

Approved: April 9, 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 March 6, 1997 in Room 531-N of the Capitol.

All members were present except:  
Sen. Hensley was excused

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

Conferees appearing before the committee:  
Robert Badenoch, Bureau Chief, Division of Property Valuation, Dept. Of Revenue  
Chris McKenzie, Executive Director, League of Municipalities

Others attending: See attached list

Chairperson Ranson referred to the Minutes of the Meeting on February 17 (Attachment 1), and Sen. Jones made a motion the Minutes be approved, and it was seconded by Sen. Morris; the motion passed.

Sen. Ranson introduced Robert Badenoch, who briefed the committee on tax implications and assessments of the electrical industry (Attachment 2). Committee members questioned Mr. Badenoch during his testimony, referring to Page 2, and the three classes of value indicators. Referring to the valuation process, he stated the process is simplified in Kansas because the state has chosen K.S.A. 79-25a to allocate value to the state and to the counties by a ratio of original cost to the estimate of market value. Mr. Badenoch also stated the state allocates value to the state and to counties by a ratio of original cost to the estimate of market value, following K.S.A. 79-25 a, and under that statute, generation is classified as a utility at 33%. He then referred to the bottom of Page 3, which tells assessment rates of other property in the state. Sen. Lee questioned Mr. Badenoch as to the definition of generation, whether it is a utility, or as commercial and industrial or real property. Mr. Badenoch stated that under Chapter 79, generation may be defined as a utility at the 33% assessment rate, but that the legislature has the ability to define it differently. As of now, all utilities come under Chapter 79 jurisdiction, but the rate they are assessed can be changed, or the classification can be changed. Sen. Lee also made the point that an important issue which faces the state is that property taxes are higher in Kansas than surrounding states. In answer to a question from Sen. Ranson, Mr. Badenoch stated the Constitution could be changed to effect a change in the definition. He also explained the first attachments to his testimony (after the first blue divider), the cost approach, the market approach and the income approach, broken into taxing units in several counties as examples. Another attachment to Mr. Badenoch's testimony shows companies by county with electric generation for 1996. Sen. Ranson stated there are enormous tax consequences related to assessments of public utilities and the tax rate.

Sen. Ranson then introduced Chris McKenzie, who gave testimony to the committee on potential property tax implications for taxpayers (Attachment 3), which includes a chart of municipal electric utilities in Kansas and to the right of the chart is additional data showing size of city, total numbers in various states and a rate comparison. Mr. McKenzie also referred to two bulletins, Nos. 643 and 644, which are a part of his testimony. Mr. McKenzie stated the importance in restructuring the retail electric utilities and the impact and ramifications on cities. He cited data to the committee and discussed municipal electric contributions of over \$37 million vs. franchise fees collected of over \$25 million. Committee members questioned Mr. McKenzie regarding loss of revenue to the cities and stated it is important to study those implications before setting policy. Sen. Barone asked about data from other states and their experience and requested Mr. McKenzie furnish information to the committee regarding this question. One state the committee discussed was Nebraska, who has no private power but rather, the state owns all utilities, either municipal or rural - there are no investor owned utilities. Mr. McKenzie stated he hoped this was the start of research on the question of retail wheeling and its importance to cities and the taxpayers.

Meeting adjourned at 2:30.

Next meeting will be March 10.

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 6, 1997

NAME	REPRESENTING
Carol Reason	WR
Harvey Simmons	WR
Floyd Ramsey	Dept. of Reg.
Lee Holloway	KCC
Heidi Harrison	KU
Rhonda Oswald	KU
Susan Paxson	Amun Environmental
J.C. Long	UtiliCorp United Inc.
Robert M. Pedersen	PCU
Je Dink	BPU KCK
Louis Stroup Jr.	Kansas Municipal Utilities
Roger Trautle	RGC
Jim Langford	Dir of Budget
Gene Matthews	Western Resources
Leslie Kaufman	Ks Farm Bureau
LOWEL SCHNEIDER	Ks LIVESTOCK ASSN
ED SCHAUB	WESTERN RESOURCES
Patrick Hurley	ACOR



Attch 3.1

Approved: MARCH 6 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 17, 1997 in Room 313-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:  
Rep. Joann Freeborn, Member, Task Force on Gas Gathering  
Steve Dillard, member, Task Force on Gas Gathering  
Charlie Wilson, Member, Task Force on Gas Gathering

Others attending: See attached list

Chairperson Ranson announced the committee will hear testimony on **SB 148-relating to natural gas gathering systems, providing for regulation of certain entities; certain natural gas public utilities and common carriers.** Sen. Ranson first briefed the committee on the Report of the Task Force on Gas Gathering and referred to the fiscal note. The following proponents testified:

- Rep. Joann Freeborn, (Attachment 1);
- Steve Dillard, (Attachment 2);
- Charles Wilson, (Attachment 3)

The committee asked questions of the proponents, beginning with Rep. Freeborn, who explained the makeup of the Task Force and the opposition encountered resulting in the Minority Reports. Mr. Dillard, who stated he represented the independent producers on the Task Force, also stated support from Kansas Independent Oil and Gas Association. Mr. Dillard also stated the Task Force did not want to create another bureaucracy and wanted to eliminate the problems with having to hire an attorney for representation before the Kansas Corporation Commission. He stated the proposed draft would not require representation of an attorney and that the Task Force envisioned an informal process.

Sen. Barone asked questions regarding defaulting on contracts, and Mr. Dillard cited problems with contracts, as some will soon expire and wells will have to be shut down. He emphasized the need for an informal process and rules to operate.

Mr. Wilson emphasized that new regulation is not wanted and the need for informal mediation. Sen. Lee questioned the number of independent producers in Kansas and what percentage of production is by major oil companies. They also discussed price posting and price transparency and why KIOGA objects to posting prices. Mr. Wilson admitted prices are set by natural competition, and that prices will accelerate as oil fields decline, as is the case in the Hugoton area. Sen. Barone also questioned Mr. Wilson regarding specific problems and monopolistic practices. Sen. Barone also questioned Mr. Wilson on the confidentiality clause and why it is in their recommendations.

Sen. Ranson announced the committee will hear a Minority Report from Tim McKee, Chairman of the Kansas Corporation Commission tomorrow as well as other opponents. She reminded the committee they will meet in Room 519-S on February 19.

Meeting adjourned at 2:30.

Next meeting will be February 18.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Senate Utilities  
3-6-97  
Att. 1

*Robt. Barboach*  
*Attach. - 2*

**Remarks Prepared for the  
Senate Utilities Committee  
Senator Pat Ranson, Chairperson  
Thursday, March 06, 1997**

**By**

**Kansas Department of Revenue  
Division of Property Valuation  
State Appraised Property Bureau**

**Topic: Valuation and Assessment Changes Resulting from the  
Reconfiguration of the Electrical Industry in Kansas**

To understand how the reconfiguration of the electrical industry in Kansas may impact valuation and assessment it would be helpful to review how the state values public utilities and how county appraisers may approach this valuation process.

**Market Value**

Property tax is an "ad valorem" tax. Ad valorem, as all of you know, is Latin for "according to the value." The value sought for the most part is a market value. K. S. A. 79-503a provides most of this state's property with its definition of market value. Market value for public utilities is defined in K. S. A. 79-5a04. Essentially the two definitions are the same, although the market places used in the valuation process are substantially different.

**General Valuation Process**

The valuation process for general commercial and industrial real estate and personal property in Kansas involves two independent processes. For real estate (land and structures) the market is the "real estate" market and the value sought is the exchange value of the property. For the most part, real estate transactions of general commercial and industrial property, which have similar square feet, construction costs, and locations, will have similar market values. Personal property, commercial and industrial machinery and equipment (C&I) valuation is based on a constitutionally established formula consisting of the property's cost when new, a seven year straight line depreciation rate with maximum accrued depreciation of no more than eighty percent (80%).

*Senate Utilities*  
*3-6-97*  
*Att. 2*

## Utility Valuation Process

For utility property, the market value sought is the value of the present and future income streams produced by the operating business as viewed by the financial market. Real and personal property are commingled in this process and not valued separately. The valuing of the present and future worth of these cash flows imputes value to the company assets which then become the basis for the property assessment. The real and personal property involved are simply the vehicle by which the company produces cash flows. The valuation process will also give some consideration to the "asset costs" the accountants have placed on the company books and some consideration to how the financial market views the stock and debt.

Historically, utility property has been viewed as an integrated business, that is, each part of the operation is essential to the operation as a whole. Consequently, the value sought is the value of the whole operating unit. The terms "unit value," "unitary valuation concept," and "unitary method of valuation of property" all describe this concept. They mean, essentially, that the property being valued is appraised as a whole. As its starting premise, the concept assumes that it is meaningless to consider the value of a mile of transmission line, a substation, or a reel of cable standing apart from the entire operating system. The unit value of the enterprise may be either more or less than the total value of the individual assets making up the whole. Presumably, if each asset were sold separately, the total price received would be substantially less than the value of the enterprise as a going concern.

When the Division values a utility property, it looks at three types of value indicators: *(classes)*

- **Income** indicators such as a capitalized income, discounted cash flow or equity residual.
- **Cost** indicators such as original cost, depreciated cost, trended cost, replacement cost, and reproduction cost.
- **Market** indicators such as stock and debt and/or actual sales.

Each indicator is reviewed in light of its accuracy, validity and appropriateness to the company being valued and an estimate of the market value is made. That value forms the basis for assessment in the state.

## Utility Allocation and Distribution

After the Bureau has completed the valuation of all the operating property of the utility as a unit, its next task is to allocate this value, first to the state, if the utility is an interstate enterprise, and then to each taxing jurisdiction within the state. This could have been a most challenging task since, if the logic of the unit rule or the concept of unitary valuation is accepted, then no allocation formula can logically be defended. If it is

impossible to add up the values of the individual items of property to determine the unit value of the whole, it is equally impossible to determine the values of the individual items of property by breaking down the value of the unit.

The process is simplified in Kansas because the state has chosen (K. S. A. 79-a25) to allocate value to the state and to the counties by a ratio of original cost to the estimate of market value. This allocation/distribution method can have a significant impact upon the amount and shifting of value when companies break up into functional segments (see "Distribution Exhibits" for an example of shifting).

## Generating Plant Valuation

The first step in the valuation and assessment process is defining the property to be valued.

1. Generation Plants can be defined as an amalgam of personal property, C&I machinery and equipment encased in a frame structure on an industrial plot. The property is then subject to valuation as a combination of C&I personal property and C&I structures and land. The valuation methodology used on such properties would be similar to all other C&I property in Kansas.
2. Generation Plants can be classified and defined as real estate under the law of fixtures. Defined as "real estate" under the law of fixtures will place much of the "personal property" within the real estate valuation process (see section on the "Courts, Boards & The Law of Fixtures.")
3. A third way to define Generation Plants for valuation is to retain the current K. S. A. 79-5a definition as "utility property." This selection would require unit valuation. Rate regulation is not a prerequisite for inclusion in K. S. A. 79-5a. The following groups of companies are classed as utilities under K. S. A. 79-5a: a) Long Distance Telephones such as MCI, Sprint, ATT, LDDS, Wiltel, etc., b) Electric Coops (exemption from rate regulation is at the pleasure of the patrons), c) Small railroads, d) Water companies, e) Oil gathering systems, f) Gas gathering systems.

## Generating Plant Assessment

Arguments for the use of assessment rates of 25% (C&I real and personal), 30% (other - not utility and not C&I) and 33% (Utility) are possible within each of the valuation scenarios.

## Generating Plant Valuation Jurisdiction

The valuation and assessment process could be performed for any of the valuation scenarios by either county or state appraisers.

## Recap: Valuation, Assessment Rate and Jurisdiction

In summary, there are three methods of valuation that have been identified: 1) a real and personal combination, 2) a real estate method under the law of fixtures, and 3) a unit value. Three possible rates have been identified (25%, 30% 33%) and two possible administrators of the valuation process have been identified (state or county). This generates eighteen (18) possible permutations of the "Who, What and How," to be narrowed by the legislative process. Each will have an effect on the final valuation.

## Courts, Boards & The Law of Fixtures

The law of fixtures is well established across the country, and in 1984 the Kansas Supreme Court once again reiterated the criteria in *U.S.D. No. 464 v. Porter, 234 Kan. 690, 695, 676, P.2d 84 (1984)*, stating:

"The test to be applied in determining whether or not personal property becomes a fixture are:

- (1) Annexation to the realty;
- (2) adaptation to the use of that part of the realty with which it is connected;
- (3) the intention of the party making the annexation to make the article a permanent annexation to the freehold."

The Illinois Property Tax Appeal Board on April 14, 1989 issued a decision in Docket No. 78-2033-1-2 in a case involving Commonwealth Edison Company property consisting of a nuclear electrical generating plant located in Zion Township, Lake County Ill which concludes:

"VI. *Conclusion* The Board rules that the machinery and equipment are real property and thus subject to ad valorem taxation in the 1978 assessment year. The evidence and testimony in the record clearly indicates that: First, the machinery and equipment are sufficiently affixed to the real estate; second, the machinery and equipment are applied to the use and purpose to which the real estate is devoted; to wit: the generating and transmitting of electricity; and finally, Edison intended to make the machinery and equipment a permanent accession to the property."

The Supreme Judicial Court of Massachusetts, Suffolk decided a case (Boston Edison Company v. Board of Assessors of Boston) on March 21, 1988, concerning an appeal from the electrical utility following an assessor's determination that the company's electrical generation equipment was realty, not personalty for the purposes of municipal real estate taxes. The Court affirmed the Boards' decision:



“[4] We agree with the board that the assessor properly treated Edison’s generating plant as real estate for the purposes of local taxation.”

The Supreme Court of Missouri decided a case (River Electric Cooperative, Inc. v. State Tax Commission of Missouri) on April 18, 1989 in which a electric cooperative sought declaratory judgment from the order of the State Tax Commission directing local assessing officers to classify and assess cooperative’s installed poles, wires, transformers, substations and other operating equipment as real property. The Circuit Court ruled in favor of the cooperative, and the Commission appealed. The Supreme Court held that the property in question did not constitute structures or fixtures and therefore was not taxable as real property, but was taxable as tangible personal property. The following year the legislature changed the law so that the poles etc. used by foreign (out of state) entities were deemed personal property; poles and other such equipment owned by in-state utilities were to be assessed as real property.

### Generating Plant Valuation Shifts: Scenario of Greatest Impact

The scenario with the greatest impact on the valuation and assessment of generating plants involves treating the plant as primarily consisting of machinery and equipment, i.e., personal property, and to use the commercial and industrial assessment rate of 25%. The following is a summary using this approach for ad valorem valuation on generation plants across the state.

Electric Generating Plants	Assessed as Utility	Assessed as PP & Real	%Change in Assessed	True Shift in Tax \$	Location by County
Gills & Evans	16,188,000	7,466,083	-53.9	921,074	Sedgwick
Hutchinson	9,460,930	4,467,420	-52.8	573,837	Reno
Jeffery	198,200,000	116,925,806	-41.0	4,740,371	Pottawatomie
La Cygne	107,015,758	48,241,596	-55.0	2,528,213	Lynn
Lawrence	21,329,000	11,312,909	-47.0	1,044,708	Douglas
Riverside	1,256,700	583,511	-53.4	62,180	Dickinson
Sunflower	42,711,871	34,533,920	-19.2	771,769	Finney
Tecumseh	13,503,000	7,346,286	-45.6	677,134	Shawnee
Wolf Creek	532,448,065	359,639,349	-32.5	6,871,407	Coffey
Totals	942,113,324	590,489,880		18,190,693	

- The conclusions and calculations are the best estimate we are able to make at this time, and can be relied on for general significance of impact, but are not intended to be exact.
- The column entitled “True Shift in Tax” represents the tax dollars shifted to properties other than “generating properties.” The number represents the shift to

other taxpayers and/or the savings to the generating producers over the present method. The number was calculated by taking the difference between the two assessments and subtracting the results from the assessment base within a county. The mill levy is then recalculated and applied to the re-valued generating plant. The before and after tax calculations of the generating plants were then compared to establish the tax shift.

- The assessment of real property is based on using one hundred percent of the original cost and a twenty-five assessment rate.
- The assessment of personal property is based on using a thirty year life for all personal property. The estimate assumes that twenty percent (6/30) of the original cost of personal property is within the first six years of the seven year depreciation scale. The remaining personal property original cost is valued at twenty percent of its cost and all personal property received an assessment rate of twenty-five percent.
- Neither the \$250 small item exemption, nor the software exemption, have been taken into account in calculating this estimate.
- Different valuation assumptions were made for the valuation estimate of the "Sunflower" plant. The plant's economic circumstances are such that the state's appraiser felt it was necessary to deviate in the percent of depreciation of real property and the amount of personal property within the first seven years of the depreciation scale.

## Attachment Index

- Distribution Exhibits
- Listing of Companies by County with Electric Generation
- Tax Abstract of Public Utility Companies by County
- Tax Abstract of Public Utility Companies by Company
- Wall Street Journal Article on “Better Phone Service”  
Included as illustrative of complications arising from changing the business landscape.
- Public Utilities Fortnightly Article “All FERC’ed Up.”  
Included as illustrative of the thinking behind utility valuation.

**Distribution Exhibits  
for  
Public Utility Property  
Prepared by  
Kansas Department of Revenue  
Division of Property Valuation  
State Appraised Property Bureau**

East Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
2,000,000,000 OC	1,764,779,018	1,756,809,472
1,712,844,990	1,803,274,012	
1,800,287,601		
----- ----- ----- -----		
Market Value	\$ 1,750,000,000	100% in Kansas
Assessed Value @ 33%	\$ 577,500,000	

$$\frac{577,500,000}{\text{Assessed Value}} \div \frac{2,000,000,000}{\text{Original Cost}} = \frac{0.28875}{\text{Distribution Factor}}$$

Home County

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# 100	50,000	0.28875	14,438
Unit# 103	150,000	0.28875	43,312
Unit# 206	1,300,000	0.28875	375,375
Unit# 319	<u>2,200,000</u>	0.28875	<u>635,250</u>
County Totals	3,700,000		1,068,375

All Other Counties

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# XXX	1,996,300,000	0.28875	576,431,625
Total	2,000,000,000	0.28875	577,500,000

West Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
4,000,000,000 OC	494,334,010	500,109,338
610,844,000	403,280,011	
800,000,000		
.....	.....	.....
Market Value	\$ 500,000,000	100% in Kansas
Assessed Value @ 33%	\$ 165,000,000	

$$\frac{165,000,000}{\text{Assessed Value}} \div \frac{4,000,000,000}{\text{Original Cost}} = \frac{0.04125}{\text{Distribution Factor}}$$

Rose County

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# 519	50,000	0.04125	2,063
Unit# 806	150,000	0.04125	6,187
Unit# 709	1,300,000	0.04125	53,625
Unit# 850	<u>2,200,000</u>	0.04125	<u>90,750</u>
County Totals	3,700,000		152,625

All Other Counties

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# XXX	3,996,300,000	0.04125	164,847,375
Total	4,000,000,000	0.04125	165,000,000

# Total Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
6,000,000,000 OC	2,259,113,028	2,256,918,810
2,323,688,900	2,206,554,023	
2,600,287,601		
Market Value	<u>\$ 2,250,000,000</u>	100% in Kansas
Assessed Value @ 33%	\$ 742,500,000	

$$\frac{742,500,000}{\text{Assessed Value}} + \frac{6,000,000,000}{\text{Original Cost}} = \frac{0.12375}{\text{Distribution Factor}}$$

## Home County

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# 100	50,000	0.12375	6,188
Unit# 103	150,000	0.12375	18,562
Unit# 206	1,300,000	0.12375	160,875
Unit# 319	<u>2,200,000</u>	0.12375	<u>272,250</u>
County Totals	3,700,000		457,875

## Rose County

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# 519	50,000	0.12375	6,188
Unit# 806	150,000	0.12375	18,562
Unit# 709	1,300,000	0.12375	160,875
Unit# 850	<u>2,200,000</u>	0.12375	<u>272,250</u>
County Totals	3,700,000		457,875

## All Other Counties

<u>Taxing Unit #</u>	<u>Original Cost Dollars in Unit</u>	<u>Distribution Factor</u>	<u>Allocated Assessed Value</u>
Unit# XXX	5,992,600,000	0.12375	741,584,250
Totals	6,000,000,000	0.12375	742,500,000

## The Break-up of Total Corp. into East & West Corp.

### Total Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
6,000,000,000 OC	2,259,113,028	2,256,918,810
2,323,688,900	2,206,554,023	
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### East Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
2,000,000,000 OC	1,764,779,018	1,756,809,472
1,712,844,990	1,803,274,012	
1,800,287,601		
.....	.....	.....
Market Value	\$ 1,750,000,000	100% in Kansas
Assessed Value @ 33%	\$ 577,500,000	

$$\frac{577,500,000}{\text{Assessed Value}} + \frac{2,000,000,000}{\text{Original Cost}} = \frac{0.28875}{\text{Distribution Factor}}$$

### West Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
4,000,000,000 OC	494,334,010	500,109,338
610,844,000	403,280,011	
800,000,000		
.....	.....	.....
Market Value	\$ 500,000,000	100% in Kansas
Assessed Value @ 33%	\$ 165,000,000	

$$\frac{165,000,000}{\text{Assessed Value}} + \frac{4,000,000,000}{\text{Original Cost}} = \frac{0.04125}{\text{Distribution Factor}}$$

This example demonstrates that, with no change in the total (combined) value, counties in "East's" area which were receiving \$0.12 of assessed value per dollar of original cost will now be receiving \$0.28 of assessed value for every dollar of original cost and that counties in "West's" area which had been receiving \$.12 of assessed value for ever dollar of original cost will now be receiving \$0.04 for ever dollar of original cost.



## The Merger of East & West into Total Utility Corp.

### East Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
2,000,000,000 OC	1,764,779,018	1,756,809,472
1,712,844,990	1,803,274,012	
1,800,287,601		
.....	.....	.....
	<u>\$ 1,750,000,000</u>	100% in Kansas

$$\frac{577,500,000}{\text{Assessed Value}} + \frac{2,000,000,000}{\text{Original Cost}} = \frac{0.28875}{\text{Distribution Factor}}$$

### West Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
4,000,000,000 OC	494,334,010	500,109,338
610,844,000	403,280,011	
800,000,000		
.....	.....	.....
	<u>\$ 500,000,000</u>	100% in Kansas

$$\frac{165,000,000}{\text{Assessed Value}} + \frac{4,000,000,000}{\text{Original Cost}} = \frac{0.04125}{\text{Distribution Factor}}$$

### Merged - Total Utility Corp.

<u>COST APPROACH</u>	<u>MARKET APPROACH</u>	<u>INCOME APPROACH</u>
6,000,000,000 OC	2,259,113,028	2,256,918,810
2,323,688,990	2,206,554,023	
2,600,287,601		
.....	.....	.....
Market Value	<u>\$ 2,250,000,000</u>	100% in Kansas
Assessed Value @ 33%	<u>\$ 742,500,000</u>	

$$\frac{742,500,000}{\text{Assessed Value}} + \frac{6,000,000,000}{\text{Original Cost}} = \frac{0.12375}{\text{Distribution Factor}}$$

This example demonstrates that by simply combining the company's value, counties in "East's" area which were receiving \$0.28 of assessed value per dollar of original cost will now be receiving \$0.12 of assessed value for every dollar of original cost and that counties in "West's" area which had been receiving \$0.04 of assessed value for every dollar of original cost will now be receiving \$0.12 for every dollar of original cost.

**COMPANIES BY COUNTY WITH ELECTRIC GENERATION FOR 1996**

COMPANY NAME	COUNTY	ASSESSED VALUE IN COUNTY
WESTPLAINS ENERGY	BARTON	6,045,781
	FORD	6,867,502
	POTTAWATOMIE	13,580,614
	SEWARD	3,790,475
	WASHINGTON	1,838,558
<b>TOTAL</b>		<b>32,122,930</b>
KANSAS CITY POWER & LIGHT	COFFEY	216,994,501
	LINN	50,466,565
<b>TOTAL</b>		<b>267,461,066</b>
KANSAS GAS & ELECTRIC	COFFEY	252,322,714
	LINN	55,352,804
	POTTAWATOMIE	42,700,984
	SEDGWICK	85,941,849
<b>TOTAL</b>		<b>436,318,351</b>
KANSAS POWER & LIGHT	DICKINSON	6,101,789
	DOUGLAS	39,730,923
	POTTAWATOMIE	140,238,734
	RENO	21,485,188
	SHAWNEE	47,383,182
<b>TOTAL</b>		<b>254,939,816</b>
MISSOURI PUBLIC SERVICE	POTTAWATOMIE	20,981,028
<b>TOTAL</b>		<b>20,981,028</b>
EMPIRE DISTRICT ELEC. CO.	CHEROKEE	12,432,571
<b>TOTAL</b>		<b>12,432,571</b>
KANSAS ELECTRIC POWER COOP	COFFEY	43,750,284
<b>TOTAL</b>		<b>43,750,284</b>
SUNFLOWER ELECTRIC COOP	FINNEY	48,261,927
<b>TOTAL</b>		<b>48,261,927</b>

The above list is the company totals for state assessed property for counties with power plants. Several small peaking plants, one small hydro plant and one mothballed plant have been omitted from the listing.

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COUNTY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
001 ALLEN	12,302,164	1,504,583.08	0.00	0.00	1,504,583.08
002 ANDERSON	12,442,192	1,459,736.60	0.00	0.00	1,459,736.60
003 ATCHISON	10,767,130	1,333,945.76	0.00	0.00	1,333,945.76
004 BARBER	8,302,733	1,078,008.42	0.00	0.00	1,078,008.42
005 BARTON	26,879,793	3,456,991.94	0.00	0.00	3,456,991.94
006 BOURBON	9,815,340	1,277,509.25	0.00	0.00	1,277,509.25
007 BROWN	10,289,402	1,248,175.60	0.00	0.00	1,248,175.60
008 BUTLER	46,488,725	5,565,560.04	0.00	0.00	5,565,560.04
009 CHASE	9,024,182	1,009,285.28	0.00	0.00	1,009,285.28
010 CHAUTAUQUA	5,606,988	708,311.86	0.00	0.00	708,311.86
011 CHEROKEE	21,877,690	1,888,660.70	0.00	2,165.74	1,890,826.44
012 CHEYENNE	4,700,733	476,677.08	3,231.95	0.00	479,909.03
013 CLARK	11,599,607	1,586,661.45	0.00	0.00	1,586,661.45
014 CLAY	6,956,003	921,367.73	0.00	540.00	921,907.73
015 CLOUD	12,699,756	1,937,469.76	0.00	0.00	1,937,469.76
016 COFFEY	522,108,106	35,097,585.22	0.00	0.00	35,097,585.22
017 COMANCHE	4,612,157	620,534.04	0.00	0.00	620,534.04
018 COWLEY	21,669,194	2,934,218.07	0.00	0.00	2,934,218.07
019 CRAWFORD	18,947,279	2,034,395.97	0.00	0.00	2,034,395.97
020 DECATUR	4,328,461	505,636.40	0.00	0.00	505,636.40
021 DICKINSON	21,181,004	2,081,638.57	0.00	0.00	2,081,638.57
022 DONIPHAN	3,268,084	379,165.31	0.00	0.00	379,165.31
023 DOUGLAS	61,438,453	6,679,395.53	0.00	0.00	6,679,395.53
024 EDWARDS	9,011,813	1,170,703.31	0.00	0.00	1,170,703.31
025 ELK	4,731,478	601,684.30	0.00	0.00	601,684.30
026 ELLIS	16,953,356	1,867,525.06	0.00	0.00	1,867,525.06
027 ELLSWORTH	11,674,211	1,397,386.34	0.00	0.00	1,397,386.34
028 FINNEY	71,538,299	7,301,878.39	0.00	0.00	7,301,878.39
029 FORD	29,219,757	3,913,973.07	0.00	0.00	3,913,973.07
030 FRANKLIN	24,711,192	2,488,233.82	0.00	0.00	2,488,233.82
031 GEARY	11,975,239	1,342,990.61	0.00	0.00	1,342,990.61
032 GOVE	4,475,944	510,840.48	0.00	0.00	510,840.48
033 GRAHAM	4,975,436	753,035.32	0.00	0.00	753,035.32
034 GRANT	30,585,911	2,635,168.61	0.00	0.00	2,635,168.61
035 GRAY	7,185,432	874,744.17	0.00	0.00	874,744.17
036 GREELEY	3,233,033	386,057.15	0.00	0.00	386,057.15

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COUNTY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
037 GREENWOOD	16,246,798	2,033,332.15	0.00	0.00	2,033,332.15
038 HAMILTON	5,520,298	683,679.62	0.00	0.00	683,679.62
039 HARPER	8,293,360	1,063,918.14	0.00	0.00	1,063,918.14
040 HARVEY	20,638,552	2,344,567.40	0.00	0.00	2,344,567.40
041 HASKELL	11,580,107	895,342.62	0.00	0.00	895,342.62
042 HODGEMAN	2,790,270	410,152.94	0.00	0.00	410,152.94
043 JACKSON	9,042,771	987,838.84	0.00	0.00	987,838.84
044 JEFFERSON	11,896,117	1,447,152.60	0.00	0.00	1,447,152.60
045 JEWELL	3,828,422	536,275.94	0.00	0.00	536,275.94
046 JOHNSON	173,944,608	20,354,681.80	0.00	0.00	20,354,681.80
047 KEARNY	22,148,835	1,635,877.49	0.00	0.00	1,635,877.49
048 KINGMAN	17,747,541	1,785,619.78	0.00	0.00	1,785,619.78
049 KIOWA	18,340,632	2,058,655.00	0.00	0.00	2,058,655.00
050 LABETTE	19,616,263	2,549,547.94	0.00	0.00	2,549,547.94
051 LANE	2,944,034	406,515.22	0.00	0.00	406,515.22
052 LEAVENWORTH	28,180,382	2,739,517.57	0.00	0.00	2,739,517.57
053 LINCOLN	5,194,358	786,242.07	0.00	0.00	786,242.07
054 LINN	113,254,388	9,657,398.04	0.00	0.00	9,657,398.04
055 LOGAN	4,699,097	534,881.67	0.00	0.00	534,881.67
056 LYON	24,485,939	2,732,356.95	0.00	0.00	2,732,356.95
057 MARION	13,261,585	1,430,532.92	0.00	0.00	1,430,532.92
058 MARSHALL	12,212,044	1,447,359.42	0.00	0.00	1,447,359.42
059 MCPHERSON	33,638,980	3,526,399.32	133.38	840.00	3,527,372.70
060 MEADE	36,101,466	3,577,767.19	0.00	0.00	3,577,767.19
061 MIAMI	38,222,571	3,952,411.47	0.00	0.00	3,952,411.47
062 MITCHELL	3,681,359	449,476.14	0.00	0.00	449,476.14
063 MONTGOMERY	27,607,177	3,631,279.83	0.00	0.00	3,631,279.83
064 MORRIS	8,710,124	867,269.86	0.00	0.00	867,269.86
065 MORTON	21,528,779	1,906,285.55	0.00	0.00	1,906,285.55
066 NEMAHA	7,252,821	796,973.65	0.00	0.00	796,973.65
067 NEOSHO	8,193,822	1,112,399.31	0.00	0.00	1,112,399.31
068 NESS	5,749,928	731,067.44	0.00	0.00	731,067.44
069 NORTON	5,807,167	913,147.97	4,028.56	0.00	917,176.53
070 OSAGE	13,187,168	1,309,855.51	0.00	0.00	1,309,855.51
071 OSBORNE	3,176,418	451,922.71	0.00	0.00	451,922.71
072 OTTAWA	9,505,896	1,148,422.73	0.00	0.00	1,148,422.73

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COUNTY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
073 PAWNEE	9,559,788	1,222,767.01	0.00	0.00	1,222,767.01
074 PHILLIPS	5,644,801	745,432.99	0.00	- 0.00	745,432.99
075 POTTAWATOMIE	228,365,980	18,878,310.25	0.00	6.34	18,878,316.59
076 PRATT	22,524,597	2,828,721.40	0.00	0.00	2,828,721.40
077 RAWLINS	6,285,146	809,579.65	0.00	0.00	809,579.65
078 RENO	54,911,299	6,636,633.51	0.00	0.00	6,636,633.51
079 REPUBLIC	5,897,110	761,400.72	0.00	0.00	761,400.72
080 RICE	29,186,663	3,417,635.78	0.00	2,530.00	3,420,165.78
081 RILEY	15,791,732	1,845,595.64	0.00	130.00	1,845,725.64
082 ROOKS	6,949,380	985,393.69	0.00	0.00	985,393.69
083 RUSH	7,406,230	1,025,027.89	2,020.14	0.00	1,027,048.03
084 RUSSELL	7,436,214	962,041.95	0.00	0.00	962,041.95
085 SALINE	26,029,509	2,225,090.43	0.00	0.00	2,225,090.43
086 SCOTT	14,877,126	1,348,929.64	0.00	0.00	1,348,929.64
087 SEDGWICK	189,375,310	20,768,568.90	0.00	0.00	20,768,568.90
088 SEWARD	28,648,963	3,047,970.94	0.00	0.00	3,047,970.94
089 SHAWNEE	103,346,910	14,832,035.67	0.00	812.78	14,832,848.45
090 SHERIDAN	4,892,040	682,928.71	0.00	0.00	682,928.71
091 SHERMAN	5,855,388	621,969.27	0.00	0.00	621,969.27
092 SMITH	3,376,214	443,190.85	0.00	0.00	443,190.85
093 STAFFORD	11,095,205	1,468,862.09	0.00	0.00	1,468,862.09
094 STANTON	5,487,240	492,994.99	0.00	0.00	492,994.99
095 STEVENS	31,967,973	2,133,281.50	0.00	0.00	2,133,281.50
096 SUMNER	18,548,630	2,579,579.88	0.00	0.00	2,579,579.88
097 THOMAS	11,824,903	1,426,428.01	0.00	0.00	1,426,428.01
098 TREGO	5,223,348	672,522.35	0.00	0.00	672,522.35
099 WABAUNSEE	7,826,188	863,263.59	0.00	0.00	863,263.59
100 WALLACE	3,359,300	375,996.40	0.00	0.00	375,996.40
101 WASHINGTON	12,426,039	1,558,492.10	0.00	0.00	1,558,492.10
102 WICHITA	3,195,919	418,046.43	0.00	0.00	418,046.43
103 WILSON	10,172,714	1,178,665.00	0.00	0.00	1,178,665.00
104 WOODSON	6,182,608	685,988.68	0.00	0.00	685,988.68
105 WYANDOTTE	55,572,072	9,827,884.83	0.00	0.00	9,827,884.83
<b>State Grand Totals:</b>	2,825,048,893	291,697,089.83	9,414.03	7,024.86	291,713,528.72

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
B600 BLASKE MARINE INC	4,091	496.96	0.00	0.00	496.96
B601 HUFFMAN TOWING COMPAN	2,118	257.09	0.00	0.00	257.09
B605 MAGNOLIA MARINE TRANSP	5,699	691.81	0.00	0.00	691.81
B624 ALTER BARGE LINE INC	1,368	166.06	0.00	0.00	166.06
BARGE LINE	13,276	1,611.92	0.00	0.00	1,611.92
E300 BOWERSOCK MILLS & POWER	49,500	5,788.94	0.00	0.00	5,788.94
E301 WESTPLAINS ENERGY	48,840,000	5,666,792.02	0.00	0.00	5,666,792.02
E302 EMPIRE DISTRICT ELECTRIC	12,761,133	1,090,367.74	0.00	0.00	1,090,367.74
E303 KANSAS CITY POWER & LIGH	346,687,481	27,721,981.47	0.00	0.00	27,721,981.47
E304 KANSAS GAS & ELEC-A WEST	498,343,874	41,833,999.79	0.00	0.00	41,833,999.79
E305 WESTERN RESOURCES (ELEC	351,940,192	36,683,307.74	0.00	953.22	36,684,260.96
E306 MISSOURI PUBLIC SERV -UTI	22,236,278	1,851,234.44	0.00	0.00	1,851,234.44
E307 SOUTHWESTERN PUBLIC SER	387,206	45,316.13	0.00	0.00	45,316.13
E310 ALFALFA ELECTRIC COOPER	444,872	57,422.43	0.00	0.00	57,422.43
E311 ARK VALLEY ELECTRIC COO	2,776,620	317,667.19	0.00	220.00	317,887.19
E312 BROWN ATCHISON ELECTRIC	985,380	115,547.55	0.00	0.00	115,547.55
E313 BUTLER RURAL ELECTRIC CO	3,105,300	361,915.66	0.00	0.00	361,915.66
E314 CMS ELECTRIC COOPERATIV	2,885,418	337,102.17	0.00	0.00	337,102.17
E315 C & W RURAL ELECTRIC CO	1,030,590	127,798.64	0.00	216.00	128,014.64
E316 CANEY VALLEY ELECTRIC CO	2,896,080	360,629.25	0.00	0.00	360,629.25
E318 DS&O RURAL ELECTRIC COO	1,560,900	157,291.19	0.00	0.00	157,291.19
E319 DONIPHAN ELECTRIC COOP	443,190	50,591.82	0.00	0.00	50,591.82
E320 FLINT HILLS RURAL ELECTRI	2,269,080	226,096.81	0.00	0.00	226,096.81
E322 JEWELL-MITCHELL COOP EL	1,247,070	156,059.26	0.00	0.00	156,059.26
E323 KANSAS ELECTRIC POWER C	44,031,973	2,971,295.75	0.00	0.00	2,971,295.75
E324 KAW VALLEY ELECTRIC COC	5,493,840	613,449.32	0.00	41.46	613,490.78
E325 LANE-SCOTT ELECTRIC COO	831,270	108,198.02	0.00	0.00	108,198.02
E326 LEAVENWORTH-JEFFERSON I	2,687,190	285,178.37	0.00	0.00	285,178.37
E327 LYON-COFFEY ELECTRIC CO	3,386,790	331,164.04	0.00	0.00	331,164.04
E328 MIDWEST ENERGY INC	26,400,000	3,273,270.37	0.00	0.00	3,273,270.37
E329 N C K ELECTRIC COOPERATI	997,590	133,896.68	0.00	0.00	133,896.68
E330 NEMAHA-MARSHALL ELECTI	1,690,260	182,121.83	0.00	0.00	182,121.83
E331 NINNESCAH RURAL ELECTRI	1,560,900	185,445.74	0.00	0.00	185,445.74
E332 NORTHWEST KANSAS ELECT	1,163,910	129,501.22	3,231.95	0.00	132,733.17
E333 NORTON-DECATUR COOPERA	2,650,560	337,977.79	918.43	0.00	338,896.22
E334 PR&W ELECTRIC COOP ASSI	1,325,280	137,596.08	0.00	0.00	137,596.08
E335 PIONEER ELECTRIC COOPER	10,601,580	892,293.62	0.00	0.00	892,293.62
E336 RADIANT ELECTRIC COOPER	1,433,190	171,435.75	0.00	0.00	171,435.75

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
E337 SEDGWICK COUNTY ELECTRIC	1,970,430	215,051.43	0.00	0.00	215,051.43
E338 SEKAN ELECTRIC COOPERAT	1,492,920	152,364.05	0.00	0.00	152,364.05
E339 SMOKY HILL ELECTRIC COOP	1,207,470	160,083.67	0.00	0.00	160,083.67
E341 SUMNER-COWLEY ELECTRIC	2,355,870	302,078.90	0.00	0.00	302,078.90
E342 SUNFLOWER ELECTRIC COOP	56,100,000	5,659,687.32	0.00	0.00	5,659,687.32
E343 TWIN VALLEY ELECTRIC COO	1,074,810	123,912.74	0.00	0.00	123,912.74
E344 UNITED ELECTRIC COOPERA	2,679,930	285,094.20	0.00	0.00	285,094.20
E345 VICTORY ELECTRIC COOP A	1,607,100	197,505.56	0.00	0.00	197,505.56
E346 WESTERN COOPERATIVE ELE	1,649,010	200,801.43	0.00	0.00	200,801.43
E347 WESTERN FARMERS ELECTRI	30,782	4,845.17	0.00	0.00	4,845.17
E348 WHEATLAND ELECTRIC COO	10,738,506	1,151,858.78	0.00	0.00	1,151,858.78
ELECTRIC POWER	1,486,051,325	135,373,018.07	4,150.38	1,430.68	135,378,599.13
F200 AMOCO PIPELINE COMPANY	10,172,696	1,143,555.48	0.00	0.00	1,143,555.48
F201 ARCO PIPE LINE COMPANY	1,014,113	138,966.40	0.00	0.00	138,966.40
F202 CHASE TRANSPORTATION CO	7,500,557	829,841.07	0.00	0.00	829,841.07
F203 CHISHOLM PIPELINE COMPA	1,619,066	187,304.74	0.00	0.00	187,304.74
F204 CONOCO PIPE LINE COMPAN	3,794,754	409,346.12	0.00	0.00	409,346.12
F205 EMERALD PIPELINE CORP	59,595	5,756.46	0.00	0.00	5,756.46
F206 FARMLAND INDUSTRIES INC	936,017	111,853.97	0.00	0.00	111,853.97
F207 TEXACO PIPELINE INC	4,436,124	512,471.10	0.00	0.00	512,471.10
F208 ENRON LIQUIDS PIPELINE CO	5,209,652	556,914.74	0.00	350.00	557,264.74
F209 JAYHAWK PIPELINE L L C	6,746,933	746,253.79	0.00	375.00	746,628.79
F210 KANEB PIPE LINE COMPANY	13,170,210	1,431,173.58	0.00	140.00	1,431,313.58
F211 KAW PIPE LINE COMPANY	1,881,000	226,299.28	0.00	75.00	226,374.28
F212 MID AMERICA PIPELINE COM	19,164,757	1,532,307.04	0.00	75.00	1,532,382.04
F214 KOCH PIPELINES INC (OKIE	8,351,665	930,793.86	0.00	0.00	930,793.86
F215 OSAGE PIPELINE COMPANY	3,601,810	439,485.08	0.00	0.00	439,485.08
F216 PHILLIPS PIPE LINE COMPAN	20,001,391	2,596,935.38	0.00	0.00	2,596,935.38
F217 PLATTE PIPE LINE COMPAN	870,012	92,273.88	0.00	0.00	92,273.88
F218 SHAMROCK PIPELINE CORP	54,725	5,206.18	0.00	0.00	5,206.18
F220 TOTAL PIPELINE CORPORAT	238,280	27,801.74	0.00	0.00	27,801.74
F222 WILLIAMS PIPE LINE COMPA	15,094,649	1,995,306.19	0.00	0.00	1,995,306.19
F223 UNOCAL PIPELINE CO (CUS	145,336	15,645.95	0.00	0.00	15,645.95
F224 MAPCO AMMONIA PIPELINE	2,236,918	783,499.42	0.00	0.00	783,499.42
F225 HEARTLAND PIPELINE COMI	853,780	91,951.05	0.00	0.00	91,951.05
F226 AMOCO CUSHING-CHICAGO I	514,195	55,486.22	0.00	0.00	55,486.22
F227 SINCLAIR PIPELINE COMPAN	138,768	15,669.56	0.00	0.00	15,669.56
F243 COASTAL REFINING AND MA	22,110	2,386.84	0.00	0.00	2,386.84

# Kansas Department of Revenue

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COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
F245 TEXACO TRADING & TRAN D	2,473,758	241,185.51	0.00	0.00	241,185.51
F246 MAPCO FRACTIONATOR INC	3,795,000	358,846.50	0.00	150.00	358,996.50
F247 KOCH GATHERING SYSTEMS	3,300,000	384,365.62	0.00	75.00	384,440.62
F248 NATIONAL COOPERATIVE RE	528,000	60,205.01	0.00	0.00	60,205.01
F251 KOCH HYDROCARBON COMPA	1,650,000	177,269.21	0.00	0.00	177,269.21
G900 ANR PIPELINE COMPANY	24,693,686	2,584,100.05	0.00	130.00	2,584,230.05
G902 COLORADO INTERSTATE GAS	15,492,777	1,299,501.92	0.00	0.00	1,299,501.92
G904 NORTHERN NATURAL GAS CO	80,252,845	8,738,330.57	0.00	220.00	8,738,550.57
G905 K N NATURAL GAS INC	961,066	120,069.56	0.00	0.00	120,069.56
G906 NATURAL GAS PIPELINE CO	22,676,848	2,851,578.09	0.00	0.00	2,851,578.09
G907 WILLIAMS' NATURAL GAS CO	58,946,531	6,165,418.37	0.00	220.00	6,165,638.37
G908 PANHANDLE EASTERN PIPLI	74,686,484	6,818,673.19	0.00	0.00	6,818,673.19
G910 UNITED CITIES GAS	14,890,145	2,046,407.06	0.00	0.00	2,046,407.06
G911 GREELEY GAS COMPANY	6,750,988	810,874.35	0.00	0.00	810,874.35
G912 WESTERN RESOURCES-GAS D	62,753,592	8,091,737.31	0.00	494.58	8,092,231.89
G913 MIDWEST ENERGY (GAS)	1,221,000	151,564.54	0.00	0.00	151,564.54
G914 KN RETAIL	4,497,471	634,916.13	0.00	0.00	634,916.13
G915 PEOPLES NATURAL GAS (UT	16,527,159	1,935,612.11	0.00	220.00	1,935,832.11
G916 RIVERSIDE PIPELINE COMPA	535,411	95,553.16	0.00	0.00	95,553.16
G917 UNITED CITIES GAS STORAGE	3,259,319	372,442.69	0.00	0.00	372,442.69
G918 MIDWEST GRAIN PIPELINE II	660,000	63,495.68	0.00	0.00	63,495.68
G919 NGP PIPELINE COMPANY	1,238,101	146,086.61	0.00	55.00	146,141.61
G921 GETTY GAS GATHERING INC	990,000	109,538.25	0.00	0.00	109,538.25
G923 KANSAS PIPELINE COMPANY	15,840,000	1,791,544.59	0.00	55.00	1,791,599.59
G925 RICHFIELD GAS STORAGE	1,650,000	133,044.71	0.00	0.00	133,044.71
G926 KN INTERSTATE GAS TRANSP	10,838,744	1,058,817.92	0.00	0.00	1,058,817.92
G927 PAN GAS STORAGE COMPAN	9,240,000	1,395,375.80	0.00	0.00	1,395,375.80
G928 MID-CONTINENT MARKET CH	8,250,000	914,910.83	0.00	0.00	914,910.83
G931 NOR-AM GAS TRANSMISSION	307,824	37,478.70	0.00	0.00	37,478.70
G935 MAC COUNTY GAS INC	148,500	16,914.04	0.00	0.00	16,914.04
G940 TWIN COUNTY GAS CO INC	82,500	12,157.48	0.00	0.00	12,157.48
G950 AMERICUS GAS COMPANY II	33,000	4,100.15	0.00	0.00	4,100.15
G953 FLINT HILLS GAS COMPANY	4,290	646.44	0.00	0.00	646.44
G954 KANSAS PUBLIC SERVICE CO	3,465,000	403,748.77	0.00	0.00	403,748.77
G959 SEVERY GAS COMPANY	29,700	3,625.92	0.00	0.00	3,625.92
G960 GPM ANADARKO GATHERING	2,475,000	327,181.10	0.00	0.00	327,181.10
G961 PANHANDLE FIELD SERVICE	5,280,000	450,080.68	0.00	0.00	450,080.68
G962 HDP GAS GATHERING	462	50.91	0.00	0.00	50.91
G965 GRANT GATHERING INC	2,310,000	192,870.09	0.00	0.00	192,870.09



# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
G966 CENTANA GATHERING CO	2,145,000	201,007.53	0.00	0.00	201,007.53
G968 ENERGY DYNAMICS INC (E)	69,300	8,647.74	0.00	0.00	8,647.74
G969 KB GATHERING CO	46,200	4,319.70	0.00	0.00	4,319.70
G970 K-N GAS GATHERING	8,648,432	803,809.54	0.00	0.00	803,809.54
G971 BENSON MINERAL GROUP IN	148,500	18,562.44	0.00	0.00	18,562.44
G972 NIMROD NATURAL GAS COR	330,014	39,635.84	0.00	0.00	39,635.84
G973 PRAXAIR INCORPORATED	46,200	4,331.06	0.00	0.00	4,331.06
G974 TRIDENT NGL INC	273,900	28,966.98	0.00	0.00	28,966.98
G975 NEMAHA PIPELINE CORP (E)	115,500	10,412.96	0.00	0.00	10,412.96
G976 PONDOROSA RESOURCES II	44,550	5,151.54	0.00	0.00	5,151.54
G979 STANTON JOINT VENTURE	438,900	36,149.32	0.00	0.00	36,149.32
G981 COTTONWOOD GAS GATHER	99,000	10,498.34	0.00	0.00	10,498.34
G982 TEXACO EXPLORATION AND	52,800	6,733.66	0.00	0.00	6,733.66
G984 GPM GAS CORP	247,500	23,352.65	0.00	0.00	23,352.65
G986 TIMBERLAND GATHERING &	165,000	15,240.15	0.00	0.00	15,240.15
G987 HUGOTON CAPITAL LIMITEI	1,320,000	100,942.47	0.00	0.00	100,942.47
G989 MOBIL OIL CORPORATION (F)	3,135,000	250,171.22	0.00	0.00	250,171.22
G991 WILLIAMS GAS PROCESSING	9,240,000	725,251.11	0.00	0.00	725,251.11
G992 PONDEROSA RESOURCE CO	33,000	3,939.00	0.00	0.00	3,939.00
G993 ENRON GATHERING L P	11,319,000	926,901.47	0.00	0.00	926,901.47
G995 HAVANA GAS DEVELOPMEN	24,750	2,861.78	0.00	0.00	2,861.78
G997 STROUD OIL PROPERTIES	26,400	3,113.45	0.00	0.00	3,113.45
G998 ANADARKO GATHERING INC	8,580,000	579,876.21	0.00	0.00	579,876.21
G999 PAN ENERGY FIELD SERVICE	396,000	33,819.73	0.00	0.00	33,819.73
PIPELINE	637,509,260	69,728,500.62	0.00	2,634.58	69,731,135.20
R100 ATCHISON TOPEKA & SANT	40,126,275	5,148,174.34	0.00	0.00	5,148,174.34
R101 BURLINGTON NORTHERN RA	11,449,371	1,286,782.46	0.00	0.00	1,286,782.46
R102 SOO LINE RAILROAD COMPA	11,931	2,117.74	0.00	0.00	2,117.74
R106 KANSAS CITY SOUTHERN RY	1,329,724	138,633.86	0.00	0.00	138,633.86
R108 NORFOLK SOUTHERN RAILW	35,913	6,147.78	0.00	0.00	6,147.78
R109 ST LOUIS S WESTERN RY / SC	7,804,046	909,192.72	0.00	0.00	909,192.72
R110 UNION PACIFIC / MISSOURI I	76,195,654	8,797,023.23	0.00	185.00	8,797,208.23
R121 GARDEN CITY WESTERN RY	200,000	20,090.93	0.00	0.00	20,090.93
R122 HUTCHINSON & NORTHERN R	75,000	10,492.94	0.00	0.00	10,492.94
R123 NORTHEAST KANSAS & MISS	326,618	35,816.80	0.00	0.00	35,816.80
R124 KANSAS CITY TERMINAL RY	1,407,087	249,755.13	0.00	0.00	249,755.13
R126 KYLE RAILROAD CO	1,259,300	156,169.82	0.00	0.00	156,169.82
R128 WICHITA UNION TERMINAL I	116,604	13,139.18	0.00	0.00	13,139.18

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
R129 DODGE CITY FORD & BUCKLE	100,000	12,832.64	0.00	0.00	12,832.64
R130 SOUTHEAST KANSAS RAILROAD	102,554	10,237.10	0.00	0.00	10,237.10
R133 SOUTH KANSAS & OKLAHOMA	576,338	73,512.75	0.00	0.00	73,512.75
R134 KANSAS SOUTHWESTERN RAILROAD	804,960	98,836.18	0.00	55.00	98,891.18
R136 MISSOURI & NORTHERN ARKANSAS	12,513	1,688.33	0.00	0.00	1,688.33
R137 CENTRAL KANSAS RAILWAY	1,163,037	140,498.75	0.00	70.00	140,568.75
RAILROAD	143,096,925	17,111,142.68	0.00	310.00	17,111,452.68
T401 LINCOLN TELEPHONE & TELEGRAPH	37,250	4,529.45	0.00	0.00	4,529.45
T402 GTE MIDWEST INC	114,345	11,658.15	0.00	0.00	11,658.15
T404 GREAT PLAINS COMMUNICATIONS	33,099	3,960.87	0.00	0.00	3,960.87
T405 SOUTHWESTERN BELL TELEPHONE	341,554,010	43,189,199.38	0.00	219.26	43,189,418.64
T406 UNITED TELEPHONE COMPANY	20,460,000	2,600,464.61	0.00	286.00	2,600,750.61
T407 UNITED TELEPHONE CO OF KANSAS	5,775,000	740,196.78	0.00	110.00	740,306.78
T408 UNITED TELEPHONE CO OF MISSOURI	28,050,000	3,256,554.06	0.00	183.18	3,256,737.24
T409 UNITED TELEPHONE CO OF OKLAHOMA	1,786,586	168,249.39	0.00	1,671.16	169,920.55
T410 AMERICAN TELEPHONE & TELEGRAPH	28,188,567	3,265,816.49	0.00	0.00	3,265,816.49
T412 CENTRAL STATES MICROWAVE	83,569	9,348.09	0.00	0.00	9,348.09
T414 INDEPENDENT COMMUNICATIONS	330,000	42,875.26	0.00	0.00	42,875.26
T415 MCI TELECOMMUNICATIONS	3,925,350	469,085.71	0.00	0.00	469,085.71
T417 U S SPRINT	35,067,780	3,967,263.34	0.00	0.00	3,967,263.34
T418 VYVX INC	183,590	20,731.85	0.00	0.00	20,731.85
T419 WORLDCOM NETWORK SERVICES	9,844,692	1,446,636.36	0.00	0.00	1,446,636.36
T430 BLUE VALLEY TELEPHONE COMPANY	2,270,109	274,003.60	0.00	0.00	274,003.60
T431 COLUMBUS TELEPHONE COMPANY	1,237,500	123,766.38	0.00	0.00	123,766.38
T432 CRAW-KAN TELEPHONE COMPANY	9,900,180	1,091,469.51	0.00	0.00	1,091,469.51
T433 GOLDEN BELT TELEPHONE ASSOCIATION	3,564,000	473,611.78	2,020.14	0.00	475,631.92
T434 KAN-OKLA TELEPHONE ASSOCIATION	2,085,593	325,320.83	0.00	0.00	325,320.83
T435 MUTUAL TELEPHONE COMPANY	178,200	25,049.67	0.00	55.00	25,104.67
T436 PIONEER TELEPHONE ASSOCIATION	8,537,220	866,175.77	0.00	0.00	866,175.77
T437 RAINBOW TELEPHONE COOPERATIVE	1,320,000	152,538.43	0.00	0.00	152,538.43
T438 RURAL TELEPHONE SERVICE	7,359,000	1,110,446.07	2,706.96	0.00	1,113,153.03
T439 S & T TELEPHONE COOPERATIVE	3,903,246	452,843.61	0.00	0.00	452,843.61
T440 SOUTH CENTRAL TELEPHONE COMPANY	1,138,091	145,351.85	0.00	0.00	145,351.85
T441 TRI-COUNTY TELEPHONE ASSOCIATION	1,947,000	187,275.28	0.00	0.00	187,275.28
T442 UNITED TELEPHONE ASSOCIATION	5,915,025	801,873.75	0.00	0.00	801,873.75
T443 SOUTH CENTRAL TELECOMMUNICATIONS	594,000	92,953.32	0.00	0.00	92,953.32
T451 BENKELMAN TELEPHONE COMPANY	47,420	4,882.45	0.00	0.00	4,882.45
T452 COUNCIL GROVE TELEPHONE COMPANY	924,000	104,531.48	0.00	0.00	104,531.48

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
T453 CUNNINGHAM TELEPHONE C	1,419,000	194,413.71	0.00	0.00	194,413.71
T454 DILLER TELEPHONE COMPAN	7,641	865.98	0.00	0.00	865.98
T455 ELKHART TELEPHONE COMP	452,986	53,840.55	0.00	0.00	53,840.55
T456 GORHAM TELEPHONE COMPA	99,000	14,177.50	0.00	0.00	14,177.50
T457 H & B COMMUNICATIONS INC	792,000	110,162.54	0.00	0.00	110,162.54
T458 HARTMAN TELEPHONE EXCH	53,718	5,538.38	0.00	0.00	5,538.38
T459 HAVILAND TELEPHONE COM	1,650,000	230,866.27	0.00	0.00	230,866.27
T460 HOME TELEPHONE COMPAN	1,897,500	207,045.05	0.00	125.00	207,170.05
T461 J B N TELEPHONE COMPANY	1,650,000	208,477.15	0.00	0.00	208,477.15
T462 SOUTHEAST NEBRASKA TELI	1,731	197.36	0.00	0.00	197.36
T464 LA HARPE TELEPHONE COM	198,000	29,895.28	0.00	0.00	29,895.28
T465 MADISON TELEPHONE COMP	825,000	131,414.78	0.00	0.00	131,414.78
T466 MOKAN DIAL COMPANY INC	1,507,280	159,176.62	0.00	0.00	159,176.62
T467 MOUNDRIDGE TELEPHONE C	1,980,000	207,498.45	0.00	0.00	207,498.45
T468 PEOPLES MUTUAL TELEPHON	990,000	104,690.44	0.00	0.00	104,690.44
T469 S & A TELEPHONE COMPANY	660,000	73,496.20	0.00	0.00	73,496.20
T470 SOUTHERN KANSAS TELEPH	2,599,949	333,088.22	0.00	0.00	333,088.22
T471 SUNFLOWER TELEPHONE CO	2,025,439	289,007.59	0.00	0.00	289,007.59
T472 TOTAH TELEPHONE COMPAN	1,184,892	145,995.12	0.00	0.00	145,995.12
T473 TWIN VALLEY TELEPHONE I	2,145,000	314,844.38	0.00	0.00	314,844.38
T474 WAMEGO TELEPHONE COMP.	1,980,000	221,238.23	0.00	0.00	221,238.23
T475 WHEAT STATE TELEPHONE C	1,551,000	212,238.32	0.00	0.00	212,238.32
T476 WILSON TELEPHONE COMPA	1,452,000	196,201.57	0.00	0.00	196,201.57
T477 ZENDA TELEPHONE COMPAN	214,500	23,727.21	0.00	0.00	23,727.21
T478 MULTIMEDIA HYPERION TEL	330,000	37,185.06	0.00	0.00	37,185.06
T502 THE COMMUNIGROUP OF KA	595,051	60,451.84	0.00	0.00	60,451.84
T504 ECON-A-CALL INC	56,100	7,202.24	0.00	0.00	7,202.24
T510 RTSC COMMUNICATIONS INC	825,000	109,663.56	403.17	0.00	110,066.73
T512 VALU-LINE OF KANSAS INC	181,500	22,320.10	0.00	0.00	22,320.10
T514 MIDWEST TELEPHONE SERVI	39,600	5,818.72	133.38	0.00	5,952.10
T520 FEIST LONG DISTANCE SERV	138,751	15,634.74	0.00	0.00	15,634.74
T527 ALLNET COMMUNICATIONS S	46,728	5,091.26	0.00	0.00	5,091.26
T539 AMERITEL PAY PHONES INC	199,567	28,186.98	0.00	0.00	28,186.98
T551 CALLS FOR LESS INC	1,243	146.80	0.00	0.00	146.80
T559 COAST INTERNATIONAL INC	82,500	9,474.96	0.00	0.00	9,474.96
T565 CONNECT AMERICA COMMUN	0	0.00	0.00	0.00	0.00
T589 HIGH PLAINS TELECOMMUNIC	330	37.03	0.00	0.00	37.03
T663 SECURITY TELECOM CORP	8,719	1,129.76	0.00	0.00	1,129.76
T698 UNITED WATS INC	66,000	6,705.02	0.00	0.00	6,705.02

# Kansas Department of Revenue

## 1996 Tax Year Abstract of Public Service Companies State Summary (Taxes)

COMPANY	Assessed Valuation	General Taxes	Intangible Taxes	Special Taxes	Total Taxes
TELECOMMUNICATIONS	556,262,147	69,205,808.53	5,263.65	2,649.60	69,213,721.79
W701 CHEROKEE COOPERATIVE W	1,650	195.17	0.00	0.00	195.17
W708 CENTRAL KANSAS UTILITIE	726,000	109,408.88	0.00	-0.00	109,408.88
W713 COLONIAL GARDEN MOBILE	10,560	1,019.07	0.00	0.00	1,019.07
W716 EL PASO WATER COMPANY	1,122,000	132,659.62	0.00	0.00	132,659.62
W724 TUTTLE CREEK WATER	5,280	509.54	0.00	0.00	509.54
W726 WILSON LAKE ESTATES	2,640	349.49	0.00	0.00	349.49
W727 SUBURBAN WATER	99,000	7,772.64	0.00	0.00	7,772.64
W728 BARTON HILLS WATER DIST	5,280	595.24	0.00	0.00	595.24
W729 CALDWELL UTILITIES	108,900	18,690.28	0.00	0.00	18,690.28
W731 McCracken Water Co IN	34,650	5,808.06	0.00	0.00	5,808.06
WATER COMPANY	2,115,960	277,007.99	0.00	0.00	277,007.99
<b>State Grand Totals:</b>	<b>2,825,048,893</b>	<b>291,697,089.83</b>	<b>9,414.03</b>	<b>7,024.86</b>	<b>291,713,528.72</b>

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THE WALL STREET JOURNAL TUESDAY, FEBRUARY 25, 1997

## Crossed Wires

### Hill City, Kan., Got Better Phone Service; So Why All the Static?

It's a Peek at the New World  
Of Telecom Competition,  
And It's an Ugly Sight

### Little Town, Big Lawsuits

By BRYAN GRULEY

Staff Reporter of THE WALL STREET JOURNAL

HILL CITY, Kan.—People in this windswept prairie town long endured an antiquated telephone system that went dead in rainstorms and made fax and answering machines unreliable. Sometimes a phone would ring and nobody would be there. An attempted call to a next-door neighbor might end up halfway across the state.

Fed up, leaders of this town of 1,800 took away the operating license of United Telephone Co. of Kansas and invited in Rural Telephone Service Co., of nearby Lenora. And last fall, the new company switched on a \$7 million, state-of-the-art network that for the first time brought Hill City dependable voice mail, Internet access and other modern services. Fiber-optic cable now runs underground to most homes and businesses, and a video network links the high school to classes at a distant college.

But the switch to Rural Telephone also brought some unwanted features: lawsuits and more lawyers than Main Street has telephone poles. Now Hill City is battling federal and state regulators, its longtime cable-TV operator and some big phone companies in three federal courts. It is accused of violating federal telecommunications law by hampering efforts of the cable company, Classic Communications Inc. of Austin, Texas, to expand into the local phone business and upgrade its network.

#### An Angry Rival

"If this is how telecom competition is going to come, then we'll have competition when the polar icecap melts," fumes J. Merritt Bellsie, Classic's founder and chief executive. The cable company contends that the city council has illegally denied Classic a phone franchise in a maneuver to protect Rural Telephone.

"If a city council in a small town in Kansas is permitted to choose their telecom provider and handicap others," Mr. Bellsie says, "what's going to happen in the big towns?"

Hill City Mayor Ron Radcliffe, munching chicken fingers with gravy at the local Shack II restaurant, couldn't care less about big towns. He says Hill City chose what is best for Hill City: just one phone company. And he angrily dismisses the notion that city officials acted on Rural's behalf: "We've got what we want: a \$7 million phone system. Is somebody else going to come in and give us service for nothing?"

#### A Messy Process

While Washington policy wonks dither over whether the year-old telecom law really does spawn competition, Hill City's struggle for better phone service shows how messy changing the business landscape can be. It's also a reminder that, federal law or no, all politics is local. With nary a hill in sight, Hill City is isolated (sitting on the plains of western Kansas hundreds of miles from any big city) and tiny (with just one stoplight and no automatic teller machines), but its legal battles raise a basic question: How far can a town go to shape phone competition within its borders?

Despite obstacles allegedly erected by the city, Classic is trying — with little success — to compete with Rural in the phone business. And now Rural plans to offer cable TV over its network, a direct attack on Classic's core business. Bob Boyd, editor of the local newspaper, declines to take sides but likes the many full-page ads Rural and Classic have bought. "I get a little kidding about it," he admits.

The fight has taken its toll on others. City Councilman Fred Pratt, blinks back angry tears when asked how Hill City got its new phone system. Voters nearly recalled him from office last year because of his role in the phone wars. Like many here, he resents the intrusion of "outsiders" such as the federal government. "We just wanted good phone service," he says. "It's been a long, hard battle."

#### Earlier Problems

Until last year, United Telephone, a unit of Sprint Corp. of Westwood, Kan., was the city's lone local carrier. Its decades-old system of overhead copper wire and lead cable was vulnerable to blizzards and squirrels, and as many as four households shared a single party line. Hearing a pin drop, to paraphrase a Sprint ad, was the least of customers' concerns. "You'd be talking on the phone and you'd get a cross-conversation from another phone," says Alice Goscha, who runs a bed-and-breakfast with her husband.

Residents complained to state regulators, who occasionally scolded United but never demanded repairs. So, in 1993, the city council told United its franchise wouldn't be renewed. The decision rallied townspeople. One icy January night, 400 of them rallied against United at a regulatory hearing in the high-school auditorium.

Bill Roche, a Sprint spokesman, says United had trouble justifying Hill City improvements because of the sparse population. But he says United nevertheless had planned an upgrade and announced a \$2 million program in April 1993. It claims to have been surprised by the city's decision to pull its franchise. "No one had

called to say the modernization plan is not adequate," Mr. Roche says.

Hill Citians worried the telecom revolution was leaving them behind. They hoped a modern phone system might help lure investment and jobs to their flagging economy. And they envied friends in nearby towns who boasted of their service from Rural Telephone, a cooperative with headquarters 25 miles north of Hill City. Shortly after United's franchise ran out, the city council awarded one to Rural.

Phone cooperatives such as Rural sprouted in the 1950s after Congress, worried that farm areas might not get service, made low-interest government loans available. As a co-op, Rural gets the loans, doesn't pay income taxes on phone revenues and collects \$1 million a year in federal subsidies. Its subscribers are, in effect, its shareholders; last year, Rural paid each an average dividend of \$230, covering much of their phone bills.

House Budget Committee Chairman John Kasich, an Ohio Republican, wants to eliminate phone co-ops, but they have political clout. A reminder hangs in Rural's offices near Lenora's grain elevator: a photo of General Manager Larry Sevier and other co-op managers with former Kansas Sen. Robert Dole.

Under Mr. Sevier, Rural has expanded into the cable, alarm-system and phone-di-

rectory businesses, while seeking phone customers in new towns. In Hill City, it built a windowless cinder-block building stuffed with high-tech equipment. Inside, Tony Sanson, a technician, installs speed-dialing for a customer by simply tapping a few computer keys. "I'm able to get to a problem a lot quicker," he says.

Meantime, United agreed to sell its Hill City network to Classic, which operates small cable systems in eight states and hopes eventually to deliver phone service to all its cable subscribers. "We think there's a future in combined services," Mr. Bellsie says, echoing lawmakers who predicted the telecom law would create "one-stop shopping" in voice and video.

In mid-1995, Classic sought phone franchises in Hill City and a neighboring town, Bogue, by promising to spend \$3.7 million to upgrade United's old system and build a Hill City office employing 35 people. "Hill City and Bogue deserve a choice," Classic proclaimed in a newspaper ad.

Then trouble erupted. Council mem-

bers led by Mr. Pratt questioned whether Classic could offer good service; some felt its plans weren't as ambitious as Rural's. In a letter to the newspaper, Mr. Pratt portrayed Classic as "an unknown new-comer." City officials were emboldened by a Kansas Supreme Court ruling that said cities have the right to choose their phone providers. Rural ran newspaper ads contending that Hill City would forfeit that right if it gave Classic a franchise after "decades of poor service" by United.

Emotions ran high. When City Attorney William Elliott sent Classic a proposed franchise agreement, the council fired him, after 20 years of service, because he "was representing Classic instead of the city," Mr. Pratt stated in his letter to the newspaper. Mr. Elliott was later rehired, but some citizens were so upset over his treatment they started a petition to recall Mr. Pratt and another councilman. A state court later declared the petition invalid.

Classic's Mr. Belsie says that Rural had co-opted Mr. Pratt (who sells Rural

office supplies) and that Rural had secretly hired a local lawyer with close ties to the council. Rural's Mr. Sevier denies these allegations and in 1995 published an open letter insisting the co-op "never offered a job to a city official" and "never paid one dime to an attorney" associated with Hill City. Mr. Pratt denies being swayed by his business relationship with Rural. Mr. Sevier says Rural has always been willing to compete, but he doubts that any other company would now be eager to try.

The city formally denied Classic a franchise in a Sept. 20, 1995, letter that said: "We don't want to see two telephone companies . . . competing side by side in a situation that will be financially uneconomic for either company." After years of watching United delay upgrades because Hill City was small, the council didn't see how their town suddenly could support two carriers. Bogue's city council rebuffed Classic on similar grounds.

Classic filed a federal antitrust suit in Topeka, charging that Rural and Hill City had illegally conspired against it. A judge recently dismissed most of the suit; Classic plans to appeal. Citing the telecom law's prohibition against barriers to competition, it asked the Federal Communications

Commission to order Hill City and Bogue to grant it franchises. Last October, the FCC told the towns they were violating the law and gave them 60 days to reconsider; the towns then asked a federal court in Washington to declare the order unconstitutional. Some big carriers, including AT&T Corp. and MCI Communications Corp., filed briefs contending the towns exceeded their authority to regulate the phone business. Hill City also is fighting Kansas regulators in federal court over Classic's state license.

Mr. Elliott now spends much of his time tending to these lawsuits. Boxes of legal documents engulf his file room. "It's just junk," he says dismissively.

Now, Classic is managing United's old system under contract, though the city won't let it improve the network. Last year, Classic offered free long-distance calls to residents who stayed with it, but most switched anyway. When Rural's dial tone came on, the town declared an "Independence Day," with fireworks and a free buffet at the Elks Lodge. Now, Rural is going after Classic's cable-TV customers, and Classic is worried. In a meeting with customer-service representatives, Classic President Steven Seach is told a city

official will switch to Rural cable. "That's a surprise," he says sarcastically.

In response to Rural's marketing push, Classic has begun selling a cut-rate package of basic channels. Mr. Seach tells his representatives he's "not a big fan" of such programs, but "you have to look at the competitive landscape and be willing to adapt."

Classic recently abandoned its offer to buy United's system. But Classic says it will either build its own phone network or resell service on the United lines. Either way, Classic will need a franchise; so, the litigation will continue. "We've spent nearly \$3 million buying a bunch of lawyers Mercedes-Benzes," Mr. Belsie complains. "And we're still not in the telephone business."

That doesn't bother Russell Pennington. The rancher says he used to get mostly busy signals when he called his wife via cellphone while tending their 2,700 acres. Now Rural's call-waiting puts him through in a jiffy. "This telephone system has really got this community fired up," he says. "We did what downtrodden people do best: We fought back, and we won."

# Stranded-Cost Recovery:

The "lost-revenues" approach in Order 888 ignores the fact that cash flow drives asset valuation . . .

## All FERC'ed Up

By Michael T. Maloney, Robert E. McCormick, and Chad A. McGowan

. . . the key to measuring uneconomic investment.

Order 888, the new rule from the Federal Energy Regulatory Commission (FERC), is a sham—for both consumers and producers. And it is probably illegal.

Order 888 grew out of the so-called mega-NOPR (Notice of Proposed Rulemaking), in which FERC sought rules for open access in electric transmission and, in particular, rules for the recovery of stranded costs. In turn, the mega-NOPR stemmed from the *Cajun* case,<sup>1</sup> in which the Cajun Electric Cooperative had sought to buy its power from afar but use its local utility's transmission facilities for delivery, and had then sued the FERC after the Commission allowed Entergy to recover stranded-generation assets through its transmission tariff.

The D.C. Circuit Court agreed with Cajun that the FERC had not followed the proper procedure in

setting the tariff, but the court went further. It gave its unsolicited opinion about what it thought the tariffs should look like—it offered *dicta* that tariffs should not tie the recovery of stranded-generation assets to transmission charges. The court said such ties would violate antitrust law.<sup>2</sup> In spite of that warning, that is exactly what the FERC did in Rule 888.<sup>3</sup>

Possibly, when the FERC fashioned the rule, it thought that it

could pass antitrust muster by the form of the stranded-cost recovery. Rule 888 takes a "revenues-lost" approach to the assessment of stranded costs. It explicitly eschews asset identification. Hence, it does not explicitly link stranded generation assets with transmission prices. While this approach may sidestep the Court's concern about tying contracts, the revenues-lost approach is a sham when applied to stranded costs.<sup>4</sup>

<sup>1</sup>*Cajun Electric Co-op v. FERC*, 28 F3d 173 (D.C. Cir. 1994).

<sup>2</sup>28 F3d at 177.

<sup>3</sup>In recent months, the FERC has claimed that the court's July decision on gas deregulation in *United Distr. Cos. v. FERC*, 88 F3d 1105 (D.C. Cir. 1996) shows that the court will allow the recovery of sunk costs and that Rule 888 is safe from judicial overthrow. This view seems more wishful than clear-sighted. The court has never ruled against stranded-cost recovery, only against recovery of stranded-cost in one deregulated line of business and another monopoly line. The natural gas ruling does not involve the crucial tying issue.

<sup>4</sup>The whole issue of Rule 888's treatment of stranded-cost recovery is complicated by the question of whether there should even be any recovery at all. We do not undertake that issue here. The lines are already well drawn. For a summary of the issues on stranded-cost recovery, see Maloney, McCormick, and Sauer, *Customer Choice, Consumer Value: An Analysis of Retail Competition in America's Electric Industry*, Washington Citizens for a Sound Economy Foundation, 1996, Volumes I and II. Whether one takes the regulatory-compact view or the corporate-welfare approach to stranded-cost recovery, we can all agree that recovery if it comes should be done efficiently and with least cost and disruption to the system. So, our purpose here is neither to praise or bury the recovery of stranded-costs, but to analyze Rule 888.

### Stonewalling Consumers

The alarming characteristic of Order 888 is that it views revenue as a property right of the utility with no regard for nature of the underlying capital investments that are said to be stranded.

Under Rule 888, the term should be stranded income, not stranded costs. The lost-revenues approach defined by FERC Rule 888 works in the following way: A customer that wishes to buy power from a different generator than its current supplier negotiates a transmission tariff for receiving the electricity over its existing utility's lines. Rule 888 allows the tariff to include a charge for recovery of stranded costs. The rule says that the utility currently providing service is allowed to build into the transmission tariff the revenues it will lose by the proposed competitive exit of the customer.

Consider a simple example. Say that Duke Power serves a wholesale customer, the City of Abbeville, SC, which in turn wants to buy power from Georgia Power. Since Abbeville does not own transmission facilities that connect with Georgia Power, it must negotiate with Duke for transmission. Under Rule 888, Duke gets to assess its lost revenues and recapture them in the transmission tariff. The recovery is based on what Abbeville is currently buying from Duke. Say the city buys 40 million kilowatt-hours (Kwh) per year and pays 5 cents per, for a total bill of \$200,000. The Rule says that the stranded-cost recovery charge is computed as current revenues minus the market value of the idled 40 million Kwh. The stranded-cost recovery, or SCR, is

$$SCR = \$200,000 - (P \times 40,000,000 \text{ Kwh})$$

where  $P$  is the market price of the lost sales. Obviously, stranded cost depends on the value of  $P$ . If Duke can sell the power at the old price,

5 cents, there are no stranded costs. On the other hand, if Duke claims that  $P$  is equal to or lower than the price quoted by the competing supplier, then there are no gains from switching. In other words, if the City has to pay Duke for its lost revenues, and the lost revenues are computed based on the price that the City has negotiated with the new supplier, then the net effect on the city is nil. There is no impact of competition—no lower prices, nor any reason at all for a buyer to search for a lower-cost seller.

That is why we say that Rule 888 is a sham.

Much debate and discussion has surrounded the value of  $P$ . However, this discussion is a wild-goose chase. The real issue is the FERC's use of current revenues as the benchmark for the stranded-cost formula. In using current revenues, the formula automatically assumes that the firm has stranded investments. If the City of Abbeville attempts to buy power in the wholesale market, it should not pay stranded costs to Duke Power unless Duke can show that it has stranded capital investments. However, as a matter of fact, Duke Power has no true stranded costs: The competitive market value of its current generation assets in place exceeds their current accounting or book value.

The market value of Duke's assets in place depends on the cash flows they can generate. If the financial markets value the future stream of cash flows more highly than the current accounting or book value of the assets, then the company as a whole has no stranded costs. In fact, the current market equity value of Duke is over 2! The risk-adjusted present value of Duke's expected stream of future income is twice its historical book value. In this case, the company

## Nuclear vs. Fossil

### Hindsight Shouldn't Matter

Stranded costs should reflect the portfolio of assets held by the firm. For instance, an electric utility may operate a nuclear facility with an enormous capital cost on the books. While the facility is productive and boasts low operating costs, its cash flows most likely will never pay off the huge historical cost. Hindsight reveals the nuclear investment as a mistake.

At the same time, however, the firm may possess several conventional fossil-fired plants that are partially or even fully depreciated and thus no longer reflected in rate base. Today they look like astute investments. The assessment of stranded costs should account for both the good and bad investment decisions. If it is fair for consumers to pay off the historical cost of the nuclear facility of the utility, then it is also fair that consumers claim possession of the facilities that they have already paid for.

### Delay is Wrong Thinking

#### Instead, Recapitalize

Many commentators recommend a delay in consumer choice to help solve the stranded-cost problem. That is wrong thinking.

Delay does allow utilities to continue charging high prices, but high prices represent an inefficient way to recover stranded costs. Moreover, many utilities that are allowed to continue charging high prices during the delay have no true stranded costs and are simply earning excess returns that overburden the economy and slow economic prosperity and growth.

Instead, cut the tie to the old regulation by financially recapitalizing those utilities that claim to have stranded costs. Let the stock market or acknowledged experts accurately determine the level of stranded costs. That done, policymakers can make a more informed decision on dealing with the problem.



could lose *half* its future income and still not have any true stranded costs. While competition may make Duke Power's stock price fall, the stock price will not fall below the book value of its assets. Accordingly, the present value of the income stream that Duke can expect to earn exceeds the book value of its assets in place.

A simple example should demonstrate the poor judgment of Rule 888. Consider two utilities. The revenue flows to the two firms are the same, yet one has a

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**FERC Order 888 views revenue as a property right with no regard for the underlying capital investments said to be stranded.**

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brand new plant that generates power while the other employs an older plant. The new plant cost \$150 million; the old plant cost \$100 million to build 15 years ago and is now 50-percent depreciated. The output of the old plant is twice the output of the first; the price of power produced at the old plant is half the price of the power made at the new plant. Hence, total revenues are equal across the two plants. Along comes deregulation and the prices fall at both plants to 90 percent of the price at the old plant. According to FERC Rule 888, both utilities recover the same level of stranded cost. This is bad. The old plant, half depreciated, receives the same treatment as the new plant just brought on line. If there is to be stranded-cost recovery, the rule should treat the capital investments as stranded—not the income flows they generate.

The whole idea of deregulation comes from the notion that regulation has proven less than perfectly effective in driving price down to average cost. The point of customer choice is to allow competition to force price down. But the FERC's formula violates the entire purpose of open access. In assuming that current revenues form the benchmark for stranded costs, the formula assumes that all price declines create stranded costs. It implies that the current regulated price is the lowest price that can recover the book value of investments made by the utility. It assumes that these investments were prudent, and that the assets remain used and useful. In short, it assumes that current regulation is efficient and has been perfect throughout its past history. If this fable were true, there would be no need or cry for deregulation.

**Loopholes for the Chosen Few**

Current regulation and the FERC's rule for competitive access are generating a host of anomalies. For instance, new customers are allowed to avoid paying stranded costs, and utilities are actively competing for new hookups. New industrial customers are able to negotiate prices in the range of 3 cents/Kwh (¢/Kwh) while the current average industrial price of electricity nationwide is 5.2¢/Kwh. The FERC's argument is that new hookups are not responsible for the old capacity that may be left stranded. However, the capacity that is being used to supply these new hookups could be offered to old customers at lower marginal rates even if the old customers were still forced to pay for the historical cost of the capacity. Moreover, it may well be the case that new

customers are negotiating rates below the full cost of providing the power and that old customers are paying the capacity costs of the power provided to the new customers. Clearly, this result is unfair. The whole argument is devoid of economic logic and so deeply rooted in a sunk-cost fallacy that it is easy to see why there is so much confusion.<sup>5</sup>

A strong incentive obviously exists for customers to try to bypass their local utility. Various attempts are being tried in this regard. The FERC has most recently ruled that one of these bypass attempts is not legal. However, there will be more attempts and cases. Most recent bypass attempts have involved municipalities with the legal option to become a wholesale purchaser. In a common scenario, a large industrial user will propose that its municipality should become its electricity provider. Under the current FERC rule, a new municipality can avoid stranded-cost recovery charges when accessing the wholesale power grid. Hence, the municipality can pass some or all of this saving along to the industrial customer. In most of the cases where this has been potentially effective, the current local utility has ultimately caved in and cut a deal with the industrial customer to offer lower prices. In some cases, the industrial customer has shared some of these gains with the municipality. Even so, bypass is adding to the pattern of stranded-cost recovery discrimination.

Why is it fair (because it certainly is not efficient) for comparable customers of a utility to pay different prices?

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<sup>5</sup>Regulators have tried this old/new distinction in the past to redistribute wealth. During the early and mid-1970s, another artificial distinction emerged between old and new crude oil in the ground. By fiat, the prices diverged considerably between the two, and oil drillers went through all manner of creative distortions to convert their "old" cheap oil to "new" market priced oil.

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## Hoodwinking Producers

From the perspective of consumers, FERC Rule 888 looks like taxpayer assistance from the Internal Revenue Service. It's supposed to help, but it doesn't. Even so, things are not all rosy on the producers' side. The rule lays down requirements for the imposition of stranded costs that can potentially allow switching customers to avoid all stranded-cost charges.

The rule exempts new hookups from paying for stranded costs. Only those old customers that the utility had a reasonable expectation of keeping are liable. No one knows exactly how this requirement of reasonable expectations will play in practice. Clearly, customers will claim that the utility had no expectation, while the utility will claim that the customers had no where else to go. Some customers will attempt to build transmission access to other suppliers in order to prove their point. Others may attempt to install their own generation facilities. Some of this capital expenditure will be duplicative and wasteful.

In all events, the "reasonable expectation" requirement will prove contentious. It is where prices are highest that customers will most likely succeed in making their case. Obviously, where prices are the highest, customers have had the most incentive to search for lower-priced alternatives. How the FERC will interpret unsuccessful efforts at switching is hard to know. Will the City of Las Cruces, NM—because of its unsuccessful, long-suffering effort at bypassing the local utility—finally win open access without tariffs that include stranded-cost recovery? Or, will the city be forced to pay stranded

costs because it must obviously have had an expectation of paying them? (It has never found an alternative before.)

On the other hand, customers of utilities that enjoy relatively low prices, but who now see competitive access offering the miraculous prospect of lowering their rates even farther, are the ones most likely thwarted by Rule 888. They will have a hard time proving that they have been shopping around. Their utilities will be able to make legitimate claims of a reasonable expectation of serving these customers forever. Ironically, these utilities are likely to be the companies that have no true stranded costs.

Rule 888 leaves us shaking our heads. The problem with the rule is fundamental. It cannot be patched. It assumes that all utilities face true stranded costs. But they don't. Hence, the fatal flaw.

In spite of the flaw, there was (and is) little the FERC could do. The Court has essentially said that assessment of true stranded costs necessarily involves an illegal tie. Hence, the FERC had no option but to decline jurisdiction to impose stranded-cost recovery no matter how fair and equitable, or to attempt some form of subterfuge. It chose the latter course—one doomed to failure.

## Correctly Defining Stranded Costs

Before we suggest ways that the stranded-cost issue might be handled more efficiently, let's define stranded costs more precisely. Let's adopt the only definition that remains consistent with economics, logic, and good sense: Stranded costs mark the difference between the historical book value

of utility assets net of depreciation minus the fair market value of these assets in the competitive setting. If this value is positive, this difference represents the amount of stranded costs. If it is negative, then the utility faces no stranded costs.<sup>6</sup>

Ideally, if government chooses to regulate, it should choose a price that equals cost.<sup>7</sup> In practice, however, the regulators do not know what cost is *ex ante*. Hence, rate regulation has historically involved the *ex post* approval of a rate schedule that allows recovery of the firm's out-of-pocket expenses plus a fair return on its invested capital. In this setting, the stock market value of regulated assets should equal the historical cost. Investors expect that regulators will adjust price up if it is too low to return this amount, and down if it is so high as to generate excess earnings. Market price reflects cost, so should the stock market price. In effect, the utility avoids the risk of changing conditions, which instead is imposed on

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**The lost-revenues formula assumes that all price declines create stranded costs. It implies (wrongly) that the current regulated price is the lowest price that can recover investment.**

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the ultimate customer. That's why customers today must pay very large sums to maintain a system with 25 percent idle capacity.

The process is different in a competitive setting. In competitive markets, capital value reflects the discounted value of future cash flows—not historical cost. When a firm builds a plant in a competitive market, the value of the plant will rise or fall according to the market

<sup>6</sup>Even if stranded costs do exist, without some other argument, there is no justification for awarding the recovery of sunk costs. Firms all over the land lose their shirts daily because they cannot recover their sunk investments. This is an abiding characteristic of a free and open capitalistic economy.

<sup>7</sup>Efficiency requires that price equal marginal cost. Under certain cost conditions this becomes problematic.

price of its output. If the market price of output goes up, the facility could be worth more than its original cost of construction.<sup>8</sup>

In the electric power industry, competition will likely drive down market prices. Thus, it is possible that the new, competitive, fair-market value of electric assets will fall below historical book value. This difference—historical cost minus fair market value—should mark the true measure of true stranded costs.<sup>9</sup>

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**Old customers are paying the capacity costs of the power provided to the new customers. Clearly, this result is unfair.**

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Also included in stranded costs are long-term contracts. Many utilities have entered into long-term contracts to buy power from cogeneration or small power production facilities (QFs) qualifying for special treatment under the Public Utility Regulatory Policies Act (PURPA). Often, these contracts bind the utility to buy power at prices above the likely competitive equilibrium. Regardless of the merit of the public policy or business judgment of these contracts, the stranded-cost formula accounts for them appropriately. The fair-market value of the firm includes these purchased-power obligations. If the contracts involve obligations to buy power at

above-market rates, then the fair-market value of the firm is consequently lower—and stranded costs consequently higher. Stranded costs from PURPA contracts do not require special accounting or treatment under the market-valuation approach.

#### **Measuring Stranded Costs**

Notice that the firm may or may not incur stranded costs. In the rate regulation process, productive assets are written off as the assets are paid for by income. These assets are not necessarily unproductive. However, the regulated firm is not allowed to charge prices that reflect the economic value of these assets. The firm can recover only its out-of-pocket costs of operating this capital. Under competition, these assets will have value because they will produce net positive cash flows. The competitive price will reflect the opportunity cost of these assets. Their capital value will reflect the cash flows derived from the output generated at these plants.

In short, the stranded-cost question comes down to valuing the asset portfolio of each firm.<sup>10</sup> Thus, we propose to measure stranded costs and base recovery on market transactions or some arbitrated valuation process. Let the financial market or reasonable experts value the assets and adjudicate the issue.<sup>11</sup> If the financial market is the judge, then competition among investors will drive the fair-market value of the assets

to their highest level. From this height, the true level of stranded costs will be revealed.

One method appears fair and simple to implement. Let any utility that claims to have stranded costs recapitalize itself. As of the utility's date of election, new shares of the company will begin trading. These shares will be exchanged one-for-one with the old shares. The new shares will have no claim to stranded-cost recovery of historical costs on the books prior to their issue. The value of the new shares is, then, the fair market value of the utility. The difference between the historical book value and the fair-market value, if positive, is the level of stranded costs. Shareholders of record on the day before the date of election will be entitled to whatever stranded cost recovery is provided for in the deregulation proceeding.

In the process of this recapitalization, a divestiture of assets into generation, transmission, distribution, and unregulated entities might make for a good policy choice. Why? Because the unregulated utility assets must be deducted from the fair-market value of the firm in assessing the level of stranded costs. Recapitalization marks the best time to invoke divestiture. If reintegration is efficient, and if it does not threaten the competitiveness of the market in the eyes of the antitrust authorities, then the separate firms can remerge.<sup>12</sup> The stranded-cost issue is primarily a generation issue because most of the deregulation scenarios involve continued regulation of transmission and distribution activities.

#### **Recovering Stranded Costs**

The method of recovery is another matter, but one thing is certain: Utilities should recover stranded costs by means of an

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<sup>8</sup>If the construction cost of the facility is unchanged, then we must expect that the market price of output will eventually fall because entrepreneurs will build new facilities.

<sup>9</sup>In other work, (see note 4, *supra*), we have estimated that less than half of the investor-owned utilities will have book values in excess of market values in a competitive market setting. By these computations, these are the only firms that should be eligible for any recovery of stranded investments, and only then to the extent the market value of assets is less than the historical accounting book value.

<sup>10</sup>The valuation process is problematic in many ways. Since regulation does not reward firms for operating productive assets with no book value, regulated firms have historically had an incentive to idle assets that are still economical to operate and will be valuable in a competitive environment.

<sup>11</sup>It bears noting that the valuation process is commonly used to determine merger prices and to resolve issues that arise in financial litigation.

<sup>12</sup>We note that this is nearly exactly what happened to AT&T, and what is now happening as mergers and consolidations efficiently align vertical assets within the telecommunications industry.

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access charge or fixed fee. Stranded-cost recovery should not violate the equality of marginal production cost and marginal consumption charge. While the FERC rule violates this condition, and while some commentators argue for a unit-charge recovery, most economists agree that a two-part tariff is the most effective way to design an efficient pricing algorithm.

The access fee part of the tariff should reflect hookup capacity, and should equal the *pro rata* share of stranded costs amortized into the future at the average electric utility bond rate. The period over which to amortize stranded costs should be 20 to 30 years.

Nevertheless, another and more troublesome issue looms. Who is going to pay how much of the true stranded costs generated by the current system of rate regulation?

There are few easy answers here. A nationally mandated charge weighs heavily on those customers in states and regions that have no stranded costs. A state-by-state approach seems better. But what will be done with utilities that span multiple states? Within states, should customers of a utility with stranded costs be assessed the full bill or should all customers in the state bear the burden? If costs are imposed only upon those customers of the utility with true stranded costs, will customers wishing to completely unhook from the system be allowed to do so without paying anything? At this point, straightforward and simple answers are hard to come by. Note, however, that bad approaches to stranded-cost recovery implicitly answer all of these questions, and always in inefficient and many times ineffective ways.

Here are some positive suggestions:

- 1) Share the burden of stranded costs, with primary responsibility lying within the state. A 2-to-1 or 3-to-1 sharing rule seems appropriate. That is, 75 percent of the stranded-cost recovery should be assessed on the residents of the state in which the utility operates, and only 25 percent on federal resources.
- 2) States should set rules for sharing costs among the state's citizens. Some states will assess across all citizens. Some will assess recovery only on those customers already hooked up. Others will adopt different sharing rules.

- 3) States should determine whether new hookups or other bypasses will avoid stranded-cost recovery charges.

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**Let any utility that claims stranded costs recapitalize itself with shares having no claim to stranded costs. These new shares will trade at fair market value. Any negative premium indicates true stranded costs.**

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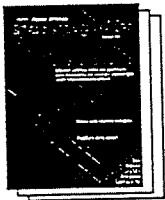
- 4) Utilities that span multiple states should share stranded-cost recovery across the states, based on hookup capacity.

These proposals certainly involve some legislative and regulatory hurdles. Even so, it is important to recognize that the stranded-cost question becomes substantially simplified when stranded costs are measured correctly. By our estimates, the true value of stranded cost is around \$40 billion for the investor-owned segment of the industry. Compared to the estimated gains from competition, this is a trivial amount. ▼

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*Michael Maloney and Robert McCormick are professors of economics at Clemson University, Clemson, SC, and recently collaborated on an extensive study on electric utility deregulation prepared for the Citizens for a Sound Economy Foundation: Customer Choice, Consumer Value: Analysis of Retail Competition in America's Electric Industry. They can be reached at maloney@clemson.edu, or sixmile@clemson.edu. Chad A. McGowan is a principal with the McGowan Law Firm, headquartered in Atlanta, GA.*

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Public Utilities  
**Fortnightly**

**Retail Wheeling:**

**Potential Property Tax  
Implications for the  
Taxpayers of Kansas Cities**

Presented March 6, 1997

to

Kansas Senate Utilities Committee

by

Chris McKenzie, Executive Director  
League of Kansas Municipalities

*Senate Utilities  
3-6-97  
Att. 3*



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To: Senate Utilities Committee  
From: Chris McKenzie, Executive Director  
Date: March 6, 1997

I. INTRODUCTION

I would like to first thank the committee for the opportunity to appear before you today to present information on the property tax implications of retail wheeling. You have a daunting task ahead as you consider the restructuring of the electric industry in Kansas. The League has been studying, and continues to study, the issue in order to educate ourselves and our member cities. I believe that you will find that the information that we collect may also be helpful to your discussions.

The restructuring of the retail electric industry and the possibility of retail competition will have a dramatic impact on all 627 cities in the state. Cities which operate municipal electric utilities as well as those which grant electric utility franchises will be affected by any change which results from such restructuring. In particular, revenue sources for those cities may be dramatically altered under a competitive system. The key questions for Kansas cities can be summed up as follows:

Municipal Electric Utility Cities

- ① Will municipal electric utilities cities will be required to participate in retail wheeling?
- ② Will other electric utilities will be allowed to "cherry-pick" the customers of the municipal utilities?

Non-Municipal Electric Utility Cities

- ① How will franchise fees be affected by retail wheeling?
- ② Will retail wheeling reduce the cost of electricity to those cities which are consumers of the product?

In an attempt to quantify the potential impact of retail wheeling on the revenue sources of cities in the state, the League has prepared two Research Information Bulletins (RIBs) which have been included in the packet of information that you received today. One addresses the value of a municipal electric utility to a city and the other analyzes franchise fees collected by cities from other electric utilities. In the following sections of my presentation, I will address the data collected and presented in these RIBs and explain their property tax implications.

## II. MUNICIPAL ELECTRIC UTILITY CITIES

### A. History

Municipal utilities have a long and important history in Kansas dating back 110 years. The first one was established in Herington in 1888, and by 1930 105 such systems were in operation. Most municipal utilities in Kansas were established in small cities in rural areas that could not secure this valuable service otherwise. Because electricity is such an essential commodity, these cities chose to invest in the facilities to deliver this service, and in doing so, created a valuable asset for their citizens.

The following list demonstrates some of the obvious differences between municipal electric utilities and IOUs:

- Municipals are governed by elected public officials, not private boards of directors.
- Municipals are responsible only to their citizens, not shareholders.
- There are no "profits" with a municipal utility. All monies are public and any surplus is transferred into the general operating budget of the city.
- Problems can be addressed locally rather than at the home office of a corporation far away or in Topeka in front of the Kansas Corporation Commission.

### B. The Value of Municipal Electric Utilities to their Communities

With 121 municipal electric utilities, Kansas ranks fourth in the nation in the number of public systems by state. As RIB No. 643 points out, the 105 municipal electric utilities which responded to our survey contributed \$37,252,080.62 in fund transfers pursuant to K.S.A. 12-825d and other services to their cities.

In addition to lighting city office buildings, providing street lights, and lighting city parks, municipal electric utilities support many essential community services that would not be available in areas served by a nonmunicipal utility. For example, the following services and nonprofit community organizations receive free electricity from municipal electric utilities:

- Baseball fields in Oberlin and Sterling
- Boy Scout cabin in Baldwin City
- Christmas lights in Hugoton, Kingman, LaCrosse, and Lindsborg
- Senior citizen rebates in Wamego
- Airports in Belleville and Lucas

This list is by no means exhaustive, but it is demonstrative of the fact that the value of a municipal electric utility goes far beyond the dollar figures that appear on a budget form.

### C. Property Tax Implications in Municipal Electric Utility Cities

Contributions made by municipal electric utilities make up a significant part of the revenue mix in those cities. Consider the following:

Contributions to Cities by Municipal Utilities in 1995 = \$37,252,080.62

Total Property Taxes Levied by All Cities in 1995 = \$303,520,000.00

Thus, in 1995 municipal electric utilities contributed an amount equal to 12% of the total ad valorem property taxes levied by all cities. The significance of this figure becomes even more apparent when considered with regard only to those cities which operate municipal electric utilities:

Contributions to Cities by Municipal Utilities in 1995 = \$37,252,080.62

Total Property Taxes Levied by Municipal Utilities Cities in 1995 =  
\$69,594,341.34

Therefore, in 1995 municipal utilities contributed an amount equal to 53% of the total ad valorem property taxes levied by all cities which operate a municipal electric utility.

Any restructuring plan which results in a reduction of customers, an increase in cost, or stranded investment in the form of outstanding bonded indebtedness for these cities would have a dramatic impact on the overall revenue picture. As noted previously, most municipal utilities are operated by small cities in rural areas. These areas have little or no sales tax base and would, therefore, be forced to rely on property tax increases to make up for any losses incurred as a result of retail electric restructuring.

### III. NON-MUNICIPAL ELECTRIC UTILITY CITIES

#### A. Franchise Fees

As RIB No. 644 demonstrates, franchise fees collected from electric utilities are a significant revenue source in most cities which do not operate their own municipal electric utilities. In 1995, the 124 cities which responded to our survey derived \$25,285,621 in electric franchise fees. This is a significant part of the revenue mix of these cities:

Total Electric Franchise Fees Collected in 1995: \$25,285,621

Total Property Taxes Levied by All Cities in 1995: \$303,520,000

Thus, franchise fees accounted for city revenue in an amount equal to 8% of the total property tax levied by all cities.

Total Electric Franchise Fees Collected in 1995: \$25,285,621

Total Property Taxes Levied by Non-municipal Electric Cities:  
\$233,925,658.66

Thus, franchise fees accounted for city revenue in an amount equal to 11% of the total property taxes levied by cities which do not operate a municipal electric utility.



## B. As Consumers

It is important to remember that those cities which do not operate a municipal electric utility are consumers of electricity sold by a utility. In some of the larger cities in Kansas, cities purchase as much electricity as many industrial and commercial customers. Therefore, the cost of electricity to this class of customer must also be considered when determining the impact of wheeling on cities.

## C. Property Tax Implications in Nonmunicipal Electric Utility Cities

The structure of any retail wheeling plan will determine how much of an impact wheeling has on cities which do not operate municipal electric utilities. A plan could contain any of the following possibilities:

- If franchise fees are eliminated or reduced, cities will be forced to turn to other revenue sources (property taxes and in some cases sales taxes) in or to maintain the current level of services to their citizens.
- In the event that wheeling results in a reduction of rates for cities which are consumers of electricity, some taxpayer money will be saved. However, a reduction of rates will not, in many cases, offset the loss of franchise fees that are currently being collected.

## IV. CONCLUSION

As the legislature begins to consider the implementation of an electric industry restructuring plan in Kansas, it is important to remember that any adverse impact on the revenues currently collected by cities will have in turn an adverse impact on the citizens of those cities who will have to make up the public funds through some other revenue source. Given the limited nature of sales tax revenue in the rural parts of the state, small cities will have to turn to an increasing reliance on the property tax in order to maintain current city services.

# RESEARCH / INFORMATION BULLETIN

League of Kansas Municipalities / 300 S.W. Eighth Street / Topeka, Kansas 66603 / 913-354-9565

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## THE EFFECTS OF MUNICIPAL ELECTRIC UTILITIES

In a continuing attempt to quantify the impacts of electric utilities on those cities which operate them as municipal services, the League surveyed 125 cities with municipal electric utilities on the total financial contribution of those utilities to the cities. Cities were asked such questions as the amount of direct transfers from the electric fund to other city funds, the value of free or discounted electricity provided to city departments and other facilities, the value of free or discounted electricity to other governments and non-profits, and the value of personnel services paid from electric department monies. (A copy of the questionnaire form is attached.) A total of 105 cities responded to our inquiry. One city indicated that it no longer operates a municipal electric utility; data from the other 104 cities is included in the attached tables.

In the aggregate, municipal electric utilities contributed \$37,252,080.62 to these 104 Kansas cities in 1995. These contributions ranged from a low of \$0 in Elsmore to a high of \$12,808,078 in Kansas City, with a mean of \$358,193.08 and a median of \$151,635.79. These cities ranged in population from Kansas City, with 144,266 residents, to Webber, with 39. The mean value for support per capita was \$97.39, with a median of \$80.41.

If these funds were no longer available to cities, they would have to cut city services or raise additional revenues. One of the principal sources of revenue to local governments in Kansas is the ad valorem property tax, so the impacts of eliminating municipal electric utilities have been quantified as the property tax mill levy equivalent of the support provided by the electric utilities in 1995. Using assessed valuation and total city mill levy data from the "1995 City Tax Rates for 1996," published in the January, 1996, issue of the *Kansas Government Journal*, figures were obtained for both the mill levy needed to replace electric utility support and the percent increase that would reflect in city mill levies. These figures are summarized in the attached tables.

**Summary of Potential Retail Electric Wheeling Impacts on Kansas Communities with Municipal Electric Utilities**

City	Total Support from Electric Utility	Population 7/1/94 certified 96	Assessed Valuation 1995	Total Support Per Capita	Mill Levy Needed to Replace Total Support	Total City Mill Levy	New Levy	Percent Increase in Mill Levy
Alma	\$68,093.08	872	\$2,269,865	\$78.09	29.999	22.354	52.353	134.20%
Altamont	\$91,923.00	1,032	\$2,274,326	\$89.07	40.418	28.816	69.234	140.26%
Anthony	\$127,578.83	2,376	\$6,024,451	\$53.69	21.177	64.652	85.829	32.76%
Arcadia	\$61,942.51	313	\$327,755	\$197.90	188.990	50.715	239.705	372.65%
Ashland	\$91,809.20	984	\$2,608,937	\$93.30	35.190	69.237	104.427	50.83%
Attica	\$255,505.38	630	\$1,439,796	\$405.56	177.459	35.924	213.383	493.99%
Augusta	\$249,624.29	8,439	\$26,438,985	\$29.58	9.442	34.201	43.643	27.61%
Axtell	\$35,383.00	379	\$1,092,927	\$93.36	32.375	31.488	63.863	102.82%
Baldwin City	\$210,840.00	3,654	\$8,882,595	\$57.70	23.736	32.009	55.745	74.16%
Belleville	\$462,000.00	2,361	\$6,514,704	\$195.68	70.916	59.463	130.379	119.26%
Beloit	\$154,471.86	4,052	\$11,597,402	\$38.12	13.320	51.265	64.585	25.98%
Blue Mound	\$5,550.00	225	\$401,970	\$24.67	13.807	45.058	58.865	30.64%
Bronson	\$13,600.00	313	\$490,282	\$43.45	27.739	46.012	73.751	60.29%
Burlington	\$206,119.00	2,903	\$8,473,267	\$71.00	24.326	32.897	57.223	73.95%
Cawker City	\$59,800.00	576	\$1,395,470	\$103.82	42.853	37.500	80.353	114.27%
Centralia	\$62,217.00	420	\$1,082,600	\$148.14	57.470	31.282	88.752	183.72%
Chanute	\$963,536.61	9,498	\$27,557,654	\$101.45	34.964	31.164	66.128	112.19%
Chapman	\$95,465.00	1,290	\$2,806,887	\$74.00	34.011	46.647	80.658	72.91%
Chetopa	\$12,638.33	1,243	\$2,096,196	\$10.17	6.029	43.214	49.243	13.95%
Cimarron	\$68,390.00	1,715	\$6,453,969	\$39.88	10.597	26.661	37.258	39.75%
Clay Center	\$215,462.00	4,786	\$12,654,152	\$45.02	17.027	43.214	60.241	39.40%
Coats	\$2,927.06	123	\$182,119	\$23.80	16.072	25.495	41.567	63.04%

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City	Total Support from Electric Utility	Population 7/1/94 certified 96	Assessed Valuation 1995	Total Support Per Capita	Mill Levy Needed to Replace Total Support	Total City Mill Levy	New Levy	Percent Increase in Mill Levy
Coffeyville	\$1,318,752.00	12,191	\$29,158,009	\$108.17	45.228	44.925	90.153	100.67%
Colby	\$381,289.09	5,625	\$23,197,134	\$67.78	16.437	35.182	51.619	46.72%
Dighton	\$186,949.38	1,342	\$3,491,072	\$139.31	53.551	62.393	115.944	85.83%
Ellinwood	\$275,066.00	2,226	\$4,508,880	\$123.57	61.005	27.140	88.145	224.78%
Elsmore	\$0.00	86	\$121,890	\$0.00	0.000	15.219	15.219	0.00%
Enterprise	\$26,287.37	961	\$2,297,877	\$27.35	11.440	50.289	61.729	22.75%
Erie	\$211,982.00	1,278	\$2,758,044	\$165.87	76.860	39.089	115.949	196.63%
Eudora	\$198,555.00	3,818	\$12,112,968	\$52.00	16.392	12.744	29.136	128.62%
Fredonia	\$632,739.23	2,583	\$7,773,794	\$244.96	81.394	32.567	113.961	249.93%
Garden City	\$893,000.00	24,902	\$80,487,792	\$35.86	11.095	26.970	38.065	41.14%
Gardner	\$393,080.00	4,277	\$19,719,418	\$91.91	19.934	19.648	39.582	101.45%
Garnett	\$234,089.32	3,252	\$8,669,997	\$71.98	27.000	48.892	75.892	55.22%
Girard	\$483,334.32	2,756	\$9,555,925	\$175.38	50.580	41.286	91.866	122.51%
Glasco	\$52,170.42	545	\$707,347	\$95.73	73.755	32.331	106.086	228.12%
Glen Elder	\$61,684.36	444	\$1,298,113	\$138.93	47.518	35.100	82.618	135.38%
Goodland	\$506,460.69	5,034	\$16,046,131	\$100.61	31.563	41.082	72.645	76.83%
Greensburg	\$45,007.78	1,747	\$4,736,352	\$25.76	9.503	40.056	49.559	23.72%
Haven	\$230,373.94	1,252	\$3,092,553	\$184.00	74.493	29.002	103.495	256.86%
Herington	\$262,392.00	2,643	\$6,036,472	\$99.28	43.468	56.310	99.778	77.19%
Hill City	\$336,068.62	1,768	\$3,924,546	\$190.08	85.632	55.952	141.584	153.05%
Hillsboro	\$263,078.00	2,680	\$7,541,615	\$98.16	34.884	55.904	90.788	62.40%
Hoisington	\$145,729.00	3,246	\$4,914,341	\$44.89	29.654	61.875	91.529	47.93%
Holton	\$242,074.00	3,253	\$11,428,967	\$74.42	21.181	37.556	58.737	56.40%

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City	Total Support from Electric Utility	Population 7/1/94 certified 96	Assessed Valuation 1995	Total Support Per Capita	Mill Levy Needed to Replace Total Support	Total City Mill Levy	New Levy	Percent Increase in Mill Levy
Holyrood	\$43,758.38	472	\$1,078,028	\$92.71	40.591	52.281	92.872	77.64%
Horton	\$88,518.00	1,847	\$2,794,320	\$47.93	31.678	54.717	86.395	57.89%
Hugoton	\$153,390.58	3,240	\$9,977,539	\$47.34	15.374	32.610	47.984	47.14%
Iola	\$737,375.00	6,336	\$19,026,620	\$116.38	38.755	28.922	67.677	134.00%
Jetmore	\$78,760.83	892	\$1,985,563	\$88.30	39.667	34.406	74.073	115.29%
Johnson City	\$82,329.00	1,326	\$3,881,763	\$62.09	21.209	25.100	46.309	84.50%
Kansas City	\$12,808,078.00	144,266	\$544,388,812	\$88.78	23.527	64.220	87.747	36.64%
Kingman	\$130,240.00	3,302	\$10,295,528	\$39.44	12.650	37.969	50.619	33.32%
Kiowa	\$111,589.00	1,129	\$2,780,689	\$98.84	40.130	32.352	72.482	124.04%
LaCrosse	\$357,876.73	1,384	\$3,009,563	\$258.58	118.913	81.910	200.823	145.18%
LaHarpe	\$39,925.00	718	\$756,654	\$55.61	52.765	35.461	88.226	148.80%
Lakin	\$96,617.00	2,156	\$5,436,761	\$44.81	17.771	56.348	74.119	31.54%
Larned	\$250,616.00	4,474	\$11,249,059	\$56.02	22.279	84.173	106.452	26.47%
Lincoln Center	\$107,784.00	1,274	\$2,547,895	\$84.60	42.303	33.673	75.976	125.63%
Lindsborg	\$145,662.89	3,272	\$9,321,641	\$44.52	15.626	38.015	53.641	41.11%
Lucas	\$51,295.61	444	\$835,677	\$115.53	61.382	46.825	108.207	131.09%
Mankato	\$24,215.08	977	\$1,779,745	\$24.79	13.606	33.126	46.732	41.07%
McPherson	\$877,300.00	12,937	\$54,207,388	\$67.81	16.184	49.754	65.938	32.53%
Meade	\$916,800.00	1,545	\$3,947,771	\$593.40	232.232	87.782	320.014	264.56%
Minneapolis	\$228,597.00	1,940	\$4,444,597	\$117.83	51.433	63.682	115.115	80.76%
Montezuma	\$5,000.00	745	\$3,106,990	\$6.71	1.609	16.191	17.800	9.94%
Moran	\$27,550.00	511	\$938,550	\$53.91	29.354	21.582	50.936	136.01%
Morrill	\$3,407.50	292	\$463,591	\$11.67	7.350	17.410	24.760	42.22%

City	Total Support from Electric Utility	Population 7/1//94 certified 96	Assessed Valuation 1995	Total Support Per Capita	Mill Levy Needed to Replace Total Support	Total City Mill Levy	New Levy	Percent Increase in Mill Levy
Moundridge	\$157,265.00	1,568	\$9,146,504	\$100.30	17.194	18.561	35.755	92.64%
Mount Hope	\$74,170.54	1,092	\$1,831,194	\$67.92	40.504	29.034	69.538	139.51%
Mulberry	\$21,655.00	530	\$482,069	\$40.86	44.921	47.155	92.076	95.26%
Mulvane	\$315,448.00	5,101	\$14,276,100	\$61.84	22.096	45.112	67.208	48.98%
Neodesha	\$461,300.00	2,817	\$5,607,426	\$163.76	82.266	38.547	120.813	213.42%
Norton	\$234,166.00	2,906	\$7,904,205	\$80.58	29.625	52.064	81.689	56.90%
Oakley	\$177,420.00	2,106	\$6,339,615	\$84.25	27.986	39.565	67.551	70.73%
Oberlin	\$580,505.00	1,977	\$5,505,699	\$293.63	105.437	43.131	148.568	244.46%
Osage City	\$106,230.00	2,720	\$8,474,172	\$39.06	12.536	30.859	43.395	40.62%
Osawatomie	\$484,531.00	4,758	\$9,556,659	\$101.84	50.701	35.422	86.123	143.13%
Osborne	\$248,176.03	1,744	\$3,993,366	\$142.30	62.147	63.934	126.081	97.21%
Ottawa	\$867,927.00	11,419	\$33,384,855	\$76.01	25.998	46.962	72.960	55.36%
Oxford	\$33,983.88	1,194	\$2,395,950	\$28.46	14.184	40.005	54.189	35.46%
Pomona	\$23,430.00	1,107	\$1,354,773	\$21.17	17.294	16.572	33.866	104.36%
Pratt	\$625,598.00	6,701	\$21,663,312	\$93.36	28.878	30.193	59.071	95.65%
Robinson	\$42,140.05	285	\$489,439	\$147.86	86.099	31.752	117.851	271.16%
Russell	\$404,112.00	4,760	\$14,697,918	\$84.90	27.495	46.103	73.598	59.64%
Sabetha	\$159,000.00	2,354	\$12,214,577	\$67.54	13.017	40.211	53.228	32.37%
Savonburg	\$2,085.60	108	\$203,715	\$19.31	10.238	51.980	62.218	19.70%
Seneca	\$149,881.00	1,991	\$9,853,328	\$75.28	15.211	24.344	39.555	62.48%
Sharon Springs	\$37,062.42	871	\$2,351,180	\$42.55	15.763	28.881	44.644	54.58%
St. Francis	\$230,149.89	1,442	\$4,277,460	\$159.60	53.805	35.510	89.315	151.52%
St. John	\$70,345.00	1,335	\$3,251,401	\$52.69	21.635	68.259	89.894	31.70%

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City	Total Support from Electric Utility	Population 7/1//94 certified 96	Assessed Valuation 1995	Total Support Per Capita	Mill Levy Needed to Replace Total Support	Total City Mill Levy	New Levy	Percent Increase in Mill Levy
St. Marys	\$243,500.00	1,884	\$6,755,414	\$129.25	36.045	36.644	72.689	98.37%
Stafford	\$139,869.13	1,326	\$2,169,941	\$105.48	64.458	58.278	122.736	110.60%
Sterling	\$235,440.44	2,248	\$3,854,198	\$104.73	61.087	61.409	122.496	99.48%
Stockton	\$357,745.95	1,503	\$4,194,672	\$238.02	85.286	40.960	126.246	208.22%
Troy	\$247,050.50	1,049	\$1,986,412	\$235.51	124.370	14.801	139.171	840.28%
Udall	\$65,794.00	820	\$2,175,887	\$80.24	30.238	41.580	71.818	72.72%
Wamego	\$135,750.00	4,435	\$12,708,861	\$30.61	10.682	28.971	39.653	36.87%
Washington	\$51,498.92	1,277	\$2,669,551	\$40.33	19.291	43.697	62.988	44.15%
Waterville	\$91,300.00	561	\$1,620,859	\$162.75	56.328	25.014	81.342	225.19%
Wathena	\$125,000.00	1,130	\$2,808,908	\$110.62	44.501	11.657	56.158	381.76%
Webber	\$3,000.00	39	\$88,030	\$76.92	34.079	N/A	N/A	N/A
Wellington	\$879,774.00	8,575	\$25,589,792	\$102.60	34.380	50.228	84.608	68.45%
Winfield	\$908,052.00	12,090	\$44,463,162	\$75.11	20.423	47.796	68.219	42.73%
			mean	\$97.39	40.760			108.43%
			median	\$80.41	30.118			77.01%

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City	Population 7/1/94cert96	Total Suppt. Per Cap.	Mill Levy to Replace	Increase in Mill Levy
<b>over 20,000</b>				
Kansas City	144,266	\$88.78	23.527	36.64%
Garden City	24,902	\$35.86	11.095	41.14%
mean		\$62.32	17.311	38.89%
<b>10-20,000</b>				
McPherson	12,937	\$67.81	16.184	32.53%
Coffeyville	12,191	\$108.17	45.228	100.67%
Winfield	12,090	\$75.11	20.423	42.73%
Ottawa	11,419	\$76.01	25.998	55.36%
mean		\$81.78	26.958	57.82%
<b>5-10,000</b>				
Chanute	9,498	\$101.45	34.964	112.19%
Wellington	8,575	\$102.60	34.380	68.45%
Augusta	8,439	\$29.58	9.442	27.61%
Pratt	6,701	\$93.36	28.878	95.65%
Iola	6,336	\$116.38	38.755	134.00%
Colby	5,625	\$67.78	16.437	46.72%
Mulvane	5,101	\$61.84	22.096	48.98%
Goodland	5,034	\$100.61	31.563	76.83%
mean		\$84.20	27.064	76.30%
<b>3500-5000</b>				
Clay Center	4,786	\$45.02	17.027	39.40%
Russell	4,760	\$84.90	27.495	59.64%
Osawatomie	4,758	\$101.84	50.701	143.13%
Larned	4,474	\$56.02	22.279	26.47%
Wamego	4,435	\$30.61	10.682	36.87%
Gardner	4,277	\$91.91	19.934	101.45%
Beloit	4,052	\$38.12	13.320	25.98%
Eudora	3,818	\$52.00	16.392	128.62%
Baldwin City	3,654	\$57.70	23.736	74.16%
mean		\$62.01	22.396	70.64%
<b>2500-3500</b>				
Kingman	3,302	\$39.44	12.650	33.32%
Lindsborg	3,272	\$44.52	15.626	41.11%
Holton	3,253	\$74.42	21.181	56.40%
Garnett	3,252	\$71.98	27.000	55.22%
Hoisington	3,246	\$44.89	29.654	47.93%
Hugoton	3,240	\$47.34	15.374	47.14%
Norton	2,906	\$80.58	29.625	56.90%
Burlington	2,903	\$71.00	24.326	73.95%
Neodesha	2,817	\$163.76	82.266	213.42%

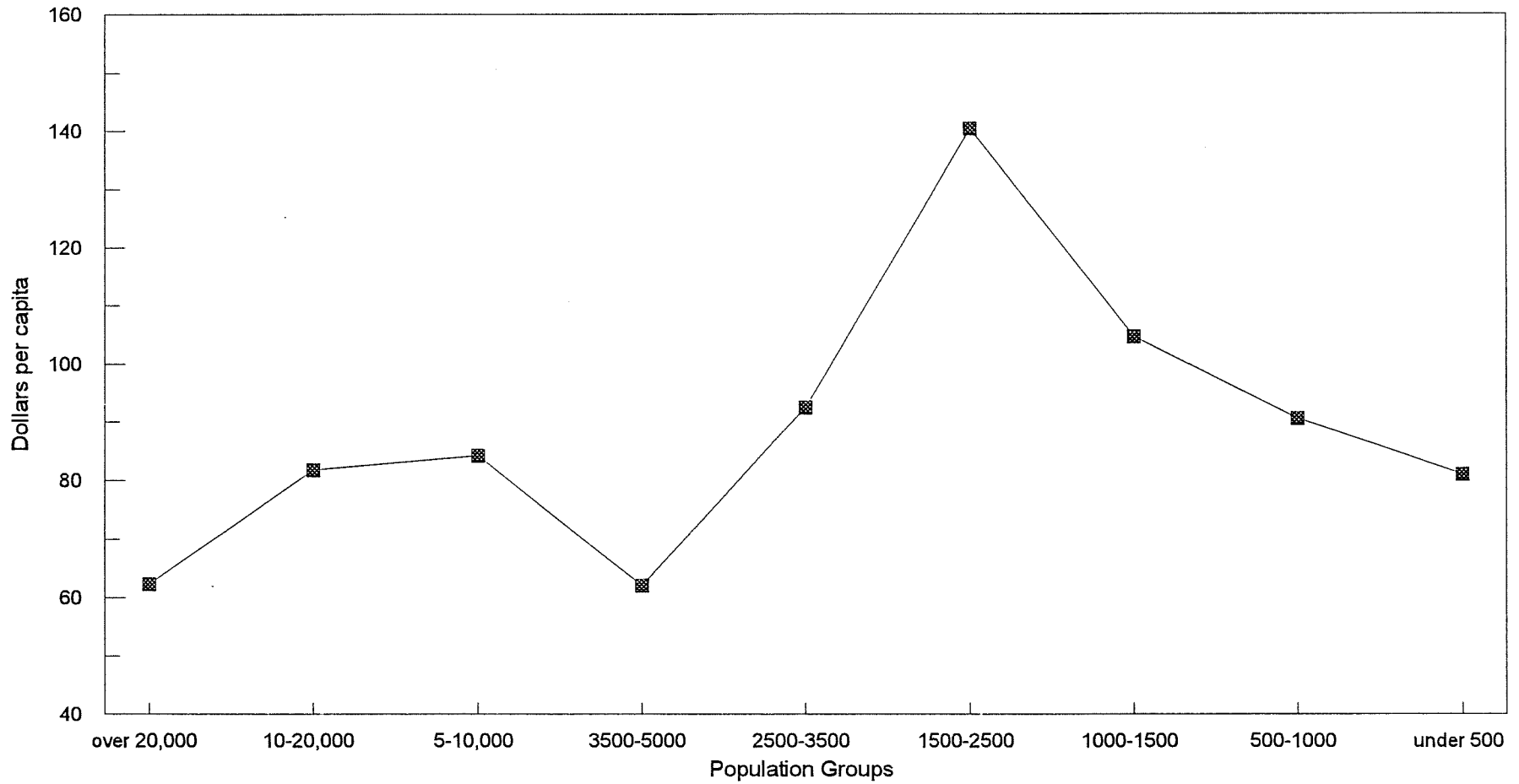
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City	Population 7/1/94cert96	Total Suppt. Per Cap.	Mill Levy to Replace	Increase in Mill Levy
Girard	2,756	\$175.38	50.580	122.51%
Osage City	2,720	\$39.06	12.536	40.62%
Hillsboro	2,680	\$98.16	34.884	62.40%
Herington	2,643	\$99.28	43.468	77.19%
Fredonia	2,583	\$244.96	81.394	249.93%
mean		\$92.48	34.326	84.15%
1500-2500				
Anthony	2,376	\$53.69	21.177	32.76%
Belleville	2,361	\$195.68	70.916	119.26%
Sabetha	2,354	\$67.54	13.017	32.37%
Sterling	2,248	\$104.73	61.087	99.48%
Ellinwood	2,226	\$123.57	61.005	224.78%
Lakin	2,156	\$44.81	17.771	31.54%
Oakley	2,106	\$84.25	27.986	70.73%
Seneca	1,991	\$75.28	15.211	62.48%
Oberlin	1,977	\$293.63	105.437	244.46%
Minneapolis	1,940	\$117.83	51.433	80.76%
St. Marys	1,884	\$129.25	36.045	98.37%
Horton	1,847	\$47.93	31.678	57.89%
Hill City	1,768	\$190.08	85.632	153.05%
Greensburg	1,747	\$25.76	9.503	23.72%
Osborne	1,744	\$142.30	62.147	97.21%
Cimarron	1,715	\$39.88	10.597	39.75%
Moundridge	1,568	\$100.30	17.194	92.64%
Meade	1,545	\$593.40	232.232	264.56%
Stockton	1,503	\$238.02	85.286	208.22%
mean		\$140.42	53.440	107.05%
1000-1500				
St. Francis	1,442	\$159.60	53.805	151.52%
LaCrosse	1,384	\$258.58	118.913	145.18%
Dighton	1,342	\$139.31	53.551	85.83%
St. John	1,335	\$52.69	21.635	31.70%
Johnson City	1,326	\$62.09	21.209	84.50%
Stafford	1,326	\$105.48	64.458	110.60%
Chapman	1,290	\$74.00	34.011	72.91%
Erie	1,278	\$165.87	76.860	196.63%
Washington	1,277	\$40.33	19.291	44.15%
Lincoln Center	1,274	\$84.60	42.303	125.63%
Haven	1,252	\$184.00	74.493	256.86%
Chetopa	1,243	\$10.17	6.029	13.95%
Oxford	1,194	\$28.46	14.184	35.46%
Wathena	1,130	\$110.62	44.501	381.76%
Kiowa	1,129	\$98.84	40.130	124.04%
Pomona	1,107	\$21.17	17.294	104.36%

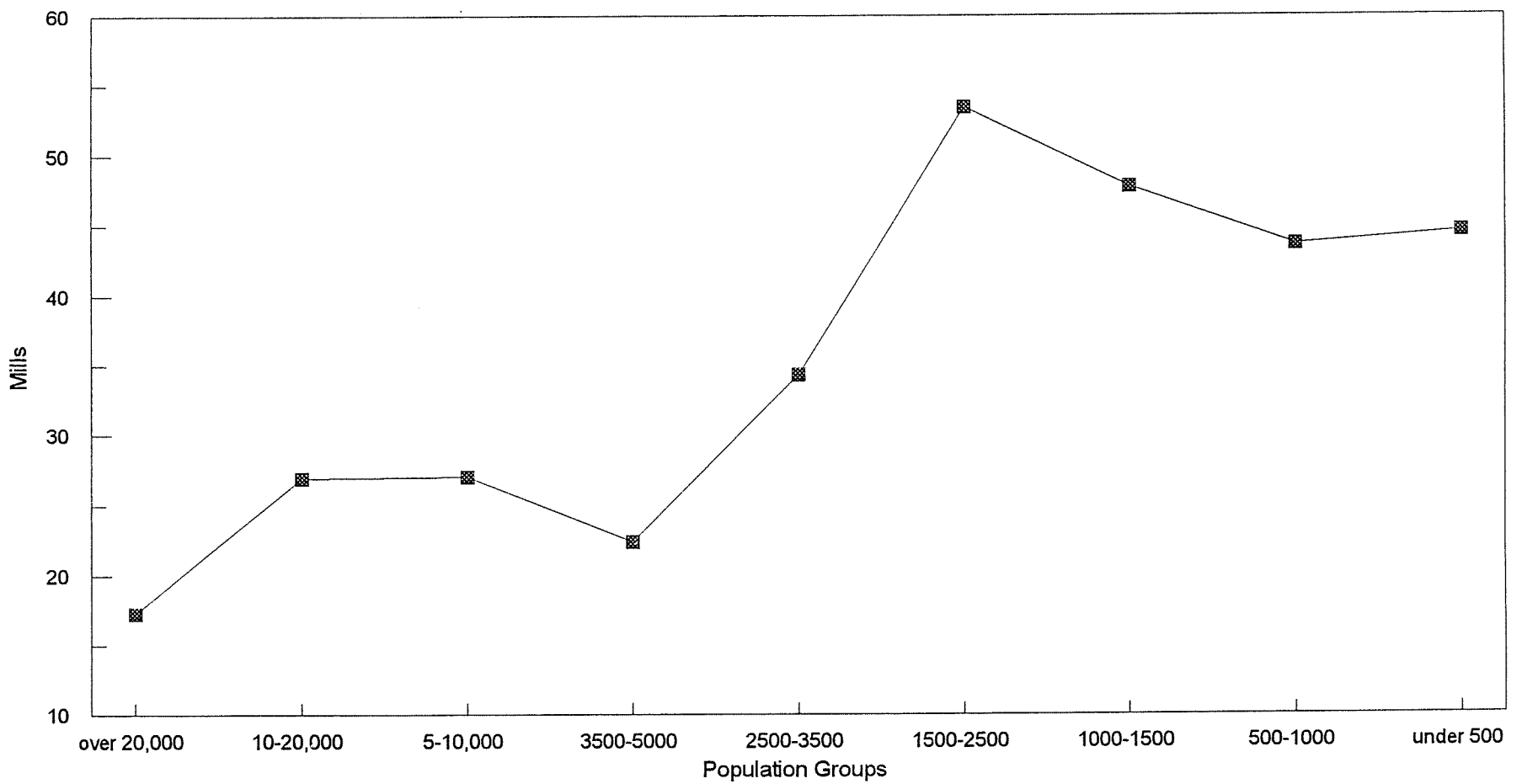
City	Population 7/1/94cert96	Total Suppt. Per Cap.	Mill Levy to Replace	Increase in Mill Levy
Mount Hope	1,092	\$67.92	40.504	139.51%
Troy	1,049	\$235.51	124.370	840.28%
Altamont	1,032	\$89.07	40.418	140.26%
mean		\$104.65	47.787	162.37%
<b>500-1000</b>				
Ashland	984	\$93.30	35.190	50.83%
Mankato	977	\$24.79	13.606	41.07%
Enterprise	961	\$27.35	11.440	22.75%
Jetmore	892	\$88.30	39.667	115.29%
Alma	872	\$78.09	29.999	134.20%
Sharon Springs	871	\$42.55	15.763	54.58%
Udall	820	\$80.24	30.238	72.72%
Montezuma	745	\$6.71	1.609	9.94%
LaHarpe	718	\$55.61	52.765	148.80%
Attica	630	\$405.56	177.459	493.99%
Cawker City	576	\$103.82	42.853	114.27%
Waterville	561	\$162.75	56.328	225.19%
Glasco	545	\$95.73	73.755	228.12%
Mulberry	530	\$40.86	44.921	95.26%
Moran	511	\$53.91	29.354	136.01%
mean		\$90.64	43.663	129.53%
<b>under 500</b>				
Holyrood	472	\$92.71	40.591	77.64%
Glen Elder	444	\$138.93	47.518	135.38%
Lucas	444	\$115.53	61.382	131.09%
Centralia	420	\$148.14	57.470	183.72%
Axtell	379	\$93.36	32.375	102.82%
Bronson	313	\$43.45	27.739	60.29%
Arcadia	313	\$197.90	188.990	372.65%
Morrill	292	\$11.67	7.350	42.22%
Robinson	285	\$147.86	86.099	271.16%
Blue Mound	225	\$24.67	13.807	30.64%
Coats	123	\$23.80	16.072	63.04%
Savonburg	108	\$19.31	10.238	19.70%
Elsmore	86	\$0.00	0.000	0.00%
Webber	39	\$76.92	34.079	N/A
mean		\$81.02	44.551	106.45%

Average Support per Capita



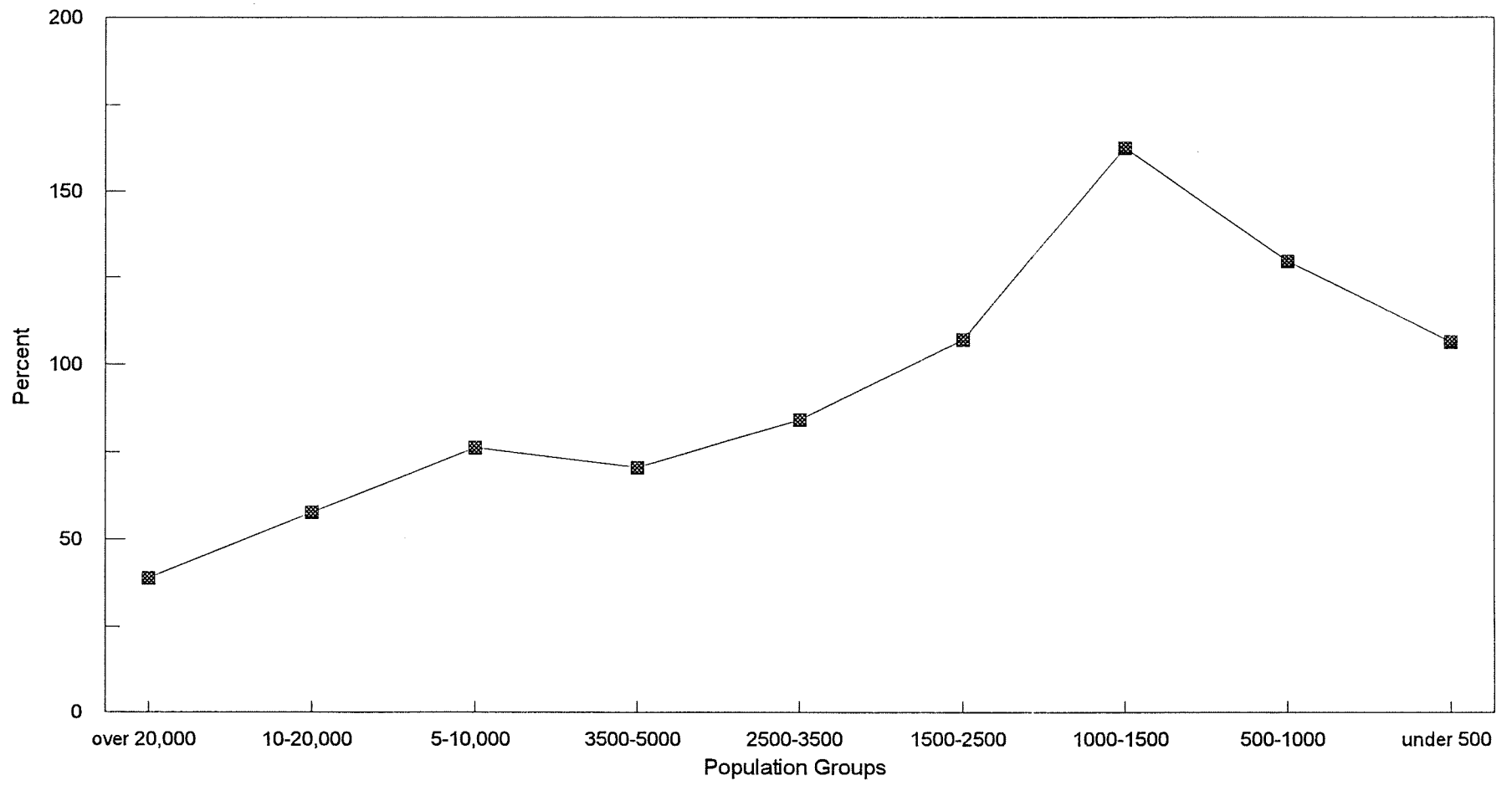
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Average Mill Levy to Replace



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Average Percent Increase in Mill Levy



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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec. 1995	Dept.	Value of Support 1995	Street Lights	Parking	Signals	Sirens	Others Specify	Others Value of Suppt.	Svcs. to Others	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
Alma	\$60,000.00	Parks Office Shops TOTAL	\$717.24 \$870.08 \$736.00 \$2,323.32	\$5,769.76										\$68,093.08
Altamont	\$45,000.00	Sewer Water Cable Fire Swim Pool City Hall Maint Shop Hwy Patrol TOTAL	\$5,038.00 \$350.00 \$2,200.00 \$1,800.00 \$700.00 \$3,355.00 \$600.00 \$240.00 \$14,283.00	\$11,472.00			\$100.00			\$1,068.00	\$20,000.00			\$91,923.00
Anthony	\$69,390.00	Police Shop Clerk's Ofc. Airport Water Well Sewer Recreation TOTAL	\$613.55 \$3,957.46 \$5,411.89 \$3,716.87 \$12,155.73 \$10,010.69 \$1,482.20 \$37,348.39	\$16,000.00				Library Muni. Hall Housing TOTAL	\$1,726.17 \$2,267.71 \$846.56 \$4,840.44					\$127,578.83
Arcadia	\$10,000.00	Maint. Bldg. City Barn City Hall Police TOTAL	\$225.70 \$250.55 \$916.62 \$2,045.82 \$3,438.69	\$22,140.00						\$360.34	\$26,003.48			\$61,942.51
Ashland	\$64,500.00	Parks Cemetery Airport Water City Hall Sewer Street Dept. TOTAL	\$242.64 \$127.36 \$974.96 \$361.04 \$2,302.40 \$1,191.28 \$1,303.28 \$6,502.96	\$17,122.16	\$468.64	\$117.76		City Signs Library TOTAL	\$216.08 \$2,267.20 \$2,483.28	\$614.40				\$91,809.20
Attica	\$250,000.00	Recreation Park Mem. Bldg. TOTAL	\$160.62 \$106.56 \$1,438.20 \$1,705.38	\$3,600.00						\$200.00				\$255,505.38
Augusta	\$65,488.00	Park Water Plant Sanitation Wastewater Lift Stations Street Dept. TOTAL	\$4,121.03 \$58,633.56 \$899.75 \$40,929.78 \$6,746.71 \$1,457.00 \$112,787.83	\$36,317.50		\$5,102.48		Ball Field Park Mulvane wp TOTAL	\$5,792.43 \$2,005.38 \$18,418.00 \$26,215.81	\$3,712.67				\$249,624.29
Axtell	\$4,000.00	All	\$10,047.00							\$356.00	\$20,980.00			\$35,383.00
Baldwin City	\$134,470.00	Swim Pool	\$900.00	\$26,470.00				Scout Cabi	\$600.00	\$400.00	\$48,000.00			\$210,840.00
Belleville	\$67,500.00	Water General	\$2,000.00 \$25,000.00	\$29,000.00				Arpt & TIC	\$6,000.00	\$6,500.00	\$326,000.00			\$462,000.00

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec. 1995	Dept. TOTAL	Value of Support 1995 \$27,000.00	Street Lights	Parking	Signals	Sirens	Others Specify	Others Value of Suppt.	Svcs. to Others	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
Beloit	\$97,109.97			\$46,882.67				Misc. Dist. & Sub TOTAL	\$1,227.02 \$4,552.20 \$5,779.22		\$4,700.00			\$154,471.86
Blue Mound				\$1,500.00				Ball Park Water/Sew City Hall TOTAL	\$1,250.00 \$2,500.00 \$300.00 \$4,050.00					\$5,550.00
Bronson	\$2,500.00	City Hall Library City Park TOTAL	\$400.00 \$450.00 \$500.00 \$1,350.00	\$2,000.00		\$100.00	\$150.00			\$300.00	\$7,200.00			\$13,600.00
Burlington	\$70,000.00	Clerk Park Dept. Street Dept. Police TOTAL	\$1,907.00 \$2,712.00 \$1,234.00 \$1,920.00 \$7,773.00	\$49,067.00	\$713.00	\$250.00	\$100.00			\$2,262.00	\$75,954.00			\$206,119.00
Cawker City	\$33,000.00			\$19,000.00		\$500.00	\$300.00			\$3,000.00	\$4,000.00			\$59,800.00
Centralia	\$30,000.00	Park & Pool City Office Equipment TOTAL	\$2,344.00 \$1,200.00 \$5,000.00 \$8,544.00	\$4,854.00		\$100.00	\$50.00	Ball Field Library TOTAL	\$533.00 \$1,172.00 \$1,705.00	\$1,000.00	\$15,964.00			\$62,217.00
Chanute	\$700,000.00	TOTAL	\$205,789.00							\$16,800.00		GSI-86	\$40,947.61	\$963,536.61
Chapman	\$55,000.00	Sts. Dept. Golf Cihhse City Bldg. Sewer Plan Water Well TOTAL	\$100.00 \$3,750.00 \$5,500.00 \$10,100.00 \$7,450.00 \$26,900.00	\$7,000.00	\$500.00	\$50.00	\$50.00	Ball Field Tennis Cts. TOTAL	\$2,000.00 \$500.00 \$2,500.00		\$3,465.00			\$95,465.00
Chetopa	\$9,443.33	City Hall Library Fire Station Swim Pool Ball Field TOTAL	\$508.50 \$401.00 \$221.00 \$266.00 \$133.00 \$1,529.50	\$1,615.50		\$50.00								\$12,638.33
Cimarron	\$24,000.00	Water Sewer Park Recreation Airport TOTAL	\$19,044.00 \$3,600.00 \$800.00 \$1,720.00 \$680.00 \$25,844.00	\$17,760.00		\$786.00								\$68,390.00
Clay Center	\$35,000.00	Water	\$34,815.00	\$44,563.00				Utility Park	\$48,393.00	\$11,372.00	\$41,319.00			\$215,462.00
Coats				\$2,927.06										\$2,927.06
Coffeyville	\$939,351.00	All Bldgs. Pumping St TOTAL	\$203,223.00 \$1,941.00 \$205,164.00	\$121,661.00		\$7,455.00				\$6,741.00	\$38,380.00			\$1,318,752.00

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec. 1995	Dept.	Value of Support 1995	Street Lights	Parking	Signals	Sirens	Others Specify	Others Value of Suppt.	Svcs. to Others	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
Colby	\$226,376.00	Water	\$50,424.00	\$16,977.48						\$2,610.31				\$381,289.09
		Sewer	\$40,544.39											
		Parks/Pool	\$4,272.81											
		Law Enforc	\$9,001.66											
		Library	\$3,601.40											
		City Hall	\$13,531.76											
		Unmetered	\$13,949.28											
		TOTAL	\$135,325.30											
Dighton	\$150,000.00	City Office	\$1,633.95	\$24,164.00										\$186,949.38
		Fire station	\$579.56											
		Swim Pool	\$2,100.21											
		Utility Shed	\$2,089.08											
		Wells	\$6,382.58											
		TOTAL	\$12,785.38											
Ellinwood	\$150,679.00	TOTAL	\$32,397.00	\$31,950.00							\$60,040.00			\$275,066.00
Elsmore								N/A		N/A	N/A			\$0.00
Enterprise		Swim Pool	\$3,590.76	\$4,815.12						\$360.87	\$13,400.00			\$26,287.37
		Parks	\$116.88											
		Water	\$1,165.23											
		Sewer	\$1,739.01											
		City Bldgs.	\$1,099.50											
		TOTAL	\$7,711.38											
Erie	\$211,982.00													\$211,982.00
Eudora	\$103,000.00	Water/Sew	\$8,500.00	\$3,000.00	\$650.00	\$200.00	\$200.00				\$72,500.00			\$198,555.00
		Mun. Bldgs.	\$5,755.00											
		Water pum	\$2,250.00											
		Rec. Facil.	\$2,500.00											
		TOTAL	\$19,005.00											
Fredonia	\$460,000.00	Police/Fire	\$10,601.54	\$147,429.34										\$632,739.23
		Cemetery	\$1,339.52											
		Parks	\$6,978.46											
		Library	\$4,412.52											
		Recycling	\$1,977.85											
		TOTAL	\$25,309.89											
Garden City	\$385,000.00	Admin.	\$14,850.00		\$600.00	\$16,250.00				\$11,500.00	\$225,450.00			\$893,000.00
		Cemetery	\$730.00											
		Police	\$1,490.00											
		Fire	\$9,380.00											
		Park & Zoo	\$41,250.00											
		Street	\$7,150.00											
		Solid Wast	\$1,300.00											
		Water	\$153,700.00											
		Airport	\$22,900.00											
		Golf Cours	\$1,450.00											
		TOTAL	\$254,200.00											
Gardner	\$304,600.00	Parks & Re	\$6,560.00	\$24,500.00							\$8,500.00			\$393,080.00
		Water	\$12,410.00											
		Sewer	\$20,450.00											
		Gen. Govt.	\$16,060.00											
		TOTAL	\$55,480.00											
Garnett	\$73,092.39	Gas	\$902.66	\$50,000.00		\$960.64	\$50.00	Tn. Hall Ct	\$2,741.24	\$256.00	\$10,000.00			\$234,089.32

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec.		Value of Support					Others Specify Depot Physician TOTAL	Others Value of Suppt. \$6.00 \$124.23 \$2,871.47	Svcs. to Others	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
	1995	Dept.	1995	Street Lights	Parking	Signals	Sirens							
		Sewer	\$43,290.04											
		Water	\$25,661.97											
		Refuse	\$902.66											
		Park	\$7,827.50											
		Library	\$7,668.61											
		City Hall	\$3,862.65											
		Police Dept	\$4,996.49											
		Fire Dept.	\$1,746.24											
		TOTAL	\$96,858.82											
Girard	\$171,000.00			\$145,710.00							\$166,624.32			\$483,334.32
Glasco	\$43,425.42	Street	\$300.00								\$6,045.00			\$52,170.42
		City Office	\$2,400.00											
		TOTAL	\$2,700.00											
Glen Elder	\$29,600.00	City Hall	\$4,000.00	\$8,000.00				Wells	\$2,291.00		\$17,793.36			\$61,684.36
Goodland	\$300,000.00	City Office	\$6,681.72	\$46,441.63				Water Tow	\$192.65		\$153,144.69			\$506,460.69
Greensburg		TOTAL	\$25,347.78								\$19,660.00			\$45,007.78
Haven	\$119,216.35	Library	\$1,130.71	\$500.00			\$50.00				\$107,666.49			\$230,373.94
		EMS Bldg.	\$942.01											
		Cmty. Bldg.	\$343.38											
		Fire Station	\$50.00											
		Ball Fields	\$125.00											
		Swim Pool	\$50.00											
		Water Well	\$300.00											
		TOTAL	\$2,941.10											
Herington	\$56,000.00	Swim Pool	\$2,504.00	\$75,600.00	\$827.00	\$100.00	\$237.00			\$4,648.00	\$80,600.00			\$262,392.00
		Cmty. Bldg.	\$1,096.00											
		Street/Lake	\$6,326.00											
		Pub. Safety	\$13,669.00											
		Water	\$6,658.00											
		Wastewater	\$14,127.00											
		TOTAL	\$44,380.00											
Hill City	\$248,084.94	Street	\$1,757.89	\$43,432.82		\$1,747.85	\$395.46			\$8,736.74				\$336,068.62
		Wastewater	\$19,197.43											
		Water	\$6,062.22											
		Airport	\$2,767.10											
		City Hall	\$3,206.33											
		Fire	\$679.84											
		TOTAL	\$33,670.81											
Hillsboro	\$175,000.00			\$86,134.00	\$354.00	\$1,016.00	\$100.00				\$474.00			\$263,078.00
Hoisington	\$6,000.00									\$38,423.00	\$101,306.00			\$145,729.00
Holton	\$50,000.00	Admin.	\$2,208.00	\$42,000.00		\$2,173.00	\$600.00			\$22,175.00	\$86,287.00			\$242,074.00
		Pub. Safety	\$4,078.00											
		Street/Park	\$1,624.00											
		Water	\$5,126.00											
		Sewer	\$23,000.00											
		Library	\$2,803.00											
		TOTAL	\$38,839.00											

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec.		Value of Support					Others Specify Tower	Others Value of Suppt. \$1,358.38	Svcs. to Other	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
	1995	Dept.	1995	Street Lights	Parking	Signals	Sirens							
Holyrood	\$42,400.00													\$43,758.38
Horton	\$75,000.00	Sanitation Park Water Gen. Adm TOTAL	\$1,450.00 \$1,750.00 \$527.00 \$8,091.00 \$11,818.00	\$1,000.00	\$500.00	\$200.00								\$88,518.00
Hugoton		Street Police Admin. Park Sewer Water TOTAL	\$4,812.36 \$105.25 \$3,514.70 \$2,440.11 \$5,454.77 \$55,459.69 \$71,786.88	\$70,709.53		\$2,442.55		Xmas Light Museum TOTAL	\$208.37 \$631.50 \$839.87	\$7,611.75				\$153,390.58
Iola	\$604,276.00	Park Gas Water Fire Dept. Sewer City Hall TOTAL	\$8,724.00 \$530.00 \$21,212.00 \$1,964.00 \$3,707.00 \$7,336.00 \$43,473.00	\$552.00		\$560.00		City (use)	\$43,514.00		\$45,000.00			\$737,375.00
Jetmore	\$50,000.00	Park Water/Lig Sewer Office Water We TOTAL	\$15.37 \$511.17 \$575.55 \$922.85 \$9,678.49 \$11,703.43	\$16,757.03				Pool	\$300.37					\$78,760.83
Johnson City	\$23,341.00	Street sho	\$1,068.00	\$12,309.00			\$148.00	City Hall Fire Dept. TOTAL	\$1,762.00 \$1,496.00 \$3,258.00	\$72.00	\$42,133.00			\$82,329.00
Kansas City		TOTAL	\$2,117,749.00	\$2,890,207.00						\$668,297.00	\$39,000.00	Pmnt in lieu	\$7,092,825.00	\$12,808,078.00
Kingman	\$100,000.00			\$12,713.00		\$420.00		Xmas Light Spl. Constr. Don. L & E TOTAL	\$1,407.00 \$1,200.00 \$14,500.00 \$17,107.00					\$130,240.00
Kiowa	\$108,218.00	Shop Park Ball Field TOTAL	\$1,331.00 \$396.00 \$41.00 \$1,768.00	\$1,503.00			\$100.00							\$111,589.00
LaCrosse	\$320,000.00	Swim Pool Auditoriu Police Offi City Office Parks Shop Disposal Water To Water Pla TOTAL	\$1,484.00 \$3,048.76 \$825.19 \$3,412.14 \$918.05 \$1,907.60 \$4,431.50 \$142.60 \$10,855.50 \$27,025.34	\$9,086.04		\$1,437.43		Xmas Light	\$327.92					\$357,876.73
LaHarpe	\$19,500.00	Water	\$100.00	\$6,000.00			\$150.00			\$1,200.00	\$8,000.00			\$39,925.00

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec. 1995	Dept.	Value of Support 1995	Street Lights	Parking	Signals	Sirens	Others Specify	Others Value of Suppt.	Svcs. to Other	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
		Sewer	\$2,775.00											
		City Hall	\$1,700.00											
		Fire Dept.	\$500.00											
		TOTAL	\$5,075.00											
Lakin		Gen. Adm	\$3,333.00	\$61,640.00							\$18,292.00			\$96,617.00
		Gen. Park	\$4,912.00											
		Water	\$2,499.00											
		Sewer	\$3,207.00											
		Shop	\$2,734.00											
		TOTAL	\$16,685.00											
Larned	\$91,927.00			\$24,812.00	\$4,685.00			Xmas Light	\$207.00	\$31,400.00	\$97,585.00			\$250,616.00
Lincoln Center	\$75,000.00	City Hall	\$2,655.00	\$10,792.00						\$103.00				\$107,784.00
		City Shop	\$1,890.00											
		Animal Slt	\$599.00											
		Airport	\$1,181.00											
		Parks, Po	\$2,017.00											
		Water	\$10,608.00											
		Sewer	\$2,939.00											
		TOTAL	\$21,889.00											
Lindsborg		Water	\$16,392.72	\$40,515.44				Xmas Light	\$1,043.52		\$43,841.53			\$145,662.89
		Wastewat	\$23,562.96					City Offices	\$5,953.68					
		Parks	\$2,366.88					Warehouse	\$859.68					
		Swim Pool	\$4,956.24					TOTAL	\$7,856.88					
		Streets	\$859.68											
		Police	\$5,310.56											
		TOTAL	\$53,449.04											
Lucas	\$25,000.00	City Office	\$727.00	\$2,400.00		\$50.00	\$25.00	Park	\$225.00		\$20,000.00			\$51,295.61
		Library	\$242.00					Airport	\$109.80					
		City Shop	\$715.53					Power Hse.	\$615.53					
		Tennis Ct.	\$100.00					TOTAL	\$950.33					
		Ball Field	\$858.00											
		Tin Shed	\$177.75											
		Ambulanc	\$50.00											
		TOTAL	\$2,870.28											
Mankato		Sewer	\$1,691.99	\$15,972.48				City Shop	\$420.15	\$716.80	\$4,108.16			\$24,215.08
		Fire	\$722.27											
		Library	\$583.23											
		TOTAL	\$2,997.49											
McPherson	\$810,000.00	Lts. Purch	\$55,300.00							\$12,000.00				\$877,300.00
Meade										\$870,000.00	\$46,800.00			\$916,800.00
Minneapolis	\$27,549.00	Park	\$1,624.00	\$15,724.00			\$500.00	H.S. Lights	\$458.00	\$2,386.00	\$160,000.00			\$228,597.00
		City Hall	\$2,565.00					Ball Field	\$651.00					
		Police	\$463.00					TOTAL	\$1,109.00					
		Water We	\$10,833.00											
		City Shop	\$1,237.00											
		Park	\$1,569.00											
		Sewer	\$3,038.00											
		TOTAL	\$21,329.00											
Montezuma				\$5,000.00										\$5,000.00

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec.		Value of Support		Street Lights	Parking	Signals	Sirens	Others Specify	Others Value of Suppt.	Svc. to Other	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.	
	1995	Dept.	1995													
Moran	\$25,000.00	City Hall Water Sewer Parks TOTAL	\$950.00 \$500.00 \$250.00 \$250.00 \$1,950.00		\$300.00			\$50.00							\$250.00	\$27,550.00
Morrill		Fire Dept. Water De TOTAL	\$294.50 \$257.00 \$551.50		\$2,665.00			\$75.00	Park	\$96.00	\$20.00					\$3,407.50
Moundridge	\$42,000.00	Airport Ball Field City Office Fire & Am Library Parks Street Sho TOTAL	\$1,065.00 \$2,000.00 \$3,725.00 \$800.00 \$1,450.00 \$200.00 \$450.00 \$9,690.00		\$19,000.00				Sewer lift	\$4,575.00		\$82,000.00				\$157,265.00
Mount Hope	\$60,000.00	Park/Pool Pool Fire Statio Ball Field Water #4 Water #5 City Shop City Bldg. Cmty. Ctr. Concessio Med. Clini TOTAL	\$2,325.91 \$298.60 \$794.10 \$592.90 \$3,950.80 \$1,016.55 \$865.83 \$2,009.17 \$1,732.44 \$426.71 \$157.53 \$14,170.54													\$74,170.54
Mulberry	\$13,200.00	Plant Office Police/Fir Other TOTAL	\$2,000.00 \$2,000.00 \$2,000.00 \$2,455.00 \$8,455.00													\$21,655.00
Mulvane	\$101,240.00	TOTAL	\$18,772.00		\$28,081.00		\$2,755.00	\$750.00	Ball Field Xmas Light TOTAL	\$7,500.00 \$1,000.00 \$8,500.00	\$3,500.00	\$90,770.00	Equipment	\$61,080.00		\$315,448.00
Neodesha	\$409,000.00	Enterprise Gen. fund TOTAL	\$44,850.00 \$4,450.00 \$49,300.00						Ball Fields	\$3,000.00						\$461,300.00
Norton	\$26,098.00	Water Sewer City shop City Hall Library Parks Airport TOTAL	\$30,640.00 \$12,000.00 \$7,000.00 \$4,750.00 \$7,680.00 \$5,000.00 \$3,141.00 \$70,211.00		\$27,157.00		\$2,000.00	\$200.00				\$8,500.00	\$100,000.00			\$234,166.00
Oakley	\$30,000.00	Water Police Ra Swim Pool Sewer TOTAL	\$24,785.00 \$79.00 \$1,611.00 \$1,005.00 \$27,480.00		\$58,000.00				Airport Ligh	\$2,540.00	\$750.00	\$58,650.00				\$177,420.00

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec.		Value of Support					Others Specify	Others		Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
	1995	Dept.	1995	Street Lights	Parking	Signals	Sirens		Value of Suppt.	Svcs. to Other				
Oberlin	\$480,031.00			\$5,000.00	\$288.00	\$100.00	\$20.00	Ball Parks Library TOTAL	\$200.00 \$1,830.00 \$2,030.00	\$3,036.00	\$90,000.00			\$580,505.00
Osage City	\$60,000.00			\$45,110.00			\$70.00			\$1,050.00				\$106,230.00
Osawatomie	\$147,000.00	Parks Pub. Work Sewer Library City Hall TOTAL	\$14,176.00 \$14,367.00 \$42,514.00 \$10,913.00 \$8,427.00 \$90,397.00	\$37,679.00		\$500.00	\$500.00				\$208,455.00			\$484,531.00
Osborne	\$206,000.00	Water Pla Library TOTAL	\$8,219.25 \$956.78 \$9,176.03	\$5,000.00							\$28,000.00			\$248,176.03
Ottawa	\$515,000.00	Water De Fire Statio Sewer Cemetery Gen. Fund TOTAL	\$94,902.00 \$21,414.00 \$6,187.00 \$8,714.00 \$24,256.00 \$155,473.00	\$20,693.00	\$10,571.00	\$16,168.00		Legal fees	\$21,747.00		\$128,275.00			\$867,927.00
Oxford	\$15,000.00	TOTAL	\$18,983.88											\$33,983.88
Pomona	\$5,000.00	Wells Park & Sh City Bldg. Fire Dept. TOTAL	\$5,517.00 \$786.00 \$2,694.00 \$322.00 \$9,319.00	\$6,178.00						\$2,933.00				\$23,430.00
Pratt	\$580,000.00			\$40,578.00		\$5,020.00								\$625,598.00
Robinson	\$37,000.00										\$5,140.05			\$42,140.05
Russell	\$251,585.00	Golf Cour Parks Airport Wastewat Water Police/Fir City Hall Streets TOTAL	\$5,625.00 \$6,394.00 \$6,799.00 \$17,898.00 \$42,621.00 \$7,472.00 \$11,334.00 \$5,223.00 \$103,366.00	\$46,310.00		\$2,851.00								\$404,112.00
Sabetha	\$41,000.00										\$118,000.00			\$159,000.00
Savonburg		City Hall	\$300.00	\$1,785.60										\$2,085.60
Seneca	\$80,000.00	Ambulanc Water Sewer Library Maint. Sho Parks Ball Field TOTAL	\$403.00 \$16,361.00 \$9,621.00 \$4,000.00 \$1,824.00 \$280.00 \$863.00 \$33,352.00	\$22,870.00		\$1,507.00	\$200.00	City Hall Museum Swim Pool TOTAL	\$3,110.00 \$648.00 \$1,194.00 \$4,952.00	\$500.00	\$4,000.00	Equipment	\$2,500.00	\$149,881.00

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RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec. 1995	Value of Support		Parking	Signals	Sirens	Others Specify	Others Value of Suppt.	Svcs. to Other \$205.83	Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
		Dept. 1995	Street Lights										
Sharon Springs		Water \$10,573.94 Sewer \$3,353.06 Park \$698.85 Fire Statio \$236.92 City Office \$2,115.11 TOTAL \$16,977.88	\$19,878.71										\$37,062.42
St. Francis	\$155,000.00	Office \$1,350.82 Shop \$2,544.82 Wells & St \$39,130.43 Library \$6,024.80 Fire Dept. \$925.48 TOTAL \$49,976.35	\$11,473.30				Lift Station	\$1,906.55	\$4,293.69	\$7,500.00			\$230,149.89
St. John	\$36,000.00	Water \$2,288.00 Sewer \$400.00 Parks \$5,005.00 TOTAL \$7,693.00	\$5,577.00				TOTAL	\$6,913.00	\$915.00	\$13,247.00			\$70,345.00
St. Marys	\$200,000.00	City Hall \$2,500.00 Park/Stree \$6,500.00 Sewer \$5,000.00 Water \$4,500.00 Golf Cour \$4,600.00 Fire Dept. \$2,500.00 TOTAL \$25,600.00	\$15,000.00			\$200.00			\$1,500.00	\$1,200.00			\$243,500.00
Stafford	\$17,000.00	Swim Pool \$1,046.54 Street/Alle \$111.13 Parks \$1,080.05 Airport \$1,481.67 Xmas Ligh \$3,000.00 Water \$59,653.29 Sewer \$1,333.88 TOTAL \$67,706.56	\$20,466.32				Fire Dept. City Office Police Dept Animal Sltr. TOTAL	\$1,115.83 \$4,629.62 \$429.93 \$77.71 \$6,253.09	\$4,143.16	\$24,300.00			\$139,869.13
Sterling	\$36,000.00	Lake Sltrs. \$8,076.00 Fire Dept. \$896.00 Cemetery \$2,465.00 Svc. Bldg. \$2,488.00 Library \$3,548.00 City Hall \$6,142.00 TOTAL \$92,655.44	\$25,079.00		\$1,138.00	\$834.00	Ball Field	\$2,248.00		\$77,486.00			\$235,440.44
Stockton	\$320,870.00	Water \$6,785.54 Sewer \$4,115.91 City Hall \$1,024.36 Fire/Amb. \$409.20 Parks \$577.06 Street sho \$370.14 TOTAL \$13,282.21	\$17,870.00						\$3,668.74	\$2,055.00			\$357,745.95
Troy	\$167,000.00	City Hall \$2,000.00 City Shop \$2,000.00 Pump Hse \$883.50 Water To \$1,923.50 TOTAL \$6,807.00					TOTAL	\$73,000.00	\$243.50				\$247,050.50
Udall	\$39,093.00	Police De \$80.00 City Bldg \$110.00	\$50.00			\$10.00	Park	\$50.00		\$26,401.00			\$65,794.00

Handwritten initials or signature.

RETAIL ELECTRIC WHEELING IMPACTS

INDIVIDUAL CITY DATA

City	Transfers from Elec.		Value of Support		Street Lights	Parking	Signals	Sirens	Others Specify	Others		Personnel	Misc. Explain	Misc. Amnt.	Total Suppt.
	1995	Dept. TOTAL	1995	1995						Value of Suppt.	Svcs. to Other				
Wamego	\$98,000.00			\$190.00	\$14,557.00		\$2,544.00		TOTAL	\$17,049.00	\$3,600.00				\$135,750.00
Washington		Fire	\$84.00		\$30,000.00			\$200.00	Sr. Citizens	\$2,394.66	\$998.44				\$51,498.92
		Library	\$2,580.20						Camper Pk	\$491.27					
		City Hall	\$2,608.82						Park/Fair	\$3,000.00					
		Ambulanc	\$467.56						TOTAL	\$5,885.93					
		Sewer/Wa	\$1,420.29												
		Water	\$7,253.68												
		TOTAL	\$14,414.55												
Waterville	\$39,800.00	Water	\$3,943.00		\$7,802.00	\$411.00	\$99.00	\$41.00			\$4,971.00	\$24,982.00			\$91,300.00
		Sewer	\$6,389.00												
		City Bldg.	\$2,665.00												
		Fire & Am	\$197.00												
		TOTAL	\$13,194.00												
Wathena	\$38,000.00	TOTAL	\$39,000.00									\$48,000.00			\$125,000.00
Webber					\$3,000.00										\$3,000.00
Wellington	\$575,882.00	Police	\$2,300.00				\$91,066.00		Wastewater	\$55,301.00	\$102,851.00				\$879,774.00
		Fire/EMS	\$2,723.00						Water	\$27,303.00					
		Parks	\$4,073.00						Sanitation	\$147.00					
		Auditoriu	\$5,672.00						Golf Course	\$4,141.00					
		Street/PW	\$1,839.00						TOTAL	\$86,892.00					
		Cemetery	\$803.00												
		City Hall	\$4,479.00												
		Lake	\$1,194.00												
		TOTAL	\$23,083.00												
Winfield	\$882,352.00						\$5,200.00	\$500.00				\$20,000.00			\$908,052.00
No. of cities		104													

NOTE: Reported Figures on Support for Electric Utility Operation (e.g., free power provided to run the electric generation facilities) have not been included in this spreadsheet.

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**1996 LEAGUE QUESTIONNAIRE**  
**Total Value of City Electric Utility Contributions**

**NAME:** \_\_\_\_\_ **CITY:** \_\_\_\_\_ **PHONE:** \_\_\_\_\_

**1. Fund Transfers**

Total funds transferred from your electric fund to other city funds in 1995? \$ \_\_\_\_\_  
 Estimated amount of transfers in 1996: \$ \_\_\_\_\_

**2. Support from Electric Utility Fund for City Departments**

Value of the electricity provided to city departments in 1995?

Department	Value
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

**NOTE ON ELECTRIC VALUES**

Please calculate all electric values as follows:  
 Kilowatt hours used x commercial rate +  
 customer and energy charges

**Example:**

City Park used 16,000 kwh x \$.18/kwh (comm-  
 ercial rate) = \$2,880 energy charge + (\$250  
 customer cg.) + (\$700 fuel cg.) = \$3,830 total

**3. Support from Electric Utility Fund for City and Other Facilities/Operations**

Value of the electricity used to power following facilities in 1995:

Street lights	\$ _____
Lighted parking lots	\$ _____
Traffic signals	\$ _____
Sirens	\$ _____
Other (please specify): _____	\$ _____
_____	\$ _____
_____	\$ _____

Please include the value of any electric service pro-  
 vided by the city, even if not billed to a customer, but  
 do not duplicate values reported in another section.

**4. Services to Other Governments and Non-Profits.** Does the city provide free or discounted electricity or free use of city facilities (including electricity) to any other government entity (e.g., county, school district) or non-profit organization (e.g., sporting events, scout troops, churches)? If so, what was the value of that electricity in 1995? \$ \_\_\_\_\_

**5. Personnel Services.** Do any city employees, paid from electric utility funds, perform services for another city department? If so, what was the value of those services in 1995?  
 (Number of hours times hourly pay, including benefits) \$ \_\_\_\_\_

**6. Background Information** (Complete or check ✓ as applicable)

(a) City electric utility outstanding bonded or lease purchase indebtedness as of January 1, 1995? \$ \_\_\_\_\_

(b) Our city: Distributes electricity only \_\_\_\_\_ Generates all its own electricity \_\_\_\_\_  
 Generates electricity only at certain times \_\_\_\_\_ (When? \_\_\_\_\_)

Please attach copies of your city's: (1) electric rate ordinance, (2) debt service schedules for each outstanding electric utility bond or lease-purchase issue as of 1/1/95, and (3) 1995 (or 1994 if 1995 not available) audited financial statements for the electric utility. Attach additional sheets if needed.

**Please Return To: League of Kansas Municipalities, 300 SW 8th, Topeka, KS 66603, Attn. Phil Hanes**

**PLEASE RETURN BY OCTOBER 15, 1996**

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# Municipal Electric Utilities in Kansas

City	Pop.	Year Est.	City	Pop.	Year Est.	City	Pop.	Year Est.
ALMA	872	1938	GREENSBURG	1747	1911	NORTON	2905	1912
ALTAMONT	1032	1934	HAVEN	1252	1908	OAKLEY	2106	1910
ANTHONY	2376	1909	HERINGTON	2643	1888	OBERLIN	1977	1901
ARCADIA	312	1913	HERNDON	160	1937	OSAGE CITY	2719	1890
ARMA	1545	1909	HILL CITY	1768	1900	OSAWATOMIE	4758	1913
ASHLAND	985	1909	HILLSBORO	2681	1930	OSBORNE	1744	1921
ATTICA	630	1915	HOISINGTON	3246	1940	OTTAWA	11418	1906
AUGUSTA	8439	1911	HOLTON	3253	1909	OXFORD	1194	1923
AXTELL	379	0	HOLYROOD	472	1918	POMONA	1107	1914
BALDWIN CITY	3654	1906	HORTON	1847	1912	PRATT	6702	1910
BELLEVILLE	2361	1923	HUGOTON	3240	1919	PRESCOTT	284	1921
BELOIT	4052	1890	IOLA	6336	1900	RADIUM	45	1935
BLUE MOUND	225	0	ISABEL	99	0	ROBINSON	285	0
BRONSON	313	1926	IUKA	169	1916	RUSSELL	4760	1910
BURLINGAME	1115	1902	JETMORE	892	1914	SABETHA	2354	1901
BURLINGTON	2904	1935	JOHNSON CITY	1327	1938	SAVONBURG	108	1902
CAWKER CITY	571	1913	KANSAS CITY	142630	1929	SCRANTON	722	1919
CENTRALIA	420	1911	KINGMAN	3302	1913	SENECA	1991	1903
CHANUTE	9497	1903	KIOWA	1129	1976	SEVERANCE	91	0
CHAPMAN	1290	1911	LACROSSE	1384	1906	SEWARD	59	0
CHETOPA	1243	1937	LAHARPE	718	1899	SHARON SPRINGS	871	1918
CIMARRON	1716	1913	LAKIN	2155	1915	ST FRANCIS	1442	1914
CLAY CENTER	4786	1907	LARNED	4474	1916	ST JOHN	1334	1910
COFFEYVILLE	12191	1901	LINCOLN CENTER	1274	1906	ST MARYS	1884	1908
COLBY	5626	1910	LINDSBORG	3272	1904	STAFFORD	1326	1910
DIGHTON	1342	1916	LUCAS	444	0	STERLING	2248	1916
ELLINWOOD	2226	1948	LURAY	233	1915	STOCKTON	1503	1908
ELSMORE	86	0	MANKATO	978	1950	SUMMERFIELD	160	0
ELWOOD	810	0	MARION	1978	1928	TORONTO	321	1917
ENTERPRISE	961	1910	MCPHERSON	12937	1909	TROY	1049	1911
ERIE	1278	1915	MEADE	1545	1910	UDALL	820	1939
EUDORA	3818	0	MINNEAPOLIS	1940	1921	VERMILLION	106	0
FREDONIA	2583	1901	MONTEZUMA	745	1921	WAMEGO	4435	1908
GALVA	677	1918	MORAN	511	1900	WASHINGTON	1277	1938
GARDEN CITY	24902	0	MORRILL	292	1927	WATERVILLE	561	0
GARDNER	4277	1918	MOUNDRIDGE	1568	1909	WATHENA	1130	1937
GARNETT	3252	1918	MOUNT HOPE	1092	1920	WEBBER	39	1937
GIRARD	2756	1904	MULBERRY	530	1915	WELLINGTON	8574	1902
GLASCO	545	1910	MULVANE	5101	1902	WINFIELD	12090	1904
GLEN ELDER	444	1905	MUSCOTAH	161	0			
GOODLAND	5034	1937	NEODESHA	2817	1922			

## Quick Facts

Total Municipal Utilities = 121  
 63 64 Generation & Distribution  
 58 57 Distribution Only

### City Size

- 76 Cities of 3<sup>rd</sup> Class
- 42 Cities of 2<sup>nd</sup> Class
- 3 Cities of 1<sup>st</sup> Class

### Number of Publicly Owned Electric Utilities by State\*

1. Nebraska 157
2. Iowa 137
3. Minnesota 130
4. Kansas 121
5. Missouri 89

40 states have less than 50

\*APPA, Number of State & Local Publicly Owned Electric Utilities by State, 1995.

### Average Rate Comparison\*\*

	Residential	All Classes
Munis	7.3	6.1
IOUs	7.7	6.4
COOPs	9.8	8.6

\*\*Average Revenue/kWh as calculated by the APPA.

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Shaded cities operate both generation and distribution systems.

# RESEARCH / INFORMATION BULLETIN

League of Kansas Municipalities / 300 S.W. Eighth Street / Topeka, Kansas 66603 / 913-354-9565

**Vol. XVII No. 644**  
**January 8, 1997**

## THE EFFECTS OF ELECTRIC FRANCHISE FEES

In a continuing attempt to quantify the importance of various revenue sources to Kansas cities, the League analyzed data reported in the *Kansas Municipal Revenue Practices for 1995* on the revenues cities derive from franchise fees on electric utilities.

If these funds were no longer available to cities, they would have to cut city services or raise additional revenues. One of the principal sources of revenue to local governments in Kansas is the ad valorem property tax, so the impacts of eliminating franchise fees have been quantified as the property tax mill levy equivalent of the revenue produced by the franchise fees in 1995. Using assessed valuation and total city mill levy data from the "1995 City Tax Rates for 1996," published in the January, 1996, issue of the *Kansas Government Journal*, figures were obtained for both the mill levy needed to replace electric utility support and the percent increase that would reflect in city mill levies. These figures are summarized in the attached tables.

The average franchise fee per capita in the 124 cities with reported data was \$17.04. The average mill levy to replace this fee would be 7.474 mills. In general, the increase in mill levies necessary to replace electric franchise fees is significant as a percentage of present mill levies. For 75% of cities, the increase would be 10.41% or more.

The tables also present the cities sorted into twelve population categories, and give averages for the cities within each population category. This analysis reveals that the population group with the lowest average mill levy to replace franchise fees is cities with 20,000-49,999 population. The average mill levy to replace electric franchise fees in these cities is 3.826. At the other extreme, cities with populations of 250-499 would require an average of 10.725 mills to replace electric franchise fees. Six of the population categories would have average percentage increases of around 15%, while the 250-499 population range would require an average increase in mill levies of 56.81% to replace franchise fees.

TAX .NUUE NEEDED TO REPLACE ELECTRIC FRANCHISE FEES

CITY	POP.	ELECTRIC FRANCHISE FEES,1995		ASSESSED TANGIBLE VALUATION	TOTAL CITY MILL LEVY	MILL LEVY TO REPLACE ELEC. FRANCH. FEES	PERCENT INCREASE IN MILL LEVY
	1994 cert 7/96	TOTAL	PER/CAP	1995	1995		
ABILENE	6,727	124,286	18.48				
ALLEN	225	2,550	11.33	\$458,140	24.574	5.566	22.65%
ALTA VISTA	464	5,630	12.13	\$1,040,019	39.449	5.414	13.72%
ANDOVER	4,991	70,966	14.22	\$23,813,227	36.104	2.980	8.25%
ARKANSAS CITY	12,480	287,397	23.03	\$31,342,282	64.881	9.170	14.13%
ATWOOD	1,342	29,154	21.72	\$3,888,424	26.760	7.498	28.02%
BAXTER SPRINGS	4,365	85,354	19.55	\$14,295,215	21.899	5.971	27.27%
BENNINGTON	590	8,535	14.47	\$1,402,946	30.933	6.084	19.67%
BENTLEY	411	3,588	8.73	\$719,864	41.184	4.984	12.10%
BIRD CITY	529	11,376	21.50	\$1,907,428	17.880	5.964	33.36%
BONNER SPRINGS	7,118	107,612	15.12	\$29,705,963	43.566	3.623	8.32%
BUFFALO	319	420	1.32	\$344,824	75.581	1.218	1.61%
BUHLER	1,381	23,583	17.08	\$3,911,806	42.913	6.029	14.05%
CALDWELL	1,350	35,340	26.18	\$3,939,984	64.444	8.970	13.92%
CARBONDALE	1,667	23,343	14.00	\$3,287,007	17.844	7.102	39.80%
CEDAR VALE	704	8,867	12.60	\$1,282,319	30.008	6.915	23.04%
CHAUTAUQUA	129	1,524	11.81	\$162,025	12.524	9.404	75.09%
CHENEY	2,033	32,655	16.06	\$4,898,229	46.618	6.667	14.30%
CHERRYVALE	2,471	42,836	17.34	\$4,631,643	50.081	9.249	18.47%
CLEAR WATER	2,165	20,754	9.59	\$6,665,629	34.299	3.114	9.08%
COLDWATER	852	23,338	27.39	\$2,132,980	72.650	10.942	15.06%
COLONY	387	4,140	10.70	\$690,142	40.778	5.998	14.71%
CONCORDIA	5,897	163,678	27.76	\$16,093,360	51.230	10.171	19.85%
CONWAY SPRINGS	1,408	5,652	4.01	\$2,169,491	60.430	2.605	4.31%
COTTONWOOD FALLS	798	12,323	15.44	\$1,841,225	64.367	6.693	10.40%
COUNCIL GROVE	2,278	38,609	16.95	\$7,567,543	38.853	5.102	13.13%
COURTLAND	327	6,146	18.79	\$892,221	52.211	6.888	13.19%
CUNNINGHAM	534	6,658	12.47	\$1,210,015	35.257	5.503	15.61%
DEERFIELD	710	8,026	11.30	\$1,376,010	58.044	5.833	10.05%
DERBY	16,588	269,979	16.28	\$63,278,754	39.606	4.267	10.77%
EDGERTON	1,383	7,001	5.06	\$3,121,618	42.397	2.243	5.29%
EDWARDSVILLE	3,554	69,583	19.58	\$17,191,998	38.605	4.047	10.48%
EL DORADO	12,032	257,339	21.39	\$44,190,352	40.592	5.823	14.35%
ELGIN	102	1,595	15.64	\$199,093	0.000	8.011	
ELLIS	1,828	24,123	13.20	\$4,700,934	53.889	5.132	9.52%
ELLSWORTH	2,827	75,775	26.80	\$7,078,032	49.355	10.706	21.69%
EMPORIA	25,522	531,065	20.81	\$93,265,641	34.316	5.694	16.59%
EVEREST	268	8,410	31.38	\$944,880	11.372	8.901	78.27%
FAIRVIEW	269	6,651	24.72	\$649,399	2.469	10.241	414.80%
FAIRWAY	4,124	115,451	27.99	\$37,016,359	10.294	3.119	30.30%
FLORENCE	626	8,914	14.24	\$1,228,265	88.897	7.257	8.16%
FOWLER	548	9,566	17.46	\$1,196,989	42.451	7.992	18.83%
FRANKFORT	916	18,324	20.00	\$1,931,537	73.801	9.487	12.85%
GARDEN PLAIN	916	10,047	10.97	\$2,638,865	42.363	3.807	8.99%
GRAINFIELD	334	2,031	6.08	\$1,000,274	26.293	2.031	7.72%
GRENOLA	244	2,493	10.22	\$333,959	70.312	7.465	10.62%
GRIDLEY	337	8,315	24.67	\$97,531	33.068	85.255	257.82%
GRINNELL	343	7,767	22.64	\$1,268,592	26.680	6.123	22.95%
HALSTEAD	2,159	40,782	18.89	\$7,894,160	62.006	5.166	8.33%
HARPER	1,627	44,322	27.24	\$4,232,386	70.321	10.472	14.89%
HARRIS	38	600	15.79	\$127,358	8.409	4.711	56.02%
HAVILAND	625	3,084	4.94	\$1,591,300	49.945	1.938	3.88%
HAYSVILLE	8,561	140,284	16.39	\$22,339,965	38.051	6.280	16.50%

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AX REVENUE NEEDED TO REPLACE ELECTRIC FRANCHISE FEES

HESSTON	3,078	79,271	25.75	\$16,182,386	30.799	4.899	15.91%
HIGHLAND	951	24,064	25.30	\$1,904,120	32.527	12.638	38.85%
HOLCOMB	1,823	1,493	0.82	\$3,654,707	61.930	0.409	0.66%
HOXIE	1,279	22,369	17.49	\$3,859,498	63.925	5.796	9.07%
HUMBOLDT	2,211	36,689	16.59	\$3,631,243	54.704	10.104	18.47%
HUTCHINSON	39,770	631,226	15.87	\$139,319,176	40.461	4.531	11.20%
JAMESTOWN	328	6,347	19.35	\$477,943	45.018	13.280	29.50%
JUNCTION CITY	20,380	358,095	17.57	\$66,429,402	52.217	5.391	10.32%
KANOPOLIS	614	15,416	25.11	\$822,951	61.830	18.733	30.30%
KECHI	827	8,438	10.20	\$3,628,428	22.244	2.325	10.45%
KISMET	410	8,774	21.40	\$759,394	21.152	11.554	54.63%
LANSING	7,967	84,024	10.55	\$22,370,779	23.352	3.756	16.08%
LATHAM	203	2,388	11.76	\$226,155	89.280	10.557	11.82%
LAWRENCE	71,721	1,525,245	21.27	\$356,295,015	22.867	4.281	18.72%
LEAWOOD	24,852	671,170	27.01	\$247,421,437	25.459	2.713	10.66%
LEBO	908	12,298	13.54	\$257,036	22.984	47.847	208.17%
LE ROY	545	7,797	14.31	\$165,387	35.747	47.146	131.89%
LOUISBURG	2,499	19,132	7.66	\$8,291,574	16.325	2.307	14.13%
LYNDON	1,065	24,864	23.35	\$2,931,059	40.083	8.483	21.16%
LYONS	3,494	51,490	14.74	\$8,443,670	40.421	6.098	15.09%
MANHATTAN	43,836	585,228	13.35	\$145,800,085	41.715	4.014	9.62%
MARYSVILLE	3,275	61,287	18.71	\$11,590,567	58.053	5.288	9.11%
MEDICINE LODGE	2,305	47,806	20.74	\$5,922,077	52.760	8.073	15.30%
MERRIAM	13,095	502,754	38.39	\$89,954,849	22.011	5.589	25.39%
MILTONVALE	470	11,535	24.54	\$1,044,163	58.353	11.048	18.93%
MINNEOLA	750	10,373	13.83	\$1,625,135	23.112	6.383	27.62%
MISSION	9,145	352,057	38.50	\$79,551,647	5.136	4.426	86.17%
MISSION HILLS	3,633	130,457	35.91	\$68,048,321	21.600	1.917	8.88%
MOUND CITY	806	5,342	6.63	\$2,038,960	27.808	2.620	9.42%
MUNDEN	137	518	3.78	\$290,606	46.552	1.783	3.83%
NARKA	107	1,732	16.19	\$143,175	94.737	12.098	12.77%
NESS CITY	1,638	32,227	19.67	\$4,652,327	51.458	6.927	13.46%
NEWTON	17,011	395,310	23.24	\$57,596,085	53.902	6.863	12.73%
NORTH NEWTON	1,284	29,741	23.16	\$4,189,844	34.310	7.098	20.69%
OGDEN	1,299	16,185	12.46	\$2,639,596	33.786	6.132	18.15%
OLPE	482	8,955	18.58	\$1,214,701	24.926	7.372	29.58%
OSWEGO	1,927	34,616	17.96	\$4,226,211	56.552	8.191	14.48%
OVERBROOK	948	14,270	15.05	\$3,051,565	28.220	4.676	16.57%
PAOLA	5,527	131,095	23.72	\$20,267,407	42.420	6.468	15.25%
PARK CITY	5,375	85,494	15.91	\$13,924,773	21.293	6.140	28.83%
PARSONS	11,473	187,389	16.33	\$32,371,169	57.185	5.789	10.12%
PHILLIPSBURG	2,711	59,378	21.90	\$7,884,228	48.569	7.531	15.51%
PITTSBURG	18,483	581,014	31.44	\$63,652,363	41.081	9.128	22.22%
PRAIRIE VILLAGE	23,056	581,035	25.20	\$161,578,089	16.336	3.596	22.01%
PRETTY PRAIRIE	685	7,070	10.32	\$1,277,927	29.735	5.532	18.61%
PROTECTION	579	13,007	22.46	\$1,290,786	68.190	10.076	14.78%
QUINTER	935	6,265	6.70	\$3,364,905	51.177	1.862	3.64%
RANDOLPH	146	4,227	28.95	\$347,074	11.562	12.178	105.33%
ROSSVILLE	1,032	19,147	18.55	\$3,171,980	12.696	6.036	47.54%
SALINA	44,167	809,207	18.32	\$203,881,792	27.145	3.969	14.62%
SHAWNEE	40,471	156,455	3.87	\$224,469,017	23.202	0.697	3.00%
SILVER LAKE	1,456	16,258	11.17	\$4,686,752	13.812	3.469	25.12%
SMITH CENTER	1,956	43,831	22.41	\$5,271,407	62.844	8.315	13.23%
SPEARVILLE	754	7,769	10.30	\$2,497,542	21.623	3.111	14.39%
ST. GEORGE	465	3,419	7.35	\$613,213	30.484	5.576	18.29%
STRONG CITY	633	7,330	11.58	\$929,549	44.548	7.886	17.70%
SYLVIA	317	3,305	10.43	\$509,853	20.544	6.482	31.55%

TAX .NUUE NEEDED TO REPLACE ELECTRIC FRANCHISE FEES

TONGANOXIE	3,100	34,115	11.00	\$8,524,202	27.702	4.002	14.45%
TRIBUNE	917	13,130	14.32	\$2,849,033	65.970	4.609	6.99%
UNIONTOWN	301	4,493	14.93	\$741,905	17.808	6.056	34.01%
VICTORIA	1211	14,520	11.99	\$3,682,628	53.077	3.943	7.43%
VIRGIL	86	1,329	15.45	\$144,887	94.350	9.169	9.72%
WAKEFIELD	1040	6,848	6.58	\$2,099,923	15.991	3.261	20.39%
WALTON	284	4,329	15.24	\$867,666	22.766	4.990	21.92%
WESTPHALIA	149	2,250	15.10	\$304,129	13.355	7.398	55.39%
WESTWOOD	424	7,676	18.10	\$20,904,886	9.041	0.367	4.06%
WHITE CITY	529	6,261	11.84	\$1,179,637	17.542	5.308	30.26%
WHITEWATER	701	8,395	11.98	\$1,854,135	48.644	4.528	9.31%
WICHITA	310,238	13,766,329	44.37	\$1,545,829,579	31.443	8.905	28.32%
WILSON	816	2,283	2.80	\$1,859,098	59.317	1.228	2.07%
WINDOM	115	2,145	18.65	\$327,482	14.421	6.550	45.42%
<b>NO. OF RESPONSES:</b>	<b>124</b>	<b>124</b>	<b>124</b>	<b>123</b>	<b>123</b>	<b>123</b>	<b>122</b>
<b>MEDIAN AMOUNT:</b>		<b>\$15,800</b>	<b>\$16.23</b>	<b>\$3,121,618</b>	<b>38.853</b>	<b>5.998</b>	<b>15.07%</b>
<b>MEAN AMOUNT:</b>		<b>\$203,916</b>	<b>\$17.04</b>	<b>\$34,170,719</b>	<b>39.228</b>	<b>7.474</b>	<b>27.33%</b>
<b>75% PERCENTILE:</b>		<b>\$69,929</b>	<b>\$21.56</b>	<b>\$12,757,670</b>	<b>52.489</b>	<b>8.042</b>	<b>23.02%</b>
<b>25% PERCENTILE:</b>		<b>\$6,656</b>	<b>\$11.83</b>	<b>\$1,042,091</b>	<b>23.048</b>	<b>4.157</b>	<b>10.41%</b>

TAX REVENUE NEEDED TO REPLACE ELECTRIC FRANCHISE FEES

BY RELATION

CITY	POP.	ELECTRIC FRANCHISE FEES, 1995		ASSESSED TANGIBLE VALUATION	TOTAL CITY MILL LEVY	MILL LEVY TO REPLACE ELEC. FRANCH. FEES	PERCENT INCREASE IN MILL LEVY
	1994 cert 7/96	TOTAL	PER/CAP	1995	1995		
50,000+							
WICHITA	310,238	13,766,329	44.37	\$1,545,829,579	31.443	8.905	28.32%
LAWRENCE	71,721	1,525,245	21.27	\$356,295,015	22.867	4.281	18.72%
AVG		7,645,787	32.82	\$951,062,297	27.155	6.593	23.52%
20,000-49,999							
SALINA	44,167	809,207	18.32	\$203,881,792	27.145	3.969	14.62%
MANHATTAN	43,836	585,228	13.35	\$145,800,085	41.715	4.014	9.62%
SHAWNEE	40,471	156,455	3.87	\$224,469,017	23.202	0.697	3.00%
HUTCHINSON	39,770	631,226	15.87	\$139,319,176	40.461	4.531	11.20%
EMPORIA	25,522	531,065	20.81	\$93,265,641	34.316	5.694	16.59%
LEAWOOD	24,852	671,170	27.01	\$247,421,437	25.459	2.713	10.66%
PRAIRIE VILLAGE	23,056	581,035	25.20	\$161,578,089	16.336	3.596	22.01%
JUNCTION CITY	20,380	358,095	17.57	\$66,429,402	52.217	5.391	10.32%
AVG		540,435	17.75	\$160,270,580	32.606	3.826	12.25%
10,000-19,999							
PITTSBURG	18,483	581,014	31.44	\$63,652,363	41.081	9.128	22.22%
NEWTON	17,011	395,310	23.24	\$57,596,085	53.902	6.863	12.73%
DERBY	16,588	269,979	16.28	\$63,278,754	39.606	4.267	10.77%
MERRIAM	13,095	502,754	38.39	\$89,954,849	22.011	5.589	25.39%
ARKANSAS CITY	12,480	287,397	23.03	\$31,342,282	64.881	9.170	14.13%
EL DORADO	12,032	257,339	21.39	\$44,190,352	40.592	5.823	14.35%
PARSONS	11,473	187,389	16.33	\$32,371,169	57.185	5.789	10.12%
AVG		354,455	24.30	\$54,626,551	45.608	6.661	15.67%
5,000-9,999							
MISSION	9,145	352,057	38.50	\$79,551,647	5.136	4.426	86.17%
HAYSVILLE	8,561	140,284	16.39	\$22,339,965	38.051	6.280	16.50%
LANSING	7,967	84,024	10.55	\$22,370,779	23.352	3.756	16.08%
BONNER SPRINGS	7,118	107,612	15.12	\$29,705,963	43.566	3.623	8.32%
ABILENE	6,727	124,286	18.48				
CONCORDIA	5,897	163,678	27.76	\$16,093,360	51.230	10.171	19.85%
PAOLA	5,527	131,095	23.72	\$20,267,407	42.420	6.468	15.25%
PARK CITY	5,375	85,494	15.91	\$13,924,773	21.293	6.140	28.83%
AVG		148,566	20.80	\$29,179,128	32.150	5.837	27.29%
3,000-4,999							
ANDOVER	4,991	70,966	14.22	\$23,813,227	36.104	2.980	8.25%
BAXTER SPRINGS	4,365	85,354	19.55	\$14,295,215	21.899	5.971	27.27%
FAIRWAY	4,124	115,451	27.99	\$37,016,359	10.294	3.119	30.30%
MISSION HILLS	3,633	130,457	35.91	\$68,048,321	21.600	1.917	8.88%
EDWARDSVILLE	3,554	69,583	19.58	\$17,191,998	38.605	4.047	10.48%
LYONS	3,494	51,490	14.74	\$8,443,670	40.421	6.098	15.09%
MARYSVILLE	3,275	61,287	18.71	\$11,590,567	58.053	5.288	9.11%
TONGANOXIE	3,100	34,115	11.00	\$8,524,202	27.702	4.002	14.45%
HESSTON	3,078	79,271	25.75	\$16,182,386	30.799	4.899	15.91%
AVG		77,553	20.83	\$22,789,549	31.720	4.258	15.52%
2,000-2,999							
ELLSWORTH	2,827	75,775	26.80	\$7,078,032	49.355	10.706	21.69%
PHILLIPSBURG	2,711	59,378	21.90	\$7,884,228	48.569	7.531	15.51%
LOUISBURG	2,499	19,132	7.66	\$8,291,574	16.325	2.307	14.13%
CHERRYVALE	2,471	42,836	17.34	\$4,631,643	50.081	9.249	18.47%
MEDICINE LODGE	2,305	47,806	20.74	\$5,922,077	52.760	8.073	15.30%
COUNCIL GROVE	2,278	38,609	16.95	\$7,567,543	38.853	5.102	13.13%

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TAX NUE NEEDED TO REPLACE ELECTRIC FRANCHISE FEES

BY POPULA

HUMBOLDT	2,211	36,689	16.59	\$3,631,243	54.704	10.104	18.47%
CLEAR WATER	2,165	20,754	9.59	\$6,665,629	34.299	3.114	9.08%
HALSTEAD	2,159	40,782	18.89	\$7,894,160	62.006	5.166	8.33%
CHENEY	2,033	32,655	16.06	\$4,898,229	46.618	6.667	14.30%
AVG		41,442	17.25	\$6,446,436	45.357	6.802	14.84%
1,500-1,999							
SMITH CENTER	1,956	43,831	22.41	\$5,271,407	62.844	8.315	13.23%
OSWEGO	1,927	34,616	17.96	\$4,226,211	56.552	8.191	14.48%
ELLIS	1,828	24,123	13.20	\$4,700,934	53.889	5.132	9.52%
HOLCOMB	1,823	1,493	0.82	\$3,654,707	61.930	0.409	0.66%
CARBONDALE	1,667	23,343	14.00	\$3,287,007	17.844	7.102	39.80%
NESS CITY	1,638	32,227	19.67	\$4,652,327	51.458	6.927	13.46%
HARPER	1,627	44,322	27.24	\$4,232,386	70.321	10.472	14.89%
AVG		29,136	16.47	\$4,289,283	53.548	6.649	15.15%
1,000-1,499							
SILVER LAKE	1,456	16,258	11.17	\$4,686,752	13.812	3.469	25.12%
CONWAY SPRINGS	1,408	5,652	4.01	\$2,169,491	60.430	2.605	4.31%
EDGERTON	1,383	7,001	5.06	\$3,121,618	42.397	2.243	5.29%
BUHLER	1,381	23,583	17.08	\$3,911,806	42.913	6.029	14.05%
CALDWELL	1,350	35,340	26.18	\$3,939,984	64.444	8.970	13.92%
ATWOOD	1,342	29,154	21.72	\$3,888,424	26.760	7.498	28.02%
OGDEN	1,299	16,185	12.46	\$2,639,596	33.786	6.132	18.15%
NORTH NEWTON	1,284	29,741	23.16	\$4,189,844	34.310	7.098	20.69%
HOXIE	1,279	22,369	17.49	\$3,859,498	63.925	5.796	9.07%
VICTORIA	1,211	14,520	11.99	\$3,682,628	53.077	3.943	7.43%
LYNDON	1,065	24,864	23.35	\$2,931,059	40.083	8.483	21.16%
WAKEFIELD	1,040	6,848	6.58	\$2,099,923	15.991	3.261	20.39%
ROSSVILLE	1,032	19,147	18.55	\$3,171,980	12.696	6.036	47.54%
AVG		19,282	15.29	\$3,407,123	38.817	5.505	18.09%
750-999							
HIGHLAND	951	24,064	25.30	\$1,904,120	32.527	12.638	38.85%
OVERBROOK	948	14,270	15.05	\$3,051,565	28.220	4.676	16.57%
QUINTER	935	6,265	6.70	\$3,364,905	51.177	1.862	3.64%
TRIBUNE	917	13,130	14.32	\$2,849,033	65.970	4.609	6.99%
FRANKFORT	916	18,324	20.00	\$1,931,537	73.801	9.487	12.85%
GARDEN PLAIN	916	10,047	10.97	\$2,638,865	42.363	3.807	8.99%
LEBO	908	12,298	13.54	\$257,036	22.984	47.847	208.17%
COLDWATER	852	23,338	27.39	\$2,132,980	72.650	10.942	15.06%
KECHI	827	8,438	10.20	\$3,628,428	22.244	2.325	10.45%
WILSON	816	2,283	2.80	\$1,859,098	59.317	1.228	2.07%
MOUND CITY	806	5,342	6.63	\$2,038,960	27.808	2.620	9.42%
COTTONWOOD FALLS	798	12,323	15.44	\$1,841,225	64.367	6.693	10.40%
SPEARVILLE	754	7,769	10.30	\$2,497,542	21.623	3.111	14.39%
MINNEOLA	750	10,373	13.83	\$1,625,135	23.112	6.383	27.62%
AVG		12,019	13.75	\$2,258,602	43.440	8.445	27.53%
500-749							
DEERFIELD	710	8,026	11.30	\$1,376,010	58.044	5.833	10.05%
CEDAR VALE	704	8,867	12.60	\$1,282,319	30.008	6.915	23.04%
WHITWATER	701	8,395	11.98	\$1,854,135	48.644	4.528	9.31%
PRETTY PRAIRIE	685	7,070	10.32	\$1,277,927	29.735	5.532	18.61%
STRONG CITY	633	7,330	11.58	\$929,549	44.548	7.886	17.70%
FLORENCE	626	8,914	14.24	\$1,228,265	88.897	7.257	8.16%
HAVILAND	625	3,084	4.94	\$1,591,300	49.945	1.938	3.88%
KANOPOLIS	614	15,416	25.11	\$822,951	61.830	18.733	30.30%
BENNINGTON	590	8,535	14.47	\$1,402,946	30.933	6.084	19.67%
PROTECTION	579	13,007	22.46	\$1,290,786	68.190	10.076	14.78%

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XX REVENUE NEEDED TO REPLACE ELECTRIC FRANCHISE FEES

BY T LATION

FOWLER	548	9,566	17.46	\$1,196,989	42.451	7.992	18.83%
LE ROY	545	7,797	14.31	\$165,387	35.747	47.146	131.89%
CUNNINGHAM	534	6,658	12.47	\$1,210,015	35.257	5.503	15.61%
BIRD CITY	529	11,376	21.50	\$1,907,428	17.880	5.964	33.36%
WHITE CITY	529	6,261	11.84	\$1,179,637	17.542	5.308	30.26%
AVG		8,687	14.44	\$1,247,710	43.977	9.780	25.70%

250-499

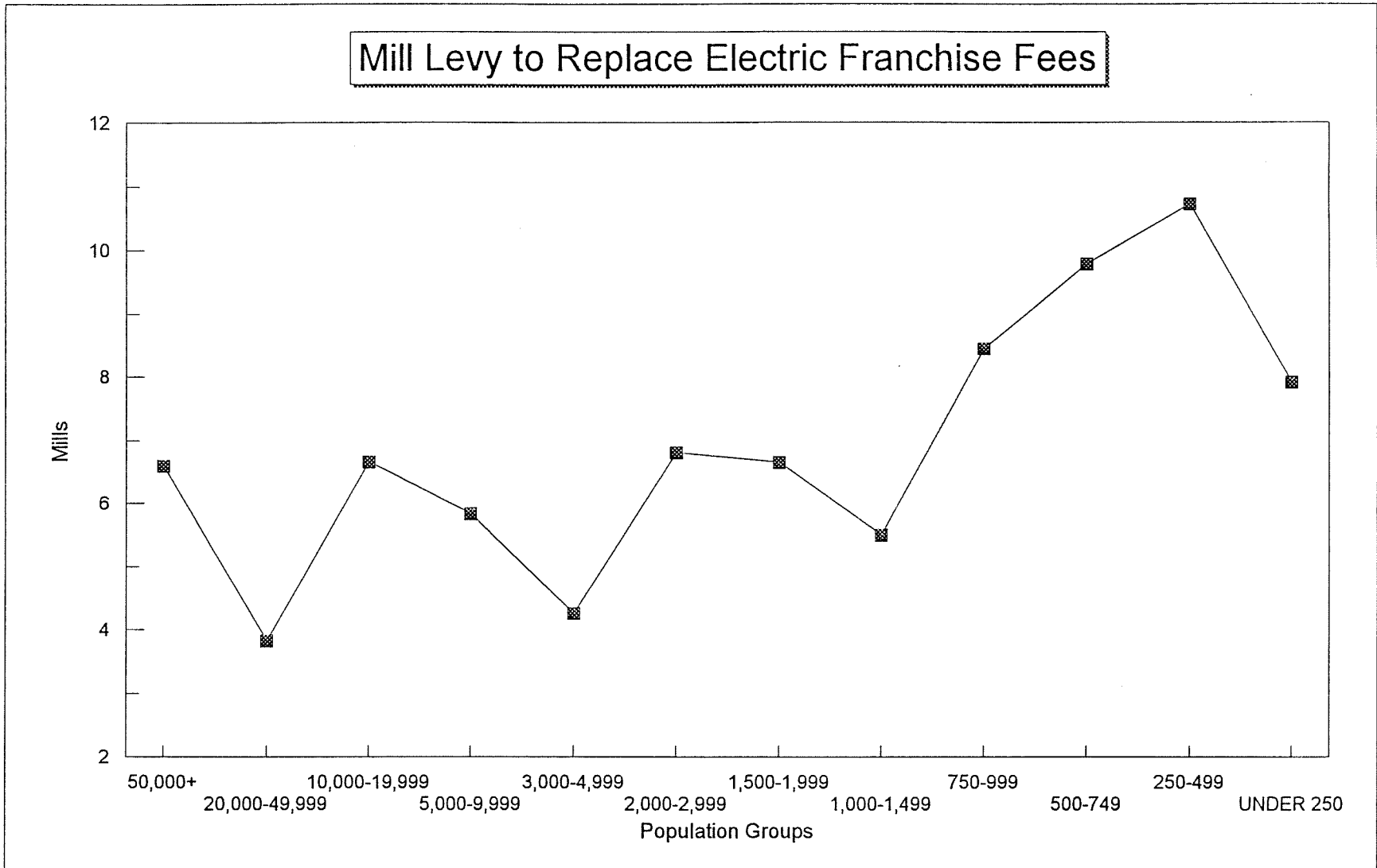
OLPE	482	8,955	18.58	\$1,214,701	24.926	7.372	29.58%
MILTONVALE	470	11,535	24.54	\$1,044,163	58.353	11.048	18.93%
ST. GEORGE	465	3,419	7.35	\$613,213	30.484	5.576	18.29%
ALTA VISTA	464	5,630	12.13	\$1,040,019	39.449	5.414	13.72%
WESTWOOD	424	7,676	18.10	\$20,904,886	9.041	0.367	4.06%
BENTLEY	411	3,588	8.73	\$719,864	41.184	4.984	12.10%
KISMET	410	8,774	21.40	\$759,394	21.152	11.554	54.63%
COLONY	387	4,140	10.70	\$690,142	40.778	5.998	14.71%
GRINNELL	343	7,767	22.64	\$1,268,592	26.680	6.123	22.95%
GRIDLEY	337	8,315	24.67	\$97,531	33.068	85.255	257.82%
GRAINFIELD	334	2,031	6.08	\$1,000,274	26.293	2.031	7.72%
JAMESTOWN	328	6,347	19.35	\$477,943	45.018	13.280	29.50%
COURTLAND	327	6,146	18.79	\$892,221	52.211	6.888	13.19%
BUFFALO	319	420	1.32	\$344,824	75.581	1.218	1.61%
SYLVIA	317	3,305	10.43	\$509,853	20.544	6.482	31.55%
UNIONTOWN	301	4,493	14.93	\$741,905	17.808	6.056	34.01%
WALTON	284	4,329	15.24	\$867,666	22.766	4.990	21.92%
FAIRVIEW	269	6,651	24.72	\$649,399	2.469	10.241	414.80%
EVEREST	268	8,410	31.38	\$944,880	11.372	8.901	78.27%
AVG		5,891	16.37	\$1,830,604	31.536	10.725	56.81%

UNDER 250

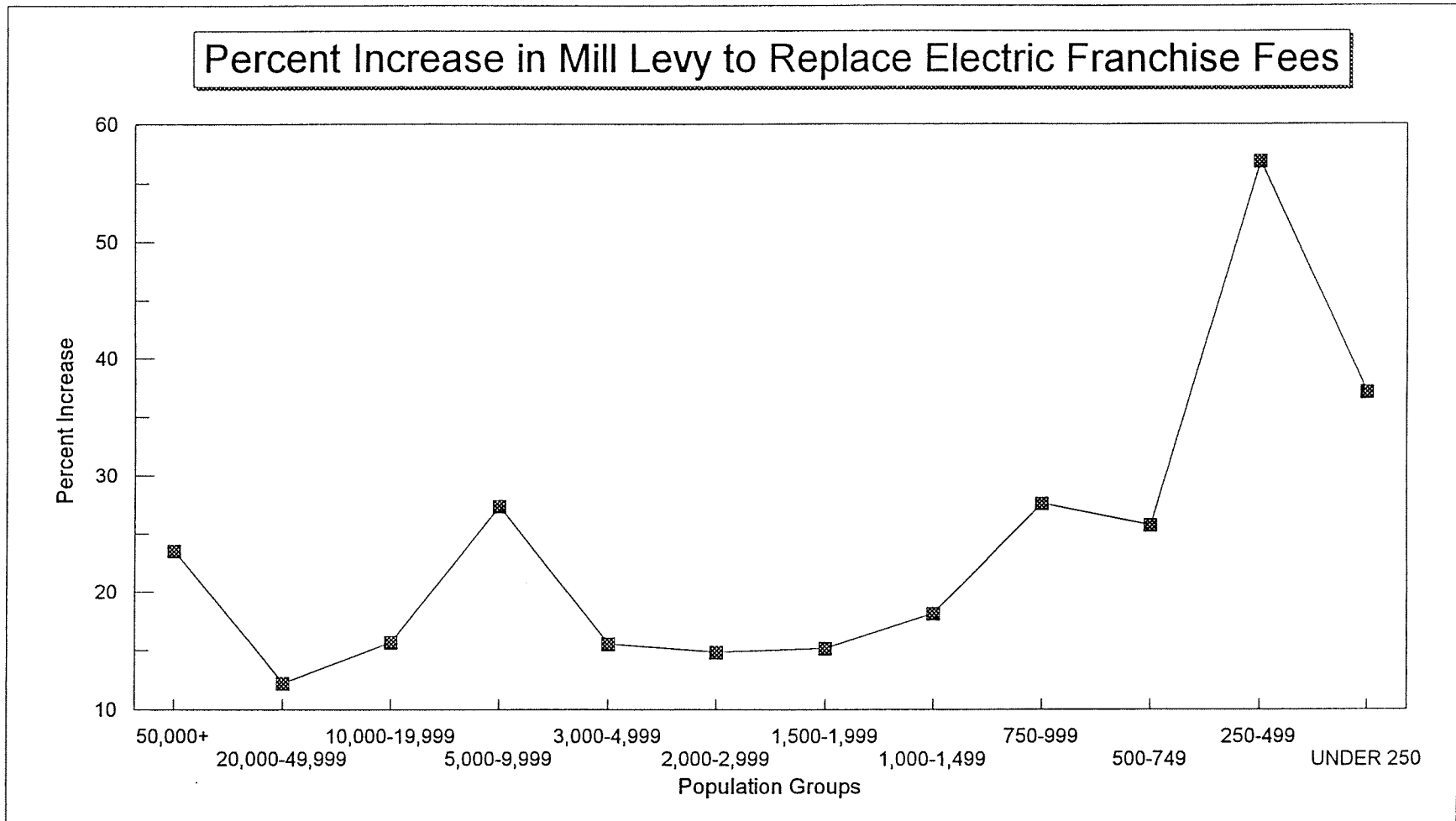
GRENOLA	244	2,493	10.22	\$333,959	70.312	7.465	10.62%
ALLEN	225	2,550	11.33	\$458,140	24.574	5.566	22.65%
LATHAM	203	2,388	11.76	\$226,155	89.280	10.557	11.82%
WESTPHALIA	149	2,250	15.10	\$304,129	13.355	7.398	55.39%
RANDOLPH	146	4,227	28.95	\$347,074	11.562	12.178	105.33%
MUNDEN	137	518	3.78	\$290,606	46.552	1.783	3.83%
CHAUTAUQUA	129	1,524	11.81	\$162,025	12.524	9.404	75.09%
WINDOM	115	2,145	18.65	\$327,482	14.421	6.550	45.42%
NARKA	107	1,732	16.19	\$143,175	94.737	12.098	12.77%
ELGIN	102	1,595	15.64	\$199,093	0.000	8.011	
VIRGIL	86	1,329	15.45	\$144,887	94.350	9.169	9.72%
HARRIS	38	600	15.79	\$127,358	8.409	4.711	56.02%
AVG		1,946	14.56	\$255,340	40.006	7.908	37.15%

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11-20-27



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