

Approved

Ken Grotewiel
Date

MINUTES OF THE HOUSE COMMITTEE ON ENERGY & NATURAL RESOURCES

The meeting was called to order by Representative Ken Grotewiel at
Chairperson

3:34 ~~xxx~~/p.m. on March 3, 1992 in room 526-S of the Capitol.

All members were present except:
Representative Holmes, excused

Committee staff present:

Raney Gilliland, Principal Analyst, Legislative Research Department
Pat Mah, Legislative Research Department
Mary Torrence, Revisor of Statutes Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Representative Joan Adam
Peter Dreyfus, Executive Director, Missouri Metropolitan Energy Office
Bob Eye, General Counsel, Department of Health & Environment
Bill Bryson - Director, Oil & Gas Division, KCC, and Chairperson,
Commission on Natural Gas Policy
Paul Johnson - Director, Public Assistance Coalition of Kansas
Dan Haas - Kansas City Power & Light
Frances Jones - Reading, Kansas
Marvin Schulteis - Southwestern Bell Telephone Company
Larry Cheeseman - Vice President, Tallon, Cheeseman & Associates
Rob Hodges - Kansas Telecommunications Association
Donald Edwards - United Telephone Company of Kansas
James Caplinger - State Independent Telephone Association

The Chair opened the hearing on HB 3025.

HB 3025 - An act relating to energy; establishing the energy master plan commission; providing for adoption of a state energy master plan.

Representative Joan Adam testified in support of HB 3025, stating that the energy plan commission created by this bill is not to be a substitute for already existing efforts, nor to be duplicative. Rather it is to suggest that a comprehensive approach is needed - one with the research and staffing tools it needs to accomplish its goals. (Attachment 1)

Peter Dreyfus, Missouri Metropolitan Energy Office, testified in support of HB 3025. He explained that they are a not-for-profit organization that has spent the last ten years helping people save energy and use it efficiently. He also explained the Missouri energy plan process. Mr. Dreyfus advised that Kansas have a broad based coalition of people involved in the Kansas master energy plan. (Attachment 2)

Bob Eye, General Counsel, KDHE, testified in support of HB 3025, stating that this bill makes energy planning a public polity initiative rather than allowing the energy industry to develop policy by default. (Attachment 3)

Bill Bryson, Oil & Gas Conservation Commission and Kansas Energy Policy Committee, testified on HB 3025. He presented a brief review on the current process of the task force on non-fossil energy. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY & NATURAL RESOURCES,

room 526-S, Statehouse, at 3:34 ~~xxx~~/p.m. on March 3, 1992.

Paul Johnson, Public Assistance Coalition of Kansas, testified in support of HB 3025, stating that this master plan could incorporate the efforts of other state and private studies. In the long run, energy efficiency is one major improvement Kansas can make for the competitiveness of its industries and increasing consumer income. (Attachment 5)

Dan Haas, Kansas City Power & Light, testified in opposition to HB 3025. He stated that they believe this bill will not add value to existing and planned electric resource planning practices and, in fact, could disrupt those worthwhile efforts. (Attachment 6)

Written testimony in support of HB 3025 was submitted by the Kansas Audubon Council. (Attachment 7)

Written testimony in support of HB 3025 was submitted by the Kansas Natural Resource Council. (Attachment 8)

Chairperson Grotewiel closed the hearing on HB 3025.

The Chair opened the hearing on HB 3022.

HB 3022 - An act concerning telecommunications service between exchanges; providing for regulation thereof.

Representative Stevi Stephens spoke in support of HB 3022. She said that rural telephone customers, with the cessation of extended area service due to the KCC moratorium, are indeed discriminated against and charged unreasonable toll charges in violation of KSA 66-1, 89. (Attachment 9)

Frances Jones testified in support of HB 3022, stating that this bill would provide the vehicle for small communities such as Reading and Hartford to meet the needs of their community members. (Attachment 10)

Marvin Schulteis, Southwestern Bell, testified in opposition to HB 3022. He stated that this bill as currently constructed would lead to economic inefficiency and the use of arbitrary formulas and rules to create extended area service arrangements of little or no interest to customers. (Attachment 11)

Rob Hodges, Kansas Telecommunications Association, testified in opposition to HB 3022. He stated that from their largest local exchange carriers to their interexchange carriers to their smallest family-owned companies, KTA members are opposed to the provisions of this bill. (Attachment 12)

Larry Cheeseman, Tallon, Cheeseman & Associates, testified in opposition to HB 3022. He said that in an issue this complex, it would be in the best interest of the legislature, the public and the telephone industry to have the KCC examine all the issues pertaining to telecommunications policy before jumping headlong into a situation that might only benefit a very few. He included in his written testimony comments prepared by Fred Williamson & Associates on behalf of their Kansas clients. (Attachment 13)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY & NATURAL RESOURCES,
room 526-S, Statehouse, at 3:34 ~~am~~/p.m. on March 3, 1992

Donald Edwards, United Telephone Company of Kansas, testified in opposition to HB 3022, stating that this bill attempts unnecessarily to limit the KCC's authority, and the KCC has addressed many of the issues this bill attempts to address. They also believe there would be significant costs associated with implementing this bill. (Attachment 14)

James Caplinger, State Independent Telephone Association, testified in opposition to HB 3022. He said that this bill not only would replace the KCC's responsibility of determining calling scopes, but would create a great burden of collecting and supervising an Expanded Calling Scope Fund. (Attachment 15)

Written testimony in support of HB 3022 was provided by Representative Judith Macy. (Attachment 16)

Chairperson Grotewiel closed the hearing on HB 3022.

The Committee reviewed the minutes of February 24, 25, and 26, 1992. A motion was made by Representative Correll, seconded by Representative Thompson, to approve the February 24, 25, and 26, 1992, minutes. The motion carried.

The meeting adjourned at 5:50 p.m.

GUEST LIST

COMMITTEE: ENERGY & NATURAL RESOURCES

DATE: 3/3/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Marvin H. Schulteis	220 E. 6th Topeka 66603	S.W. Bell Tel. Co.
Russell E Bishop	Houston, Texas	Panhandle Eastern
Michelle Lester	Topeka	Ks. Governmental Consulting
Larry Cheeseman	Colorado Springs Co	TCA
Rob Hodges	Topeka	Ks Telecom Assn
Bill Boyson	Topeka	KCC
Don Schuman	Topeka	KJOGN
David Brevitz	Topeka	KCPR
Gordon Mike Bell	Clearwater	Southern Kansas Telco
JEFF RUSSELL	TOPEKA	UTIMEN TELEPHONE
VIRGINIA STARR	TOPEKA	AT&T
STEVE KEARNEY	TOPEKA	BETEMCALL
Mike Peters	Topeka	KEC
JERRY LOWERY	"	KDOC
MARSHALL CLARK	TOPEKA	KEC
TREVA POTTER	"	PEOPLES NAT. GAS
DENNY S. KOCH	"	SW Bell Tel
Mark Caplingin	Topeka	Capling's Child.
D. Smith	Topeka	St. Independent Tele Assoc.
Rose Price	Reading, Ks	
Rose Price	Reading, Ks	
Geoff Schobohom	Reading, Ks	
Marvin Jolly	Reading, Ks	USD 251
Arland Janda	Reading, Ks	
Lorena Hunt	Reading, Ks.	UMC

GUEST LIST

COMMITTEE: ENERGY & NATURAL RESOURCES

DATE: 3/3/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
IVA J. MARTIN	Reading Ks	
Paul Johnson	Topeka	PACK
Jerry Coonrod	Lawrence	KG & E
Curt Carpenter	Great Bend	West Plains
Carl Dangkerty	Columbus	Empire District Elec.
Jim Kimmick	Topeka	KPL
Dan Haas	Overland Park	KCPK
Bob Ege	Topeka	KDHE
Jim Lanna	Lawrence KS	Inten for Rep Louther
Frances Jones	Reading	- Reading Community
Virginia Gardner	Hartford	Hartford Rural
Carole J. Wilson	Hartford	U.S.D. #250
Elmer Crowder	Hartford	city
James M. Copley	Topeka	SITA
Don Edwards	OLATHE	UNITED Telephone
Jack Hughes	olathe	United Telephone
Bonnie	Junction City	United Tel.
Jack Graves	Wichita	KX + P/K East
Mike Smith	Lawrence, KS	SW Bell Tele.
Mihaly	Topeka	SWBT
Scott Burnett	KC	USPCI
Karen Matson	Topeka	KCC
Alan Deeben	Topeka	CURB



TOPEKA

HOUSE OF
REPRESENTATIVES

HEARING ON HB 3025

COMMITTEE ASSIGNMENTS

CHAIRMAN: LEGISLATIVE JUDICIAL AND
CONGRESSIONAL APPORTIONMENT
MEMBER: APPROPRIATIONS
TAXATION
COMMERCIAL & FINANCIAL INSTITUTIONS

JOAN ADAM
REPRESENTATIVE, FORTY-EIGHTH DISTRICT
305 NORTH TERRACE
ATCHISON, KANSAS 66002-2526

Mr. Chairman and Members of the Energy Committee:

Thank you for allowing a hearing on HB 3025, a bill which establishes an energy master plan committee to be charged with the adoption of a state energy master plan.

As this Committee realizes, energy planning in Kansas has had a checkered past. The Kansas Energy office was created in 1976. The Energy Office was given such important charges as the development of a comprehensive energy conservation plan and the collection of data on energy resources and monitoring of energy supplies in the state.

Following a fall-off in funding, and perhaps interest in the early 80's, the Kansas Energy Office was abolished in July, 1983. Its duties, though much diminished, were transferred to the Kansas Corporation Commission.

Since that time, state efforts to address energy planning needs have been piecemeal. Minimum lighting standards were adopted in the late 70's. (KSA 58-1312 et seq). A van pool program has been established. Legislation was passed in 1989 which authorizes the financing of energy conservation improvements to state buildings, to be financed with energy cost savings.

Our efforts to shape energy policy have not kept pace with our earlier efforts nor have they kept pace with many of our neighboring states. Iowa and Missouri in particular have launched aggressive initiatives and are already beginning to see results.

I don't have the expert knowledge that many of you have on this committee but I firmly believe that Kansas economic well-being, now and in the future, is directly tied to an efficient use of energy. Tremendous savings are possible just by making small changes in our SOP. (utility example)

3/13/92
House E+NR
Attachment 1

The need to make such changes is indicated in the handout I've provided you. A comparison of Midwestern states and other countries shows Kansas per capita energy consumption to be significantly higher than the other countries or states. The second graph - output based energy efficiency index - also shows that Kansas is lagging far behind other states as well as other countries.

Some of you are aware of other groups that are beginning to look at portions of this issue. The Commission on Natural Gas Policy and the Governor's Energy Policy Committee, are prominent examples. My intention in offering this bill is not to substitute this energy commission for already existing groups, nor to be duplicative. Rather it is to suggest that a comprehensive approach is needed - one with the research and staffing tools it needs to accomplish its goals.

I would like to mention in particular several features of the bill:

Membership...

Hearings...

On going nature of Commission...

New updates periodically...

IV. AN INTERNATIONAL COMPARISON

Still another useful evaluation of energy consumption patterns is to examine overall intensities on an international scale. Figures 7 and 8, incorporating data from both selected countries belonging to the Organization for Economic Co-operation and Development (OECD) and from neighboring states, offer such a perspective.

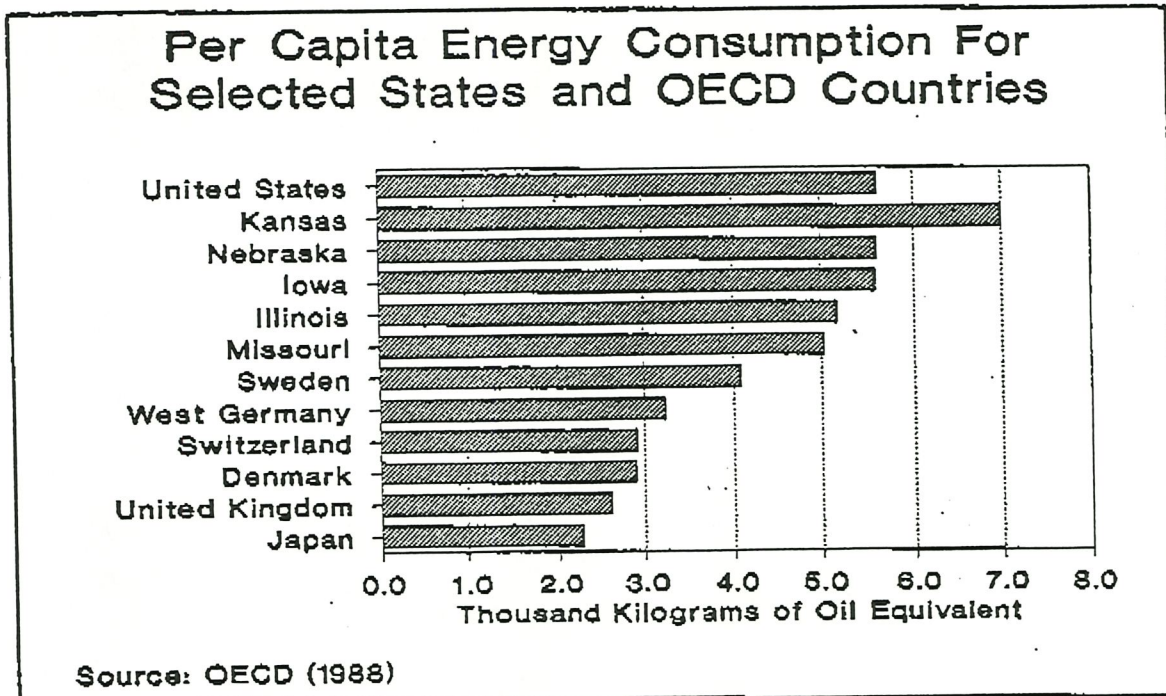


Figure 7

Figure 7, above, indicates that Kansas has a much higher per capita consumption than any of the countries shown. As a major producer of oil and natural gas this is to be expected since a significant amount of energy goes into the production of these fuels. However, Figure 7 also indicates that the U.S., Missouri and many of its neighboring states have per capita energy consumption levels that are well above many major industrial nations.

Whether measured in terms of per capita consumption (kilograms of oil equivalent) as Figure 7 illustrates, or in terms of output (expressed in kilograms of oil equivalent per dollar of Gross Domestic Product, GDP) as Figure 8 on the next page highlights, both Missouri and the United States appear to be lagging behind the efficiency performance

of other industrial nations.¹³ It is clear there is room for improvement.

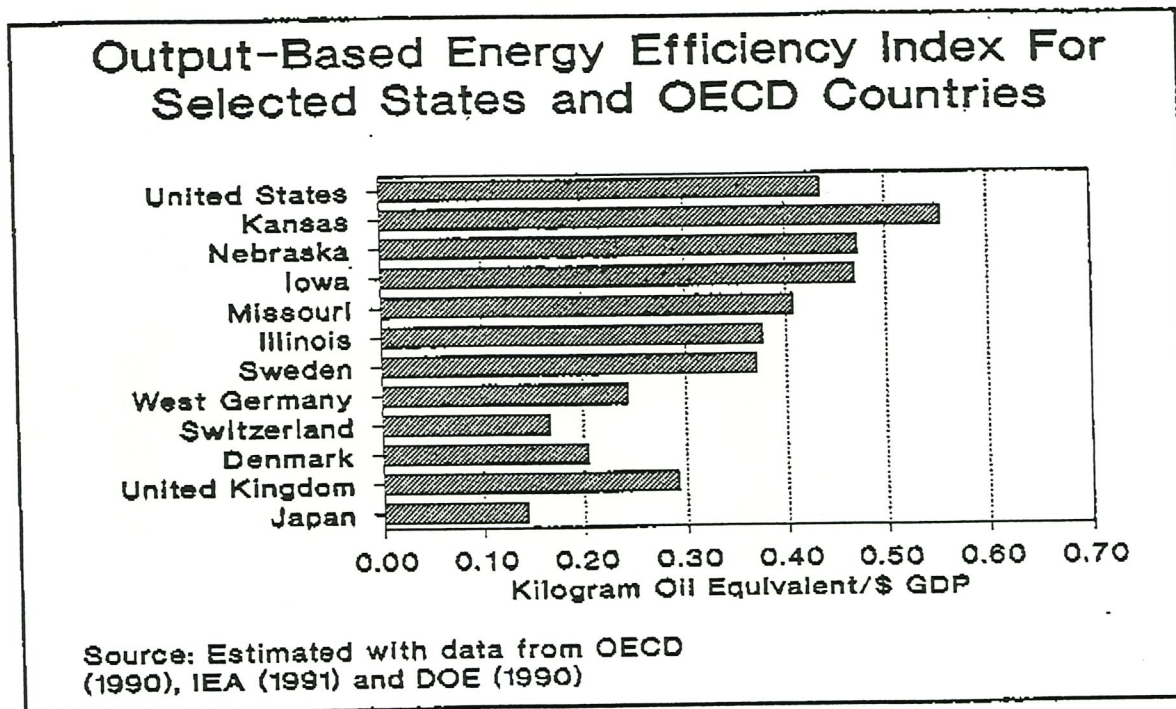


Figure 8

Fortunately, the technologies already exist to make those improvements. The opportunities for energy efficiency gains are enormous. Table 2, on the following page, highlights a half-dozen areas that Business Week magazine recently investigated and found ready for immediate adoption. These include opportunities in transportation, electric motors, lighting, refrigeration and heating and cooling.

The Business Week findings offer good news for Missouri. First, they underscore the importance of the initiative undertaken with the Comprehensive Statewide Energy Planning Project. Second, they corroborate the potential savings suggested by *Missouri's Two Percent Solution*.

13. The data for these comparisons are taken from Energy Balances of OECD Countries, 1987-1988 (Paris, France: Organization for Economic Cooperation and Development, 1990). The output ratios shown in Figure 7 were originally tied to the 1985 dollar exchange rate for each country. Since the data is benchmarked to 1988, the exchange rates were adjusted to also reflect 1988 information.

Dreyfus

Missouri Statewide Energy Plan

ENERGY EFFICIENCY OPTIONS

INTRODUCTION

Missouri's energy policy must be created on the firm foundation of the analysis of specific energy options that can be undertaken within the State. To establish that foundation, a list of over 100 energy options has been developed for analysis for potential implementation. The items are divided into eleven general areas and there are a number of specific options listed under each topical area.

The Missouri Statewide Energy Plan is an efficiency based plan. Each measure that will ultimately be recommended will result in a more efficient use of energy. But the decision for inclusion is based on more than just efficiency. Each option is further evaluated in terms of its real reduction in the amount of energy used; its impact on Missouri's economy including employment and personal income; and, its impact on the environment. The comprehensive technical analysis of these options will result in a matrix that lists each option and specifically details the energy, economic and environmental effect of implementing that option.

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EIERA

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3/3/92

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*House E + NR
attachment 2*

ENERGY EFFICIENCY OPTIONS

A. INFORMATION AND EDUCATION

When we think of opportunities for using energy more efficiently, we usually envision the technological and building construction opportunities first. We also look to alternative sources of energy such as renewable energy. An equally important step in any effective energy efficiency program is ensuring that the public is aware of the opportunities and understand their impact on their budgets, their comfort and their lives. This section provides examples of the "soft" energy services related to improving the information base and awareness of the consumer to the value of energy efficiency.

1. Institute broad-based public awareness and information programs
2. Institute energy education in Missouri's public and private schools
3. Operate technical resource centers to collect and disseminate energy information
4. Operate Lighting Design Centers
5. Expand information on utility bills
6. Increase the availability of information on energy savings through water conservation
7. Operate a statewide Energy Information Exchange Center

B. ENERGY EFFICIENCY OPTIONS FOR RESIDENTIAL BUILDINGS

The residential sector in Missouri has substantial opportunities to use energy more efficiently. In 1990, this sector consumed over \$601 million of natural gas and \$1.624 billion of electricity. This represents nearly 23% of all of Missouri's energy use. In this section, we examine the opportunities for using energy more efficiently through improved building design and upgrading existing buildings. In addition, we examine some low technology improvements such as setback thermostats and residential lighting improvements.

1. Build new residential structures to the Model Energy Code
2. Upgrade existing low-income housing stock to higher energy efficiency standards
3. Upgrade existing multi-family housing stock to the Model Energy Code
4. Upgrade all other existing Housing stock to the Model Energy Code
5. Institute a Home Energy Rating System
6. Institute residential energy audit programs
7. Institute training and education programs for residential home builders, designers and contractors
8. Improve the maintenance practices of homeowners and renters
9. Install automatic set-back thermostats
10. Design new residences with advanced energy efficiency designs
11. Design new residences with passive solar heating
12. Install energy efficient lighting
13. Utilize landscaping techniques to reduce residential energy use

C. RESIDENTIAL ENERGY EFFICIENT EQUIPMENT

Significant advances have been made in the efficiency of residential equipment. Following passage of the Federal appliance efficiency standards and their implementation, manufacturers have responded with more energy efficient equipment. This section examines a sample of technology for the residential sector, although it is not meant as an all encompassing list of technology currently available on the market.

1. Improve the efficiency of heating with electricity
2. Improve the efficiency of heating with natural gas
3. Upgrade residential air conditioning equipment
4. Improve the efficiency of domestic hot water equipment
5. Install domestic solar water heating equipment
6. Upgrade the energy efficiency of refrigerators
7. Upgrade the efficiency of window systems and glazings
8. Improve the maintenance practices used on residential equipment

D. ENERGY EFFICIENCY OPPORTUNITIES FOR COMMERCIAL BUILDINGS

Missouri's commercial stock of buildings is varied from the small, neighborhood commercial business establishment to large industrial complexes. The commercial sector spent nearly \$271 million for natural gas and \$1.23 billion for electricity in 1990, representing approximately 15% of the state's energy bill. In addition, the industrial sector's energy expenditures of \$942 million for natural gas and electricity included some energy for building operations, although the bulk of those dollars were for industrial processes. This section examines the opportunities for energy efficiency improvements in the distinct segments of the commercial building stock in the State. The standard used in each analysis of the building shell improvements is the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) 90.1 building standard.

1. Build new commercial structures to higher energy efficiency standards
2. Upgrade the energy efficiency of existing state and local government buildings
3. Upgrade the energy efficiency of existing schools, hospitals and other institutional buildings
4. Upgrade the energy efficiency of existing not-for-profit buildings
5. Upgrade the energy efficiency of existing retail buildings
6. Upgrade the energy efficiency of existing commercial office buildings
7. Upgrade the energy efficiency of existing industrial and manufacturing buildings
8. Institute an energy rating system for commercial buildings
7. Institute training and education programs for commercial builders, architects, designers and contractors
8. Improve the maintenance practices of commercial building managers
9. Install electronic energy management systems
10. Utilize energy accounting software and programs

E. COMMERCIAL ENERGY EFFICIENCY EQUIPMENT

The efficiency of commercial and industrial equipment has been steadily improving since the late 1970's. These improvements have been in the areas of improved building shell equipment, higher efficiency heating, air conditioning and ventilation equipment, lighting efficiency improvements, industrial equipment, motors, agricultural equipment and manufacturing and operations equipment. This section provides examples of specific commercial and industrial opportunities for improved energy efficiency in the equipment area.

1. Upgrade the energy efficiency of natural gas heating equipment
2. Upgrade the energy efficiency of ventilation equipment
3. Upgrade the energy efficiency of electric heating and cooling equipment
4. Upgrade the energy efficiency of commercial water heating equipment
5. Upgrade the energy efficiency of washing and drying equipment
6. Upgrade the energy efficiency of food preparation equipment
7. Upgrade the energy efficiency of electric motors
8. Upgrade the energy efficiency of agricultural production equipment
9. Upgrade the energy efficiency of high temperature furnaces
10. Install cogeneration equipment
11. Upgrade the energy efficiency of refrigerators
12. Upgrade the energy efficiency of water and waste water treatment equipment
13. Upgrade the efficiency of window systems and glazings
14. Improve the maintenance practices used on commercial equipment
15. Improve the procurement practices of buyers and financial managers
16. Upgrade commercial lighting efficiency

F. MOTOR VEHICLE FUEL EFFICIENCY OPTIONS

Transportation accounted for 41% of Missouri's energy expenditures in 1990. Missourians vehicles are less efficient than the average vehicle in the United States. The average automobile in Missouri had fuel efficiency of 19.14 miles per gallon compared to 20.92 miles per gallon for the average car in the country. When we examine our entire fleet of cars, trucks and buses, our average is 15.36 miles per gallon compared to 16.6 miles per gallon for the country as a whole. Increasing the efficiency of our vehicles provides substantial opportunities to reduce our consumption of oil.

1. Upgrade the fuel efficiency of new vehicles purchased by government
2. Upgrade the fuel efficiency of new vehicles purchased by private sector businesses
3. Institute an energy rating system for automobile and truck purchases
4. Upgrade the fuel efficiency of other new automobiles purchased
5. Upgrade the fuel efficiency of other new trucks purchased
6. Upgrade the fuel efficiency of existing fleet vehicles owned by government
7. Upgrade the fuel efficiency of existing fleet vehicles owned by private sector businesses

2-14

8. Upgrade the fuel efficiency of other existing automobiles
9. Upgrade the fuel efficiency of other existing trucks
10. Reduce the number of low-efficiency vehicles in use
12. Use alternative fuels vehicles
11. Improve the maintenance practices of automobile and truck owners
12. Install computerized traffic controls
13. Improve the physical maintenance of roads and highways

G. MOTOR VEHICLE USAGE REDUCTION AND TRANSIT OPTIONS

Two of the most effective way to reduce the nearly \$4 billion expenditure for transportation energy is to use individual vehicles less and increase the use of transit. Moving Missourians away from individual travel in private vehicles through strategies such as ridesharing and transit are examined in this section. Missouri's transit options are currently limited, but the potential for substantial improvements remain. This section examines various transit possibilities as well as methods to simply get people out of their vehicles.

1. Increase the average occupancy of automobiles used for commuting to work
2. Increase the usage of high occupancy vehicle lanes
3. Increase urban bus ridership
4. Increase rural bus ridership
5. Increase the use of transit alternatives in high-frequency travel corridors throughout Missouri
6. Develop a light-rail system in St. Louis
7. Develop a light-rail system in Kansas City
8. Develop a high-speed rail line between St. Louis and Kansas City
9. Increase the use of rail transport for commercial freight
10. Increase the use of water transport for commercial freight
11. Increase the use of air transport for commercial freight
12. Increase the use of telecommuting
13. Increase the use of teleconferencing
14. Increase the use of bicycling for work-related commuting
15. Increase the use of work bikes

H. EMERGING ENERGY TECHNOLOGY OPTIONS

The field of energy efficiency options has been expanding with increased research worldwide for cost effective alternatives to traditional energy production and use. Research has taken two general approaches. One has looked at existing technology and worked to dramatically improve its operating efficiency. Another has worked on the development of new technology and energy sources. This section provides some examples of emerging technologies that hold promise for the State. These technologies listed here are by no means an all-inclusive list, and they are not pointed at Missouri research alone, but the potential application in Missouri.

1. Develop clean coal technologies

2. Develop more cost-effective active solar systems
3. Develop advanced nuclear power and fusion technologies
4. Develop advanced building technologies
5. Develop more high efficiency transportation technologies
6. Develop advanced superconductivity technologies
7. Develop district energy systems

I. INTEGRATED RESOURCE PLANNING

Determining the most reliable, cost-effective way to provide energy to consumers is the center of a well managed energy supply system planning effort. Integrated Resource Planning, sometimes known as least-cost planning, provides a framework for this planning process. There are two sides to the energy equation. The supply side is the power generation equipment and fuel. The demand side is the consumer side, the consumption of the energy provider's product. Integrated Resource Planning looks at both sides of the equations in order to develop the best mix of supply and demand strategies to enable the provision of services in the most advantageous manner. This section details the issues of implementing Integrated Resource Planning in Missouri.

1. Adopt Integrated Resource Planning for all investor-owned utilities
2. Adopt Integrated Resource Planning for municipal electric utilities
3. Adopt Integrated Resource Planning for electric cooperative utilities
4. Adopt Integrated Resource Planning for other fuel supplies
5. Adopt a statewide Integrated Resource Plan
6. Permit the decoupling of corporate sales of energy and profits for investor-owned utilities
7. Adopt explicit conservation rates for investor-owned utilities
8. Modify the current Promotional Practices Rule to permit certain demand-side management promotions by investor-owned utilities

J. MISSOURI'S TRADITIONAL ENERGY RESOURCE OPTIONS

Missouri is not blessed with an abundance of the traditional fossil fuels that power our society. While Missouri has some high sulfur coal, we have little in the way of easily retrievable oil or natural gas. But as the price of fuels rises and technology to extract it from the earth improves, there is the possibility of increased use of Missouri oil and natural gas. Similarly, environmental technologies hold some promise for use of Missouri's coal. This section explores the potential of Missouri's indigenous, traditional energy sources.

1. Increase the share of energy production from Missouri's coal supply
2. Increase the share of energy production from Missouri's oil supply
3. Increase the share of energy production from Missouri's natural gas supply
4. Increase the share of energy production from Missouri's municipal solid waste

K. MISSOURI'S RENEWABLE ENERGY RESOURCE OPTIONS

Traditionally, the vast majority of energy used has been produced from fossil fuels including coal, oil and natural gas. These fuels are produced from finite resources produced millions of years ago through transformation of plant and animal materials. Renewable energy is energy produced from a source that is not a finite fossil fuel, but is naturally occurring such as the wind or sun or easily replenished, such as wood or plant matter. This section examines the possibilities for using renewable resources to replace some existing uses of fossil fuels.

1. Utilize photovoltaic cells
2. Utilize ethanol fuels
3. Utilize methanol fuels
4. Utilize other organic fuels
5. Utilize wood energy
6. Utilize hydroelectric energy resources
7. Utilize wind energy resources
8. Utilize geothermal energy resources
9. Utilize hydrogen fuels

EVALUATION MATRIX

The key to selecting the options to be included in the Missouri Statewide Energy Plan is a comprehensive technical analysis. A computerized analysis of each option was completed generally using eight data inputs and producing seven outputs. These outputs form the core of the information used to consider specific options for inclusion in the recommended set of actions for Missouri. In some cases, such as those that are information and education services, all of the inputs were not available.

The matrix will provide a ten year analytical summary of each option with the outputs based on the impact of each \$1 million investment. Energy consumption and savings are measured in a standard unit of one million British Thermal Units (MBTU).

INPUTS:

1. **Cost of the Standard Measure** - Baseline information on cost of the current practice or equipment. This would be, for example, the average efficiency refrigerator, or the commercial building constructed to current practices.
2. **Cost of the Upgrade** - The incremental cost to bring the measure to the higher level of energy efficiency. In the case of the refrigerator, the difference in purchase price between the average appliance and the energy efficient appliance.
3. **Energy Consumption of the Standard Measure**
4. **Energy Consumption of the Energy Efficient Upgrade**
5. **Life of the Measure in Years** - For equipment this would be the rated useful life of the equipment and for buildings this would be the projected average useful life.
6. **Sector** - This refers to the sector of the economy including residential, commercial, transportation, industrial, agricultural and energy production, etc.
7. **Fuel Type** - This refers to natural gas, electricity, coal, oil, renewables, etc.
8. **Fuel Cost** - The delivered price of the fuel used in this application.

OUTPUTS:

1. **Unit Savings** - The amount of energy saved by the option, measured in millions of British Thermal Units (MBTUs).
2. **Cost per Million BTUs** - The investment cost for the measure to achieve a savings of one million BTUs.
3. **Simple Payback** - The amount of time, in years, for the cost of energy saved to equal the investment cost of the option.
4. **Net Total Jobs** - The number of jobs created per million dollars of investment in the measure.
5. **Net Total Income** - The amount of personal income generated by virtue of an investment of \$1 million in the option.
6. **Annual Tons of Carbon Dioxide** - The annual reduction in the amount of CO₂ produced by investment of \$1 million in this measure.
7. **Annual Tons of Sulfur Dioxide** - The annual reduction in the amount of SO₂ produced by investment of \$1 million in this measure.

ANALYSIS OF SELECTED OPTIONS

Each of the 110 options listed will receive a complete energy, economic and environmental analysis to determine its role in Missouri's energy future. This section provides some examples of the analysis for specific options. The analysis provides the information necessary to determine the value of the specific option for Missouri. Another section of the final report will make recommendations for which options to include and how they might be implemented.

ENERGY EFFICIENCY OPTIONS FOR RESIDENTIAL BUILDINGS

Build new residential structures to the Model Energy Code

Making new homes achieve higher energy efficiency can be accomplished through either voluntary compliance with standards or compulsory compliance with codes. There are two types of codes and standards. *Prescriptive* determine specific applications such as minimum insulation in walls and ceiling and specific energy efficiency ratings for equipment. *Performance* set a minimum energy use per square foot while allowing the specific means to achieve the standard to be left to the architect, builder and owner. The Model Energy Code of the Council of American Building Officials (CABO) is generally cited as the code to be implemented and its impact on Missouri's new residential buildings is examined in this option.

A recent study by the Alliance to Save Energy examined the value of building new homes to the CABO Model Energy Code standards. Their analysis indicated that each home could save approximately 25 million BTUs at an incremental cost of \$1,332 per home above standard construction. The payback, the amount of time it would take to save \$1,332 for construction costs is 9.96 years.

The impact of this activity for each \$1 million invested would be a net creation of 14.6 jobs and a net increase in personal income of \$310,427. In addition, annually, 2,098.5 tons of CO₂ and 5,631 pounds of SO₂ would not be emitted into the atmosphere each year.

RESIDENTIAL ENERGY EFFICIENCY EQUIPMENT

Improve the efficiency of heating with electricity

The use of electricity for heating homes is expanding in Missouri. In rural areas, many homes are all electric because of the unavailability of natural gas, and in suburban and urban areas, strong marketing efforts have resulted in the increased use of electricity for heating. Many older, all electric homes use electric resistance heating. This option examines the opportunities for improved use of electric heating through the replacement of resistance electric heating with heat pumps and the installation of more efficient heat pumps in both existing and new homes under construction.

Electric resistance heating is not as efficient as the movement of heat from one place to another. Heat pumps work on the principal of moving heat from one location to another. In this analysis, we looked at replacing an electric resistance heating system with a heat pump. The annual energy savings would be 32.7 million BTUs at an installed cost for the heat pump of \$2,500. The payback for the installation would

be 3.57 years. Over ten years, for each \$1 million investment, the net increase in jobs would be 20.7 jobs and personal income would rise by \$347,435. In addition, each year, there would be a reduction of 3,585 tons of CO₂ and 15,696 pounds of SO₂.

Another technology would be to upgrade the efficiency of existing heat pumps. This analysis assumes the replacement of 7.5 seasonal efficiency to 8.7, a modest gain. The incremental cost of the more efficient system is \$225 and the energy saved is projected at 4 million BTUs. The payback for the installation would be 2.63 years. Over ten years, for each \$1 million investment, 24.2 jobs would be created and personal income would increase by \$368,163. Each year, there would be a reduction in emissions of CO₂ of 4,872.5 tons and SO₂ of 21,333 pounds.

ENERGY EFFICIENCY OPTIONS FOR COMMERCIAL BUILDINGS

Install electronic energy management systems

Integration of all the energy using systems in commercial buildings can be a very complex activity. As new equipment and building designs are placed into use, and as older buildings are upgraded, the complexity of the equipment and the integration of the various systems requires complex management skills, often better handled by computerized systems.

For large commercial buildings, the integration of all energy using systems is a complex and difficult job if left to staff alone. This option examines the value of installing a computerized system for a large building at a cost of \$50,000 for the system. This system would save 859.77 million BTUs and result in a payback of 8.92 years.

In this analysis, over a ten year period, 13.8 jobs would be created and personal income would rise by \$289,076. There would be an annual reduction of 1,476.2 tons of CO₂ and 2,683 pounds of SO₂.

COMMERCIAL ENERGY EFFICIENCY EQUIPMENT

Upgrade commercial lighting efficiency

Lighting can account for a substantial portion of the electric bill for most commercial operations. In addition, lighting adds to the heating load of the building, providing some advantage in the winter months, but a significant burden on cooling equipment. Lighting efficiency has improved significantly in the past five years with the development of new technology for both retrofit and installation in new buildings. This option examines lighting efficiency improvements including retrofit opportunities in delamping lighting fixtures, replacing existing lights with higher efficiency lamps, the use of occupancy sensors and other lighting improvements. In addition, this option examines the value of energy efficient lighting standards for commercial buildings.

Although there are numerous lighting efficiency options, we are only providing two examples for illustrative purposes. The first is delamping the standard 40 watt, 4 foot, 4 tube fixture by removing two of the lamps and installing a reflector in the fixture to better utilize the remaining light. The cost of the reflector and installation is \$51 with savings of .96 million BTUs. The expected payback is 2.76 years. This

2 10

option, over ten years, with each \$1 million investment, will result in a net increase of 43.8 jobs and a net increase in personal income of \$797,190. In addition, each year there will be a reduction in the emissions of CO₂ of 5,134.2 tons and of SO₂ of 22,2479 pounds.

Another example is the installation of room occupancy sensors that automatically turn off lights when the room is not occupied. For this analysis, the sensors' cost is averaged at \$0.42 per square foot and the estimate is based on a 100 square foot space. With a cost of installation of \$42, the sensor will save .44 million BTUs with a payback of 4.9 years. Over ten years, per \$1 million of investment, the net jobs created are 24.9 and the net increase in personal income is \$476,274. Each year, there will be a reduction of 2,894.5 tons of CO₂ and 12,673 pounds of SO₂.

MOTOR VEHICLE FUEL EFFICIENCY OPTIONS

Upgrade the fuel efficiency of new vehicles purchased by government

Government has the opportunity to set the agenda for the state by a commitment to the purchase of fuel efficient vehicles. This option examines the fleet purchases of state and local governments and the opportunities to increase the fuel efficiency of those vehicles purchased.

For purposes of illustration, we will simply analyze the value of a one mile per gallon increase in the fuel efficiency of a vehicle. The incremental cost of this improvement is only \$50 and the energy saved is 1.63 million BTUs. This results in a 3.21 year payback. Over ten years, this will result in a net increase in jobs of 21.8 and a net increase in personal income of \$354,084 for each \$1 million invested. In addition, there is an annual reduction of 2,621.5 tons of CO₂. The reduction of SO₂ is negligible.

MOTOR VEHICLE USAGE REDUCTION AND TRANSIT OPTIONS

Increase the use of telecommuting

The computer age has brought with it the information worker whose work is primarily done through electronic means. In some cases, the need to work in a central office is minimized through home computers, telephones and fax machines. Using electronic means to "go to work", Telecommuting, has increased in popularity. This option explores the opportunities for increasing telecommuting in Missouri including a specific examination of the opportunities available to Missouri State government.

An examination of telecommuting essentially involves the cost of outfitting the home office for an employee to enable them to work at home. For the purpose of this evaluation, a cost of \$750 is assumed primarily for the purchase of a computer. With an investment cost of \$750, it is projected that the worker will save 14.4 million BTUs of energy through reduced consumption of gasoline for a payback of 5.43 years. Over ten years, this will result in a net increase of 17.4 jobs and growth in personal income of \$327,746 for each \$1 million investment. Each year there will be a reduction of 1,548.7 tons of CO₂ and a negligible reduction in SO₂.

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EMERGING ENERGY TECHNOLOGY OPTIONS

Develop more cost-effective active solar systems

The power of the sun supplies less than 5% of Missouri's energy, yet the potential is far greater. This option explores the development of advanced solar systems that can provide power for heating, air conditioning and lighting applications. One area of focus is utility-scale photovoltaic applications.

Research into the use of photovoltaic applications continues with projected costs of 8 to 10 cents per kilowatt hour by the end of this decade and 4 to 7 cents by the year 2030. This option examines the installation of a large photovoltaic generating system at a cost of \$7,000. Due to the higher cost of photovoltaics today, the savings are only 7.48 million BTUs and the payback is too long to measure. The net increase in jobs over ten years would be 3.8 jobs and the net increase in income is \$96,555 for each \$1 million invested. The reduction of CO₂ would be 682.7 tons per year and SO₂ would be 1,281 pounds per year.

MISSOURI'S RENEWABLE ENERGY RESOURCE OPTIONS

Utilize ethanol fuels

Ethanol fuels are made from grain, primarily corn and are often used in conjunction with gasoline to make an ethanol blend sometimes called gasohol. Midwestern states, with their substantial supply of grain, see ethanol fuels as the way to reduce their consumption of oil. This option explores the opportunities to develop an ethanol industry in Missouri.

The ethanol fuel used in automobiles is usually a mixture of 10% ethanol with 90% gasoline. For illustrative purposes, we examined the option of replacing one million BTUs of gasoline with ethanol. There are one million BTUs in 8 gallons of gasoline. The projected incremental cost was \$25 to save the one million BTUs. The projection per \$1 million of investment was a net increase of 5.6 jobs and an increase in personal income of \$261,671. In addition, each year there would be a reduction of 2,581.1 tons of CO₂ and a negligible reduction in SO₂.

Missouri Statewide Energy Plan PROJECT OUTLINE

INTRODUCTION

The Missouri Statewide Energy Plan has been structured to accommodate three primary elements. The first section of the study contains a detailed analytical assessment of current energy patterns, and the impact of those patterns on Missouri's energy use, economy and environment. A key part of this analysis is a detailed review of the energy, economic and environmental impacts of over one hundred distinct options for improving Missouri's energy efficiency. This section covers Volume II through Volume V.

The second section of the study, contained in Volumes VI and VII, reviews a wide range of background information related to the general topic of how best to implement various energy efficiency options. Included are discussions of relevant statutes, financing mechanisms, governmental and non-governmental organizations and public perceptions. Also examined in detail are the results of the twenty-nine individual focus groups conducted by the project consulting team.

Finally, Volumes VIII and IX present the Missouri Statewide Energy Plan's specific recommendations. This is organized into a mission statement, plan objectives and detailed recommendations for each of three time periods: today through the year 2000; the years 2000 through 2025; and beyond the year 2025. Volume IX then suggests an implementation plan for these policy recommendations, identifying suitable implementation strategies for every sector of Missouri from individual citizens to government.

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EIERA

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- F. Motor vehicle fuel efficiency options
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Department of Health and Environment
Azzie Young, Ph.D., Secretary

Reply to:

Testimony presented to

House Energy and Natural Resources

by

The Kansas Department of Health and Environment

House Bill 3025

Good afternoon. My name is Robert Eye and I serve as General Counsel for the Kansas Department of Health and Environment. Thank you for the opportunity to testify regarding House Bill 3025.

One year ago our collective attention and concern focused on yet another war in the oil-rich Middle East. Many argued that the failure of our national government to adopt a sound energy policy was one of the causes for our military involvement. One commentator noted that we were sending our troops to war in tanks which got only a few miles to the gallon because we didn't have the same troops driving high mileage cars at home. This is simply to say that energy issues have the potential to have profound impacts on our economy and society. Therefore, adequate planning to provide a secure, safe and environmentally sound production, distribution and end-use system should be a high priority in our state.

House Bill 3025 could be an important contribution to the planning process. It is my understanding that other efforts are underway in this regard including a bill introduced in this Committee to require integrated resource planning (a.k.a least-cost planning), a docket at the Kansas Corporation Commission to consider planning issues and a Governor's energy committee. Some might argue that with all these cooks the soup might not turn out to be edible. With due respect, I take exception. In planning our energy future I would argue that more cooks than ever are needed.

Energy planning initiatives have traditionally been the province of the energy industry. State government has rarely been in a position to do much more than react to the plans presented by the industry. Sometimes the plans were rational and of benefit to the public. Other plans resulted in consumer costs which should have been lower and adverse

environmental costs which have yet to be fully calculated. Having the involvement of a commission like that contemplated by House Bill 3025 does not guarantee that our state will be the beneficiary of an energy policy which is environmentally and economically wise. It would, however, provide a process with input from diverse perspectives. In this regard, House Bill 3025 makes energy planning a public policy initiative rather than allowing the energy industry to develop policy by default.

In short, we see several benefits to be gained by the process called for by House Bill 3025. For example, involving the state agencies specified in Section 1 of House Bill 3025 would require that they think about how energy policies affect their various constituencies. I would venture to say this is rarely a consideration in many instances.

Just as war is too important to be left solely to the generals, energy policy is too important to be left solely to the energy industry. This is not to say that the energy industry is to be left out of the process. Indeed, as Pacific Gas and Electric is demonstrating by its integrated resource planning, the energy industry may play a pivotal role in long-term planning. House Bill 3025, however, implicitly recognizes that the ramifications of energy policy are potentially so diverse that it makes good sense to seek input from sources not generally involved in the process.

We note that a fiscal analysis has yet to be completed. In checking with the Division of Budget, I have learned one is being developed.

Thank you and I will attempt to respond to your questions.

Testimony Presented By:

Robert V. Eye
General Counsel
March 3, 1992

Bryson

Kansas Energy Policy Committee Non-Fossil Energy Sub-committee

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*3/3/92
House E+NR
Attachment 4*

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name	title	organ	street	city	st	zip	a c	telephon	committee	Sep	Jan	Feb	25	FAX
1 - subcommittee	efficiency/conservation/environment													
2 - subcommittee	transportation													
3 - subcommittee	utility													
4 - subcommittee	agriculture													
5 - subcommittee	renewables													
6 - subcommittee	state government													
Banks, Margaret W			944 St James	Wichita	KS	67207	316	686-2555						
Brown, Kevin G		T & E Oil Company	P O Box 1303	Hutchinson	KS	67501-1303	316	663-3777						
Brown, William E	President, KPL Division	KPL Gas Service	P O Box 889	Topeka	KS	66601-0889	913	296-6393	1, 3		yes	yes	yes	
Clark, Stan Ph.D.	Head, Dept of Agricultural Engineering	Kansas State University	Seaton Hall	Manhattan	KS	66506			4				yes	
Coyne, Patrick I, Ph.D.	Prof & Head, Fort Hays Experiment Sta	Kansas State University	Fort Hays Experiment Station	Hays	KS	67601	913	625-3425			yes			
Craft, John	Energy Researcher	The Land Institute & Ks Natur	6888 E. McReynolds	Gypsum	KS	67448	913	823-5376	1, 5		yes	yes		
Egbert, Robert I, Ph.D.	Director, Center for Energy Studies	Wichita State University	Campus Box 44	Wichita	KS	67208	316	689-3415	1, 5		yes	yes		
Elliott, Bob	Chief Engineer	Kansas Corporation Commissi	1500 SW Arrowhead Rd	Topeka	KS	66604	913	271-3222	1, 3, 5, 6			yes		271-33
Friend, Raymond G	VP finance, CFO	Hlgh Plains Corporation	P O Box 47508	Wichita	KS	67201-7508	316	269-4310	1, 2, 4, 5		yes	yes		269-40
Goodman, Jack D	President & General Manager	Midwest Energy, Inc.	Box 898	Hays	KS	67601-0898	913	625-3437	1, 3		yes			
Groves, Ken	State Representative		1504 Woodland	Wichita	KS	67203	316	265-2704						
Hannifan, Mark	Analyst	Meridian Corp	12404 Catalina	Leawood	KS	66209							yes	
Hayler, Richard B Ph.D	Dir, Engineering Extension Programs	Kansas State University	Ward Hall	Manhattan	KS	66506	913	532-6026			yes	yes	yes	532-69
Heinemann, David, J.D.	State Representative		P O Box 1346	Garden City	KS	67846-1346	316	276-2200						
Hochstetter, Tom	Research Economist	KEPCo PO Box 4877	5990 SW 28th	Topeka	KS	66604-0877	913	273-7010					yes	
Jennings, J Paul	Chairman of the Board	K & E Petroleum Inc	100 S Main St, Ste 300	Wichita	KS	67202	316	264-4301					yes	264-43
King, Joseph AIA	Architect, Consultant	Coriolis	123 W Eighth St, Ste 305	Lawrence	KS	66044	913	841-3262					yes	
Knighton, Philip, J.D.	Attorney	1030 First National Bank Buil	106 W Douglas	Wichita	KS	67202-3395	316	265-3211			yes			
Koester, Mark R	Business Representative	Int'l Machnist AFL-CIO	3830 S Meridian	Wichita	KS	67217	316	522-1591			yes			522-79
Langley, Dennis M	President	The Bishop Group, LTD	335 N Washington, Ste 160	Hutchinson	KS	67501	316	662-6445	1, 2, 3, 5		yes	yes		
Leish, Phillip			P O Box 266	Norton	KS	67654-0266	913	877-2310	1, 2		yes	yes		
Loux, R C "Pete"	Director	KEURP	400 W 8th, Suite 314	Topeka	KS	66601	913	354-1821	1, 3		yes	yes	yes	354-77
Madell, Philip H	Energy Programs	Kansas Corporation Commissi	1500 SW Arrowhead Rd	Topeka	KS	66604	913	271-3219			yes	yes	yes	271-33
Marlin, David E	Director, Public Affairs	Kansas City Power & Light Co	6700 W 85th Terrace	Overland P;	KS	66212	913	642-0105			yes			
Miller, Margaret J		Citizens for Recycling	6807 E Bayley	Wichita	KS	67207-2613	316	686-2555			yes			
Mulinazzi, Tom, PE	Civil Engineering Department	Kansas Transportation Center	2006 Learned Hall, KU	Lawrence	KS	66045	913	864-5658			yes			
Nelson, Richard, Ph.D.	Engineering Extension Programs	Kansas State University	Ward Hall	Manhattan	KS	66506	913	532-6026	4, 5		yes	yes	yes	532-69
Neuberg, John S, Dr.	Environmentalist	Sierra Club	10922 W 101st St	Overland P;	KS	66214	913	588-2775	2, 5		yes	yes	yes	
Pajor, Joseph T	Natural Resources Director	City of Wichita	455 N Main, 8th Floor	Wichita	KS	67202	316	268-4356			yes			
Pine, Roger			Route 4, Box 282	Lawrence	KS	66044	913	843-6949			yes			
Simons, Gale, Ph.D.	Engineering Experiment Station	Dorland Hall, Rm 148	Kansas State University	Manhattan	KS	66506	913		2, 3, 6*		yes	yes		
Stuck, James R	Director, Gas Marketing	KPL Gas Service		Lawrence	KS	66045	816	346-5532	1, 2		yes	yes		346-55
Tully-Gerber, Lois	Manager, Technical Transfer	KEURP	400 W 8th, Suite 314	Topeka	KS	66601	913	354-1821			yes	yes	yes	354-77
White, Jere	Executive Officer	Kansas Corn Growers Assn	P O Box 446	Garnett	KS	66032-0446	913	448-6922			yes	yes		
	(* university research only)													
Stuck, James R	Director, Gas Marketing	KPL Gas Service	2345 Grand Av, Ste 500	Kansas City	MO	64108	816	346-5532			yes			346-55

4-3

To: House Energy and Natural Resources Committee

Date: March 3, 1992

From: Paul Johnson - Director
Public Assistance Coalition of Kansas

Re: Testimony in support of House Bill 3025

Debating and adopting a state energy plan needs to happen in Kansas for several reasons. The State itself should set an example for the most efficient use of energy thus saving tax dollars. Other states and countries have set conservation policies and Kansas would do well to set our own standards as opposed to waiting for federal intervention. The timing is right. As Kansas embarks on establishing a housing policy, energy concerns and planning should be an integral part of the debate. This master plan could incorporate the efforts of other state and private studies. In the long run energy efficiency is one major improvement Kansas can make for the competitiveness of our industries and increasing consumer income.

The State of Kansas can set an example of increased efficiency by improving the use of energy in state buildings. Using information gathered by the Governor's Energy Policy Committee, utility costs to the State - not counting the rental offices - has gone from just under \$30 million in 1980 to \$48.8 million in 1991. There is little incentive to save energy. The greatest use is found at our hospitals, correction facilities and regent institutions. Many of these individual buildings are not metered so we do not know which buildings need special attention. The KCC has a special bond program for this work but the program is not adequately promoted. An energy plan could help change the existing disincentives and properly promote the bond program.

Missouri is just completing a statewide energy plan. Missouri uses about \$9.6 billion of energy each year with \$3.9 going for transportation, \$2.5 for residential, \$1.6 for industrial and \$1.5 for commercial. Over half of all the energy consumed by end-use is petroleum products and over 30% of the total is electricity. Natural gas makes up the bulk of the rest. 10% of consumer's income in Missouri goes for energy. In 1982, the Kansas City metropolitan area spent \$2.05 billion on energy and \$1.56 billion left the area to fuel suppliers. The U.S. Senate has just passed energy legislation and there is a bill pending in the U.S. House. Kansas would do well to research our own needs and respond with local plans of action.

Kansas is just now assessing our own housing needs and creating an affordable housing strategy. Energy efficiency needs to be an integral part. For an extra 10% increase in construction or rehabilitation costs, the consumer can save significantly on the utility costs over the life of the dwelling. The KCC has energy standards for new buildings that need to be reviewed and updated. Kansas has no policy on minimum energy standards for rental units which comprise 32% of all housing units. Kansas will see more and more households without utility service as energy

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House E+NR
Attachment 5

assistance and weatherization services continue to decline. We need to address that problem by working with the landlord and the tenant to devise a cost sharing program. As Kansas inventories its housing stock we will make choices on which structures are repairable. Lower utility costs can allow a family to afford more major rehab. work. Timing is very important in politics and now is the time to link housing and energy policy.

There are many groups looking at these issues. The KCC is now opening a docket on demand side management. The State Legislature has a natural gas policy commission. The Governor has an energy committee which works on both fossil fuels and other options. Kansas has its own in-state electric power research institute. There is the Energy Extension Service at KSU. What is now needed is a broader overview that a master energy plan could provide. All the major players need to be involved and actively working on these issues. The Kansas Legislature has to be a major player in setting a tone for the debate and providing some general guidance. As a State we can continue to ignore these potential improvements but only at our own economic risk. This bill needs some work but the concept deserves our attention.

Heat

KANSAS CITY POWER & LIGHT COMPANY

1330 BALTIMORE AVENUE

P. O. BOX 418679

KANSAS CITY, MISSOURI 64141-9679

FRANK L. BRANCA
VICE PRESIDENT-POWER SUPPLY

March 2, 1992

The Honorable Ken Grotewiel, Chairman
House Energy and Natural Resources Committee
State Capitol, Room 426-S
Topeka, Kansas 66612

Dear Mr. Grotewiel:

The purpose of this letter is to submit Kansas City Power & Light Company's comments on House Bill No. 3025 and to inform the Committee of efforts that are already underway relating to energy resource planning for electric utilities in the State of Kansas.

Kansas City Power & Light believes that the proposed legislation will not add value to existing and planned electric resource planning practices and, in fact, could disrupt those worthwhile efforts. The creation of a new "master plan commission" will add an administrative body with undefined oversight over a process that is presently within the authority of the Kansas Corporation Commission, creating a redundant and potentially conflicting process. The purpose of the energy master plan is unclear. If, as it appears in Subsection (e), the purpose is to disseminate information to state officials and other interested parties, the use of reports that are the product of the existing planning process for electric utilities can serve the purpose.

Joint planning among the State's electric utilities has taken place for at least the past twenty years. The State's major utilities (KCPL, Kansas Gas and Electric, KPL, Sunflower Electric Cooperative, Kansas City, Kansas BPU, West Plains Energy, Empire District Electric, Kansas Electric Power Cooperative and Midwest Energy) are members of the MOKAN Power Pool. Through the MOKAN contractual arrangement the participating electric utilities perform studies to analyze the energy needs of the twelve electric utilities whose service territories include Kansas and western Missouri. In 1988 the MOKAN utilities completed a long range resource planning study with the aid of a consultant, CSA Energy Consultants. In the next few months, an update of that study will be completed. The planning study looks ahead 20 years and identifies the energy resources that will be needed for the MOKAN pool as a whole. The study considers forecasts of future energy needs, different technologies for meeting those needs including load management, future fuel requirements for electric generation and the effect of the Clean Air Act Amendments. The report is presented to the Kansas Corporation Commission and a KCC staff representative is present at planning meetings throughout the

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The Honorable Ken Grotzewiel
Page 2
March 2, 1992

study process. This commitment to joint utility resource planning did not start with the publication of the 1988 MOKAN study. The MOKAN Pool members have been involved in joint resource planning since the 1960s.

In addition to the MOKAN Power Pool joint resource planning, the Kansas Corporation Commission is involved in establishing an integrated resource planning process (IRP) for all electric and gas utilities. IRP is an analytical discipline that analyses both supply side and demand side options on a level playing field as the future plan is developed. In this way, effective load management and conservation programs are considered as alternatives to new generation. The KCC recently opened a docket on IRP with the intent of working with utilities and interested parties to establish a formalized IRP process for Kansas electric and gas utilities. A formal hearing in this docket is scheduled for March 12, 1992 to receive comments in regard to the KCC Staff recommendations on how to proceed with the IRP process. The KCC suggests, and KCPL supports, a series of working sessions with interested parties to solicit ideas and work towards formal IRP procedures.

Both the KCC and the MOKAN Power Pool are involved in a great deal of worthwhile planning activity. The electric utilities in the State and the KCC are cognizant of their responsibility to present and future electric consumers. The planning processes that are in place and being developed will help ensure an economical and reliable supply of electric energy for Kansas. House Bill No. 3025 can add little to electric resource planning. However, HB 3025 could detract from efforts already underway by creating another layer of administrative oversight and by creating a study process that at best would be duplicative of current efforts and at worst would hinder and delay these efforts to the detriment of Kansas energy consumers.

I urge you to consider these points in your deliberations on HB 3025.

Sincerely,

Frank A. Branca

FLB:slm



Written only

Kansas Audubon Council

March 3, 1992

HB 3025

House Energy and Natural Resources Committee

Because the Kansas Audubon Council supports the implementation of strategies and mechanisms which promote a sustainable society which conserves our natural resources, we are supportive of HB 3025 which establishes a commission to develop an energy master plan. The Council recently sent out a questionnaire to its members. One of the issues that was strongly supported was the formulation of a comprehensive energy plan which heavily emphasizes energy conservation.

Recently, the National Audubon Society purchased an old office building in New York City and completely renovated it to maximize its energy efficiency and recycling capabilities. We believe that the energy master plan needs to be truly comprehensive, including an analysis of the benefits that accrue from the use of renewable, non-polluting energy sources like solar and wind; alternative transportation methods; purchase of energy efficient products and vehicles by the Department of Administration; and the long-term savings gained from adopting energy conservation strategies.

The Kansas Audubon Council urges passage of HB 3025.

*3/3/92
House E+NR
Attachment 7*

Kansas Natural Resource Council

March 3, 1992

Representative Ken Grotewiel
Statehouse
Topeka, Kansas 66612

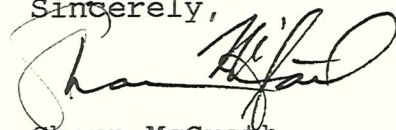
Dear Representative Grotewiel:

I am unable to be present at the hearing this afternoon on HB3025, establishing an energy master plan for the state, and would therefore like to inform you and the House Energy and Natural Resources Committee of our position. The Kansas Natural Resource Council is very supportive of the efforts in HB3025 to develop a state energy plan.

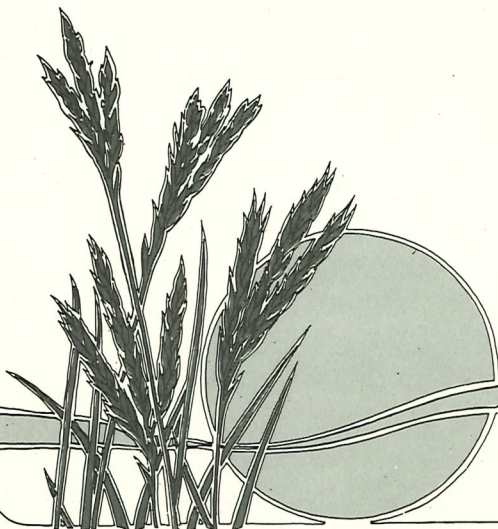
A historical lack of comprehensive, long-term planning has led to such problems as dependence on fossil fuels, over-capacity, and costly inefficiency and wastefulness. As the availability of fossil fuels decreases, and as the full environmental impact of the fossil fuel era is slowly being realized, it is essential for the state, and nation, to consider our energy future.


KNRC commends Representatives Adam and McClure for introducing HB3025. We hope that the bill will lead Kansas to a desperately needed vision of a sustainable energy economy -- and a map of how to get there.

Sincerely,



Shaun McGrath
Executive Director



 Printed on Recycled Paper

3/3/92

House E+NR
Attachment 8



HOUSE OF
REPRESENTATIVES
FORTY-SECOND DISTRICT
LEAVENWORTH COUNTY

STEVIE STEPHENS

ROUTE 1
TONGANOXIE, KANSAS 66086
(913) 845-3036

STATE CAPITOL
ROOM 426-S
TOPEKA, KANSAS 66612
(913) 296-7680

COMMITTEE ASSIGNMENTS

- ENERGY & NATURAL RESOURCES
- ELECTIONS
- LOCAL GOVERNMENT

TESTIMONY ON HB 3022

CURRENTLY THE MAJORITY OF KANSANS (i.e., METROPOLITAN RESIDENTS) ENJOY UNLIMITED, TWO-WAY, TOLL-FREE CALLING BETWEEN TELEPHONE EXCHANGES WITHIN THEIR COMMUNITIES. HOWEVER, THIS IS NOT THE CASE FOR MANY RURAL RESIDENTS. CONTRARY TO KSA 66-1, 189, RURAL TELEPHONE CUSTOMERS HAVE BEEN DISCRIMINATED AGAINST FOR YEARS. THIS BILL ATTEMPTS TO REMEDY THAT INJUSTICE.

EXTENDED AREA SERVICE (EAS) IS A LOCAL TELEPHONE SERVICE WHICH ALLOWS TOLL-FREE CALLING BETWEEN TELEPHONE EXCHANGES WITHIN A LOCAL COMMUNITY OF INTEREST. WITH THIS SERVICE, CUSTOMERS MAY MAKE AND RECEIVE AN UNLIMITED NUMBER OF CALLS FOR A MONTHLY FLAT RATE. IN 1982, WHEN THERE WERE 68 REQUESTS PENDING FROM VARIOUS COMMUNITIES TO OBTAIN EAS FOR THEIR TELEPHONE CUSTOMERS, THE KCC PLACED A MORATORIUM ON THE SERVICE. (SEE ATTACHMENT A)

THE KCC DID, SUBSEQUENTLY, PROVIDE A SYSTEM CALLED COMMUNITY CALLING SERVICE (CCS) WHICH IS A TOTALLY UNACCEPTABLE SUBSTITUTE. IT IS NOT ONLY MORE DIFFICULT TO ACQUIRE, BUT IT IS UNREASONABLY EXPENSIVE AND INCONVENIENT. FOR EXAMPLE, DESOTO A TOWN SITUATED ADJACENT TO THE CITY OF SHAWNEE IN JOHNSON COUNTY HAS OPTIONAL CCS. IT COSTS RESIDENTS \$54.00 PER MONTH, RESIDENTS HAVE A SECOND TELEPHONE NUMBER AND SUBSCRIBERS CAN ONLY CALL THE KANSAS, NOT THE MISSOURI SIDE OF KANSAS CITY. IN CONTRAST, THE TOWN OF BASEHOR LOCATED IN LEAVENWORTH COUNTY NEAR KANSAS CITY, KANSAS, HAS OPTIONAL EAS. IT COSTS THOSE RESIDENTIAL SUBSCRIBERS \$6.95 PER MONTH FOR UNLIMITED CALLING, FROM A SINGLE RESIDENTIAL PHONE, TO BOTH THE KANSAS AND MISSOURI SIDES OF KANSAS CITY. CLEARLY CCS IS AN UNREASONABLE AND UNACCEPTABLE SUBSTITUTE FOR EAS.

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Attachment 9

HB 3022 WILL LIFT THE FREEZE ON THE 68 REQUESTS SUBMITTED TO THE KCC, AND MAKE THE EAS THESE COMMUNITIES APPLIED FOR TEN YEARS AGO FINALLY AVAILABLE.

THIS BILL REDUCES THE CRITERIA UNDER WHICH A RURAL TELEPHONE EXCHANGE CAN QUALIFY TO BECOME "A COMMUNITY OF INTEREST". PRIOR TO THE 1982 KCC MORATORIUM, KANSAS HAD THE MOST STRINGENT STANDARDS IN THE NATION. HB 3022 BRINGS THEM IN LINE WITH MISSOURI'S. THIS, OBVIOUSLY, WOULD OPEN THE DOOR FOR MANY MORE RURAL COMMUNITIES TO BE ABLE TO APPLY FOR, AND OBTAIN, EAS BETWEEN THE OTHER COMMUNITIES THEY DEAL WITH ON A DAILY BASIS.

THIS BILL ALSO ALLOWS TELEPHONE EXCHANGES WHICH HAVE TOLL-FREE CALLING TO A COMMON EXCHANGE, BUT NOT WITH EACH OTHER, BE PROVIDED TOLL-FREE, NON-OPTIONAL (OR AUTOMATIC) EAS WITH EACH OTHER. IN OTHER WORDS, IT WOULD COMPLETE A TRIANGLE OF CALLING. FOR EXAMPLE, PRESENTLY THE TOWN OF TONGANOXIE CAN CALL THE TOWN OF BASEHOR TOLL-FREE, AND BASEHOR CAN CALL BONNER SPRINGS TOLL-FREE, BUT TONGANOXIE CANNOT CALL BONNER SPRINGS. THIS WOULD CLOSE THAT LOOP. THERE ARE OVER 200 EXCHANGES AFFECTED BY THIS PROVISION. IT WOULD ALLOW RURAL RESIDENTS TO TALK TO THEIR MOST IMMEDIATE RURAL NEIGHBORS TOLL FREE.

THIS BILL SETS UP A RATE STRUCTURE PATTERNED AFTER THE OPTIONAL EAS PROVIDED TO BASEHOR CUSTOMERS WHO CALL KANSAS CITY. IT ALLOWS FOR RATES TO BE REDUCED FURTHER IF 50% OR MORE OF THE RESIDENTS OF A GIVEN EXCHANGE SUBSCRIBE TO THE SERVICES. CONCOMITANTLY, IT ALLOWS FOR RATES TO INCREASE IF SUBSCRIBERSHIP FALLS BELOW THOSE LEVELS.

ADDITIONALLY, THIS BILL SETS UP A STATE-WIDE CALLING SCOPE FUND TO WHICH A PHONE COMPANY MAY APPLY TO "MAKE WHOLE" THEIR UTILITY IF THE COST TO IMPLEMENT THE NEW SERVICES EXCEEDS THE REVENUES RECEIVED FROM SUBSCRIBERSHIP. CONVERSELY, IF A UTILITY MAKES MORE MONEY THAN THIS NEW SYSTEM COSTS TO IMPLEMENT, THOSE EXCESS REVENUES WILL GO INTO THE FUND. IF THE REVENUES IN THE FUND PROVE TO BE INADEQUATE, A SMALL MONTHLY CHARGE WILL BE ASSESSED TO EACH EAS CUSTOMER AND EACH METROPOLITAN CUSTOMER. HOWEVER, THIS BILL IS DESIGNED TO BE REVENUE NEUTRAL. IT IS WORTHY OF NOTE THAT IN MISSOURI, WHEN A SIMILAR SYSTEM WAS IMPLEMENTED, NO NEW INCREASE OCCURRED.

WE MUST KEEP A FEW VERY IMPORTANT THINGS IN MIND IN REGARD TO POTENTIAL CHARGES TO METRO AREA CUSTOMERS. FIRST, IF THERE IS AN INCREASE AT ALL IT WILL BE VERY SMALL, PROBABLY PENNIES. SECONDLY, THE METRO CUSTOMERS WILL ALSO BE PROVIDED A NEW SERVICE, i.e. THE ABILITY TO CALL RURAL AREAS. WHILE ONE MIGHT ARGUE NOT ALL METRO CUSTOMERS WOULD USE THIS SERVICE, I WOULD ARGUE THAT CERTAINLY NOT ALL KANSAS CITY RESIDENTS CALL GLADSTONE, MISSOURI, OLATHE OR KCI EITHER AND YET THEY ARE INCLUDED WITHIN THE CURRENT KANSAS CITY LOCAL CALLING AREA. FURTHER IT SHOULD BE NOTED THAT OF THE TOTALITY OF CALLS BETWEEN DESOTO AND KANSAS CITY, 40% ARE INCOMING FROM KANSAS CITY. THIRDLY I CONTEND IT WOULD BE GOOD FOR METRO AREA BUSINESSES AS NEARBY RURAL RESIDENTS WOULD INCREASE THEIR "SHOPPING BY PHONE".

FOURTH, AND PERHAPS MOST IMPORTANTLY, RURAL TELEPHONE EXCHANGES HAVE BEEN SUBSIDIZING METRO EXCHANGES FOR YEARS. IT IS FAIR THAT THERE BE SOME RECIPROCITY.

LET ME EXPLAIN. ATTACHMENT B SHOWS TWO EXAMPLES OF LOCAL METROPOLITAN CALLING AREAS: KANSAS CITY AND WICHITA. THESE ARE KNOWN AS WIDE AREA SERVICE PLANS, OR WASPS. THEY ARE COMPRIZED OF A CORE WITH SURROUNDING TIERS, ROUGHLY CONCENTRIC CIRCLES. THE CORE FORMS THE ORIGINAL EXCHANGE, AND GROUPS OF FORMER EXCHANGES MAKE UP THE SURROUNDING TIERS. THE KANSAS CITY WASP HAS 24 LOCAL EXCHANGES, WICHITA'S HAS 15. THESE WERE ADDED BETWEEN THE 1930'S AND 70'S AS THE METRO AREAS BECAME BROADER LOCAL COMMUNITIES. THIS PATTERN, OF COURSE, HAS CONTINUED WITH SUBURBAN AND NEARBY RURAL COMMUNITIES BECOMING EVER MORE ACTIVE WITH METRO AREAS, BUT THE EXTENTION OF TELEPHONE SERVICES HAS STOPPED.

HISTORICALLY, AS INTERACTION BETWEEN THE OUTLYING METRO AREAS AND THE CITY CORE INCREASED, THE FIRST TIER OF EXCHANGES SURROUNDING A CITY WERE ADDED TO THE LOCAL CALLING AREA. IN KANSAS CITY TIER I COSTS AN ADDITIONAL 45¢ PER MONTH OVER THE CENTER ZONE. IN WICHITA TIER I PAYS NO ADDITIONAL MONTHLY CHARGE. ONCE AGAIN IN THE 1950'S AND 60'S THE OUTLYING AREAS WERE BROUGHT INTO THE LOCAL CALLING AREAS BY FORMING ANOTHER TIER. TIER II IN KANSAS CITY IS AN EXTRA 95¢ PER MONTH OVER THE CENTER ZONE, IN WICHITA IT'S 80¢ A MONTH.

IMAGINE THE AMOUNT OF LONG DISTANCE TOLL REVENUES LOST WHEN ALL PREVIOUSLY LONG-DISTANCE CALLS BETWEEN TIERS I, II, AND THE CENTRAL ZONE BECAME TOLL FREE IN METRO AREAS. THE VERY LOW MONTHLY CHARGE ASSESSED SURROUNDING TIERS WAS NOT SUFFICIENT TO MAKE UP FOR THESE LOST REVENUES, SO IT WAS MADE UP BY SPREADING IT OUTSIDE OF THE METRO AREAS. CONSEQUENTLY RURAL PHONE CUSTOMERS HAVE SUBSIDIZED METRO WASP'S FOR YEARS.

HB 3022, HOWEVER, IS DESIGNED SO THAT THE MONTHLY CHARGE TO EAS SUBSCRIBERS, WHILE REMAINING REASONABLE AND AFFORDABLE, WILL COVER THE LOST TOLL REVENUES. THIS WILL BE ACCOMPLISHED BY THE LARGE NUMBER OF CUSTOMERS EXPECTED TO SUBSCRIBE TO THE OPTIONAL EAS. IN THE BASEHOR EXCHANGE, WHERE EAS HAS BEEN AVAILABLE FOR YEARS, 95% OF THE RESIDENTS SUBSCRIBE TO THIS OPTIONAL SERVICE.

IN MISSOURI, WHEN A SIMILAR SYSTEM WAS BEING PROPOSED, THE PHONE COMPANIES CLAIMED THEY WOULD LOOSE MONEY BECAUSE ONLY A SMALL PERCENTAGE OF THE CUSTOMERS WOULD SUBSCRIBE TO OPTIONAL, TWO-WAY EAS. IN ACTUALITY IN THE FIRST YEAR OF IMPLEMENTATION 65% OF THE CUSTOMERS SUBSCRIBED TO THE SERVICE. IT IS ALSO WORTHY TO NOTE THAT LOCAL RATES DID NOT GO UP ANYWHERE IN THE BELL SYSTEM IN MISSOURI WHEN THIS WAS IMPLEMENTED. THEY WENT UP 85¢ A MONTH IN ONE UNITED PHONE SERVICE AREA AND I UNDERSTAND THIS IS NOW BEING REFUNDED. ALL THE PHONE COMPANIES CLAIMS INDEED WERE RED HERRINGS.

IN CLOSING I WISH TO CITE KSA 66-1, 89 WHICH STATES, "EVERY UNJUST OR UNREASONABLY DISCRIMINATORY OR UNDULY PREFERENTIAL RULE, REGULATION, OR CLASSIFICATION, RATE, JOINT RATE, TOLL CHARGE OR EXACTION IS PROHIBITED, UNLAWFUL AND VOID". I SUBMIT TO YOU THAT RURAL TELEPHONE CUSTOMERS, WITH THE CESSATION OF EAS DUE TO THE KCC MORATORIUM, ARE INDEED DISCRIMINATED AGAINST AND CHARGED UNREASONABLE TOLL CHARGES IN VIOLATION OF THIS LAW.

IT MAY BE DIFFICULT FOR URBAN RESIDENTS TO APPRECIATE WHAT AN INFRINGEMENT THE LACK OF TOLL FREE TELEPHONE SERVICE HAS UPON THE QUALITY OF LIFE OF RURAL RESIDENTS, BUT IT IS SUBSTANTIAL. THIS WAS WELL DESCRIBED IN THE MISSOURI PUBLIC SERVICE COMMISSIONS MARCH 3, 1987 REPORT WHICH STATED:

9-4

GENERALLY THE PRESENT EXCHANGE BOUNDARIES WERE ESTABLISHED IN THE EARLY 1900's. SINCE THEN A REVOLUTION IN TRANSPORTATION HAS OCCURRED WITH THE REPLACEMENT OF THE HORSE AND BUGGY BY THE AUTOMOBILE. THIS CHANGE EXPANDED THE AREA IN WHICH PEOPLE, INCLUDING TELEPHONE CUSTOMERS, LIVE, WORK, PURCHASE GOODS AND SERVICES, ATTEND SCHOOL AND CHURCH, RECEIVE MEDICAL CARE AND PERFORM OTHER NORMAL DAILY FUNCTIONS. MERCHANTS HAVE CONSOLIDATED INTO MALLS AND SUPERMARKETS; PHYSICIANS HAVE CONSOLIDATED INTO CLINICS AND DOCTORS PARKS; THE NEIGHBORHOOD SCHOOLHOUSE HAS BECOME A CONSOLIDATED SCHOOL DISTRICT; AND LARGE FACTORIES DRAW EMPLOYEES COMMUTING FROM MILES AWAY. BECAUSE OF THESE CHANGES THERE ARE SOME COMMUNITIES WHICH STRETCH OVER SEVERAL TELEPHONE EXCHANGES SO THAT CUSTOMERS ARE FORCED TO MAKE TOLL CALLS TO TALK TO THEIR PLACE OF WORK, THEIR CHURCH, THEIR CHILDREN'S SCHOOL, THEIR MEDICAL PROVIDERS AND THE MERCHANTS FROM WHOM THEY PURCHASE GOODS AND SERVICES. IN THE COURSE OF THEIR NORMAL DAILY LIVES, THESE PEOPLE ARE FORCED TO MAKE TOLL CALLS, NOT AS A MATTER OF DISCRETION BUT AS AN UNAVOIDABLE EXPENSE. THE COMMISSION BELIEVES THAT THIS SITUATION ILLUSTRATES THE UNIQUE NATURE OF THE CALLING IN QUESTION AND THE UNREASONABLENESS OF CHARGING TOLL RATES FOR IT.

I URGE YOUR SUPPORT OF HB 3022 TO STOP THE UNJUST DISCRIMINATIONS OF RURAL PHONE CUSTOMERS.

EXTENDED AREA SERVICE (EAS) REQUESTS FROZEN UNDER
KCC MORATORIUM (1982-1988) AND THEIR DISPOSITION
IN DOCKET NO. 127,140-U (PHASE V)(10/27/88) AS TO
QUALIFYING FOR COMMUNITY CALLING SERVICE (CCS)

Qualifying for Community
Calling Service (CCS)

Andale to Wichita
Baldwin to Lawrence
Belle Plaine to Wichita
Bucyrus to Kansas City, KS
Cheney to Wichita
Clearwater to Wichita
Delia to Topeka
DeSoto to Kansas City, KS
Douglass to Wichita
Edgerton to Kansas City, KS
Garden Plain to Wichita
Gardner to Kansas City, KS
Hillsdale to Kansas City, KS
Hoyt to Topeka
Leon to Wichita
Linwood to Kansas City, KS
Mayetta to Topeka
Meriden to Topeka
Mount Hope to Wichita
Partridge to Hutchinson
Reading to Emporia
Rossville to Topeka
Spring Hill to Kansas City, KS
Towanda to Wichita

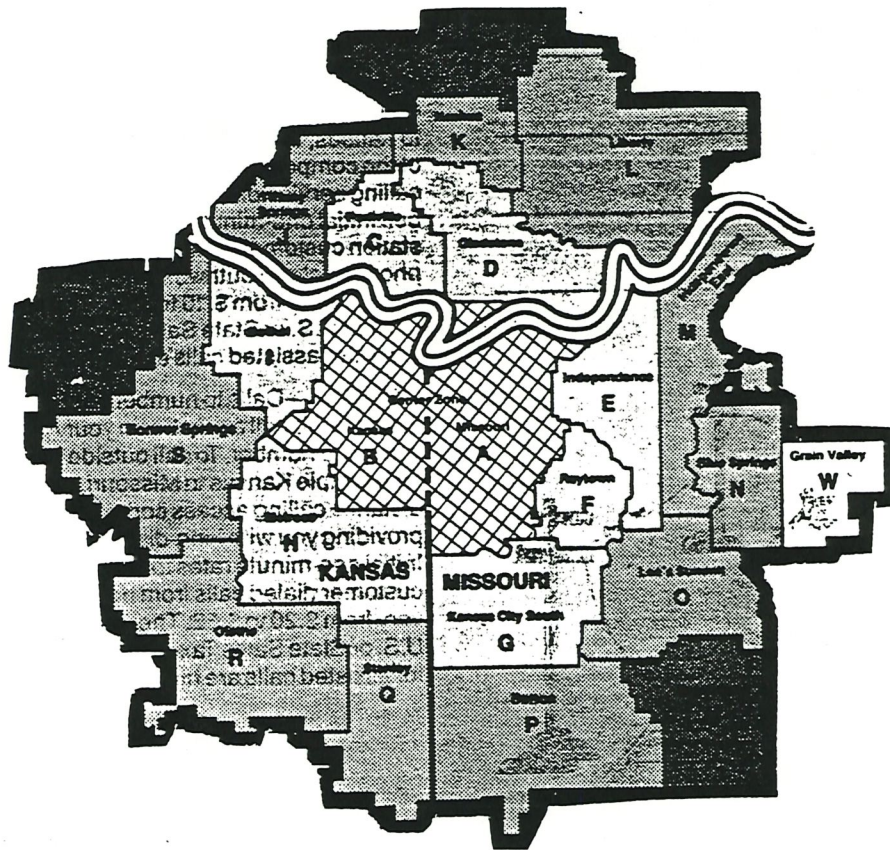
Not Qualifying for Community
Calling Service (CCS)

Anthony to Attica
Anthony to Harper
Attica to Anthony
Attica to Harper
Baldwin to Eudora
Baldwin to Wellsville
Blue Rapids to Marysville
Bucyrus to Louisburg
Buhler to Hutchinson
Burrton to Hutchinson
Centropolis to Williamsburg
Cherryvale to Coffeerville
Cherryvale to Independence
Cherryvale to Mound Valley
Cherryvale to Altamont
Cherryvale to Thayer
Denison to Topeka
El Dorado to Wichita
Fort Riley to Manhattan
Harper to Attica
Harper to Anthony
Haven to Hutchinson
Holton to Topeka
Humboldt to Chanute
Humboldt to Iola
Junction City to Manhattan
Lawrence to Topeka
Louisburg to Kansas City, KS
Manhattan to Junction City
Marysville to Blue Rapids
Marysville to Waterville
Nickerson to Hutchinson
Oskaloosa to Lawrence
Oskaloosa to Valley Falls
Ozawkie to Topeka
Perry to Topeka
Saffordville to Emporia
Saffordville to Cottonwood Falls
Thayer to Cherryvale
Tonganoxie to Kansas City, KS
Waterville to Marysville
Wellsville to Baldwin
Williamsburg to Ottawa
Williamsburg to Centropolis

Total Requested EAS Routes	-	68
Total Routes Qualifying for CCS	-	24
Total Routes <u>Not</u> Qualifying for CCS	-	44

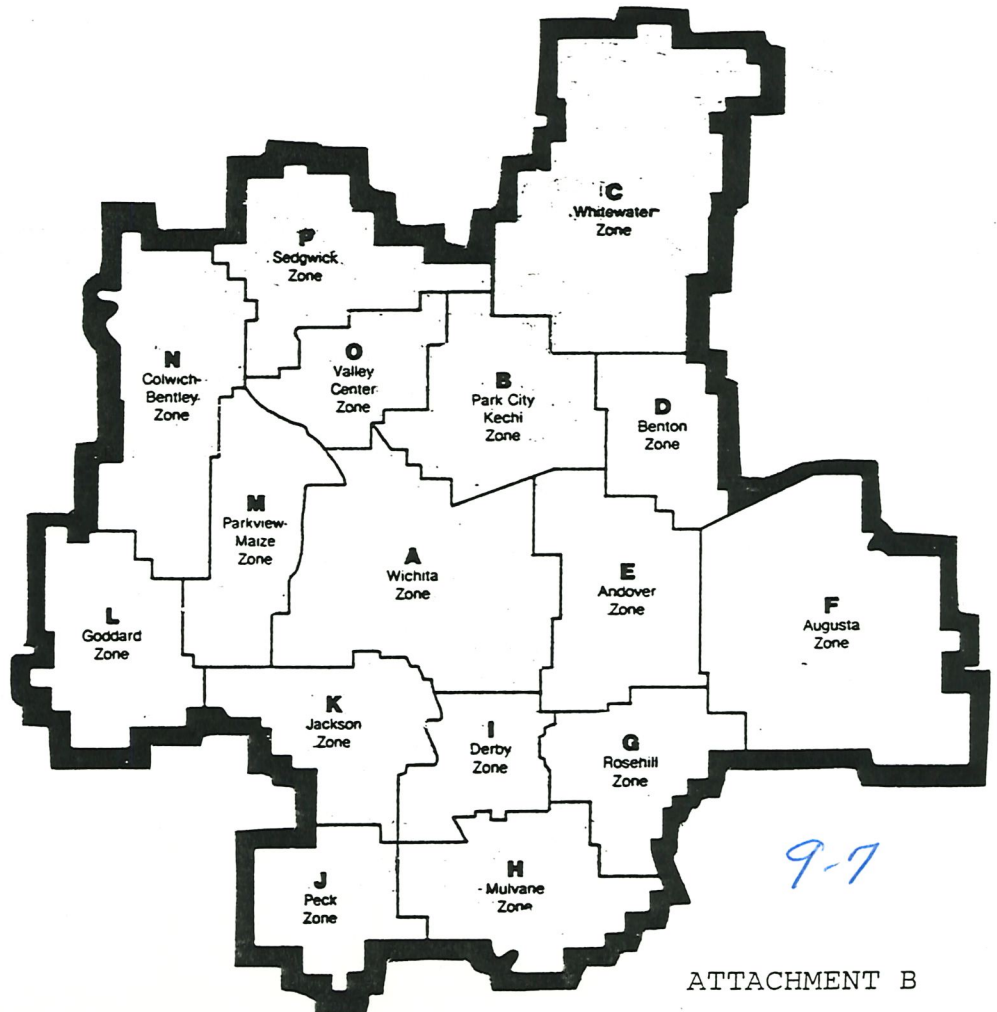
9-6

Local Calling



**Kansas City
Metropolitan
Area**

**Wichita
Metropolitan
Area**



9-7

DENMARK

Wilson Telephone Company, Inc.

All Telephone Numbers with a 277 Prefix are in the Denmark Exchange.

A

Andersen Troy & Trent
RFD 1 Box 58 Sylvan Grove.277-3335
Anderson Camille
RFD 1 Sylvan Grove.277-3655
Anderson Stanley
RFD 1 Box 113 Lincoln277-3695

C

Cheney Harold - Farm Sylvan Grove.526-7739
Cheney Harold - Res
RFD 1 Box 37 Sylvan Grove.277-3192
Cheney Mike RFD 1 Box 60 Lincoln.277-3755
Crawford Herman
RFD 1 Box 66 Lincoln.277-3142
Crawford Stan & Connie
RFD 1 Box 44 Lincoln.277-3825

D

Duus Arnold RFD 1 Lincoln277-3262

E

ERHARDT FURNITURE & APPLIANCE
212 N Douglas Ellsworth.472-4121
Errebo Mitchell RFD 1 Lincoln.277-3575
Errebo Richard RFD 1 Sylvan Grove.277-3602
Errebo Scott & Carly
RFD 1 Box 36 Sylvan Grove.277-3181
Errebo Steven
RFD 1 Box 36 Sylvan Grove.277-3763

F

FARMWAY CO-OP INC-ELEVATOR
RFD 1 Lincoln.277-3345

Feldkamp Kevin
RFD 1 Box 43 Lincoln.277-3855

FIRE DEPT
(Fire Only) Denmark3555

H

Heller E.W
RFD 1 Box 60 Sylvan Grove.277-3743

J

Jensen Kelth RFD 1 Box 115 Lincoln277-3722
Jensen Kenneth
RFD 1 Box 117 Lincoln277-3133
Jorgensen John R
RFD 1 Box 112 Lincoln277-3622

K

Karstensen W H
RFD 1 Box 46 Lincoln.277-3255

L

Larsen Lowell L RFD 1 Box 52 Lincoln277-3565
LaShell Bruce RFD 1 Box 49 Lincoln.277-3235
Lessor Clarence Mrs
RFD 1 Box 57 Lincoln.277-3632
Lewis Victor M
HCR 61 Box 27A Hunter277-3840

M

Meyer Tracy RFD 1 Box 50 Lincoln277-3640

N

Nelson B J RFD 1 Box 55 Lincoln277-3515
Nelson C K RFD 1 Lincoln277-3101
Nelson Jay RFD 1 Box 59 Lincoln277-3611
Nelson M Arthur RFD 1 Box 62 Lincoln.277-3663
Nelson Ronald RFD 1 Box 58 Lincoln.277-3160
Nielsen Merrill
RFD 1 Box 40 Sylvan Grove.277-3424
Nielsen Paul L
RFD 1 Box 39 Sylvan Grove.277-3775

P

Peterson Kenneth
RFD 1 Box 59 Sylvan Grove.277-3711
Peterson Lance
RFD 1 PO Box 59 Sylvan Grove.277-3245
Peterson Richard
.....277-3225

R

REPAIR SERVICE- TELEPHONE- WILSON
Direct Dial
No Charge.1-800-432-7607

Ruby Russ RFD 1 Box 63 Lincoln277-3835

S

Schroeder Lloyd RFD 1 Lincoln.277-3733
Sheldon Wally HCR 61 Box 27 Hunter.277-3311
Sippel Lonnie RFD 1 Lincoln277-3472
SOCIAL SECURITY ADMINISTRATION
1813 S Ohio Salina
Toll Free Dial 1 & Then800-234-5772
Sorensen A L RFD 1 Box 56 Lincoln277-3291
Sorensen Gary
RFD 1 Box 53 Sylvan Grove.277-3795
Spear Larry RFD 1 Box 119 Lincoln277-3122
Spillman Creek Lodge
RFD 1 Box 40 Sylvan Grove.277-3461

Exchange Identification
Denmark277

U

U S Government
**HEALTH AND HUMAN SERVICES
DEPARTMENT OF SOCIAL
SECURITY ADMINISTRATION**
1813 S Ohio Salina
Toll Free Dial 1 & Then800-234-5772

W

Wilbeck John R
RFD 1 Box 114 Lincoln277-3673
Wilbeck Reta Mrs
RFD 1 Box 116 Lincoln277-3171

WILSON TELEPHONE CO INC Wilson
Direct Dial-No
Charge.1-800-432-7607

DENMARK

Testimony by Frances Jones
Route 2, Box 124
Reading, Ks. 66868
(316) 699-3496
March 3, 1992

To Members of the Energy and Natural Resources Committee.

My name is Frances Jones, a lifetime resident of the Reading community, Faculty Emeritus of Emporia State University, former county superintendent of schools, and teacher. The comments I am making apply particularly to the situation at Reading but the residents of Hartford asked that they be included.

I appreciate appearing before you and urge you to support House Bill 3022. The residents of the Reading and Hartford communities are desirous of joining the Emporia telephone system, all are a part of Southwestern Bell. Representatives of each community are in the room. These include city officials, township board members, school administrators, and other patrons of Southwestern Bell Telephone.

Individuals of both communities have approached Southwestern Bell many times asking to be a part of the Emporia exchange. Beginning August 21, 1988, people in the Reading area made concerted efforts such as petitions and special meetings with Bell officials, with Kansas Corporation Commission and working with Bill Riggins, of Citizens Utility Ratepayers Board (CURB). We are often referred to a policy of Southwestern Bell issued in the fall of 1988 which indicates that Bell was freezing boundary lines to stay as they were. This was issued several months after our first formal request.

Our reasons for asking to be a part of the Emporia Southwestern Bell exchange are varied. Reading and Hartford, each about 20 miles from Emporia, are a part of the Emporia trade area. Emporia is our county seat. Our doctors, dentists, hospital, lawyers are located in Emporia. It also is the center of many of our social and cultural activities. A majority of our working residents are employed in Emporia. We feel like we are a part of Emporia and Emporia is certainly interested in our business.

Extended area service was offered to us after the fiber optic cable was installed about two years ago. Since then we can sign up for extended area service - we pay \$4 a month for the first 60 minutes composite and then \$.06 a minute for

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each additional minute. Another option is available at \$25 a month. This service was an improvement financially but is not helpful to those who need an itemized list of calls they have made or for those who don't call Emporia often. However, the real kicker is when one is in Emporia and needs to call their home in either Reading or Hartford. This could be for various reasons, such as "I'll be late," or "I'm having car trouble," checking on weather conditions etc. Their calls are from \$1.35 to \$2.00, whether they use a pay telephone, collect calls or credit cards. These costs are prohibitive for working people and are vital for family communication.

Attached is a log of our contacts with Southwestern Bell, with Kansas Corporation Commission, and with CURB. We have had frequent communication and some guidance. A representative of Southwestern Bell stated that if we were a part of Emporia all rates would be increased but Emporia customers would have to vote whether they would pay more for us to join Emporia. These seemed ludicrous to us and I'm sure no metropolitan area has been asked to vote on other areas joining them -- such as Auburn, Pauline and Berryton being a part of Topeka.

The base rate for my service is less than \$15.00 per month. I can call about 160 telephone numbers or about 450 persons on our exchange. Emporia patrons pay the same or less and they can call 30,000 persons. A Southwestern Bell engineer told me that all calls within the Reading exchange go through the telephone building in Emporia with the fiber optic cable. This engineer said the expense to Southwestern Bell would be merely adding software to the Reading and Emporia buildings. This is another reason why the cost would not be prohibitive for Southwestern Bell to allow us to join.

We think we have pursued every avenue open to us to achieve our goals. This legislation would provide the vehicle for small communities such as Reading and Hartford to meet the needs of their community members. This legislation would help the small communities in dealing with a monopoly. Hopefully, this would lead to an incorporation of the 911 system to Reading and Hartford exchanges.

Again, thank you for listening and any of us would be pleased to answer any questions.

CHRONOLOGY OF EVENTS

- Aug. 1987 - First formal request for information from KCC
- Meetings with regard to telephone service
- July 31, 1988 - Reading City Council met with Southwestern Bell
- Aug. 21, 1988 - Letter to Southwestern Bell with names of 30 persons wanting to join Emporia exchange
- Aug. 4, 1989 - Letter to Kansas Corporation Commission requesting assistance
- Nov. 7, 1989 - Attended and spoke at KCC hearing in Topeka
- Dec. 5, 1989 - Public meeting with CURB, Southwestern Bell and legislators - about 100 present
- March 1990 - CURB began meetings with telephone company
- Spring 1990 - Petitions signed by almost 100% of patrons of Reading (all who were contacted)
- Aug. 1990 - Meeting in Topeka with Southwestern Bell attorneys, and CURB, and KCC
- Feb. 28, 1991 - Met with CURB in Reading, open meeting, two from Hartford attended
- Mar. 4, 1991 - CURB and Southwestern Bell attorney began to negotiate.

This chronology does not include the many one to one contacts made by Reading and Hartford persons.

TESTIMONY OF MARVIN H. SCHULTEIS
SOUTHWESTERN BELL TELEPHONE COMPANY
KANSAS HOUSE BILL No. 3022

My name is Marvin H. Schulteis; and, I am here this afternoon representing Southwestern Bell Telephone Company. I have been with Southwestern Bell for nearly twenty-six years in many areas of the business. In my earlier years I worked in what is now our Customer Services Department; but, I have spent most of my career in the rate and regulatory end of the business. I have held various rate and regulatory-related assignments including jobs with AT&T in New York prior to divestiture, then at Southwestern Bell's general headquarters in St. Louis, and now, since 1982, on my present position as Division Manager-Industry Relations and Rate Administration in Kansas. As part of my job, I am responsible for all rate and tariff matters affecting the Company and its customers in Kansas including the matters which are here before you today in this legislation. I am responsible for the design and administration of all of Southwestern Bell's rate and tariff structure; and, I am the Company's spokesman on these matters in hearings before the Kansas Corporation Commission.

The issue involved in this legislation is EAS--Extended Area Service--and how to pay for the expansion of EAS routes in Kansas. EAS, as commonly understood by our customers, is the extension of the local calling scope of a defined group of customers. That is, calls made from these customers to persons in other exchanges which were long distance calls, become local calls in an EAS arrangement which expands the local calling scope.

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Please permit an early observation by someone who has been acquainted with this issue for most of his career--an observation which is helpful to keep in mind. The central issue before you today--i.e., the size of the local calling scope--has always been present with the telephone industry and its customers and always will be. You can't legislate or regulate this issue away. Anytime a demarcation line is drawn and certain conditions or criteria are developed which allow certain ratepayers to enjoy local calling--usually on a flat-rate, inexpensive basis--while other ratepayers must pay usage-based long distance charges, there is created an economic incentive to move the demarcation line and/or change the rules to benefit those customers who wish to be included in the local calling scope.

So, over time, the line between local and long distance inevitably gets moved, the criteria for inclusion into the local calling scope are changed, and the group of customers which sought to make the changes is now placated. But, just as soon as this happens, there is now created a new group of non-included long distance ratepayers who see the new demarcation line only a short distance from them and seek to move the line yet again so that they may be included in the local calling scope. This process is continual; it has been an economic fact of life in our industry since the Bell Companies first began to offer long distance service a century ago and a line was drawn between what was a local call and what was a long distance call.

I am sure the members of this Committee know and understand that the rate structures for local and long distance calling which are in place today reflect a long evolutionary process through years of regulatory interaction between the Kansas Corporation Commission and the thirty-eight (38)

telephone companies in Kansas. The parameters and rules defining who pays local rates and who pays long distance rates didn't just happen by accident. These lines of demarcation and definition are rooted in the growth of the telecommunications industry in Kansas, the development of telephone company networks and attendant technology, the growth of the various communities in the state, and, of course, regulatory decisions made by the Kansas Corporation Commission (KCC) over many years.

The Kansas Commission has addressed these matters in some considerable detail during the last several years. Beginning in 1986, the Commission created an Industry Task Force representing all telephone companies in the state, conducted public and technical hearings across the state to gather evidence from consumers, and along with the companies, devoted two years of research and hard work to develop Optional Community Calling Service (OCCS). The Commission approved OCCS in 1988; it has been well received by Kansas communities because it strikes a reasonable balance between the interests of Kansas telephone consumers and the telephone companies. OCCS is currently providing savings of fifty to eighty percent (50 to 80%) over regular long distance rates for those communities which have demonstrated a local community of interest. Since its inception, thirty-two (32) communities across the state have qualified for OCCS and there are currently about 12,000 customers subscribing to the plan.

This legislation, then, would inject itself into this process and seem to usurp the established jurisdiction of the Corporation Commission. Whether or not this is a wise course of action is a decision to be made by this Committee and the legislature. In my opinion, all the many ramifications of capital investment and revenue recovery surrounding the

creation of new EAS routes is primarily a function of ratemaking which is best determined within the expertise and resources of the Commission.

I am appearing today as an opponent of House Bill 3022 for the following reasons. In the first place, the legislation does not address a major problem which Southwestern Bell would have with Sections 9. and 13. because of its commitments under TeleKansas. TeleKansas is the regulatory plan which forms the basis for Southwestern Bell's current operating and ratemaking environment in Kansas. It is the result of the Corporation Commission's Order of February 2, 1990, which embodies many ratemaking and regulatory agreements between Southwestern Bell and the KCC. Under TeleKansas, Southwestern Bell has agreed to freeze its local service rates at their current levels until the end of the TeleKansas period, i.e., March 1, 1995. For Southwestern Bell to be able to utilize the surcharges envisioned by Section 9. and the rate increases contemplated by Section 13., this legislation would need to specifically exempt Southwestern Bell from the constraints of TeleKansas for purposes of the rate changes embodied in this bill.

Secondly, the bill as currently constructed would lead to economic inefficiency and the use of arbitrary formulas and rules to create EAS arrangements of little or no interest to consumers. It also would impose many network costs which could not be recovered by the telephone companies and would lead to disparate and unfair rate treatment as between customer groups. I have detailed these problems and shortcomings in the Attachment to this testimony.

House Bill 3022 (Section 15.) creates a revenue/expense pool among the state's telephone companies called the "Expanded Calling Scope Fund". Please permit a word of caution to members of the Committee about industry pooling. Pools rarely, by their nature, can be fair among companies and their ratepaying customers. It's always a case of some companies (and their ratepayers) generating revenue to subsidize other companies and their ratepayers. Southwestern Bell participated in a long distance settlements pool with the other thirty-seven (37) telephone companies in Kansas until the Commission disbanded pooling at the end of 1988. We believe the KCC was wise in that decision. The pool continually invited conflict and confrontation within the industry diverting the valuable time and resources of the companies and the Commission to conflict resolution. In short, pools are not good public policy arrangements.

Thank you for your kind and considerate attention to these remarks. I hope I have addressed the issues which are of interest to the members of this Committee.

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ATTACHMENT TO
TESTIMONY OF MARVIN H. SCHULTEIS
SOUTHWESTERN BELL TELEPHONE COMPANY
KANSAS HOUSE BILL No. 3022

This Attachment contains a commentary on the following shortcomings and complications in HB3022:

- (1) Section 4. of this legislation creates a nonoptional EAS route "Between two or more rural exchanges, which on the effective date of this act had nonoptional extended area service with a common rural exchange or a common zone of a metropolitan exchange, but not with each other...".

Whereas most of the provisions of this bill address EAS situations deriving from real customer demand and community of interest, this particular provision of Section 4. provides EAS on routes where customers have probably not expressed any interest nor is there necessarily any community of interest. EAS routes should be based on demonstrated community of interest initiatives by customers rather than arbitrary formulas like the one found in Section 4.

- (2) Section 8. provides for tying a string of exchanges together by various EAS arrangements where a customer at the end of the string of exchanges in Kansas could conceivably end up with local calling to persons at the other end of a long string of exchanges over in Missouri. This is probably not only somewhat impractical and with

dubious community of interest ties, but it also deprives the telephone companies and the various interexchange carriers of interstate long distance revenues.

Additionally, when Kansas exchanges are added to a local calling scope which extends far into Missouri, this requires considerable network reconfiguration costs in Missouri to handle the increased local calling from Kansas. It seems to me that the Kansas legislature should be reluctant to attempt to impose costs upon telephone companies in Missouri or any other state. My suggestion would be to address the "string of exchanges" plan described in Section 8. and considerably shorten the chain. Besides, not many customers, except those with very narrow special interests, would even notice the change.

- (3) There appears to be no provision in the bill to recover the network costs of adding new second tier metro zones or the provisioning of new nonoptional EAS routes. The bill only addresses network cost recovery for optional EAS. Network costs could be just as high for these other network changes contemplated by this bill and provision should be made to recover their costs.
- (4) The provisions of Section 12. appear to apply only to nonoptional EAS; these provisions should also apply to optional EAS. The classification of exchanges for rate group purposes should be consistent with current and historical ratemaking practices in Kansas. This means the total number of access lines which can be reached by making a local call should be included regardless of whether the EAS

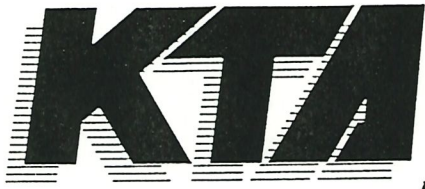
is optional or nonoptional. To do otherwise would cause some strange and unfair local rates to result.

- (5) The bill's language should clarify that the first sentence of Section 12. does not exclude nonoptional EAS routes from the provisions of Sections 13. and 14. By far, the lion's share of new EAS routes created by H. B. 3022 are nonoptional. Should some interpretation be made later that, because of Section 12., nonoptional EAS routes are not to be included in the provision of Section 13. and 14., then the intent of this legislation to keep the telephone companies in a "revenue neutral" situation would be defeated. Under such an interpretation, one-hundred percent (100%) of the long distance revenues generated on these nonoptional routes would be lost by the telephone companies.

- (6) If the pool--i.e., the "expanded calling scope fund"--contemplated by Section 14. remains in this legislation, then the prerequisite local service increases prescribed in Section 13. should be changed in the name of fairness.

As currently written, metropolitan exchange customers (i.e., Southwestern Bell customers) could pay as high as \$5.00 in local service increases to subsidize the new EAS routes. On the other hand, rural exchange customers (some Bell customers, but mostly independent company customers) would pay no higher than an average increase of \$3.90. Thus, the current formula in Section 13. is doubly unfair. In the first place, it could cause some customers to pay more than other customers in this subsidy mechanism. Secondly, the rural customers

will receive the lion's share of the benefit--they are the group of customers seeking expanded local calling scopes; and yet, under the current provisions, these customers could pay less than metropolitan exchange customers who would receive little or no benefit at all.



Legislative Testimony

Kansas Telecommunications Association, 700 S.W. Jackson St., Suite 704, Topeka, KS 66603-3731

Testimony before the House Committee on Energy & Natural Resources

HB 3022

March 3, 1992

Mr. Chairman, members of the committee, I am Rob Hodges, President of the Kansas Telecommunications Association. Our membership is made up of telephone companies, long distance companies, and firms and individuals who provide service to and support for the telecommunications industry in Kansas.

At a KTA Board of Directors' meeting last week, opposition to HB 3022 was unanimous. From our largest local exchange carriers to our interexchange carriers to our smallest family-owned companies, KTA members are opposed to the provisions of this bill.

Earlier this week, I spoke informally with one of the cosponsors of this bill. I was asked if the KTA was going to oppose the bill. I indicated that we would. I was asked why the telephone companies oppose a minimal statewide increase in local telephone bills to provide customers with wider calling areas. Ladies and gentlemen, if KTA members believed that HB 3022 would result in only a minimal increase per month in our customers' local telephone bills, I don't think we would be appearing in opposition here today. The fact of the matter is that KTA members are concerned that the increases will be far more than "minimal."

You have heard, or will hear today, from KTA member companies about their specific objections to HB 3022. To bring you his input on behalf of the small company members of the KTA, it's my pleasure to introduce Larry Cheeseman of Tallon, Cheeseman and Associates in Colorado Springs, Colorado. Mr. Cheeseman's firm serves as a consultant to several of the telephone companies in Kansas and he brings his experience in other states to the discussion of HB 3022.

Mr. Cheeseman appears at the request of his clients in Kansas. Rather than bring several people before you today with similar testimony, the KTA Board of Directors asked that Mr. Cheeseman speak on behalf of the entire KTA small-company membership here today.

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TESTIMONY OF LARRY CHEESEMAN
BEFORE THE KANSAS HOUSE COMMITTEE ON NATURAL RESOURCES
HOUSE BILL NO. 3022
MARCH 3, 1992

Good afternoon. Mr. Chairman, members of the committee, I am Larry Cheeseman, Vice President of Tallon, Cheeseman and Associates, Telecommunications Consultants. Our firm provides financial consulting services to Southern Kansas Telephone Company, Inc. headquartered in Clearwater, Kansas and eleven other independent telephone companies located across the State of Kansas.

Our firm represents these Kansas telephone companies and approximately thirty other telephone companies in various regulatory matters before the Federal Communications Commission, The Kansas Corporation Commission and the regulatory Commissions of several other surrounding states. In the past, we have testified before other State Legislators in various matters concerning the welfare of the local telephone ratepayer.

We have these general comments to make regarding the provisions of House Bill No. 3022.

REGULATORY RESPONSIBILITY

The regulation of the Kansas telecommunications industry involves a complex interplay between Federal and State jurisdictions. Both the Federal and State Legislatures have established regulatory bodies with the expertise and capability of providing the regulations required to protect the consumer and the telephone companies.

The Kansas Legislature has delegated some of its powers over the telecommunications industry to the Kansas Corporation Commission (KCC). The purpose of the KCC is to achieve a regulatory environment which

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provides Kansas utility ratepayer with reliable utility services on just and reliable terms at affordable prices while at the same time assuring that Kansas telephone utility owners receive a reasonable return on their investments.

In an issue this complex, it would be in the best interest of the Legislature, the public and the telephone industry to have the KCC examine all the issues pertaining to telecommunications policy before jumping headlong into a situation that might only benefit a very few.

PRICING OF TELECOMMUNICATIONS SERVICES

The telephone industry pricing issues are some of the most complex issues facing regulators today. Generally speaking, price setting is done in a way which benefits the most people. On paper the idea of providing flat-rate pricing for calling between two or more communities of interest sounds great, but the impacts are far-reaching and varied for Kansas customers and the Kansas telecommunications infrastructure.

The type of flat rate calling proposed by House Bill No. 3022 will benefit some customers while at the same time it will contribute to increased costs, local rate instability and customer dissatisfaction. For example, additional equipment will be necessary to handle the additional calling. The number and duration of calls will increase when what was a toll call becomes what some people perceive as a free call. This stimulation in turn creates the need for increased facilities.

In addition, the telephone company's percentage of revenue from toll calling will reduce as local calling increases. Local rates will spiral

upward because of this lost toll usage and revenue. Another concern is that House Bill 3022 ignores the differences in cost of providing service between small and large telephone companies. It is obvious that the customers of certain companies based on their geographic location will be affected to a greater degree than others.

Customers of a small company, such as Southern Kansas Telephone Company, Inc. serving approximately 3,900 customers in fifteen communities located just south and east of Wichita, could be adversely affected compared to Southwestern Bell who serves approximately 1,000,000 customers in Kansas. Southern Kansas Telephone Company, Inc. along with the other thirty two small rural Kansas independent telephone companies operate as efficiently as possible in order to keep local telephone rates reasonable. The absence of complete and quantified financial data in House Bill 3022 showing the individual impact on each Kansas telephone ratepayer leaves them with a large number of unanswered questions.

The proposal in Section 7 of House Bill 3022 outlines the criteria that conclusively establishes a community of interest calling area. How were the rules developed and can we be certain that they are equitable to all customers?

Another question is whether House Bill 3022 eliminates future intraLATA toll competition between the toll carriers like Southwestern Bell, AT&T, MCI and Sprint? Is the elimination of competition in the best interest of Kansas customers and does it agree with the policy established in this State?

Section 9 sets forth the surcharge to be added to the monthly charge for local exchange service for optional extended area service. It appears that House Bill 3022 will just lower telephone costs to high volume users and increase cost to the low volume or the regular telephone user. How were these surcharges calculated? Are they fair to the customer?

It is likely that the lack of a surcharge with reciprocity from a terminating exchange will cause customer confusion and promote one way calling? Our experience has proven this to be the case.

The proposed two year initial window for limiting a telephone company from recovering the excess costs in providing optional extended area service may not keep the telephone company financially stable.

Section 10 discusses a quarterly reporting system to determine if surcharges should be reduced. This is based on a percentage of customers subscribing to optional extended area service in an exchange. Again, mandatory cost recovery limitations may not keep the telephone company financially stable.

Sections 14 and 15 outline a "make whole" provision to assure a local exchange company recovers its annual revenue requirement. This will be funded through an expanded calling scope charge on all residential and business access line with extended area service. Has the amount of the calling scope charge been calculated, so customers will have an idea of how much they could be paying? What will the customers' perception of this charge be? Will the charge appear as a line item on the telephone bill? This fund will not be simple to monitor and administrate.

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The neighboring states of Colorado, Oklahoma and Missouri are exploring or have adopted expanded calling areas utilizing a variety of procedures. We have seen monthly revenue requirement shifts from toll to local rates of \$25 per customer in Colorado. We would estimate that the customers of Southern Kansas Telephone Company, Inc. would have a similar revenue requirement shift if House Bill 3022 is passed. Before jumping blindly into a policy, Kansas has the opportunity to learn from these three states' failures and successes.

Southwestern Bell Telephone Company's Optional Community Calling Service (OCCS) being offered today meets specific customer calling needs. The OCCS plan reduces intraLATA toll prices and accommodates many of the ideas presented in House Bill 3022 by offering the customer a block of time at a discounted toll price when calling communities of interest. This OCCS plan does not discriminate against the lower volume user as does the present proposed plan under House Bill 3022.

There are many questions about this complex proposal. It is imperative to the rural ratepayer of the State of Kansas that the impacts of the community of interest extended area service concept proposed by House Bill 3022 be thoroughly studied by the KCC, the public and the telecommunications industry. Mr. Chairman, we encourage the committee to reject House Bill 3022 at this time.

Thank you for your time, I will be happy to try to answer any questions you may have.

**Analysis and Comment
House Bill No. 3022**

These comments are prepared by **Fred Williamson and Associates, Inc. (FW&A)** on behalf of their Kansas telephone company (Companies) clients: **Cunningham Telephone Company, Inc.**, Glen Elder, KS; **H & B Communications, Inc.**, Holyrood, KS; **Moundridge Telephone Company, Inc.**, Moundridge, KS; **Totah Telephone Company, Inc.**, Ochelata, OK; **Twin Valley Telephone Company, Inc.**, Miltonvale, KS; **Wamego Telephone Company, Inc.**, Wamego, KS; and **Wilson Telephone Company, Inc.**, Wilson, KS. FW&A is a telecommunications management consulting firm, formed in 1984, which represents client telephone companies in Kansas, Nebraska and Oklahoma. FW&A provides its clients specialized financial and revenue requirement consulting services, including regulatory and legislative advocacy.

The purpose of these comments is to provide analysis and comments of the potential effects of proposed House Bill No. 3022, and explanation as to why the Companies do not support the approval of this legislation.

The Companies for whom these comments apply are all small rural Kansas local exchange telephone companies, which provide local telephone service and access to toll long distance service. Their sources of revenue are from services provided to their customers. These services include access charges to Interexchange Carriers, such as Southwestern Bell Telephone Company, for any toll calls generated by their local customers. Further, they provide certain billing and

collection functions for the Interexchange Carriers on a compensation basis. Any changes in toll revenues, or toll billing methods, can have a major negative impact upon these Companies, and their ability to continue providing the highest quality service to their customers at reasonable rates. Since local rates are a major revenue source, any lost revenue will cause local rates to increase.

The Companies currently are not aware of widespread customer requests in their service areas for any additional Extended Area Service in either their service territories or to adjacent ones. Current service offerings, including the availability of Optional Toll Calling Plans appear to be satisfactory for the majority of their customers, and provide economical alternatives to long distance toll calling on a compensatory basis. To impose new Extended Area Service Plans without extensive consumer indications of need, and absent any review of alternatives such as additional Optional Plans etc., does not appear to be in the consumers' nor Companies' best long range interest.

Beyond these concerns, the proposed legislation also raises several technical concerns of its construction and content. We offer to work with any of the authors on a direct basis to specifically delineate these and provide a dialogue of our concerns, rather than taking valuable time of the Committee at this occasion. Suffice it to say, however, that a major concern is the proposal of Section 15 for an Expanded Calling Scope Fund within the State Treasury. The Companies believe that any "pooling" of funds, and administration thereof, is a function much better left to the private sector than of state government. While we are not necessarily endorsing such a pooling concept, we believe that the entire scope of such activities are not ones with

which the State is either capable of efficiently providing, nor are we aware of any other state attempting to provide such arrangements elsewhere in the country.

As a further point of comment, the need or establishment of any pool or fund clearly indicates that the Bill's proposed shifting of revenue and its recovery that results from any proposed expanded calling plans will cause shifts of cost recovery from certain customers. This imposes, or removes, consumer economic choices on an arbitrary basis. Current pricing alternatives (toll, Optional Toll Calling Plans, etc.) allow each consumer to choose the method and payment plan of their choice, not one imposed upon them on an exchange basis. As previously stated, the Companies believe these current choices do satisfy the majority of consumer needs, on a compensatory basis to both consumers and service providers.

As a final point of comment, FW&A would like to dispel any parallel that has been suggested between this proposed legislation and conditions of recent regulatory actions in nearby states. Having direct experience in recent Oklahoma Corporation Commission actions relative to expansion of "toll-free" calling zones in the four major Oklahoma metropolitan areas, we believe major differences of consumer perceptions and revenue recovery sources exist there as opposed to Kansas. Chief among these were the continued pooling of toll business between all local exchange telephone companies in Oklahoma, including Southwestern Bell Telephone Company; and also the apparent availability of revenues to subsidize such plans as a result of an ongoing Commission show-cause rate case against Southwestern Bell. This Commission initiated action currently indicates substantial overearnings, and potential ratepayer refunds, are available

which could be utilized to fund the calling scope expansions. However, there will be many customers of small companies in Oklahoma who as a result of the calling plan expansion will receive large increases of their basic monthly service rates, which may offset most, if not all, savings from toll reductions.

Such local service rate increases could be similarly needed in Kansas if this legislation is approved. By and large, customers of smaller rural telephone companies currently pay lower monthly basis service bills than those of the larger urban companies. Provisions of this Bill, and resulting revenue shortfalls created by this Bill would cause pressure, over time, upon the Companies to increase local service rates to maintain the necessary financial viability to continue providing and maintaining existing high quality local exchange service in Kansas.

In summary, we therefore request you do not pass this proposed legislation.

Respectfully submitted:

FRED WILLIAMSON & ASSOCIATES, INC.
2921 E. 91st, Suite 200
Tulsa, OK 74137

Marc A. Stone
Manager - Regulatory/Legislative Affairs

MAS/bls

TESTIMONY OF
DONALD J. EDWARDS
BUSINESS RELATIONS MANAGER
UNITED TELEPHONE COMPANY OF KANSAS

March 3, 1992

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Good afternoon. My name is Don Edwards. I am the Business Relations Manager for United Telephone. The four United companies in Kansas: United Telephone Company of Eastern Kansas, United Telephone Company of Southcentral Kansas, United Telephone Company of Southeast Kansas, and United Telephone Company of Kansas, serve approximately 125,000 access lines.

United Telephone is here today to oppose House Bill 3022. We have a number of reasons for doing so.

First, House Bill 3022 attempts unnecessarily to limit the authority of the Kansas Corporation Commission ("KCC"). The legislature has given the KCC full power to regulate the provision of telecommunications service in Kansas. House Bill 3022 would carve out a portion of that regulatory authority and return it to the legislature. Such a result would be completely at odds with the legislature's very reason for creating the KCC: to regulate telecommunications and other public utilities through an expert agency exercising the power given it by the legislature.

Second, the KCC has addressed many of the issues House Bill 3022 attempts to address. Despite suggestions to the contrary by proponents of House Bill 3022, the KCC's optional calling service program, adopted in October, 1988, has served Kansas well. That program, developed by a telecommunications industry task force under KCC direction and with KCC Staff input, was carefully scrutinized by the KCC before adoption. In addition, United Telephone and Southwestern Bell, in conjunction with the KCC, have developed a plan for adding five Johnson County Kansas exchanges into the Kansas City Metro calling area. This plan, which will soon be voted on by the customers in those exchanges, is another example of the KCC and industry's commitment to addressing EAS issues.

United's third area of concern involves the significant costs associated with implementing House Bill 3022. In United's case, facilities sufficient to serve the numerous new routes that would be required simply do not exist. Those increased costs would need to be recovered, which would put upward pressure on Kansans' local service rates. House Bill 3022 would also cause a shift in

telephone company costs to the local jurisdiction. This cost shift also will put upward pressure on the local rates of all Kansans.

The fourth concern United would like to raise is with the proposed surcharges. The bill proposes an initial surcharge as well as the potential for additional surcharges to allow telephone companies to recover revenue losses associated with implementing expanded calling scopes. United has not analyzed these proposed surcharges, but as all persons familiar with utility ratemaking will attest, ratemaking is a difficult, painstaking process. However, there is nothing in House Bill 3022 that explains how these rates were developed or why they are appropriate. Moreover, House Bill 3022's procedures for adjusting those rates, even if effective, would result in an enormous and unnecessary burden on the KCC.

United's fifth and final concern surrounds the administrative effort required by the telephone companies, the KCC and the state treasurer to bill, collect, remit and ultimately distribute the expanded calling scope charge. We do not believe the proposal provides an efficient process of ensuring telephone companies are fully compensated for the expanded calling services they would be required to provide.

In conclusion, United opposes House Bill 3022. Any suggestion that the KCC has ignored some ill-defined problem in this area is unfounded. The KCC has carefully addressed the issues House Bill 3022 attempts to address. House Bill 3022, far from solving a problem, could lead to higher local service rates for many more Kansans.

Thank you for the opportunity to appear before you this afternoon. I will be happy to try to answer any questions you may have.

TESTIMONY OF

JAMES M. CAPLINGER,
EXECUTIVE MANAGER

STATE INDEPENDENT TELEPHONE ASSOCIATION
OF
KANSAS

House Bill No. 3022

March 3, 1992

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I appear before your Committee on behalf of the State Independent Telephone Association of Kansas, referred to as SITA. SITA is composed of over three-fourths of the independent telephone companies serving the state of Kansas.

As I first viewed House Bill No.3022 it seemed quite familiar. I then looked in our files and found Senate Bill No.374, which was introduced on March 8, 1991. Hearings were held on March 27 and it never came out of the committee.

House Bill No.3022 is identical to Senate Bill No.374, with the exception that it would not only be usurping the Corporation Commission's authority to decide calling scopes, but would also provide for an expanded calling scope fund. The purpose of this fund is where telephone customers' bills increase more than 50% because of the expanded calling scope. This fund is to reimburse the telephone utilities their shortfall in lost revenues.

As each of you well know, anytime you draw a line there will be conflicts. Whether it be boundaries of legislative districts, taxing districts, school districts, cemetery districts, city limits, or whatever, there will be those who want the line moved a little this way or that way.

The same is true of telephone exchange boundaries. At the boundary line there are those who want included or excluded from the exchange.

In the past 33 years I have had the opportunity of serving on the legal staff of the Kansas Corporation Commission for approximately 3 years, and have been representing independent telephone companies for 30 years. In all of those years I have observed and been involved in boundary line disputes. The question of calling scope has always been with us and will continue forever.

Over these years to provide a calling scope beyond the telephone exchange boundary was called "extended area service" or "EAS". The Corporation Commission was presented many situations where because of business interests and/or family relationships customers desired to call an adjoining exchange without having a toll charge.

In those same years I have seen study after study on EAS, and they invariably show that a small percentage of the customers want it. So if there are costs involved in providing the EAS, the vast majority of customers are harmed for the few.

The provision of telecommunications is a very complex business, but very simply, the Kansas Corporation Commission requires the telephone utilities to meet the needs of all members of the public in their local exchange areas and to provide for interexchange service as well. Now in doing that

they make substantial investments in their equipment and systems. They likewise must provide for the operation of their systems. The investments in plant and their operating expenses make up what is termed "rate base".

It is this rate base upon which the Corporation Commission determines their rates. Regardless of any change in the calling scope of a local exchange, the revenue requirement stays constant.

The Kansas Corporation Commission has spent endless hours in recent years to develop an optional calling plan. It provides for a petitionary procedure by local exchange customers and a usage pattern by a majority of those customers to establish the plan.

The Kansas Corporation Commission plan has worked well and has brought about expanded calling scopes when it benefitted the majority of customers.

Senate Bill No.374 was the creation of the efforts of a Missouri attorney who came to Kansas to help communities, for a fee, to spread what he had created in Missouri. It was called Community Optional Service (COS). It required telephone companies to provide COS and add a surcharge to their local rates to offset the cost and lost revenues.

Some Missouri companies were going to have to place a surcharge of \$6.75 on their local rates. This, of course, means that the vast majority of customers pay \$6.75 per month so that a few can enjoy a larger calling scope.

The Missouri COS plan was a failure as protests caused the Missouri Public Service Commission to put the plan on hold.

The Kansas people, years ago, had the legislature create the Kansas Corporation by enacting Chapter 66 of the Kansas Statutes Annotated. It gave the Commission full power, authority and jurisdiction to supervise and control public utilities.

The Commission has a large staff who, on a daily basis, deals with utility regulation. The attempts by a few to try to have the legislature take over rate making from the Commission is, in our opinion, not wise.

House Bill No.3022 not only would replace the Commission's responsibility of determine calling scopes, but would create a great burden of collecting and supervising an Expanded Calling Scope Fund. The fund would be financed by assessments on Kansas telephone customers. The customers would pay the assessment to their telephone company. The telephone companies would pay the assessment to the

Corporation Commission. The Commission would have the responsibility of determining the assessments, and bill and collect them from the telephone companies.

As if that were not enough, the Corporation Commission would pay the assessments to the State Treasurer. The State Treasurer would supervise the fund. The telephone companies would then have the time and expense, as would the Corporation Commission, of proving their shortfalls. The State Treasurer would have to disburse to each telephone company their shortfalls, caused by a legislatively created calling scope.

SITA, in all good conscience, asks that you prevent House Bill No.3022 from becoming a law.



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE-CHAIR: ELECTIONS
MEMBER: JUDICIARY
LOCAL GOVERNMENT
PENSIONS, INVESTMENTS AND
BENEFITS

JUDITH K. MACY
REPRESENTATIVE, FORTY-THIRD DISTRICT
JOHNSON & DOUGLAS COUNTIES
P.O. BOX 572
DESOTO, KANSAS 66018

Testimony Before The House Committee
On Energy and Natural Resources

HB 3022

March 3, 1992

Members of the Committee:

Thank you for allowing me to testify today to express my support for HB 3022.

In the interest of time, I have attached to my testimony comments by the Mayor of DeSoto, delivered before the Senate Committee on Energy and Natural Resources on a similar bill last year dealing with the inequities of the calling system in my hometown of DeSoto, Kansas.

Also attached is a summary of the findings of CERI regarding this community's economic climate and growth potential as related to this problem. As stated in the conclusion "the present telephone system in DeSoto has been a significant factor in the community's inability to keep pace with the rapid population and economic growth of Johnson County".

Again, thank you for your time, and I would ask for your support in addressing this important piece of legislation.


Judith K. Macy

Attachments

3/3/92
House E+NR
Attachment 16

City of DeSoto (2,800 population)

CITY HALL — 33150 W. 83rd. St., P.O. Box C — DeSoto, Kansas 66018

March 22, 1991

I am writing in regards to Southwestern Bell 374 extended area service.

With the passage of this bill, a grave injustice that has been going on in our (my) community for the past 27 years, can be stopped.

DeSoto has been purposely left out of the Kansas City calling area so that Southwestern Bell could generate extra revenues to help subsidize the Kansas City calling area at our expense.

Here are just a few of the basic facts that show why we feel this way:

- 1.) DeSoto is the only community in Johnson County that is served by Southwestern Bell that is not in the metropolitan calling area.
- 2.) For our \$10 base rate, DeSotoans can call approximately 25,000 homes and businesses, while for the same \$10 all the rest of Johnson County can call approximately 600,000 homes and businesses, even though we are all a part of the Kansas City area.
- 3.) There are a number of communities in the metropolitan calling area that are located geographically further away from the center of Kansas City that are now included in the calling area and have been for years.
- 4.) There are twenty cities in Johnson County. Out of those 20 cities, we can only call Olathe toll free. All the other nineteen cities can call each other without a toll fee.

ATT. 4
T&U
3-27-91



16-2

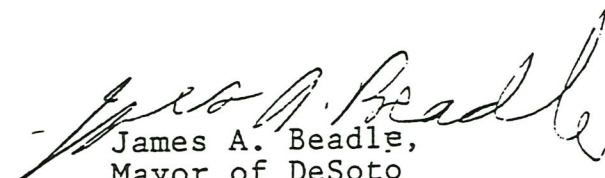
March 22, 1991
page two

- 5.) The City limits of Shawnee and Lenexa are less than a mile from DeSoto but it is a toll call to call any of their city offices or staff.
- 6.) DeSoto citizens paid over \$200,000 in toll calls to the Kansas City metropolitan area in 1990.
- 7.) DeSoto is a vital part of the Kansas City metropolitan area; the calling load is 60% into Kansas City and 40% back into DeSoto from the Kansas City metro area.
- 8.) In the past eighteen years, Southwestern Bell has changed the boundary lines arbitrarily to include previously excluded areas into the Kansas City metropolitan calling area; the most recent being to include all of the exclusive Cedar Creek Development and before that to include all of the Johnson County Industrial Airport, both of which had areas that were not in the Kansas City calling area before.
- 9.) In the last two years, Southwestern Bell has put new exchange numbers into Olathe, previously all toll free, so that it is a toll to call some of Olathe's areas now.

These are just a few of the key points.

We trust that you will see fit to help correct this injustice. We are not asking for a free ride. We are more than happy to pay our share but we would like to be treated as an equal with our other Johnson County counterparts served by Southwestern Bell.

Respectfully Submitted,


James A. Beadle,
Mayor of DeSoto
P.O. Box C
DeSoto, Kansas 66018
913) 585-1182

585-1219

16-3

SUMMARY AND CONCLUSIONS

The following statements summarize the findings of the study conducted by CERI to determine the effect of the telephone system in DeSoto on the community's present economic climate and growth potential.

1. The cost of long distance telephone service to customers and suppliers in other Kansas City Metropolitan Area exchanges is a significant extra operating expense for DeSoto businesses. Presently, the 60 businesses located in DeSoto spend approximately \$85,000 annually on long distance calls to other metropolitan area exchanges.
2. The telephone system acts to limit in-coming calls from potential customers and therefore reduces the area-wide market penetration of firms located in DeSoto.
3. The present telephone system in DeSoto does not offer the full range of optional services available to businesses in other metropolitan area exchanges. This precludes the City from consideration by firms requiring such services.
4. Virtually all the owners and managers of DeSoto businesses that were surveyed indicated that they consider the present telephone system a detriment to the economic development of the community.
5. A number of businesses located outside the City indicated that the expense of long distance telephone service was a principal factor in choosing not to locate their firms in DeSoto.
6. The cost of providing FX lines to Kansas City from DeSoto would be a negative locational factor for an industrial prospect interested in the metropolitan area.
7. Commercial realtors active in the area indicated that they have had clients not interested in locating their

businesses in DeSoto because of the present telephone system.

8. All of the commercial realtors interviewed stated that they consider DeSoto's present telephone system a detriment to the community's economic development.
9. Residential realtors active in the area indicated that they frequently have clients that are not interested in purchasing a home in DeSoto because of the telephone system.
10. All of the residential realtors interviewed stated that they consider DeSoto's present telephone system a detriment to the community's economic development.
11. Based on a survey of Clearview City residents it is reasonable to assume that DeSoto households spend approximately \$200,000 annually on toll calls to other metropolitan area telephone exchanges. This disposable income is lost to the local economy.

Based on the findings of the study, it is the conclusion of CERI staff that the present telephone system in DeSoto has been a significant factor in the Community's inability to keep pace with the rapid population and economic growth of Johnson County. Further, the system constitutes an impediment to the realization of the Community's economic growth potential.