

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 ~~am~~/p.m. on February 21, 1991 in room 531-N of the Capitol.

~~Members~~ members ~~were~~ present ~~except~~: Senators Oleen, Bogina, Francisco, Kanan, Moran and Strick.

Committee staff present:

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

Conferees appearing before the committee:

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

The meeting of the Senate Committee on Governmental Organization 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.

Judith McConnell, Executive Director of the Kansas Corporation Commission, appeared before the Committee to answer questions posed to her at the February 18, 1991, meeting of the Committee. Ms. McConnell presented a summary of the consulting services for which the KCC contracted in the past three fiscal years. (Attachment 1) She noted that many of the efficiencies realized at the KCC are reflected in the manner in which consulting services were and will be utilized.

A member of the Committee asked how consulting firms are selected. Ms. McConnell answered that, typically, Requests for Proposals are prepared by the KCC staff. The Commission maintains a list of consultants who wish to be contacted in various subject areas. The proposals are reviewed by a negotiating committee, statutorily established, comprised of the KCC General Counsel or his designee, the KCC Director of Utilities or his designee, the Director of Accounts and Reports and the State Director of the Budget. She noted that when this Committee convenes, the staff reviews the proposals and makes a recommendation to the committee. The negotiating committee then makes the determination as to which consultant the contract is awarded. She pointed out that in the case of a sole source acquisition, the KCC staff "makes its case" directly to the Director of Purchases.

Ms. McConnell briefly discussed some of the efficiencies the KCC has realized in its operation in recent years including combining of district offices as a result of the decline in the oil and gas industry, utilization of a different mix of staff positions, reviewing of needs for staff positions when they become vacant, consolidation of the consumer complaint handling process, and management of records. Further, she observed that the use of computers has allowed for the reduction of staffing levels, enhanced productivity, reduced the use of outside computer services, increased accuracy in work and allowed for more significant turn-around schedules.

A member of the Committee noted that former KCC Commissioner Jack Shriver has been hired by the KCC in an unclassified project position pursuant to K.S.A. 75-2935(1)(i). The member requested specific information as to what Mr. Shriver's job will be with the Commission. Jim Robinson, Chairman of the KCC, told the Committee that Mr. Shriver will be working on the KCC's participation in the Interstate Oil Compact Commission (IOCC) and will be promoting the state's

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

room 531-N, Statehouse, at 1:40 ~~am~~ p.m. on February 21, 1991

energy initiatives, which initiatives, it is hoped, will be a model for all states to follow which have oil and gas. Committee members were provided with copies of some correspondence concerning Mr. Shriver's employment with the KCC. (Attachment 2)

The Chairman asked if there are any unclassified positions in the KCC which are not provided for in the statutes. Brian Moline, General Counsel for the KCC, replied that the statutes provide that the Commission shall have the authority to employ whatever assistance it needs in its work. He observed that the KCC Division Directors are all unclassified as well as much of the technical staff. He pointed out that such personnel as engineers, economists and accountants often do not fit into the "neat classification" of the classified system. The Chairman also asked if the unclassified positions at the KCC, such as Division Directors, General Counsel, Director of Public Affairs and Executive Director, are referenced in the statutes. Mr. Moline said that he will present this information in writing to the Committee.

A member of the Committee requested that the Committee be provided with a KCC organizational chart which indicates the names of the employees holding the various positions at the KCC.

The Chairman asked if any Division Directors were present. Ms. McConnell introduced the new Director of the Utilities Division, Don Low, who previously has been a member of the KCC staff both as a member of the legal staff and as the Director of the Utilities Division.

A committee member asked for further clarification on the appointment of Mr. Shriver as a special consultant to the KCC.

Chairman Oleen announced that the Committee would continue its hearing on SB 114 at a later date. The meeting was adjourned at 2:25 p.m.

KANSAS CORPORATION COMMISSION
Consulting Services

Fiscal Year 1989

Lane & Mittendorf

The Washington, D.C. law firm of Lane & Mittendorf was initially retained in Fiscal Year 1989 to provide legal consultation services with respect to proceedings before the Federal Energy Regulatory Commission (FERC). The contract was renewed again in Fiscal Years 1990 and 1991. The firm assists the KCC's legal division in monitoring proceedings before the FERC, appears before and represents the Commission in FERC proceedings, and prepares and files documents with the FERC. The firm's involvement in these proceedings are determined by the Commission's General Counsel or a designated representative, following consultation with Commission staff.

PMC Management Consultants

In January, 1989, the Commission issued a request for proposal to perform a management and operations efficiency audit of Union Gas System, Inc. Union Gas had been repeatedly cited for pipeline safety non-compliances in the 1980s. These non-compliances resulted in a civil penalty recommendation against the company of up to \$600,000. The objectives of the management audit were to:

- (1) conduct a comprehensive evaluation of the management and operations of Union Gas so as to evaluate the engineering, field maintenance, customer service and pipeline safety activities of the company,
- (2) promote and encourage efficient and effective utility management, and
- (3) develop specific recommendations which would result in the restoration of union Gas' customers', community leaders' and the Commission's confidence in the ability of union Gas to provide safe, reliable and efficient service.

The Commission received four proposals ranging from \$155,000 to \$399,592. The award was made to PMC Management Consultants. The contract was negotiated for \$181,700; total project expenditures were \$162,054.

The KCC used PMC's management audit to condition the sale of Union Gas to United Cities Gas Company based on the implementation of the audit's numerous safety and efficiency recommendations. The comprehensive nature of these recommendations were acknowledged by United Cities as being helpful in quickly focusing their efforts on where the weaknesses in Union Gas' operations were, since United Cities' goal was to provide improved safety in as short a time period as possible.

Senate Committee on Governmental Organization
2-21-91
Attachment 1

Schlessel Engineering Associates

In March, 1989, the Commission retained the firm of Schlessel Engineering Associates (SEA) for assistance related to the KCC staff's review of certain technical issues in the Commission's analysis of and investigation into excess energy costs during the 1987-1988 extended outages of the Wolf Creek Generating Station for Kansas Gas and Electric Company. The firm: reviewed the company's testimony, exhibits, and other filed materials; assisted in conducting discovery; prepared prefiled testimony; testified at the hearing; and assisted in the cross examination of witnesses.

Fiscal Year 1990

Theodore Barry & Associates

In July, 1989, the Commission issued a request for proposal for a management audit of the Kansas Water Company, Inc. The company had experienced increasing operational problems during a period of ten years or more, including low water pressure, lack of adequate water supply, and poorly maintained facilities. Customers had registered a large number of complaints. The objectives of the audit were:

(1) to conduct a comprehensive evaluation of the management of Kansas Water Company so as to determine the degree to which present management and shareholders accept financial and operational responsibility for the company,

(2) to develop an opinion regarding the thoroughness and effectiveness of Kansas Water Company's maintenance practices, system soundness, and customer service; and

(3) to develop recommendations regarding the present and future management and engineering needs of the Kansas Water Company.

The Theodore Barry management audit of Kansas Water Company identified and verified numerous technical and operational problems in the operations of Kansas Water Company. The information assisted both the KCC and the City of Mission Hills in providing improved service to the customers of this company.

The contract was negotiated for \$45,995; total project expenditures were \$42,363.

J. W. Wilson and Associates

J. W. Wilson and Associates provided expert rate design and cost allocation consulting services related to a Williams Natural Gas Co. (WNG) filing with the Federal Energy Regulatory Commission (FERC). The KCC had not prepared a rate case before the FERC. In order to properly represent the ratepayers before the FERC in an aggressive manner the Commission required the assistance of a consulting firm which specialized in presenting rate cases to the

FERC. The Commission selected J. W. Wilson because the firm was familiar with WNG system based upon their involvement in other litigation concerning WNG. Additionally, the Commission was familiar with the work of the firm because the firm had filed testimony on behalf of the KCC in opposition of WNG several years earlier with great success. While the contract was negotiated for \$15,000, total project expenditures were \$10,455.

Dr. Klaus Becker

Dr. Klaus Becker (a former Commission employee) provided economic consulting services in proceedings before FERC involving the Williams Natural Gas Co. (WNG). Dr. Becker was with the Commission for nearly two years, during which time he was responsible for the operation of the rate design section, including all research relating to matters before the FERC. Over this period, he helped in the establishment of KCC policy in the interstate arenas. He was the author of several sets of comments filed with the FERC in response to FERC proposed changes in rate design policies. He also supervised the involvement of rate design staff on three separate WNG filings with the FERC. Since Dr. Becker was considered an expert on FERC and WNG issues in general, and the issues of this case in particular, the Commission determined that it would be an efficient use of resources to employ him as a consultant in the WNG case. The contract was negotiated for \$15,000; total project expenditures were \$12,613.

David Pauly

In August, 1988, the Commission solicited bids from three qualified consultants for services as a market demand consultant. Mr. Pauly was the low bid and was selected. Mr. Pauly prepared testimony and exhibits for two market demand hearings. The contract was negotiated for \$10,000; total project expenditures were \$6,393. More recently, the Commission has found itself in a position to address this need in-house.

Underground Injection Practices Council Research Foundation

The Commission contributed \$10,000 to grant funds that were utilized to design and implement an underground injection control data base (the U.S. Department of Energy contributed \$60,000 and the American Petroleum Institute contributed \$60,000). Development of the data base allows the Commission to more effectively monitor and control injection operations and to provide information (injection well, producing well, and field reservoir information) necessary to evaluate the risk of contaminating an underground source of drinking water at the individual well, reservoir, and field wells. The database information will include the location of wells, geological and water formations encountered, surface pipe setting depths, water depths, formation depths, cementing information, etc. This comprehensive database will improve accessibility of information to other state agencies and serve as a firm basis upon which to implement GIS initiatives in the future.

Fiscal Year 1991

David M. Griffith & Associates

The Commission utilizes the services of David M. Griffith & Associates for the development and continued maintenance/update of a cost allocation plan that conforms to all applicable federal regulations. The plan is used to recover indirect costs incurred by the Commission in administration of federal grant programs. The Commission presently administers programs that fall within the purview of three federal agencies: the Environmental Protection Agency, the Department of Energy, and the Department of Transportation. In addition to the preparation of the plan, the firm also negotiates adoption of the plan with the appropriate federal representatives. The firm also guides and assists Commission personnel in utilizing the proposal to the Commission's maximum advantage and identifies areas where the potential exists for addition direct or indirect cost recovery.

Ostrander & Associates

Mr. Bion Ostrander (a former Commission employee) recently provided expert accounting consulting services related to the rate case of J.B.N. Telephone Company, Inc. (JBN). J.B.N. filed its rate case in May. Preliminary accounting work was completed on the case by a Commission employee who worked under the supervision of Mr. Ostrander. This employee left the Commission in August and Mr. Ostrander left the Commission in October. Statutory deadlines necessitated an early January hearing date and a mid-December filing date for the prefiled testimony of staff. Because Mr. Ostrander was familiar with telecommunications issues and the JBN filing, he was able to assist staff in the review of materials that he and another former Commission employee had assembled from data requests. Mr. Ostrander was also familiar with the establishment of long distance rates (access charges) for small companies such as JBN. In addition to the accounting arena, Mr. Ostrander also provided support and assistance to staff in the areas of depreciation, rate design and capital structure. Over 100 data requests were issued in this case; Mr. Ostrander issued over half of them. The contract was negotiated for \$17,380; total project expenditures were \$13,615.

Scott Hempling

The Commission has contracted for legal assistance with respect to the KCPL/KPL - KG&E merger case. This contract is "capped" at \$102,325. Mr. Hempling is assisting the KCC legal division and other Commission staff in analyzing and evaluating the proposed merger. Mr. Hempling represents and advises state regulatory bodies in electric utility matters and his particular focus is on corporate restructuring, mergers and acquisitions, formation of holding companies, transmission access, and related issues. He has been involved in most of the major restructuring events in the past few years.

Lehman Brothers

The Commission has contracted with Lehman Brothers for financial advisory consultation

services. This contract is "capped" at \$435,000. The firm is providing advice with respect to transaction tactics and the tender and acquisition process, valuation issues, and the impact on the financial viability, credit ratings and capital structure of the proposed acquisition.

Joan Finney
Governor

Keith R. Henley
Chairman

Rich Kowalewski
Commissioner

Jack Shriver
Commissioner

Judith McConnell
Executive Director



Kansas Corporation Commission

January 16, 1991

The Honorable Joan Finney
Governor of Kansas,
Attention: Mary Holliday
2nd Floor, Statehouse
Topeka, Kansas 66612

Dear Governor:

The Kansas Corporation Commission respectfully requests the establishment of an unclassified special project position pursuant to K.S.A. 75-2935(1)(i) and salary approval of Jack Shriver to the position of Special Advisor to the Commission. We request an effective date of February 1, 1991 and an annual salary of \$75,268.

If you require additional information or if I may be of further assistance, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Keith R. Henley".

Keith R. Henley
Chairman

STATE OF KANSAS

OFFICE OF THE GOVERNOR

JOAN FINNEY, Governor
State Capitol, 2nd Floor
Topeka, KS 66612-1590

913-296-3232
1-800-432-2457
TDD# 1-800-992-0152
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January 30, 1991

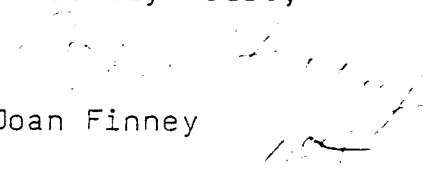
Art Griggs
Acting Secretary &
Administration
Department of Administration
Room 263-E Statehouse
Topeka, Ks. 66612

Dear Art:

Pursuant to K.S.A. 75-2935b, which requires the Governor to approve all unclassified salaries within The Executive Branch of government, the request of Keith Henley and your recommendation, I hereby approve the following salary for the person indicated:

Jack Shriver, Special Advisor to The Kansas Corporation Commission for the Kansas Dept. of Transportation, effective Feb. 1, 1991, at an annual salary of \$75,268.00

Sincerely Yours,


Joan Finney

JF:mf