Approved: April 3, 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 March 19, 1998 in Room 531-N of the Capitol.

All members were present except:
Sen. Hensley was excused

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

Conferees appearing before the committee:
Barbara Hueter, Enron Corporation
John Bell, Economist, Kansas Corporation Commission

Others attending: See attached list

Sen. Ranson announced the committee will hear a presentation on the future under retail wheeling, but she referred to an article, which was distributed to the committee at an earlier meeting, regarding awarding a major contract for state universities in California to Enron. She referred to a question asked of an official of the utility currently providing power regarding losing their market to sell power. The official indicated the company will sell its power into a pool, called the power exchange. Mr. Lehman stated the power companies sell their power into a power exchange (Poolco), at wholesale prices. They then distribute it to companies, such as Enron, who sells and distributes it. Mr. Lehman added that the utilities in California are selling off their power plants.

Sen. Ranson then introduced Barbara Hueter, who presented information on the future under retail wheeling (Attachment 1), which includes a map showing restructuring data and Enron's proposed standards of conduct. She called attention to a table on Page 3 of her presentation showing household savings under competition, which for Kansas is $16.37 per month, and to the components of electric service on the next page. Ms. Hueter stated Enron's goal will be to have nexus (an office) in Kansas, once deregulation takes place, and their role will be to become the energy manager as they market their products throughout the state. She also stated that Enron is the largest natural gas transmission system in the world and they sell more wholesale electricity than anyone else in the country. She also told of their experiences in other states which allow competition and told of the goals of the company once they are active in the state.

Sen. Ranson asked members to turn attention to:

SB 686-Refunds of rates and charges received for reimbursement of ad valorem taxes for the sale of natural gas

She called on John Bell, who referred to the Refund Flow Chart, Exhibit I (Attachment 2). He went through the procedure and time line for refunds and also referred to the refund reports, (Exhibit II) listing the interstate pipelines involved in the refunds. Sen. Ranson asked questions regarding involvement of the KCC and if they are monitoring whether the pipeline companies are making refunds. Mr. Bell stated the Corporation Commission has opened generic proceedings to monitor refunds, and Mr. Heinemann stated they have opened a docket to handle five companies, who claim FERC has no jurisdiction over their direct sales. Mr. Heinemann stated the consumer shouldn't have to pursue this case to get the refunds owed to them. Mr. Heinemann pointed out El Paso Natural Gas, ANR Pipeline Company and Colorado Interstate Gas have filed documents stating they have no obligation to refund, as ordered by the Court. Sen. Ranson asked if the KCC will stay on top of the situation to see that refunds are made in a timely manner, and Mr. Heinemann assured her they would. Sen. Morris asked if there is a way the KCC can tell the amounts of refunds that are due, and Mr. Bell answered that the nine pipelines must file with FERC by May 20; some will claim exemption because of direct sales, which would be regulated by KCC, such as Williams Natural Gas, who served irrigators with taps off their pipelines during the 1983-88 time period.

Sen. Ranson announced the committee will consider the bill again on Monday as well as the House Resolution.

Meeting adjourned at 2:30.

Next meeting will be March 23, 1998.

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 19, 1998

NAME	REPRESENTING
JC Long	UtiliCorp United Inc.
[illegible]	Senate
JOHN BELL	KCC
Dave Dittemore	KCC
Megan Rachow	intern for Rep. Pottorff
Don K Miles	KEC
Larry Ann Brown	KS Govt Consulting
[illegible]	Whitney Damron, PA
Amy A. Campbell	Midwest Energy, Inc.
Grey Wright	Western Resources
Erik Sartorius	Pete McGill & Assoc.
Leslie Kaufman	Ks Farm Bureau
Earnie Lehman	Western Resources
[illegible]	KG
Patrick Hurley	KCPL
[illegible]	Hein & Weir
Ken Peterson	KS Petroleum Council
Doug Smith	SWKROA

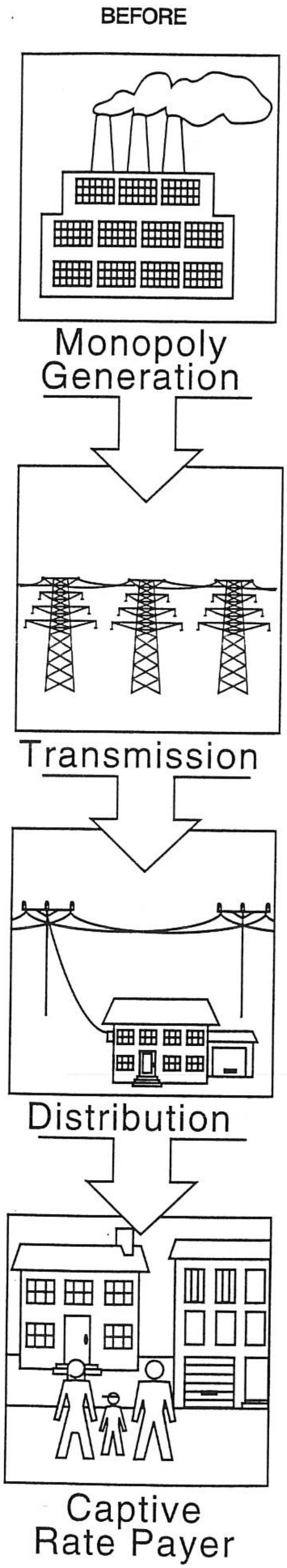
Attach. 1

Senate Utilities
3-19-98
Attach. 1

The Future Under Retail Wheeling

Presented to the
Senate, Public Utilities Committee

Barbara A. Hueter
Enron Corp.
March 19, 1998



Restructuring the Industry

Throughout their regulated history, electric utilities have been regulated as vertically integrated monopolies that control all three components of electricity: generation, transmission, and distribution. Generation is the process of actually creating electricity through such means as coal-fired, gas-fired, hydroelectric, and nuclear power plants. Transmission refers to the network created to move electricity across large distances through high voltage lines. The distribution system is the set of lower voltage lines that moves power off the transmission system and to the end users.

In a restructured market, the provision of electricity would be *unbundled*. That is, the generation, transmission, and distribution of electricity would be separated into distinct functions performed by different entities. Some advocates of electricity reform support *divestiture* by utilities, which would require each component of production to be a separate entity. *Functional unbundling* would not require divestiture but would require firewalls to be established between the different components of producing and delivering electricity production. Contrary to natural monopoly theory, the market for generating electricity has proven to be highly competitive and this component of electricity production would be open to full competition in a restructured market. On the other hand, transmission and distribution of electricity will in all likelihood remain regulated, at least in the short run. Transmission may ultimately prove to be competitive as well. However, to the extent transmission and distribution remain regulated, more innovative approaches to regulation should replace traditional rate of return regulation, which has created substantial inefficiencies in the market for electricity.

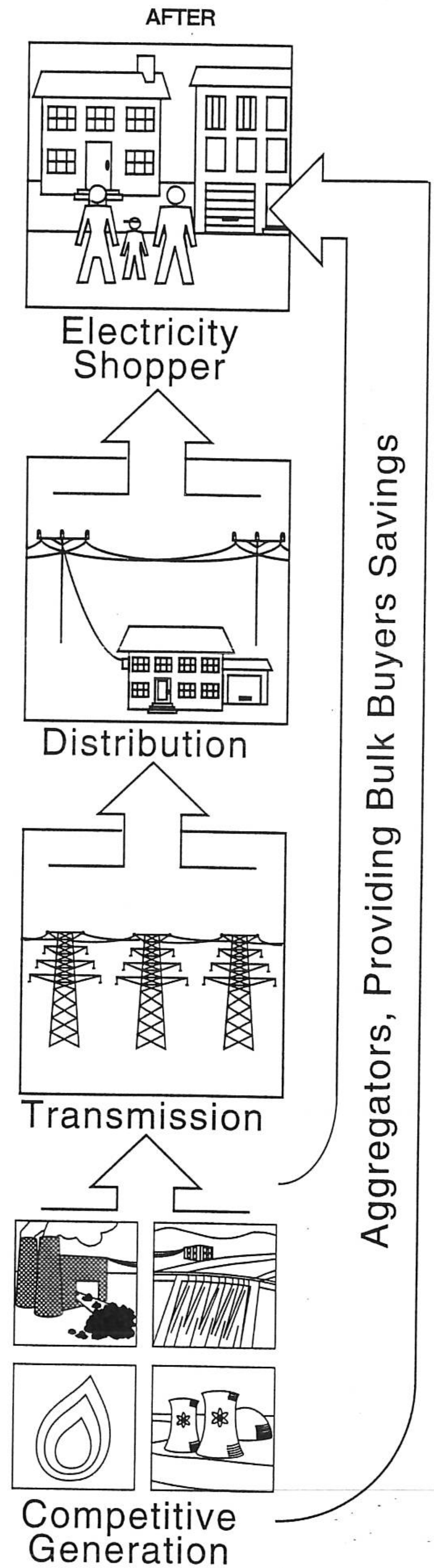


Table I
Household Savings in Monthly Electric Bill Under Competition and Constant Consumption

	Electric Bill per Residential Customer, 1994	Monthly Reduction in Houselhold Electricity Bill, Consumption Constant
National Totals	**$68.86**	**$18.00**
State	Electric Bill per Residential Customer, 1994	Monthly Reduction in Houselhold Electricity Bill, Consumption Constant
AK	$77.19	$20.17
AL	$73.73	$19.27
AR	$73.77	$19.28
AZ	$89.84	$23.48
CA	$60.18	$16.73
CO	$44.93	$11.74
CT	$78.85	$20.61
DC	$50.68	$13.25
DE	$75.73	$19.79
FL	$82.42	$21.54
GA	$73.17	$19.12
HI	$76.78	$20.07
IA	$63.82	$16.68
ID	$58.78	$15.36
IL	$65.77	$17.19
IN	$61.20	$16.00
KS	$62.66	$16.37
KY	$59.19	$15.47
LA	$84.89	$22.19
MA	$61.90	$16.18
MD	$81.79	$21.38
ME	$63.70	$16.65
MI	$49.09	$12.83
MN	$51.17	$13.37
MO	$65.16	$17.03
MS	$76.02	$19.87
MT	$48.66	$12.72
NC	$82.95	$21.68
ND	$63.15	$18.51
NE	$57.37	$14.99
NH	$73.51	$19.21
NJ	$71.56	$18.70
NM	$48.14	$12.58
NV	$69.70	$18.22
NY	$70.41	$18.40
OH	$67.96	$17.76
OK	$67.08	$17.63
OR	$57.48	$15.02
PA	$70.20	$18.36
RI	$58.19	$15.21
SC	$80.90	$21.14
SD	$62.33	$16.29
TN	$75.62	$19.76
TX	$86.71	$22.66
UT	$46.31	$12.10
VA	$84.12	$21.98
VT	$62.25	$16.27
WA	$56.37	$14.73
WI	$49.17	$12.85
WV	$58.89	$15.39
WY	$45.74	$11.95
National Totals	**$68.86**	**$18.00**

Note: Data from DOE-EIA Form 861

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Components of Electric Service

- Generation
- Transmission
- Distribution
- Metering, billing, customer care
- Taxes
- Ancillary Services
- Systems benefit charge (if any)

Energy Policy Act of 1992

- Legislation which introduced competition at the wholesale level through new open access requirements for transmission and authorizing exempt whole generators.

Energy Products In the Competitive Electricity Market

- Power
- Metering, billing, information services and customer care
- Products and services
  - energy audits
  - energy efficient lighting systems, appliances, heating and cooling systems
  - energy management services

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Energy Products in the Competitive Electricity Market

- other: internet connection, paging systems, cable tv, natural gas, local phone, and long distance service
- solar panels, fuel cells, on-site generation
- green power

Benefits of Competition

- Lower prices
- Increased innovation
- Improved reliability

Delaware Valley Healthcare Council

- Alliance between Enron and Council will offer comprehensive products and services to member facilities
- Focus on consumption reduction, commodity purchase, access to renewable energy and financing for equipment
- Council predicts 20% savings on consumption reduction alone

1-10

New Hampshire Pilot Program

- Established in 1997 by N.H. legislature
- 3% of retail market, including 4 geographic areas
- Enron is service provider to town of Peterborough, residents save on average 18 - 20%
- Governor of N.H. reported to Congress savings as high at 25%

Columbus, Ohio Public Schools Gas Aggregation Program

- Enron one of first companies to aggregate retail natural gas customers
- Enron supplies gas, local distribution company delivers gas to schools
- School district of 63,000 students has saved over $3,000,000.00 in 10 years

1-18

Enron Renewable Energy Corp.

- Leading wind energy power plant developer, operator and manufacturer
- Constructing 143 wind turbines for utility in Massachusetts to provide 100MW capacity
- constructing 113 MW wind capacity in Iowa
- Has contracts to build over 500 wind turbines

Major Issues

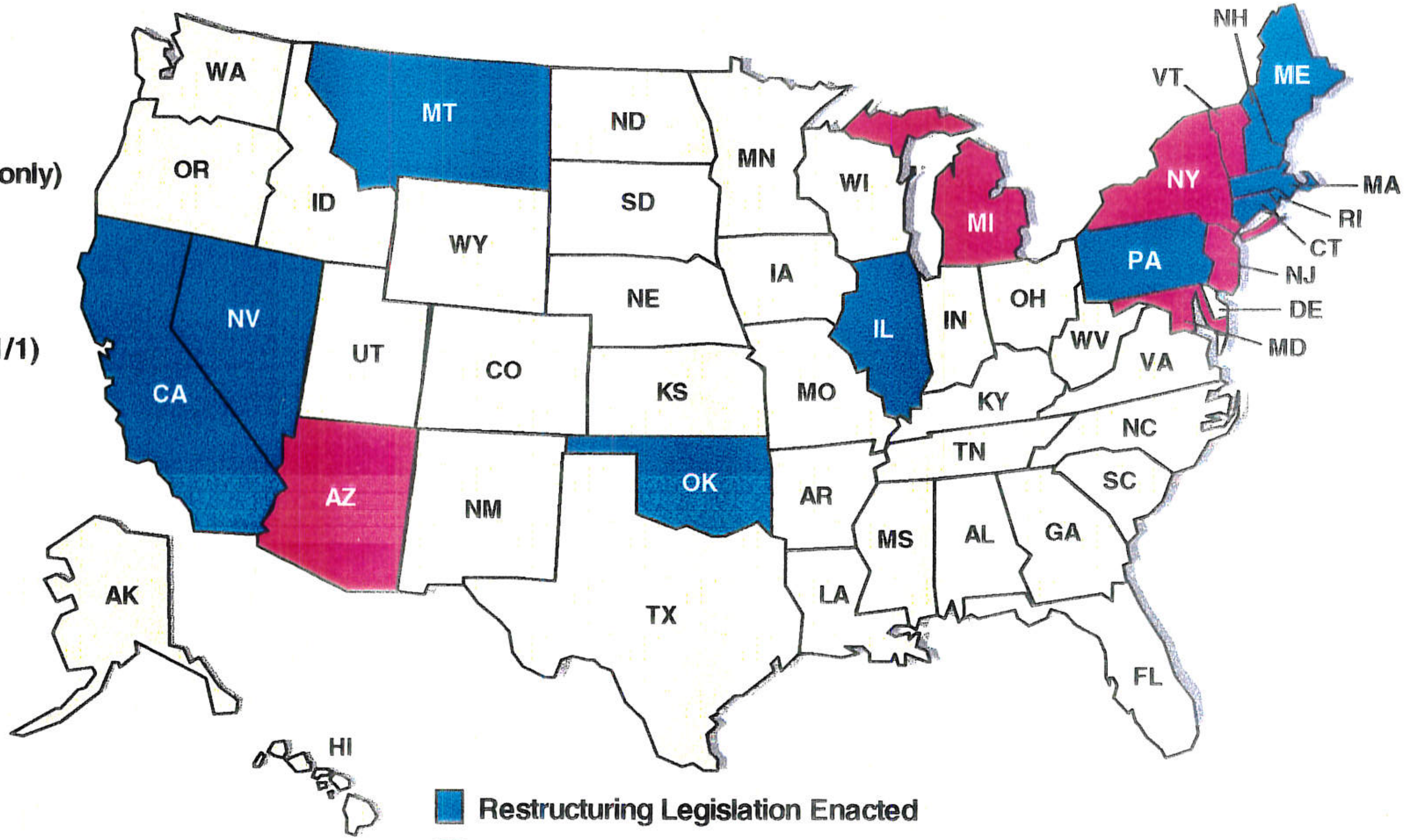
- Timing of access to competitive market
- Implementation procedures
- Certifying all suppliers
- Codes of conduct
- Transition costs
- Social programs
- Taxes

14-1

Enron
Electric Restructuring Update

<u>States Where Pilot Programs Are Ongoing:</u>
- Idaho (industrial only)
- Illinois
- Massachusetts
- New Hampshire
- Oregon (PGE)
- Pennsylvania (11/1)

<u>States Where Pilot Programs Are Proposed:</u>
- Michigan
- Missouri
- New Jersey
- New Mexico
- New York
- Ohio
- Washington



- Restructuring Legislation Enacted
- Comprehensive Regulatory Order Issued
- A Commission and/or Legislative Investigation is Ongoing
- No significant Activity

Status current as of 2/1/98

ENRON

ENRON'S PROPOSED STANDARDS OF CONDUCT TO GOVERN ELECTRICITY DISTRIBUTION COMPANIES IN THEIR RELATIONS WITH COMPETITIVE AFFILIATES

The Distribution Company shall supply services and apply tariffs to affiliated suppliers and other suppliers in a non-discriminatory manner, and shall uniformly enforce said tariff provisions.

In responding to customer service requests, the Distribution Company shall not grant any preference to those transactions involving an affiliated supplier.

(2A) No employee of a Distribution Company shall state or provide to any customer or potential customer any opinion regarding the reliability, experience, qualifications, financial capability, managerial capability, operations capability, customer service record, consumer practices or market share of any Supplier.

(2B) A Competitive Affiliate shall not represent that any advantage accrues to customers or others in the use of the Distribution Company's services as a result of that customer or others dealing with the Competitive Affiliate.

(2C) All products and services offered by the Distribution Company shall be simultaneously available to all customers and suppliers on a comparable basis.

(2D) Any discount, rebate or fee waiver for any product or service offered by the Distribution Company shall be simultaneously offered to all customers and suppliers on a comparable basis.

(2E) A Distribution Company shall process all similar requests for information in the same manner and within the same period of time.

Any information, including customer information, supplied by a Distribution Company to an affiliated supplier, shall be provided simultaneously to all suppliers.

(3A) A Distribution Company shall not provide information to a Competitive Affiliate without a request in cases where information is made available to Non-Affiliated Suppliers only upon request.

(3B) The Distribution Company shall not allow a Competitive Affiliate preferential access to any non-public information of the Distribution Company about the distribution system or customers that is not made available to Non-Affiliated Suppliers upon request. All employees of the Distribution Company will be instructed not to provide any non-public information to Competitive Affiliates regarding the distribution system and customers taking service from the Distribution Company that is not otherwise available

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to Non-Affiliated Suppliers upon request. The term "non-public information" means any customer-specific information that was acquired by the Distribution Company in the course of serving customers or operating the distribution system and is not otherwise in the public domain.

(3C) Employees of the Distribution Company are prohibited from sharing with Competitive Affiliates or any Non-Affiliated Supplier (1) market information acquired from the Competitive Affiliate or any Non-Affiliated Supplier, or (2) market information developed by the Distribution Company in the course of responding to requests for distribution service. The term "market information" means any information not otherwise in the public domain: (i) acquired by the Distribution Company in the course of responding to requests for distribution service relating to the pricing of power and discounts offered by Competitive Affiliates or Non-Affiliated Suppliers to customers; (ii) about the identity of potential new customers that have contacted the Distribution Company about service needs; and/or (iii) about terms of service between customers and Competitive Affiliates or Non-Affiliated Suppliers that are known by the Distribution Company to be confidential between a Competitive Affiliate or a Non-Affiliated Supplier and a customer and that were acquired by the Distribution Company in the course of responding to requests for distribution service.

3(D) The Distribution Company shall keep a log of all requests for information made by the Competitive Affiliate and Non-Affiliated Suppliers and the date of the response to such requests. The log shall be subject to periodic review by the Commission.

The offices of a Distribution Company must be in a separate building from the offices of any affiliated companies and separate books and accounts shall be maintained for each affiliate.

Any employee of a Distribution Company who has responsibilities in the areas of system planning, system operation, power services and/or customer services shall not also be an employee of any affiliated company.

The Distribution Company shall not condition the provision of any service to a customer on that customer's purchase of services from any affiliated company.

An affiliated supplier offering power to a Distribution Company for reserve or stability needs also shall make power available to the market.

A Distribution Company shall establish and file with the Commission a dispute resolution procedure to address complaints alleging violations of these rules. This resolution procedure shall be subject to the approval of the Commission.

A Distribution Company shall not allow its affiliates to utilize its name in any manner such that customers can reasonably imply from that use that: (1) the distribution services provided by the Distribution Company are of a superior quality when power is purchased from an affiliate; and/or (2) the merchant services are being provided by the

Distribution Company rather than the affiliate; and/or (3) the power purchased from a competitive supplier may not be reliably delivered.

Attach. 2
John Bell

EXHIBIT I

REFUND FLOW CHART

PRODUCERS	**FEDERAL (FERC) JURISDICTION**
INTERSTATE PIPELINES (nine major pipelines - see Exhibit II)	**FEDERAL (FERC) JURISDICTION**
CUSTOMERS OF INTERSTATE PL's	**VARIOUS STATE JURISDICTIONS**

(Comprised of local distribution companies (LDC's) and municipalities serving residential, commercial, and industrial customers at retail across many states.)

REFUND TIME LINE

On **September 10, 1997** the FERC issued an order (RP97-369) establishing procedures for Kansas ad valorem tax refunds for the time period 1983 through 1988. Pursuant to this order, interstate pipelines that are due refunds from producers, must file with the FERC a "Statement of refunds due" (due during **November 1997**) that states how much in principle and interest the pipeline expects to receive from each producer.

Refunds from producers to interstate pipelines for the time period 1983 to 1988 that are not in dispute must be paid to interstate pipelines by **March 10, 1998.** Refund amounts in dispute must be paid into a FERC established escrow account by **March 10, 1998**.

In accordance with the FERC's September 10, 1997 order, small producers may file a hardship request with FERC, which must include supporting financial data, for permission to amortize the refund obligation over a period not to exceed five years.

Interstate pipelines are required by FERC to pass refunds received on to their customers (LDC's and municipalities) within 30 days of receipt. Refunds held over 30 days by interstate pipelines will accrue interest from the date received by the interstate pipeline until the date paid by the interstate pipeline to its customers.

By **May 20, 1998** interstate pipelines must file another "refund report" with FERC that states how much was received from each producer and any producers who still owe refunds. Further, the report will state how much of the refunds received by the interstate pipeline have been passed on to each of the pipelines' customers.

Senate Utilities
3-19-98
Attach. 2

EXHIBIT I
(cont)

Abreviated Refund Time Line

Sep 10, 1997	FERC order issued establishing procedures for the payment of refunds.
Nov 10, 1997	Interstate Pipelines must serve the Statement of Refunds Due on producers.
Mar 10, 1998	Payment of refunds, with interest, by producers due to pipelines or FERC escrow.
Apr 10, 1998	Refunds received by Interstate Pipelines must be passed on to the interstate pipelines' customers within 30 days of receipt by the pipeline.
May 20, 1998	Interstate pipelines must file a refund report at FERC showing amounts received from producers on this date, as well as, how the refunds were apportioned and paid to the pipelines customers. This report would be filed annually on this date for the subsequent five years.

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file nar ind reports
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12/2/97

EXHIBIT II

KANSAS AD VALOREM
INTERSTATE PIPELINE
REFUND REPORTS

LINE NO		INTERSTATE PIPELINES	PRINCIPAL REFUND IN MILLIONS	INTEREST REFUND IN MILLIONS	TOTAL REFUND IN MILLIONS
1		WILLIAMS NATURAL GAS	$45.7	$72.4	$118.1
2	(3)	KN INTERSTATE TRANSMISSION CO	$12.1	$18.8	$30.9
3		NORTHERN NATURAL GAS	$30.1	$50.2	$80.3
4		PAN HANDLE EASTERN	$20.0	$33.6	$53.6
5	(1)	COLORADO INTERSTATE GAS CO	$13.3	$21.6	$34.9
6		EL PASO NATURAL GAS	$1.6	$2.0	$3.6
7	(3)	NATURAL GAS PIPELINE CO OF AMERICA	$0.08	$0.16	$0.2
8	(1)	ANR PIPELINE COMPANY	$0.4	$0.8	$1.2
9	(2)	ANADARKO	$5.4	$9.7	$15.1
10		**TOTAL**	**$128.7**	**$209.3**	**$337.9**

Source: Amounts contained herein per each pipeline's "Refund Report" filed at FERC

(1) Colorado Interstate and ANR are subsidiaries of the Coastal Corporation

(2) Anadarko is successor in interest to Cimarron River System, which is successor in interest to Centana Energy Corp.

(3) NGPA's parent MIDCON was purchased by KNI's parent KN Energy, Inc. on December 18, 1997

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