

Approved March 5, 1991
Date

MINUTES OF THE Senate COMMITTEE ON Governmental Organization

The meeting was called to order by Senator Lana Oleen at
Chairperson

1:40 ~~xxx~~/p.m. on February 18, 1991 in room 531-N of the Capitol.

~~All~~ members ~~were~~ present ~~except~~: Senators Oleen, Bogina, Francisco, Gaines, Kanan, Strick and Vidricksen.

Committee staff present:

Julian Efird, Kansas Legislative Research Department
Fred Carman, Revisor of Statutes Office
Mary Allen, Committee Secretary

Conferees appearing before the committee:

Jim Robinson, Kansas Corporation Commission
Brian Moline, Kansas Corporation Commission
Judith McConnell, Kansas Corporation Commission

The meeting of the Senate Governmental Organization Committee was called to order at 1:40 p.m. by the Chairman, Senator Lana Oleen.

Senate Bill 114 - Kansas sunset law; continuing in existence the state corporation commission.

Jim Robinson, Chairman of the Kansas Corporation Commission (KCC), appeared before the Committee in support of continuing in existence the Kansas Corporation Commission. Chairman Robinson began his testimony by describing what he believes to be the role of the KCC. He mentioned such roles as protection of the state's soil and water from pollution, performing service functions as well as regulatory ones, protection of consumers while being fair to utilities, and transportation safety for the people of Kansas. He emphasized that he will be aware of energy conservation in all matters. In answer to a question from a Committee member, Chairman Robinson stated that he has divested himself completely of all of his oil and gas interests and has dropped his membership in all oil and gas organizations with the exception of the Petroleum Club in Wichita. In answer to another question, he said that some organizational changes will be made at the KCC in order to effect a better and more efficient organization. He informed the Committee that Don Low has returned to the KCC as Director of Utilities. In closing, Chairman Robinson informed the Committee that the KPL/KG&E merger hearings will begin March 25, 1991.

Chairman Oleen introduced Brian Moline, General Counsel for the KCC, who in turn introduced other members of the KCC staff present. Mr. Moline informed the Committee that regulatory agencies such as the KCC have been in existence for well over one hundred years on both state and federal levels and are presently functioning in every state. He pointed out that these agencies have legislative, judicial and executive functions and he gave as an example the rate-making function of the KCC which, he said, is to substitute for competition where there are natural monopolies in the area of sound telecommunications, electric and gas. He observed that the setting of rates is a legislative function for if the KCC did not exist there would be either an unregulated monopoly or the legislature would set rates. In addition, the KCC is part of the executive branch in that it serves in an administrative capacity and executes laws. Further, he pointed out that rate-making is accomplished in a quasi-judicial manner with formal hearings in which parties are represented by counsel and a record is made. Mr. Moline summarized this portion of his testimony by stating that the KCC, or some similar entity, would be necessary as long as there are monopoly utilities who operate under state sanctioned monopolies such as electric, telephone (except for long distance and a few other functions) and gas companies.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Governmental Organization

room 531-N, Statehouse, at 1:40 ~~am~~ p.m. on February 18, 1991

Mr. Moline described the KCC and noted it is generally divided into four basic divisions. The Utilities Division regulates electric, gas and sometimes water monopolies and its staff is composed of accountants, engineers, economists and rate design analysts whose function it is to provide the technical and scientific information needed to fully evaluate rate applications. The Oil and Gas Conservation Division, located in Wichita, regulates the oil and gas industry in Kansas from an environmental basis and from a protection of natural resources basis. Mr. Moline noted that the third division is the Transportation Division which regulates intrastate transportation - railroads, buses and trucks. He observed that this Division has been transitioning in the last few years more to the safety prospective than to the regulation of rates. The fourth division, he said, is the Administrative and Legal Division. He noted that the Legal Division is composed of a staff of attorneys who represent the interests of the public generally in attempting to help the KCC to have a range of options in any particular case.

In answer to a question, Mr. Moline stated that the KCC is financed in two ways, by general assessments from all regulated entities who bear a pro-rata share of the cost of the Commission's functions, and by special assessments which occur when a particular company has a proceeding before the Commission which is identifiable to that company. He pointed out, however, that in the last analysis, all of these costs are passed on to the ratepayers in their individual ratepaying capacities. He noted that the KCC works within a fixed budget.

Committee members were provided with a Memorandum regarding the special projects positions at the KCC and the outside consultants hired by the agency. (Attachment 1) A member of the Committee asked from what part of the budget are special project persons paid. Judith McConnell, Executive Director of the KCC, answered that such persons are paid from the salary and wage budget. She noted that such salaries are essentially budgeted costs covered by any excess turnover which has been generated in the agency. She stated that personnel vacancies in the KCC have occurred through attrition. A Committee member asked whether a former KCC Commissioner, as is the case with the recent hiring of Jack Shriver, a former KCC Commissioner, or a prospective Commissioner have ever before been hired as a special project person under a special contract. Ms. McConnell answered that to her knowledge there had been none but that there would be a variety of reasons why the Commission might create a special projects position such as obtaining the services of someone with a high technical skill. Brian Moline observed that during the Wolf Creek case before the KCC, a special project position was created for a nuclear engineer. He stated that people have been hired on a specialized consulting basis who have been paid more than the KCC Commissioners receive. These people, he said, were hired on a short term basis for special needs.

A member of the Committee requested KCC staff to provide him with a copy of the employment contract between the KCC and Jack Shriver.

A question was asked concerning who at the KCC makes the decision as to the hiring of outside consultants. Mr. Moline answered that the decision of the need to hire outside consultants is made by staff and ultimately by the Commissioners. A "request for proposals" then goes out to a list of people and, by statute, a committee is set up to decide which proposal should be given the contract. He observed that the committee consists of two people from the agency and two from outside the agency.

A question was posed to Mr. Moline concerning recent reorganization at the KCC. He answered that there has been some reorganiztion and he specifically mentioned the hiring of Don Low as the Director of Utilites. Several other Division head positions are being reviewed. He pointed out that although there may be some combining of job functions, it is unlikely that the functional way the KCC is organized, in terms of the organizational chart, will be changed.

Chairman Oleen announced that the Committee would hold an additional meeting this week on Thursday, February 21, 1991, to continue the hearing on SB 114. She requested that the KCC staff return on that day to present specific information concerning

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Governmental Organization,
room 531-N, Statehouse, at 1:40 ~~am~~/p.m. on February 18, 1991

special projects positions at the KCC, recommendations being considered for areas in which the KCC can make improvements from the standpoint of efficiency and new Division heads.

Senator Gaines moved that the minutes of the February 12, 1991, meeting of the Committee be approved. Senator Kanan seconded the motion. The motion carried.

The meeting was adjourned at 2:25 p.m. by Chairman Oleen.

February 18, 1991

GUEST LIST

JEFF RUSSELL	UNITED Tele.	TOPEKA
TOM DAY	KCC	TOPEKA
AL MAXWELL	KCC	TOPEKA
JACK TIERIE	KCC	TOPEKA
JED McCOMELL	KCC	TOPEKA
BRUCE D.	KCC	TOPEKA
GIN ROBINSON	KCC	TOPEKA

MEMORANDUM

TO: JULIAN EFIRD
LEGISLATIVE RESEARCH DEPT.

FROM: TOM DAY
KANSAS CORPORATION COMMISSION

DATE: FEBRUARY 15, 1991

RE: SENATE GOVERNMENTAL ORGANIZATION COMMITTEE INFORMATION REQUESTS

Attached please find the requested information regarding the special projects positions at the Commission and the outside consultants hired by the agency.

The outside consultants figures and firms do not include court reporting services which we hire in Wichita and Topeka (or elsewhere if there is a public or technical hearing). The spreadsheet does not include federal monies passed through the agency to state and local units of government.

The information regarding special projects positions shows the three positions currently on staff (or in the case of Ms. Lipman, will be on staff in a week). Mr. Shriver is under contract to the Commission until 7/1/91.

If you have any questions after you receive this information, please call Judith McConnell. I will be in Oklahoma City at a funeral, but will return to the office Tuesday, 2/19.

*Senate Committee on Governmental Organization
2-18-91
Attachment 1*

SPECIAL PROJECT POSITION
KANSAS CORPORATION COMMISSION

JACK SHRIVER*

MONTHLY PAY

FY 89	AMOUNT PAID		FY 91
	FY 90		
\$ 0	\$ 0	\$ 0**	

DUTIES

- 1) Help develop KCC and Governor Energy poilcy.
- 2) KCC has vital role in development of reorganization for IOCC.
- 3) Review Administrative meeting packets every week and develop recommendations for the new chairman.
- 4) Designation of work as needed by Chairman of the Commission.

* Jack Shriver has a contract with the Commission running through 7/1/91.

** The amount shown in FY 91 is \$0 since Mr. Shriver's contract with the Commission began 2/1/91 and pay under the Special Projects contract will be shown on the March 1st paychecks.

ELLEN HAVERKAMP

\$2,081.00

\$ 0

\$ 12,482

\$16,648

* To make available a transcript of each assigned hearing within seven working days of termination of hearing whether taken in-house or by an outside reporter.

* To meet professional standards in taking testimony and assisting during hearings with audio equipment and maintaining record of recordings not transcribed.

* To prepare transcripts which are correct in form and accurate in content.

* To assist parties in acquiring from the Commission transcripts taken by "Outside Reporters" in a timely and efficient manner.

* To coordinate all activities involved in court reporting services provided by this agency.

RACHEL LIPMAN*

UNKNOWN

\$ 0

\$ 0

\$ 0

UNKNOWN

* Ms. Lipman will begin at the Commission on 02/25/91, according to a news release from the Governor's office. Salary is unknown to the Commission personnel department at this time. Her duties according to the release are "to research and prepare for upcoming docketed KCC hearings."

	A	B	C	D	E
1			Outside consultants		
2					
3					
4			AMOUNT PAID		
5	NAME	FY 89	FY 90	FY 91	DUTIES
6					
7	LANE & MITTENDORF	\$50,000.00	\$50,000.00	\$50,000.00	WASHINGTON, D.C. COUNSEL
8	PMC MANAGEMENT COUNSULTANTS	\$181,700.00			UNION GAS MANAGEMENT AUDIT
9	SCHLESSEL ENGINEERING	\$10,000.00			EXCESS ENERGY COSTS, EXTENDED OUTAGES
10					WOLF CREEK
11	THEODORE BARRY & ASSOC.		\$45,995.00		KANSAS WATER CO. MANAGEMENT AUDIT
12	DR. KLAUS BECKER		\$15,000.00		ECONOMIC CONSULTING, WILLIAMS NATURAL GAS
13					FERC RATE CASE
14	J.W. WILSON		\$15,000.00		ECONOMIC CONSULTING, WILLIAMS NATURAL GAS
15					FERC RATE CASE
16	DAVID PAULY		\$10,000.00		CONSERVATION DIVISION, DRILLING CONSULTANT
17	UIC PRACTICES		\$10,000.00		CONSERVATION DIVISION, UNDERGROUND
18					INJECTION CONSULTANTS
19	LEHMAN BROTHERS			\$435,000.00	KPL, KGE MERGER; KCPL, KGE TAKEOVER
20	DAVID M. GRIFFITHS ASSOC.			\$6,500.00	INDIRECT COST RATIO STUDY
21	SCOTT HEMPLING			\$102,325.00	KPL, KGE MERGER; KCPL, KGE TAKEOVER
22	BION OSTRANDER			\$17,380.00	JBN TELEPHONE RATE CASE CONSULTANT
23					TECHNICAL TELEPHONE EXPERTISE
24					
25					
26					
27					
28					
29	TOTAL	\$241,700.00	\$145,995.00	\$611,205.00	