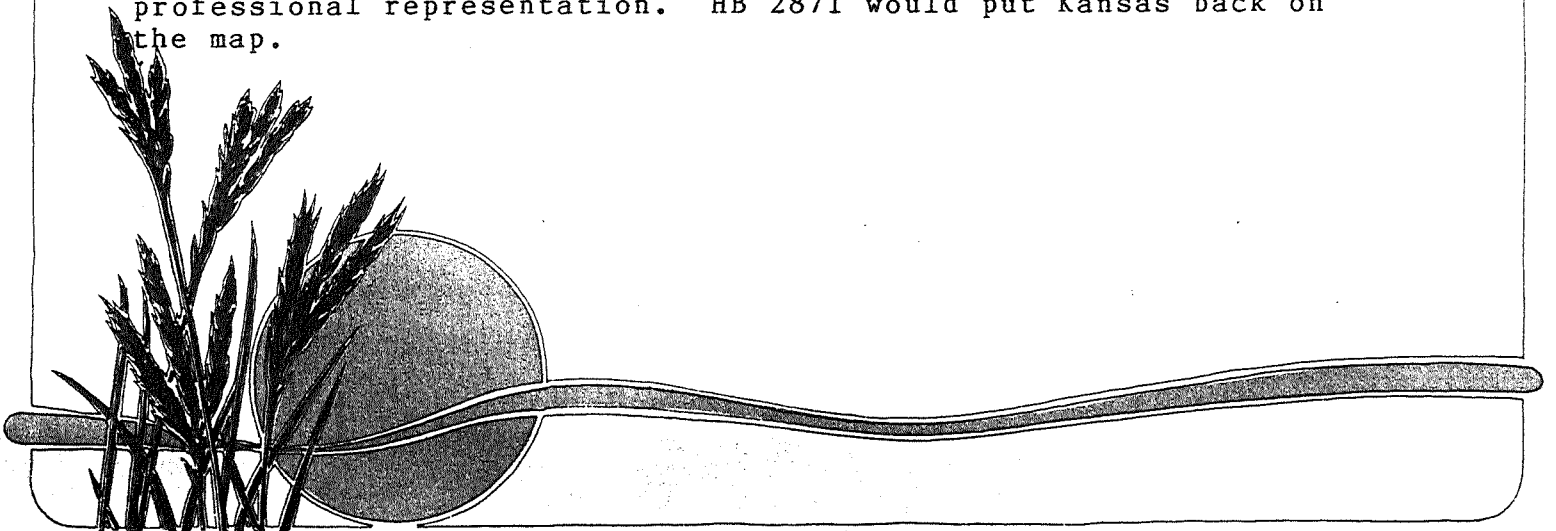
Testimony before House Energy and Natural Resources Committee  
Monday, February 24, 1986, 3:30 pm  
HB 2871; establishing the residential utility consumer office.  
Prepared by Kent Foerster, KNRC Energy Analyst

KNRC strongly supports HB 2871 because it will provide regular and ongoing consumer representation in the utility regulatory process. It is an idea that has been around for many years in different forms. The attached Fact Sheet gives you an idea how well established this concept of consumer representation really is. A majority of the states (38) and the District of Columbia have some form of consumer representation:

23 states have public counsels or utility consumer offices  
15 states have consumer utility representation in the Attorney General offices  
5 states have citizen utility boards (CUB's)

Three states have a combination of consumer representation: Alabama has utility office and Attorney General representation. New York and Illinois have all three: CUB, utility office and Attorney General interventions. Nebraska has public power and does not have a regulatory commission or utility consumer representation offices.

In my dealings with the Kansas Corporation Commission, both from the inside and the outside, I have found the staff and the Commissioners to be extremely dedicated, hard working and responsible people asked to do an overwhelming task of balancing all the public interests while maintaining the viability of the utilities they regulate. Most states have realized that the regulatory process is an extremely technical and complex one encompassing lawyers, accountants, financial analysts, engineers, policy makers and a diverse public that needs full time professional representation. HB 2871 would put Kansas back on the map.



TESTIMONY ON H.B. 2871  
TO HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES  
BY KANSAS DEPARTMENT ON AGING  
FEBRUARY 24, 1986

The Kansas Department on Aging (KDOA) supports H.B. 2871 as a simple and cost-effective way to help close the gap that exists in the current system of representing residential utility customers. Under current law, the KCC, as a whole, represents a balance of interest between the consumer and the utility. Under current practice, the KCC staff represents the general public. Utility companies and industrial/commercial customers have the resources to represent themselves and retain special advocates for their position. In the case of utility companies, consumers, through their rates, pay for expenses incurred by utility companies in requesting rate increases and in appealing KCC decisions to the courts.

There are two significant flaws in this system. The first occurs when, as is frequently the case, the interest of the general public is not monolithic. For example, the interests of all-electric customers on rate design matters may well be very different from non all-electric customers. When this situation occurs, KCC staff must do one of two things. Either it chooses one of the multiple interests to represent or it chooses to represent none of them.

In either case, the decision-making process for the residential consumer is weakened by the absence from the record of one or more perspectives on key policy issues. As the KCC Commissioners must base their decision on the evidence in the record, gaps in the record make it difficult to render adequate decisions on increasingly complex and technical issues. Due to the low activity level of residential customer intervenors in Kansas (a national survey found that Kansas ranked in the bottom quartile) such gaps clearly exist under the current system. Typically residential consumers do not have the time, the financial resources, or the expertise to represent themselves, so KCC staff has often been the only voice speaking for consumers.

The second flaw in the current system of consumer representation occurs after the KCC Commissioners issue their decision. Utility companies and industrial/commercial customers can and increasingly do appeal KCC decisions to the courts when they believe improper decisions have been made. KCC staff does not have this prerogative as they must support and defend KCC decisions before the courts. Due to the previously cited lack of other intervenors in behalf of the public, generally residential customers do not have access to the judicial arena in utility policy matters.

H.B. 2871 would increase the quality and completeness of information upon which the KCC Commissioners must base their decision. It would also provide consumers with improved access to and representation in judicial, legislative, and other regulatory arenas. It would do these things at a minimal cost to rate payers. As the Committee is aware, Older Kansans have consistently identified the cost of utilities as their number one problem. H.B. 2871 would help alleviate this problem for all Kansans. We urge favorable consideration of this bill. Attached to our testimony is a list of criticisms sometimes applied to the concept of a residential utility customer office and our response to these criticisms.

RESPONSE TO CRITICISMS OF RESIDENTIAL UTILITY CUSTOMER OFFICE  
(RUCO)

1. RUCO represents an excessive cost to consumers.

The current estimate of the fiscal impact of H.B. 2871 is \$500,000 to \$600,000 or about 66¢ per rate payer. Based upon the experience of the 38 other states with a RUCO, the cost savings accruing to rate payers would be many times the annual operating costs of the RUCO.

2. RUCO duplicates the efforts of the KCC staff.

A RUCO can do something that the KCC staff can not, i.e. appeal a Commission decision and it can improve the quality and completeness of the official record upon which Commission decisions must be based. Faced with the large number of utility rate cases and proceedings, it is not conceivable that a RUCO would waste its scarce resources duplicating efforts of the KCC staff.

3. The KCC already has provisions for intervenor compensation.

The regulations for intervenor compensation that the KCC adopted in 1980 severely limit the awarding of compensation. Only interventions involving certain rate design standards for certain electric public utilities are potentially eligible. Even then compensation is only made if the advocated for rate design position is adopted and the intervenor is judged to have made a substantial contribution to its adoption. In the 5 years of operation of these regulations, only one award in the amount of about \$9,000 has been made.

4. Kansas Legal Services provides adequate representation for consumers.

Kansas Legal Services is restricted to representing low income (i.e. 125% of poverty) residential customers whose interests may be different from higher income customers. Due to funding and other restrictions, KLS intervenes in only about one major case per year. KLS has never intervened in a telephone rate case.

5. The KCC receives adequate input through its public hearings and its Consumer Information Board (CIB).

Public hearings and the CIB, while important, are no substitute for representation at the technical, evidentiary hearings of the KCC which require attorneys for participation. Input at public hearings is akin to that obtained from "man-on-the-street" interviews while expert testimony at evidentiary hearings is akin to that obtained from scientifically designed polls. Adequate consumer representation at both levels of hearing is needed.



Ralph J. Turner  
S-308 Windsor Place  
Lawrence, Kansas 66044

Appearance before the Energy and Natural Resources Committee - February 24, 1986

Mr. Chairman, I am Ralph Turner from Lawrence and appreciate the opportunity to appear before the Committee.

I am serving my second term in the Silver Haired Legislature as a delegate from Douglas County. I have served as Chairman of the Transportation and Utilities Committee and presently am Chairman of the Transportation Committee. I am a member of The Kansas Coalition on Aging (K.C.O.A), the Kansas Citizens Council on Aging (KCCA) and AARP.

I<sup>am</sup> here to speak in favor of H. B.2871, that would establish a Residential Utility Customer Office.

For the past several years I have represented the K.C.O.A on the Consumer Information Board of the KCC.

I have testified before the KCC concerning Utility Rates many times including the Wolf Creek issue.

My chief concern has been the plight of the Low Income Elderly and Handicapped. I have in my volunteer work visited Older Persons in their homes to assist them in completing applications for assistance in paying their utility bills. Practically all of them are solely dependent on Social Security and draw less than \$400.00 per month. They live alone.

When I have appeared before the KCC, I could not ask for any better treatment than I have received.

Regardless, we have to accept the fact that KCC is not a Consumer Protection Agency. KCC is mandated by law to balance the needs of utilities and their customers. KCC cannot represent any one class of Customers.

Utilities can and do spend millions of dollars on just one case. The amount of money spent by Utilities on the Wolf Creek was tremendous. Utilities have a legal staff, Accountants and other experts to represent them before the KCC.

Who pays the cost the rate payer.

At the present the rate payers in Kansas are paying an assessment without representation. We think the time has come for a change.

Many important issues will be decided soon before the KCC regarding all utilities in Kansas. The break-up of ATT&T has caused many difficulties, such as eight copies of the bill, Long Distance, Maintenance etc. One utility is on the brink of bankruptcy. The Wolf Creek Utility situation is not settled, with the Court involved anything can happen.

The time may come when all ratepayers in Kansas will be faced with being strapped with Wolf Creek Rates in order to bail out the Utility.

We hope the Kansas Legislature will join thirty-eight (38) other states this year in responding to the need of the residential and small commercial representation in cases before the KCC. No state money will be required, and the insignificant amount assessed residential and small commercial customers could save them millions on their utility bills. Thanks, if there are any questions, I will try to answer them.

A handwritten signature in cursive script, reading "Ralph J. Turner". The signature is written in dark ink on a white background.

February 24, 1986

Statement in support of House Bill 2871  
submitted to the House Committee on Energy  
and Natural Resources by Earl Nehring for  
Common Cause/Kansas

The publicity associated with the Wolf Creek rate hearings this past year has rekindled an awareness among Kansas citizens of how utility rate decisions are made and how difficult and expensive it can be to achieve equitable representation for residential consumers in the making of these decisions.

The Kansas Corporation Commission is expected to balance the interests of everyone in making rate decisions. They must weigh the utilities' interests against those of the consumers--industrial, commercial and residential. They are inundated with data from the lawyers and expert witnesses of the utilities (all ultimately paid for by the consumer). Industrial and commercial consumers can provide themselves some expert assistance as a cost of doing business, but the residential consumer is at the mercy of whatever recognition the KCC staff provides as it copes with all this unbalanced input. The KCC acts on the official record before it. When that record is weighted in favor of the utilities, it is hard to act in behalf of consumers.

The barriers to effective citizen participation in rate hearings primarily involve lack of funds to obtain the necessary expert assistance and legal hurdles which often must be overcome in order to participate. Other states have recognized the need to provide some kind of formal funded independent representation for residential consumers in rate cases, in order to overcome these barriers and provide consumers a better chance to be heard.

Our neighbor, Missouri, for example, has an Office of the Public Counsel for this purpose. Arizona has an agency much like the one proposed in HB 2871. Even Texas, long considered to have one of the less progressive state governments in the United States, recently has established an independent office to

Statement in support of HB 2871 - p.2

represent residential and commercial consumers. Kansas should do no less.

The need is for a means to provide assured and competent representation on a continuing basis for residential consumers. HB 2871 would accomplish this, and Common Cause/Kansas urges the committee to give it favorable consideration.

KANSAS CORPORATION COMMISSION  
STATEMENTS CONCERNING  
HOUSE BILL No. 2871  
TO THE HOUSE COMMITTEE ON  
ENERGY AND NATURAL RESOURCES  
FEBRUARY 24, 1986

PRESENTED BY DON MARKER,  
RATE DESIGN ADMINISTRATOR

THE PURPOSE OF MY TESTIMONY IS TO ADDRESS SECTION 6, WHICH DEALS WITH FUNDING FOR THE OFFICE AND COUNCIL. UNDER THIS PROPOSAL, THE KCC WOULD LEVY AN ASSESSMENT AGAINST JURISDICTIONAL UTILITIES AND APPROPRIATE THESE MONEYS TO THE RESIDENTIAL UTILITY CUSTOMER OFFICE. I WILL NOT OFFER COMMENTS REGARDING THE OVERALL MERITS OF THE BILL.

WITHIN THE LAST FEW WEEKS, THE COMMISSION STAFF WAS APPROACHED CONCERNING A POSSIBLE ASSESSMENT BASED UPON RESIDENTIAL, SMALL BUSINESS (SMALL COMMERCIAL) AND FARM (AGRICULTURAL) CUSTOMERS. THERE WOULD BE SIGNIFICANT ADMINISTRATIVE DIFFICULTIES ASSOCIATED WITH IDENTIFYING SMALL BUSINESS AND FARM CUSTOMERS. THE APPROXIMATELY 57 ELECTRIC UTILITIES, 25 GAS UTILITIES AND 45 TELEPHONE UTILITIES AFFECTED BY HB2871 ALL HAVE INDIVIDUAL RATE SCHEDULES AND TARIFFS FOR PROVIDING SERVICE.

FARM AND SMALL BUSINESS SERVICES CAN BE PROVIDED UNDER A NUMBER OF POSSIBLE RATE SCHEDULES SUCH AS: GENERAL SERVICE, COMMERCIAL SERVICE, INDUSTRIAL SERVICE, NON-DOMESTIC SERVICE AND

Attachment 7

House Energy and Natural Resources 2/24/86

CONTRACT SERVICE. OUR MAJOR CONCERN WITH ATTEMPTING TO INCLUDE "SMALL BUSINESS SERVICE" IN THE PROPOSED ASSESSMENT IS THAT NO COMMON INDUSTRY DEFINITION EXISTS FOR THIS TYPE OF CUSTOMER.

MOST UTILITIES WHICH OFFER BOTH LARGE AND SMALL GENERAL SERVICE RATES TEND TO USE DIFFERENT PARAMETERS TO DEFINE THE TWO CLASSES. IN SOME INSTANCES, FARM SERVICE IS PROVIDED UNDER A RESIDENTIAL SCHEDULE, WHILE OTHER UTILITIES MAY USE A GENERAL SERVICE SCHEDULE FOR FARM CUSTOMERS. CURRENT REPORTING REQUIREMENTS FOR ELECTRIC UTILITIES REQUIRED BY THE COMMISSION PROVIDE FOR A REVENUE BREAKDOWN BY RESIDENTIAL, IRRIGATION, COMMERCIAL AND INDUSTRIAL, LIGHTING, PUBLIC BUILDINGS, AND SALES FOR RESALE. UNFORTUNATELY, THESE REPORTS WILL NOT IDENTIFY FARM OR SMALL BUSINESS SALES.

IN SUMMARY, CURRENT UTILITY RATE SCHEDULES AND ACCOUNTING PRACTICES WILL NOT READILY FACILITATE THE ISOLATION OF EITHER FARM OR SMALL BUSINESS UTILITY SALES. A REQUIREMENT TO IDENTIFY THESE SPECIFIC CUSTOMERS WOULD INVOLVE CONSIDERABLE COSTS.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS BILL EWING AND I AM A PUBLIC AFFAIRS MANAGER FOR SOUTHWESTERN BELL TELEPHONE COMPANY. HB 2871 GIVES US SOME REAL CONCERNS AS TO WHAT IT REALLY WOULD ACCOMPLISH, SINCE IT IS A DUPLICATION OF EFFORT.

HISTORICALLY IN KANSAS THE KCC IS A FEE AGENCY WHICH IS FUNDED BY THE UTILITIES WHICH IT REGULATES. WE FEEL THEY HAVE DONE A VERY RESPONSIBLE JOB IN REPRESENTAING THE CONSUMERS OF KANSAS. WITHIN THE UTILITIES DIVISION THEY CONSTANTLY MONITOR THE OPERATIONS OF ALL THAT THEY REGULATE AND CERTAINLY HAVE HAD GREAT CONCERN FOR THE INTEREST OF THE RESIDENTIAL CUSTOMERS. CREATION OF A NEW DIRECTOR AND A "CONSUMER UTILITIES AFFAIRS COUNCIL" APPEARS TO BE A DEFINITE DUPLICATION OF EFFORT.

Attachment 8

House Energy and Natural Resources 2/24/86

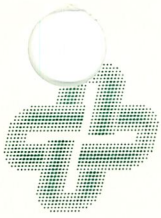
THE KCC'S RESPONSIBILITY IS TWO FOLD. THEIR FIRST RESPONSIBILITY

IS TO ESTABLISH FAIR AND JUST RATES FOR ALL. THEIR SECOND  
RESPONSIBILITY IS TO KEEP THOSE THEY REGULATE TO BE FINANCIALLY  
SOUND SO THEY CAN MAINTAIN DEPENDABLE SERVICE.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I ASK THAT YOU  
OPPOSE CREATING A NEW UNNEEDED AGENCY AS CALLED FOR IN HB 2871.

BILL EWING  
PUBLIC AFFAIRS MGR.  
S.W.B.T. CO.





TESTIMONY OF PEOPLES NATURAL GAS COMPANY  
Before House Energy and Natural Resources Committee  
On H.B. 2871

February 24, 1986

Mr. Chairman, members of the committee, thank you for the opportunity to appear before you. Peoples Natural Gas Company is opposed to H.B. 2871 and to any attempts to create an additional level of regulation within the Kansas Corporation Commission.

The KCC, like regulatory agencies in other states, has a primary goal and responsibility of weighing consumer protection via fair and reasonable rates, and the need for financially sound utilities in Kansas. Peoples believes that the KCC already responsibly represents the interests of all classes of customers in the state. Additional representation of an individual class of customers would be duplicative and unnecessarily expensive.

Further, there are no assurances that the proposed Consumer Utility Affairs Council would not be used to further the interest of special interest groups to the detriment of all ratepayers.

Peoples believes that the KCC staff currently functions as public interest representatives for all customers. We believe the system works as well in Kansas as it does in other states. We oppose the attempt to change it as outlined in H.B. 2871.

Thank You

Attachment 9

House Energy and Natural Resources 2/24/86

HOUSE BILL NO. 2871

TESTIMONY OF JERRY C. COONROD  
ON BEHALF OF KANSAS GAS AND ELECTRIC COMPANY

House Bill No. 2871 would add another layer of expense to the regulation of Kansas utilities to provide a service which is already provided. For that reason, KG&E is opposed to the Bill in its present form. To illustrate my point, let me quote a KCC pamphlet, "Guide To Rate Hearings"

The Commission Staff is a party to [rate cases], 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. . . .

In each case, Staff questions, and to the extent justified, opposes the contention of the Company. And, again to the extent justified, the Staff presents its own testimony and exhibits to demonstrate how it would adjust the financial data in the case to favor consumers.

. . . . Since the Staff is presenting a strongly pro-consumer point of view, it often makes proposals which are at the opposite extreme from the position of the company.

Attachment 10

That describes the KCC Staff's function in utility rate cases. The KCC Staff performs a similar function in all other matters, formal or informal, which come before the KCC. In addition, the KCC, through its legal Staff, is authorized to and does in fact represent the interests of Kansans before all courts and federal agencies in matters which involve Kansas public utilities.

The entire cost of the KCC and its Staff is assessed against Kansas public utilities and is in turn charged to the customers of such utilities through rates. In 1985, KG&E was assessed approximately \$960,000 by the KCC for all purposes, and approximately \$708,000 for the Wolf Creek rate case alone.

House Bill No. 2871 would make sense only if the "residential utility customer office" which it would create would take over and replace the responsibility of the KCC Staff to represent residential customers. In its present form the Bill simply creates a duplicate service.

House Bill No. 2871 implies that Kansas utility customers, particularly residential customers, are not as effectively represented as they should be and that passage of the Bill would cure that "problem." If holding rate increases to a minimum is the test of effective consumer representation, the existing system is more than adequate. In a 1980 decision on a KG&E appeal from a KCC rate order, the Kansas Court of Appeals described that KCC rate order as "most conservative if not stingy in the extreme."

(Kansas Gas and Electric Company v. Kansas Corporation Commission,  
5 Kan. App.2d 63,65 (1980)).

Finally, in KG&E's Wolf Creek rate case, fourteen intervenors, in addition to the KCC Staff, actively participated in the case - in opposition to KG&E - and five of those intervenors, in addition to the KCC Staff, claimed to be representing the interests of residential consumers. Of course, three of those parties, the KCC Staff, the Kansas Attorney General, and Mary Margaret Rogers (represented by Kansas Legal Services), were supported entirely by public funds.

There is no reason to add one more publicly funded party to the process of utility regulation in Kansas.

Thank you.



GUIDE  
TO  
RATE  
HEARINGS

*State Corporation Commission*

Fourth Floor, State Office Bldg.

TOPEKA, KANSAS 66612

## INTRODUCTION:

Because public utilities are given the exclusive right to provide service in the territory for which they are certificated, and are not subject to the pricing constraints which are brought about by competition, the law provides that their rates shall be regulated. In Kansas, the agency given the responsibility of regulating public utility rates is the Kansas State Corporation Commission. The Commission consists of three members appointed by the Governor, with the advice and consent of the State Senate, who each serve for a 4-year term. No more than two members of the Commission can be of the same political party.

Kansas statutes, and the Constitutions, both State and Federal, as interpreted by the courts, require that the Commission must not be arbitrary in fixing utility rates. The Commission is required to grant to the utility company such rates as will enable it to recover its legitimate expenses and to earn a reasonable return on the investment it has made to provide service to the public. The purpose of Commission rate hearings is to place evidence before the Commission so that it can determine what the reasonable expenses of the company are, what the company has properly invested in facilities to provide service to the public, and what rate of return on the investment is proper.

The utility companies are never guaranteed a return by the Commission. They are simply given an opportunity to earn a certain level of profit through the schedule of rates charged to the consumer. That proper level of return has been construed by the courts to be what is earned by other businesses having comparable risks, and sufficient to permit the utility company to attract investment in the company.

## THE HEARING:

In any rate case the hearing will usually be conducted by all three Commissioners. Hearings are always open to the public. The role of the Commissioners is roughly comparable to that of judges in a court case. The Commission must conduct its hearings in an orderly fashion, make rulings on various motions and objections to evidence, and most importantly, must weigh and decide each of the dozens of issues that make up a proceeding before the Commission. Every issue must be decided on the basis of the evidence that is presented to the Commission at the hearing. Since Commission decisions are always subject to review by the courts, it is important that a complete and careful record be made of all of the proceedings before the Commission.

At one of the tables in the hearing room is a member of the Commission legal staff, who represents the public in the rate case. The legal staff will take the name and address of members of the public so that those who wish to testify can be called in order. Staff will also render assistance to anyone who wishes to give testimony to the Commission.

Commission rules provide that anyone who has an interest as a consumer of the utility may appear and represent himself or herself. However, organizations or corporations must be represented by an attorney. The Commission legal staff also conducts the cross-examination of the company's witnesses, and presents the testimony on behalf of the Commission staff which is introduced on behalf of the public.

In a hearing room there is also a table of space reserved for the attorney for the company, and if there is enough space, tables are reserved for the representatives of other parties to the case who plan to cross-examine witnesses or submit evidence. Those parties are usually referred to as "Intervenors."

As stated in the Introduction, the rates charged by a utility company are subject to Commission approval before they can be put into effect. The company's application and tariff sheets containing the rate schedules and the company's rules and regulations for service are on file in the Commission offices in Topeka and are open to public inspection.

In addition to the requirements as to the rates which must be granted to the utility by the Commission under the law and Constitution, the over-all regulatory objective of the State Corporation Commission is to make sure that the public interest is served by the rendering of efficient, sufficient, and non-discriminatory utility service at rates that are fair, equitable, and reasonable to the consumer, yet sufficient to insure that the utility can continue to render efficient and sufficient service.

#### THE STAFF:

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. Beyond this, the Staff is not subjected to direction or interference by the Commission as the case progresses.

In each case, Staff questions, and to the extent justified, opposes the contention of the Company. And, again to the extent justified, the Staff presents its own testimony and exhibits to demonstrate how it would adjust the financial data in the case to favor consumers.

Some false ideas have arisen as to the way cases are conducted: for instance, that the Staff "recommends" a lump sum amount of a rate increase to the Commission, and that the Commission "ignores" the "recommendation" of its professional staff. The facts are different: The Commission Staff actually presents evidence to support a number of specific financial or economic adjustments, and it is the net sum of these proposals which determines the amount of additional rates, if any, that the Staff might propose to the Commission. Since the Staff is presenting a strongly pro-consumer point of view, it often makes proposals which are at the opposite extreme from the position of the company. Consequently, some proposals of the Staff may be denied by the Commission, but even when its proposals are denied, the Staff is not "ignored."

## THE COMMISSION:

The Commission, sitting at the bench, has a role in the rate case much like judges would have in court cases. The Commissioners may frequently be lawyers by profession, or have degrees in accounting or business. What they have in common is professional training and wide experience.

As the hearings proceed, the Commission is responsible for giving the Company, the Commission Staff, and the Intervenor ample opportunity to introduce relevant evidence concerning each of the issues involved. The Commissioners themselves may ask questions of the witnesses in order to develop any information they deem necessary. The Chairman of the Commission presides over the hearing and makes the rulings concerning objections which may be made to evidence, and generally announces the decision of the Commission on procedural matters as the hearing takes place.

When the hearings end, the Commission will close the record insofar as the taking of any further testimony is concerned, and may ask the parties to submit written briefs or statements of their various positions. The Commission will then review the evidence received and resolve each of the issues presented, and report in its decision how each issue has been resolved. On the basis of its decision as to those issues, the Commission will decide whether or not an increase in rates should be granted, and if so, how much.

## THE PROCEDURE:

The hearing you are attending is set aside especially to receive statements or testimony from you and your fellow consumers. Other stages of the hearings go into the technical matters. In the first stage, every witness presented by the Company will be subject to cross-examination by the Staff and other intervenors. After time for preparation and filing of testimony, Staff and the intervenors likewise will be subject to cross-examination. Some time usually is set aside for rebuttal testimony by the Company or other parties.

To save hearing time, usually the direct testimony and exhibits are filed in advance of hearings. The pre-filing saves the time of reading the testimony in detail into the record, and it also shortens the time needed to prepare for cross-examination.

After the formal hearings are concluded, the Staff Counsel, the applicant, and intervenors are usually given a short time to file legal briefs with the Commission. After the briefs have been filed, the three Commissioners then will sit as a group and decide each issue raised during the course of the hearings. Then the Commission will issue an order which explains its decision on each issue and if an increase should be granted. Also decided is what the Commission believes to be a proper rate structure for the particular company.

In a major rate case, the entire process of field investigation, preparation of cross-examination, technical hearing, public hearings, and final decision by the Commission usually takes six to seven months.

Of course, all hearings are open to the public.



INTERVENORS (IN ADDITION TO KCC STAFF) IN  
KCC DOCKET NOS. 120,924-U and 142,098-U  
(KG&E WOLF CREEK RATE CASE)

Office of the Attorney General

Alliance for Liveable Electric Rates (ALERT)

Electric Shock Coalition

Vulcan Materials Company, Chemical Division

Kansas Power and Light Company/Gas Service Company

Mary Margaret Rogers

Kansas Independent Oil and Gas Association (KIOGA)

Electro Dynamics, Inc. and Thermo Dynamics, Inc.

St. Francis Hospital of Wichita, Inc.; Boeing Military Airplane Company; Ash Grove Cement Company; Beech Aircraft Corporation; Coleman Company; Derby Refining Company; Farmland Industries; General Portland Cement Company; Hesston Corporation; Monarch Cement Company; Texaco Refining and Marketing, Inc.; and Total Petroleum, Inc.

City of Countryside, Kansas; City of Mission, Kansas; City of Roeland Park, Kansas; City of Overland Park, Kansas; City of Merriam, Kansas; City of Lenexa, Kansas; Johnson County Community College; Johnson County Commercial and Industrial Users; Johnson County Board of County Commissioners; City of Blue Valley, Kansas.

City of Wichita, Kansas; City of Clearwater, Kansas; City of Derby, Kansas; City of Goddard, Kansas; City of Garden Plain, Kansas; City of Cheney, Kansas; City of Potwin, Kansas; and City of Whitewater, Kansas.

United States Air Force

NCK Electric Cooperative, Inc.

BEFORE THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE  
STATEMENT OF THE KANSAS TELEPHONE ASSOCIATION  
IN OPPOSITION TO HOUSE BILL 2871

On behalf of its non-system companies, the Kansas Telephone Association appears in opposition to the passage of House Bill 2871.

Local telephone companies implement general rate cases only as a matter of last resort. Very few of the 37 Kansas companies have sought general rate increases in recent years. Many are still operating under their original dial tariffs, upgraded as they have converted to one party service.

They do not oppose their customers appearing in any proceedings before the Kansas Corporation Commission or any other regulatory agency. They consider rate cases or general investigative hearings as being in the nature of fact finding forums rather than adversarial proceedings, and believe the Commission has responded to these needs through the public hearing process. The Commission and its staff have sought the views of rate payers and have provided the means of notifying those persons who have an interest in the proceedings. The Commission schedules field hearings in the areas served by the utility and easily accessible to its customers.

In addition, there has been established within the Commission, a staff whose primary duty is to consider customer complaints. We sincerely believe the Commission, in telephone matters, has addressed the needs of the public and no further legislation is necessary.

The establishment of a super agency would not only involve additional costs upon the rate payers to support the agency, but all resulting additional costs in Commission proceedings ultimately would be reflected in higher utility rates. The more red tape that is imposed upon those companies which are attempting to provide service at reasonable rates, the higher that cost will be.

Why should the residential telephone user at Brewster or Cimarron be required to contribute to the cost of intervening in a power case in Kansas City?

We appreciate the opportunity of being permitted to share our views with the members of the committee.

Respectfully submitted.

Wilbur G. Leonard  
Executive Vice President  
Kansas Telephone Association

Attachment 11

KANSAS MUNICIPAL UTILITIES, INC.

Comments on: HB 2871

Before House Energy & Natural Resources Committee

February 24, 1986

Mr. Chairman, members of the Committee, I am Louis Stroup, Jr., executive director of Kansas Municipal Utilities, Inc., a statewide association of municipal electric, gas and water cities.

This measure would impact 14 municipal electric systems and 18 municipal gas distribution systems -- all of which have jurisdictional customers as defined by K.S.A. 66-101. The maximum dollar impact on these cities is not large -- approximately \$26,000 annually; but we do oppose the bill for a number of reasons.

(1) 100% of the residential customers of the 14 municipal electric system would pay for a service that most of them would not be served by since the Kansas Corporation Commission has no retail rate jurisdiction over 93.5% of the residential customers of these cities.

(2) The concern of city officials is the cost of service to all classes of customers, not just residential. The impact of rates for residential, commercial and industrial must all be treated with the same concern. One class can not be singled out.

(3) Electric rates must be based on cost-of-service and this bill would seem to negate that philosophy.

(4) The major problem facing municipal electric systems is the cost of wholesale power and this is fought both before the KCC (in a few cases) and before the Federal Energy Regulatory Commission in most cases because most wholesale electric rates come under FERC

jurisdiction. Since the early 1960s, the cities have been paying their own costs for legal and other expert witnesses in rate cases before both the KCC and FERC -- and in behalf of all their customers, not just residential. This is the only manner in which the cities' interests can be adequately represented and fully protected.

(5) The possibility of the residential utility customer office having a conflict of interest is too great under this bill. How can the office fairly represent the residential customers of the companies, the rural electric cooperatives and the municipals when there are disputes over cost of service allocations or rate design issues? Whose side would the residential utility customer office take?

(6) Some cities would be paying duplicative costs -- being assessed under this bill and also paying for their own intervention costs -- with the potential of having the residential utility customer office being in conflict or opposed to their own interests over cost of service allocations and rate design.

In conclusion, KMU urges the defeat of this measure as being, from a municipal utility standpoint, unnecessary, unworkable, duplicative in cost to some of our systems and potentially a source of conflict of interest between residential customers of the various segments of the utility industry.

**Background data:**

The bill would apply to 14 municipal electric systems (shown below) which have only 2,813 jurisdictional customers out of 46,143. These systems in 1985 had gross residential electric sales of \$22,551,350.

Anthony	Pomona
Ashland	Pratt
Burlingame	Russell
Clay Center	Sabetha
Coffeyville	Sterling
Larned	Wellington
McPherson	Winfield

The bill would apply to 18 municipal gas distribution systems (shown below) which have 5,427 customers (number that are jurisdictional is not available) with gross annual residential sales of approximately \$3,495,182.

Alma	LaCygne
Alta Vista	Milford
Auburn	Norwich
Aurora	Palmer
Burlingame	Pawnee Rock
Eskridge	Rozel
Garden Plan	Spearville
Harveyville	Stark
Jamestown	Uniontown

Testimony Before

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

House Bill 2871  
RESIDENTIAL UTILITY CUSTOMER OFFICE

By RICHARD D. KREADY  
KPL GAS SERVICE  
Director of Governmental Affairs

February 24, 1986

Mr. Chairman and Members of the Committee:

The residential utility customer office established under H.B. 2871, would add an additional and unnecessary cost to Kansas consumers' utility bills. It would duplicate many of the functions already handled by the Kansas Corporation Commission, for which utility ratepayers, not state taxes, already pay the tab. For these reasons we urge you not to recommend this bill's passage.

The cost to the utility customers is being made to sound not like much at first: 1/20th to 1/10th of one percent of the gross Kansas residential sales of each utility. But, for KPL Gas Service customers that would amount to about \$200,000 to \$400,000 per year. Consider the customers of all of the electric, natural gas and telecommunications utilities in the state and we're talking about a new state agency that would cost utility customers in Kansas hundreds of thousands of dollars per year. This bill is very open-ended on the amounts such an agency could end up spending; for example the expenses and salaries of "any staff needed" and "any experts needed." Not only would the residential utility office be opened-ended in the amount of expenses it could run up, there would be a broad range of activities it could engage in. In addition to testifying before the KCC or federal agencies, it could operate as another lobbying group before the legislature. A similar residential consumers group in Wisconsin went so far in its lobbying

efforts as to publicly label legislators who accepted contributions from employees of utility companies as "sellouts." And many legislators are upset about that organization's misrepresentations of their voting records. Such a consumers group is only as responsible as the people who are running it. Once the legislature gives its blessing, the group can range far beyond the legislative intent at the time the agency is first set up. In fact, this, too, happened in Wisconsin, where a very small portion of their funds was allocated for representing consumers before the commission, while an overwhelming majority of their funds went for political activity and electioneering. We believe this would be an improper utilization of funds raised involuntarily from our customers.

The office would duplicate many of the activities of the Kansas Corporation Commission, such as appearing at administrative proceedings affecting consumers and before federal agencies dealing with utilities -- the KCC already does that. The office could initiate utility matters, including complaints before federal agencies. The KCC already does that. And, the office could intervene in judicial proceedings. The KCC already does that, too.

Over the past few years, the KCC and its staff has earned a well-deserved reputation of protecting the consumer, especially the residential consumer. The KCC has opened up the hearing process and encouraged intervention by all kinds of citizen and consumer groups. The Commission also has established the Consumer Information Board to provide input from consumers to Commissioners. Many groups representing residential interests are included on this board. The KCC staff itself is under direction to take the consumer's side in rate proceedings, by representing "the public generally", and more often than not develops cases for residential consumers, since many large industries and commercial groups are represented by their own privately-funded counsel.

All of these activities by the KCC are paid for by the utility customer. Although the legislature approves the KCC's budget, it is funded entirely by levies against the utility companies it regulates, and those costs, of course, are passed on to each company's customers. No state tax money is used for funding the KCC. It would be unreasonable to set up another agency duplicating many of the activities of the KCC, and end up charging customers for it, too.

KPL Gas Service is very aware of the needs of its customer, especially residential customers. We have established a customer assistance program to help residential customers pay their bills through extended agreements, and to provide family budget counseling and weatherization and conservation help. Other programs such as prohibition of cold-weather shut-offs, third-party notification for friends or relatives of the elderly, and service saver devices to help customers hold usage to a minimum, are designed totally to benefit the residential customer.

KPL Gas Service has a sense of responsibility to our customers and we are trying to develop the best programs to assist residential consumers, while the KCC too, is diligently working to protect those interests. We believe another state agency, duplicating many of the functions of the KCC, and paid for by the same residential utility customers not only is unnecessary but would be unfair to those consumers.





Western Power  
2300 Broadway  
P.O. Box 170  
Great Bend, KS 67530  
Telephone 316 793 7841

February 21, 1986

Ron Fox, Chairman  
House Energy & Natural Resources Committee  
Room 523-S  
State Capitol  
Topeka, Kansas 66612

RE: House Bill No. 2871; establishing the residential utility customer office.

Representative Fox,

In response to your request, I submit the following information concerning the affect of HB 2871 on our customers.

The funding for the proposed residential utility customer office would cost Centel's customers approximately \$30,000 per year. This amount is computed from 1/10 of 1% of total gross sales to our residential ratepayers in 1985. It does not include a percentage of sales for space heating, private area lighting, or fuel clause adjustment.

Although I cannot be present to offer testimony in opposition to HB 2871 on February 24, I want to take this opportunity to do so.

Effective representation of all consumers of the state is already in place. The regulatory jurisdiction of the Kansas Corporation Commission insures it.

I do not understand why additional expense to our customers should be considered necessary.

Sincerely,

CENTEL CORPORATION

Dan R. McGee  
Customer Services Administrator

DRM/sd

cc: H. D. Hoskins  
W. S. McGinley

Attachment 14

House Energy and Natural Resources 2/24/86



# Kansas Retired Teachers Association



1985-1986

## ELECTIVE OFFICERS

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Morris J. Thompson  
412 East 13th  
Hutchinson, Ks. 67501  
Phone 316-662-3002

**President Elect**  
Mrs. Lucy Clark  
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March 3, 1986

Rep. Ron Fox  
Chairman, Energy and Natural Resources Comm.  
R 526-S

We did not appear at the hearing on  
HB 2871, but we do support the bill.

We would appreciate it if you will read  
this to the committee.

We join the AARP in support of HB 2871.

The basis of our democratic form of  
government is participation of the citizens  
in the decision making process.

HB 2871 gives the 400,000 retired citizens  
which includes 14,000 retired teachers in  
Kansas a voice in regulating utility rates.

We urge the committee to support HB 2871.

Sincerely,

*Basil Covey*  
Basil Covey  
Chairman, KRTA  
Legislative Committee

Attachment 15

House Energy and Natural Resources 2/24/86

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