

Approved: Feb. 25, 1997
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 5, 1997 in Room 531-N of the Capitol.

All members were present

Committee staff present: Lynne Holt, Legislative Research Department
Fred Carman, Revisor of Statutes
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:
Louis Stroup, Jr., Executive Director, Kansas Municipal Utilities, Inc.
Colin Whitley, Director, Electric Utility, City of Winfield
Carl Myers, City Manager, City of Wellington

Others attending: See attached list

Sen. Ranson called the meeting to order and directed attention to Committee Minutes of January 29 and 30 (Attachment 1), and members discussed the third paragraph and the minority report given by Mr. Biro. Sen. Barone made a motion the Minutes be approved, and it was seconded by Sen. Clark; the motion passed and the Minutes were approved.

Sen. Ranson announced the distribution of a newspaper article from the Wall Street Journal and Municipal rate deregulation facts sheet (Attachment 2).

Sen. Ranson recognized pages assisting the committee today, and Sen. Barone introduced them, since they were from his district.

Sen. Ranson requested Lynne Holt brief the committee on **SB 84-municipal and gas utilities; service outside three miles of city.** Sen. Ranson referred to the fiscal note to the bill (Attachment 3) and went over it with the committee.

Sen. Ranson opened the hearing for **SB 84** and introduced Louis Stroup, Jr., who offered testimony (Attachment 4) as a proponent. Mr. Stroup outlined two suggested amendments, which are a part of his testimony. He stated he was not opposed to a proposed amendment, which KCC will offer to the committee. The committee discussed the bill and Sen. Lee questioned Mr. Stroup on representation inside and outside the 3-mile territory and the possibility of raising rates without a vote of the customers. Sen. Steffes questioned regarding rate differential and additional questions were raised regarding rate jurisdiction. The proposed amendments were also discussed and the types and class of service included in the amendment on Page 1, Lines 42 and 43 and who pays the cost.

Mr. Stroup then introduced Colin Whitley, who gave testimony (Attachment 5), and Carl Myers, who gave testimony (Attachment 6), both supporting the bill.

The committee questioned the proponents, with Sen. Ranson noting the City of Wellington has 83 KCC jurisdictional customers and if they have the right to deny service, or can they be forced to provide service to those customers. Mr. Myers answered that they cannot deny service; they are required to provide service, even if they are losing money. Sen. Lee questioned Mr. Myers regarding tax money being returned to the city to be used for economic development purposes, and Mr. Myers replied that is not unusual - that it is investor owned and the utility is giving the dividends back. Sens. Lee and Barone questioned Mr. Myers regarding rate differential between those customers living inside and outside the 3-mile area. Mr. Myers gave an example to the committee, and Sen. Barone noted there is a rate differential of 28% between city and rural customers, which shows that the city is losing money providing service to the KCC customers. Mr. Myers noted it cost more to provide service to those customers because of more lines to service and maintain. It was also noted that the KCC has not approved a rate increase for those customers living in its jurisdiction. It was also noted if customers are not happy with service or rates, they are not allowed to seek out other suppliers.

Approved: Feb. 5, 1997
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson 1:30 p.m. on January 29, 1997 in Room 123-S of the Capitol.

All members were present

Committee staff present: Lynne Holt, Legislative Research Department
Fred Carman, Revisor of Statutes
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:
Emery Biro, member, Gas Gathering Task Force
David Pierce, Professor, Washburn University School of Law

Others attending: See attached list

Chairperson Ranson called the meeting to order and recognized Sen. Sallee for introduction of bills as recommended by the Task Force on Gas Gathering. Sen. Sallee explained one proposal involves disclosure on gas payment stubs, and the second involves the complaint process for gas gathering operations. Sen. Sallee made a motion the bills be introduced, and it was seconded by Sen. Morris; the motion passed.

Sen. Ranson introduced Emery Biro, who appeared to give the Minority Report from the Task Force on Gas Gathering (Attachment 1). Mr. Biro, Attorney for Anadarko Petroleum Corporation, explained that even though Anadarko Petroleum is a Houston Corporation, they have invested \$30 million dollars in capital investments in 1995 and produced 89 million cubic feet of natural gas in Kansas. He stated that Anadarko has had a gathering system in place in Southwest Kansas since 1988, and that 41% of their production comes from Kansas.

Mr. Biro asked the committee to make modifications to the proposed complaint-based regulation. He also stated that the majority of the Task Force did not agree that regulating gas gathering as a public utility was the right way to proceed and that it is time consuming and expensive. Mr. Biro concluded his presentation by stating it is incumbent upon this committee to have compelling arguments for regulating gas gathering, and urged them to look to the Resource Conservation Statute, if they consider regulation. Sen. Ranson thanked Mr. Biro for returning to give the Minority Report and suggested when the committee considers the gas gathering bills, he bring proposed language for committee consideration. It was also noted there were two Minority Reports to the Task Force.

Chairperson Ranson introduced David Pierce, who briefed the committee on the fundamentals of gas gathering by showing slides and walking the committee through the past fifty years of facts regarding the interstate and intrastate transportation of gas. He also discussed the Natural Gas Act, which gave states the authority to regulate gas gathering. He also submitted gas gathering background information (Attachment 2).

Committee members questioned Mr. Pierce regarding HB 2041-contractor/subcontractor has six months to file lien against nonresidential property, regulation by FERC, linkage in the energy field, and spin-downs and spin-offs. Sen. Lee questioned regulating gas gathering as a common carrier vs regulating it under the complaint-based concept. Sen. Barone asked if there is litigation pending to test the validity of either concept, and Mr. Pierce answered there is none that he knows of. He also stated the difficulty in defining a "small operator" and suggested that Don Schnacke might be able to furnish statistics to the committee, and Mr. Schnacke agreed to do so. Sen. Ranson and Mr. Pierce discussed the natural monopoly aspect, and Mr. Pierce stated that FERC expects the states to regulate gas gathering, and that the committee should realize that no gathering system is the same. She also asked Mr. Pierce if, under Chapter 66, the authority to regulate includes gathering systems, and he replied that it could.

Meeting adjourned at 2:30

Next meeting is scheduled for January 30, 1997.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room 531-N -Statehouse, at 1:30 p.m. on February 5, 1997.

Sen. Ranson asked if customers have complaints, what is their recourse, and Mr. Holloway replied they receive about twelve complaints per year, and they are referred to the Attorney General's office; that if the complaining customer lives inside the city, they are advised to talk with their city council; if the customer lives in the 3-mile area, there is a general complaint process. Mr. Myers advised the complaint can be taken to District Court, and Sen. Lee questioned the complaint procedure when the customer is complaining about a rate increase and what their recourse is. Sen. Steffes stated that paying for a service without representation is common; that taxpayers within a city pay for services that are used by people who live outside the area - they don't pay for services, but use them.

Meeting adjourned at 2:30.

The next meeting is scheduled for February 11, 1997

Approved: Feb. 5, 1997
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson 1:30 p.m. on January 30, 1997 in Room 123-S of the Capitol.

All members were present

Committee staff present: Lynne Holt, Legislative Research Department
Fred Carman, Revisor of Statutes
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

Tom Day, Director of Admin. Services, Kansas Corporation Commission
Diane Gjerstad, Leg. Liaison, Wichita Public Schools
Glenda Cafer, Director of Utilities, Kansas Corporation Commission
Glen Smith, Chief, Natural Gas Operations, Kansas Corporation Commission

Others attending: See attached list

Chairperson Ranson called the meeting to order and announced the following have been distributed to the committee: letter from Donald Schnacke, defining "small producer" (Attachment 1); memorandum from Lee Eisenhower regarding increased price of propane (Attachment 2).

Sen. Ranson announced the committee will consider introduction of bills and introduced Tom Day. Mr. Day outlined four proposals (Attachment 3) and was asked by Mr. Carman if his request was for all four proposals to be in one bill. Mr. Day responded the four proposals should be split out into four different bills, and the committee agreed. Sen. Salisbury made a motion the committee introduce the bills, and it was seconded by Sen. Clark; the motion passed.

Sen. Ranson introduced Diane Gjerstad, who outlined a proposal utilizing retail wheeling for the Wichita Public Schools (Attachment 4). Sen. Sallee stated there is a bill being drafted regarding retail wheeling and perhaps the committee should wait for that bill. Ms. Gjerstad explained the Wichita Public Schools have a contract with a company to study electrical usage in the public school and make recommendations and this proposal has come from that study; she also stated that Wichita public schools spend approximately \$3.9 million for electricity each year. Sen. Ranson responded that her proposal would put the issue on the table for consideration, even though the committee may receive another bill on the same subject. Sen. Jones made a motion it be drafted as a bill, and it was seconded by Sen. Salisbury; the motion passed.

Sen. Ranson recognized Sen. Clark, who explained a proposal permitting electric and natural gas unbundling and open access demonstration projects (Attachment 5). Sen. Clark made a motion it be drafted as a bill, and it was seconded by Sen. Steffes; the motion passed.

Sen. Ranson reminded the committee of the deadline for filing bills and stated she does not want to squelch discussion of bills, and will schedule each bill for a hearing, based upon the deadline for getting bills out of the committee.

Sen. Ranson recognized Sen. Sallee, who served as chairman of the Gas Gathering Task Force. He made a statement regarding the Minority Report, previously heard by the committee, that the Task Force heard hours of testimony, and he felt Mr. Biro's accusations were not fair, and that he tried to accommodate all those who wanted to be heard.

Sen. Ranson then introduced Glenda Cafer, who referred to the Overview of Recent Activity, (Attachment 6), which she discussed with the committee on January 16. She reviewed three rate increase cases with the committee, that of Utilicorp, Western Resources gas rate case and Western Resources electric rate case. She commented these were the only two rate increases in the past year. She explained the factors considered when looking at requests for a rate increase, which is the cost of gas, the allowable return on investment and expenses. Ms. Cafer pointed out that when a company's costs increase, they can automatically raise the rates, in accordance with KCC policy; however, the company has to notify the Commission and file the new rates with them. Sen. Lee questioned regarding the incentives for companies to get the best price possible and on charges for connecting and disconnecting meters. Mr. Williams explained the reason why companies charge for connecting and disconnecting meters.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room 123-S-Statehouse, at 1:30 p.m. on January 30, 1997.

Ms. Cafer then introduced Glenn Smith, who explained the Spot Index (Attachment 7) and how gas is priced. He referred to the last column on the first page - average price - and stated that gas prices are tied to the spot index. He also stated that some companies store gas, which saves money and is reflected in the cost of gas; and that there are two components in the cost of gas - cost of upstream transportation and the commodity cost of gas. He commented that Williams Gas Company probably stores one-third of its gas. Sen. Morris questioned Mr. Smith on the margin, which is shown on Page 2, and how it relates to the customer rate; and Sen. Clark questioned the rate of return, which is six to seven per cent for most companies. In the case of the two rate increases which were granted, the rate of return is higher - 11 to 12%. Sen. Steffes asked questions regarding supply and demand and the Hugoton Oil Field and the availability of the gas supply.

Sen. Ranson reminded the committee that the price of gas is deregulated and is subject to the market, and that the higher price is the result of market forces.

Sen. Ranson announced that next week the committee will meet back in the old room (531-N) and that a hearing is scheduled on Wednesday for **SB 84-service to customers located more than three miles from a city by municipal electric and gas utilities.**

Meeting adjourned at 2:30.

Next meeting is scheduled for February 4.

Municipal rate deregulation facts:

(electric and gas)

Total number municipal electric systems in Kansas	121
Number of systems with KCC jurisdictional customers	14

Total number of municipal gas systems in Kansas	71
Number of systems with KCC jurisdictional customers	17

Total number of municipal electric customers	228,856
Total number of municipal electric KCC jurisdictional customers	2,982

Total number of municipal gas customers	37,611*
Total number of municipal gas KCC jurisdictional customers	1,174

Electric jurisdictional customers are only 1.3% of total municipal customers

Gas jurisdictional customers are only 3.1% of total municipal customers

* Does not include customers at Abbeyville, Bunker Hill, Coats, Havensville, Isabel or Offerle

Kansas Municipal Electric Systems with KCC Jurisdictional Customers (14):

(Total municipal electric systems in state - 121)

City	No. of Jurisdictional Electric Customers	Total No. of Electric Customers
Anthony	282	2,003
Ashland	4	689
Burlingame	15	625
Clay Center	97	2,751
Coffeyville	71	7,879
Larned	2	2,602
McPherson	999	7,523
Pomona	17	518
Pratt	34	3,943
Russell	229	3,273
Sabetha	144	1,555
Sterling	12	1,194
Wellington	86	4,403
Winfield	990	7,010
Total	2,982	45,968

Kansas Municipal Gas Distribution Systems with KCC Jurisdictional Customers (17):

(Total municipal gas distribution systems in state - 71)

City	No. of Jurisdictional Gas Customers	Total No. Gas Customers
Alma	36	426
Alta Vista	184	374
Auburn	294	705
Aurora	22	73
Burlingame	30	528
Eskridge	343	570
Garden Plain	19	249
Harveyville	5	146
Jamestown	31	196
LaCygne	31	498
Milford	69	286
Norwich	74	302
Palmer	3	82
Pawnee Rock	2	185
Rozel	13	171
Spearville	9	300
Uniontown	3	918
Total	1,168	6,009

Attach 3

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E
State Capitol Building
Topeka, Kansas 66612-1504
(913) 296-2436
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Bill Graves
Governor

Gloria M. Timmer
Director

February 4, 1997

The Honorable Pat Ranson, Chairperson
Senate Committee on Utilities
Statehouse, Room 136-N
Topeka, Kansas 66612

Dear Senator Ranson:

SUBJECT: Fiscal Note for SB 84 by Senate Committee on Utilities

In accordance with KSA 75-3715a, the following fiscal note concerning SB 84 is respectfully submitted to your committee.

SB 84 would deregulate municipal gas and electric utilities serving customers outside three miles of a city limit. Currently these services are under the regulation of the Kansas Corporation Commission (KCC). Under provisions of the bill, the rate for service outside the three-mile boundary could not exceed the rate charged for similar service to similar types and classes of consumers located anywhere outside the corporate limits of the city. Within 120 days after the effective date of this act, all municipally owned or operated electric or gas utilities having facilities located outside the corporate limits of the city would have to file with the KCC a schedule of rates charged to all consumers.

Estimated State Fiscal Impact				
	FY 1997 SGF	FY 1997 All Funds	FY 1998 SGF	FY 1998 All Funds
Revenue	--	--	--	(\$6,050)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

SENATE UTILITIES
2-5-97
ATT. 3

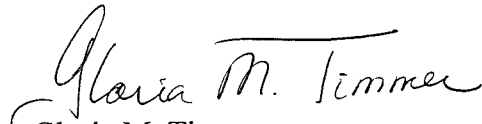
The Honorable Pat Ranson, Chairperson

February 4, 1997

Page 2

All utilities under the jurisdiction of the KCC are assessed quarterly 1/5 of 1.0 percent of their gross intrastate operating revenues. In addition, these utilities are assessed for direct costs associated with rate change applications or general investigations 3/5 of 1.0 percent of their gross intrastate operating revenues. The KCC reports that currently there are 31 jurisdictional municipal electric and gas utilities. If SB 84 would be passed, the Commission estimates it would lose approximately \$6,050 in revenue annually. The estimate is based on FY 1996 assessment revenues received from the regulated municipal utilities.

Sincerely,


Gloria M. Timmer
Director of the Budget

cc: Tom Day, KCC

TESTIMONY ON SB 84

Before Senate Utilities Committee

February 5, 1997

Madam Chair, 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 strongly supports passage of SB 84

KMU strongly supports SB 84 which would remove Kansas Corporation Commission rate jurisdiction over a few municipal electric and gas customers that live more than 3 miles from the cities that serve them.

Brief history on 3-mile limit

Prior to 1968, no municipal electric and gas customers were under the KCC jurisdiction for rates. In 1968 legislation was passed that created a 3-mile concept for municipal electric and gas systems. This gave the KCC rate jurisdiction over customers of these utilities that were located further than 3 miles from the city limits. This means cities with jurisdictional customers can not raise rates to those customers without going through formal hearings before the KCC -- a costly and time consuming procedure.

Legislation similar to SB 84 passed on behalf of rural electric distribution systems in 1994

In 1994 the legislature passed a bill to deregulate the rates of rural electric distribution cooperatives (RECs). Currently, 32 of the 36 RECs have taken advantage of that legislation and are not regulated rate-wise by the KCC.

In 1995, under the direction of then KCC Chairman Jim Robinson, KCC staff drafted a bill to deregulate municipal electric and gas rates outside the 3-mile limit. A mix-up prevented that measure from being introduced prior to the bill deadline. KMU had planned on introducing its own bill in 1995, but decided to let KCC staff handle the measure. We didn't seek legislation last year because of the pressing issue of retail wheeling which consumed most of our association's staff time and resources.

SB 84 would impact small number of cities and customers

SB 84 [with our proposed amendment to Sec. 2 (a) and (b)] would involve only 14 of the 121 municipal electric systems in Kansas and 17 of the 71 municipal gas distribution systems.

The bill impacts: **1.3%** of the municipal electric customers or only 2,982 out of 228,856 and

3.1% of the municipal gas customers or 1,174 out of 37,611

A list of the impacted cities along with information on how many customers are non-jurisdictional and jurisdictional is attached for your information.

Customer safeguard proposed

Section 1 of the bill contains a safeguard for consumers outside the 3-mile limit. It prohibits a city from charging higher rates to consumers outside the 3-mile limit than for similar service to similar types and classes of service consumers located outside of and within 3 miles of the corporate limits of the city. The KCC **currently** has no rate jurisdiction inside a city or the area between the city limits and the 3-mile limit -- SB 84 does not change that.

Purpose of bill

The basic purpose of SB 84 is to reduce costs:

Elimination of fees assessed the cities by KCC and

Costs of rate cases for only a few customers in most cases

Decrease the workload and paper work required of both the cities and KCC staff

Reducing expenses is imperative as the electric and gas industries face deregulation and enhanced competition on both the state and national level.

The bill amends only KCC jurisdiction authority outside the 3-mile limit for rate making purposes -- not any other KCC functions such as gas pipeline safety or retail electric service territories.

Amendment requested

The intent of SB 84 was to make things better for those few cities with KCC jurisdictional customers, but the stricken language on page 1, lines 42 and 43, and on page 2, lines 1 and 2 does just the opposite. When we inadvertently struck those words, the bill now adds KCC jurisdiction over all 121 electric cities and 71 gas cities for the purpose of filing rates and location of all facilities. We are requesting that you restore the original language. In doing so, the 17 electric cities and 14 gas cities with customers outside the 3-mile limit would still have to make those filings, but the other cities who have never before been required to make such filing would not be required to do so. Otherwise, their inclusion would add 107 electric cities and 54 gas distribution cities for no beneficial purpose. These latter cities have no customers outside the 3-mile limit.

SENATE BILL No. 84

By Committee on Utilities

1-23

9 AN ACT concerning municipal and gas utilities; service outside three
10 miles of city; amending K.S.A. 12-808a, 12-808b and 66-131 and re-
11 pealing the existing sections.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 12-808a is hereby amended to read as follows: 12-
15 808a. Whenever the governing body or the board of public utilities of any
16 city owning or operating an electric or gas utility, any part of which is
17 defined as a public utility under K.S.A. 66-104 *and amendments thereto*,
18 shall deem it necessary for the proper construction, operation and man-
19 agement of such public utility, said governing body or board shall have
20 and are hereby granted the power of eminent domain outside the cor-
21 porate limit of such city, within the area subject to the jurisdiction and
22 control of the corporation commission.

23 ~~Subject to the approval of the corporation commission,~~ Every such
24 utility shall have and is hereby granted the power and authority to deter-
25 mine the rate for service within any area located outside of and more
26 than three (3) miles from the corporate limits of a city. ~~However, The~~
27 ~~rate for service in such an area may not exceed the rate charged for similar~~
28 ~~service to similar types and classes of service consumers located outside~~
29 ~~of and within three miles of the corporate limits of the city.~~ Nothing herein
30 shall be construed as affecting the validity of rates, charged to consumers
31 in such areas by a municipally owned or operated gas or electric utility,
32 which have been established and are in effect on the effective date of this
33 act; ~~but any change in such rates shall be subject to the approval of the~~
34 ~~corporation commission and must receive the commission's approval be-~~
35 ~~fore said rates shall become effective.~~

36 Sec. 2. K.S.A. 12-808b is hereby amended to read as follows: 12-
37 808b. Within ~~one hundred twenty (120)~~ 120 days after the effective date
38 of this act, all municipally owned or operated electric or gas utilities hav-
39 ing facilities located outside of ~~and more than three (3) miles from the~~
40 corporate limits of the city shall file with the corporation commission in
41 the manner prescribed by the commission:

42 (a) A schedule of rates charged to all consumers ~~outside of and more~~
43 ~~than three (3) miles from the corporate limits of such municipality; and~~

Restore original
language

Restore original language

1 (b) the location of all facilities of such utility located outside of ~~and~~
2 ~~more than three (3) miles from~~ the corporate limits of such municipality.

3 Sec. 3. K.S.A. 66-131 is hereby amended to read as follows: 66-131.
4 No common carrier or public utility, including that portion of any mu-
5 nicipally owned utility defined as a public utility by K.S.A. 66-104 ~~and~~
6 ~~amendments thereto~~, governed by the provisions of this act shall transact
7 business in the state of Kansas until it shall have obtained a certificate
8 from the corporation commission that public convenience will be pro-
9 moted by the transaction of said business and permitting said applicants
10 to transact the business of a common carrier or public utility in this state.
11 ~~Notwithstanding K.S.A. 66-104 and amendments thereto, in no event shall~~
12 ~~such jurisdiction authorize the corporation commission to review, con-~~
13 ~~sider or affect the rates charged for services of such municipally owned~~
14 ~~or operated electric or gas utility, if such rates are in compliance with~~
15 ~~K.S.A. 12-808a and amendments thereto.~~ In no event shall such jurisdic-
16 tion authorize the corporation commission to review, consider or effect
17 the facilities ~~or rates charged for services~~ or in any way the operation of
18 such municipally owned or operated electric or gas utility within the cor-
19 porate limits or outside but within three ~~(3)~~ miles of the corporate limits
20 of any city, or facilities, ~~or rates charged for services~~ or in any way the
21 operation of facilities or their replacements now owned by any such utility
22 except as provided in K.S.A. 66-131a ~~and amendments thereto~~. No pre-
23 scribed rates, orders or other regulatory supervision of the corporation
24 commission shall be contrary to any lawful provision of any revenue bond
25 ordinance authorizing the issuance of revenue bonds to finance all or any
26 part of the municipally owned or operated electric or gas utility so sub-
27 jected to the jurisdiction of the corporation commission. This section shall
28 not apply to any common carrier or public utility governed by the pro-
29 visions of this act now transacting business in this state, nor shall this
30 section apply to the facilities and operations of any municipally owned or
31 operated utility supplying electricity or gas outside of the corporate limits
32 of any municipality where such facilities and operations are in existence
33 on the effective date of this act, but any extension of such facilities or any
34 new facilities located outside of and more than three ~~(3)~~ miles from the
35 municipality's corporate limits, shall be subject to the requirements of
36 this section, nor shall this section apply to any municipally owned or op-
37 erated electric or gas utility furnishing electricity or gas to a facility owned
38 or jointly owned by such municipality and located outside the corporate
39 limits of such municipality.

40 Sec. 4. K.S.A. 12-808a, 12-808b and 66-131 are hereby repealed.

41 Sec. 5. This act shall take effect and be in force from and after its
42 publication in the statute book.

Municipal rate deregulation facts:

(electric and gas)

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Sabetha	144	1,555
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Winfield	990	7,010
Total	2,982	45,968

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Eskridge	343	570
Garden Plain	19	249
Harveyville	5	146
Jamestown	31	196
LaCygne	31	498
Milford	69	286
Norwich	74	302
Palmer	3	82
Pawnee Rock	2	185
Rozel	13	171
Spearville	9	300
Uniontown	3	918
Total	1,168	6,009

Testimony on SB 84

Before Kansas Senate Utilities Committee

February 5, 1997

Madam Chair, members of the committee, I am Colin Whitley, director of the electric utility for the City of Winfield. Winfield's electric utility serves the City of Winfield as well as the communities of Burden, Dexter, and the surrounding rural areas. Of Winfield's approximately 7,000 customers, 6,150 (88%) customers are regulated by the Winfield City Commission and 850 (12%) customers are regulated by the Kansas Corporation.

In November of 1991, the City of Winfield filed an application with the Kansas Corporation Commission for approval to increase rates to its jurisdictional customers. Winfield asked for approval of a 3.5% increase which was the same percentage increase being applied to the remainder of the City's customers. The 3.5% increase to the jurisdictional customers amounted to an annual increase of approximately \$23,000 in revenues. This request was in response to two consecutive years of net losses experienced by the City's electric utility.

Due to the small size of this request for a rate increase, and the fact that the City of Winfield had not requested a rate increase for six years, Winfield chose to file an expedited application for this rate increase to minimize cost. While Winfield employs a professional staff to manage and operate the electric system, many functions such as engineering and rate analysis are contracted out as needed. At the time of this application to the Kansas Corporation Commission, it was estimated that a rate analysis as normally required by the KCC would cost \$30,000. Unfortunately, the City's original goal of avoiding a large expense for such a small increase in revenues proved unattainable.

In December of 1991, the Commission issued a Suspension Order to allow time for the Commission staff to conduct a full investigation of the City's request. This resulted in a recommendation by the Commission staff to deny the rate increase which was accepted by the Commission in February of 1992.

As a result of the Commission's determination, the City filed a request for a technical hearing in March of 1992. In conjunction with the technical hearing which was held on June 29, 1992, a public hearing was held in Winfield on June 10, 1992.

The result of the public hearing was that no one, other than the commission's staff opposed Winfield's request for a 3.5% rate increase. In fact, the Mayors of Burden and Dexter (the two communities affected by the rate increase) expressed support for Winfield's request. Ultimately, in July of 1992, the Commission granted a revenue increase in the amount of \$15,348.

This eight month ordeal cost the Kansas Corporation a total of \$8,354.66 which was \$4,246.63 more than could be recovered in accordance with the Commission's cost assessing order. The City of Winfield incurred expenses totaling \$5,500.00 for consulting and legal expenses in addition to over \$6,000.00 in City staff time. All together, this annual increase in revenues of \$15,348.00 cost the Kansas Corporation commission and the City of Winfield over \$20,000 to resolve.

In the final decision to allow the \$15,348 increase, Jim Robinson, then Chairman of the KCC dissented from the Commission's decision. In his explanation he stated "While I originally voted to deny the City of Winfield a rate increase at our Administration meeting of February 26, 1992, later events caused me to reevaluate my prior decision: namely, information presented at both the public and technical hearings. The information I received at the public and technical

hearings persuaded me that the City should receive the entire rate increase it requested.

At the public hearing held in the City of Winfield on June 10, 1992, I was particularly impressed by the fact that no party opposed the rate increase requested for the KCC jurisdictional customers. In fact, both mayors of the cities affected by the proposed rate increase were represented at the public hearing and spoke out in favor of the modest 3.5 percent increase. I also was impressed by the fact that the KCC jurisdictional customers had not had a rate increase for six or seven years.

At the technical hearing, I was persuaded by several factors. First, the city requested that its KCC jurisdictional customers receive a rate increase in the same amount that its non-jurisdictional customers received by the City. Second, I was distressed that the Commission does not have a different, perhaps more appropriate, methodology for reviewing municipal rate filings. It seemed to me that much time and resources could have been better spent on other Commission business instead of debating a relatively small increase request. Finally, in light of the City's testimony presented at the technical hearing, I felt that its request was substantiated and that its request was therefore not unreasonable."

Testimony on SB 84
Before Senate Utilities Committee
February 5, 1997

Madam Chair, members of the committee, I am Carl Myers, city manager for the City of Wellington. I appear before you representing the Wellington Municipal Electric Utility asking your favorable consideration of legislation to exempt municipal utilities from rate regulation by the Kansas Corporation Commission outside the three mile limit.

Of Wellington's 4,400 electric accounts, only 83 are KCC jurisdictional customers. Recently, a cost of service study completed for our utility demonstrated that KCC jurisdictional customers are not paying their fair share of utility costs as are other customers. This is not surprising since the rates for these customers have not increased since 1981. It is my understanding that the City of Wellington has not filed for a rate adjustment since that time due to the time and cost involved for the few customers affected. Even then, KCC customer rates were lower than rates for other customer classes.

The estimated cost to file a rate case with the KCC for these 83 customers is at least \$5,000 plus staff time. We anticipate a need to adjust rates for KCC customers over two years to bring them in line with the cost of providing service to them since a single rate adjustment would result in a large percentage increase. The net increase produced by these rates would not allow the City to recoup the cost of the rate filing for at least two years. We are a small utility. We question the cost effectiveness of doing this, but we also feel the rates need to be fair for all customer classes. All other customer classes are subsidizing KCC customer rates at this time.

Wellington's City Council remains sensitive to the impact utility rates have on our citizens and customers. Only two electric rate increases have been approved for other customer classes since 1981. In addition, competition in the arena of economic development and community promotion as well as the possibility of retail wheeling work to keep rates competitive. Our rates are competitive with any in the area, including those of investor-owned utilities.

For Wellington to spend thousands of rate payers' dollars to request that the KCC allow the rates of less than two percent of its accounts to be equal to the already highly competitive and justifiable rates of other customers in the utility seems to be contradictory to the intent of all parties to hold down the cost of electric service. I hope the Legislature will recognize that many small municipal utilities are intimidated by the KCC rate filing process and will simply not seek rate adjustments because of the time and expense involved.

Thank you for allowing me to present our position to you.