

Approved Feb. 4, 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 26, 1998 in Room 531-N of the Capitol.

All members were present except:
Sens. Hensley and Morris were excused

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

Conferees appearing before the committee:
None

Others attending: See attached list

Sen. Ranson announced the distribution of a graph (Attachment 1) which shows the generation, transmission, and distribution phases of electrical power, as well as charts which show the average cost per kilowatt hour for residential, commercial and industrial. Another chart shows the average cost broken down by investor owned, municipal and coops and the average all class rate per kilowatt hour by provider, all are 1995 figures.

Also distributed to the committee is an article, which appeared in the Kansas City Star on Sunday and Monday, January 25 and 26, regarding gas pricing. The committee discussed the articles and the charts, and Sen. Lee questioned why individual consumers cannot have a choice of who to purchase gas from. Sen. Ranson stated it is her understanding that larger consumers, such as hospitals and schools, do have a choice and that wholesalers can negotiate contracts with the large consumer to supply the gas. Sen. Ranson recognized Earnie Lehman from Western Resources, who stated that if the customer uses 6,000 mcf's per month or more, then they can buy gas from whomever they want, which is a state regulation.

Sen. Lee questioned, since the committee has been studying electric utility deregulation which permits individuals a choice of providers, why are individuals prohibited from a choice for gas providers? Sen. Ranson believes that Kansas Gas Service is one such gas marketer in the state, which markets to large groups and believes there is more than one source available. Sen. Lee stated a desire to better understand the state regulation prohibiting individual consumers from choosing their gas supplier. Sen. Brownlee, who is a member of the Task Force on Retail Wheeling, recalled the discussions of classes of customers, and Ms. Holt referred to the Kansas City Star article, which has a graph showing different prices for different customers.

Sen. Ranson called on Lynne Holt to continue briefing the committee on retail wheeling. Ms. Holt referred to the Final Report of the Task Force on Retail Wheeling (available from the Legislative Research Department) on Page 13, Stranded Costs. She discussed the definition of stranded costs and market price and three categories of stranded costs which directly effect the market price as well as explaining calculating market price, using several assumptions. She also pointed out several studies which have been utilized to compute stranded costs. Ms. Holt continued on Page 17, and the mechanism for recovery of stranded costs and pointed out the bill requires stranded costs to be recovered through a unit charge per kilowatt hour of electricity delivered, with the amount to be assessed equally to all customers of a utility's service area. She also discussed bypassing of an incumbent's distribution and transmission facilities and the amount of time allowable for recovery of stranded costs on Pages 18 and 19 of the Report. Sen. Ranson added that the recovery of stranded costs has been a major problem in every state considering deregulation.

Ms. Holt continued her briefing by referring to Page 20 of the Report, and adjustment of rates for stranded cost recovery, and pointed out there is a provision in the bill for a review every two years to determine and redefine differences between actual and expected market prices and sales levels, known as "true-up" The Corporation Commission recommended they be given flexibility to ensure that recovered stranded costs surcharges match actual costs incurred. Ms. Holt then discussed securitization, on Page 21, which is refinancing a utility's existing capital debt structure with lower cost debt, the objective being to lower stranded costs. The committee discussed guarantee of bonds and changing their terms and conditions, who makes the decisions and other policy questions. Ms. Holt continued by referring to universal service, on Page 22, and explained "strandable benefits" and noted the bill recommends universal service costs include costs of assuring continued electric power to customers during implementation of the Cold Weather Rule and costs associated with provision of distribution to rural areas served by competitive generation providers. Questions the committee discussed were how to finance those costs and who will administer it. Uses of the universal fund are outlined on Page 23.

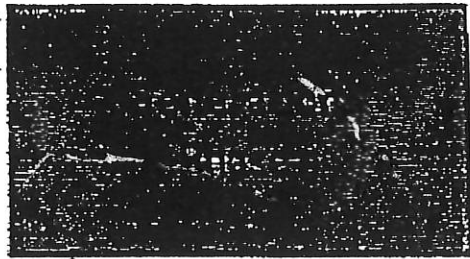
Meeting adjourned at 2:30

Next meeting will be January 27

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: JAN. 26, 1998

NAME	REPRESENTING
JC Long	UtiliCorp United Inc.
Larry Holloway	KCC
Ron Hein	Hein + Weir, Chtd
Earrie Lehman	Western Resources
Dave Hultmans	Western Resources
John Frederick	Boeing
Ben Laches	McGill & Asso.
Dan Williams	Sen. Brownlee
DAVID BYBEE	McGill & Asso. KDOCH
Kim Gulley	League of KS Municipalities
Lynne Ann Brown	KS Govt Consult.
Amy Campbell	Midwest Energy
ED SCHAUB	WESTERN RESOURCES
TOM DAY	KCC
Bernie Koch	Wichita Area Chamber



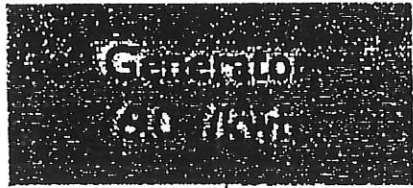
Generation Phase

Transmission Phase

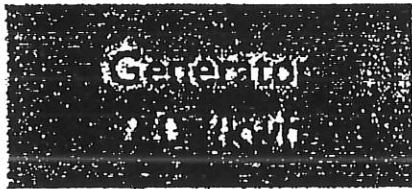
Distribution Phase

Senate 11-26-98 1-1-1

3.2 /kwh



6.0 /kwh



2.0 /kwh



Generator 2.5 /kwh

Transmission System .5 /kwh

Misc Business

House

Beefpacking Plant

Feedlot

House

Oil Well

House

Oil Well

Farm

(TABLE 1)

Average Cents/Kwh - 1995

	<u>Residential</u>	<u>Commerical</u>	<u>Industrial</u>
Kansas	7.9	6.7	4.8
Nebraska	6.4	5.6	3.8
Missouri	7.3	6.2	4.5
Colorado	7.4	6.1	4.5
Oklahoma	6.8	5.8	3.8
US	8.4	7.7	4.7

SOURCE: 1995 Electric Sales and Revenue as prepared by the Energy Information Administration an agency within the U.S. Department of Energy (December 1996)

(TABLE 2)

All Class Average Cents/Kwh by Ownership Class - 1995

	<u>Investor Owned</u>	<u>Municipal</u>	<u>Coop</u>
Kansas	6.4	6.0	8.9
Nebraska	----	5.4	7.2
Missouri	6.4	5.6	6.1
Colorado	6.1	5.3	6.9
Oklahoma	5.2	6.0	7.1
US	7.1	6.0	7.0

SOURCE: 1995 Electric Sales and Revenue as prepared by the Energy Information Administration an agency within the U.S. Department of Energy (December 1996)

(TABLE 3)

Average All Class Rate Cents/Kwh by Provider Sample - 1995

<u>Provider</u>	<u>Cents/Kwh</u>
<u>Sunflower Electric Power Corporation System:</u>	
Norton-Decatur	10.8
Lane Scott Electric	9.7
Western Coop	8.8
Wheatland Coop	8.1
<u>Non Sunflower Coop:</u>	
Mid West Energy	7.3
<u>Investor Owned:</u>	
KGE	7.3
KCPL	7.0
Utilitcorp	6.0
SW Public Service	5.7
Empire	5.6
Western Resources	5.3

SOURCE: 1995 Electric Sales and Revenue as prepared by the Energy Information Administration an agency within the U.S. Department of Energy (December 1996)

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