

Approved: MARCH 5, 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 February 18, 1998 in Room 123-S of the Capitol.

All members were present

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

Conferees appearing before the committee:

Earl Watkins, General Counsel, Sunflower Electric Power Corporation  
Neil Norman, General Manager, Wheatland Electric  
Jack Clinkscale, General Manager, Lane-Scott Electric Coop  
Vernon Newberry, City Administrator, Dighton  
Allan Miller, General Manager, Prairieland Electric Coop

Others attending: See attached list

Sen. Ranson announced the committee will hear testimony on the following bill:

**SB 589 -electric cooperative public utilities; jurisdiction of corporation commission**

She stated that, due to the long list of conferees and short period of time for a hearing, questions be held until later. The following appeared as proponents:

Earl Watkins, (Attachment 1)  
Neil Norman, (Attachment 2)  
Jack Clinkscale, (Attachment 3)  
Vernon Newberry (Attachment 4)  
Allan Miller, (Attachment 5)

Written testimony submitted by:

David Schneider, General Manager, Western Cooperative Electric Association, Inc., (Attachment 6)  
Ronald Radcliffe, Mayor, City of Hill City, (Attachment 7)  
David Jesse, CEO, (Attachment 8), Pioneer Electric Cooperative, Inc.

There was some time remaining, so questions were allowed. Sen. Ranson asked Mr. Watkins if he brought draft copies of the two amendments proposed in his testimony, and he answered he could provide those to the committee. Sen. Lee questioned Mr. Miller regarding his coop voting out (deregulating), and he answered they are still under Corporation Commission regulations if they buy wholesale for re-sale purposes. He explained they have contracts with Sunflower and KEPCO, and he believes this legislation will allow them to make the necessary changes to keep their rates down.

Sen. Barone then asked if any of the proponents objected to the amendment offered by Mr. Watkins, which would require the utilities to go to the Corporation Commission to raise rates. There was no objections from the proponents. Sen. Steffes then questioned Mr. Watkins regarding the loss of \$200,000 and who suffers the loss. Mr. Watkins answered the Board of Directors decided the loss was warranted, in order to maintain the customer. The committee continued to question Mr. Watkins regarding the indebtedness of Sunflower and who the debt is owed to. They also discussed special contracts and if they are renewable and the Nebraska pool. Mr. Watkins stated the cities, through their local coops, can negotiate contracts; and the REC's have contracts pledged to the federal government.

Sen. Ranson discussed tomorrow's meeting with members, and it was decided to meet at 1:00, due to the number of conferees left to testify on the bill.

Meeting adjourned at 2:30.

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 18, 1998

NAME	REPRESENTING
Steve Miller	Sunflower
Earl Watkins	Sunflower
Chris Havelk	Sunflower
Adam Miller	Prairie Land
Jack Chalkscale	Low-Scott
Joe Dink	KCK BPU
BRUCE GRAHAM	KEPCo
DAVE D. HEMORE	KCC
Larry Holloway	KCC
Gilbert Harrison	KMEA/KMU
Dave Statchans	Western Resources
NEIL K. NORMAN	WHEATLAND ELK
DB Wdley	Via Christi Health System
Allan Miller	Prairie Land Electric
HEINEMANN	KCC
Kathy Valantini	SRS
Wayne Kitcher	Western Resources
Kim Lilly	League of KS Municipalities
DAVID BYBEE	KDOCH

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: \_\_\_\_\_

NAME	REPRESENTING
Larrie Ann Brown	KS Govt Consulting
Mike Thornton	Sen. Clark
Cindy Deaton	DOR
Jeff Nichols	Sen. Ranson
Lon Miles	KEC
Lester Murphy	KEC
Bud Newberry	City of Dighton
Jack Clinkscale	Lane-Scott Electric Coop
Leslie Kaufman	KFB

**TESTIMONY SUBMITTED TO THE  
SENATE UTILITIES COMMITTEE**

**By  
Mr. Earl Watkins, General Counsel  
SUNFLOWER ELECTRIC POWER CORPORATION**

**February 18, 1998**

**COMMENTS ON SENATE BILL 589**

Thank you, Madam Chairman and members of the Committee, for providing Sunflower this time to share our thoughts with you on Senate Bill 589.

My name is Earl Watkins. I serve as Sunflower's legal counsel and have done so for the past 20 years. Because I realize your time is short and some Committee members may want more information about Sunflower, I've included with my testimony a copy of Sunflower's most recent annual report and some relevant charts I thought the Committee might use in its deliberations.

Let me explain what we are asking you to approve with this legislation. This bill would allow all rural electric cooperatives the option to remove themselves from most of the rate and contract regulation currently enforced by the Kansas Corporation Commission (KCC). In 1992, the Legislature gave this option to 29 of the 33 cooperatives in Kansas. Of the 29 who received the option, 26 have elected to deregulate. If, for whatever reason, any of the cooperatives that are still regulated believe they should continue to be regulated, they would simply do nothing. This legislation would not force anyone to do anything.

We believe this legislation should be passed to give these remaining cooperatives the opportunity to make their business decisions locally. Obviously, this action would only occur if each cooperative believes deregulation would be in the best interests of their consumers. I want to be clear—deregulation will only occur if each

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cooperative votes to do so. As cooperatives, we are strong believers in local control. Those who govern Sunflower also consume the product it produces.

Sunflower's Board of Directors is comprised entirely of representatives from the distribution cooperatives that own Sunflower. These individuals are elected by the same democratic process that elected you and other officials at the federal, state and local level. We believe this group of people are more than qualified to manage the affairs of Sunflower, just as they do at their own distribution cooperatives.

As we were preparing this testimony it occurred to us that cooperatives operate much like the more than 600-plus Kansas municipalities. The leadership of each community is democratically elected—just like cooperative boards. The majority of these municipalities provide utility services—just like cooperatives. However, they are exempt from KCC regulation so long as they serve within their city limits. Municipal consumers can express their dissatisfaction with their leadership annually during the local election process—just like cooperatives. As I said before, 29 of the 33 cooperatives have had this option in Kansas. We're only asking you to give this choice to the other four.

The next change we've suggested in this legislation is the removal of the requirement that the KCC approve contracts for the sale of power for resale. One of the most fundamental principals of cooperative governance is local control. In our view, if two utilities or a utility and a municipality agree on the terms of a power supply contract, further examination by the KCC is not necessary. Remember, the KCC has eight months to act upon any contract filed with it. And, in many instances, approval takes more than eight months. It is hard to be responsive in a changing business environment with that length of regulatory delay.

Before any contract is entered into by Sunflower, our board must approve the agreement. The federal government, through the Rural Utilities Service, must also approve it. If the contract involves one of Sunflower's members, the distribution board must approve the contract as well. In our view, these three levels of approval are adequate to protect the interests of the consumer. Especially since in two of the three approval processes, cooperative consumers are involved in the decision.

Another reason we believe you should approve the legislation concerns the matter of competition. While we realize that retail wheeling is not with us at this point, we believe it will become a reality in the near future. One of the subjects that is frequently discussed is competition from neighboring states. As you can see on the map I've included with my testimony, none of the states surrounding Kansas regulate their G&Ts and only nine other states in the United States regulate G&Ts at the state level. The cost of state regulation is not cheap. Sunflower's direct payments to the KCC and CURB since 1983, the year Holcomb Station was put into service, have amounted to \$2.31 million. When you consider the personnel and other internal costs of state regulation, we estimate our total cost of this state regulation to be more than \$4 million. Since our neighboring states don't impose this cost on cooperatives, we don't believe Kansas should if we hope to be prepared for competition.

Since our debt restructuring in 1988, Sunflower has worked very hard to lower rates to its member systems. One of the ways we've reduced costs is by asking all of our employees to do more. Sunflower has reduced its work force from 254 in 1985 to its current level of 204. We've worked hard to negotiate improvements in our coal and rail contracts, and we've aggressively marketed any available excess power. Additionally, we've worked to find new customers that have alternatives to our central station power. Most notably, we are serving the new Amoco gas processing facility near Ulysses. That one plant will soon become the largest single load on the Sunflower system.

When considering issues concerning Sunflower, you really need to think of them in terms of before and after the Debt Restructuring Agreement (DRA) we entered into with the federal government in 1988. Sunflower had problems prior to this agreement, but let me share with you some significant things that have improved since that time.

One of the first improvements was the preparation of a business plan for Sunflower. The primary goal of the plan was to reduce Sunflower's wholesale rates to its Members to six cents per kWh within one year. Additional objectives were to increase sales and reduce Sunflower's operating costs. The prime directive from the Sunflower board since the DRA has always been to reduce member rates.

We've worked to increase sales in three areas. The first goal was to retain the large customers on the Sunflower system who had generation alternatives. Retaining these customers allowed us to avoid price increases to small, captive customers who had no other alternatives. We've also used special contracts to attract new loads as I mentioned previously. Sunflower also began to aggressively market its excess capacity where possible. These new sales allowed us to pass the margins earned from these sales back to our Members. Finally, we've developed several new tariffs to attract new loads through our economic development tariff and the emergency irrigation tariff that was implemented to help our producers through a very dry period of time.

As I mentioned before, we've reduced Sunflower's workforce by 20%. We've worked hard to re-negotiate our coal and rail contracts. We've disposed of all the natural gas properties owned originally for the purpose of fuel supply to one of our generators in Garden City. At Holcomb Station, Sunflower's coal plant, we've found ways to extend the maintenance outage schedule from 12 to 18 months. We've also worked in many other areas to reduce Sunflower's cost of operation. These include, most notably, tax and insurance.

All of these efforts have resulted in lower prices for our all-requirements customers. As you can see from the chart included with my testimony, our average wholesale rates, including special contract customers, rose to a high of 7.4¢/kWh in 1985, but have dropped more than 25% since that time to 5.55¢ per kWh in 1996. I don't know of many manufacturers whose wholesale cost is lower in 1996 than it was in 1983.

Another issue of significance in this bill is the change we've suggested to the transmission service language. What we tried to do with this change is make sure that both the state and the federal government do not regulate us. Some concern has been expressed about this change, so we would like to suggest a change to the original language. **We would support an amendment to Page 2, Line 13 that would strike the language that was added and substitute the following:**

*not regulated by the Federal Energy Regulatory Commission,*

**This change would clarify our concern that we not be regulated twice.**

Even though we have achieved many things, our Board believes we must do more. Sunflower is in the process of talking with the federal government to find ways to restructure its debt so it can become a long-term, competitive, wholesale electric supplier. Sunflower believes retail competition is coming and realize we must succeed in restructuring our debt. The passage of this bill would allow our Board to more freely negotiate with the government and get us to the competitive situation we desire sooner rather than later.

Senator Ranson, I know there are many others who want to speak on this bill, so I want to just make one final comment. Since this bill has been introduced, **we've found that some of the opponents to this legislation worry that passage of this bill**

will enable Sunflower and others the opportunity to raise rates. In light of those concerns, we would offer the following as a second amendment for the Committee's consideration. We propose that a new Section (i) be added that says the following:

*Any generation and transmission cooperative electing to be exempt under this section shall not increase the tariff rates charged to its wholesale customers above the levels in effect as of January 1, 1998 without the approval of the state corporation commission.*

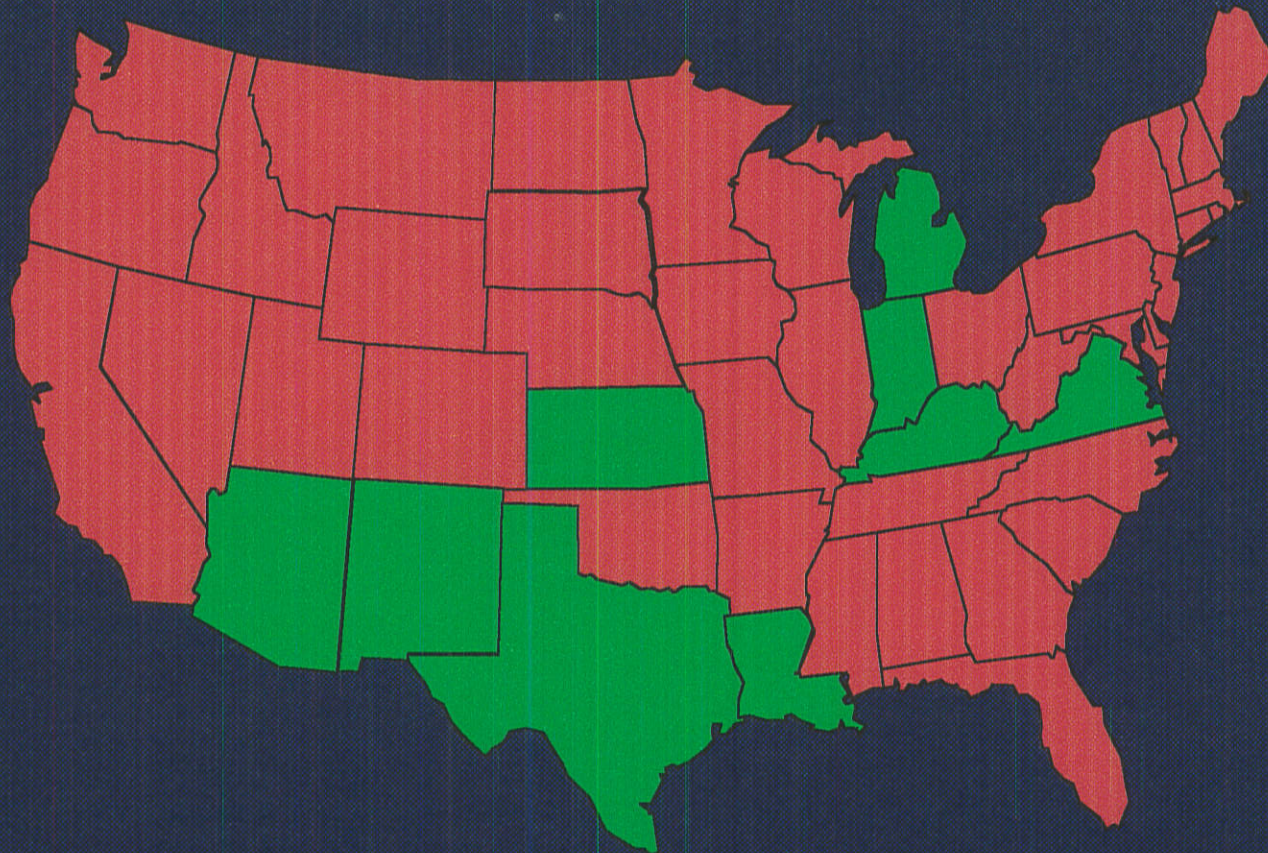
Our intention in supporting this legislation is not to raise rates. This amendment, if passed by your Committee, would put those fears of looming price increases to rest.

I want to thank Senator Morris for sponsoring Senate Bill 589 and I want to thank you for this opportunity to testify today. We certainly urge you to give it favorable consideration. I would be happy to answer any questions the Committee may have.



# *State Regulation of G&Ts as of February 1996*

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# *Sunflower Electric Power Corp.*

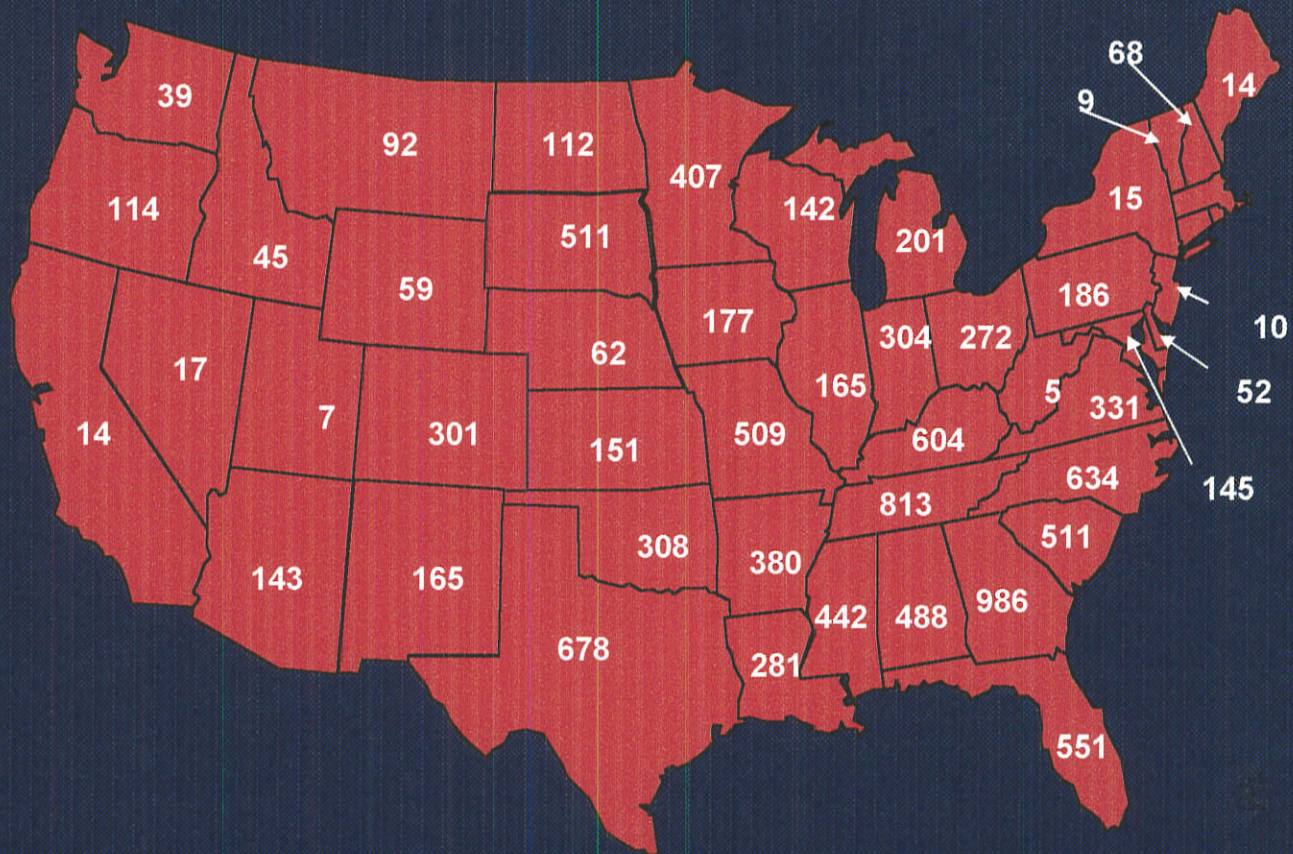
## *Rates to Members 1983 - 1997*





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# REC Consumers (thousands)





Attach 2

**Testimony Submitted to the Senate Utilities Committee**  
**by**  
**Neil K. Norman, General Manager**  
**Wheatland Electric Coop., Inc.**

**February 18, 1998**

**Comments on Senate Bill 589**

Thank you for the opportunity to speak to you today. My name is Neil Norman. I am the general manager of Wheatland Electric Cooperative, Inc. In 1992, I provided input to Senate Bill 435 which, when adopted into law, allowed cooperatives with fewer than 15,000 customers and which provide power principally at retail to elect to be exempt from the jurisdiction, regulation, supervision and control of the state corporation commission. Since Wheatland served 8,200 members through 14,500+ meters at the time, we felt the legislation allowed us to pursue exempt status.

In early 1993, we seriously considered a member vote to becoming exempt. We had just completed the worst year in recent Wheatland history. We were searching for ways to reduce costs. Since the KCC had billed us nearly \$50,000 the previous year, we knew we could save a lot of money over the years if we could eliminate the (KCC) assessments. We did what we could to reduce costs in all areas of our operation. We reduced staff. We dropped out of various organizations to avoid the annual membership fees. We dropped subscriptions to trade magazines. In general, we tried to do all we could to increase margins without increasing electric rates to our members. By late 1993 or early 1994, the total number of services connected to our system exceeded 15,000. A quick reading of (KCC) staff opinions led me to believe they felt Wheatland would not be eligible to pursue exemption because of the number of customers served and because we served over 11,000 meters through wholesale contracts.

Customers had been complaining about our electric rates since 1984. We were constantly working to reduce rates to them. Since we weren't very successful, we saw the installation of many wind generators. Also, many irrigation motors were converted to natural gas or diesel units. Businesses that should have grown and expanded didn't. Some moved their operations to areas with lower energy rates. Many reduced their consumption. We entered a death spiral.

But now things have changed. Back in 1993, very little talk had occurred regarding retail wheeling. Now, with retail wheeling on the horizon, many customers have requested special rates and short contracts. (Request is an understatement.) We have worked with all customers to keep them on our system. Some contract or tariff approvals have taken 3 or 4 months. While this may not seem excessive for the current regulated environment, I believe it will be in a market environment.

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Too many bosses will ruin any business. Several years ago, I began serving on a local hospital board that was in financial trouble. One of the most obvious problems was that the CEO of the hospital answered to too many “bosses”. He answered to the hospital board, a hospital management group, the county commissioners, local physicians, insurance companies – including Medicare officials, members of the public, etc. It was impossible for the CEO to do anything without offending someone. As a board we worked to eliminate as many “bosses” as we could and backed away from micromanaging the hospital ourselves. The board then empowered the manager to do his job and got out of his way. This year the hospital won a national award for being one of the top 100 hospitals in the nation (Mercer).

It is the same with our business. We need to empower our CEOs through locally elected boards. Then, unless oversight is deemed necessary for some reason, we must allow them to run the cooperatives.

### **CONCLUSION**

This bill will allow for the elimination of unnecessary and duplicative regulatory oversight of consumer owned and locally managed cooperatives. It will free the local boards to serve their members as the members so direct.

Again, thank you for the opportunity to speak on behalf of the board and members of Wheatland Electric Cooperative.



**Lane-Scott Electric Cooperative Testimony on Senate Bill 589**

Thank you, Madam Chairman and members of the Committee, for allowing Lane-Scott REC to address Senate Bill 589.

My name is Jack Clinkscale and I am the General Manager of Lane-Scott Electric Cooperative located in Dighton, Kansas. We are a distribution cooperative serving 2,600 members in seven counties in western Kansas. Our members voted to deregulate from the Kansas Corporation Commission in 1994 and we have had no rate increases since that time. Our membership and Board have never regretted the decision to deregulate and we are sure that the other 25 distribution cooperatives that joined Lane-Scott in deregulation feel the same way.

With the seemingly inevitable approach of open competition throughout the electric industry, we feel that all cooperatives, both distribution and G & T's, regardless of size, must have the ability to react, and react quickly, to both challenges and opportunities afforded in an open market. We feel that member-owner control provides the best form of stewardship possible and that this form of governance provides maximum protection for our end-use consumers. If we do not provide the best stewardship of our systems, we will cease to function in the world of open competition. In addition to the ability to react quickly to market conditions, Sunflower EPC, our wholesale power supplier, has spent over \$4 million since 1983 in regulatory costs while from 1989 until Lane-Scott deregulated in 1994, we spent over \$37,000 in regulatory fees. These funds could be better utilized to lower rates for the end-use consumer. We will find ourselves at a decided disadvantage if we are regulated while our competitors from neighboring states do not have this added burden.

We also feel very strongly that sales for resale should not be regulated. Lane-Scott has had a contract submitted for approval to the KCC between Lane-Scott and our largest wholesale consumer, the City of Dighton, which will substantially reduce our rate to the City. We submitted this request on June 25, 1997 and as of today, we still have not received approval. In a competitive environment, these delays will be intolerable. In additions to the delays, Lane-Scott has been assessed fees of almost \$3,000 by the KCC. To address this contract and our travails in gaining approval from the KCC, I would like to introduce Mr. Vernon Newberry, Dighton City Administrator and I thank you for the opportunity to testify on SB 589.

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**CHRONOLOGICAL HISTORY OF LANE-SCOTT PROPOSED WHOLESALE  
RATE TO THE CITY OF DIGHTON  
(DOCKET No. 97-LNSE-765-CON)**

- June 25** Sunflower/Lane-Scott Agreement & Lane-Scott/ City of Dighton rates filed with Kansas Corporation Commission by Doug Shepherd of Kansas Electric Cooperative (KEC).
- July 9** Doug Shepherd files response to 5 data requests by Commission Staff Person Al Maxwell.
- July 16** Carroll Waggoner of Sunflower files response to 5 data requests by Al Maxwell.
- July 18** Commission suspends rate request for up to 240 days.
- July 22** Doug Shepherd files response for 3 data requests by Al Maxwell.
- July 29** Commission issues order assessing costs of rate research to Lane-Scott.
- July 29** Commission issues order correcting language in July 18 Order.
- August 5** Commission issues order again correcting language in July 18 Order.
- August 5** Carroll Waggoner files responses to 4 more data requests from Al Maxwell.
- August 28** Robin Jennison sends letter to KCC Attorney Dave Hineman on Lane-Scott's behalf urging passage of rate requests.
- September 16** Doug Shepherd of KEC presents AL Maxwell with amended Cost of Service study for Lane-Scott service to the City of Dighton.
- October 13** Amended power supply agreement signed by Lane-Scott and City of Dighton incorporating changes recommended by KCC Staff.
- October 24** Doug Shepherd presents amended rate for city to Al Maxwell.
- October 1** Lane-Scott receives draft copy of KCC Staff Person AL Maxwell's recommendation to the Commissioners.
- October 6** Midwest Energy petitions KCC to intervene in Sunflower/Lane-Scott rate proceedings.
- October 22** Commission Staff files response to Midwest's request to intervene.
- November 12** Midwest files "Reply of Staff's Response to Midwest Energy's Petition to Intervene".
- November 17** Lane-Scott assessed costs by KCC of **\$2,994.00** for staff time to review docket.
- December 16** Commission grants Midwest Energy's petition to intervene.
- December 18** KCC Staff Person Al Maxwell sends memo to Commissioners recommending approval of rates.
- December 30** Lane-Scott files motion for reconsideration of Commission's decision to allow Midwest Energy to intervene.
- January 21** Commission denies Lane-Scott's motion for reconsideration.
- February 5** KCC Assistant General Counsel Dan Riley files motion requesting approval of Lane-Scott and City of Dighton power supply agreement.

Attach. 4

**THE CITY OF**



February 18, 1998

Madame Chairman and Members of the Committee:

As Jack said, I am Bud Newberry, the City Administrator for the City of Dighton. Dighton is a farming community of approximately 1,350 residents in Western Kansas. We are a long way from the big cities in Kansas but our citizens all earn a living in much the same way that everyone else does. They work hard for the dollars they earn and it is just as much of a burden for them to pay high utility bills as it is for people living in the more populated areas of Kansas.

I have a list compiled by Doug Shepherd, who was with the Kansas Electrical Cooperatives until recently, which shows the electrical rates paid by the residents of 160 cities and areas here in Kansas. You will notice that of these 160, Dighton has the ninth highest rate. In other words, there are only nine cities in the state which have electrical rates higher than ours.

I was appointed by the City Council of Dighton on January 1, 1997, to become their first City Administrator. My first official act as the Administrator was to approach Jack Clinkscale, with Lane-Scott Electric, about the possibility of some relief from this high rate. That was one-year, one-month, and approximately two-weeks ago. Although approval was gained within weeks by everyone concerned with this matter, except the Kansas Corporation Commission, we still have not been told either yes or no by that agency.

Mr. Al Maxwell, KCC Staff Member, recommended that our rate request be approved in a memo to the Commission on December 18, 1997. On December 26, the day after Christmas, I wrote to Kansas Congressman Jerry Moran in Washington D.C. asking for his assistance in resolving this matter. Within days I was contacted by John Hixon, one of Congressman Morans aids, and was told that we could expect action on our request very soon. Today is February 18, 1998, and we have heard nothing.

**CITY OFFICE**

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FAX 316-397-2416

**G. VERNON (BUD) NEWBERRY**

City Administrator

**BETTY L. SHULL**

City Clerk  
316-397-5541

**DON WILSON**

Police Chief  
316-397-2828

**CRAIG D KERSHNER**

City Attorney  
316-397-2450

**EUGENE WILSON**

Fire Chief

**UTILITY SHED**

316-397-5555

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# THE CITY OF



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This delay has cost the citizens of Dighton nearly \$200,000.00 this past year. Had there been legitimate concerns about approving this request on the part of the KCC Staff, I would have no problems with this delay. However, I believe it was the result of a flawed system which allows unsubstantiated actions to be filed which result in delays while the staff investigate these claims.

Our government says that they are in favor of de-regulating the electrical industry here in our state so that we all may have the opportunity to seek and secure the lowest rate possible. If that is truly what they want, the process to these ends needs to be looked at closely for improvement. I, as a city official, do not desire to attempt another rate change under the current format. Thank You.

Bud Newberry



AI Sectors Cts./kw	C:DOElwh93 Residential Cts./kw	AI Sectors Cts./kw	C:DOElwh93 Residential Cts./kw
KS 25844 City of Radium MUNICIPAL	2.69	KS 4704 D S & O Rural E C A, Inc COOPERATIVE	8.38
KS 12205 McPherson Board of Pub Utilis MUNICIPAL	3.44	KS 385 City of Alma MUNICIPAL	8.19
KS 998 City of Augusta MUNICIPAL	5.02	KS 11207 City of Muscotah MUNICIPAL	8.53
KS 5800 Empire District Electric Co INVESTOR-OWNER	5.58	KS 16834 City of Scranton MUNICIPAL	8.5
KS 18990 City of Seward MUNICIPAL	9.2	KS 18045 City of Toronto MUNICIPAL	8.26
KS 9732 City of Jctmore MUNICIPAL	5.41	KS 13810 City of Norton MUNICIPAL	8.18
KS 9418 Iowa Electric Department MUNICIPAL	5.33	KS 3535 Cimarron Light Department MUNICIPAL	9.5
KS 980 City of Attica MUNICIPAL	6.21	KS 10019 Kaw Valley Elec Coop, Inc COOPERATIVE	8.36
KS 9996 City of Kansas City MUNICIPAL	5.33	KS 8629 City of Hillsboro MUNICIPAL	8.33
KS 22500 Western Resources, Inc INVESTOR-OWNER	5.3	KS 9941 City of Garden City MUNICIPAL	7.01
KS 3913 City of Cozby MUNICIPAL	6	KS 14203 City of Osawatomie MUNICIPAL	8.19
KS 14199 City of Osage City MUNICIPAL	6.48	KS 14229 City of Ottawa MUNICIPAL	7.79
KS 701 City of Anthony MUNICIPAL	6.43	KS 1512 City of Belleville MUNICIPAL	8.57
KS 17718 Southwestern Public Service Co INVESTOR-OWNER	5.85	KS 5919 City of Enterprise MUNICIPAL	7.85
KS 18950 City of Severance MUNICIPAL	5.83	KS 19344 City of Udall MUNICIPAL	8.2
KS 8770 City of Holton Light Dept MUNICIPAL	6.67	KS 17924 City of Stafford MUNICIPAL	8.96
KS 298 Albia Electric Coop, Inc COOPERATIVE	7.59	KS 8781 City of Holyrood MUNICIPAL	8.99
KS 18518 City of Sabetha MUNICIPAL	6.21	KS 1148 City of Baldwin City MUNICIPAL	9.02
KS 14276 City of Oxford MUNICIPAL	7.65	KS 8279 Heaven Light Water & Power MUNICIPAL	8.25
KS 16440 City of Russell MUNICIPAL	6.72	KS 12242 City of Meade MUNICIPAL	8.04
KS 21533 City of Minneapolis MUNICIPAL	6.35	KS 18137 City of Stockton MUNICIPAL	8.08
KS 11572 Menkato Electric Utility MUNICIPAL	6.91	KS 9011 City of Houghton MUNICIPAL	9
KS 15201 City of Pomona MUNICIPAL	6.76	KS 10713 City of Lamed MUNICIPAL	9.44
KS 3454 Chetopa Electric Department MUNICIPAL	6.69	KS 10351 City of Kiowa MUNICIPAL	8.39
KS 1525 City of Beloit MUNICIPAL	6.87	KS 10351 City of Kiowa MUNICIPAL	9.33
KS 8703 City of Holsington MUNICIPAL	7.47	KS 2354 The Brown-Alchison E C A, Inc COOPERATIVE	9.24
KS 3355 Chanute Muni Electric Utility MUNICIPAL	6.02	KS 2547 City of Burlingame MUNICIPAL	8.96
KS 408 City of Altamont MUNICIPAL	7.22	KS 10005 Kansas Gas & Electric Company INVESTOR-OWNED	7.32
KS 13386 Nemaha-Marshall E C A, Inc COOPERATIVE	7.31	KS 9453 City of Iabel MUNICIPAL	10.17
KS 3862 City of Coffeyville MUNICIPAL	6.5	KS 27545 City of Vermillion MUNICIPAL	9.25
KS 7374 Goodland Electric Department MUNICIPAL	7.43	KS 13948 City of Oberlin MUNICIPAL	9.13
KS 11017 City of Lincoln MUNICIPAL	7.6	KS 18086 City of Sterling MUNICIPAL	8.75
KS 11658 City of Marion MUNICIPAL	7.4	KS 16920 Sedgwick Cmty El Coop Assn Inc COOPERATIVE	9.33
KS 13095 City of Mulvane MUNICIPAL	7.25	KS 19820 Victory Electric Coop Assn Inc COOPERATIVE	7.83
KS 17754 City of Summerfield MUNICIPAL	7.34	KS 7259 Glasco Electric Department MUNICIPAL	9.58
KS 2551 City of Burlington MUNICIPAL	7.09	KS 7257 City of Girard MUNICIPAL	8.47
KS 4932 City of De Soto MUNICIPAL	7.42	KS 20189 City of Waterville MUNICIPAL	8.59
KS 9541 City of Iuka MUNICIPAL	7.32	KS 6762 City of Fredonia MUNICIPAL	9.5
KS 11299 Lucas Electric Department MUNICIPAL	8.36	KS 11334 Lyon-Coffey Electric Coop, Inc COOPERATIVE	9.73
KS 10000 Kansas City Power & Light Co INVESTOR-OWNER	7.07	KS 13380 City of Neodesha MUNICIPAL	8.82
KS 16022 Seneca Light Department MUNICIPAL	7.34	KS 10559 City of La Crosse MUNICIPAL	9.45
KS 15321 City of Pratt MUNICIPAL	7.05	KS 6431 Flint Hills Rural E C A, Inc COOPERATIVE	9.62
KS 832 City of Arma MUNICIPAL	7.5	KS 9737 Jewell-Mitchell Coop Elec, Inc COOPERATIVE	9.81
KS 3710 City of Clay Center MUNICIPAL	7.21	KS 15336 City of Prescott MUNICIPAL	9.07
KS 13941 City of Oakley MUNICIPAL	7.05	KS 2270 City of Bronson MUNICIPAL	8.39
KS 6019 Eudora Municipal Elec Dept MUNICIPAL	7.79	KS 17879 City of St John MUNICIPAL	9.58
KS 5234 Doniphan Elec Coop Assn, Inc COOPERATIVE	7.57	KS 764 City of Arcadia MUNICIPAL	10.11
KS 7257 City of Glen Elder MUNICIPAL	7.79	KS 3294 City of Centralia MUNICIPAL	9.84
KS 12996 City of Morrill MUNICIPAL	7.81	KS 20192 City of Wathena MUNICIPAL	9.28
KS 20141 City of Washington MUNICIPAL	8.1	KS 24971 C & W Rural Elec Coop Assn Inc COOPERATIVE	9.45
KS 20813 City of Winfield MUNICIPAL	5.72	KS 2774 CMS Electric Cooperative, Inc COOPERATIVE	9.7
KS 12998 UtiliCorp United, Inc INVESTOR-OWNER	6.11	KS 13570 Ninnescah Rural E C A, Inc COOPERATIVE	8.99
KS 5257 Erie Municipal Light & Power MUNICIPAL	7.24	KS 17454 Smoky Hill Elec Coop Assn, Inc COOPERATIVE	9.46
KS 1033 City of Axtell MUNICIPAL	7.03	KS 20476 Western Coop Elec Assn, Inc COOPERATIVE	8.95
KS 6948 City of Gardner MUNICIPAL	6.84	KS 11306 City of Lurey MUNICIPAL	8.6
KS 12838 City of Montezuma MUNICIPAL	6.54	KS 10801 Leavenworth-Jefferson E C, Inc COOPERATIVE	10.37
KS 17894 City of St Marys MUNICIPAL	8.09	KS 15621 Radiant Electric Coop, Inc COOPERATIVE	9.47
KS 8490 City of Herington MUNICIPAL	7.31	KS 15073 Pioneer Electric Coop, Inc COOPERATIVE	9.16
KS 12524 Midwest Energy, Inc COOPERATIVE	7.09	KS 10854 Sekan Electric Coop Assn, Inc COOPERATIVE	9.83
KS 12209 City of Moran MUNICIPAL	7.02	KS 16376 City of Savonburg MUNICIPAL	10.57
KS 1725 City of Blue Mound MUNICIPAL	7.89	KS 10728 Lane-Scott Electric Coop, Inc COOPERATIVE	9.6
KS 011 City of Ashland MUNICIPAL	7.53	KS 18316 Sumner-Cowley Elec Coop, Inc COOPERATIVE	10.18
KS 3191 City of Cawker City MUNICIPAL	9.23	KS 8599 City of Hill City MUNICIPAL	10.24
KS 11205 City of Mulberry MUNICIPAL	7.93	KS 2641 Butler Rural El Coop Assn, Inc COOPERATIVE	10.36
KS 16125 City of Robinson MUNICIPAL	7.72	KS 3366 City of Chapman MUNICIPAL	10.93
KS 6965 City of Garnett MUNICIPAL	7.8	KS 13799 Norton-Decatur Coop El Co, Inc COOPERATIVE	10.88
KS 9776 City of Johnson MUNICIPAL	7.84	KS 8497 City of Hemdon MUNICIPAL	10.49
KS 10321 Kingman Municipal Elec Dept MUNICIPAL	7.52	KS 19482 United Electric Coop, Inc COOPERATIVE	10.71
KS 20009 City of Wamego MUNICIPAL	7.43	KS 17872 City of St Francis MUNICIPAL	11
KS 20315 Wellington Municipal Elec Util MUNICIPAL	6.99	KS 40208 Ark Valley Elec Coop Assn, Inc COOPERATIVE	10.39
KS 14214 City of Osborne MUNICIPAL	8.1	KS 20510 Wheatland Electric Coop, Inc COOPERATIVE	7.97
KS 13029 City of Moundridge MUNICIPAL	7.09	KS 5154 City of Dighton MUNICIPAL	11.21
KS 18959 City of Troy MUNICIPAL	8.31	KS 2961 Caney Valley El Coop Assn, Inc COOPERATIVE	11.11
KS 7631 City of Greensburg MUNICIPAL	7.62	KS 5839 City of Elwood MUNICIPAL	11.3
KS 8871 City of Horton MUNICIPAL	8.19	KS 13846 Northwest Kansas E C A, Inc COOPERATIVE	9.47
KS 5725 City of Elsmore MUNICIPAL	8.74	KS 13183 N C K Electric Cooperative Inc COOPERATIVE	10.77
KS 11040 City of Lindsborg MUNICIPAL	7.77	KS 18682 Twin Valley Electric Coop, Inc COOPERATIVE	11.13
KS 6631 City of Galva MUNICIPAL	8.35	KS 15309 P R & W Electric Coop Assn Inc COOPERATIVE	11.69
KS 5802 City of Ellinwood MUNICIPAL	8.4	KS 16988 City of Sharon Springs MUNICIPAL	11.82
KS 10533 City of La Harpe MUNICIPAL	9.43	KS 13035 City of Mount Hope MUNICIPAL	11.78
		KS 10828 City of Laon MUNICIPAL	13.44
			13.93

160 total

Dighton 151



# THE CITY OF



December 26, 1997

The Honorable Jerry Moran  
The House of Representatives  
1217 Longworth House Office Building  
Washington, DC 20515-2715

Dear Congressman Moran:

In the past I have written to you about issues which I felt were important to maintain the quality of life in the rural areas of Western Kansas. I have always been pleased to discover that you seem to be concerned about us folks trying to keep these small cities viable in the midst of higher operating costs and declining revenue sources. I must admit that I am frustrated most of the time these days but once in awhile something happens that makes me ask myself why I even continue to try. One of those situations, which has been particularly irritating to me, concerns a decision made recently by the Kansas Corporation Commission in regard to a rate request filed nearly a year ago on behalf of the City of Dighton by Doug Shepherd who is with the Kansas Electric Cooperative organization in Topeka.

To make this story as short as possible, I approached our electricity provider, Lane-Scott Electric Cooperative, late in 1996 about the possibility of some relief in our cost for power here in Dighton. Through a diligent effort by Jack Clinkscale, General Manager of Lane-Scott, Lane-Scott's Board of Directors, and Mr. Shepherd, a new rate structure was designed which was then approved by Sunflower Electric Cooperative, its Board of Directors, and its major financier, the RUS. However, the KCC, for reasons which I feel are not valid, has decided to allow Midwest Energy, Inc. to intervene in our rate request. Midwest stated in their request that this rate could have some adverse effect on their own rates from Sunflower.

The following are facts which I believe substantiate my feelings about this allowed intervention:

1. All but two of Sunflowers seven cooperative owners have been granted special rate contracts. Midwest Energy themselves sold 30,000,000 kw in the month of November at special rates.

## CITY OFFICE

147 E. LONG, PO BOX 848  
DIGHTON, KS 67839-0848  
PH: 316-397-5541  
FAX 316-397-2416

## G. VERNON (BUD) NEWBERRY

City Administrator

## BETTY L. SHULL

City Clerk  
316-397-5541

## DON WILSON

Police Chief  
316-397-2828

## CRAIG D. KERSHNER

City Attorney  
316-397-2450

## EUGENE WILSON

Fire Chief

## UTILITY SHED

316-397-5555

2. The committee assigned to study our request by the KCC recommended approval of the request.

3. Sunflower's financial arrangements for repayment of their debt will not be affected in any way if this request is approved.

4. This request is such a small matter, compared with multi-billion dollar mergers and contracts which have become commonplace for the KCC to consider, I cannot imagine why they are even looking at this one.

My feeling is that this entire matter boils down to personal hard feelings between Midwest Energy, Sunflower Electric, and members of the KCC, with the citizens of Dighton having to pay the price of high power for this delay.

If you can find a few minutes I would greatly appreciate any attention you may be able to give this matter. It is entirely possible that this situation could be corrected very quickly with a single telephone call to Mr. David Heinemann, who is the Executive Director of the KCC.

Thank you for taking the time to read this letter and I will appreciate any help which you may be able to extend to us.

Sincerely,

Bud Newberry

**TESTIMONY SUBMITTED TO THE  
SENATE UTILITIES COMMITTEE**

**By  
Allan Miller, General Manager  
PRAIRIE LAND ELECTRIC COOPERATIVE, INC**

**February 18, 1998**

**PROPONENT ON SENATE BILL 589**

Thank you, Madame Chairman and members of the Committee, for allowing Prairie Land Electric Cooperative this opportunity to express our support of Senate Bill 589.

My name is Allan Miller. I am the General Manager of Prairie Land. I have been employed at our cooperative for 22 years, the last 7 years as General Manager.

Prairie Land is an electric distribution cooperative serving in 12 counties in Northwest and North Central Kansas. We have the distinction of being a member owner of both Sunflower and KEPCo. We realize the important role that the G&T provide in bringing reliable electric service to our system. We recognize that we must take an active part in shaping G&T policy to insure that our members at the end of the line are protected. Several of our Board Members also serve on the Sunflower and KEPCo Board of Trustees. They are well informed on the issues that affect our system as well as the G&T. We believe this local control, shared with the other member owners, protects the interests of the members we serve. We believe that further oversight by the KCC is costly, unnecessarily duplicative and often leads to delay and contradiction, which, in our view, is not in the best interest of our members.

Senate Bill 589 will give us the flexibility we need to adjust to a competitive market place. I don't need to tell you that our industry is rapidly changing. Soon we will be engulfed in retail wheeling, when decisions will need to be made quickly in response to market demands. We can not afford to wait for regulatory oversight when the market place will not wait. Even today, with retail wheeling several years away, we are faced with competition. Many of our large customers are demanding market-based rates in lieu of switching to alternate fuel sources. Others are demanding lower rates in order to remain competitive. We must weigh

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the value of keeping these at risk customers “on line”; not only in economic terms, but also in terms of the “community value” that they provide to the members we serve. This evaluation can best be accomplished at the local level, by a local board of directors.

Prairie Land also supports this legislation because it will allow distribution cooperatives and their G&Ts to enter into contracts for sale and resale to municipalities without additional review by the KCC. Prairie Land is frustrated by the fact that we entered into a resale contract with the City of Hill City, only to have the contract reviewed and denied by the KCC. The contract, if approved by the KCC, would have provided economic benefits to Prairie Land members and the citizens of Hill City, as well as, improving the service reliability of the Prairie Land System.

Finally, I would like to submit a resolution that was unanimously approved by the Prairie Land Board in support of this legislation.

Thank you for allowing me to testify in support of this legislation. I would be happy to answer any questions the Committee might have.

## RESOLUTION

WHEREAS, Prairie Land Electric Cooperative purchases power from and is a member of the Sunflower Electric Power Corporation (Sunflower) and the Kansas Electric Power Cooperative, (KEPCo); and


WHEREAS, Sunflower and KEPCo are generation and transmission cooperatives owned and controlled by the members they serve; and

WHEREAS, Senate Bill 589 would allow all rural electric cooperatives, including Sunflower and KEPCo, the option to remove themselves from the regulation of the Kansas Corporation Commission.

BE IT RESOLVED, that the Board of Trustees of Prairie Land Electric Cooperative, Inc. hereby support the legislation contained in Senate Bill 589 that would give all rural electric cooperatives the option to deregulate from the Kansas Corporation Commission.

## CERTIFICATION

I, Byron Carpenter, Secretary of Prairie Land Electric Cooperative, Inc., do hereby certify that the above Resolution was adopted at the regular meeting of the Board of Trustees of Prairie Land Electric Cooperative, Inc, held in Norton, Kansas, on February 17, 1998.

  
Byron Carpenter, Secretary  
Prairie Land Electric Cooperative, Inc.



Attach. 6  
Written

TELEPHONE: 743-5561  
P. O. BOX 278

The WESTERN  
COOPERATIVE ELECTRIC ASSOCIATION, INC.



R E C  
KANSAS 47 TREGO



WAKEENEY, KANSAS  
67672

February 16, 1998

Senator Pat Ranson, Chair  
Senate Utilities Committee  
State Capitol Building  
Topeka, KS 66612

Dear Senator Ranson:

I would like to submit testimony to you in person regarding Senate Bill 589. However, the Western Cooperative Electric board is conducting its monthly meeting today, so I am unable to provide this testimony in person. I would appreciate it if you would share our testimony with the full Committee and enter this into the record as the statement of Western Cooperative Electric Association, Inc.

**TESTIMONY SUBMITTED TO THE  
SENATE UTILITIES COMMITTEE**

**By  
Mr. David L. Schneider, General Manager  
WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.**

Western Cooperative Electric Association, headquartered in WaKeeney, Kansas, serves 4,350 residential, agricultural, commercial, and oil industry customers in parts of eight counties in western Kansas. We support Senate Bill 589 and urge the passage of this legislation as we believe it will reduce the cost of electricity to our customers.

Western has annual sales of about 115 million kilowatt-hours. About 77 percent of Western's load is oil pumping, 20 percent is farm, residential, and equipment service, and the remaining 3 percent is devoted to our irrigation users. Due largely to the high concentration of crude oil pumping, Western has the highest annual load factor (an overall measure of distribution system efficiency) of all the rural electric cooperatives in Kansas.

As a member system of the Sunflower wholesale cooperative, we know that restructuring our debt with the Rural Utilities Service (RUS) will be critical if we are going to provide lower,

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competitive rates to all of our customers. KCC regulation increases cost of operation for Sunflower, and therefore to us, as wholesale customers of Sunflower. That regulatory red-tape diminishes any possibility for Western to quickly react to market opportunities. As we move toward open competition, Sunflower and Western need to be able to react quickly to market opportunities so Western can better serve the special needs of its customers.

Over 70% of our customers are part of a declining oil economy, where margins are shrinking and the price of crude oil is declining. While the price of oil remains low, many marginally profitable wells are becoming cost prohibitive to operate, and the wells may be shut down. This means not only a loss of revenue to Western, it also means loss of revenue for the pumper, land owner, and oil operator. It also provides fewer barrels of Kansas crude sold as part of our gross state product. We fear that once many of these marginal wells are shut down, they will not be reopened in the future. That would not only hurt the oil operators, it will hurt others in our territory as well. While Western cannot control the international price of crude oil, we are sympathetic to this situation, and would like to provide relief to the oil operator through lower electric rates. However, providing relief to the oil operators means, in some cases, an 8-month regulatory approval process. This simply does not fit the needs of our customers.

I have not specifically addressed the needs of our smaller customers, but want you to know that we are as concerned with them as we are the larger loads described above. We don't have many customers on each mile of Western's line. Our smaller customers, we believe, will soon be facing increasing costs for electrical service if we don't get Sunflower's debt restructured so we can lower cost to our smaller consumers, too.

Once again, I want you to know how I regret not being able to be with you in person. Let me just say that Western is completely in support of this legislation and hope you will pass this bill out of your Committee and onto the full Senate.

Respectfully yours,

A handwritten signature in cursive script that reads "David L. Schneider". The signature is written in dark ink and is positioned above the printed name and title.

David L. Schneider  
General Manager

# City of Hill City

WRITTEN

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205 N. Pomeroy

HILL CITY, KANSAS 67642

913-674-3437 or 3438, 2264

February 17, 1998

The Honorable Pat Ranson, Chairperson  
Senate Committee on Utilities  
Statehouse, Room 449-N  
Topeka, Kansas 66612

Dear Senator Ranson:

It is our understanding Senate Bill No. 589 is scheduled for hearing on Wednesday, February 18, 1998. The City of Hill City has reviewed the proposed bill, as amended, and we offer our support.

Some may ask why Hill City, a municipality which operates its own electric generation, transmission and distribution system is concerned with this particular legislation. In large part, the answer lies in the difficulty Hill City recently experienced in KCC proceedings.

Attached is a letter sent to you and others last summer. It summarizes some of the problems Hill City encountered in trying to improve operation of its municipal electric system. If passed, Senate Bill No. 589 may help other communities avoid a similar plight. It will make it even more clear that the situation recently encountered by Hill City, Norton-Decatur (now Prairie Land) and Sunflower is not subject to KCC jurisdiction.

We encourage you to favorably move the bill out of committee and support its ultimate passage.

Very truly yours,

CITY OF HILL CITY, KANSAS

Ronald D. Radcliffe, Mayor  
Jean Freeman, Council Member  
J. D. Hininger, Council Member  
Alice Goscha, Council Member  
Mort Plunkett, Council Member  
Ray Wiersma, Council Member

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*City of Hill City***COPY**

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205 N. Pomeroy

HILL CITY, KANSAS 67642

913-674-3437 or 3438, 2254

September 19, 1997

Senator Pat Ranson  
3031 W. Benjamin Court  
Wichita, KS 67204

Re: City of Hill City - Sunflower Electric-Norton-Decatur Electric-  
Midwest Energy - Kansas Corporation Commission

Dear Senator Ranson:

Hill City is one of about 120 municipalities in Kansas that operate a municipal electric department. With electric rates higher than we like, a couple of years ago the city began investigating ways to reduce rates. Our efforts culminated in Hill City negotiating a favorable contract with Sunflower and Norton-Decatur. Guaranteeing Hill City the right to purchase electricity at 2.6 cents per kwh with only 4% interruption each year for 4 years, the contract benefited all three parties.

Norton-Decatur and its customers stood to profit because Hill City's participation would cause the city to pay for part of the costs associated with a new substation. That substation would upgrade Norton-Decatur's system and provide more reliable and more efficient service. Sunflower could creatively market some of its generation capacity, just as the KCC encouraged the company to do. Hill City, responding to the public's cry for lower electric rates and to talk of governmental activities that might restructure the electric industry, would minimize interruptions in its electric supply while preserving the ability to purchase electric power at lower rates than in the past. It sounded good for all parties involved, but it wasn't to be. Instead, the KCC became involved.

Sunflower and Norton-Decatur filed to secure regulatory approval of a contract that didn't really seem to need approval anyway. The legislative intent is clear. K.S.A. 66-104 says "the power and authority to control and regulate all public utilities and common carriers situated and operated wholly or principally within any city or principally operated for the benefit of such city or its people, shall be vested exclusively in such city." However, Midwest Energy, the company that had been providing economy electric power to the city before Hill City signed the new agreement with Sunflower-Norton/Decatur, filed an objection with the KCC. Seeming to have a predisposition to find something wrong, the KCC staff immediately raised its tent in Midwest's camp.

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Senator Pat Ranson; Re: City of Hill City - Sunflower Electric-Norton-Decatur Electric-Midwest Energy - Kansas Corporation Commission  
September 19, 1997

From the outset it was clear. KCC staff's mindset was to find some justification for disapproving the agreement. The Hill City governing body wanted to know why? Did it have something to do with the telephone issue? Was the electrical question a way to retaliate at Hill City for the recent telephone dispute that resulted in a decision contrary to the KCC and a post-audit study that didn't particularly sing praises to the KCC and its staff? We didn't know.

Ultimately a hearing was held; evidence was presented, and on August 26, 1997, the Commission issued its order in Docket No. 96-SEPE-680-CON. The Commission concluded that "The Application of Sunflower and Norton-Decatur for approval of the proposed interconnection and power supply agreement with Hill City shall be and is hereby, denied." The effect of the order is that the KCC is telling Hill City it must either a) generate all its own power, b) buy its power from Midwest at whatever rates Midwest establishes, or c) buy power only from a source that will transmit the power across Midwest Energy's lines, paying Midwest a tariff that the KCC did not even set or approve.

Such an action is contrary to a contract between Hill City and Midwest executed in 1983, when we were initially interconnected. That contract specifically reserves unto Hill City the right to interconnect with others and to buy power from Midwest or across Midwest's lines only when we want that power and at prices we feel are reasonable.

It is also interesting that the 1983 contract provides that rates and schedules for charges are to be approved by the KCC. Yet about two years ago, Midwest became subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). At FERC, not at the KCC, Midwest received approval for a transmission charge or tariff. The tariff requires Hill City, or others who use Midwest's 300 feet of electric line to get power to Hill City, to pay a tariff that is not distance sensitive. In other words, the same tariff is imposed for transmission of electricity from the most distant points in Midwest's system as for sending that electricity 300 feet to the Midwest-City of Hill City interconnect, an interconnect built and paid for by Hill City years ago.

Again, at the KCC hearing, overwhelming evidence was presented showing that Hill City would benefit, that Sunflower would make money on the transaction and that Norton-Decatur would gain a financial advantage. However, the Commission concluded that Hill City must remain married to Midwest and its system, even though Hill City, as a municipal electrical provider is exempt from KCC regulation and even though the contract between Midwest and Hill City provides otherwise.

What happened is extremely difficult for Hill City to sit back and swallow. As an example, one of the reasons the KCC disapproved the agreement is because it says the contract "results in discriminatory pricing." KCC staff member Larry Holloway erroneously testified that the variable cost of electricity in the contract would likely exceed the average revenue under the proposed agreement. He completely ignores many other relevant factors. But that isn't the real rub. The true problem is that, on the one hand the KCC disapproves Hill City's contract with Sunflower and Norton-Decatur, claiming it results in discriminatory pricing. Yet on the other hand, the KCC approves similar type contracts that give private businesses such as Boeing and Vulcan electric rates that are patently and inarguably discriminatory. Both those companies have electric supply contracts that have been approved by the KCC. The electric companies

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**Senator Pat Ranson; Re: City of Hill City - Sunflower Electric-Norton-Decatur Electric-Midwest Energy - Kansas Corporation Commission**  
September 19, 1997

furnishing electricity to Boeing and Vulcan do so at prices that are less than the prices they charge others; yet those contracts have not been criticized and rejected by the KCC as discriminatory and as against the public interest. Why?

This is an extremely important issue for Hill City. Someone needs to make inquiry and investigate. We are doing what we can, but we also feel it is important to call upon our representatives in Topeka. We need your assistance in this vital issue that may ultimately be of concern to many Kansans.

Very truly yours,

CITY OF HILL CITY, KANSAS



Ronald D. Radcliffe, Mayor  
Jean Freeman, Council Member  
J. D. Hininger, Council Member  
Alice Goscha, Council Member  
Mort Plunkett, Council Member  
Ray Wiersma, Council Member



WEST HIGHWAY 160 / BOX 368 / ULYSSES, KANSAS 67880 / (316) 356-1211

February 13, 1998

Senator Pat Ranson, Chair  
Senate Utilities Committee  
State Capital Building  
Topeka, Kansas 66612

Dear Senator Ranson:

I would like to have been able to submit testimony to you personally regarding Senate Bill 589. However, I have a board meeting that prevents me from doing so. I hope you will accept this testimony into the record as the statement of Pioneer Electric Cooperative, Inc.

**TESTIMONY SUBMITTED TO THE  
SENATE UTILITIES COMMITTEE**

**By  
Mr. David L. Jesse, Chief Executive Officer  
PIONEER ELECTRIC COOPERATIVE, INC.**

**February 18, 1998**

**COMMENTS ON SENATE BILL 589**

My name is David Jesse. I am the Chief Executive Officer of Pioneer Electric Cooperative, Ulysses, Kansas. First, I want to thank Senator Morris for introducing this important legislation. I also want to offer the Committee Pioneer's enthusiastic support for Senate Bill 589.

Pioneer's 47 employees serve more than 13,300 retail electric meters from our headquarters complex in Ulysses. About 75 percent of Pioneer's sales are to commercial customers. Pioneer's largest commercial customers are located in the Hugoton Field. These customers include Praxair, Inc.'s helium processing plant, situated between Ulysses and Satanta. However, Amoco Corporation recently completed the construction of a new gas processing facility that will become Pioneer's largest single customer.

Our system has experienced significant growth in the past few years. While we are thankful for our growth, our customers are demanding more and more flexibility from us and they need the same

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flexibility from our power supplier. Pioneer has a unique advantage to other suppliers. We not only own the distribution cooperative, we own and manage the power supply as well. Some people fail to realize that the six distribution cooperatives own Sunflower Electric. We sit on the Board of Directors and make the policy decisions that guide its day-to-day operations. I might add, that we are proud of what we've accomplished with Sunflower since its debt was restructured in 1988.

Our success has been due, in large part, to the partnership formed between Chris Hauck, Sunflower's President and CEO, his staff and the leadership of the distribution cooperative managers such as myself. Pioneer has been involved in many construction projects and negotiations with customers that would have not been possible a few years ago. I believe this kind of cooperation with Sunflower and our customers is essential as we approach a more competitive utility environment in the near future.

Let me get right to the point. The reason Pioneer supports Sunflower and this legislation is because we believe passage of this legislation will provide us a better opportunity to restructure Sunflower's debt with the federal government. As I said before, Pioneer is growing and we must have the tools necessary to meet the challenges we see in the near future. There are changes occurring in the gas field and in other areas in our territory that will provide opportunities to the consumers that own Pioneer. We want to be in a position to capitalize on those opportunities.

I want to thank you for the opportunity to share Pioneer's thoughts on Senate Bill 589. We certainly hope you will give it your favorable consideration.

Sincerely,



David L. Jesse  
Chief Executive Officer

DLJ:lf