

Approved: 3-12-96

Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES.

The meeting was called to order by Chairperson Don Sallee at 8:00 a.m. on March 7, 1996 in Room 254-E- of the Capitol.

All members were present except:

Senator Carolyn Tillotson, Excused  
Senator Doug Walker, Excused  
Senator Phil Martin, Excused

Committee staff present: Raney Gilliland, Legislative Research Department  
Dennis Hodgins, Legislative Research Department  
Ardan Ensley, Revisor of Statutes  
Clarene Wilms, Committee Secretary

Conferees appearing before the committee:

David J. Heinemann, General Counsel, Kansas Corporation Commission  
Louis Stroup, Jr., Executive Director, Kansas Municipal Utilities, Inc.  
Steve Miller, Sunflower Electric Power Corporation  
David Martin, Kansas City Power and Light  
Joe Dick, Board of Public Utilities  
Written testimony only by Hugh Taylor, Board of Public Utilities  
Don Schnacke, Kansas Independent Oil & Gas Association  
John McKinney, Utilicorp United - Energy One  
Lloyd Theimer  
Senator Stan Clark  
Jim Ludwig, Executive Director, Regulatory Affairs, Western Resources

Others attending: See attached list

**HB 2600--concerning electric retail service; establishing the retail wheeling task force to study competition in such service; relating to authorization of such competition by the SCC**

David J. Heineman, General Counsel, Kansas Corporation Commission, presented testimony in support of **HB 2600** stating there is a strong movement toward opening up competition in the electric wholesale and retail markets (Attachment 1). Referring to **HB 2600** he indicated that Section 2 was drafted with the idea that the Commission was in the process of authorizing competition at the electric retail service level. Mr. Heineman told members any proposed action by the Commission to authorize competition in the furnishing of retail electric service would require the collaborative efforts of both the Legislature and the Commission because of the statutory amendments required to implement any change from present law. He indicated the Commission had opened Docket No. 193,930-U on January 17, 1996 which is suggested in the bill. He noted the order to open the docket was in response to the fact that retail wheeling issues, such as the avoidance of stranded investment, are now appearing before the Commission as the electric industry prepares to meet future competition.

Also included in Attachment 1 are copies of materials related to opening Docket No. 193,930-U on general investigation and matters related to restructuring the electric industry. A map showing the electric certified areas, transmission lines and power plants in Kansas was provided to committee members and is on file in Mr. Heineman's office.

Attention was called to the issue of compensation to non-legislative members of the task force and the intent in the language of the bill.

Louis Stroup, Jr., Executive Director of Kansas Municipal Utilities, Inc., presented testimony in support of **HB 2600** noting agreement that the task force and its make-up, the 3-year moratorium and pilot projects assigned by the proposed task force were proper guidelines to investigate the issue (Attachment 2).

Mr. Stroup called attention to an article in Attachment 2 concerning the fact that Wisconsin Public Service Commission has dropped their fast-track timetable for retail wheeling.

Steve Miller, Senior Manager, External Affairs, Sunflower Electric Power Corporation, presented testimony in support of **SB 2600** stating his organization is a cooperatively-owned, nonprofit corporation (Attachment 3).

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, ROOM 254-E-Statehouse, at 8:00 a.m. on March 7, 1996.

Concern was noted about pilot programs depending on whether or not the entire spectrum of electric consumers is considered. Mr. Miller expressed concern about stranded investments and suggested the task force needs to identify who and to what extent will be harmed as well as changing public policy only after identifying who will pay costs associated with the cost shift advocated by proponents of retail wheeling.

David E. Martin, Director of Public Affairs, Kansas City Power and Light, presented testimony in support of **HB 2600** noting the company's position has not changed even though plans have been announced to merge with UtiliCorp United (Attachment 4). Mr. Martin expressed the opinion that a two year time frame is reasonable given the complexities of the issues. Support was stated for amendments made by the House of Representatives.

Mr. Martin noted an overlap of study topics in **HB 2600** and those study topics listed by the KCC and suggested combining the two efforts as was done with the telecommunications issue.

Joe Dick, KCK Board of Public Utilities, spoke in support of **HB 2600** creating the task force and moratorium. Mr. Dick stated his organization was the largest municipally owned utility in the state.

Written testimony by Hugh J. Taylor, Manager of Rates and Regulations, Board of Public Utilities of Kansas City, Kansas was handed to committee members (Attachment 5). Mr. Taylor noted a neutral position concerning retail wheeling and urged great caution. Concern was expressed about the adverse impact to small electric systems and smaller customers in any system. A number of issues were listed in testimony which appear to need evaluation. Mr. Taylor urged that should change be desirable, that it be done on an evolutionary basis rather than a revolutionary basis.

Donald P. Schnacke, Executive Vice President, Kansas Independent Oil and Gas Association, presented testimony in support of **HB 2600** but suggested amendments which would add consumers rather than more providers to the task force (Attachment 6). The basis of this suggestion was that the task force must make a finding as to the economic impact on each class of electric utility customer. A further suggestion was made that should the number on the task force become too large the number of legislators could be reduced.

Further recommendations were to shorten the period of time reserved for study and reporting to the legislature, also an objection was expressed to language restricting the KCC from acting until July 1, 1999. Mr. Schnacke stated his organization would like to have retail wheeling of electricity as soon as possible.

John McKinney, Director, Regulation, Utilicorp, United Inc., presented testimony in supporting the thrust of **HB 2600** stating the opinion that the drive toward choice and retail competition is irresistible and inevitable (Attachment 7). Mr. McKinney expressed opposition to the moratorium placed by the bill. Numerous suggestions for task force consideration were included in Mr. McKinney's written testimony.

Lloyd E. Theimer, Colby, Kansas, appeared and presented testimony in opposition to **SB 2600** stating that in his opinion there is an urgent need to implement free wheeling of electric power (Attachment 8). Committee attention was called to various parts of the attachment dealing with documentation of Plains versus Non-Plains electricity users. Mr. Theimer stated Sunflower Electric sale rates prove they no longer serve the people for whom Sunflower was built and urged the end of captivity from Kansas power.

Senator Stan Clark appeared and presented testimony in opposition to **SB 2600** stating the bill is a delaying tactic that holds consumers hostage to their current wholesale electric supplier (Attachment 9). He further stated his home and business are located in KCC certificated area that requires Midwest Energy to purchase all electricity from Sunflower until April 1, 2020 and over the past 8 years rates have averaged 47 percent over the rate if he moved 2 1/2 miles south.

Senator Clark stated retail wheeling offers opportunities to revitalize rural Kansas. Defeat of **HB 2600** would allow Kansans economic freedom where electric suppliers are concerned.

Jim Ludwig, Executive Director, Regulatory Affairs, Western Resources, presented testimony in support of **HB 2600** stating that allowing time for the task force to resolve issues enumerated in the bill was worthwhile. Testimony enumerated a number of questions which need to be answered by the task force (Attachment 10).

The chairperson announced that hearings would continue tomorrow, Friday, March 8, 1996 since there were still a number of conferees to be heard.

The meeting adjourned at 9 a.m.

The next meeting is scheduled for March 7, 1996.

SENATE ENERGY & NATURAL RESOURCES  
COMMITTEE GUEST LIST

DATE: March 7, 1996

NAME	REPRESENTING
Steve Miller	Sunflower Electric
J DE DICK	KCK BPU
Mike Miles	KCC
David Muecke	KCP&L
Louie Strapp Jr.	KANSAS Municipal Utilities
Royal E. Sherman	Coll. Co FARMER
Stan Clark	
Don Schwack	KIOGA -
Whitney Dawson	Empire Electric
John Bitterberg	Western Resources
DAVID B SATROSSER	PETE McGill & Assoc.
JOHN W MCKINNEY	UT. I Corp United
Larry Hollaway	KCC
Tom Day	KCC
Rich McKee	KS Livestock Assoc
Susan Cunningham	KCP&L
BRYCE GRAHAM	KEPCO
Mark Baracina	KDO&H
ED SCHAUB	WESTERN RESOURCES

SENATE ENERGY & NATURAL RESOURCES  
COMMITTEE GUEST LIST

DATE: March 7, 1996

NAME	REPRESENTING
Jim Ludwig	Western Resources
Patrick Murphy	ACPL
Bue Jansen	BOEING





## Kansas Corporation Commission

Bill Graves, Governor Susan M. Seltsam, Chair F.S. Jack Alexander, Commissioner Timothy E. McKee, Commissioner  
Judith McConnell, Executive Director David J. Heinemann, General Counsel

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE  
Testimony presented by David J. Heinemann, General Counsel  
Kansas Corporation Commission  
March 7, 1996  
House Bill 2600

First, the Commission would like to state that it is well aware that nationally there is a strong movement toward opening up competition in the electric wholesale and retail markets. As you are aware, this Commission is taking an active role with the states of Missouri and Arkansas in the FERC Mega NOPR to help assure a fair playing field with the opening up of transmission access in the wholesale market.

In specific response to the proposal before the committee today it appears that Section 2 was drafted with the idea that the Commission was in the process of authorizing competition at the electric retail service level. Let me assure you that this is not the case. A close reading of "The Retail Electric Suppliers Act": K.S.A. 66-1,170 through 1,176, inclusive, clearly indicates that retail electric suppliers are granted "exclusive" electric service territories to the specific exclusion of all other retail electric suppliers; consequently, any proposed action by the Commission in this area to authorize competition in the furnishing of retail electric service would require the collaborative efforts of both the legislature and the Commission because of the statutory amendments required to implement any change from present law. The prohibition against Commission action contained within House Bill 2600 could create an unintended inference that after July 1, 1999 the Commission does in fact have the authority to authorize electric retail service competition.

Section 2 also indicates that the Commission may open one or more generic dockets to study the issue of competition in the furnishing of retail electric service. I would like to report that on January 17th the Commission entered an order opening Docket No. 193,930-U, "A General Investigation into the Restructuring of the Electric Industry in the State of Kansas." This order was in response to the fact that retail wheeling issues, such as the avoidance of stranded investment, are now appearing before the Commission as the electric industry quickly postures to meet the competition it sees on the horizon.

Again, as we indicated this past fall to the Special Committee on Energy and Natural Resources, and in testimony before the House Energy and Natural Resources Committee, we welcome the opportunity to work with you to develop recommendations regarding the promotion of competition in the furnishing of retail electric service.

Senate Energy & Natural Res.  
March 7, 1996  
Attachment 1

**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:            Susan M. Seltsam, Chair  
   F.S. Jack Alexander  
   Timothy E. McKee

In the Matter of a General Investigation into the        )        Docket No.  
Restructuring of the Electric Industry in the State of    )        193,930-U  
Kansas.    )

**ORDER**

NOW, the above-entitled matter comes on for consideration and determination upon the Motion of the Staff of the State Corporation Commission of the State of Kansas to Initiate a General Investigation and Open a Generic Docket for Purposes of Analyzing Matters Related to Restructuring the Electric Industry and Their Implications for the State of Kansas. Having examined all of its files and records, and thereby being fully advised in all the premises, finds:

1. That the purpose of the State Corporation Commission of the State of Kansas [Commission] in opening this docket, on its own motion, is to investigate questions and policy options related to restructuring the electric industry, and how possible answers and policy outcomes might influence the public interests.

2. That it is necessary and in the public's interest for the Commission to conduct such general investigation for the purpose of analyzing matters related to restructuring the electric industry and their implications for the state of Kansas.

3. Several state legislatures are considering ways to restructure the electric industry and whether any change in the industry will likely benefit the general public.

4. There are indications that Congress may enact related legislation affecting the structure of the electric industry. For example, Congress may consider the legislation that would reform and amend the existing Public Utility Holding Company Act (PUCHA) Pub. L. 104-37 and Public Utility Regulatory Policies Act of 1978 (PURPA) Pub. L. 95-617, and legislation which would set jurisdictional boundaries for the Federal Energy Regulatory Commission [FERC].

5. Similarly, several state regulatory agencies are currently exploring, through formal proceedings, the possibility of restructuring the electric industry at the retail sales level.

6. FERC has initiated a series of notices and proposed rules attempting to foster and guide a restructuring of the industry at the wholesale level. It appears, likely, that FERC will move to restructure the wholesale market in some way. Because FERC has jurisdiction over the transmission function, it has focused its attention on restructuring that function. However, Commission Staff [Staff] believes that if any restructuring is to achieve the desired results, it must be comprehensive. Each state will likely be required to respond to FERC's initiatives and pursue its own initiatives in matters of which the state has jurisdiction.

7. The industry itself is changing in response to public and private initiatives. Since 1989, over 50 percent of the generating capacity added in the

electric industry has been by non-regulated generators. The increasing ability of independent power producers to finance, complete and market their generating projects, as opposed to the traditional regulatory ratebase treatment of such projects, shows that a competitive wholesale market for electricity is evolving. Furthermore, the New York Mercantile Exchange expects to offer (sometime in 1996) a market in which to trade an electricity futures contract. Since futures and spot (or cash) markets tend to operate in tandem, the development of such a futures market will serve to promote the generator development of spot electricity markets.

8. Several Kansas utilities have expressed concern about their ability to retain business with large industrial customers. In anticipation of electric industry restructuring, some utilities have requested Commission permission to offer significant discounts on tariffs and special contracts. To date, the Commission has denied such requests. (For an example, *see* KCC Docket No. 193,303-U) These developments show that utilities in Kansas are increasingly concerned about actual and expected competitive pressures.

9. In view of actual changes in the electricity market, developments at the FERC and other state regulatory agencies, and recent filings by Kansas jurisdictional utilities, it appears that issues related to restructuring the electric industry in the state of Kansas are ripe for Commission investigation and consideration. This docket will serve as a means for the Commission to establish its proper and necessary role in the process of electric industry restructuring and as a means to explore issues and resolve matters that may come before the Commission.

10. That the Commission shall soon issue a procedural order setting out specific issues to be addressed by interested parties and a procedural schedule.

11. That the Commission expects that considerable time and effort will be spent by its Staff on this investigation and that it may be necessary for the Commission to employ special Staff to assist in the conduct of this investigation. The Commission consequently contemplates assessing the various electric utilities subject to the jurisdiction of this Commission to defray the expenses of investigation in proportion to the gross Kansas revenues of such utilities, as evidenced by their annual reports to the Commission. As to the rural electric cooperatives, the costs of this investigation shall be assessed only to the generation and transmission cooperative and no assessment shall be made to the member distribution cooperatives. In this way, the cooperatives' retail customers do not pay twice, once for the distribution cooperative and again for the generation and transmission cooperatives assessment.

12. That a hearing for purposes of determining the necessity of such general investigation and to assess the cost thereof pursuant to the provisions of K.S.A. 66-1502 will be held if requested, at which time said utilities may be heard as to the necessity of such general investigation and may show cause, if any there be, why such investigation should not be made or why the costs thereof should not be assessed against said utilities.

13. That this Order will serve as notice to all electric utilities certificated and subject to the jurisdiction of this Commission

IT IS, THEREFORE, BY THE COMMISSION, CONSIDERED, ADJUDGED,  
AND ORDERED:

That the State Corporation Commission of the State of Kansas, by this Order, hereby undertakes, upon the motion of its Staff, a generic investigation for the purpose of analyzing matters related to restructuring the electric industry and their implication for the state of Kansas.

IT IS FURTHER ORDERED THAT:

This Order shall serve as notice to all electric public utilities certificated by and subject to the jurisdiction of this Commission as evidenced by the addendum attached hereto, and that a copy of this Order shall be served on all such utilities.

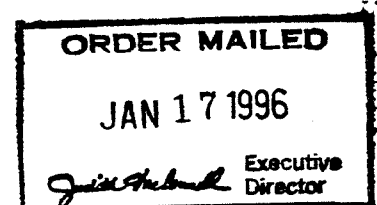
IT IS FURTHER ORDERED THAT:

The Commission retains jurisdiction of the parties and of the subject matter for the purpose of entering such further order or orders as it may from time to time deem necessary and expedient.

BY THE COMMISSION IT IS SO ORDERED:

Seltsam, Chair; Alexander, Com.; McKee, Com.

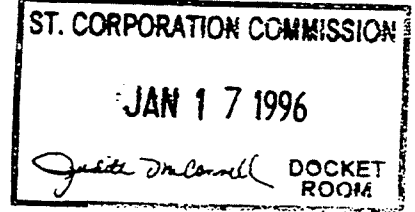
Dated: JAN 17 1996



Judith McConnell  
Executive Director

LMC:Smd

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS



Before Commissioners: Susan M. Seltsam, Chair  
F.S. Jack Alexander  
Timothy E. McKee

In the Matter of a General Investigation )  
into the Restructuring of the Electric )  
Industry in the State of Kansas. )

Docket No. 193,930-U

96-61ME-371-61E

**MOTION OF THE STAFF OF THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS TO INITIATE A GENERAL INVESTIGATION  
AND OPEN A GENERIC DOCKET FOR PURPOSES OF ANALYZING MATTERS  
RELATED TO RESTRUCTURING THE ELECTRIC INDUSTRY AND THEIR  
IMPLICATIONS FOR THE STATE OF KANSAS**

COMES NOW, the Staff of the Kansas Corporation Commission and moves the Commission to open a docket for purposes of investigating questions and policy options related to restructuring the electric industry, and how possible answers and policy outcomes might influence the public interest. In support of its motion, the Commission Staff (Staff) states:

I. This is an Appropriate Time to Open a Generic Docket.

1. Several state legislatures are considering ways to restructure the electric industry and whether any change in the industry will likely benefit the general public.

2. There are indications that Congress may enact related legislation affecting the structure of the electric industry. For example, the Congress may consider legislation that would reform and amend the existing Public Utility Holding Company Act (PUCHA) Pub. L. 104-37 and Public Utility Regulatory Policies

Act of 1978 (PURPA) Pub. L. 95-617 and legislation which would set jurisdictional boundaries for the Federal Energy Regulatory Commission (FERC).

3. Similarly, several state regulatory agencies are currently exploring, through formal proceedings, the possibility of restructuring the electric industry at the retail sales level.

4. The FERC has initiated a series of notices and proposed rules attempting to foster and guide a restructuring of the industry at the wholesale level. It appears likely that FERC will move to restructure the wholesale market in some way. Because the FERC has jurisdiction over the transmission function, it has focused its attention on restructuring that function. However, Staff believes that if any restructuring is to achieve the desired results, it must be comprehensive. Each state will likely be required to respond to FERC's initiatives and pursue its own initiatives in matters over which the state has jurisdiction.

5. The industry itself is changing in response to public and private initiatives. Since 1989, over 50 percent of the generating capacity added in the electric industry has been by non-regulated generators. The increasing ability of independent power producers to finance, complete and market their generating projects, as opposed to the traditional regulatory ratebase treatment of such projects, shows that a competitive wholesale market for electricity is evolving. Furthermore, the New York Mercantile Exchange expects to offer (sometime in 1996) a market in which to trade an electricity futures contract. Since futures and spot (or cash)



markets tend to operate in tandem, the development of such a futures market will serve to promote the greater development of spot markets for electricity.

6. From a Kansas specific perspective, the issues of competition and stranded investment have already been raised. On August 17, 1995, Kansas Gas and Electric Company (KG&E) filed an application in Docket No. 193,306-U, seeking to make changes in KG&E's depreciation of the Wolf Creek Generating Station, the depreciable lives of its non-nuclear electric generation, transmission and distribution assets and certain charges for electric service. The proposed changes may, directly or indirectly, affect or influence KG&E's cost of service and electric rates.

7. The testimony presented by KG&E under Docket No. 193,306-U offers the essential elements of Western Resources, Inc.'s, (WRI) plan for dealing with the possibility that its Wolf Creek Generating Station assets will be non-competitive in a restructured electric industry. WRI's Wolf Creek plan is a financial plan for dealing with the prospect that operating Wolf Creek in a more competitive electric industry may not be as profitable as operating WRI's other generating plants. Western Resource's Executive Vice President and Chief Operating Officer, James Haines, states: "KG&E's plan presents an opportunity to anticipate a stranded cost problem before it arises and becomes a crisis and to decrease rates at the same time." (prefiled testimony, p. 6, ln. 20) In its answer to Staff's motion filed November 14, 1995, WRI states that it "seeks a creative and pro-active step to forestall potentially great problems with stranded costs in the future by mitigating and reducing potentially

strandable costs now, diminish rate disparity between KPL and KG&E, and prepare for a more competitive electric energy market.”

8. Several utilities have expressed concern about their ability to retain business with large industrial customers. In anticipation of electric industry restructuring some utilities have requested Commission permission to offer significant discounts on tariffs and special contracts. To date the Commission has denied such requests. (For an example, *see* KCC Docket No. 193,303-U.) These developments show that utilities in Kansas are increasingly concerned about actual and expected competitive pressures.

9. In view of actual changes in the electricity market, developments at the FERC and other state regulatory agencies, and recent filings by Kansas jurisdictional utilities, it appears that issues related to restructuring the electric industry in the state of Kansas are ripe for Commission investigation and consideration. This docket will serve as a means for the Commission to establish its proper and necessary role in the process of electric industry restructuring and as a means to explore issues and resolve matters that may come before the Commission.

## II. Why Open a Generic Docket?

10. Staff believes that establishing a generic docket is the best means to address issues related to electric industry restructuring on a state-wide basis. Staff believes that it is important that all interested parties in the state who will be affected by the Commission's decision have an equal opportunity to participate in the discussion.

11. The Commission has in the past found it appropriate to open a generic docket to investigate and resolve issues of general applicability to an industry in the state of Kansas. For example, the Commission opened a generic docket in order to investigate issues pertaining to the restructuring and introduction of competition into the telecommunications industry in the state of Kansas, Docket No. 190,492-U.

12. All Commission policy pertaining to competition issues must be comprehensive and balanced in nature. Without such an approach, the Commission will be at risk of bestowing an unfair advantage or disadvantage on a particular company. Designing an efficient and consistent restructuring policy is critical. Staff believes that a comprehensive, balanced and uniform restructuring policy can best be established in a generic proceeding.

13. The Commission and, indeed, the Kansas Legislature may wish to first explore whether any restructuring will be in the public interest. This can only be done by taking a state-wide perspective. Restructuring of the electric industry may result in some consumers (in some parts of the state) facing higher rates than they currently face. For example, market-based rates for electricity in the short run may exceed cost of service-based rates for electricity. However, if the benefits of greater competition can be sustained over the long run, restructuring may benefit the state. Investigation of the public interest over the long term requires a generic docket.

14. Because any restructuring may involve deregulation of generation assets, it is imperative that any action be uniform and non-discriminatory among all utilities. Satisfying this requirement suggests a generic proceeding. Furthermore,

because of the possibility that generation assets will eventually be deregulated, the Commission may want to investigate what policies it should implement during this period of transition. Such transition period policies are necessary and must be uniformly applied so that no party can gain a competitive advantage before the competition formally begins (that is, before any deregulation is complete). For example, the expected or actual restructuring of the electric industry will likely influence the incentives for utilities to merge, alter Commission approved depreciation schedules, and offer rate discounts. As part of a generic restructuring docket, the Commission may wish to explore these specific issues and, in general, the proper transition policies. This will enable the Commission to formulate proactive transition policies that recognize the expected realities of a restructured industry. Since all electric utilities in the state may be affected by changing of merger, depreciation or rate discounting incentives during this transition period, it is critical that these transition period policies be absolutely uniform so that no one utility can, so to speak, jump the gun. For these reasons, transition period policy issues are best explored through a generic proceeding.

15. For the foreseeable future there will continue to be considerable debate and discussion regarding how and when to restructure the electric industry. The debate has been national in scope and has occurred, in one form or another, in every state capital. The debate about restructuring has not and should not be limited. The scope of this debate also suggests the need for a generic proceeding.

16. The joint ownership of generating plants invites a broader approach than a case by case or company by company approach. As the Commission knows, KG&E owns 47 percent of the Wolf Creek Generating facility, Kansas City Power and Light (KCPL) owns 47 percent (about half of which is Kansas jurisdictional), and Kansas Electric Power Cooperatives, Inc., (KEPCo) owns the remaining 6 percent. Wolf Creek is not the only jointly owned generation facility in the state.

17. WRI may prefer that the Commission focus on its potential stranded cost problem by looking only at the Wolf Creek facility, however, such a narrow view may not serve the public interest. The Commission may wish to take a broad view, perhaps a company-wide view. In this regard, a generic docket will facilitate a more comprehensive approach to stranded investment issues.

18. Many of the issues surrounding the recovery of stranded costs will call for a value judgement. Once the level of stranded cost has been established the Commission will need to determine who pays. More specifically, the Commission will need to determine how the stranded cost is to be allocated between shareholders and ratepayers and how the ratepayer's share should be allocated among customer classes. To determine any allocation issue the Commission must apply a fairness or equity standard. The Commission must decide how stranded costs should be allocated. The achievement of uniformity in this regard is an absolute necessity. Staff very strongly believes that this fairness issue is best addressed in a generic proceeding.

19. Staff believes it would be premature for this Commission to consider any potential stranded cost problem at this time. Before stranded costs can be generated there must first be significant change in the electric industry. Stranded costs result from actual change, an actual restructuring. It is impossible to know the magnitude of the potential stranded cost problem in the state of Kansas before it is known how the restructuring will occur. To focus on the stranded cost problem before addressing the fundamental issues of restructuring is tantamount to putting the cart before the horse. A generic proceeding would place these issues in their proper order.

20. For the foregoing reasons, Staff believes it is best not to address electric industry restructuring on a case by case basis. The questions are complex in nature and there does not exist a general consensus on how best to advance restructuring. While the gas industry has recently experienced a restructuring, it is unlikely that experience will serve as a template for the electric industry. Operating and meeting the requirements placed on an electric power grid tends to be more complicated than operating and meeting the requirements placed on the natural gas grid.

### III. Restructuring Issues the Commission May Wish to Investigate.

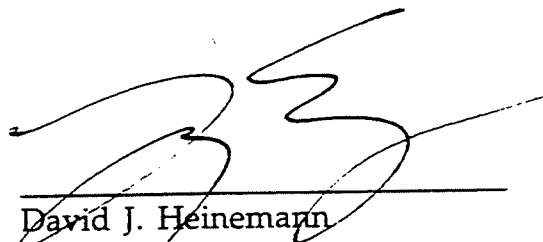
21. Staff offers the following short list of fundamental restructuring issues the Commission may choose to investigate:

- A. Given the electric industry's existing operational, ownership, legal and regulatory structure(s), where is change feasible?
- B. Among those changes that are feasible, which may be in the public interest?

- C. Which combination of changes in the industry will most likely yield the greatest gain in public welfare? The Commission will need to consider time horizons of different length. For the state of Kansas, it is possible that the short term implications of restructuring differ considerably from the long term implications.
- D. Having identified the optimal combination of changes, what specific policies might the Commission advance and implement in order to achieve the intended result?
- E. Contemplating possible implementation problems and their solutions may be required.
- F. Which functions or operations performed within the electric industry should be subject to agency regulation and which should be subject to regulation by the marketplace?
- G. If the generation function should be subject to market discipline, what is the best way to structure that market? Equivalently, how can that market be instituted to achieve the greatest degree of competition thereby minimizing the market influence of any one participant? The Commission may wish to explore whether divestiture of generation assets will be required to establish a competitive generation market.
- H. If the transmission and distribution functions should continue being subject to agency oversight, are there alternative forms of regulation (or equivalently, alternative pricing mechanisms), such as performance-based regulation, that may offer opportunities to gain efficiency? [Staff would note that these questions could be investigated more completely under their own respective generic dockets. However, Staff believes certain questions concerning the transmission and distribution functions will need to be addressed in any restructuring docket.]

- I. Depending on the generation market established, the distinction between wholesale and retail sales transactions may become either more or less distinct. The Commission will need to explore questions concerning boundaries between wholesale and retail sales transactions. In large part, these are questions of jurisdiction.
- J. Any restructuring in the electric industry will not occur without costs and benefits being incurred. The Commission will need to evaluate and estimate the costs and benefits of the restructuring.
- K. Having identified a means to estimate the restructuring (stranded) costs and benefits, the Commission will need to specify how those costs and benefits are to be allocated among participants in the electric industry.
- L. Should the Commission articulate the objectives of a restructuring policy and a time frame for achieving them, the Commission may also wish to explore the need for transition period policies that would be implemented prior to that point in time when fundamental structural change is allowed.

WHEREFORE, the Staff of the Kansas Corporation Commission requests an Order from the Commission initiating a general investigation and opening a generic docket for purposes of investigating questions and policy options related to restructuring the electric industry.



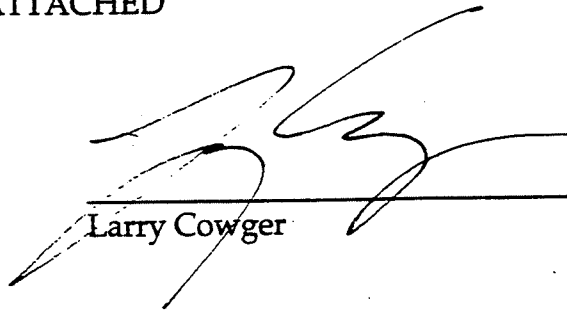
David J. Heinemann  
Larry Cowger  
Assistant General Counsel  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, Kansas 66604-4027  
(913) 271-3157



CERTIFICATE OF SERVICE

I hereby certify that a copy of the "Motion of the Staff of the State Corporation Commission of the State of Kansas to Initiate a General Investigation and Open a General Docket for Purposes of Analyzing Matters Related to Restructuring the Electric Industry and Their Implications for the State of Kansas" was mailed First Class Mail, postage prepaid, and properly addressed to the following persons on this 17th day of January, 1996:

SEE ATTACHED



Larry Cowger

Smd

MUNICIPAL ELECTRIC SYSTEMS  
dated February 22, 1991

Supt. of Utilities  
CITY OF ANTHONY  
P.O. Box 504  
Anthony, KS 67003

City Clerk  
CITY OF ASHLAND  
City Hall-703 Main Street  
Ashland, KS 67831

City Clerk  
CITY OF BURLINGAME  
City Hall-130 W. Santa Fe  
Burlingame, KS 66413

D. D. Dierking  
CITY OF CLAY CENTER  
City Hall-427 Court  
P.O. Box 117  
Clay Center, KS 67432

CITY OF COFFEYVILLE  
P.O. Box 1629 - 7th & Walnut  
Coffeyville, KS 67337

CITY OF LARNED  
P.O. Box 70 - 419 Broadway  
Larned, KS 67550

CITY OF MCPHERSON  
Board of Public Utilities  
400 East Kansas Ave., P.O. Box 1008  
McPherson, KS 67460

CITY CLERK  
CITY OF POMONA  
P.O. Box 67  
Pomona, KS 66076

City of Elec. Utilities  
CITY OF WATSON  
West 10th  
Watson, KS 67124

Elec. Utility Director  
CITY OF RUSSELL  
P.O. Box 112  
Russell, KS 67665

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## **TESTIMONY ON HB 2600**

Before Senate Energy & Natural Resources Committee  
March 7, 1996

Mr. Chairman, members of the committee, I am Louis Stroup, Jr., executive director of Kansas Municipal Utilities, Inc., a statewide association of municipal electric, gas and water cities which was founded in 1928 and whose member cities provide utility services to more than 1 million Kansans.

### **KMU SUPPORTS HB 2600 AS AMENDED**

KMU supports House Bill 2600 as amended because:

1. It does not predetermine that electric retail wheeling is good or bad
2. It would create a task force to study the very complex issue of electric retail wheeling
3. It provides for a 3-year moratorium before any radical changes could be made within the industry -- a minimum time period needed to determine the proper route for Kansas to go on this issue
4. It does not provide for "pilot projects" by individual utilities or entities, but assigns this type of responsibility to the proposed task force

### **OPEN- MINDEDNESS**

HB 2600 does not predetermine whether or not retail wheeling is good or bad, or if it is good for large customers and bad for residential customers, or if it would harm the rural areas. It merely provides for an adequate study period to make such determinations. For example, competition on the wholesale level with true access to open transmission may be more suitable and beneficial than implementation of retail wheeling. This bill does not make that determination, but allows the task force flexibility to study all aspects of the industry.

### **TASK FORCE MEMBERSHIP**

The proposed makeup of the task force will allow it to function in an efficient manner. It is not too large, yet has a fair representation of those interested in the retail wheeling issue. A breakdown of representation for entities having a "utility responsibility" are:

*Senate Energy & Natural Res.  
March 7, 1996  
Attachment 2*

**5 IOUs in State**

-----  
**KCP&L  
UtiliCorp/WP  
Western R  
Empire**

**Serves 65.7%**

**121 Municipal  
Electric Cities  
in State**

-----  
**KMU  
KC-BPU**

**Serves 19.1%**

**33 RECs in State**

-----  
**KEC  
Mid-West Energy  
Sunflower  
KEPCO**

**Serves 15.2%**

### **3-YEAR MORATORIUM**

Any shorter time would not provide sufficient time to fully study all the very complex issues involved in electric retail wheeling. The legislature is undertaking a major policy look at a very stable, but complex industry; and should not be rushed into any decisions just because some see it as a potential economic reward.

KMU feels it is apparent that a great deal of study must be given to many issues involved. The bill lists a number of issues and there are many more, such as how to deal properly with:

Hydro power allocations to cities and cooperatives

Home Rule (Constitutional implications)

Effects on pricing

Price variability

Effects on stockholders and bondholders

Customer choices

Construction of transmission facilities

Construction of generation facilities

Siting of transmission and generation facilities

Nuclear power plants

Renewable energy resources

System reliability

Economic dispatch

Energy efficiency

Air emissions

Obligation to service customers

Customer billing, information, and education

Effect on small business, residential customers, small towns and rural areas

Public involvement and advocacy

## PILOT PROJECTS

KMU would strongly oppose language that would authorize individual utilities or entities to conduct pilot projects on retail wheeling. The major reason for creating the task force is to provide a sufficient study period along with a means of finding out difficult answers in a well-measured, carefully controlled fashion. Authorizing pilot projects other than through the task force would seem to be "putting the cart before the horse." The task force approach was recommended to consider such items that might or might not be useful to determine impacts, good or bad. KMU is not against pilot projects in general, but feels such projects should be carefully considered by the task force and be a part of the overall study strategy for the state, not for a single utility or entity.

## CONCLUSION

The electric industry is already in the early stages of deregulation because of action taken in 1992 by Congress. Kansas needs to make sure any changes to the electric industry in this state are good for all -- not a few. The electric industry in Kansas has served its citizens, businesses and industries well, and prudent thought must be given prior to making radical changes.

I would leave you with this statement by Congressman Dan Schaefer (R-Colorado) who chairs the House Energy and Power Subcommittee which is dealing with deregulation of the electric industry . As Congress removes government-imposed barriers to competition, "**we must make sure we are not just leaving unregulated monopolies in their place,**" Schaefer said. "**If there is one lesson we have learned in this country, it is that those having market power will never fail to use it.**" The challenge is to remove barriers and needless regulations while making sure that there are "minimum ground rules in place so that **fair** competition can flourish," Schaefer added.

# Wisconsin Public Service Commission drops fast-track plan for retail wheeling

[Note: Article below from March 4 issue of PUBLIC POWER WEEKLY describes the results of more than a year-long effort by the Wisconsin Public Service Commission to study the issue of "electric retail wheeling" and its impact on all of Wisconsin. Attached also is the final report issued February 22 by the Wisconsin PSC with each commissioners' statements on pages 5 and 6]

Wisconsin, state regulators have dropped their fast-track timetable for retail wheeling, a move that pleases municipal utilities.

Last December, the Public Service Commission suggested a target date of 2001 for implementing full retail competition in Wisconsin. (See *Public Power Weekly*, Dec. 25, 1995, page 1.) But in a Feb. 22 report to the state Legislature, the commissioners said they could not agree on that date. The report says retail wheeling was the most controversial aspect of the commission's 18-month-long study of electric utility restructuring. It calls for a number of steps "to create fair and robust competition in this industry in a manner which protects and benefits the citizens of this state." Those steps include:

- unbundling, or separating, utility functions into generation, transmission, distribution and energy services;
- preventing the exercise of unfair dominance by large utilities;
- turning the transmission system into a common carrier; and
- developing specific requirements at the distribution and retail levels "to protect all residential, commercial and industrial customers."

"Given the lack of consensus between the commissioners on the question of retail wheeling, this report simply confirms what we have been saying all along—that the proponents of such a radical change as retail wheeling have failed to prove that Wisconsin customers will benefit," said David Benforado, executive director of Municipal Electric Utilities of Wisconsin.

The report "establishes some very important prerequisites to moving to retail wheeling," Benforado said. "We believe that it is essential that the commission stick to its guns on the prerequisites and not be driven by an artificial schedule," he added. "We also continue to believe that retail wheeling is not in Wisconsin's interest and that the result, as the PSC staff has found, is likely to be an increase in electric prices in Wisconsin for almost all customers."

"The ultimate decision on whether to proceed to retail wheeling will have to be made by the Legislature," Benforado said. "The PSC should not recommend legislative change in the future unless it can determine that the change will result in lower costs for all Wisconsin ratepayers and maintain reliability of service." ■





# Public Service Commission of Wisconsin

Cheryl L. Parrino, Chairman  
Scott A. Neitzel, Commissioner  
Daniel J. Eastman, Commissioner

Jacqueline K. Reynolds, Executive Assistant  
Lynda L. Dorr, Secretary to the Commission  
Steven M. Schur, Chief Counsel

February 22, 1996

To the Parties Addressed:

Re: Investigation on the Commission's Own Motion Into the  
Probable Costs and Benefits of Changing Electric Utility  
Company Structure and Regulation

05-EI-114

Attached is a copy of the Public Service Commission's (Commission) report to the Wisconsin Legislature on restructuring the electric power industry in Wisconsin. This report and accompanying workplan is the culmination of over a year's work by the Commission, the state's utilities, and participants representing the interests of consumers and the environment. The report reflects the Commission's recent decisions in the restructuring investigation and serves as a basis for future Commission and legislative policy actions. The Commission will continue to address the technical details of its decisions and will complete this task prior to submitting proposed legislation:

Throughout the electric investigation, the Commission has appreciated the cooperation of the legislature in exploring industry restructuring. Each legislator has received summaries of the Advisory Committee meetings, the Draft and Final Environmental Impact Statement and the Advisory Committee Report. In response, many legislators have provided helpful information and advice on these issues. The open dialogue between the Commission and the Legislature has been invaluable in forging an approach which is in the best interests of the state of Wisconsin. The Commission pledges its continued cooperation with the Legislature in these vital state issues.

If you have any questions on the report or workplan, please contact us and we will make every effort to provide you with answers.

Sincerely,

Cheryl L. Parrino  
Chairman

Scott A. Neitzel  
Commissioner

Daniel J. Eastman  
Commissioner

SES:RDN:gmh:H:\LETTER\114LEG-2.SES

Attachment

610 North Whitney Way, P.O. Box 7854, Madison, WI 53707-7854  
General Information: (608) 266-5481; (608) 267-1479 (TTY)  
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STATE OF WISCONSIN

# REPORT TO THE WISCONSIN LEGISLATURE

Electric Utility Restructuring in Wisconsin

February 22, 1996

Public Service Commission

Contact Persons:

Susan E. Stratton, PSC, (608) 266-0699  
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## INTRODUCTION

This Report is the result of an investigation commenced by the Public Service Commission of Wisconsin in September 1994 pursuant to its authority under sec. 196.28, Wis. Stats. The purpose of the investigation was to examine the costs and benefits of changing electric utility regulation in Wisconsin. In examining this complex issue the Commission took the following actions:

- Held public question-and-answer sessions with representatives of all affected parties at the beginning and at the end of this investigation.
- Appointed a 22-person Advisory Committee representative of all interests; participated in the meetings of this Committee; and reviewed its Report on Electric Utility Restructuring.
- Solicited and reviewed, on two separate occasions, written comments from all interested parties.
- Prepared an extensive Environmental Impact Statement on the Future of Wisconsin's Electric Power Industry.
- Requested the Energy Center of Wisconsin to do an assessment of public opinion on electric utility restructuring and reviewed the results of that assessment.
- Conducted and attended numerous public hearings throughout the state.
- Deliberated upon these issues in three open meetings.
- Reviewed and revised a Plan for Electric Restructuring submitted by Commissioner Scott Neitzel, the Chair of the Advisory Committee.

This Report and the attached Workplan are merely the first steps in what will be a complex enterprise of regulatory reform. Wisconsin has been on the leading edge of public utility regulation since 1907, and this Commission intends to continue this progressive tradition. It will develop regulatory policies and legislative recommendations that put Wisconsin in a position to take advantage of the fundamental changes sweeping the electric industry.

In carrying out this task, the Commission is guided by its two principal legislative mandates—its delegated authority to do all things necessary and convenient to regulate public utility functions such as transmission and distribution lines, and its responsibility to promote the maximum level of competition which is consistent with the public interest in the generation and energy services sectors of this industry.

## **Role of the Commission and Role of the Legislature**

The Commission recognizes that major policy decisions to move toward a more competitive electricity industry may require legislative action. These include the following:

- Determining the appropriate types and levels of regulation of power plants.
- Revamping the state's central-planning and construction-permit procedures for power plants.
- Determining the timing and extent of retail competition (retail wheeling) for energy services.
- Determining the level of funding for social programs to be collected in utility rates.

The Commission has substantial experience, technical competence, and specialized knowledge in these areas. It proposes to use this experience, competence, and knowledge to address the technical aspects of injecting more competition into the industry and to lay the groundwork for the legislature to make the basic policy choices about these issues. Many activities such as separating the vertically-integrated electric monopolies into their basic functions (unbundling) are necessary first steps to get to the point where these fundamental policy questions can be decided.

The Commission also requests and encourages legislative oversight as it goes about its statutory obligation to promote a more competitive industry. It intends to provide periodic reports to the legislature about the status of its Workplan and to seek frequent legislative input.

Certain proposed changes (e.g., service standards for customers) will require the Commission to promulgate administrative rules subject to legislative review and approval. Other proposed changes (e.g., shifting to a different method of funding energy conservation) may require statutory changes prior to major public policy choices such as retail wheeling. These will be a matter of legislative action based upon recommendations by the Commission.

## **The Importance of Reasoned Discussion, Debate, and Consensus**

The Advisory Committee process, which the Commission developed in 1995, brought everyone to the table—large and small investor-owned utilities, municipal utilities, rural cooperatives, environmental groups, customer representatives, and many others. These groups made a commitment to lower the level of political rhetoric and focus upon the hard tasks of developing practical options for increased competition in the electric power industry. There was not unanimity on all issues, but there was common ground on many key issues. A delicate balance was created in which parties recognized the value of continued discussion, compromise, and consensus-building.

The Commission regards this constructive atmosphere to be one of the most positive accomplishments of this investigation. In implementing a more customer-driven marketplace, the Commission will strive to maintain this spirit of cooperation in the public interest. This will involve designing a multi-faceted process which includes the right mix of public input, technical conferences, evidentiary hearings, reports on specific issues, and informal work groups.

Undoubtedly, the Commission and the legislature will have to make hard choices as they reach the forks in the road anticipated by this Workplan. The best solutions, however, will arise, not from political spinning and pressure, but out of informed judgments which rely on the collective wisdom of all stakeholders. This is the Wisconsin Idea of public policy-making in its finest form.

### **Public Involvement in this Process**

In its process of evaluating restructuring issues, the Commission used a wide variety of measures designed to maximize public involvement. These have included public meetings and discussion sessions, public hearings, and widespread public dissemination of its Environmental Impact Statement, the Advisory Committee Report, and Workplan. As it continues to adapt regulation to a more customer-driven environment, it will seek public input regarding major proposed changes. While technical work groups and reports are necessary on many issues, so are public hearings and meetings. The Commission recognizes that, for regulatory change to be successful, it has to be supported by public understanding and acceptance.

## **THE COMMISSION WORKPLAN FOR ELECTRIC UTILITY RESTRUCTURING**

The attached Workplan represents the Commission's informed judgment about how, and in which order, to proceed to create fair and robust competition in this industry in a manner which protects and benefits the citizens of this state. Its key initial elements include the following:

- Separating the vertically-integrated functions of investor-owned utilities into generation, transmission, distribution, and energy services (unbundling).
- Improving competition in electric generation, including the construction of new power plants, while insuring that Wisconsin customers continue to have access to the low costs associated with current power plants.
- Preventing the exercise of unfair dominance (market power) by large companies in any sector of the industry.

- Conforming Wisconsin's planning and construction permit procedures to the increasingly competitive generation market, while still protecting the environment and securing low-cost energy supplies for Wisconsin customers.
- Continuing Wisconsin's leadership in transforming the transmission system into a common carrier with grid-wide pricing and least-cost, environmentally-sound transmission planning.
- Developing specific, extensive service requirements at the distribution and retail levels to protect all residential, commercial, and industrial customers.
- Developing alternative means of funding and providing social benefits to customers, including low-income protections and programs, energy conservation and efficiency services, and expanded opportunities to use renewable energy supplies.

The Commission believes that there is a broad consensus on most of these initial steps. It also believes that, given the rapid changes taking place in the electric industry regionally and nationally, expeditious action on these restructuring changes is essential to insure that Wisconsin customers maintain the relative advantages they now have in buying and selling electricity.

### **Steps and Timetables**

The principal purpose of the steps and timetables in the Workplan is to describe what the Commission regards as the proper sequence of restructuring actions and to estimate the approximate time it might take to accomplish each step. The specific dates are targets only; in each case the controlling factor will be the time it takes, under the prevailing circumstances, to complete the task well.

The Commission sets the priorities of its Electric Division on a quarterly basis. It will continue to give implementation of this Workplan a very high priority by scheduling specific proceedings as expeditiously as appropriate in light of its available resources and those of necessary parties. Certain activities in the Workplan may be affected by external developments (such as the federal government taking the initiative in some areas), and the Commission reserves the right to adapt its plan to such developments.

### **Fundamental Restructuring and Fundamental Change**

The Commission believes that there is a necessary sequence of events in the process of restructuring the industry. Contrary to some accounts of its recent policy discussions, the Commission is not of the view that basic change in the form of full-scale competition in this industry can occur absent basic restructuring of the current institutional framework of the industry. Fundamental restructuring must precede such fundamental change, and not the other way around. The attached Workplan reflects a comprehensive restructuring of the

industry, but it is important to emphasize that the initial steps in this Workplan are prerequisites to the subsequent steps, including full-scale competition. If these conditions are met and the Commission finds benefits for all customers, then the end states shown in this Workplan would likely be appropriate. If these conditions are not met, the Commission will have to revise its Workplan or adopt another workplan.

### **Existing Investments and Obligations**

The Commission recognizes that existing financial obligations of investor-owned utilities, municipal utilities, joint action agencies, and cooperatives have been entered into with the expectation of a specific regulatory regime premised upon exclusive service territories and recovery of the reasonable costs of capital investments. The Commission has been a partner in determining that these assets are necessary and in the public interest as required in secs. 196.49, 196.491, 196.493, and 196.495, Wis. Stats., on behalf of the public. If necessary, it will adopt a responsible, prudent program allowing appropriate recovery or credit for stranded costs or benefits, which may develop during the process of regulatory change and take other steps as necessary to protect the integrity of debt secured by a pledge of utility revenues.

### **The Timing of the Decision Regarding Retail Competition**

The issue of retail competition (retail wheeling) has been the most controversial aspect of electric industry restructuring. It is important to understand that retail wheeling is not a free-standing decision unconnected to other fundamental changes in the Plan. It is an end-point preceded by and dependent upon those changes. It is also a basic policy decision which the legislature has the authority to address if it so chooses.

The Commission believes that the best current focus of all parties is to work together to analyze and implement the near-term changes included in its Workplan. This is the best way to ready Wisconsin for the coming pervasive changes in this industry. Robust competition cannot be substituted for close regulation until the existing regime of vertically-integrated, regulated monopolies is thoroughly restructured, and it is upon such restructuring that the Commission will first focus its resources.

There is not unanimity among the Commissioners regarding the appropriate time to make the decision to implement retail competition.

Commissioner Neitzel believes that the best guarantee of benefits for all customers is to replace the second-best solution of close regulation of energy services with a customer-driven energy marketplace. Commissioner Neitzel believes that competition which is ubiquitous will result in outcomes far superior to regulating a nonmonopoly enterprise. Wisconsin will see economic and efficiency benefits by deciding now that retail competition is the end point at which regulatory reform should arrive. Commissioner Neitzel has attached to this Report a three-page outline of his views regarding this competitive energy marketplace.

Chairman Parrino believes that Wisconsin must ready itself for the pervasive changes which are coming to the electric industry, but sees no first-mover advantage to Wisconsin deciding retail wheeling before any other state in the region. Wisconsin will be impacted by regional and national changes and must be prepared to act when it is in Wisconsin's best interest. She believes the proposed Workplan puts Wisconsin in a position to be able to act appropriately. She relies upon the undisputed fact that in the gas and telecommunications industries the timing of supply procurement by distribution customers and local exchange competition—the equivalents of retail wheeling in these industries—depended directly upon major changes in industry structure and regulation. Thus, in terms of the steps set forth in the Workplan, Chairman Parrino would focus principally on whether the pertinent prerequisites are being met and would make the final policy recommendation regarding retail competition at the point in time when the Commission will have before it all the relevant information about accomplishment of prerequisites and developments in other states and nationally (Step 28 of 32 in the Target Timetable).

Commissioner Eastman sees the electric industry as inherently regional and national in scope and believes that encouraging the development of regional and national standards and institutions (such as effective Regional Transmission Groups) should be a high priority in Wisconsin's restructuring efforts. These regional and national developments including, for example, Federal Energy Regulatory Commission initiatives and an overhaul of the Federal Power Act, will have a direct and substantial impact upon what this Commission can and should adopt as a regulatory policy for Wisconsin. Because external events will surely affect any specific state plan and timetable, the best approach for Wisconsin at this time is to be very proactive where it can reliably increase competition and very responsive to the rapidly evolving regional and national situation. Commissioner Eastman thus favors calibrating the Commission's recommendation to the legislature with such regional and national developments.

## **PROCESSES FOR ADDRESSING THE STEPS IN THE WORKPLAN FOR 1996**

The attached Workplan shows 32 steps regarding electric utility restructuring. Activity is expected to begin during 1996 on 12 steps. The processes for addressing each of these 12 steps in 1996 are as follows:

### **Develop Functional Segmentation**

Commission staff will work with the investor-owned and municipal utilities and other interested parties to develop a method of segmenting utility operations into distinct business units. Many of the utilities have already begun this process and effort will be made to create segmentation plans that are fair, consistent, and make use of what utilities have accomplished in their work thus far. Following Commission staff's analysis and review of the utilities' final plans for segmenting their operations and a technical conference or hearing as necessary, staff will prepare a report to the Commission with its recommendations. The Commission can accomplish this activity within its jurisdiction.



## **Retain Siting Authority of Generation and Transmission Facilities**

The Commission intends to maintain siting authority over generation and transmission facilities; however, it will consider reforms to improve the existing process. This issue will principally be addressed in the Advance Plan reform step. The intended scope of this step can be accomplished within the Commission's jurisdiction.

## **Request an Increase in Intervenor Compensation**

The Commission expects to submit a request for additional intervenor compensation to the Department of Administration in the near future.

## **Review Affiliated Interest Standards**

Commission staff will review existing affiliated interest standards, propose standards that should be updated where necessary, and anticipate what changes to the standards will be necessary under a future utility structure. Following its review, Commission staff will prepare a report, send it to interested parties for comment and hold a technical conference or hearing as necessary prior to Commission consideration. This step can be accomplished within the Commission's jurisdiction.

## **Review Legal Status of Merchant Plants**

Commission staff will review the legal status of merchant plants. After this review, its recommendations will be sent out for comment and a technical conference or hearing will be held, as necessary, prior to Commission decision. This initial step can be accomplished within the Commission's jurisdiction. Further action to allow merchant plants will require legislation.

## **Form Public Benefits Policy Board**

A committee will be formed by the Commission to work on issues including low-income services, conservation services, and renewable energy resources. The committee will be comprised of parties representing diverse interests and will prepare a workplan to be submitted to the Commission. The committee will prepare periodic progress statements and a final report upon which the Commission will act. Topics that are not industry specific will be analyzed with the participation of affected parties. The preliminary work done by this committee can be accomplished within the Commission's jurisdiction. It is currently unknown what kind of action would be required to implement the Commission's final decisions on this matter.

## **Address Market Power Issues**

Market power issues will initially be considered in the proposed merger cases that are, or are soon expected to be, before the Commission. This issue can be accomplished within the Commission's jurisdiction.

## **Develop Quality of Service Standards**

Commission staff will prepare a proposal that addresses existing service quality standards and an evaluation of the need for continuation of these standards. The proposal will include recommendations for new standards that Commission staff believes will be necessary in a restructured electric power industry. The proposal will be sent out for comment to interested parties. The proposal and comments will be the basis for either a final report to the Commission for review and decision, a technical conference, or public hearings as appropriate. This step will likely require a rulemaking proceeding to be held.

## **Establish an Independent Transmission System Operator**

The Commission will form a committee to develop a plan for an independent transmission system operator. This committee will pursue a mechanism that ensures a single operator which is truly independent and a transmission system with grid-wide pricing and a mechanism to allocate and rectify constraints. A recommendation to the Commission from this committee will be expected by 1996. Establishing an independent system operator can be accomplished within the Commission's jurisdiction. If this concept fails and the Commission pursues an independent transmission company, it is possible that jurisdiction would be challenged and legislative involvement could be necessary.

## **Study Utility Asset Divestment**

Divestiture will be reviewed and analyzed by Commission staff in conjunction with merger-related issues, development of the transmission system operator, and functional segmentation. Studying this issue can be accomplished within the Commission's jurisdiction.

## **Address Competitive Bidding Process/Reform Advance Plan**

These issues will be studied concurrently. Streamlining the Advance Plan process will be pursued first so that utilities know what they need to file in 1998 should statutory changes to this process not be completed by that time. Commission staff will ask interested parties for comments on how the Advance Plan process can be streamlined. These comments and Commission staff's own ideas will be the basis for a technical conference after which a report would be submitted to the Commission outlining areas of agreement and disagreement. The Commission would then make decisions on the matter. The development of the Strategic Evaluation, which would replace the Advance Plan, would be conducted in much the same manner, with the exception that there would be a public hearing instead of a technical conference prior to Commission decision. The Competitive Bidding process would be largely subsumed within the Advance Plan Reform process. The initial step to reform the Advance Plan process could be accomplished within the Commission's jurisdiction. To implement the Strategic Evaluation would require statutory changes to the Power Plant Siting Law.

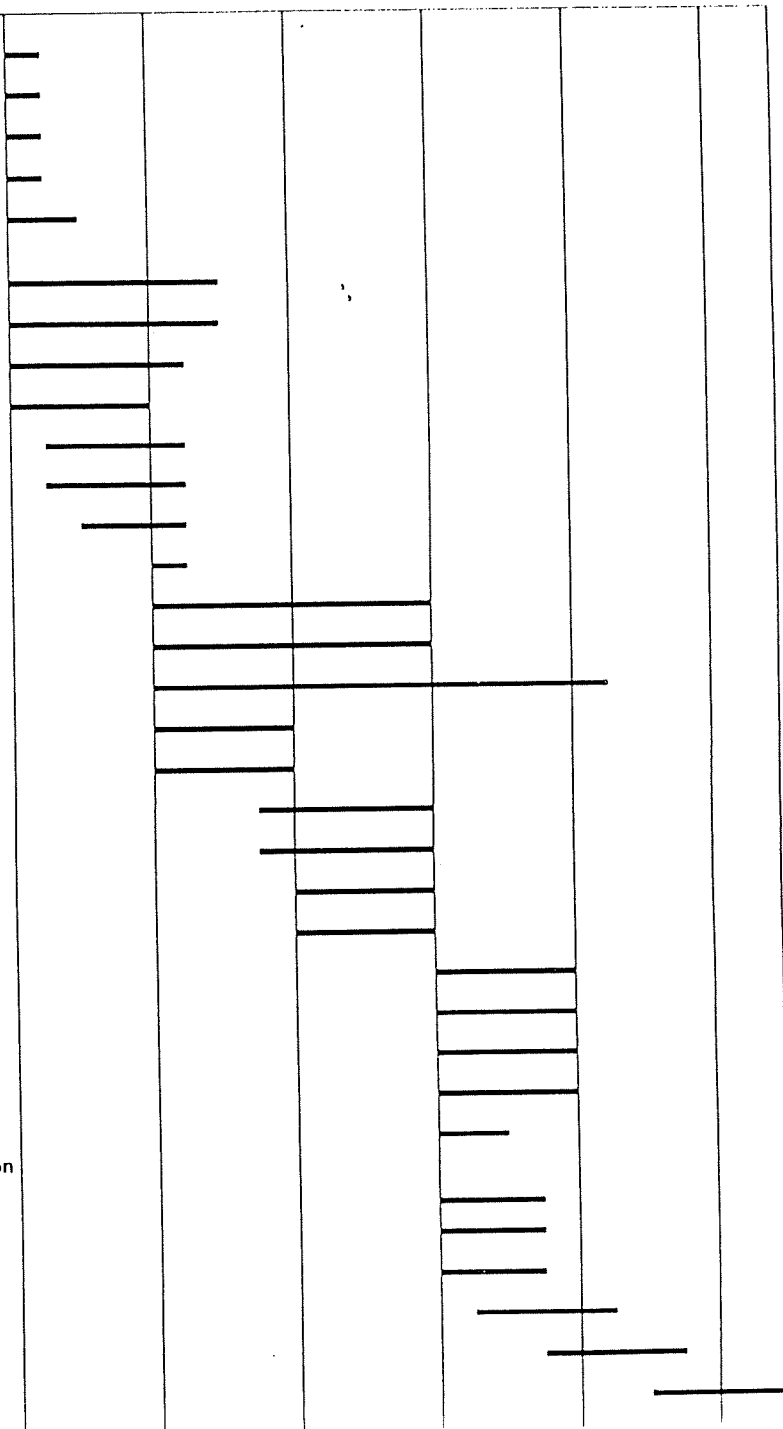
1996			1997			1998			1999			2000			2001		
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2

# WORKPLAN

2-15

## RESTRUCTURING WISCONSIN'S ELECTRIC UTILITY INDUSTRY: TARGET TIMELINE

1. Request utilities to file plans functionally segmenting generation, transmission, distribution and customer services
2. Determination of PSC intent to retain generation and transmission siting authority, with necessary process reform
3. Request legislature to increase Intervenor Compensation to \$500,000 annually
4. Adopt affiliated interest standards consistent with those in place for Gas Industry
5. Make legal and policy determination on whether Merchant Plants should be allowed to file CPCN applications
6. Establish Public Benefits Policy Advisory Board and act on and implement recommendations; coordinate with Gas industry and explore coordination with Telecommunications Fund Administrator
7. Examine generation and transmission market power and take necessary action in merger and Interface transmission cases
8. Establish quality of service standards and mechanisms for measuring and monitoring service quality
9. Establish Independent System Operator to operate and coordinate transmission system on statewide basis
10. Workgroup studies and reports on issues associated with spinning-off or divesting utility assets
11. Reopen docket 05-EI-112 to reform Stage I Bidding process
12. Initiate and complete process to further reform Advance Plan
13. Require utilities to file proposals for transfer pricing (unbundling rates), consistent with (1).
14. Reform ratemaking processes to realign incentives and begin transition to competitive pricing
15. Independent System Operator becomes operational
16. Explore marginal cost based and real-time pricing and service options to begin transition to competitive pricing
17. Generic investigation examining generation market power and actions needed to create workable competition
18. Identify stranded costs and/or stranded benefits and develop transition plan recognizing financial commitments
19. Reaffirm and take action to protect service territory boundaries
20. Workgroup studies and reports on legislative and procedural changes necessary in affiliated interest review
21. Implement generic policy to limit generation market power, if necessary
22. Workgroup studies and reports on reliability and coordination issues surrounding retail competition
23. Possible statutory reform of Advance Plan, and construction need review
24. Workgroup examines the state of metering, billing and communications technology necessary for retail competition
25. Review status and success of Independent System Operator and begin implementation of Transco if necessary
26. If necessary, generic investigation examining wholesale power market, and need for poolco or similar coordinating entity
27. In Strategic Evaluation, conduct market share analysis for energy services sector
28. Final evaluation to determine that prerequisites have been met (e.g. safety and reliability monitoring is in place, transmission system is open, exercise of market power is prevented, metering and billing technology is available, and universal service is in place).
29. Workgroup develops retail competition implementation plan for all customers
30. Establish mechanisms for gathering and disseminating customer information
31. Generic investigation adopting final retail competition implementation plan consistent with Commission principles
32. Retail competition enrollment period and implementation for all customers



## OUTLINE OF COMMISSIONER NEITZEL'S VIEW

The policy goal is to attain the most efficient and customer driven electricity marketplace for Wisconsin.

1. Competition will be the preferred policy instrument to achieve that goal.
  - a. All customers should have access to competitive energy supplies.
    - (1) Implementation of retail competition is dependent on having in place the prerequisites which the Commission believes are necessary to sustain a competitive market and are in the public interest.
    - (2) The target date for the implementation of retail competition is the year 2000. However, all target dates are subject to change depending on the pace of resolution of the specific restructuring steps and on external events, either or both of which could affect the implementation timetable.
2. Consumers will be protected.
  - a. Distribution facilities will be regulated to ensure safety and reliability.
  - b. New entrants will have to be licensed to participate in Wisconsin market.
  - c. Winter moratorium on disconnection will continue.
  - d. Permanent commitment to low-income and universal service programs.
  - e. Consumers will be empowered to make more choices for themselves.
  - f. The prices associated with Wisconsin's current low-cost generating facilities will be tied to Wisconsin customers.
  - g. Transmission facilities will continue to be planned and approved by the Commission with public input.
  - h. Risk of new generation decisions will be transferred from customers to shareholders.

3. Past financial commitments will be honored.
  - a. The Commission will take steps (if necessary) to ensure stability of debt and equity in the transition to a competitive market.
  - b. Once a full transition to a competitive market has been made, the Commission will only concern itself with the stability of the debt and equity of the monopoly/utility - not the competitive aspects of the business.
  - c. Commission decisions should not, in and of themselves, create winners and losers in the market. Rather decisions should be provider neutral. Customers will then decide winners or losers.
4. The new generation business will be competitive.
  - a. Need review will be eliminated.
  - b. Siting review limited to congruence with transmission plans and environmental standards.
  - c. The Advance Plan will be transformed into a strategic evaluation of Wisconsin's energy and competitive situation.
  - d. During transition period bidding process will be streamlined.
5. The transmission system will be a common carrier.
  - a. Independent system operator (ISO) established in state.
    - (1) Single operator.
    - (2) Truly independent.
    - (3) Grid wide pricing.
    - (4) Mechanism to allocate and rectify constraints.
  - b. If ISO is unobtainable or unworkable, Commission will take action to institute a statewide, independent transmission company (transco).

6. Distribution service will continue to be regulated.
  - a. Performance standards developed.
    - (1) Reliability
    - (2) Safety
  - b. Service territories protected to prohibit bypass.
7. Public benefits will be preserved.
  - a. Conservation programs continued.
  - b. Renewable resources encouraged.
  - c. Green pricing programs implemented.
  - d. Low-income programs continued.

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**TESTIMONY PRESENTED TO THE  
SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES**

March 7, 1996

**COMMENTS ON HB 2600**

Thank you, Mr. Chairman and members of the Committee, for providing us time to share our thoughts on House Bill 2600. My name is Steve Miller. I am the Senior Manager, External Affairs for Sunflower Electric Power Corporation. Sunflower provides wholesale power throughout the western one-third of Kansas to the seven rural electric cooperatives that own Sunflower.

Sunflower is a cooperatively-owned, nonprofit corporation. We differ from most utilities in that Sunflower is entirely owned by the rural electric cooperatives served by Sunflower. These cooperatives and Sunflower were created by our consumers to serve where investor-owned utilities could not operate profitably.

Sunflower provided testimony to the Special Committee on Energy and Natural Resources this summer and to the House Energy and Natural Resources committee last month. We support HB 2600 because it provides a method for the Legislature and all segments of the utility industry to carefully consider if our industry needs to be "restructured."

We support the House amendments, but are opposed to the concept of pilot projects as some have proposed. Our view is that unless a pilot program involves the entire spectrum of electric consumers, meaningful information will not be obtained. Obviously, if a large load is allowed to shop the entire marketplace for a lower price, for a short term, they will receive a lower price. But what about the rest of the consumers? What would happen to their prices? That is but one of the many questions we hope will be answered by the Task Force.

A small minority in this debate have advocated the immediate adoption of "full-blown" retail wheeling. Sunflower thinks that is the equivalent of blindly going out in western Kansas and drilling a hole in the ground hoping that natural gas or oil will be found at the end of the drill stem. To leap before we look would be foolish. We are

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exceedingly concerned that small businesses and rural residential ratepayers will be harmed by the price reductions given to a few large power users. The Task Force, through careful study with the KCC, will be able to determine the validity of our concerns.

Our ratepayers have suffered from prior "command and control" legislative decisions. One such example is legislation by the federal government when it enacted the Powerplant and Industrial Fuels Use Act of 1978. That law effectively stranded the \$15,000,000 investment Sunflower made in its S-2 plant and forced the decision to build our Holcomb plant. Absent that ill-conceived legislation, our costs would certainly be lower and our price for electricity would be more competitive today. This is but one example of why the Task Force is needed.

Our point is that we need to carefully consider changes to the system. Beyond the issue of stranded investments, we believe valuable "stranded benefits" may be lost if a new system is designed around the "pure competition" principles we all learned in economics class. If price is the only consideration in a power purchase, many small businesses, ag producers and residential ratepayers will see their power bills increase. Rural communities cannot afford to lose businesses that might close due to the increased cost of electricity. Other benefits that might be lost include the many services provided by utilities to our rural communities at no cost.

Again, we must carefully study this issue to identify who will be harmed and to what extent. Public policy should be changed only after we have identified who will pay the costs associated with the cost shift advocated by proponents of retail wheeling.

HB 2600 is a product of a lot of careful thought and consideration. We urge you to give favorable consideration to HB 2600 as amended, so that in Kansas, we make sure we don't leap before we look. Thank you.



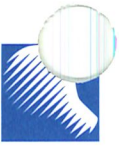


**KANSAS SENATE  
ENERGY AND NATURAL RESOURCES  
COMMITTEE**  
Senator Don Sallee, Chair

Hearing on House Bill 2600  
Study of Retail Wheeling  
March 7, 1996

Testimony Presented By  
David E. Martin  
Director of Public Affairs  
Kansas City Power & Light

*Senate Energy & Natural Res.  
March 7, 1996  
Attachment 4*



Good morning. I'm David Martin, director of Public Affairs for Kansas City Power & Light. Also with me today is Susan Cunningham of our Law Department who can assist me with some of the legal aspects surrounding the issue of retail wheeling.

We would like to thank Chairman Sallee and the committee for this opportunity to testify in support of House Bill 2600 as amended by the House.

Before I begin, however, I would like to review for new committee members a little background about Kansas City Power & Light. We serve about 176,000 Kansas customers which is about 40 percent of our total of 430,000 customers. Our Kansas customers reside mainly in Johnson, Linn, Douglas, Franklin, Osage and Miami counties and they represent an area of significant economic growth for both the company and the state of Kansas. Basically, KCPL is the major electric provider for the Kansas City metropolitan region. We have significant electrical generation facilities within Kansas as represented by the La Cygne power station, which is the state's second largest coal-fired generating station. La Cygne station is located near La Cygne, Kansas. KCPL operates this station which is owned equally between ourselves and Western Resources. In addition, KCPL owns 47 percent of Wolf Creek nuclear generating station located near Burlington, Kansas. KCPL also has significant transmission, distribution and customer service facilities within Kansas. On a final note, KCPL is also linked with other regional electric utilities for not only reliability of service, but also for the interchange of power. This linkage extends from the Canadian border in the north, to Texas in the south and many points to the east and west up to the Rockies. KCPL, in actuality, is a major hub for the interchange of electrical power transactions here in the midwest.

In addition, in January, we announced plans to merge with UtiliCorp United. This proposed merger will form a new, diversified energy company, combining gas and electric operations. We believe it's a perfect fit. KCPL's strong financial and operational management, combined with UtiliCorp's marketing skills and international reach, will give the new company excellent positioning and resources in an era of heightened competition. Customers, employees and shareholders will benefit as well as the state and local economies we each serve.

In light of the proposed merger, one might ask whether our previous position on HB 2600 has changed. That is not the case. KCPL continues to support HB 2600 with its two-year study by a designated task force to research not only the issue of retail wheeling, but also its impact upon customers, utilities and the state of Kansas.

The two-year time frame for this study is reasonable, given the complexities of the issues. Plus, it is a fact of Kansas law, that mandatory retail wheeling, if and when it arrives, will require enabling legislation before any implementation. Therefore, the

legislature will need not only information, but also a thorough understanding of multiple options and their benefits, the activities and actions of the federal government along with the role and responsibilities of the states before passing any changes in Kansas law.

KCPL also supports the amendments adopted in the House. By increasing the retail wheeling task force from 18 to 21, which we suggested back in February, this insures those who have a major stake in this issue will be represented. Our continuing observation, however, deals with the Kansas Corporation Commission (KCC) open generic docket on this same issue, retail wheeling.

In comparing HB 2600's list and the KCC's lists of study topics, there is considerable overlap. And we would question the wisdom of having two major, but separate studies ongoing at the same time, researching the same issue. Since both the legislature and the KCC are seeking the same common goal, an enhanced understanding of the options before Kansas, it might be very desirable to follow the precedent set by the telecommunications issue: combine these two efforts.

In this manner we can all learn and share information together. From our perspective, a joint, single effort would benefit everyone and save considerable effort and dollars. The KCC could then continue to work with electric utilities in exploring ways to improve efficiencies before any implementation of retail wheeling.

Indeed, our research is beginning to indicate that performance-based regulations combined with pricing flexibility and the coming improvements in wholesale marketing (transmission line access) can capture most of the currently available efficiencies associated with retail wheeling. For example, regarding pricing flexibility, to the extent such pricing flexibility is permitted, it will not only provide additional options for our customers, but could tend to reduce the magnitude of transitional issues if and when retail wheeling is implemented.

To illustrate the third point - wholesale improvements - KCPL has been a leader in helping to establish national policy on opening our transmission facilities to wholesale wheeling. KCPL's filing in 1994 of its open access transmission tariff with the Federal Energy Regulatory Commission became the blueprint for transmission access that other utilities have followed. As a result, KCPL is prepared to compete in a more competitive wholesale market environment.

In summary, KCPL supports HB 2600 as amended by the House, but recommends, in order to avoid duplication, a combined research effort. Thank you for letting us share our views on this bill. I would be glad to try to answer any questions the committee might have.

**TESTIMONY OF HUGH J. TAYLOR  
OF THE BOARD OF PUBLIC UTILITIES  
BEFORE THE SPECIAL COMMITTEE  
ON ENERGY AND NATURAL RESOURCES  
ON RETAIL WHEELING**

My name is Hugh J. Taylor. I am Manager of Rates and Regulations for the Board of Public Utilities of Kansas City, Kansas. The Board of Public Utilities is the largest municipally owned utility in the State, serving electricity and water to the City of Kansas City, Kansas and wholesale electricity to Kansas Municipal Energy Agency and other communities in both Missouri and Kansas.

It is the position of the Board of Public Utilities of Kansas City, Kansas that deregulation and the opening up of electric markets to competition within the State of Kansas has many risks, and while we are not taking a position either for or against retail competition, we do urge great caution. In our view, the risk of adverse impact is greatest to small electric systems and to smaller customers in any system. The mere threat of competition is having an immediate impact on most electric utilities. Some electric systems are reducing costs in almost all major cost areas. Cost reductions may or may not be good. If these reductions are short term and do not result in lower long term costs, they may not benefit the consumer. Cost reductions could, in fact, result in less service and higher long term rates. The threat of competition appears to be increasing merger activity, and as a result, system mergers increase utility sizes, increase the isolation of top management from customers, and may ultimately decrease competition and create anti-trust abuses. Recent and proposed changes in the Public Utility Company Holding Act will most likely reduce

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anti-trust review and enforcement activities by the Securities Exchange Commission on investor owned utilities and thus increase the possibility for economic abuses. Smaller electric systems and smaller customers will have less flexibility than the larger consumers, who may stand to benefit the most from competition. Reduced flexibility may cause higher rates for these captive customers. Small systems and smaller customers within any system are likely to be those that suffer in a competitive market. Another area that is under close scrutiny is construction programs, which are being revised to increase the flexibility of the electric system to accommodate the possible loss of load. Such new programs may not, and most likely will not produce the lowest long term rates.

The Board of Public Utilities urges the Committee to proceed slowly and to evaluate the following questions in depth:

1. Will Kansas benefit from national deregulation or will Kansas stand the risk of being "cherry picked" by other low cost systems from adjacent states?
2. Should Kansas deregulate before its neighbors?
3. Will service reliability suffer as a result of competition?
4. For all utilities, the loss of customers due to competition will lead to higher rates for remaining customers. For municipal utilities in particular, the loss of one or more customers due to competition could cause a violation of bond trust indentures

or a default on bonds, resulting in a takeover of the municipal system by the bond holders in order to assure rates adequate to meet the bond requirements. Such action could force higher rates upon the remaining customers. The impact of this would be felt most by the customers who had the fewest options in taking alternate service (residential and small business rate payers).

5. What rights will continue to local governments under the provision of home rule versus legislative directives imposing competition on municipally owned systems?
6. What avenues will be open to municipal systems when anti-trust abuses result in predatory pricing? Legislating deregulation should provide for prompt and effective court review and remedy of predatory pricing practices.
7. What effect will deregulation and competition have on a utility's obligation to serve and the cost of meeting that regulation?
8. Who will control regional dispatch? Will it be a "Regional Transmission Group;" and who will regulate dispatch?

In closing, the Board of Public Utilities would urge caution in evaluating the benefits of competition, and if found to be overall desirable by this Committee, we would urge that it be done on an evolutionary basis rather than a revolutionary basis.





## KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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**Testimony of Donald P. Schnacke, Executive Vice President  
Kansas Independent Oil & Gas Association  
before the  
Senate Energy & Natural Resources Committee  
March 7, 1996**

**RE: HB 2600 - Electric Retail Wheeling Task Force**

I am Don Schnacke, Executive Vice President of the Kansas Independent Oil & Gas Association. We are appearing in favor of the passage of HB 2600, but we wish to offer suggested amendments that we think would better serve our industry and the State of Kansas.

The interim committee, under Proposal No. 30, added one additional member to the task force, the inclusion of Midwest Energy under (9), page 2, line 6. This raised the total members from 17 to 18. We did not oppose that move, but we did ask that Section 1, (7) at line 41 on page 1 be expanded to one additional category of industrial electric customer. We request that there be two categories of electric customers, large customers and small customers. The House Committee added three more members - all electric power providers, not consumers. Electric customers are represented by only one of the twenty-one members.

An important justification for providing for large and small industrial electric customers is that the task force must make a finding in (f)(3) page 3, line 3, as to the economic impact on *each class of electric utility customer*. During the interim study there were clearly two classes of electric utility customers, large and small. The customers that we represent throughout Kansas are small customers as contrasted to the large customers like Boeing, Goodyear, General Motors, etc. Other *small* customers that are being overlooked are farmers, livestock operators, wheat growers, and many other small agricultural and industrial consumers, as well as small oil producers. We think both classes, large and small alike, should be represented on the task force. It was suggested that if the task force was getting too large, that the number of legislators could be reduced from six to four.

Additionally, we believe the time period reserved for study and reporting to the legislature is much too long. HB 2600 suggests a report of the task force's findings by January 11, 1998. That gives the task force 18 months to report. We believe the work of the task force could be done in the months remaining in 1996 with a report by January, 1997. We monitored the Governors' 21-person Tax Equity Task Force and it completed its work during 1995 and made broad recommendations to the legislature in time for consideration in the 1996 session. I believe the task force envisioned under HB 2600 can complete its recommendations in the remaining months of 1996.

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Attachment 6

**Testimony of Donald P. Schnacke, Executive Vice President  
Kansas Independent Oil & Gas Association  
RE: HB 2600 - Electric Retail Wheeling Task Force  
March 7, 1996**

We are pleased the KCC has opened a new docket to investigate how the restructuring of the electric industry will affect Kansas utilities and their customers. The Legislative Energy Advisory Program (LEAP) quarterly legislative letter indicates that over twenty states are pursuing legislative action directed at restructuring, wheeling and alternative regulations. We have seen legislative proposals being considered this year in Oklahoma and Colorado. We would like to see Kansas move quickly out of the study mode and into legislative action.

We do object to Section (2) on page 3, beginning on line 32, restricting the KCC to act until after July 1, 1999. Under that restriction, it would appear the goal of establishing electric retail wheeling in Kansas would be several years from now! We want to leave your Committee with the impression that our industry and our members would like to have retail wheeling of electricity as soon as possible.

The use of electricity is critical and a high expense to producers of crude oil throughout Kansas. The economic status of the industry in Kansas is weak and the availability of lower cost electricity to oil operators who use it on a 24-hour, 7-day a week basis, would be a great improvement for oil operators throughout Kansas who are working very hard to preserve fragile marginal wells from premature abandonment and plugging..

Thank you for your consideration of our recommendations.

Donald P. Schnacke





The Senate Committee on Energy and Natural Resources  
Kansas State Senate

Hearing on House Bill No. 2600  
By Special Committee on Energy and Natural Resources  
Re: Proposal No. 30

March 7, 1996

Testimony Presented By  
John W. McKinney  
Director -- Regulation  
UtiliCorp United Inc.

Senate Energy & Natural Res  
March 7, 1996  
Attachment 7

Testimony of John W. McKinney  
Director -- Regulation  
UtiliCorp United Inc.

Before the Kansas Senate  
Committee on Energy and Natural Resources

March 7, 1996

Thank you Mr. Chairman and members of the Committee. I appreciate the opportunity to offer UtiliCorp's comments today concerning House Bill 2600. My name is John W. McKinney, and I am Director -- Regulation with UtiliCorp United Inc.

Before discussing the subject of this hearing, let me mention that Kansas is a special place for our company. UtiliCorp traces its roots to Osborne, Kansas, where in 1902, Lemuel K. Green, great-grandfather of UtiliCorp's current chairman Richard Green, operated his first electrical generator in a flour mill in the Solomon River valley. Mr. Green's first venture selling generated electric power began in 1908 in Concordia, Kansas.

Since that time, UtiliCorp has grown considerably. UtiliCorp now is an electric and gas utility, with total assets of more than \$3 billion in six countries, and more than 1.2 million customers worldwide. We provide electric and gas service in eight states, and serve approximately 181,000

customers in various communities in Kansas. We believe all of these attributes give UtiliCorp a unique combination of geographical diversity and a broad range of energy products which enable us to have an unusual vantage point with respect to the subject of this hearing.

We commend the Committee for holding this hearing today and for taking prompt action to address the issue of retail wheeling and retail electric competition in Kansas. This has been on the front-burner in other states and on the federal level for quite some time; and now it looks as if many are turning up the heat. Just last week, FERC Commissioner William L. Massey addressed the Capitol Hill Conference of the National Association of State Utility Consumer Advocates. In his speech, Massey, who is a former state utility consumer advocate himself in a rural state, spoke about restructuring the electric utility industry at the wholesale and retail levels. He said:

[T]he concept of choice simply has an irresistible philosophical allure. In an economy centered on the almost-sacrosanct idea that capitalism and the invisible hand of the marketplace are best, opponents of customer choice start the debate deep in the hole. Right or wrong, most people will be skeptical of claims that customer choice is bad and that a government-chosen

monopolist is best. After all, why shouldn't customers get to choose their electric supplier?

As I will discuss in more detail later in my testimony, we agree with Commissioner Massey. UtiliCorp believes the drive toward choice and retail competition is irresistible, and inevitable. The history of deregulation in railroads, airlines, trucking, natural gas, and most recently telecommunications, is compelling. That is why Commissioner Massey also stated: As I watched the telecommunications bill [signing] ceremony, I could visualize just such a ceremony at the signing of the Electric Restructuring Act of 1998, and the driving force behind the legislation will be the irresistible concept of customer choice.

Of course, the advent of choice and retail competition present a number of challenging implementation issues, such as how retail competition will impact consumers in rural areas. This is an important issue, not just for consumers in rural areas, but also for providers such as UtiliCorp, which provide service predominantly in rural areas.

I am pleased, therefore, to state that UtiliCorp supports the thrust of House Bill 2600; that is, we support the creation of a task force to study retail

wheeling and the general issues surrounding retail competition in the electric industry. I should also make clear, however, that we oppose the moratorium placed by the Bill on any efforts by the Kansas Corporation Commission to authorize competition in the furnishing of retail electric service.

We think such a task force will be an important step forward in addressing issues of competition and in moving Kansas forward in the new world of competitive electric markets. We believe the task force will help lead to a full exploration of electric industry competition issues, and can play an important role in determining how Kansas, and perhaps the nation as a whole, should address those issues.

The Committee should note that in making this step to explore, and some day to implement, competition, you are not acting alone. Many states, including those already with low electric rates, have instituted regulatory and legislative actions to address and consider the implementation of retail competition in the electric utility industry. During 1995, regulators and legislators in 40 states and the District of Columbia conducted formal or informal proceedings designed to address retail competition and related issues. In 1996, this trend has continued, as virtually all of those states

continue to be engaged in legislative or regulatory activity concerning retail competition and related issues. States throughout the country are involved in this effort, including Georgia, Montana, and Wisconsin, all of which have relatively low electric rates.

Specifically on the legislative side, thirteen states currently have instituted legislative studies of electric competition. Additionally, since the beginning of 1995, fifteen states have introduced retail competition legislation. For instance, Rhode Island lawmakers have introduced comprehensive legislation to implement retail direct access for all customers by 2001. In a state closer to home, an Electric Utility Task Force in the Oklahoma legislature has held hearings to consider various restructuring issues, including retail wheeling; and a state senator has introduced a "shell bill" that is intended to be the vehicle for addressing these issues. New Hampshire, which already has passed electric industry restructuring legislation, has approved the implementation of a retail wheeling pilot program, which is scheduled to begin May 1, 1996, and will affect three percent of each franchised utility's load.

On the regulatory side, 29 states and the District of Columbia conducted proceedings in 1995 to address retail competition and

restructuring. Most significantly, the California Public Utilities Commission issued on December 20, 1995, a comprehensive plan to restructure the industry and implement retail competition for all customers by 2003. States with traditionally low electric rates have also conducted such proceedings. For instance, the Iowa Utilities Board has instituted an inquiry into emerging competition in the electric utility industry and plans to adopt a final set of principles on April 1 of this year.

So, as you can see, states across the country are moving forward to address issues of retail competition in the electric industry. We at UtiliCorp fully support those efforts. By creating an electric industry task force, the Kansas legislature would take important first steps in exploring retail competition just as the rest of the country is doing so.

One important reason we support the task force is because we think it will help Kansas move toward what we believe is both desirable and inevitable -- that is, a world in which full and robust competition among electricity suppliers exists at the retail level for all customers. We believe this result is both desirable, and inevitable, for a number of reasons. First, competition can benefit all customer classes, and any competitive model must work toward that result. We believe that, because all customer classes will in

fact benefit, the move toward competition will become irresistible. Indeed, we can think of no reason why Kansas should not move quickly toward retail competition once it concludes that all customer classes truly can benefit as a result.

Second, competition is desirable because polls that UtiliCorp has conducted and other polls we have seen across the country demonstrate that consumers, both large and small, want to be able to choose their electric supplier. They want to be able to obtain the price benefits that will result from competition among electric suppliers. A telephone survey of 1,200 households recently conducted for UtiliCorp by the Charlton Research Co., found that:

- (a) Three-fourths of Americans pay attention to their electric energy usage and 57% of the general population supports deregulation of electric energy even though they are generally satisfied with their utility. When the customer learns more about deregulation, this percentage rises to two-thirds.
- (b) 83% of the respondents want to be given the opportunity to choose their electric utility.
- (c) Two-thirds would shop for the lowest price for electric energy, if given the opportunity.
- (d) The concepts that drive favorable attitudes toward energy deregulation are good service, lower price, choice, and competition.



By taking into account what Kansas consumers want, we believe the task force will be led to the inevitable conclusion that choice and retail competition are the only reasonable direction for Kansas and the nation as a whole. This should not be surprising to any of us. If there is one thing Kansans and all Americans know, it is that robust competition results in more and better choices, and lower prices. There is no reason to believe that the general rule that applies in virtually every other context will not also work for retail electric service.

Third, UtiliCorp favors retail competition because we believe it will be good for our business. We have prepared ourselves to offer, under the brand name ENERGYONE, retail electric service and numerous related services anywhere in the continental United States. Many of these services are novel. We are eager to market our products both in Kansas and elsewhere. Consumers can only benefit from this type of product innovation and vigorous competition.

Furthermore, as I am sure you are aware, Kansas City Power & Light Company and UtiliCorp have announced plans to merge into a new company. The new corporation that will result from this merger will also be strongly

committed to working for the establishment of a competitive electrical market from which all customers can benefit.

Also in this regard, Mr. Robert K. Green, Executive Vice President and Chief Operating Officer of UtiliCorp, recently testified before the U.S. House of Representatives' Subcommittee on Energy and Power. In his testimony, Mr. Green stated that "Congress should continue to move forward by enlarging the competitive forces at work in the industry. We believe that Congress should state in broad terms its clear intent that energy consumers, as well as energy suppliers, should have choices in supply, service and products at market prices. The free market should substitute for regulation of the marketplace." He also stated UtiliCorp's belief that the competitive initiatives " will be more effective if the federal government sets the competitive framework that eliminates any barriers to entry while the states implement retail access in a reasonable time frame. In that way, all consumers will have the benefits of competition, including choice as to suppliers and services."

Therefore, as you can see, UtiliCorp has supported, both at the state and the federal levels, prompt and vigorous progress toward wholesale and retail competition in the electric industry. That is why we support the

creation of the task force that this Committee now is considering.

With respect to the issues that the Bill directs the task force to address, we support the existing list. However, it should not be viewed as exclusive. Indeed, the task force should have the capability and consider itself charged to consider all aspects of retail wheeling and retail competition for electric consumers.

While all of the listed items in the Bill are important, one issue of particular importance is number 17. That item directs the task force to address the impact of retail competition on municipal electric utilities and rural electric cooperatives (RECs). While the urban and suburban areas of Kansas have grown greatly in recent years, we must not forget that Kansas still is largely a rural state, with large numbers of people dispersed over large expanses of land.

How retail competition for electricity will affect rural consumers, as well as the municipal electric utilities and the rural electric cooperatives that serve those consumers, is an important consideration that the task force should address. This issue recently has received attention on the federal level as well. In his February 29, 1996 speech to the National Association of State

Utility Consumer Advocates, FERC Commissioner William Massey noted that we must work harder to ensure that both urban and rural customers can benefit from competition.

Therefore, in addressing this issue, the task force will not be alone. However, it may be the first entity to have both the opportunity and the willingness to address the discrete issue of the rural consumer. Other states have not fully addressed the impact of competition on municipal utilities and RECs. By taking on this issue now, and proposing new and innovative ways of implementing retail competition in the context of a state with large rural areas, Kansas has the opportunity to shape the national debate.

In focusing on how retail competition will impact municipal utilities and RECs, we suggest that the task force consider the following options, as possible methods of taking into account the interests of the municipal utilities and RECs, while also ensuring that their customers are given the greatest possible opportunity to enjoy competition's benefits. We offer these only as ideas for discussion. We offer them to the Committee and the task force, simply to demonstrate some of the possible methods in which

retail competition can be implemented while also being sensitive to the concerns of these rural entities.

First, the task force could consider prospects for opening to retail competition the service areas of rural electric coops and municipal utilities that do not have generating capacity, that are purely distribution services. They should have nothing to worry about under retail open access. They will continue to receive access charges for the use of their distribution lines, regardless of who supplies the power to the customer. No one will want to compete with them in the distribution function by building a duplicate distribution system to the customers. There should be no stranded investment issue.

Second, the task force could take up the issue of retail competition within the service areas of RECs and municipal utilities that do have generation capability. If these entities are interested in marketing their surplus power to retail customers outside their service area, it only makes sense that the service areas of those municipal utilities and RECs be open to competition to the same extent as non-REC and non-municipal areas of the state.

Third, the task force might consider how to handle extraordinary situations, where the municipal utility or REC, for whatever reason could not endure the rigor of competition. Approaches might include the following:

- \* Allowing the service areas of muni's and RECs below a certain size to remain closed to competition, if the members of the RECs or the council controlling the muni voted to do so. However, since competition is presumptively favored, there would have to be an affirmative vote before the area could be closed to competition. Of course, all interested parties would have an opportunity to present their views before any such vote to close the area could occur. We believe that, given the power to decide their own fate, the members of the RECs and/or the council controlling the muni would determine that competition, not continued monopolization, is in their own best interest. We believe this is especially likely where distribution-only muni's and RECs still will be able to collect access fees, regardless of who actually supplies power to individual customers.
- \* The service areas of existing municipal electric utilities which had other vital city services to support might be exempted from the otherwise-applicable competition rules. The burden of proving harm would be on the municipal utility. Later, municipalities would have the opportunity, if they desire, to open areas of their service areas to competition. Only the muni's that exist at the time of passage of this bill would be exempt from competition.
- \* A universal services fund could be created that would collect funds that then would be distributed to suppliers willing to serve high-cost rural and urban areas. The areas for which this subsidy would be available, and the customers on whom the assessment would be made, would be determined by the Corporation Commission. There is ample precedent for this in the telephone industry.
- \* Initially exempt muni's and RECs from retail competition, but then open their service areas to bidding, with the prevailing bidder also agreeing to serve as the carrier of last resort. The bidding could operate on an area-, region-, or state-wide basis. In addition, the Commission could

consider using the universal service fund to subsidize service to certain customers.

- \* Muni's and RECs, or certain parts of their service territories, could be exempted from the otherwise-applicable competition rules if they make a showing that their customers will suffer harm (including economic harm) from competition. The burden would be placed on the muni's and RECs to show harm, rather than being placed on the bidder to show that competition will cause benefits, simply because the plan will not take effect unless the task force and legislature first conclude that competition generally will benefit consumers. There is precedent for this model in the recent federal telecommunications law, in which Congress exempted altogether the rural telephone cooperatives from provisions of the new law.

We offer these concepts only to demonstrate that there are many flexible ways to recognize the special needs of rural areas. Kansas need not forego the benefits of competition because of the special needs and worries of municipal utilities and RECs.

In summary, Mr. Chairman, we commend the Committee for moving this legislation. While we did recommend some changes to the bill at the House level, UtiliCorp favors establishment of the Task Force and will offer no additional changes at this time. We urge quick action by the Task Force and the legislature to resolve the issues related to retail competition. These issues must include consideration of the special needs of rural areas for which, we think, there are flexible responses available.

# NASUCA Presents Its 1996 Capitol Hill Conference

## Restructuring the Electric Industry: What are the Costs and Benefits for Consumers?

Address by  
**William L. Massey, Commissioner**  
**Federal Energy Regulatory Commission**

Washington, D.C.  
February 29, 1996

### I. Introduction

Good afternoon. Thank you for inviting me here to speak today at such a distinguished conference of consumer advocates and others interested in the impending restructuring of our largest backbone industry - electricity. At the risk of overstatement, we appear to be in the midst of nothing short of a celebration of competition as industries that were more heavily regulated under cost-of-service regimes move toward a more competitive model.

Just three weeks ago, President Clinton signed into law an historic piece of legislation, the Telecommunications Act of 1996. This legislation is intended to promote competition among the many providers of telecommunication services with the goal of benefiting consumers with lower prices, more choices and better services. This law is certain to have far-reaching effects on all aspects of our lives, both on a business and personal level.

It was signed with great fanfare before a large crowd. The President commented that it was the first time in history that a piece of legislation was signed at the Library of Congress. He called it "truly revolutionary legislation," "historic legislation" that would create thousands of new jobs. He praised both Republicans and Democrats who "worked together in a spirit of genuine cooperation to advance the public interest and bring us a



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brighter future." The new law, he said, will "create an open marketplace where competition and innovation can move as quickly as light."

It was a moving ceremony sparked by comments about entrepreneurial genius, opportunity, and innovation. And all of this public good is to arise from the increased competition brought out by this legislation.

And as I watched this ceremony, I thought to myself that the fundamental, yet elegant, notion of customer choice is the driving force here. Customer choice perhaps is an easy concept to state rather blithely, but a challenge to implement. It has become a very powerful political idea that forcefully shaped the debate on telecommunications reform and is forcefully shaping the debate on energy policy before Congress, state legislatures and regulatory bodies. As I watched the telecommunications ceremony, I could visualize just such a ceremony at the signing of the Electric Restructuring Act of 1998, and the driving force behind the legislation will be the irresistible concept of customer choice.

## II. Recent History of the Electric Industry

Since the 1970s, the electric industry has faced one crisis after another: the oil embargoes and price hikes of the 1970s, excess capacity, the runaway cost of nuclear construction, mandated environmental costs and the increasing obsolescence of existing generating facilities. Government has responded with an ever-changing prescription of new policies. Throughout this period, customers have had little or no choice but to pay whatever costs were imposed on them.

Meanwhile, technology advances have driven down the price of new generation, particularly gas-fired generation. The result in many places is a large and growing gap between current rates and today's marginal cost of producing power. In some states, customer rates are double or more the marginal cost of power.

The effect of this disparity is predictable: customers don't like paying more than they know it costs today to make the product. They are looking for ways to buy the cheapest power in the market. For some

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customers, particularly industrial customers, the cost disparity is enough to justify hiring a small army of lawyers, economists or anyone else who can find a loophole to cheaper power. And many wholesale customers have chafed under a system where they were dependent upon the utility that surrounded them.

Years ago, FERC began to inject more wholesale competition into the electric marketplace. Almost a decade ago, we started using our conditioning authority under the Federal Power Act to require open access by applicants for mergers and market-based rates. In other words, if you want to merge or charge market-based rates, you must offer to wheel power for all comers. In this way, we hoped to enhance wholesale competition and customer choice by allowing more buyers and sellers to reach each other across the electrical grid. In recent years, FERC has enticed more and more utilities to bite onto our open access hooks.

In the Energy Policy Act of 1992, Congress itself endorsed wholesale competition. Congress gave FERC much broader authority to require utilities to provide wheeling service upon request. Congress rightly recognized that the single biggest impediment to more wholesale competition was the transmission owners' ability to just say no.

### III. Current Interest in Retail Competition

On the retail side, many end-users are demanding competition and customer choice. They have a choice with most other goods and services, and fail to see why a government-mandated monopoly supplier is needed for electricity. They have survived the reduction or elimination of economic regulation for trucks, trains, planes and long-distance telephone, and do not believe the sky will fall if we allow retail competition for electricity sales.

Many state regulators and legislators are starting to consider retail competition seriously. California, Michigan, Massachusetts and Rhode Island are just a few of the states that have moved toward retail competition. At least 37 others are considering similar changes in state laws and policies.

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Important members of Congress have now advocated retail competition, and some may offer legislation requiring retail customer choice as a matter of national policy. In other words, there are now legislators who believe that retail competition is so clearly the best policy that Congress should require it, regardless of state views to the contrary.

And, the ultimate heresy, even some utilities are advocating retail competition. American Electric Power, a large midwest utility, has expressly endorsed full customer choice. The three big California utilities, New England Electric, IPALCO and others have all proposed at least some form of retail competition.

#### IV. Reasons For Interest In Retail Competition

I believe the movement toward choice in the electric industry is being driven by at least four factors.

##### A. Experience in Other Industries

First, the experience with competition in other regulated industries has generally been positive. Let's start by looking at railroads. From the railroad industry came the Interstate Commerce Commission, which for decades tightly regulated railroad rates and services.

By the 1970s, the system no longer worked so well. The quality of service had declined. Railroads had lost significant market share to trucking. Rates often escalated faster than the general rate of inflation.

Then, Congress passed the Staggers Act of 1980, reversing decades of federal railroad policy. This act greatly circumscribed the authority of the ICC and, in many circumstances, deregulated railroad rates. In the following decade, inflation-adjusted rail rates declined in double figures. The quality of service improved.

The epilogue of this story was written last year, when Congress abolished the ICC. While some of the agency's functions will continue under another name, the symbolism of closing the ICC speaks volumes

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about the perceived merits of tight government control of fundamental industries.

The same story can be told about the airlines industry. From its incipiency, this industry was tightly regulated. Government regulated the minimum and maximum fares, and decided who could offer flights when and where. The Airline Deregulation Act of 1978 ended much of this governmental control. Since then, fares in most markets have declined, particularly for high-elasticity travelers. Many more people have flown than before deregulation. And, in most markets, more flights are offered at more convenient times than they ever were. Fliers certainly don't report that the system is perfect, but they have more choices than before and fares are generally lower.

In the natural gas industry, government regulation has followed the same pattern. In the 1930s, Congress passed the Natural Gas Act, largely modeled on the Interstate Commerce Act and the just-enacted Federal Power Act. The Federal Power Commission tightly regulated rates. By the 1970s, this regulatory model had resulted in significant economic distortions, particularly in the price disparity between the interstate and intrastate markets.

To remedy these problems, Congress began deregulating wellhead prices. Congress recognized that competition was possible in the production of natural gas, and believed that competition would reduce prices below regulated levels.

At the same time, FERC began requiring the pipelines to provide open access. We recognized that competition would be stifled unless buyers and sellers were able to reach each other through the pipelines. This process ultimately resulted in Order 636, where we required pipelines to unbundle their merchant and transportation functions, so that all sellers would have comparable opportunities to sell their gas.

While Order 636 is only a few years old, the evidence so far indicates that the system is just as reliable as it ever was under regulation. And, contrary to the predictions of some, gas prices have not flown up; instead, they have generally stayed in the same low range. I believe the new

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structure of the gas industry is working well and will continue to do so. We may alter some features of our regulatory model, but the fundamental choice of deregulated production and open access transportation appears to be a solid success.

One last example of this trend is in the telecommunications industry. For decades, the phone company was the epitome of a government-franchised, vertically-integrated monopoly. If you wanted phone service, you dealt with Ma Bell. Ma Bell had its own idea of customer choice: you could have a black wall phone or a black desk set.

Then in the 1970s, Judge Greene and the Department of Justice broke up the phone company. Local service was separated from long distance and manufacturing. Local service remained a government-franchised monopoly, while long distance and manufacturing were opened to competition.

Since then, we have seen vigorous competition in the long distance business. We have all seen more than our fair share of television commercials promoting the various rates and initiatives of the long distance companies. And, while not every customer may end up with cheaper long distance rates, customers who are willing to look are generally able to find rates much lower than they used to pay.

The latest chapter in telecommunications is, of course, the recent legislation. There, a bipartisan Congress voted overwhelmingly for more competition and less regulation. It is too soon to tell what this legislation will achieve. But, it is clear that in telecommunications Congress has rejected the model of a government-franchised monopoly in favor of competition.

So, in a number of our country's most important industries, we have moved away from franchise monopolies. We have chosen to rely instead on competition when possible. In most cases, the evidence since the shift clearly vindicates our decisions. And, in none of these industries has there been a serious counter-movement back toward regulated monopolies.

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**B. Economic Stimulus**

Second, the economic stimulus from competition and lower rates in the electric industry could be huge. It is important to keep in mind that this is an enormous industry. Retail electric utility cash revenue is about \$260 billion a year in the U.S. This is roughly equal to the combined revenues of retail natural gas, telephone and airlines. Merrill Lynch estimates that an aggressive national movement toward competition at wholesale and retail could save consumers \$31 billion a year. Imagine the economic stimulus that would come from such savings. This is, without question, an alluring prospect for lawmakers. Economic stimulus is an explicit rationale underlying the California restructuring.

**C. Innovation**

Third, competition and choice could unleash great innovation and entrepreneurial genius in this somewhat stodgy and old-fashioned industry. How long would it have taken the U.S. Postal Service to create Express Mail absent competition from Federal Express? And, we all know the consequences of IBM's blind faith that mainframe computers were the future and PCs were essentially glorified toys. The entrepreneurial spirit that competition unleashes is likely to lead to innovation in the electric industry as well, with resulting benefits to consumers.

**D. Customer Desire for Choice**

Fourth, the concept of choice simply has an irresistible philosophical allure. In an economy centered on the almost-sacrosanct idea that capitalism and the invisible hand of the marketplace are best, opponents of customer choice start the debate deep in the hole. Rightly or not, most people will be skeptical of claims that customer choice is bad and that a government-chosen monopolist is best. After all, why shouldn't customers get to choose their electric supplier?

**V. FERC's NOPR and Wholesale Competition**

For these reasons and perhaps others, FERC has already cast its vote in favor of wholesale competition. FERC issued its proposed rulemaking

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on open access almost a year ago. The NOPR's core requirement is that all 137 public utilities must offer nondiscriminatory transmission service by tariff to all wholesale buyers and sellers. The tariff must offer transmission customers a quality of service comparable to what the public utilities provide themselves, at comparable rates. Importantly, the transmission owner must take wholesale service itself under the same tariff.

The rationale for open access and comparability is simple. If you are going to have competition, buyers and sellers must be able to reach each other across the electrical grid. They must be able to do so efficiently and economically, without undue delay or complications. And, vertically-integrated owners may not use their transmission systems to favor their own generation resources. Open access and comparability are the fundamental pillars of our competitive model.

The NOPR next addresses recovery by public utilities of costs stranded when customers use government-mandated open access to switch suppliers. The NOPR rightly stated that the recovery of legitimate and verifiable stranded costs is a necessary element in the successful transition of the industry.

Some argue that FERC should not allow utilities to recover stranded costs. They contend that stranded cost recovery will delay competition by favoring the monopolists and unfairly reward them for an already-compensated risk or, worse, for their past misjudgments. Others argue that there should be an equitable sharing of stranded costs among shareholders and customers.

I disagree. Utilities incurred these costs based on a regulatory bargain giving them a reasonable opportunity to recover those costs. So long as those costs were prudently incurred based on a reasonable expectation of continuing to serve their customers, utilities should be allowed to recover the costs, even if it slows the transition to a fully competitive market. I believe this is the most principled approach to this difficult issue. We should not change the rules of the regulatory bargain without protecting investments made in reliance on the old rules.

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Nonetheless, FERC does not intend to give utilities a free ride on the stranded cost gravy train. The costs must be legitimate, they must be verifiable and they must be prudent. Moreover, utilities must seek to mitigate their stranded costs in all appropriate ways. And, if our experience with the gas industry under Order No. 636 is a guide, the pressure of the marketplace will cause many utilities to pursue comprehensive stranded cost settlements with their customers, in order to get the issue behind them.

Since issuing the NOPR, FERC has received comments from hundreds of industry participants. The Commission is committed to issuing a final rule later this spring if at all possible.

#### VI. Important Issues Related to Retail Competition

So, here we are, in the Rayburn House Office Building, on February 29, 1996, debating the future structure of this backbone industry. The lay of the land is that FERC is about to adopt a final rule aggressively moving the industry toward wholesale customer choice. Several states are moving toward retail customer choice. My observation is that some other states have a genuine skepticism that retail electric competition will bring benefits. Several members of Congress have expressed interest in moving more aggressively toward retail customer choice and legislation toward that end has been introduced. There is a highly favorable view of the philosophical notion of choice, and a generally favorable view of the impact that competition has had on other key industries. Moreover, Congress is fresh off its experience with legislating greater competition in the telecommunications industry.

When I put all of this together, it seems to me highly likely that Congress will give serious consideration to legislation in this area. Hearings are underway or planned in both the House and Senate to explore those issues. I would not presume to tell Congress how to resolve the numerous complex issues this debate will raise. I do, however, have thoughts about what some of the key issues are.

First, real customer choice will require robust competition by a number of vigorous entities. If any one or more suppliers dominate the



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marketplace, there will be no real choice nor customer benefit. Lawmakers and regulators must remain vigilant and have the tools to deal with market power concerns, as well as concerns about cross-subsidies and other anticompetitive behavior.

Second, all classes of customers must benefit from competition and choice. Ensuring that all may benefit is not only the right thing to do, in my judgment, but this principle is also necessary for choice to sell politically. Of course, customer choice won't benefit small customers if it is really just a ruse for allowing bigger customers to avoid paying stranded costs. And I would predict that policymakers that represent rural areas will want to know how those areas will fare under a competitive regime. In other words, how can policymakers craft a policy in this area that ensures that both rural and urban America benefit? I would expect that some form of universal service guarantee would be essential.

Third, policy makers cannot ignore the challenging issue of stranded costs as the industry moves toward a new regulatory bargain. These costs must be dealt with upfront by policies that provide clear guidance to consumers and all industry participants.

Fourth, policymakers may wish to focus on what parts of the industry must be regulated as a monopoly, and what parts can be disciplined by competition. It is in this sense that the use of the term deregulation sweeps too broadly. For example, FERC's aggressive move toward competition certainly involves no deregulation of the transmission wires. We are increasing the regulation of the transmission function as a way of decreasing the regulation of generation, thereby opening up the generation function to greater competition. Policymakers must focus carefully on what parts of electric service can be effectively disciplined by competition and what parts cannot.

Fifth, policymakers may wish to consider what is the appropriate division of federal and state responsibility in a competitive era. In our NOPR, FERC is struggling with the issue of the distinction between transmission and local distribution, and I expect that we will come to grips with this in a responsible way. Another example, perhaps it should be

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made absolutely clear as a matter of federal law that states have the authority to implement retail open access.

And finally, as Congress moves toward a broader implementation of customer choice, should it consider allowing states to exercise a fair amount of flexibility in how choice is implemented? We as a nation are still fairly early in our experimentation with retail choice in electricity, but some interesting experiments are blossoming. California, Massachusetts and Rhode Island, for example, are all moving toward choice, but each in its own unique way. I believe a strong argument can be made that our nation will benefit from this experimentation with respect to the implementation of choice. If we allow several paths toward choice, perhaps we will all learn from it, and consumers will benefit accordingly.

#### VII. Conclusion

Let me close as I began. We are in the midst of nothing short of a celebration of competition. Customer choice as a philosophical goal is perhaps irresistible. Policymakers face a daunting task in crafting plans that will bring the benefits of competition to all.

Thank you.

Testimony of Robert K. Green  
Executive Vice President and Chief Operating Officer  
UtiliCorp United Inc.

Before the U.S. House of Representatives  
Committee on Commerce  
Subcommittee on Energy and Power

February 1, 1996

Good afternoon. Thank you Mr. Chairman and other Members of the Subcommittee for the opportunity to testify today. My name is Robert K. Green. I am Executive Vice President and Chief Operating Officer of UtiliCorp United Inc. UtiliCorp, based in Kansas City, is an international, growth-oriented energy and services company serving 1.7 million customers across the U.S. and in Canada, Great Britain, New Zealand, Jamaica and Australia. We are also marketers of gas and electricity nationwide. This unique combination of a broad-range of geographical diversity, and a broad range of energy products, gives us an unusual vantage point with respect to the subject of this hearing. We are uniquely qualified to discuss changes to PURPA because we are not only a regulated utility but we also own interests in 17 independent power projects in seven states and in Jamaica. Furthermore, we have gained a considerable amount of knowledge and experience operating in the three truly competitive energy utility environments in the world today: Australia, Great Britain, and New Zealand. We have learned first-hand what value a competitive system can bring to its customers and we are transferring these ideas to our operations in the United States.

Over a decade ago, UtiliCorp began reengineering and refocusing our business to become a global energy provider and services company. We have also conducted primary research to ask consumers what they want from their energy company.

A telephone survey conducted of 1200 households by the Charlton Research Co. for UtiliCorp just a few months ago found that:

- Three-fourths of Americans pay attention to their electric energy usage and 57% of the general population supports deregulation of electric energy even though they are generally satisfied with their utility. The more people learn about deregulation, however, then the percentage rises to two-thirds in favor of deregulation. Fully 83% of the respondents want to be given the opportunity to choose their electric utility.
- Two-thirds would shop for the lowest price for electric energy, given the opportunity.
- The concepts that drive favorable attitudes toward energy deregulation are choice, good service, lower price, and pro-competition.

In 1992, independent research found that if the system would allow them to choose, one in three residential customers would switch suppliers for a mere 5% price reduction. Another survey found that three out of four households would switch for a drop in their bill of 5% to 10%. Indeed, a Coopers and Lybrand survey released last September confirms the earlier studies. Loyalty rates are even lower for large institutional and industrial customers.

Our own experience in gas deregulation has shown that to survive in a deregulated electricity market we must be able to market directly to end-consumers of all classes. As occurred with natural gas, electricity margins are going to decline. (In fact, all consumers are better off today from gas deregulation because inflation-adjusted prices have declined since 1984 by 24% for residential customers, 29% for commercial customers, 57% for industrial customers

and 55% for power generators.) Therefore, we cannot rely on commodity sales alone, we must offer new services to attract customers.

As a consequence of these internal studies, we created our unique concept of marketing electricity and natural gas and a host of other energy services and products under a common brand name, EnergyOne. These products and services include appliance repair, carbon monoxide detectors, gas balancing, power quality, energy management, environmental services, wholesale power, etc. and would be sold nationwide, directly to the consumer.

We also created "Smart Energy," a joint venture effort between UtiliCorp and Novell, a widely respected systems integration company. In this concept we will use existing electrical wiring in today's homes and businesses to form an intelligent network of energy information and consumer control. The network will extend throughout the house and back to the transformer on the utility pole. Moreover, "smart appliances" will be equipped with a "smart chip" that when installed in home and office appliances will allow the appliances to communicate via existing electric wires.

Incidentally, "Smart Energy" will go a long way toward solving the "last mile" problem - the ability of the power supplier to communicate in real time with the consumer to quote energy prices to him and to measure his real-time electricity demand.

These are just two examples of how a truly competitive market will allow innovative marketing and technology to bring choices to energy consumers, much like deregulation in natural gas has brought reduced costs and increased choices in services and products.



supply, service and products at market prices. The free market should substitute for regulation of the marketplace. (Of course, natural monopolies in transmission and distribution would continue to be regulated.)

We believe some analogies to the current telecommunications reform legislation may be instructive. In this legislation, local telephone companies would be dramatically deregulated when they have completely opened their systems to competition. Therefore, any deregulatory efforts of PURPA should only be done in the context of comprehensive legislation that would bring competition to all local utility electric customers. With achievement of retail open access, there will be no need for PURPA because all competitors will be free to market directly to customers.

#### **THE MOST EFFICIENT APPROACH - COMPREHENSIVE LEGISLATION**

As we speak, a variety of legislative and regulatory initiatives have been floated in at least 38 states and in Congress to restructure and reform the electric utility industry. We believe that the best approach to such change is that outlined by Chairman Schaefer -- a comprehensive, nationwide approach which promotes and encourages competition and consumer choice in energy supplies, products and services, both at the wholesale and retail level, for all classes of customers.

We feel such initiatives will be more effective if the federal government sets the competitive framework that eliminates any barriers to entry while the states implement retail access in a reasonable time frame. In that way, all consumers will have the benefits of competition, including choice as to suppliers and services. It is appropriate that the

implementation be done by the state commissions who are most familiar with the cost structure in the state and keenly aware of ratepayer/consumer interests. Thus, State regulators should give electric utilities a reasonable opportunity to recover prudently incurred, stranded costs in a manner that does not thwart competition. The Federal legislation should also provide a clear understanding of the State\Federal roles.

UtiliCorp United looks forward to working with this Subcommittee as it develops its policy on PURPA and comprehensive legislation on restructuring of the electric utility industry.



Good morning and thank you for this opportunity to testify concerning House Bill # 2600 which concerns the wheeling of electric power. My emphasis will be that there is an urgent need for this to be done as quickly as possible. Not delayed.

I am old enough to remember when electric lights first came to Page City, Monument, and Winona. Still, farm homes within a mile of those power lines were refused power when requested. When the first hundred thousand bushel concrete elevator was built at Page City, the power company refused to furnish power. (Not enough, they said). A very expensive \$10,000.00 plant had to be bought.

Then World War II and the War's end in 1945 when County Extension Agent Mr. Graper promoted and successfully brought the R.E.A. to Thomas and surrounding counties. If memory is correct, the K.P.L. gas fired generating plant of Colby was put on line first, followed by the Hill City Sunflower gas fired plant which was managed by K.P.L.

How wonderful it was. The Great Plains Electric chart in your packet will show that 3680 KWH could be bought for \$83.13.

Looking at another sheet-that of Theimer, L.E.-Plains (now Midwest Energy) August '95: 3600 KWH cost \$489.66 while their consumers for the Non Plains area (Hays, Great Bend) cost would have been \$280.37. Two Hundred Nine Dollars and Twenty-nine cents less.

Did I hear you say, that's impossible? No, it's not. That is what Sunflower Electric's failure to plan is costing its service area. As outlined in Theimer's packet letter to Midwest Energy dated Nov. 27, 1995.

That \$209.29 is the penalty charge from Sunflower Electric through Midwest Energy.

You will note on the Stan Clark-Theimer account sheet which was prepared by Accountant Roger Kough that Senator Clark's penalty for the eight years averaged 47.5% or \$3281.55 more. Theimer's averaged 41.9% or \$7,646.22 more. The other eight year monthly billing sheets prepared by Mr. Kough and Mr. Berg verify these facts.

Colby and Oakley have been purchasing their power under contracts from Midwest Energy for approximately a 2 cent yearly average. No doubt a portion of that is from the (hybrid) Sunflower Plant of Hockomb, Kans. who in the same act forces Midwest to penalize former Great Plains Electric members to pay five, six, and seven cents additional penalty per KWH on their billing.

Kansans have been captive to Kansas power long enough. Isn't it time to open the dam and take advantage of the cheapest product available?

The enclosed testimony of Docket No. 143,069-U is a collection of quotes from various Sunflower Docket Hearings. Study it carefully and surely you must agree that this plant should never have been built.

Senate Energy & Natural Res  
March 7, 1996  
Attachment 8

If you doubt my word, then please take the time to read Commissioner R.C. Loux's Dissent--Docket No. 137,068-U as quoted on page 5 and 6 of my testimony, "People Don't Plan To Fail, They Simply Fail To Plan."

Sunflower Electric sale rates prove they no longer serve the people for whom Sunflower was built. It only serves to further enslave them.

There's something seriously wrong when farmstead lighting, water, and air conditioning energy costs more than diesel fuel to farm 1680 acres of that same farm. Commissioner Loux has said it best.

A part of Paragraph

1. "Little thought by applicant was ever given to the ultimate cost to ratepayers or its negative effects upon the Southwest Kansas economy. In my opinion, the major factor was increasing the tax base of Finney County, not what the effects of the extreme cost of energy to customers with residential and business."
2. "Today's decision by the majority represents an apparent abandonment by the Commission of its legal responsibilities to this applicant's member ratepayers and customers."

Complete

3. "It is now obvious that a great many of the assumptions, projections, rationales, and arguments presented this Commission in applicant's siting permit for the Holcomb plant, Docket No. 114,010-U, were ill-conceived, false, and even duplicitous. What was once represented to be an economic boon to the economy of Southwestern Kansas has transformed into a huge "white elephant" with crushing financial implications."

A part of Paragraph

10. "Rather than "bail out" applicant's gross miscalculations and fiscal irresponsibility, I would permit applicant's management failures to run their natural course."

Same goes for any other electric company or power source that cannot be competitive in today's marketplace. Farmers have no choices at the sale barn or at the grain elevators. Local businessmen must do it, Wal-mart or no Wal-mart. It's time to open the flood gates by bringing new hope and economic life to Northwest Kansas Agriculture.

PLEASE HASTEN THAT NEW DAY

Respectfully Submitted

*Lloyd E. Theimer*

Lloyd E. Theimer  
1591 County Road H  
Colby, Kansas 67701

Colby, Kansas 67701  
1591 County Road H  
November 27, 1995

Midwest Energy, Inc.  
Mr. Gene Argo  
Post Office Box 898  
Hays, Kansas 67601-0898

Subject: Plains Power Rates

Dear Mr. Argo:

The two enclosed rate documentations of Plains versus Non-Plains users, since the merger of Great Plains Electric and Midwest Energy is the subject for discussion. Namely, the Sunflower Electric Contract.

Since neither you, Mr. Argo or Mr. Larry Berg of our Colby office were involved in this tragedy in the first place, it seems appropriate to briefly outline the issue for the record.

About 1977 or 1978 Great Plains Consumer Roy Kistler, Sr. at an Annual Meeting at Goodland, pleaded from the floor to Great Plains Electric Chairman, Wilmut Price to "cut bait" and do whatever was necessary to get out of the already troubled Sunflower Electric deal (Holcumb, Ks.) Construction had not started (?), but even as it was planned, cost estimates were becoming horrendous. His remarks were completely ignored and the rest is history.

Some time later Midwest Energy avoided Great Plains Electric's fate when Mr. Jack Goodman, manager advised his board to withdraw which they did. Your records should show that.

Garden City was dreaming of buying prosperity with a new packing plant and the area R.E.A. Cooperatives were dreaming of unlimited irrigation of the Ogallala Aquifer.

One day in Grinnell while buying domestic well parts, Mr. Herman Struckhoff related this story to me. One of the area's irrigators had boasted that it would be only a short time until the irrigators would be planting daisies by the quarter for the dryland farmers' funerals.

That's history as are a lot of other facts that were spelled out in four separate public hearings of the Kansas Corporation Commission at Colby, Scott City, Garden City, and Hays, Kansas. Sunflower has been restructured, Garden City negotiated a preferential contract, and Midwest Energy has favored the Non Plains irrigators with a special rate.

Following merger the Kansas Corporation record will show that Midwest Energy simply wrote off the buried lines to irrigation wells as bad debts. All of Midwest system shared in this writeoff. Those choosing to still use the above service find the adjusted lower rate offered by Midwest still prohibitive. Midwest Energy benefited from the inherited low interest rate loans of Great Plains and putting a "heart" into their territory. (Territory surrounding Great Plains).

What happened to the dryland farmers and other area rural businesses? The documented billing of Acct. #73280-85024, Lloyd Theimer from March '88 to November '95 shows that the accumulated bill was \$25,883.50. Had it been billed Non Plains, that amount would have been \$18,237.28. This is a difference of \$7,646.22. The approximate 8 year average has amounted to a 41% penalty. The individual yearly percent sheet enclosed shows that this year, 1995 it has risen to 53% plus.

Acct. #70685-83404 Stan Clark, rural Photographer, businessman, and farmer, uses a lesser amount of power but--per cent wise is 47% penalty. Total Plains bill \$10,183.80. Non Plains billing would have been \$6,902.24 for a difference in dollars of \$3,281.56. Penalty per cent for 1995 has risen to 53.3%.

Businessman Clark paid an additional 5.9 per cent State County sales tax on his penalty clause of \$3,281.56 difference which amounted to \$193.61.

Farmer Theimer paid an additional 1 per cent County tax on his penalty clause of \$7,646.22 difference, which amounted to \$76.46. Can you imagine paying sales tax on a penalty?

In order to "block" its territory and grow, Midwest Energy offered a 2-cent reduction from Great Plains rates.

Instead of uniting with Garden City to break a bad 30-year contract by forcing a showdown on the questionable conditions, see (docket #143 069 U) surrounding Sunflower-Holcumb Plant, a manipulated Great Plains membership said yes, and received their first billing from Midwest in March, 1988.

On Dec. 18, 1989 Midwest Energy asked the Kansas Corporation Commission at Hays, Ks. for a 2-cent increase. It was granted.

Mr. Argo, it's unbelievable that good people could be led into these kinds of situations, which will have no end during my lifetime if nothing is done.

Both you and Colby manager, Larry Berg have shown and expressed not only concern but also sympathy as well. Your help in bringing the comparative rates together with the personal account records compiled by Public Accountant Roger Kough is greatly appreciated. Thank you so much.

My sincere wish is that these simple basic facts will make

your Board aware of the urgency of this matter.

What words of wisdom and advice might you be willing to share concerning these documented facts? What should we do next?

Respectfully,

Lloyd E. Theimer

Copies sent:

Larry Berg  
Senator Stan Clark  
Accountant Roger Kough

**Clark, Stan**

Year	Plains Charges	Non Plains Charges	% of Charges over Non Plains
1988	757.48	468.43	0.61706124714
1989	912.10	638.92	0.42756526639
1990	985.23	694.26	0.41910811512
1991	973.76	633.75	0.53650493097
1992	1,535.58	1,035.85	0.48243471545
1993	1,652.88	1,149.99	0.43729945478
1994	1,734.74	1,236.18	0.40330696177
1995	1,632.03	1,044.87	0.56194550518
<b>TOTALS</b>	<b>\$10,183.80</b>	<b>\$6,902.25</b>	<b>0.47543192437</b>

**Theimer, Lloyd E**

Year	Plains Charges	Non Plains Charges	% of Charges over Non Plains
1988	2,589.67	1,790.89	0.44602404391
1989	2,525.65	2,011.57	0.25556157628
1990	3,330.45	2,405.04	0.38477946313
1991	3,574.27	2,434.60	0.46811385854
1992	3,204.96	2,184.94	0.46684119472
1993	3,175.77	2,272.86	0.39725720018
1994	3,562.19	2,580.10	0.38064028526
1995	3,920.54	2,557.28	0.53308984546
<b>TOTALS</b>	<b>\$25,883.50</b>	<b>\$18,237.28</b>	<b>0.4192631796</b>

E. C. A. Per kWh ENERGY COST ADJUSTMENT OLD GREAT LAKES

	MWE	LESS CREDIT ADJ.	MWE NET	COLBY
JAN 92	0.00183			0.03267
FEB	0.00023			0.03823
MAR	0.00001			0.03733
APR	0.00060			0.03368
MAY	0.00168			0.03988
JUNE	0.00342			0.04194
JULY	0.00088			0.02932
AUG	0.00264			0.05621
SEPT	0.00213			0.04778
OCT	(0.00152)			0.04930
NOV	(0.00074)			0.04144
DEC	0.00079			0.03583
JAN 93	0.00273			0.03010
FEB	(0.00088)			0.02936
MAR	(0.00120)			0.02589
APR	0.00090			0.02633
MAY	(0.00127)			0.02847
JUNE	0.00102			0.02705
JULY	0.00016			0.02607
AUG	(0.00143)			0.04087
SEPT	(0.00312)			0.04209
OCT	(0.00412)			0.04790
NOV	(0.00079)			0.04133
DEC	(0.00100)			0.03711
JAN 94	(0.00068)			0.03161
FEB	0.00043			0.02740
MAR	0.00239			0.03891
APR	0.00297			0.03678
MAY	0.00577			0.03410
JUN	0.00963			0.02487
JUL	0.00715	-0.0012	0.00595	0.03407
AUG	(0.00004)	-0.0012	(0.00124)	0.03885
SEP	(0.00079)	-0.0012	(0.00199)	0.03603
OCT	(0.00069)	-0.0012	(0.00189)	0.03981
NOV	0.00214	-0.0012	0.00094	0.04220
DEC	0.00432	-0.0012	0.00312	0.03153
JAN 95	0.00680	-0.0012	0.00560	0.03709
FEB	0.00524	-0.0012	0.00404	0.04159
MAR	0.00318	-0.0012	0.00198	0.04776
APR	0.00502	-0.00114	0.00388	0.04730
MAY	0.00368	-0.00114	0.00254	0.04069
JUN	0.00614	-0.00114	0.00500	0.04339
JUL	0.00494	-0.00114	-0.00380	0.04805
AUG	0.00386	-0.00114	0.00272	0.06028
SEP	(0.00318)	-0.00114	(0.00432)	0.05399
OCT	(0.00425)	-0.00114	(0.00539)	0.04363
NOV	0.00176	-0.00114	0.00062	0.04775

PLAINS

NON PLAINS

DATE	KWH TOTAL			CENTS PER Kwh	C KWH TOTAL			CENTS PER Kwh
	USAGE	CHARGES			USAGE	CHARGES		
Mar-88	2890	\$ 246.78		0.085391003	2890	\$ 172.86		0.059812305
Apr-88	2440	\$ 215.40		0.088278689	2440	\$ 145.32		0.05955858
May-88	1900	\$ 169.01		0.088952632	1900	\$ 115.96		0.061029779
Jun-88	2180	\$ 202.75		0.093004587	2180	\$ 130.50		0.058663578
Jul-88	3800	\$ 382.87		0.100755263	3800	\$ 288.29		0.070076589
Aug-88	3290	\$ 323.72		0.098695122	3290	\$ 224.04		0.06830559
Sep-88	3980	\$ 392.27		0.098560302	3980	\$ 271.51		0.068219281
Oct-88	2440	\$ 235.51		0.096520492	2440	\$ 142.41		0.058366678
Nov-88	3233	\$ 248.58		0.076886339	3233	\$ 185.63		0.060510351
Dec-88	2097	\$ 172.78		0.082393896	2097	\$ 126.36		0.060257359
<b>1988 TOTALS</b>	<b>28240</b>	<b>\$ 2,589.67</b>		<b>0.091702195</b>	<b>28240</b>	<b>\$ 1,790.89</b>		<b>0.063416728</b>
Jan-89	1650	\$ 112.34		0.068084848	1650	\$ 102.24		0.061963806
Feb-89	1930	\$ 145.72		0.075502591	1930	\$ 118.49		0.06035828
Mar-89	2810	\$ 215.90		0.07683274	2810	\$ 179.56		0.063902053
Apr-89	2880	\$ 194.71		0.067607639	2880	\$ 174.40		0.060555672
May-89	2583	\$ 178.13		0.068696491	2583	\$ 158.55		0.061143651
Jun-89	2357	\$ 170.27		0.072240136	2357	\$ 145.98		0.061934554
Jul-89	2400	\$ 183.76		0.076566667	2400	\$ 168.35		0.070147867
Aug-89	2680	\$ 250.98		0.093841791	2680	\$ 198.69		0.074139728
Sep-89	2790	\$ 249.14		0.089297461	2790	\$ 188.33		0.067500436
Oct-89	3930	\$ 301.89		0.076942239	3930	\$ 236.38		0.060147787
Nov-89	3000	\$ 357.24		0.11908	3000	\$ 180.61		0.060202733
Dec-89	2600	\$ 165.49		0.06365	2600	\$ 161.98		0.062299908
<b>1989 TOTALS</b>	<b>31620</b>	<b>\$ 2,525.65</b>		<b>0.079875079</b>	<b>31620</b>	<b>\$ 2,011.57</b>		<b>0.063616902</b>
Jan-90	2890	\$ 206.30		0.071384083	2890	\$ 181.84		0.062953405
Feb-90	3380	\$ 306.85		0.090813609	3380	\$ 233.42		0.069059652
Mar-90	3100	\$ 283.84		0.09158129	3100	\$ 215.52		0.069522281
Apr-90	2470	\$ 237.35		0.096093117	2470	\$ 174.74		0.070746471
May-90	2030	\$ 195.70		0.096403941	2030	\$ 143.72		0.070795767
Jun-90	2200	\$ 200.44		0.091106081	2200	\$ 158.21		0.071912
Jul-90	3000	\$ 324.84		0.10828	3000	\$ 231.59		0.077130333
Aug-90	1980	\$ 221.29		0.111762626	1980	\$ 147.62		0.074553405
Sep-90	3540	\$ 368.28		0.104038988	3540	\$ 252.65		0.071369054
Oct-90	3680	\$ 355.73		0.096665761	3680	\$ 240.59		0.065377384
Nov-90	3200	\$ 338.50		0.10578125	3200	\$ 214.53		0.067041681
Dec-90	3000	\$ 291.23		0.097076667	3000	\$ 210.72		0.070241133
<b>1990 TOTALS</b>	<b>34470</b>	<b>\$ 3,330.45</b>		<b>0.096618799</b>	<b>34470</b>	<b>\$ 2,405.04</b>		<b>0.069771985</b>
Jan-91	2400	\$ 222.75		0.0928125	2400	\$ 152.42		0.063506642
Feb-91	2711	\$ 274.09		0.101102914	2711	\$ 187.50		0.069163674
Mar-91	2889	\$ 256.83		0.088933887	2889	\$ 196.94		0.068169923
Apr-91	2600	\$ 256.85		0.098788462	2600	\$ 184.59		0.070996208
May-91	2410	\$ 238.87		0.098286307	2410	\$ 168.27		0.069823341
Jun-91	2720	\$ 243.42		0.089492847	2720	\$ 192.68		0.070839866
Jul-91	3250	\$ 364.78		0.11224	3250	\$ 245.79		0.075627248
Aug-91	3320	\$ 403.65		0.121581325	3320	\$ 240.71		0.072503884
Sep-91	3670	\$ 413.08		0.112555858	3670	\$ 257.07		0.070045922
Oct-91	3030	\$ 315.24		0.104039604	3030	\$ 198.85		0.065827289
Nov-91	3230	\$ 329.91		0.102130319	3230	\$ 215.94		0.066855066
Dec-91	2770	\$ 256.70		0.09267148	2770	\$ 193.63		0.069974672
<b>1991 TOTALS</b>	<b>35000</b>	<b>\$ 3,574.27</b>		<b>0.102122</b>	<b>35000</b>	<b>\$ 2,434.60</b>		<b>0.069560079</b>
Jan-92	2900	\$ 273.13		0.094182759	2900	\$ 184.62		0.063660541
Feb-92	2100	\$ 210.51		0.100242857	2100	\$ 148.82		0.070866348
Mar-92	2500	\$ 245.11		0.098044	2500	\$ 174.97		0.0699875
Apr-92	2500	\$ 235.89		0.094356	2500	\$ 176.46		0.0705834
May-92	2800	\$ 279.66		0.099885714	2800	\$ 199.65		0.071304836
Jun-92	2700	\$ 275.82		0.102192583	2700	\$ 197.58		0.073178237
Jul-92	2070	\$ 218.97		0.105782609	2070	\$ 159.51		0.077058414
Aug-92	2530	\$ 335.22		0.132498024	2530	\$ 188.33		0.078392447
Sep-92	2800	\$ 346.61		0.123789286	2800	\$ 217.52		0.077884871
Oct-92	2800	\$ 306.32		0.1094	2800	\$ 190.60		0.068072836
Nov-92	2280	\$ 234.49		0.102846491	2280	\$ 158.60		0.068582644
Dec-92	2520	\$ 243.11		0.096472222	2520	\$ 178.28		0.07074784
<b>1992 TOTALS</b>	<b>30500</b>	<b>\$ 3,204.96</b>		<b>0.105080656</b>	<b>30500</b>	<b>\$ 2,184.94</b>		<b>0.071637526</b>
Jan-93	1480	\$ 142.08		0.095355705	1480	\$ 98.72		0.066256902
Feb-93	3060	\$ 271.58		0.088745088	3060	\$ 209.48		0.068457703
Mar-93	4683	\$ 390.15		0.08331198	4683	\$ 314.50		0.067158382
Apr-93	2347	\$ 205.07		0.087375373	2347	\$ 168.90		0.07111113
May-93	2630	\$ 233.43		0.088756654	2630	\$ 180.22		0.068524296
Jun-93	1960	\$ 175.49		0.089535714	1960	\$ 141.04		0.071957394
Jul-93	2720	\$ 277.21		0.101915441	2720	\$ 206.04		0.075748218
Aug-93	2910	\$ 339.72		0.116742268	2910	\$ 215.40		0.074021095
Sep-93	3000	\$ 353.77		0.117923333	3000	\$ 216.79		0.07282133
Oct-93	2260	\$ 247.33		0.109438053	2260	\$ 149.57		0.068182296
Nov-93	2540	\$ 259.01		0.101972441	2540	\$ 175.58		0.06912521
Dec-93	2800	\$ 280.95		0.09687931	2800	\$ 188.63		0.068491897
<b>1993 TOTALS</b>	<b>32500</b>	<b>\$ 3,175.77</b>		<b>0.097716</b>	<b>32500</b>	<b>\$ 2,272.86</b>		<b>0.069934078</b>
Jan-94	2700	\$ 247.75		0.091759259	2700	\$ 185.40		0.068257459
Feb-94	3000	\$ 260.63		0.086876667	3000	\$ 209.51		0.069837133
Mar-94	2800	\$ 278.94		0.098607143	2800	\$ 201.88		0.072021938
Apr-94	2500	\$ 243.71		0.097484	2500	\$ 182.44		0.0729771
May-94	2430	\$ 230.79		0.094975309	2430	\$ 184.45		0.075904408
Jun-94	2570	\$ 219.15		0.085272374	2570	\$ 204.60		0.079609802
Jul-94	3580	\$ 392.19		0.109550279	3580	\$ 290.52		0.081150115
Aug-94	3920	\$ 447.88		0.114255102	3920	\$ 289.18		0.073765885
Sep-94	4205	\$ 468.11		0.111322235	4205	\$ 308.64		0.072922252
Oct-94	3385	\$ 334.33		0.098768095	3385	\$ 227.38		0.0671672
Nov-94	2800	\$ 288.24		0.102228571	2800	\$ 197.56		0.070557438
Dec-94	1610	\$ 154.47		0.095944099	1610	\$ 120.61		0.075034308
<b>1994 TOTALS</b>	<b>35500</b>	<b>\$ 3,562.19</b>		<b>0.10034338</b>	<b>35500</b>	<b>\$ 2,580.10</b>		<b>0.072678882</b>
Jan-95	3410	\$ 327.30		0.095982405	3410	\$ 254.77		0.074713419
Feb-95	3490	\$ 350.44		0.100412607	3490	\$ 255.05		0.073079884
Mar-95	2990	\$ 321.30		0.107458194	2990	\$ 213.52		0.071412241
Apr-95	2110	\$ 230.76		0.109364929	2110	\$ 157.27		0.074533397
May-95	2500	\$ 253.59		0.101436	2500	\$ 181.38		0.0725428
Jun-95	2800	\$ 289.61		0.103432143	2800	\$ 209.04		0.074658036
Jul-95	4100	\$ 506.32		0.123492683	4100	\$ 323.08		0.078799707
Aug-95	3600	\$ 489.66		0.136016667	3600	\$ 280.37		0.077879878
Sep-95	4100	\$ 530.92		0.128492683	4100	\$ 289.45		0.070598507
Oct-95	3310	\$ 340.07		0.102740181	3310	\$ 210.81		0.063689876
Nov-95	2590	\$ 280.57		0.108328185	2590	\$ 182.55		0.070483806
<b>1995 TOTALS</b>	<b>35000</b>	<b>\$ 3,920.54</b>		<b>0.112015429</b>	<b>35000</b>	<b>\$ 2,557.28</b>		<b>0.073065036</b>
<b>SUMMARY</b>								
1988	28240	\$ 2,589.67		0.091702195	28240	\$ 1,790.89		0.063416798
1989	31620	\$ 2,525.65		0.079875079	31620	\$ 2,011.57		0.063616902
1990	34470	\$ 3,330.45		0.096618799	34470	\$ 2,405.04		0.069771985
1991	35000	\$ 3,574.27		0.102122	35000	\$ 2,434.60		0.069560079
1992	30500	\$ 3,204.96		0.105080656	30500	\$ 2,184.94		0.071637526
1993	32500	\$ 3,175.77		0.097716	32500	\$ 2,272.86		0.069934078
1994	35500	\$ 3,562.19		0.10034338	35500	\$ 2,580.10		0.072678882
1995	35000	\$ 3,920.54		0.112015429	35000	\$ 2,557.28		0.073065036
<b>TOTALS</b>	<b>262830</b>	<b>\$ 25,883.50</b>		<b>0.098480006</b>	<b>262830</b>	<b>\$ 18,237.28</b>		<b>0.06998811</b>



DATE	KWH Usage	Customer Chg	KWH Usage Charge	ECA	Co Sales Tax	Total Charges	Cents per KWH
11 MAR 88	2,890	\$12.00	\$254.30	(\$21.96)	\$2.44	\$246.78	0.0853910034602
12 APR 88	2,440	12.00	218.30	(17.03)	2.13	215.40	0.0882766885246
12 MAY 88	1,900	12.00	175.10	(19.76)	1.67	169.01	0.0889526315789
13 JUN 88	2,180	12.00	197.50	(8.76)	2.01	202.75	0.093004587156
12 JUL 88	3,800	12.00	362.52	4.56	3.79	382.87	0.1007552631579
12 AUG 88	3,280	12.00	312.91	(4.40)	3.21	323.72	0.0986951219512
12 SEP 88	3,980	12.00	379.69	(3.30)	3.88	392.27	0.0985603015075
12 OCT 88	2,440	12.00	218.30	2.88	2.33	235.51	0.0965204918033
11 NOV 88	3,233	12.00	281.74	(47.62)	2.46	248.58	0.076888339004
12 DEC 88	2,097	12.00	190.86	(31.79)	1.71	172.78	0.082393896042
1988 TOTALS	28,240	120.00	2,591.22	(147.18)	25.63	2,589.67	0.0917021954674
12 JAN 89	1,650	12.00	155.10	(55.87)	1.11	112.34	0.0680848484848
13 FEB 89	1,930	12.00	177.50	(45.22)	1.44	145.72	0.0755025906736
13 MAR 89	2,810	12.00	247.90	(46.14)	2.14	215.90	0.0768327402135
12 APR 89	2,880	12.00	253.50	(72.72)	1.93	194.71	0.0676076388889
10 MAY 89	2,593	12.00	230.54	(66.17)	1.76	178.13	0.0686964905515
12 JUN 89	2,357	12.00	211.66	(55.08)	1.69	170.27	0.0722401357658
12 JUL 89	2,400	12.00	228.96	(59.02)	1.82	183.76	0.0765666666667
14 AUG 89	2,680	12.00	255.67	(19.19)	2.48	250.96	0.0936417910448
12 SEP 89	2,790	12.00	266.17	(31.50)	2.47	249.14	0.0892974910394
12 OCT 89	3,930	12.00	337.50	(50.50)	2.99	301.99	0.0768422391858
13 NOV 89	3,000	12.00	263.10	78.60	3.54	357.24	0.11908
12 DEC 89	2,600	12.00	231.10	(79.25)	1.64	165.49	0.06365
1989 TOTALS	31,620	144.00	2,858.70	(502.06)	25.01	2,525.65	0.0798750790639
12 JAN 90	2,890	11.31	245.66	(52.71)	2.04	206.30	0.071384083045
12 FEB 90	3,380	5.00	190.99	107.92	3.04	306.95	0.0908136094675
12 MAR 90	3,100	5.00	176.15	99.88	2.81	283.84	0.0915612903226
12 APR 90	2,470	5.00	142.76	87.24	2.35	237.35	0.0960931174089
11 MAY 90	2,030	5.00	119.44	69.32	1.94	195.70	0.0964039408867
13 JUN 90	2,200	5.00	128.45	65.01	1.98	200.44	0.0911090909091
12 JUL 90	3,000	5.00	219.00	97.62	3.22	324.84	0.10828
13 AUG 90	1,980	5.00	144.54	69.56	2.19	221.29	0.1117626262626
12 SEP 90	3,540	5.00	258.42	101.21	3.65	368.28	0.1040338983051
12 OCT 90	3,680	5.00	206.89	140.32	3.52	355.73	0.0966657608696
12 NOV 90	3,200	5.00	181.45	148.70	3.35	338.50	0.10578125
12 DEC 90	3,000	5.00	170.85	112.50	2.88	291.23	0.0970766666667
1990 TOTALS	34,470	66.31	2,184.60	1,046.57	32.97	3,330.45	0.0966187989556
11 JAN 91	2,400	5.00	139.05	76.49	2.21	222.75	0.0928125
12 FEB 91	2,711	5.00	155.53	110.85	2.71	274.09	0.1011029140539
12 MAR 91	2,889	5.00	164.97	84.42	2.54	256.93	0.0889338871582
12 APR 91	2,600	5.00	149.65	99.66	2.54	256.85	0.0987884615385
13 MAY 91	2,410	5.00	139.58	89.94	2.35	236.87	0.0982863070539
12 JUN 91	2,720	5.00	156.01	80.00	2.41	243.42	0.0894926470588
12 JUL 91	3,250	5.00	237.25	118.92	3.61	364.78	0.11224
12 AUG 91	3,320	5.00	242.36	152.29	4.00	403.65	0.1215813253012
12 SEP 91	3,670	5.00	267.91	136.08	4.09	413.08	0.1125558583106
11 OCT 91	3,030	5.00	172.44	134.68	3.12	315.24	0.1040396039604
12 NOV 91	3,230	5.00	183.04	138.60	3.27	329.91	0.1021393188854
12 DEC 91	2,770	5.00	158.66	90.50	2.54	256.70	0.0926714801444
1991 TOTALS	35,000	60.00	2,166.45	1,312.43	35.39	3,574.27	0.102122
13 JAN 92	2,900	5.00	165.55	99.88	2.70	273.13	0.0941827586207
12 FEB 92	2,100	5.00	123.15	80.28	2.08	210.51	0.1002428571429
12 MAR 92	2,500	5.00	144.35	93.33	2.43	245.11	0.098044
13 APR 92	2,500	5.00	144.35	84.20	2.34	235.89	0.094356
12 MAY 92	2,800	5.00	160.25	111.66	2.77	279.68	0.0998857142857
12 JUN 92	2,700	5.00	154.95	113.24	2.73	275.92	0.1021925925926
13 JUL 92	2,070	5.00	151.11	60.69	2.17	218.97	0.1057826086957
12 AUG 92	2,530	5.00	184.69	142.21	3.32	335.22	0.1324980237154
11 SEP 92	2,800	5.00	204.40	133.78	3.43	346.61	0.1237892857143
12 OCT 92	2,800	5.00	160.25	138.04	3.03	306.32	0.1094
12 NOV 92	2,280	5.00	132.69	94.48	2.32	234.49	0.1028464912281
11 DEC 92	2,520	5.00	145.41	90.29	2.41	243.11	0.0964722222222
1992 TOTALS	30,500	60.00	1,871.15	1,242.08	31.73	3,204.96	0.1050806557377
13 JAN 93	1,490	5.00	90.82	44.85	1.41	142.08	0.095355704698
12 FEB 93	3,060	5.00	174.03	89.84	2.69	271.56	0.0887450980392
12 MAR 93	4,683	5.00	260.05	121.24	3.86	390.15	0.0833119795003
13 APR 93	2,347	5.00	136.24	61.80	2.03	205.07	0.0873753728164
12 MAY 93	2,630	5.00	151.24	74.88	2.31	233.43	0.0887566539924
14 JUN 93	1,960	5.00	115.73	53.02	1.74	175.49	0.0895357142857
13 JUL 93	2,720	5.00	198.56	70.91	2.74	277.21	0.1019154411765
13 AUG 93	2,910	5.00	212.43	118.93	3.36	339.72	0.1167422680412
14 SEP 93	3,000	5.00	219.00	126.27	3.50	353.77	0.1179233333333
13 OCT 93	2,260	5.00	131.63	108.25	2.45	247.33	0.1094380530973
12 NOV 93	2,540	5.00	146.47	104.98	2.56	259.01	0.1019724409449
13 DEC 93	2,900	5.00	165.55	107.62	2.78	280.95	0.0968793103448
1993 TOTALS	32,500	60.00	2,001.75	1,082.59	31.43	3,175.77	0.097716
13 JAN 94	2,700	5.00	154.95	85.35	2.45	247.75	0.0917592592593
14 FEB 94	3,000	5.00	170.85	82.20	2.58	260.63	0.0868766666667
14 MAR 94	2,800	5.00	160.25	108.95	2.74	276.94	0.0989071428571
13 APR 94	2,500	5.00	144.35	91.95	2.41	243.71	0.097484
12 MAY 94	2,430	5.00	140.64	82.86	2.29	230.79	0.094975308642
13 JUN 94	2,570	5.00	148.06	63.92	2.17	219.15	0.0852723735409
13 JUL 94	3,580	5.00	261.34	121.97	3.88	392.19	0.1095502793296
12 AUG 94	3,920	5.00	286.16	152.29	4.43	447.88	0.1142551020408
13 SEP 94	4,205	5.00	306.97	151.51	4.63	468.11	0.111322235434
13 OCT 94	3,385	5.00	191.26	134.76	3.31	334.33	0.0987680945347
14 NOV 94	2,800	5.00	160.25	118.16	2.83	286.24	0.1022285714286
13 DEC 94	1,610	5.00	97.18	50.76	1.53	154.47	0.0959440993789
1994 TOTALS	35,500	60.00	2,222.26	1,244.68	35.25	3,562.19	0.1003433802817
13 JAN 95	3,410	5.00	192.58	126.48	3.24	327.30	0.0959824046921
13 FEB 95	3,490	5.00	196.82	145.15	3.47	350.44	0.1004126074499
13 MAR 95	2,990	5.00	170.32	142.80	3.18	321.30	0.1074581939799
13 APR 95	2,110	5.00	123.68	99.80	2.28	230.76	0.10936492891
12 MAY 95	2,500	5.00	144.35	101.73	2.51	253.59	0.101436
13 JUN 95	2,800	5.00	160.25	121.49	2.87	289.61	0.1034321428571
13 JUL 95	4,100	5.00	299.30	197.01	5.01	506.32	0.1234926829268
14 AUG 95	3,600	5.00	262.80	217.01	4.85	489.66	0.1360166666667
13 SEP 95	4,100	5.00	299.30	221.36	5.26	530.92	0.1294926829268
13 OCT 95	3,310	5.00	187.28	144.42	3.37	340.07	0.1027401812689
1995 TOTALS	32,410	50.00	2,036.68	1,517.25	36.04	3,639.97	0.1123100894786
SUMMARY							
1988	28,240	\$120.00	\$2,591.22	(\$147.18)	\$25.63	\$2,589.67	0.0917021954674
1989	31,620	144.00	2,858.70	(502.06)	25.01	2,525.65	0.0798750790639
1990	34,470	66.31	2,184.60	1,046.57	32.97	3,330.45	0.0966187989556
1991	35,000	60.00	2,166.45	1,312.43	35.39	3,574.27	0.102122
1992	30,500	60.00	1,871.15	1,242.08	31.73	3,204.96	0.1050806557377
1993	32,500	60.00	2,001.75	1,082.59	31.43	3,175.77	0.097716
1994	35,500	60.00	2,222.26	1,244.68	35.25	3,562.19	0.1003433802817
1995	32,410	50.00	2,036.68	1,517.25	36.04	3,639.97	0.1123100894786

PLAINS

NON PLAINS

DATE	KWH USAGE	TOTAL CHARGES	CENTS PER kWh	KWH USAGE	TOTAL CHARGES	CENTS PER kWh
Mar-88	443	\$ 59.66	\$ 0.1346726862	443	\$ 35.07	0.079166516
Apr-88	376	\$ 53.27	\$ 0.1416755319	376	\$ 30.34	0.080700766
May-88	400	\$ 54.23	\$ 0.1355750000	400	\$ 32.31	0.080877
Jun-88	438	\$ 60.82	\$ 0.1388584475	438	\$ 34.51	0.078787301
Jul-88	502	\$ 70.14	\$ 0.1397211155	502	\$ 44.55	0.088746167
Aug-88	869	\$ 107.60	\$ 0.1238204833	869	\$ 71.49	0.082271427
Sep-88	827	\$ 103.60	\$ 0.1252720577	827	\$ 68.45	0.082767347
Oct-88	877	\$ 110.75	\$ 0.1262827822	877	\$ 62.69	0.071485317
Nov-88	695	\$ 79.44	\$ 0.1143021583	695	\$ 52.68	0.075803957
Dec-88	463	\$ 57.97	\$ 0.1253051836	463	\$ 36.32	0.078455093
<b>1988 TOTALS</b>	<b>5890</b>	<b>\$ 757.48</b>	<b>\$ 0.1286044143</b>	<b>5890</b>	<b>\$ 468.43</b>	<b>0.079530039</b>
Jan-89	483	\$ 50.32	\$ 0.1041821946	483	\$ 38.18	0.079056565
Feb-89	477	\$ 55.09	\$ 0.1154926625	477	\$ 37.20	0.077985789
Mar-89	538	\$ 64.10	\$ 0.1191449814	538	\$ 43.73	0.081273864
Apr-89	378	\$ 46.22	\$ 0.1222751323	378	\$ 30.98	0.081970889
May-89	410	\$ 48.67	\$ 0.1187073171	410	\$ 33.33	0.081296378
Jun-89	547	\$ 60.91	\$ 0.1113528336	547	\$ 43.05	0.078708806
Jul-89	761	\$ 77.79	\$ 0.1022207622	761	\$ 64.41	0.084642368
Aug-89	1000	\$ 115.61	\$ 0.1156100000	1000	\$ 87.38	0.08737855
Sep-89	1083	\$ 119.18	\$ 0.1100461681	1083	\$ 86.79	0.080133987
Oct-89	925	\$ 102.57	\$ 0.1108864865	925	\$ 68.45	0.073996439
Nov-89	613	\$ 98.51	\$ 0.1607014682	613	\$ 46.92	0.076534229
Dec-89	762	\$ 73.13	\$ 0.0959711286	762	\$ 58.50	0.076771118
<b>1989 TOTALS</b>	<b>7977</b>	<b>\$ 912.10</b>	<b>\$ 0.1143412310</b>	<b>7977</b>	<b>\$ 638.92</b>	<b>0.080094947</b>
Jan-90	470	\$ 57.22	\$ 0.1217446809	470	\$ 38.51	0.081945859
Feb-90	581	\$ 71.71	\$ 0.1234251291	581	\$ 52.17	0.089794699
Mar-90	330	\$ 43.55	\$ 0.1319696970	330	\$ 32.44	0.098294889
Apr-90	305	\$ 41.74	\$ 0.1368524590	305	\$ 30.63	0.100417472
May-90	519	\$ 65.94	\$ 0.1270520231	519	\$ 47.30	0.09113632
Jun-90	516	\$ 63.10	\$ 0.1222868217	516	\$ 47.83	0.092701997
Jul-90	785	\$ 102.37	\$ 0.1304076433	785	\$ 76.90	0.097962275
Aug-90	1043	\$ 137.14	\$ 0.1314866978	1043	\$ 96.70	0.092713312
Sep-90	910	\$ 114.06	\$ 0.1253406593	910	\$ 83.08	0.091298592
Oct-90	944	\$ 118.71	\$ 0.1257521186	944	\$ 77.39	0.081985469
Nov-90	757	\$ 103.10	\$ 0.1361955086	757	\$ 64.35	0.085013192
Dec-90	509	\$ 66.59	\$ 0.1308251473	509	\$ 46.94	0.092228094
<b>1990 TOTALS</b>	<b>7669</b>	<b>\$ 985.23</b>	<b>\$ 0.1284691616</b>	<b>7669</b>	<b>\$ 694.26</b>	<b>0.090528016</b>
Jan-91	473	\$ 59.52	\$ 0.1258350951	473	\$ 46.97	0.099295476
Feb-91	560	\$ 74.62	\$ 0.1332500000	560	\$ 48.98	0.087462863
Mar-91	415	\$ 51.84	\$ 0.1249156627	415	\$ 35.04	0.084422242
Apr-91	503	\$ 66.32	\$ 0.1318489066	503	\$ 49.15	0.097704642
May-91	400	\$ 60.70	\$ 0.1519565217	400	\$ 41.92	0.091121789
Jun-91	397	\$ 49.95	\$ 0.1258186398	397	\$ 40.89	0.103006081
Jul-91	564	\$ 77.45	\$ 0.1373226950	564	\$ 56.88	0.100855523
Aug-91	935	\$ 134.05	\$ 0.1433689840	935	\$ 79.41	0.084931234
Sep-91	869	\$ 116.92	\$ 0.1345454545	869	\$ 63.66	0.07325509
Oct-91	843	\$ 112.30	\$ 0.1332147094	843	\$ 61.03	0.072399889
Nov-91	741	\$ 98.28	\$ 0.1326315789	741	\$ 56.93	0.076823126
Dec-91	578	\$ 71.81	\$ 0.1242387543	578	\$ 52.90	0.091527622
<b>1991 TOTALS</b>	<b>7338</b>	<b>\$ 973.76</b>	<b>\$ 0.1327010084</b>	<b>7338</b>	<b>\$ 633.75</b>	<b>0.086365469</b>
Jan-92	682	\$ 84.88	\$ 0.1244574780	682	\$ 61.46	0.090123106
Feb-92	687	\$ 88.19	\$ 0.1283697234	687	\$ 60.72	0.088379375
Mar-92	690	\$ 87.90	\$ 0.1273913043	690	\$ 60.79	0.088100199
Apr-92	789	\$ 96.57	\$ 0.1223954373	789	\$ 69.10	0.087579472
May-92	843	\$ 108.25	\$ 0.1284104389	843	\$ 74.36	0.088203046
Jun-92	731	\$ 96.29	\$ 0.1317236662	731	\$ 66.65	0.0911831
Jul-92	956	\$ 120.69	\$ 0.1262447699	956	\$ 91.98	0.096212293
Aug-92	1326	\$ 203.58	\$ 0.153294118	1326	\$ 128.36	0.096803973
Sep-92	1529	\$ 220.30	\$ 0.1440810988	1529	\$ 146.38	0.095737181
Oct-92	1366	\$ 182.28	\$ 0.1334407028	1366	\$ 108.77	0.07962942
Nov-92	953	\$ 123.87	\$ 0.1299790136	953	\$ 81.30	0.085314262
Dec-92	992	\$ 122.78	\$ 0.1237701613	992	\$ 85.97	0.086666852
<b>1992 TOTALS</b>	<b>11544</b>	<b>\$ 1,535.58</b>	<b>\$ 0.1330197505</b>	<b>11544</b>	<b>\$ 1,035.85</b>	<b>0.089731021</b>
Jan-93	916	\$ 108.30	\$ 0.1182314410	916	\$ 81.76	0.089252751
Feb-93	1141	\$ 130.97	\$ 0.1147852761	1141	\$ 94.43	0.082757852
Mar-93	995	\$ 112.66	\$ 0.1132261307	995	\$ 84.12	0.084545451
Apr-93	748	\$ 86.62	\$ 0.1158021390	748	\$ 66.48	0.088872752
May-93	1036	\$ 119.49	\$ 0.1153378378	1036	\$ 86.86	0.083845282
Jun-93	909	\$ 104.60	\$ 0.1150715072	909	\$ 79.54	0.087501104
Jul-93	978	\$ 120.34	\$ 0.1230470348	978	\$ 93.50	0.09559855
Aug-93	1767	\$ 240.83	\$ 0.1362931522	1767	\$ 161.68	0.091500231
Sep-93	1550	\$ 213.91	\$ 0.1380064516	1550	\$ 139.70	0.090127049
Oct-93	1378	\$ 181.71	\$ 0.1318650218	1378	\$ 105.79	0.076768001
Nov-93	821	\$ 107.50	\$ 0.1309378806	821	\$ 70.88	0.086334182
Dec-93	1008	\$ 125.95	\$ 0.1249503968	1008	\$ 85.26	0.084585524
<b>1993 TOTALS</b>	<b>13247</b>	<b>\$ 1,652.88</b>	<b>\$ 0.1247739111</b>	<b>13247</b>	<b>\$ 1,149.99</b>	<b>0.086811058</b>
Jan-94	933	\$ 111.69	\$ 0.1197106109	933	\$ 79.79	0.085520845
Feb-94	1150	\$ 129.47	\$ 0.1125826087	1150	\$ 96.63	0.084024283
Mar-94	1124	\$ 140.63	\$ 0.1251156584	1124	\$ 97.16	0.086440743
Apr-94	924	\$ 115.72	\$ 0.1252380952	924	\$ 82.65	0.089446853
May-94	902	\$ 110.57	\$ 0.1225831486	902	\$ 83.51	0.092579776
Jun-94	787	\$ 89.60	\$ 0.1138500635	787	\$ 76.89	0.097703596
Jul-94	1156	\$ 151.06	\$ 0.1306747405	1156	\$ 116.64	0.1008965
Aug-94	2213	\$ 295.56	\$ 0.1335562585	2213	\$ 201.60	0.091096912
Sep-94	1413	\$ 186.40	\$ 0.1319179052	1413	\$ 129.51	0.091658683
Oct-94	1526	\$ 186.32	\$ 0.1220969856	1526	\$ 118.93	0.077937029
Nov-94	961	\$ 125.63	\$ 0.1307284079	961	\$ 83.64	0.087037833
Dec-94	760	\$ 92.09	\$ 0.1211710526	760	\$ 69.23	0.091089606
<b>1994 TOTALS</b>	<b>13849</b>	<b>\$ 1,734.74</b>	<b>\$ 0.1252610297</b>	<b>13849</b>	<b>\$ 1,236.18</b>	<b>0.089261156</b>
Jan-95	930	\$ 116.74	\$ 0.1255268817	930	\$ 85.73	0.092187658
Feb-95	935	\$ 121.81	\$ 0.1302780749	935	\$ 84.62	0.090504745
Mar-95	964	\$ 131.67	\$ 0.1365871369	964	\$ 84.94	0.088113106
Apr-95	866	\$ 118.51	\$ 0.1368475751	866	\$ 78.69	0.090871102
May-95	585	\$ 78.03	\$ 0.1333846154	585	\$ 54.40	0.09298545
Jun-95	877	\$ 116.31	\$ 0.1326225770	877	\$ 80.66	0.091971192
Jul-95	539	\$ 81.25	\$ 0.1507421150	539	\$ 55.99	0.103872771
Aug-95	1519	\$ 239.01	\$ 0.1573469388	1519	\$ 146.41	0.096384812
Sep-95	1870	\$ 280.54	\$ 0.1500213904	1870	\$ 165.07	0.088271671
Oct-95	1947	\$ 240.94	\$ 0.1237493580	1947	\$ 139.86	0.071832329
Nov-95	776	\$ 107.22	\$ 0.1381701031	776	\$ 68.50	0.088269724
<b>1995 TOTALS</b>	<b>11808</b>	<b>\$ 1,632.03</b>	<b>\$ 0.1382139228</b>	<b>11808</b>	<b>\$ 1,044.87</b>	<b>0.088487967</b>
<b>SUMMARY</b>						
Jun-05	5890	\$ 757.48	\$ 0.1286044143	5890	\$ 468.43	0.079530039
Jun-05	7977	\$ 912.10	\$ 0.1143412310	7977	\$ 638.92	0.080094947
Jun-05	7669	\$ 985.23	\$ 0.1284691616	7669	\$ 694.26	0.090528016
Jun-05	7338	\$ 973.76	\$ 0.1327010084	7338	\$ 633.75	0.086365469
Jun-05	11544	\$ 1,535.58	\$ 0.1330197505	11544	\$ 1,035.85	0.089731021
Jun-05	13247	\$ 1,652.88	\$ 0.1247739111	13247	\$ 1,149.99	0.086811058
Jun-05	13849	\$ 1,734.74	\$ 0.1252610297	13849	\$ 1,236.18	0.089261156
Jun-05	11808	\$ 1,632.03	\$ 0.1382139228	11808	\$ 1,044.87	0.088487967
<b>TOTALS</b>	<b>79322</b>	<b>\$ 10,183.80</b>	<b>\$ 0.1283855677</b>	<b>79322</b>	<b>\$ 6,902.24</b>	<b>0.087015496</b>

DATE	KWH Usage	Customer Chg	KWH Usage Charge	ECA	St & Co Sales Tax	Total Charges	Cents per KWH
11 MAR 88	443	\$15.00	\$45.19	(\$3.37)	\$2.84	\$59.66	0.13467268623
12 APR 88	376	15.00	38.35	(2.62)	2.54	53.27	0.141675531915
12 MAY 88	400	15.00	40.80	(4.16)	2.59	54.23	0.135575
13 JUN 88	436	15.00	44.68	(1.76)	2.90	60.82	0.138858447489
12 JUL 88	502	15.00	51.20	0.60	3.34	70.14	0.139721115538
12 AUG 88	869	15.00	88.64	(1.16)	5.12	107.60	0.123820483314
12 SEP 88	827	15.00	84.35	(0.69)	4.94	103.60	0.125272067715
12 OCT 88	877	15.00	89.45	1.03	5.27	110.75	0.126282782272
11 NOV 88	695	15.00	70.89	(10.24)	3.79	79.44	0.114302158273
12 DEC 88	453	15.00	47.23	(7.02)	2.76	57.97	0.125205183585
1988 TOTALS	5,890	150.00	600.78	(29.39)	36.09	757.48	0.128604414261
12 JAN 89	483	15.00	49.27	(16.35)	2.40	50.32	0.104182194617
13 FEB 89	477	15.00	48.65	(11.18)	2.52	55.09	0.115492662474
13 MAR 89	538	15.00	54.88	(8.83)	3.05	64.10	0.119144981413
12 APR 89	378	15.00	38.56	(9.54)	2.20	46.22	0.122275132275
10 MAY 89	410	15.00	41.82	(10.46)	2.31	48.67	0.118707317073
12 JUN 89	547	15.00	55.79	(12.78)	2.90	60.91	0.111352833638
12 JUL 89	761	15.00	77.62	(18.71)	3.88	77.79	0.102220762155
14 AUG 89	1,000	15.00	102.00	(7.16)	5.77	115.61	0.11561
12 SEP 89	1,083	15.00	110.47	(12.23)	5.94	119.18	0.110046168052
12 OCT 89	925	15.00	94.35	(11.89)	5.11	102.57	0.110886486486
13 NOV 89	613	15.00	62.53	16.06	4.92	98.51	0.160701468189
12 DEC 89	762	15.00	77.72	(23.23)	3.64	73.13	0.095971128609
1989 TOTALS	7,977	180.00	813.66	(126.30)	44.74	912.10	0.114341231039
12 JAN 90	470	15.00	47.94	(8.57)	2.85	57.22	0.121744680851
12 FEB 90	581	5.00	44.58	18.55	3.58	71.71	0.123425129088
12 MAR 90	330	5.00	25.75	10.63	2.17	43.55	0.13196969697
12 APR 90	305	5.00	23.88	10.77	2.09	41.74	0.136682459016
11 MAY 90	519	5.00	39.93	17.72	3.29	65.94	0.127052023121
13 JUN 90	516	5.00	39.70	15.25	3.15	63.10	0.122286821705
12 JUL 90	785	5.00	66.73	25.54	5.10	102.37	0.130407643312
13 AUG 90	1,043	5.00	88.66	36.64	6.84	137.14	0.131486097795
12 SEP 90	910	5.00	77.35	26.02	5.69	114.06	0.125340659341
12 OCT 90	944	5.00	71.80	35.99	5.92	118.71	0.125752118644
12 NOV 90	757	5.00	57.78	35.18	5.14	103.10	0.136195508587
12 DEC 90	509	5.00	39.18	19.09	3.32	66.59	0.130825147348
1990 TOTALS	7,669	70.00	623.28	242.81	49.14	985.23	0.12846916156
11 JAN 91	473	5.00	36.48	15.07	2.97	59.52	0.125835095137
12 FEB 91	560	5.00	43.00	22.90	3.72	74.62	0.13325
12 MAR 91	415	5.00	32.13	12.13	2.58	51.84	0.124915662651
12 APR 91	503	5.00	38.73	19.28	3.31	66.32	0.131848906561
13 MAY 91	460	5.00	35.50	17.17	3.03	60.70	0.131956521739
12 JUN 91	397	5.00	30.78	11.68	2.49	49.95	0.125818639798
12 JUL 91	564	5.00	47.94	20.64	3.87	77.45	0.137322695035
12 AUG 91	935	5.00	79.48	42.89	6.68	134.05	0.143368993957
12 SEP 91	869	5.00	73.87	32.22	5.83	116.92	0.134545454545
11 OCT 91	843	5.00	64.23	37.47	5.60	112.30	0.133214709371
12 NOV 91	741	5.00	56.58	31.80	4.90	98.28	0.132631578947
12 DEC 91	578	5.00	44.35	18.88	3.58	71.81	0.124238754325
1991 TOTALS	7,338	60.00	583.07	282.13	48.56	973.76	0.132701008449
13 JAN 92	682	5.00	52.15	23.49	4.24	84.88	0.124457478006
12 FEB 92	687	5.00	52.53	26.26	4.40	88.19	0.128369723435
12 MAR 92	690	5.00	52.75	25.76	4.39	87.90	0.127391304348
13 APR 92	789	5.00	60.18	26.57	4.82	96.57	0.122395437262
12 MAY 92	843	5.00	64.23	33.62	5.40	108.25	0.128410438909
12 JUN 92	731	5.00	55.83	30.66	4.80	96.29	0.131723666211
13 JUL 92	956	5.00	81.26	28.03	6.40	120.69	0.126244769874
12 AUG 92	1,326	5.00	112.71	74.53	11.34	203.58	0.153529411765
11 SEP 92	1,529	5.00	129.97	73.06	12.27	220.30	0.144081098757
12 OCT 92	1,366	5.00	99.79	67.34	10.15	182.28	0.133440702782
12 NOV 92	953	5.00	72.48	39.49	6.90	123.87	0.129979013641
11 DEC 92	992	5.00	75.40	35.54	6.84	122.78	0.12377016129
1992 TOTALS	11,544	60.00	909.28	484.35	81.95	1,535.58	0.13301975052
13 JAN 93	916	5.00	69.70	27.57	6.03	108.30	0.118231441048
12 FEB 93	1,141	5.00	85.77	33.50	7.30	130.97	0.114785276074
12 MAR 93	995	5.00	75.53	25.76	6.27	112.66	0.113226130653
13 APR 93	748	5.00	57.40	19.69	4.83	86.62	0.115802139037
12 MAY 93	1,036	5.00	78.34	29.49	6.66	119.49	0.115337837838
14 JUN 93	909	5.00	69.18	24.59	5.83	104.60	0.115071507151
13 JUL 93	978	5.00	83.13	25.50	6.71	120.34	0.123047034765
13 AUG 93	1,767	5.00	150.20	72.22	13.41	240.83	0.136293152235
14 SEP 93	1,550	5.00	131.75	65.24	11.92	213.91	0.138006451613
13 OCT 93	1,378	5.00	100.57	66.01	10.13	181.71	0.131865021771
12 NOV 93	821	5.00	62.58	33.93	5.99	107.50	0.130937880633
13 DEC 93	1,008	5.00	76.52	37.41	7.02	125.95	0.124950396825
1993 TOTALS	13,247	60.00	1,039.87	460.91	92.10	1,652.88	0.124773911074
13 JAN 94	933	5.00	70.98	29.49	6.22	111.69	0.119710610932
14 FEB 94	1,150	5.00	85.75	31.51	7.21	129.47	0.112582608696
14 MAR 94	1,124	5.00	84.06	43.73	7.84	140.63	0.125115658363
13 APR 94	924	5.00	70.30	33.98	6.44	115.72	0.125238095238
12 MAY 94	902	5.00	68.65	30.76	6.16	110.57	0.122583148559
13 JUN 94	787	5.00	60.03	19.57	5.00	89.60	0.113850063532
13 JUL 94	1,156	5.00	98.26	39.38	8.42	151.06	0.130674740484
12 AUG 94	2,213	5.00	188.11	85.98	16.47	295.56	0.13356258473
13 SEP 94	1,413	5.00	120.11	50.91	10.38	186.40	0.131917905166
13 OCT 94	1,526	5.00	110.19	60.75	10.38	186.32	0.122096985583
14 NOV 94	961	5.00	73.08	40.55	7.00	125.63	0.130728407908
13 DEC 94	760	5.00	58.00	23.96	5.13	92.09	0.121171052632
1994 TOTALS	13,849	60.00	1,087.52	490.57	96.65	1,734.74	0.125261029677
13 JAN 95	930	5.00	70.75	34.49	6.50	116.74	0.12552688172
13 FEB 95	935	5.00	71.13	38.89	6.79	121.81	0.130278074866
13 MAR 95	964	5.00	73.30	46.04	7.33	131.67	0.136587136929
13 APR 95	866	5.00	65.95	40.96	6.60	118.51	0.136847575058
12 MAY 95	585	5.00	44.88	23.80	4.35	78.03	0.133384615385
13 JUN 95	877	5.00	66.78	38.05	6.48	116.31	0.132622576967
13 JUL 95	539	5.00	45.82	25.90	4.53	81.25	0.150742115028
14 AUG 95	1,519	5.00	129.12	91.57	13.32	239.01	0.157346938776
13 SEP 95	1,870	5.00	158.95	100.96	15.63	280.54	0.150021390374
13 OCT 95	1,947	5.00	137.56	84.95	13.43	240.94	0.123749357987
1995 TOTALS	11,032	50.00	864.24	525.61	84.96	1,524.81	0.138217005076
SUMMARY							
1988	5,890	\$150.00	\$600.78	(\$29.39)	\$36.09	\$757.48	0.128604414261
1989	7,977	180.00	813.66	(126.30)	44.74	912.10	0.114341231039
1990	7,669	70.00	623.28	242.81	49.14	985.23	0.12846916156
1991	7,338	60.00	583.07	282.13	48.56	973.76	0.132701008449
1992	11,544	60.00	909.28	484.35	81.95	1,535.58	0.13301975052
1993	13,247	60.00	1,039.87	460.91	92.10	1,652.88	0.124773911074
1994	13,849	60.00	1,087.52	490.57	96.65	1,734.74	0.125261029677
1995	11,032	50.00	864.24	525.61	84.96	1,524.81	0.138217005076



**PEOPLE  
DON'T PLAN TO FAIL,  
THEY SIMPLY  
FAIL TO PLAN.**

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application  
of SUNFLOWER ELECTRIC COOPERATIVE,  
INC. for approval of the State  
Corporation Commission to make  
certain changes in its charges for  
sale of electricity to its member  
Cooperatives.

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Docket No. 143,069-U

Testimony of

Lloyd E. Theimer

Member of

Great Plains Electric Cooperative, Inc.

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Good afternoon. I'm Lloyd Theimer, Route 2 Box 98, Colby, Kansas 67701. First, may I express my appreciation for this opportunity to participate in this Sunflower Rate Case Docket No. 143,069-U. I extend my personal thanks to the Commission for bringing this hearing to Western Kansas.

This testimony may lack the eloquence of the Santa Claus Letter (Postmarked Garden City) to your Commission, but it will be factual and I earnestly solicit your most thoughtful attention. It's time this Commission, this State, and this Coop start listening-figures may be important but people, homes, and occupations are far more important. Our times are troubled, our system is in jeopardy, our people are crying, and there's a serious storm ahead. Can we survive, can our system survive??

Business Outlook, Jan. 21, 1985, page 25 says, "Lightening could strike twice." International Moneyline, Aug. 27, 1984 says, "The Banking System deteriorates. The recovery slows and by-passes the farmer. The foreign debt burden grows heavier--and the stock market soars to new highs. We're living on borrowed time and no one is paying attention to the problems because all are convinced that somehow they will be cared for."

Are we today in the trough of the Nicholai Kondratieff fifty year cycle? What is ahead?

While no one would expect this Commission to be gods concerning these matters, it still remains a fact of law that your decisions will ultimately affect the future course of human events in Western Kansas.

History contained in the dockets of this matter of Sunflower Electric proves that point. When Docket #143,069-U becomes history will it exemplify wisdom and character on your part. Freedom from corporate slavery and bondage to the consumer, or more political boondoggling? As presented in Commissioner R.C. Loux's non-concur opinion in Docket No. 114,010-U, October 1978, quoting the last two paragraphs.

"The testimony and evidence by the applicant's consultants, in my judgement, reflected a lack of professional independence and candor, and appeared to have a questionable credibility, as they appeared to be primarily self-serving. The applicants, in my judgement, made no sincere or credible attempt for alternative locations that might provide conservation of a valuable resource-water. The cost of the joint generation estimates by the applicant's engineers lacked credibility as did their peak requirement studies and their economic studies. In view of all the evidence, I do not agree that the necessity for and the reasonableness of the location and the size of the proposed electric generation facility has been sufficiently documented. Therefore, I non-concur."

When money problems arose listen to excerpts of Docket No. 127,254-U July, 1981. Quote.

"Applicant testified through Mr. Schnose that it had a deficit in its equity or patronage capital account of \$2,998,149 as of the end of the test year. Mr. Schnose further testified that at a 20 per cent interest rate the carrying cost of the deficit was \$600,000 per year."

"The Commission is of the opinion that the deficit equity position that Applicant finds itself in is largely of Applicant's own making and that the problems attendant to that deficit position have been somewhat overstated by Applicant."

Page 8-"Mr. Thompson admitted under cross-examination by Staff counsel that Sunflower had let 22 contracts after the date of the order in Docket No. 124,740-U and that some of those contracts contain escalation and contingency clauses and that some of those contracts

exceeded those amounts specified in Appendix A to the Order in Docket No. 124,740-U. Mr. Thompson also admitted that the line item figures approved in Docket No. 124,740-U were exceeded for most items in the "Revised" column in Exhibit No. 4." Page 9, a part, "However, we are not pleased with the cavalier attitude shown by Sunflower toward our Order in Docket No. 124,740-U. That order specifically stated that expenditures of any funds for contingency and escalation were prohibited without specific written approval of the Commission and that expenditures in excess of the amount shown on Appendix A were forbidden without written approval of the Commission. If Sunflower officials were genuinely perplexed by the meaning of that Order or the figures therein they could have and should have requested official clarification from this Commission before proceeding."

Bad Contracts and Excess Power. Docket No. 130,753-U, April 1982. Page 13. "while we must frown upon the somewhat presumptuous action taken by Sunflower on this issue we will not, in light of the confusion of the interpretation of our last order, find that the NPPD demand charges were flowed through in violation of our order in 127,254-U. We caution Applicant to officially request clarification of an order where there is any uncertainty in the future."

Page 14 and 15 Paragraphs 45 through 49 in part.

"The Commission also heard testimony as to the effects the Sunflower system of Holcomb coming on line. Mr. Schnose testified that there would be surplus capacity in excess of 200 megawatts on Sunflower's system when Holcomb is in generation. Mr. Thompson testified that according to a study run for Sunflower their wholesale rates would go from the present cost of about 4¢ per kilowatt to 10¢ per kilowatt in 1984, an increase of 250%. That estimate was based on the rather conservative assumption of IDC of \$55 million, a 10% long term interest rate and a TIER of 1. It also assumed that 25% of Applicant's surplus capacity could be sold at the annual fixed charge rate of the Holcomb plant. Applicant produced no evidence of any such sales having been made to date.

Staff had Sunflower run the same study with the more pessimistic assumptions of IDC of \$110 million, a long-term interest rate of 14% and no sales of the excess capacity as well as a TIER of 1.1.

The study showed that that set of assumptions could lead to wholesale prices as high as 13.5¢ per KWH by 1984, an increase of 300% over the present rates. The projected increase under either study would be largely as a result of the addition of the Holcomb plant.

The testimony concerning the costs of Holcomb and the excess capacity which will occur in the early years of operation points out the need for Applicant to do everything possible to hold down costs, increase management efficiency, aggressively pursue sales of its potential capacity and engage in long range planning.

Management Related Problems. Several disclosures made during the course of the hearing cause this Commission great concern about the capability and knowledgeability of management. Despite an almost certain excess capacity of some 200 MW starting in 1984, Applicant has yet to take action to cancel contracts for purchase of power from KPL and CTU. Such contracts must be cancelled on four years' notice, meaning that such contracts are now destined to run until May 1986."

-----"The issue of those contracts is only one of many examples of what appears to be lackadaisical and unknowledgeable management. The general manager expressed a distressing lack of knowledge about key elements of Applicant's construction program, power contracts, future plans and reason for delay in the filing of rate cases.



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Management exhibited much confusion over the date that a major portion of rate base, the Holcomb to Spearville 345 KV line, would go into actual operation at a 345 KV level. There was also considerable confusion over the possible payment of liquidated damages of triple the amount of equalization payments under the contract with NPPD. Mr. Schnose testified that the construction of the Setab to Holcomb portion of line would be completed by May 1, 1982. Mr. Thompson testified that bids had just been let and the line would not be completed until late 1982 or early 1983. It became apparent that Sunflower entered into a contract with NPPD knowing at the time that it would be unable to comply with the terms of the contract and thus would incur liquidated damages of three times the equalization payments. That Sunflower would enter into such a contract with such knowledge is evidence of very poor planning and an apparent lack of good business judgement. That management could be confused and seemingly uninformed about whether such liquidated damages would in fact be incurred is remarkable. That matters of such financial importance can escape the accurate attention of management would be quite disturbing in any utility that is in a position of incurring an ongoing deficit and states that it is in a financial emergency.

Management could not point to a single cost saving or cost cutting measure that it took to help alleviate the growing deficit. Nor could management explain the long delays between the end of the test year and their filing of rate relief with this Commission. Instead Applicant's management seems to take the cavalier attitude that their problems are beyond their control and of someone else's making. Such rationalizing and passivity in the light of serious present and future problems facing this cooperative is unacceptable. Applicant's difficulties will not disappear by the granting of rate relief in our opinion, although such relief may appear to temporarily alleviate them"-----"It troubles this Commission that a utility that cannot seem to effectively operate its present system is contemplating the purchase of another utility. The enormous costs involved in the ongoing construction program necessitate efficient management and great foresight to protect both the consuming public and the continued viability of the Applicant. Such efficiency and farsightedness seem at present to be in short supply at Sunflower."

The monster has been created, default discussed, buck passing began. Docket No. 137,068-U, March 1983. Page 6. Quote. "The evidence demonstrates that the total capacity resources available to Sunflower equals 624 MW, while the maximum member load over the last five years has been 267 MW in 1981. Thus, Sunflower has approximately twice its required capacity with Holcomb on line. It is estimated that Holcomb's capacity factor for its first year of operation will be 42.5% as compared with a typical capacity factor of approximately 65% for most coal-fired plants." Page 7. "In light of the excess capacity on Sunflower's system created by the completion of the Holcomb unit some deferral of that plant is reasonable, necessary and fair. Garden City argues that the entire plant should be deferred for the present. Mr. Yokell admits that this would cause a default on the REA Loan agreement and could lead to an REA takeover of Sunflower. He argues, however, that such an occurrence would not necessarily be bad and that REA may even write off a portion of the loans under such an occurrence."

"Sunflower is a rural electric cooperative generating and transmission utility. It is made up of eight member cooperatives who in turn consist of their members who are also their ratepayers. Therefore, there are no stockholders to bear the burden of costs imprudently incurred. In the case of an investor-owned utility the Commission can, if it finds that costs were unreasonably or imprudently incurred, refuse to allow those



costs to be recovered through rates, thus shifting the costs to the stockholders. Sunflower has no stockholders, only members who are the ratepayers. Those members, like stockholders, have the power to elect or remove trustees and influence management decisions through their votes. In effect, by electing the trustees and allowing the policies of Sunflower, including the building of Holcomb to go forward, the members have participated in and approved the construction of this plant. Having done so, it would be irresponsible and in bad faith to now refuse to pay for the plant and attempt to defer all of the cost to future members who had no voice in making those decisions."

Page 9. "This Commission, REA, and Sunflower and its members must share the responsibility for the decision to build the plant and the failure to recognize until it was too late that it would not be fully needed until long after its completion. Prior to commencement of actual construction of the plant, applicant was aware that load growth projections were not being met. Nevertheless, it appears to have plunged unthinkingly ahead once the original decision was made and did very little if any, subsequent analysis of the load growth figures until the plant was virtually completed. Previous staff testimony and Commission orders have pointed out the impending rate shock due to Holcomb being added to rate base. The member cooperatives and most of their members in turn also have remained silent as to the effects until now. The people responsible for making this decision, the trustees of Sunflower, were elected by the ratepayers and remain in their positions by the grace of those ratepayer members. The Commission can only assume that the member-ratepayers are satisfied with the decisions of their cooperative officers."

Page 10. Sunflower must consider seeking additional assistance from those federal agencies which encouraged construction of the plant and have participated in its financing. Such assistance may include, but not be limited, to deferral, forgiveness, or assumption of interest obligations, and long-term deferral of principal payback. It can be anticipated that failure to secure assistance of this type in addition to strong and aggressive action by Sunflower to reduce expenses and make off-system sales, will result in eventual default by Sunflower with tragic consequences for Western Kansas ratepayers. The "Death Spiral" scenario described by witnesses for the city of Garden City in their testimony to the Commission is a distinct possibility unless the federal agencies which countenanced construction of the plant assume greater responsibility for its financing.-----The record indicates that Sunflower system's peak demand in 1982 was 250 MW and its current net capacity is 620 MW.-----Whether any long-term growth in peak demand will be realized is conjectural given the large price increases that can be expected on the Sunflower system and the resulting negative effect on demand. Page 24. There was testimony on the proposed new office building for Sunflower to be located in Hays, Kansas. We hereby order Sunflower to submit information concerning the justification for the office building to the Commission. We are particularly interested in a cost justification for the proposed building as opposed to expansion of present quarters, the renting of additional space, or other alternatives that were considered. Such information will be required prior to the approval of any financing for this project. It is clear that publicity as to the magnitude of the proposed increase to the ultimate consumer was conflicting, contradictory, and misleading. In the future we would expect Sunflower to give notice of the magnitude of the total increase, irrespective of ECA effects, for each of the eight members and the average increase represented for each of the customers of those eight members."

Docket No. 137,068-U Dissent by R.C. Loux.  
A part of.

"Little thought by applicant was ever given to the ultimate cost to ratepayers or its negative effects upon the Southwest Kansas economy. In my opinion, the major factor was increasing the tax base of Finney County, not what the effects of the extreme cost of energy to customers with residential and business. Now the applicant, with the majority concurrence has commenced a new scheme to hide the true costs to all ratepayers. Adoption of the majority's plan is especially deceiving because it promises a solution which is both unworkable and ineffective. It will create a false sense of security for the ratepayer where none exists.

Today's decision by the majority represents an apparent abandonment by the Commission of its legal responsibilities to this applicant's member ratepayers and customers. Adopting applicant's proposal to place part of its newly constructed but not yet fully operational Holcomb plant into its rate base, the Commission has chosen to reward colossal management blunders by the Trustees of Sunflower and pass the costs of the patently unnecessary facility to applicant's cooperative members and contractual customers of Garden City. As I see no compelling reason to abandon settled regulatory principles, prior decisions of this Commission, and the clear provisions set forth by the Kansas Legislature at K.S.A. 66-101 ET SEQ., I must vigorously dissent.

It is now obvious that a great many of the assumptions, projections, rationales, and arguments presented this Commission in applicant's siting permit for the Holcomb plant, Docket No. 114,010-U, were ill-conceived, false, and even duplicitous. What was once represented to be an economic boon to the economy of Southwestern Kansas has transformed into a huge "white elephant" with crushing financial implications.

From the evidence it is clear that subsequent to our referenced siting permit decision (from which I dissented) on October 23, 1978, applicant's management became aware its original load growth and cost projections were in error. Nonetheless, applicant "---plunged blindly ahead---", as the majority notes, with a seeming indifference to the real consequences of their decision.

Applicant's available total capacity is presently 624 MW though the maximum member load over the past five years has been 267 MW in 1981. This would indicate excess capacity of approximately one hundred thirty-three percent (133%). That is, simply put, appalling.

Applicant's proposed "solution" is to defer fifty per cent of the plant over the next five years while placing fifty per cent presently in rate base. Applicant's rationale is that the addition of the entire Holcomb plant would cause rates to double, depress the agricultural economy, and impose an inequity on today's members forcing them to pay for plant in excess of current needs. More plainly put, applicant seeks to charge only what the traffic will bear.

Persuaded by applicant's case, the majority sees no solution other than placing part of the unneeded plant in rate base. To do otherwise, the majority asserts, would be irresponsible and in dereliction of duty. Foreclosing the obvious option available to applicant, the majority finds "no reason" to believe the REA would finance the plant and states the REA would even "insist" that

100% of the plant be placed in rate base upon default.

The majority has, by this order, thrown its hands up and announced there's nothing to be done. Rather than hold applicant to the strict standard of proof previously required by the Commission in rate proceeding see KG&E Interim Docket No. 117,222-U and SWB Docket No. 117,220-U, the majority instead places 47% of the plant in rate base in spite of overwhelming and uncontroverted evidence that the plant is not needed. Previously, the Commission required a preponderance of evidence that public utility property proposed for rate base inclusion be "---used or required to be used---" K.S.A. 66-128. The majority would now carve an exception to that statute for applicant. K.S.A. 66-128 is ignored and the Holcomb addition to rate base is accepted for to do otherwise would be "---irresponsible---"

The Commission's responsibility is to supervise and control public utilities including this applicant, and to set rates that are just and reasonable. Speculation as to the cause and effect of a possible default do not negate that responsibility. The reactions of the REA to a prospective default by Sunflower is impossible to determine. But the decision of the majority to place 47% of the cost of applicant's unneeded plant in their rate base will create an onerous burden for many residential ratepayers.

Applicant has not shown substantial reports to reschedule its debts with REA which promoted the Holcomb generation facility from its inception. Applicant seeks, and the majority authorizes by its order, a more expedient solution: Interim rate relief for a plant that may never be needed. Rather than "bail out" applicant's gross miscalculations and fiscal irresponsibility, I would permit applicant's management failures to run their natural course."

In light of these gross improprieties, why would this Commission even consider another rate increase? Why isn't Attorney General Robert Stephan's office involved?

The Salina Journal Jan. 11, 1985 page 5 headlined the following story. "Man gets 25 years sentence for \$150 theft of electricity. How hypocritical has the law become.

I ask you, how can the KCC even seriously consider that we increase rates to pick up a \$7.5 million dollar corporation mistake? No one can tell me that any board or governmental body can be so irresponsible or calloused in their actions, as has been documented in these Docket excerpts, and not be accountable to someone. Maybe Western Kansas should seriously consider a class action suit against Sunflower Corporation, the parties involved, and the State of Kansas.

The State of Kansas cannot "pass the buck". In every case they as professional watchdogs gave the final go-ahead command.

A prime example was a go-ahead signal on the completion of the Hays multi million dollar office building of Sunflower. Docket No. 137,068-U page 24, paragraph 66 had put it on ice but it's claimed in Coop circles that Topeka okayed the completion without public notice or hearing. To date financing on same is not even guaranteed.

Faulting the Coop members of this utility seems cruel and unjustifiable under such circumstances. Theoretically the Commission's reasoning may be right, but in theory only.

The average man on the street is certainly no match for the self perpetrating professional career individuals running these Coops. Not only do they end up making policy but also they sell themselves via the

7

way of the company checkbook. (Advertising).

Like all corporations my responsibility would end with the demise or bankruptcy of the Coop. In this case that would be the sum total of eight shares with a value of                      dollars. Is this not correct?

Shouldn't the people of this state be able to trust their Commission to decide these issues on merit rather than political expediency?

It's high time the K.C.C. shows more concern for the consumer and less concern for the lender. You and I both know that loan volume and interest income has been more important than secure loans or the "patient's" welfare.

These National and International Bankers such as the R.E.A., Federal Financing, Irving Trust, etc., had their interests in mind, when the loans were made. Certainly the consumer or the State of Kansas owes them no guaranteed return. These institutions have their "reserve funds for bad loans" which are supported by law and exempt from tax. Let these professional money handlers learn their lessons along with everyone else. In the future we'd all be safer from such a repeat.

Good sincere and honest people did try to stop this colossal mistake; each time they tried they were foiled by the law.

Yours truly knows what that is--I stand today in the very courtroom where Attorney General Robert Stephan finally attempted to destroy me politically with the secret meeting charge to accomodate the wishes of a group of new hospital supporters.

The Citizen's Medical Center was built after seven special State laws and litigation in excess of \$300,000. Four years later Colby Free Press Guest Editorial by Larry Barrett, page 4, Wednesday, Jan. 16, 1985, says: "As of the present time (Jan. 1985) Citizens' Medical Center finds itself in an environment entirely different than that anticipated at the time of the new hospital construction-----while such thoughts may consume lots of time, they do not help address the real world. C.M.C. must either adapt to the current environment or cease to exist."

Members of this Commission, I would urge you to heed this most pointed parallel. The pendulum has swung. History is repeating itself.

How well I remember the beautiful day in August 1937 when I helped my father erect and install our thirty-two volt Montgomery Ward wind-charger. The tower still stands and at lunch today my son suggested that possibly we buy and install a windcharger on the old tower.

This Commission may have the authority to keep Sunflower alive, but it does not have the power. Price yourself out of the market in energy or medicine and something else will be done.

Thank you and Best Regards

*Loyal E. Heimer*

## Man gets 25-year sentence for \$150 theft of electricity

DALLAS (AP) — A habitual offender who was convicted of diverting \$150 worth of electricity into this home from a utility pole has been sentenced to 25 years in prison.

Jury members said they convicted Charles Edward Bradford, 25, even though not all of them were convinced he had rigged the illegal power line and some didn't think the offense should be a felony.

Bradford was convicted of criminal mischief under a rarely used statute that makes it a felony to tamper with equipment belonging to a public utility.

He was sentenced under the state's habitual criminal law, which sets out a minimum of 25 years in prison for anyone with three prior felony convictions.

Assistant District Attorney George West encouraged the jury to treat the case as a serious one be-

cause the illegal wiring could have endangered the community.

"Everybody took it real seriously," Juror Volker Schwietz said afterward. "It was the law."

Bradford was arrested July-11 after a Dallas Power & Light employee found an unauthorized electrical line between a pole and Bradford's home.

Bradford testified that his electricity had been cut off because he was unable to pay his bill. He said power was eventually restored after he paid the utility \$630 over several months.

But utility officials denied receiving any payments from Bradford and said they had removed an illegal meter, illegal wiring and illegal equipment on several occasions before finally filing a complaint against him.

To the Kansas Corporation Commission, Topeka, Kansas, regarding the Rate Increase Request of Midwest Energy Inc.

I'm Lloyd E. Theimer Rt. 2 Bx. 490 Colby, Kansas 67701, a member of the Great Plains Electric Coop Group now merged with Midwest Energy of Hays.

I'll try to make this short but not necessarily sweet. Years ago it was a common thing for a speaker to say, "I'll make this short and sweet" as she or he began a public statement. I even remember Dr. Brinkley, the goat gland specialist saying that in the Colby park as he campaigned for Governor of this great state 'way back in the Great Depression of the thirties.

Time must have been important because the ice cream was sitting by the podium in canvas bags and surely the cones would have melted had the speaker not respected that fact.

It was a warm fall evening and the air was full of promises. Old Doc promised reduction in car tags, reduction in property tax, and more reductions for almost anything you wanted.

The Press was shocked at the votes he received and so were my parents, but looking back 50 plus years, I'm surprised he wasn't elected. The only reason he wasn't was that he was born 50 years too soon.

Have things really changed for the better? Ever since yours truly testified before this corporation at the Colby Courthouse, Docket No. 143,069-U regarding Sunflower Electric, the question of power costs has been settled on what has been politically advantageous. Not what was just and fair.

My neighbors who went down in bankruptcy made mistakes, so they're gone--out--or dead. Not so with Sunflower Electric or Great Plains Electric. At hearings in Colby, Scott City, Garden City, and Topeka myself and other laymen presented some of the finest factual testimony ever to come before this Commission regarding our area's needs, as well as R.E.A. corporate bungling. (Great Plains Electric and Sunflower Electric).

Bankruptcy was the fair and logical answer. This Commission knew it but political answers were sought and consequently we Great Plains members became another chapter in the great American experiment of Corporate Slavery to Midwest Energy because of Sunflower Electric.

Commissioner Pete Loux in his Dissent Decision of Docket No.137,068-U of Sunflower Electric said, "I would permit applicant's management failures to run their natural course." Instead this Commission as the majority of that Commission had done, allowed Midwest Energy personell and Great Plains Electric personell to use Corporate time and funds to persuade the merger of the two organizations.

In a District Court Case #89054 of Colby, Kansas dated Nov. 14, 1989 Del Dempewolf, Plaintiff (Midwest Energy, Defendant) says #4, "prior to the merger taking effect, the plaintiff, and others, actively campaigned to insure the success of the merger. Before campaigning for the merger, the plaintiff repeatedly inquired as to his job security. He was repeatedly assured that his job, or a similar job would be maintained so that he would continue to have employment with Midwest Energy Inc."

At this year's annual meeting, Manager Jack Goodman avowed that he would fight this case which is near the half million dollar mark, to the finish. At the same meeting he admitted that nothing had been done concerning a legal test of the slavery Sunflower Electric Contract and the Great Plains Area's continued higher rates.

Twenty thousand plus big votes Garden City fared much better before the Commission and did get a concession. (Not even mentioning the million in property tax benefits they receive and that the whole project was a development brainstorm of theirs and the irrigators).

Great Plains was rushed into Midwest by at least one illegally scheduled meeting, plus some absolutely false statements at another

ing, and the State of Kansas shut its eyes. In a nut shell, here's how the shell game was played with the Corporation Commission's approval:

Great Plains Electric asked Kansas Corporation Commission for a 2¢ per KW price increase and received it.

Midwest Energy promised about 2¢ KW decrease for Great Plains consumers if merger was consummated and did that.

Great Plains and Midwest vote to merge.

Midwest Energy Now back before Kansas Corporation Commission for an extra month's billing from Great Plains members. (In other words they estimate my increase will be approximately the average of a 12 month period divided by 12. Extra or 13 bills instead of 12.

Last but not least. This is a fact for the record. Due to an act of God or specifically a spring blizzard, the meeting to amend the Great Plains by-laws had to be cancelled. All day long the Goodland TV and Radio station announced that the meeting would not be held and had been cancelled. Yet that same evening the manager of those stations, Kay Melia and, we believe, four other members called the meeting to order in Goodland and then recessed it to another date.

When that meeting was held the following week, this almost bankrupt Great Plains Electric gave away a colored TV and hundreds of dollars of gifts by attendance drawing. Amidst a roar of laughter and good sport this Electric Screw Driver was presented to yours truly Lloyd E. Theimer. I would strongly suspect it was more planned than by chance drawing, wouldn't you?

As a lasting memento of this whole sorry affair and a constant reminder to you, the Kansas Corporation Commission, it now gives me great pleasure to pass on to you this fine Electric Screw Driver which would seem to symbolize the Royal Screwing the THINKING Consumers of Great Plains Electric got from their own board and staff, Sunflower Electric, Midwest Energy, and will again probably get from the Kansas Corporation Commission when this hearing is over.

I herewith request that this Skill Twist Electric Cordless Screwdriver #2105 be given a number and become a part of the exhibits of this Hearing, Docket No. 167333-U.

Maybe the good old days of kerosene and gas lights were not better but let me assure you, Doc Brinkley's half melted ice cream cones were far more palatable than the political hand-outs of today.

Respectfully,



Buffalo Commons U.S.A. 67701-8502



# SKILWIST

CORDLESS SCREWDRIVER

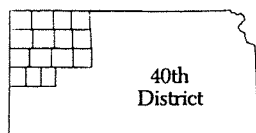
- Drives/Removes  
Screws Effortlessly
- Always Ready to Use
- Slotted and Phillips  
Bit Included

2105





STAN CLARK  
STATE SENATOR



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS  
VICE CHAIR: ELECTIONS  
MEMBER: AGRICULTURE  
ASSESSMENT AND TAXATION  
FINANCIAL INSTITUTIONS  
AND INSURANCE

**TESTIMONY - HOUSE BILL 2600**  
**SENATE ENERGY AND NATURAL RESOURCES COMMITTEE**  
**MARCH 7, 1996**

Mr. Chairman and members of the committee. I appreciate the opportunity to appear before you in opposition of HB 2600.

HB 2600 is a delaying tactic that holds consumers hostage to their current wholesale electric supplier. My electric distribution supplier is Midwest Energy. Midwest purchases a large portion of their energy from Sunflower Electric Power Corporation under several contracts. My house and business are located in KCC certificated area that requires Midwest Energy to purchase all electricity from Sunflower until April 1, 2020. These power costs over the last 8 years have averaged 47% over the rate I would have paid if I could move 2 1/2 miles south. The electrical supplier at that location is the same Midwest Energy company but that certificated area does not require power to be purchased from Sunflower.

Electric companies in their annual reports maintain accounts for their distribution, transmission and generation costs. In 1994 20 co-ops in Kansas had power costs in excess of KPL's average retail rate of 53 mills/KWH (see attachment 1). The chart on this attachment shows this comparison with the second line on column E and the last 20 lines on column F. Attachment 2 shows in column G the range in distribution costs from 2.524 cents to 6.227 cents per kwh. If you would immediately open Kansas to competition between electric power producers, it would seem to me that a reasonable rate could be established to accommodate the service provided by distribution companies. Attachment 3 is the statute recently adopted by Rhode Island which allowed 3 cents. I think a figure of 4 to 5 cents per KWH would be acceptable.

Senate Energy & Natural Res.  
March 7, 1996  
Attachment 9

Purchasing cooperatives could be organized to allow consumers to negotiate for electric power from power producers so that all consumers can take advantage of this deregulation. I am attaching the recent Rhode Island legislation with provided for Purchasing Cooperatives (Attachment 4).

Our problem is our wholesale supplier. Sunflower Electric started construction of a 280 MW coal-fired generation plant in 1978 which was estimated to cost \$277 million. The plant was completed in 1983 at a cost of \$446 million. The annual base load at that time was estimated at 140 MW so the KCC put 47% of the plant into the rate base. In 1981 Sunflower had a negative equity on its books of \$2,998,149. In 1994 the negative equity was \$145,498,873.

Under the current KCC rate schedule 58% of the plant is in rate base and the best estimate that I have found is that when the plant has operated 35 years - it's expected useful life, the remaining debt will exceed the original cost. Special rates are nothing new for our power supplier, in attachment 5 the top line shows that the power cost rate the people in the certificated areas pay is 6.3 cents per kwh. They have a special irrigation rate on line 2 which is 4 1/2 cents per kwh. Line 3 is the rate charged customers that threaten to use other sources for their electrical power supplier which is 3.16 cents per kwh. Line 8 of the chart is the rate Sunflower sells to Midwest Energy for their customers 2 miles from me. You can see that this is 1.7 cents per kwh. Sunflower has wheeled power for 15 years and Midwest Energy has wheeled power for Sunflower for just as long. Sunflower's transmission lines have the capability to handle twice their generation capacity and the expenses for their transmission system are separated for accounting purposes currently. Attachment 6 shows the operation and maintenance for both power production and transmission expenses for 1994.

Retail wheeling offers opportunities to revitalize rural Kansas. We currently are slaves to our power company and are unable to compete with communities in central Kansas like McPherson who offer 3 cent per kwh power to their industrial customers. By defeating this bill, you are allowing Kansans the economic freedom to chart their destiny.

# Attachment 1

## Power and Distribution Cost of Service for Electric Utilities in Kansas For the Year Ending December 31, 1994

Utility	(A) Retail Revenue	(B) Sales, MWh	(C) Power Cost	(D) Production/ Purchases, MWh	(E) Retail Rate mill/kWh	(F) Power Cost mill/kWh	(G) Dist Cost mill/kWh
-----							
KCP&L	\$780,619,904	11,559,940	\$274,562,978	17,119,243	67.53	16.02	51.51
KPL	\$423,740,802	8,018,990	\$195,929,214	11,087,263	52.84	17.67	35.17
KGS	\$574,814,982	7,867,868	\$199,104,559	10,228,152	73.06	19.47	53.59
WESTPLAINS	\$94,829,788	2,549,104	\$55,400,865	2,293,704	61.21	24.15	37.06
NEMOHA-MARSHALL	\$3,030,321	41,314	\$2,341,126	44,460	73.54	34.66	38.88
KAN VALLEY	\$7,841,893	94,077	\$3,554,012	100,874	83.16	35.23	48.12
DONIPHAN	\$1,122,436	14,811	\$589,352	16,388	75.78	35.96	39.82
MIDWEST ENERGY	\$57,607,169	833,706	\$33,960,133	937,919	69.10	35.23	32.87
C M S	\$7,181,458	76,553	\$4,242,850	92,338	95.05	47.05	48.02
VICTORY	\$6,802,628	89,693	\$4,839,104	99,636	75.84	50.60	25.24
RADIANT	\$3,904,917	41,303	\$2,332,547	45,652	94.54	52.09	43.45
KANSAS	\$4,926,493	55,772	\$3,134,670	61,321	88.33	51.12	37.21
NORTON-DECATUR	\$7,667,088	70,592	\$5,432,664	105,265	108.61	51.61	57.00
C & W	\$3,294,725	15,280	\$2,008,966	38,245	92.39	52.53	40.86
LYON-COFFEY	\$7,873,007	77,053	\$4,465,817	84,885	102.18	52.61	49.57
SMOKY HILL	\$3,541,005	37,256	\$2,139,012	40,600	95.05	53.69	42.36
UNITED	\$5,740,816	52,036	\$3,270,543	58,965	110.32	53.77	56.55
WHEATLAND	\$33,844,646	420,409	\$33,882,954	628,253	80.50	53.93	26.57
E C K	\$3,104,110	27,663	\$1,699,503	\$33,882,954	112.21	54.31	57.90
PIONEER	\$21,582,055	242,088	\$14,246,287	261,520	89.15	54.47	34.67
CANEY VALLEY	\$5,415,688	46,391	\$2,826,705	51,873	116.76	54.49	62.27
JEWELL-MITCHELL	\$4,245,543	42,174	\$2,806,430	47,607	100.67	54.73	45.94
SEKAN	\$4,760,779	47,876	\$2,842,772	51,906	99.86	54.76	45.11
BROWN-ATCHEISON	\$2,975,708	31,656	\$1,897,532	34,619	94.00	54.81	39.19
ARK VALLEY	\$6,823,644	62,239	\$3,976,517	71,376	109.60	55.71	53.89
JUNIOR-COWLEY	\$5,915,572	56,325	\$3,435,971	61,615	104.65	56.77	48.89
FLINT HILLS	\$5,373,011	51,595	\$3,810,567	67,679	96.82	54.30	40.51
D S & O	\$7,280,256	86,699	\$5,352,549	94,451	83.97	56.67	27.30
BUTLER	\$8,302,382	80,121	\$4,974,759	86,880	103.62	57.31	46.32
TWIN VALLEY	\$2,613,104	22,227	\$2,444,254	24,730	126.99	58.48	50.06
P R & W	\$3,500,607	29,890	\$2,960,234	33,166	117.12	59.10	58.01
LEAVENWORTH-JEFF	\$6,750,159	63,931	\$4,223,356	70,283	105.74	60.09	45.65
NORTHWEST	\$2,990,612	27,795	\$1,916,102	31,556	107.60	60.72	46.87
SEDGWICK COUNTY	\$6,122,378	63,944	\$2,240,462	69,757	95.75	60.79	74.84
WESTERN	\$9,417,747	105,605	\$7,116,956	115,832	89.18	62.44	27.74
LANE-SCOTT	\$4,803,042	49,907	\$4,097,527	65,312	96.24	62.74	33.50
-----							
TOTAL	\$2,140,970,475	32,083,153	\$903,083,853	44,370,617	66.73	20.35	46.38

Retail Rate = A/B  
Power Cost = C/D  
Dist. Cost = E-F

Sources: USDA-RUS. 1994. Statistical Report Rural Electric Borrowers. Informational Publication 201-1.

# Attachment 2

## Power and Distribution Cost of Service for Electric Utilities in Kansas For the Year Ending December 31, 1994

Utility	(A) Retail Revenue	(B) Sales, MWh	(C) Power Cost	(D) Production/ Purchases, MWh	(E) Retail Rate mill/kWh	(F) Power Cost mill/kWh	(G) Dist Cost mill/kWh
VICTORY	\$6,882,638	89,693	\$4,839,104	93,836	75.84	50.60	25.24
WHEATLAND	\$33,844,646	420,409	\$33,882,954	628,253	80.50	53.93	26.57
D S & O	\$7,280,256	86,699	\$5,352,549	94,451	83.97	58.67	27.30
WESTERN	\$9,417,747	103,605	\$7,116,956	115,832	89.13	61.44	27.74
MTTHERST ENERGY	\$57,607,169	832,706	\$33,980,133	937,919	69.10	34.23	32.87
LAKE-SCOTT	\$4,803,042	49,907	\$4,097,527	65,312	96.24	62.74	33.50
PIONEER	\$21,582,053	242,088	\$14,246,287	261,620	89.15	54.47	34.67
SEDGWICK COUNTY	\$6,122,378	63,944	\$4,240,462	69,757	95.75	60.79	34.96
	\$423,740,802	8,018,990	\$195,929,214	11,087,263	52.84	17.67	35.17
WESTPLAINS	\$94,820,788	1,549,104	\$55,400,865	2,293,704	61.21	24.15	37.06
WINNECASK	\$4,926,493	55,772	\$3,134,670	61,321	88.33	51.12	37.21
NEMAHA-MARSHALL	\$3,038,321	41,314	\$1,541,126	44,460	73.54	34.66	38.88
BROWN-ATCHESON	\$2,975,708	31,656	\$1,937,532	34,619	94.00	54.81	39.19
DONIPHAN	\$1,122,426	14,811	\$589,352	16,388	75.78	35.96	39.82
FLINT HILLS	\$5,973,011	61,895	\$3,810,567	67,679	96.82	56.30	40.52
C & W	\$3,294,725	35,240	\$2,008,966	38,245	93.39	52.53	40.86
SMOKY HILL	\$3,541,005	37,256	\$2,139,012	40,600	95.05	52.69	42.36
RAUFLAND	\$3,904,917	41,303	\$2,332,547	45,652	94.54	51.09	43.45
SEKAN	\$4,760,779	47,676	\$2,841,772	51,906	99.86	54.75	43.11
LEAVENWORTH-JEFF	\$6,760,159	63,931	\$4,223,356	70,283	105.74	60.09	45.65
JEWELL-MITCHELL	\$4,245,543	42,174	\$2,605,430	47,607	100.67	54.73	45.94
DUTLER	\$8,302,382	80,121	\$4,978,759	88,880	103.62	57.31	46.32
NORTHWEST	\$2,990,612	27,795	\$1,916,102	31,556	107.60	60.72	46.87
C M S	\$7,181,458	76,553	\$4,342,858	92,338	95.05	47.03	48.02
KAN VALLEY	\$7,841,893	94,077	\$3,554,012	100,874	83.36	35.23	48.22
SUMNER-COONEY	\$5,915,572	56,525	\$2,435,971	61,615	104.63	55.77	48.89
LYON-COFFEY	\$7,873,007	77,053	\$4,665,817	84,885	102.18	52.61	49.57
KCP&L	\$780,619,904	11,559,980	\$274,562,978	17,139,243	67.53	16.02	51.51
IGZ	\$574,814,982	7,867,868	\$199,104,555	10,228,152	73.06	19.47	53.59
ARK VALLEY	\$6,823,644	63,259	\$3,976,517	77,178	109.60	59.71	53.89
UNITED	\$9,740,816	52,036	\$3,170,543	58,965	110.32	53.77	56.55
HORTON-DECATUR	\$7,667,088	70,592	\$3,432,864	105,265	108.61	51.61	57.00
M C K	\$3,104,110	27,663	\$1,699,503	31,292	112.21	54.31	57.90
P R & W	\$3,500,607	29,890	\$1,960,234	33,166	117.12	59.10	58.02
TWIN VALLEY	\$2,513,104	22,337	\$1,446,254	24,730	116.99	58.48	58.50
CANEY VALLEY	\$5,416,688	46,391	\$2,826,705	51,873	116.76	54.49	62.27
TOTAL	\$2,140,979,475	32,083,133	\$903,083,853	44,370,617	68.73	20.35	45.38

Retail Rate = A/B  
Power Cost = C/D  
Dist. Cost = E-F

Source: USDA-RUS, 1994. Statistical Report Rural Electric Borrowers. Informational Publication 201-1.



Attachment 3

Rhode Island Bill 96-H 8124  
39-1-27.3

8 (e) Notwithstanding any other provisions of this section, for the calendar  
9 years 1998, 1999 and 2000, the non-bypassable transition charge implemented by  
10 such electric distribution company shall recover an amount equal to three cents  
11 per kilowatt-hour transmitted or distributed to retail access customers. After the  
12 year 2000, the transition charge recoverable from customers shall be established  
13 by the commission in an amount sufficient to recover the costs authorized in this  
14 section with an adjustment for any over or under recoveries during the period  
15 1998 through 2000.

# Attachment 4

## Rhode Island Bill 96-H. 8124

25        39-3-1.2. Purchasing Cooperatives. – Purchasing cooperatives may at any  
26 time be organized consisting of any group of electricity consumers for the purpose  
27 of negotiating for electric power from nonregulated power producers. Such  
28 purchasing cooperatives shall be considered to be associations of electricity  
29 consumers organized solely for the purpose of negotiating the purchase of electric  
1 power by members of the cooperative. Purchasing cooperatives are specifically  
2 deemed not to be legal entities and are hereby prohibited from engaging in re-sale  
3 of electric power. Electricity consumers will maintain individual accounts with  
4 the nonregulated power producer with which a contract is concluded. Electricity  
5 consumers may withdraw from a purchasing cooperative at any time by providing  
6 thirty (30) days notice to the cooperative and to nonregulated power producer with  
7 which a purchasing cooperative has reached an agreement.

KANSAS SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect in Kansas during the year the Kwh sales and other data relating thereto. Provide subheadings for each revenue account you have listed on page 28, beginning with Account 440. If the sales under any rate schedule are classified in more than one revenue account, list the rate schedule and sales data under each applicable revenue account subheading.
2. In instances when the same customers are served under more than one rate schedule in the same revenue account classification, the entries in column (d) should denote the duplication in number of reported customers.
3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods (12 if all billings are made monthly).
4. In reporting for Account 442 - Commercial and Industrial Sales, provide subheadings thereunder to classify such sales as Small and Large according to the classification regularly used by the respondent.

Line No.	Number and Title of Rate Schedule (a)	Kwh Sold (b)	Revenue (c)	Average Number of Customers (d)	Kwh of Sales per Customer (e)	Revenue per Kwh Sold (f)
1.	WHM93	731,651,915	46,151,582	8	91,456,489	0.06308
2.	EIR-90*	49,867,336	2,260,893	8	6,233,417	0.04534
3.	WHM-ECON-93*	50,427,261	1,593,371	12	4,202,272	0.03160
4.	LG-IND*	4,028,300	285,903	1	4,028,300	0.07097
5.	Municipals	41,532,034	930,822	2	20,766,017	0.02241
6.	KMEA	13,317,888	692,298	1	13,317,888	0.05198
7.	WestPlains Energy	600,976,000	10,032,733	1	600,976,000	0.01669
8.	Midwest Energy	209,949,000	3,608,806	1	209,949,000	0.01719
9.	KEPCo	22,756,885	486,007	1	22,756,885	0.02136
10.	City of Goodland	5,084,000	84,903	1	5,084,000	0.01670
11.	Special Contracts/Other*	425,691,885	19,954,902	9	47,299,098	0.04688
12.	ECA Clearing	0	(416,339)	0	0	0.00000
13.						
14.	TOTAL	2,155,282,504	85,665,881	45.0		0.03975
15.						
16.						
17.						
18.						
19.						
20.						
21.						
22.						
23.						
24.						
25.						
26.						
27.						
28.						
29.	* Customers also included in WHM-93					
30.						
31.						
32.						



Attachment 6

ELECTRIC OPERATION AND MAINTENANCE EXPENSES - Continued

Line No.	Account Number and Name (a)	Amount for Current Year (b)	Amount for Preceding Year (c)
<b>CUSTOMER ACCOUNT EXPENSES</b>			
Operation			
1.	(901) Supervision	0	0
2.	(902) Meter reading expenses	44,598	53,138
3.	(903) Customer records and collection expenses	19,784	20,925
4.	(904) Uncollectible accounts	0	0
5.	(905) Miscellaneous customer accounts expenses	0	0
6.	Total Customer Accounts Expenses (Lines 1-5, inclusive)	64,382	74,063
<b>CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>			
Operation			
7.	(907) Supervision		
7a.	(908) Customer assistance expense		
8.	(909) Informational and instructional expenses		
9.	(910) Miscellaneous customer service and informational expenses	0	0
10.	Total Customer Service and Informational Expenses	0	0
<b>SALES EXPENSES</b>			
Operation			
11.	(911) Supervision	0	0
12.	(912) Demonstrating and selling expenses	4,300	18,325
13.	(913) Advertising expenses	0	0
14.	(916) Miscellaneous sales expenses	0	0
15.	Total Sales Expenses (Lines 11-14, inclusive)	4,300	18,325
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Operation			
16.	(920) Administrative and general salaries	1,691,103	1,572,009
17.	(921) Office supplies and expenses	539,147	498,638
18.	(922) Administrative expenses transferred - Cr.	(62,402)	(59,440)
19.	(923) Outside services employed	99,084	148,833
20.	(924) Property insurance	291,444	244,968
21.	(925) Injuries and damages	310,255	367,309
22.	(926) Employee pensions and benefits	1,569,285	1,971,756
23.	(927) Franchise requirements	0	0
24.	(928) Regulatory commission expenses	97,337	99,226
25.	(929) Duplicate charges - Cr.	0	0
26.	(930.1) General advertising expenses	0	0
27.	(930.2) Miscellaneous general expenses	227,863	118,406
28.	(931) Rents	0	0
29.	Total operation (Lines 16-28, inclusive)	4,763,116	4,961,705
Maintenance			
30.	(935) Maintenance of general plant	297,922	316,275
31.	Total Administrative and General Expenses (Line 29 plus line 30)	5,061,038	5,277,980
32.	Total Elec. Exp. (pg 34, line 39 + pg 35, lines 17 & 39 + pg 34, lines 6, 10, 15, 31)	47,196,749	45,363,693

SUMMARY OF ELECTRIC OPERATION AND MAINTENANCE EXPENSES - CURRENT YEAR

Line No.	Functional Classification (a)	Operation (401) (b)	Maintenance (402) (c)	Total (d)
33.	Power Production Expenses	34,338,552	4,075,738	38,414,290
34.	Transmission Expenses	2,967,475	685,264	3,652,739
35.	Distribution Expenses	0	0	0
36.	Customer Accounts Expenses	64,382	0	64,382
37.	Customer Service and Informational Expenses	0	0	0
38.	Sales Expenses	4,300	0	4,300
39.	Administrative and General Expenses	4,763,116	297,922	5,061,038
40.	TOTAL ELECTRIC OPERATION AND MAINTENANCE EXPENSES	42,137,825	5,058,924	47,196,749



TESTIMONY BEFORE THE  
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

by Jim Ludwig

WESTERN RESOURCES, INC.

March 7, 1996

Mr. Chairman and Members of the Committee:

I am Jim Ludwig, executive director, regulatory affairs for Western Resources. Western Resources, through its operating companies KPL and KGE, provides natural gas to approximately 650,000 customers in Kansas and northeastern Oklahoma, and electric service to 600,000 customers in eastern and central Kansas. We are headquartered in Topeka. I am here today as a proponent of HB 2600.

This bill establishes a task force of appropriate interests to study issues related to providing retail electric service on a competitive basis and then to make recommendations to the legislature by the opening of the 1998 session. It also prohibits the corporation commission from authorizing competition in providing retail electric service; the commission could, however, study the issue in generic dockets and is not prohibited from issuing orders that mitigate potential problems related to retail wheeling. The commission, in fact, opened a generic docket January 17 on restructuring in the electric industry.

It is worth it to hold retail wheeling at bay until the task force resolves issues enumerated in the bill (page 3, lines 1-26). Among the issues, Western Resources believes it is most important to address:

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- How to prevent or abate potential economic harm to residential, small commercial and agricultural customers who may not have as many options among competing electric suppliers as large consumers.
- How to deal with costs utilities have incurred under the current regulatory scheme to serve customers who may leave the utility's system under a new open-access, market-based system.
- How to assure reliable electric service as more suppliers than ever before wheel electricity across grids and how to equitably assess the costs of maintaining grids.
- How the state of Kansas can foster its own economy in establishing a competitive market place to set the price of electricity.
- How KSA 66-1,170 will have to be amended to address currently exclusive electric service territories. If exclusive service territories are dissolved, who bears responsibility to serve customers who cannot be served profitably, or even at cost? Even when provisions of HB 2600 would expire July 1, 1999, retail wheeling would still be statutorily prohibited unless the provision on exclusive territories is changed or repealed.
- How local franchise tax and state property tax bases might change under retail wheeling.

Western Resources sees merit in a more competitive market for electricity and is ready to participate in the HB 2600 task force. We ask the committee to support the bill.