

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Don Myers at 9:00 a.m. on February 25, 1997 in Room 514-S of the Capitol.

All members were present.

Committee staff present: Mary Ann Torrence, Revisor of Statutes
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Representative John Edmonds
Howard Partington, City Administrator, Great Bend
George McKown, Public Utilities Relations Commission,
Great Bend

Others attending: See attached list

Chairperson Myers requested that the Committee clear out their Committee folders.

Hearing on HB 2381 - provision for the city to relinquish to the corporation commission jurisdiction over certain water utilities

The Chair asked that Staff, Mary Ann Torrence - Revisor's Office, explain the bill to the Committee. She said under current law the Corporation Commission does not have the jurisdiction to regulate public utilities and common carriers that are situated wholly within cities and the city is given the authority to regulate public utilities and common carriers. This bill would authorize a city to adopt an ordinance relinquishing to the state corporation commission the city's authority to regulate any water public utility that's situated and operated wholly on principle within the city. There is a provision that would allow the city to restore its regulation in the future if after they relinquish it to the corporation commission if they want to do so. Discussion followed.

The Chair recognized Representative John Edmonds, proponent, who spoke in support of **HB 2381**. He said this is a situation where in the city of Great Bend it has a privately owned water company and there have been some glitches trying to regulate that with the City Council and they feel they lack the technical expertise to ride herd on these issues in some cases. (Attachment #1) Questions and discussion followed. Representative Sloan asked the Revisor, Mary Torrence, about a word on line 24 whether it should be "regulate" rather than "regular" and she agreed.

The Chair recognized Howard Partington, City Administrator of the city of Great Bend, who spoke in support of **HB 2381**. He mentioned that the city of Great Bend had asked for this legislation and they ask the Legislature to support it. (Attachment #2)

The Chair recognized George McKown, Chairman of the Public Utilities Relations Commission, Great Bend, who spoke in support of **HB 2381**. He mentioned utility regulation is complicated for a city to handle and he feels that it is better for professionals to handle it. (Attachment #3)

The Chair mentioned that the Fiscal Note on **HB 2381** is zero.

The Chair recognized David Heinemann, General Counsel for the Kansas Corporation Commission, was in attendance to answer questions. He made a comment that if a city chooses to opt under these provisions then they could also opt out if the city wishes to go back, but there will be a two-year waiting period. Discussion followed.

The Chair asked if anyone in attendance wanted to speak in opposition to **HB 2381**. Mr. Partington mentioned that his office had notified the Central Kansas Utility (the water company) about this hearing. Representatives Klein and Mayans had both expressed concern that no one from the water utility was present nor did the water utility give any information in writing regarding this regulation.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 514-S Statehouse, at 9:00 a.m. on February 25, 1997.

Representative Sloan made a motion to amend **HB 2381** at lines 20, 29 and 34, Page 2, to add the words "privately owned and operated" before the words "water public utility" and further on line 24 to change the word "regular" to "regulate". Representative Alldritt seconded the motion. Motion passed. Discussion followed.

Representative Sloan made a motion to pass **HB 2381** as amended. Representative Alldritt seconded the motion. Motion passed. The Chair asked Representative Edmonds to carry the bill.

The meeting was adjourned at 9:50 a.m.

The next meeting is scheduled for March 5, 1997.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 25, 1997

| NAME | REPRESENTING |
|-----------------------------|------------------------------------|
| <i>John Edmunds</i> | |
| <i>Howard D. Parkington</i> | <i>City of Great Bend</i> |
| GEORGE M. MCKOWN | CITY OF GREAT BEND |
| <i>Larry Holloway</i> | <i>KCC</i> |
| <i>K.S. Wall</i> | <i>KPOC</i> |
| <i>Dave Hatthaus</i> | <i>Western Resources</i> |
| <i>Tom Bruno</i> | <i>Allent Assoc</i> |
| <i>Joe Rube</i> | <i>KCKBPU</i> |
| ED SCHAUB | WESTERN RESOURCES |
| <i>Leslie Kaufman</i> | <i>Ks Farm Bureau</i> |
| <i>Shirley Allen</i> | <i>SWBT</i> |
| <i>Wm Wix</i> | <i>KCC</i> |
| <i>Bill Anderson</i> | <i>Water Dist No. 1 of Jo. Co.</i> |
| TOM DAY | KCC |
| DAVID HEINEMANN | KCC |
| <i>Kathy Newreel</i> | <i>Kansas Judicial Council</i> |
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AND LEGISLATIVE OPERATIONS

TESTIMONY BEFORE THE
HOUSE COMMITTEE ON UTILITIES
FEBRUARY 25, 1997

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you with regard to House Bill 2381. This bill is intended to address a specific difficulty in connection with the regulation and oversight of privately owned water utilities which serve only a single municipality.

This bill has its origins with a problem which has been noted in Great Bend whereby the operations of Central Kansas Utility, the local water utility, are regulated by the Great Bend City Council. A number of intransigent issues have arisen between CKU and the City which have taxed the ability of the company and the Council to reach amicable settlements. It has become apparent that the Council has neither the time nor the technical expertise to deal effectively with many of these issues. Consequently, the City is desirous of having the option to transfer its regulatory authority to the Kansas Corporation Commission.

The bill is permissive in nature in that it allows, but does not require, the municipality to transfer its regulatory authority to KCC. The bill also permits the municipality to reclaim its regulatory authority should it so desire. A waiting period of two years after the initial transfer of authority to KCC would have to be met before a municipality could reclaim its regulatory authority.

Also presenting testimony today in support of H.B. 2381 are Mr. George McKown, chairman of the Public Utility Relations Commission, an ad-hoc committee created by the Great Bend City Council, and Mr. Howard Partington, Great Bend City Administrator. These gentlemen will describe in more detail the situation which H.B. 2381 is intended to address.

H.B. 2381 is a narrowly focused attempt to address a specific problem. I encourage your consideration and support.

*House Utilities
2-25-97
Attachment 1*



THE CITY OF GREAT BEND

George F. Drake, Mayor

February 25, 1997

TO: House Utilities Committee
FROM: Howard D. Partington
RE: HB 2381

The City of Great Bend urges your support of HB 2381. We certainly appreciate your allowing us to speak on behalf of this legislation. Regulating the rates of a private water company is not a traditional role of a local unit of government. The Kansas Corporation Commission does have the expertise to be a rate regulator.

In Kansas, most water utilities are owned and operated by the City in which they are located. We are the exception. A private utility company owns the water system. The KCC regulated this water company and system until the late 1980's when the company separated the four cities which it owned into stand alone systems which only provided water within the City limits. Therefore, the water system in Great Bend became a stand alone system with no sales outside the City. The current statutes do not allow the KCC to have jurisdiction over a private water system operating entirely within a city.

HB 2381 allows the KCC to assume jurisdiction over the private water system if the City wishes for this to take place. It does not force the City to turn over the jurisdiction. It allows the City to do so if they wish. This legislation would allow us to turn back the jurisdiction to the KCC where the expertise is. They regulated the utility previously and we feel they should do so in the future.

This legislation is not intended to affect any other city which does not wish to turn the jurisdiction over to the KCC. It simply allows this to happen if the city formally makes a request to shift the jurisdiction to the KCC. If the City were to own a water utility then the city would certainly be able to set the rates, but when you are dealing with the profit of a private company, matters become more complicated.

With me today is our Public Utilities Relations Commission Chairperson George McKown. Mr. McKown's committee is appointed by the City to be the City's advocate on utility matters. They along with City staff could attempt to play a role in rate regulation, but we feel the KCC has the knowledge which is necessary to do the job correctly.

We urge your support on the passage of HB 2381. Thank you for your time and attention.

*House Utilities
2-25-97
Attachment 2*



THE CITY OF GREAT BEND

George F. Drake, Mayor

February 25, 1997

TO: House Utilities Committee
FROM: George McKown
RE: HB 2381

The Public Utilities Relations Commission of the City of Great Bend urges your support of HB 2381. We realize the job of rate regulation is not an easy task. The KCC has the knowledge to do the regulation in an efficient manner. As stated by our City Administrator, we feel the proper jurisdiction for rate regulation of this private water company is the Kansas Corporation Commission.

We request your support for HB 2381. Your assistance is greatly appreciated.

House Utilities
2-25-97
Attachment 3