

Approved 3-20-90
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at
Chairperson

9:02 a.m./~~p.m.~~ on March 15, 1990 in room 254-E of the Capitol.

~~All members were present except~~ Members present:
Senators Morris, Doyen, Francisco, Hayden, Kanan, F. Kerr, Martin, Rock, Sallee and Thiessen.

Committee staff present:
Ben Barrett, Legislative Research Department
Hank Avila, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Louise Cunningham, Committee Secretary

Conferees appearing before the committee:
Randy Debenham, Utilities Division, Kansas Corporation Commission
Donald Seifert, City of Olathe
Dedra Boling, Department of Revenue

Hearing and Action on H.B. 2699 - Exemption of certain public utilities from certain corporation commission regulation.

Randy Debenham said this bill would remove small consumer-owned utilities from regulation. These small utilities are owned by their customers and the employees are usually retired. KCC has never received a complaint about them. Complying with rules and regulations is a genuine burden on them. A copy of his statement is attached. (Attachment 1).

There was some question as to why the number of customers was set at no more than 100. It was set to keep it to small operations. A motion was made by Sen. Hayden to change the number 100 to 50 customers. Motion was seconded by Sen. Martin. Motion carried.

A motion was made by Sen. Hayden to recommend H.B. 2599 as amended favorably for passage. Motion was seconded by Sen. Martin. Motion carried. Sen. Hayden will carry the bill on the floor.

Hearing and Action on H.B. 2731 - Exempting cities, counties and townships from special fuel tax bond.

Donald Seifert said there was no need for cities, counties, and townships to be bonded because they will not become insolvent or flee the state to avoid payment of taxes. This was just an unnecessary expense. A copy of his statement is attached. (Attachment 2).

The question was raised as to why we have been doing it all these years. Dedra Boling said it was done because it was in the statutes.

A motion was made by Sen. Thiessen to recommend H.B. 2731 favorably for passage and recommend it be placed on the Consent Calendar. Motion was seconded by Sen. Sallee. Motion carried.

Meeting was adjourned at 9:25 a.m.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 3-15-90 Place 254-E Time 9:02

GUEST LIST

NAME

ADDRESS

ORGANIZATION

DON SEIFERT

OLATHE

CITY OF OLATHE

Randy Debenham

KS Corp Comm.

State of KS

Jedia Poling

Topoka, KS

Dept of Trans

Pam Somerville

TOPEKA, KS

KDOT

GARY GRIFATIS

TOPEKA

KDOT

Tom Whitaker

Topoka

Ks Motor Carriers Assn

HOUSE BILL 2699

TESTIMONY OF

Randy R. Debenham
Utilities Division
Kansas Corporation Commission

Mr. Chairman and Members of the Committee:

My name is Randy Debenham. I am a Research Analyst for the Utilities Division of the Kansas Corporation Commission. I am representing the Commission in support of House Bill 2699, which would remove certain small consumer-owned utilities from our economic regulation. I thank you for the opportunity to testify.

The Kansas Corporation Commission (KCC) proposes to exempt from its economic regulation, those nonprofit utilities in which: (1) every customer is an owner of the utility and has an equal vote on matters concerning the utility; (2) the utility employs no full-time employees; and (3) the utility has no more than 100 customers. The function of a public utility commission is to protect consumers of utility monopolies from monopolistic behavior and rates, while ensuring a fair rate of return to the utility and its investors. Investor-owned utilities, absent regulation, would tend to operate in such a manner as to maximize the return to its investors at the expense of its customers.

The small utilities this legislation would affect are owned by their customers. There is no reason for these utilities to charge rates higher than necessary for the operation of the utility.

This legislation would exempt three utilities from KCC economic regulation. They are M & R Gasline, which has seven customer/owners outside of Chanute and less than two miles of pipeline; Scotsman Estate Association, a water company with 35 customer/owners outside of Buffalo; and Cherokee Cooperative Water Company, which has 14 customer/owners outside of Coffeyville. The KCC would continue to regulate the gas pipeline safety practices of M & R Gasline.

This legislation may soon affect two additional utilities. Onion Creek Water Company is in default on loan payments and has been seized by the lending bank. The lending bank is now looking for a buyer and has approached the customers of Onion Creek. If the company were sold to its customers, it may also qualify under the proposed exemption. Onion Creek has 26 customers outside of Coffeyville.

The KCC is looking at taking jurisdiction of D & W Water Company outside of Manhattan. I have not yet physically examined the company's operations, but understand that it is a nonprofit association of about 32 homeowners. They may also be affected by this legislation.

Employees of the affected utilities are typically unpaid volunteers, generally retired, with little or no knowledge of regulation. Complying with our rules and regulations is a genuine monetary and time burden for these utilities and their employees.

The KCC has never received a complaint from a customer of any one of these utilities. The reason is simple. The customer would essentially be complaining about himself or herself.

On February 23, the House voted 118 to 3 to approve H.B. 2699. The House Energy and Natural Resources Committee had previously approved the bill for passage with a unanimous vote.

The KCC asks that you recommend this bill for passage. I will be pleased to respond to any questions the Committee may have.



CITY OF OLATHE

TO: Members of the Senate Committee on Transportation
and Utilities

FROM: Donald Seifert, Planning and Development Director

SUBJECT: House Bill Number 2731: Bonds for Special Fuel
Users

DATE: March 15, 1990

On behalf of the City of Olathe, thank you for the opportunity to appear today. The City of Olathe originally requested introduction of this bill. This will not be the most critical issue the Committee will deal with this session, but it is a matter of some importance and principle to local units of government.

Kansas statutes require special fuel dealers and users to be licensed and obtain a bond payable to the State of Kansas to secure payment of special fuel taxes. K.S.A. 79-3478 requires a minimum \$1,000 bond or an additional amount as determined by the Director of Taxation. In our case, the City of Olathe is required to obtain a \$2,500 bond to secure payment of taxes that presently average about \$1,300 to \$1,500 monthly.

House Bill 2731 would amend K.S.A. 79-3478 to exempt cities, counties, and townships from the special fuel users bond requirement. The expense of the bond is not the issue. The annual bond premium only amounts to \$100, although it has doubled in the last two years. The issue is more a matter of fairness

and trust. Cities and counties will not become insolvent or flee the state to avoid payment of taxes. We believe the bond premium is simply an unnecessary expense to local taxpayers that only benefits our insurance carriers. When you consider the number of local government units throughout the state that use special fuel, the cost is significant.

In the House Committee, a representative of the Department of Revenue stated they had no objections to this bill. We would appreciate the Committee's favorable consideration.

DRS/tgt