

Approved: JAN. 28, 1998  
Date

## MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on January 21, 1998 in Room 531-N of the Capitol.

All members were present except:  
Sens. Jones and Pugh were excused

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

Conferees appearing before the committee:  
Jim Widener, General Manager, KMEA, Overland Park

Others attending: See attached list

Sen. Ranson introduced Jim Widener, who presented a proposal (Attachment 1) to the committee. He stated the KMEA is the only agency organized under the statutory Act, and this proposal eliminates the restriction for membership of cities that were not "operating an electric generating system during the calendar year 1976". Sen. Barone made a motion the committee introduce this proposal as a bill, and it was seconded by Sen. Clark; the motion passed.

Sen. Ranson then presented a proposal to the committee for disclosure of certain components relating to electric bills, otherwise known as "unbundling". She stated there were two elements missing from the draft, the universal service charge and transition costs. Mary Torrence explained she left those out and explained they relate to the restructuring bill in the House. Sen. Ranson stated her reasons for including the two elements and committee discussion followed. Sen. Barone made a motion the two elements be added to the proposal, and it was seconded by Sen. Clark; the motion passed. Sen. Barone then made a motion the committee introduce it as a bill, and it was seconded by Sen. Clark; the motion passed.

Sen. Ranson explained a map has been distributed to the committee (Attachment 2), showing the average cost for electricity in cents per kilowatt-hour for 1996. She remarked the map shows the disparity across the state and gave the following costs: average municipal rate is 6.1 cents per kilowatt-hour; IOU's is 6.4 cents per kwh; coops is 8.6 cents per kwh. She announced the committee will talk about rate making, or the setting of rates, during discussion on deregulation. Sen. Steffes stated the 6.5 cents per kwh is high and questioned the way the figures are calculated, saying it is not as meaningful as basing it on the amount sold, or the raw numbers. He also stated that taxation is a critical element, and that Kansas is taxed at a high rate, and that those elements alter the rates. Sen. Ranson stated she has figures on the rates across the state and that it is a major economic development issue. Sen. Brownlee stated those statistics are given in the Retail Wheeling Report. Sen. Ranson asked Larry Holloway if a map could be presented to show the average kwh used by cities, and Mr. Holloway said that could be done. The committee continued by discussing rates and taxes.

Sen. Ranson gave the agenda for the remainder of the week and for next week.

Sen. Ranson introduced Lynne Holt, who continued the overview of the Retail Wheeling Task Force Report, beginning with "Municipal Utilities", Page 10 of the Report. She stated there was a consensus to exempt municipalities, with the reasons outlined on Page 11. She recommended a summary in the League of Municipalities Governing magazine, dated October, 1997. She discussed special issues related to electric cooperatives, on Page 12 and furnished copies outlining service areas of electric cooperatives and also lists of distribution cooperatives in the state (Attachment 2). There was discussion regarding both, and Sen. Ranson stated the decision of the Task Force was that municipal will not be in the deregulation process, unless they elect to do so. However, the cooperatives will be required to be involved in deregulation, unless they elect not to do so. Ms. Holt referred to investor- owned utilities listed on Page 8.

Ms. Holt began discussing stranded costs, on Page 13 of the Report, and stated it a difficult issue and involves the "market price" between willing buyers and sellers in an open marketplace. She stated there is no guarantee for a return under deregulation and pointed out that the estimated figures used for the market price has a bearing on the stranded costs. She cited various studies and calculations used to arrive at the recovery of costs, which are outlined in the Report

Meeting adjourned at 2:30.

Next meeting will be January 22, 1998

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Jan. 21, 1998

NAME	REPRESENTING
Joe Dick	KCK BPU
Joe Long	UtiliCorp United Inc.
Leslie Kaufman	Ks Farm Bureau
Jin Menden	KTEA
Bill Janice	BOEING
Ken Wachs	Western Resources
TOM DALY	KCC
DAVID BYBEE	KDOCH
Jane Hablas	Western Resources
Dick Carter, Jr	ENRON
Ron Gaches	McGill's Asso.
Larry Holloway	KCC
Juan Wyatt	KFU
Ron Heipi	Hein + Weir, Chtd
Amy Campbell	Midwest Energy
Don Miles	KCC
Shay Kohlmeier	Flint Hills Reg Leadership
BRUCE GRAHAM	KCPCC
Earnie Lehman	Western Resources

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KANSAS KANSAS  
MUNICIPAL MUNICIPAL  
ENERGY GAS  
AGENCY AGENCY

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Overland Park, Kansas 66202-4247  
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(913) 677-0804 FAX

Madam Chair, Members of Committee, I am Jim Widener, General Manager of KMEA located in Overland Park, Kansas. I would like to request the introduction of the attached bill amendments as a committee bill.

**Background.** The Municipal Energy Agency Act, K.S.A. 12-885 *et seq.* (the "Act") was passed in 1977. The Kansas Municipal Energy Agency (KMEA) is the only Agency organized under the Act. KMEA (originally organized as the Northwest Kansas Municipal Agency in 1978) was organized in 1980, and currently has forty (40) member cities.

**Provision of the Request.** The requested revision of the Act is to eliminate the restriction for membership of cities that were not "operating an electric generating system during the calendar year 1976".

**Commentary.** Presently fifty eight (58) municipal electric cities are precluded from joining KMEA due to this restriction.

1/21/98 JW/js  
Senate Mt. Cities  
1-21-98  
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**KANSAS MUNICIPAL ENERGY AGENCY  
1998 PROPOSED AMENDMENTS**

**12.886. Definitions.** As used in this act, unless the context otherwise requires:

(a) "Agency agreement" means the written agreement between or among two or more cities establishing a municipal energy agency.

(b) "City" means a city organized and existing under the laws of Kansas and authorized by such laws to engage in the local distribution and sale of electrical energy ~~and operating an electric generating system during the calendar year 1976.~~

(c) "Governing body," with respect to a city, means the governing body of the city or, if another board, commission or body is empowered by law or by resolution of the governing body of the city to establish and regulate rates and charges for the distribution of electrical energy within the city, such board, commission or body shall be deemed to be the governing body.

(d) "Municipal energy agency" means a quasi-municipal corporation created by agreement between or among two or more cities pursuant to this act to exercise any of the powers granted by K.S.A. 12-885 to 12-8,111, inclusive, and amendments thereto, and including the acquisition, construction, reconstruction, operation, repair, extension or improvement of electric generation or transmission facilities or the acquisition of any interest therein or any right to part or all of the capacity thereof.

(e) "Person" means a natural person, a public agency, private corporation, firm, partnership, cooperative association or business trust of any nature whatsoever, organized and existing under the laws of any state or of the United States.

(f) "Project" means any plant, works, system, facilities and real and personal property of any nature whatsoever, together with all parts thereof and appurtenances thereto, used or useful in the generation, production, transmission, purchase, sale, exchange or interchange of electric energy or any interest therein or capacity thereof and including all studies and planning with respect thereto.

(g) "Public agency" means any city or other municipal corporation, political subdivision, governmental unit or public corporation created by or pursuant to the laws of this state, another state or of any state or the United States to be a department, agency or instrumentality thereof.

*History: L. 1977, ch. 48, & 2; L. 1988, ch. 74, & 2; July 1.*

**12.897. Limitations on direct sale of electricity.** No municipal agency created under this act shall be authorized to enter into any agreement or contract for the direct sale of electricity to any person other than to a member city of the agency or a utility ~~operating an electric generating system during the calendar year 1976.~~

*History: L. 1977, ch. 48, § 13; July 1.*



## KMEA MEMBER CITIES

Ashland	Goodland *	Oberlin
Augusta	Greensburg	Osage City
Baldwin City	Herington	Osawatomie
Belleville	Hoisington	Ottawa
Burlingame	Holton	Pratt
Burlington	Iola	St. Francis
Chanute	Larned	Sharon Springs
Clay Center	Lincoln Center	Sterling
Colby	Meade	Stockton
Ellinwood	Minneapolis	Washington
Erie	Mulvane	Wellington
Fredonia	Neodesha	Winfield
Garnett	Norton	
Girard	Oakley	

\* Membership request pending

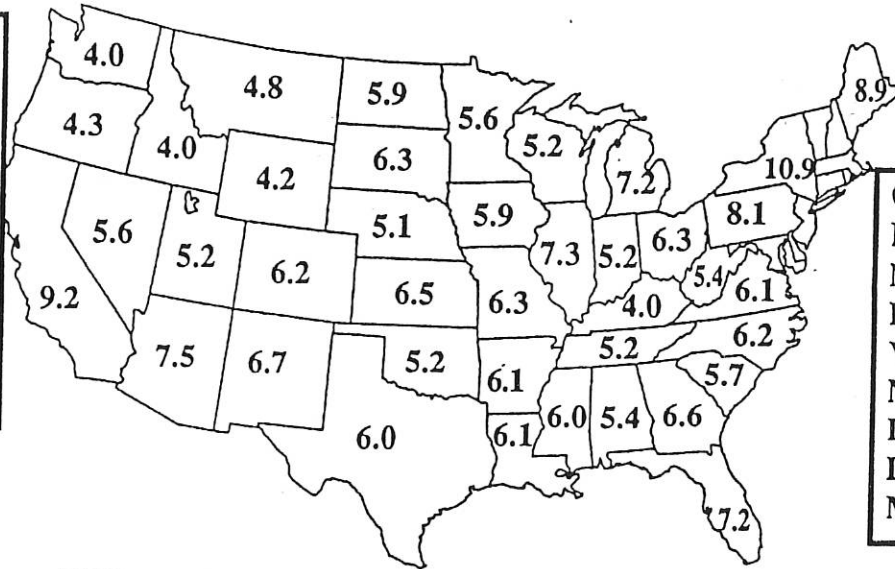
## MUNICIPAL ELECTRIC CITIES NOT GENERATING IN 1976

Alma	Glen Elder	Pomona
Altamont	Haven	Prescott
Arcadia	Hillsboro	Radium
Arma	Holyrood	Robinson
Axtell	Isabel	Savonburg
Blue Mound	Iuka	Scranton
Bronson	Kiowa	Seneca
Cawker City	LaHarpe	Severance
Centralia	Lindsborg	Seward
Chapman	Lucas	St. Marys
Chetopa	Luray	Summerfield
Cimarron	Mankato	Toronto
Dighton	Marion	Troy
Elsmore	Montezuma	Udall
Elwood	Moran	Vermillion
Enterprise	Morrill	Waterville
Eudora	Moundridge	Wathena
Galva	Mount Hope	Webber
Garden City	Mulberry	
Glasco	Muscotah	

Average Cost  
for Electricity  
in cents per  
kilowatt-hour  
for 1996  

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National  
Average  
6.8

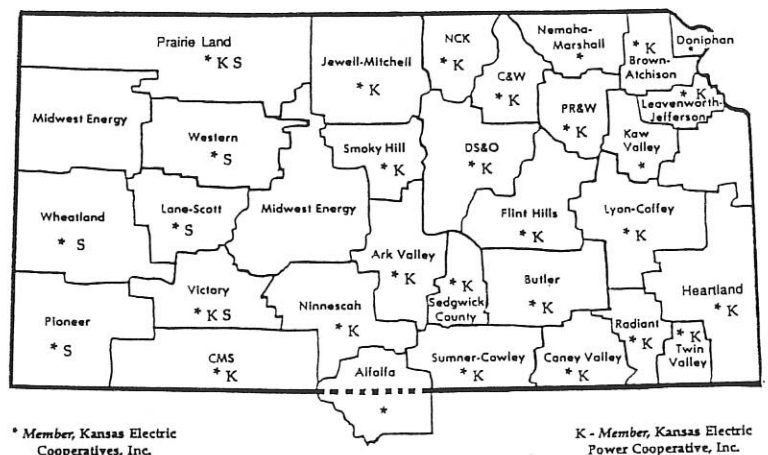


CT	10.4
MD	7.1
NH	11.7
RI	10.5
VT	9.0
NJ	10.5
DE	6.7
DC	7.7
MA	9.9

Source: US Dept of Energy EIA Annual Report 1996

Senate Utilities  
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## Service Areas of the Electric Cooperatives of Kansas



## The Electric Cooperatives in Kansas

**RECs** — There are 31 rural electric distribution cooperatives in Kansas. Also known as RECs, they operate as non-profit utilities and are governed by their membership. The co-ops all hold annual membership meetings to conduct business and elect a Board of Trustees which meets monthly to direct the activities of their utility. Most of these RECs have been faithfully serving the residents of rural Kansas for more than 50 years.

**Statewide Association** — The Kansas Electric Cooperatives, Inc., is a statewide association headquartered in Topeka that has provided a variety of activities and programs to these cooperatives since 1941. Its services include governmental relations, communications, and loss control and safety programs.

**G&Ts** — Kansas Electric Power Cooperative, Inc. (KEPCo) and Sunflower Electric Power Corporation are the two Generation and Transmission Co-ops (G&Ts) operating in Kansas. As the name implies, KEPCo and Sunflower generate and transmit electricity for their electric cooperative members. The G&Ts are also non-profit organizations.

**Sunflower** — supplies six distribution cooperatives serving 150,000 people in 34 western Kansas counties. Based in Hays, Sunflower owns 546 MW of generating capacity including the coal-fired Holcomb Station.

**KEPCo** — headquartered in Topeka, has 22 member cooperatives located in the eastern two-thirds of Kansas. KEPCo's generation resources consist of a six percent ownership share in the Wolf Creek Generating Station, hydropower allocations, and long-term contracts from area utilities.

Cooperative	Location	Manager
Alfalfa	Cherokee, OK	Max W. Ott
Ark Valley	So. Hutchinson	Bob Hall
Brown-Atchison	Horton	Rod Gerdes
Butler	El Dorado	Ernest J. Barker
C&W	Clay Center	Kenneth J. Maginley
Caney Valley	Cedar Vale	David A. Vince
CMS	Meade	Kirk Thompson
Doniphan	Troy	Jerry Jarrett
DS&O	Solomon	Don Hellwig
Flint Hills	Council Grove	Robert E. Reece
Heartland	Girard	Dale Coomes
Jewell-Mitchell	Mankato	Jim Gouldie
Kaw Valley	Topeka	Dan O'Brien
KEPCo	Topeka	Stephen E. Parr
Lane-Scott	Dighton	Jack Clinkscale
Leavenworth-Jefferson	McLouth	Shane L. Larson
Lyon-Coffey	Burlington	Larry N. Scott
NCK	Belleville	Douglas J. Jackson
Nemaha-Marshall	Axtell	Fenton G. Norwood
Ninnescah	Pratt	Walker Parris
Pioneer	Ulysses	David L. Jesse
Prairie Land	Norton	Allan Miller
PR&W	Wamego	Kenneth J. Maginley
Radiant	Fredonia	Leah Tindle
Sedgwick County	Cheney	Alan L. Henning
Smoky Hill	Ellsworth	Don Minard
Sumner-Cowley	Wellington	Cletas Rains
Sunflower	Hays	L. Christian Hauck
Twin Valley	Altamont	Debbie Foster
Victory	Dodge City	Jack Colgin
Western	WaKeeney	David L. Schneider
Wheatland	Scott City	Neil K. Norman