Approved: Carl Dean Holmes
Date 1-29-99

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Rep. Carl Holmes at 9:03 a.m. on January 25, 1999 in Room 522-S of the Capitol.

All members were present except: Rep. Franklin

Committee staff present: Lynne Holt, Legislative Research Department
Mary Torrence, Revisor of Statutes
Jo Cook-Whitmore, Committee Secretary

Conferees appearing before the committee:

Others attending: See Attached List

Chairman Holmes asked for any bill introductions. Rep. McClure stated she had two items to introduce as committee bills. The first was brought in by Michael Byington of Envision and has to do with utilities providing their bills, when asked, in large print or braille, according to the customers needs. Rep. McClure moved that the committee introduce the Envision proposal through the Utilities Committee. It was seconded by Rep O'Brien. Motion carried. Rep. McClure's second item deals with providing utilities in certified territories. Rep. McClure moved that the committee introduce this bill. It was seconded by Rep. Alldritt. There was a question by the Chair to Mary Torrence, Revisor, about the wording of the bill. Ms. Torrence stated that occasionally bills do contain the word 'whereas', though it is not the normal format used. Motion carried.

The Chair introduced David Dittemore, Director of Utilities with the Kansas Corporation Commission. Mr. Dittemore introduced the KCC staff in attendance. Mr. Dittemore presented an overview of the major dockets currently pending with the Corporation Commission (Attachment 1). He also presented a brief overview of the status of competition on the telephone side and a brief overview of unbundling (Attachment 2). His presentation was concluded by questions from the committee. Bruce Graham, Utilicorp, also commented on unbundling. Steve Johnson from Kansas Gas Service offered the opportunity to testify on unbundling at the committee's discretion.

The Chair requested from Mr. Dittemore additional information on the KCC docket. Requested was identification of the filing dates of dockets.

Meeting was adjourned at 10:43 a.m.

Next meeting is Tuesday, January 26 at 9:00 a.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 25, 1999

NAME	REPRESENTING
Joe Dick	BPU KCK
Les Depperschmidt	SWB
Mike Moffet	SWBell
Paul Snider	SWBT
Glenn Smith	KCC
Dave Dittemore	KCC
Heinemann	"
Charles Clark	SWBT
Bruce Graham	KEPCo
Earl Watkins	Sunflower Elec.
Anne Wickliffe	KCC
MARK DOLJAL	KCC
ED SCHAUB	WESTERN RESOURCES
John C. Bottenberg	West. Res.
Ron Gaches	McGill, Gaches & Asso.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: ____________________

NAME	REPRESENTING
Whitney Damron	Kansas Gas Service
Steve Johnson	Kansas Gas Service
Kathy Damron	SWB
J.C. Long	UCU
Dan Holthaus	Western Resources
Tom Day	KCC
Larry Holloway	KCC
Walker Hendrix	CURB
Rep. Douglas Johnston	House Dist. 92
Larrie Ann Brown	KS Govt Consulting

HOUSE COMMITTEE ON UTILITIES
Briefing by David N. Dittemore,
Director of Utilities, KCC
January 25, 1999

Listed below is an outline of major cases which are either pending before the Commission or those in which an order has recently been issued. Due to the large number of cases before the Commission, I have only focused on the most important dockets. This letter follows up on my earlier correspondence of September 9, 1998, sent to all members of the Senate Commerce and Utilities Committees and the House Utilities Committee.

TELECOMMUNICATIONS

1) ***Docket 97-SCCC-149-GIT*** *Southwestern Bell Unbundled Network Elements Pricing Docket (UNE)*

The purpose of this docket is to establish wholesale prices for SWBT for the provision of unbundled network elements as provided for in the 1996 Federal Telecommunications Act (FTA). The Commission is in the process of determining these wholesale prices in a three-part process:

a) the Commission adopted SWBT's model as the appropriate mechanism to calculate prices;
b) the Commission in November issued an extensive order deciding more than 120 input issues; and
c) all parties have an opportunity to review the output of SWBT's model, incorporating the previously mentioned cost inputs, and to file comments in January.

2) ***Docket No. 94-GIMT-478-GIT*** *Generic Investigation into Competition within the Telecommunication Industry*

There are several Kansas Universal Service Fund (KUSF) issues within this docket which the Commission is currently addressing:

a) SWBT has questioned the calculation of the 1998 assessment percentage. A third party accounting firm was selected by a task force comprised of Staff, CURB and industry representatives, to review the calculations. A hearing on this matter was held on January 5, 1999.
b) The Commission created two work groups, moderated by Staff, to explore access charge reduction issues as required by the State Act. The reports of the two groups have been submitted to the Commission.
c) The Legislative Working Committee sent a letter to the Commission requesting recommendations to the 1999 legislature regarding changes in the definition of basic

HOUSE UTILITIES
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ATTACHMENT 1

and enhanced universal services by February 15, 1999. The Commission has sought comments from interested parties on what definition changes, if any, are warranted.

3) ***Docket 97-AT&T-290-ARB*** *AT&T and SWBT Interconnection Agreement Arbitration*

Interconnection agreements set out in detail the scope and responsibilities of each party in the provision of wholesale telecommunications service. Competitive local exchange carriers either sign a generic interconnection agreement with the incumbent local exchange company (ILEC), or enter into negotiations on a unique set of terms and conditions. During the course of this docket, the KCC Staff has acted as a mediator and arbitrator between the parties, resulting in the resolution of many previously disputed issues.

AT&T and SWBT have conducted extensive negotiations in an attempt to reach agreement on interconnection terms. However, while a number of issues have been resolved, new contested issues have been identified by both parties. Consistent with the provisions of the FTA, the Commission must render a decision on those issues which remain at an impasse. A matrix of unresolved issues was submitted to the Commission on December 22, and further questions will be submitted by the arbitrator to the parties for a written response.

4) ***Docket 97-SWBT-411-GIT*** *SWBT's Compliance with Section 271 of the Federal Telecommunications Act*

The Commission held hearings in June to gather information on the question of whether SWBT has complied with the FTA's Section 271 checklist items. As you are aware, one of the goals of the FTA was the promotion of competition, both in the local and long distance markets. The FTA set forth a listing of items that incumbent Regional Bell Operating Companies (RBOCs) must meet in order to demonstrate that it has provided access to its network in order to permit competition to occur. While the ultimate determination of interlata entry rests with the FCC, the FTA requires that the FCC consult with state regulatory agencies in its review of 271 applications.

Once a Section 271 application is filed with the FCC, it has a 90-day window to determine compliance. Per the FTA, states are required to submit any information on Section 271 compliance to the FCC within 20 days of the date the application is filed with the FCC. As a result, the FCC has strongly encouraged states to develop full and complete technical records for the FCC's review prior to the date the incumbent files a 271 request. The KCC ordered SWBT to provide a 90 day advance notice of its intent to file a 271 application with the FCC, as well as a draft FCC filing. This requirement affords the KCC the opportunity to establish a full and complete record which can be forwarded to the FCC for their review.

The Commission conducted an extensive hearing and subsequently issued a report finding that SWBT had not complied with all of the competitive checklist items. The Commission staff is working with the parties to develop a procedural process to monitor the status of Section 271 compliance.

5) ***Docket 98-SWBT-677-GIT*** *In the Investigation into SWBT's Cost to Provide Universal Service (KUSF)*

The Commission opened this docket in late April, 1998, which immediately spawned debate concerning the appropriate costing methodology which should be employed; an embedded cost approach or a forward looking costing approach. Following oral arguments on this issue, the Commission, in September, unanimously authorized a separate docket to examine common Universal Service Fund costing issues including development of a record to support a decision on what costing methodology should be used. In a split decision, without determining the cost methodology issue, the Commission required SWBT to file a Fully Distributed Cost (FDC) study on November 13, 1998.

SWBT filed certain cost information, but is objecting to filing revenue information as being irrelevant to determining the costs to provide universal service. Commission staff has filed a Motion to Compel arguing that SWBT's filing is incomplete and does not comply with the Commission's earlier order. In addition, there are other discovery disputes pending before the Commission between Staff and SWBT.

6) ***Docket 99-AT&T-266-MIS*** *Petition of AT&T to Require SWBT to Implement IntraLATA Presubscription (1+ Long Distance Dialing)*

AT&T filed a petition asking the Commission to order SWBT to provide intraLATA presubscription by February 8, 1999, the earliest date on which a state Commission may take such action under the Federal Telecommunications Act of 1996, unless the company gets 271 authority first. IntraLATA presubscription allows the customer's intraLATA calls to be carried by a provider of choice by dialing 1 or 0 plus the area code and the telephone number. Currently, customers wishing to use an alternative provider to either SWBT or United must dial 1010, plus a unique three digit number.

The Commission also has a generic docket 98-GIMT-712-GIT in which LECs have filed their intraLATA dialing parity plans, including the associated cost.

7) ***Docket 99-GCCZ-156-ETC and 99-SSLC-173-ETC*** *Application of Sprint Spectrum L.P. (d/b/a Sprint PCS) and Western Wireless (WW) for Designation as an Eligible Telecommunications Carrier for Purposes of Receiving Federal and State Universal Service Support*

The purpose of a universal service fund is to enable end users to afford basic local telephone service. It is the general consensus in the telecommunications industry, at least in rural areas, that the rates end users pay for basic local telecommunications service do not cover the costs of providing local service.

The federal universal service fund is designed to support the cost of providing service in areas where those costs are substantially higher than average (high cost areas). High cost areas are generally those that require the installation of local loops over a long distance. The Federal Telecommunications Act of 1996 provides that carriers wishing to receive federal universal service funding must be designated eligible telecommunications carriers (ETCs) by their State Utilities Commission. The FCC issued an order implementing the Act that specified the services a carrier must offer in order to be eligible for federal universal service funding.

The Kansas Universal Service Fund is designed to support high cost areas, compensate for reductions in intrastate access rates, and fund programs to provide support to low-income end users and special equipment and services for disabled end users.

The applications for ETC status filed by Western Wireless and Sprint PCS are unique in Kansas because the entities seeking ETC status are wireless rather than landline carriers, and because they are requesting ETC status as to both federal and state universal service funds. The Commission has consolidated the two petitions and set a procedural schedule that will result in a hearing in May of 1999. Among the relevant issues the Commission has identified are:

a) whether a wireless carrier should be required to conform its service area to an underlying LEC's (local exchange carrier) study area in order to be eligible for universal service support;
b) whether wireless carriers should receive KUSF support for customers who also have landline service; and
c) whether it is in the public interest to designate wireless carriers as ETCs in rural areas. The Commission must also consider the additional demands on KUSF funds if wireless carriers become ETCs, along with a host of competition related issues.

8) ***Docket 99-GIMT-326-GIT*** *Investigation into Establishing a Cost Based Kansas Universal Service Fund (Please see related Docket 9~~9~~8-SWBT-677-GIT)* #5

On November 9, 1999, the Commission opened this generic investigation to rule on numerous issues common to all KUSF recipients. The issues to be considered in the docket include, but are not necessarily limited to:

a) how shall a cost-based mechanism for KUSF be defined;
b) what is the cost to provide universal service, as defined;
c) what cost methodology should be used to determine the cost of universal service;
d) by what geographical area should the cost be broken down, e.g., by wire centers, zones, etc.;
e) of those mechanisms that satisfy the definition of a cost-based KUSF mechanism, which is most likely to support the realization of the other general goals enumerated in the State and Federal Acts;
f) what is a just, reasonable and affordable rate for universal service U.S.C. 254(i), K.S.A.; and
g) what is the appropriate definition of subsidy 47 U.S.C. 254(k).

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This docket is closely related to Docket 98-SWBT-677-GIT, which is designed to determine the specific costs of SWBT's provision of universal service.

REQUEST FOR FEDERAL PRE-EMPTION

In July, Western Wireless petitioned the FCC seeking preemption of the Kansas State Telecommunications Act (Act) and the KCC orders implementing the Act, on the grounds that the Act and the orders are not competitively neutral and are inconsistent with the Federal Telecommunications Act (FTA). Section 253 of the FTA provides that the FCC must preempt state laws or state commission actions which are inconsistent with the FTA. Among its allegations, Western Wireless claims that the universal service fund does not assure universal service to customers, but rather assures a revenue stream to incumbents under the revenue neutral provisions of the Act. According to the company, the KUSF disburses support to incumbent local telephone companies statewide but limits other carriers' support to the smallest and most remote areas. Therefore, alternative providers are placed at a competitive disadvantage.

The KCC filed comments on September 3 opposing the Western Wireless petition, contending that no evidence was furnished to show that Western Wireless or any other provider is precluded from entry. The KCC argued that all carriers are eligible for the High Cost Funding program. The Commission described its efforts to study the costs of the incumbent telephone companies beginning with the biggest drawers from the KUSF and modify the KUSF accordingly. Staff does not know when the FCC may rule on Western Wireless' request.

ELECTRIC

9) ***Docket 97-WSRE-676-MER*** *In the Application of WRI to Acquire the Common Stock of KCPL*

Western Resources Inc. (WRI) and Kansas City Power and Light (KCPL) filed a revised joint merger application on June 17, 1998, seeking authority for WRI to purchase the stock of KCPL. The joint applicants are claiming total merger savings of approximately $956 million over a ten year period, with an acquisition price over book value (acquisition premium) which will likely be in excess of $1.0 billion. These two amounts are not comparable because the savings is the summation of synergies achieved over an extended period of time, while the acquisition premium is a present value amount. WRI has requested the Commission adopt an incentive ratemaking plan which would permit it to retain all earnings up to a 13.5% Return on Equity (ROE). Earnings above the 13.5% mark would be shared between ratepayers and shareholders.

WRI seeks to spin off its electric businesses to a new entity called Westar Energy which will become a regulated electric utility. After the merger, Westar Energy will have three distinct operating divisions; KPL, KGE and KCPL.

There are a number of issues confronting the Commission in this case including, but not limited to:

a) Does the proposed merger provide the opportunity for the newly created entity to exercise undue influence over the price of electricity in a competitive generation market (market power)?

b) Does the price paid to acquire KCPL, relative to the synergies created by the transaction, create negative cost implications to ratepayers?

c) Is the incentive ratemaking proposal in the public interest? If so, should it be modified?

d) If approved, should the Commission adopt a policy or goal of moving toward rate parity among the three divisions?

10) ***Docket 98-KCPE-500-TAR*** *In the Investigation of KCPL's Rate Design and Class Cost of Service*

In November, 1997, KCPL, Staff and CURB entered into a Stipulation and Agreement as to KCPL's revenue requirement case. The settlement incorporated a $14.2 million annual rate reduction which would be deferred pending the outcome of an application by KCPL to redesign its existing rates. Thus, the annual rate reduction is coupled with a KCPL refund obligation of approximately $15.7 million, accruing from the date of the Commission's order approving the original rate reduction.

On December 21, the Commission approved a Stipulation and Agreement among the parties to KCPL's rate design. In addition, the agreement provided for the one-time refund to be made in March, 1999, while the base rate reduction of $14.2 million is to be reflected beginning in February, 1999, bills.

11) ***Docket 98-SEPE-730-COM*** *In the Application of Berexco, Murfin Drilling Co. Vess Oil Corporation and Lloyd Theimer to Abrogate the All Requirements Contracts Between Sunflower Electric Cooperative and Various Retail Electric Cooperatives*

The applicants have requested the Commission find that the all-requirement contracts between various electric retail cooperatives and Sunflower Electric Power Cooperative are not in the public interest and, therefore, should be abrogated. Parties to the proceeding have presented a joint motion to the Commission on a proposed procedural schedule.

12) ***Docket 99-WSRE-034-COM*** *In the Complaint Lodged by Farmland that WRI Improperly Interrupted Service During Peak Periods Throughout the Summer of 1998*

Farmland Industries has filed a complaint with the Commission, requesting that it investigate service interruptions made by KGE during several periods this past summer. In addition, Farmland requested that the Commission investigate service interruptions to other industrial customers on the KPL/KGE system. In October, the Commission issued an order limiting the scope of the

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investigation to whether or not WRI's actions violated the agreement between KGE and Farmland, whether the charges for service to Farmland during these periods were correct, and whether KGE discriminated against Farmland by failing to spread the interruptions on a pro-rata basis to all similarly situated customers.

13) ***Docket 99-GIME-321-GIE*** *Investigation into the Adequacy of Future Kansas Electric Generating Capacity*

Most major transmission and generating electric utilities are members of a regional reliability council. The major utilities serving Kansas are members of the Southwest Power Pool (SPP). Annually, the SPP is required to file a forecast with the Department of Energy. The 1998 SPP report revealed that Kansas utilities did not have adequate planned generation capacity to meet SPP minimum reliability criteria.

In October, Staff submitted a memo to the Commission requesting that a docket be opened to investigate future Kansas generating capacity. In early November, the Commission issued an order opening an investigation, directing utilities to respond to a list of questions regarding generation and demand forecasts, directing Staff to compile a summary of the responses, and stating the Commission's intention to issue an order establishing further proceedings based upon Staff's summary.

14) ***Docket 99-SEPE-446-CON*** *Application by Sunflower Electric Cooperative to Approve Certain Agreements with UtiliCorp United and Midwest Energy and to Approve Certain Rate Modifications*

On January 5, 1999, Sunflower Electric Cooperative filed an application seeking Commission approval of a capacity sales agreement with UtiliCorp and a new power supply agreement with Midwest Energy. Under the proposal, rates to Sunflower's member cooperatives, served under an all requirements contract, would be reduced by $8 million, effective June 1, 1999. SEC has requested Commission approval by March 1, 1999.

15) ***Docket 99-WSRE-381-EGF*** *Western Resources Application to Site Three Natural Gas Turbine Electric Generation Units at the Existing Gordon Evans Energy Center*

On December 2, 1998, Western Resources filed a siting application for permission to construct three natural gas fired combustion turbine electric generation units at its existing Gordon Evans Energy Center (GEEC). GEEC is located in Sedgwick County near Colwich, Kansas, north and west of Wichita. GEEC is an existing KGE generation facility with four older gas fired steam turbine generation units (the newest unit was finished in 1959) with a current total capacity of approximately 330 megawatts. Under the proposal, Western Resources will install two 74 megawatt turbines with a projected operational date of June 1, 2000, and one 150 megawatt turbine with a projected operational date of June 1, 2001. Western Resources estimates the final cost of the proposal at $133, 498,000 or approximately $450/kw installed capacity and states that the units are needed to meet the needs of both KGE and KPL customers. Western Resources has stated in their application that they need Commission approval by April 15, 1999, to meet their procurement and construction schedule.

The Kansas electric generation facility siting act, K.S.A. 66-1,158 through 66-1,169c, requires the Commission to set a public hearing no less than 30 days nor more than 180 days after receiving an application (notification must be provided at least 20 days before the public hearing). A procedural schedule has been established with a public hearing scheduled in Wichita on January 28, 1999, and a technical hearing at the KCC on March 9 and 10, 1999. Commission Staff will be investigating the necessity and reasonableness of the proposal, as well as the location. The aggressive approval schedule requested by Western Resources is further complicated by the intervention of Farmland Industries and Empire District Electric.

16) ***Docket 99-EPDE-416-EGF*** *Empire District Electric Company Application to Site an Additional 350 MW of Natural Gas Combined Cycle Electric Generation Capacity at Their State Line Facility*

On December 18, 1998, Empire District Electric (EDE) filed a siting application for permission to construct additional generation facilities totaling 350 megawatts at it's existing State Line facility. EDE's State Line facility is located on the Missouri side of State Line Road on the Kansas - Missouri border, immediately outside of Galena, Kansas. Empire estimates that construction will begin in the third quarter of 1999 and will be completed by the second quarter of 2001. Information regarding the estimated cost for the proposed facilities has been provided by EDE to KCC Staff, but has been filed as confidential.

17) ***Docket 99-KCPE-445-EGF*** *Kansas City Power & Light Company Application to Site an Additional 294 MW of Natural Gas Combustion Turbine and Combined Cycle Capacity at Their Hawthorn Generation Station*

On January 7, 1999, Kansas City Power & Light (KCPL) filed a siting application for permission to construct two generators totaling 140 megawatts at its existing Hawthorn Generation Station. KCPL estimates the two new units will be operational by June, 2000, and September, 2000. Overall estimated cost of the project is about $95,000,000 or approximately $323/kw installed capacity.

The Kansas electric generation facility siting act, K.S.A. 66-1,158 through 66-1,169c, does not require Kansas utilities that construct a generation facility out of state to file an application for a siting permit provided:

a) the need for the facility or addition and the reasonableness of the siting is subject to review by the regulatory authority in state where it is being constructed;
b) less than 10% of the utility's retail customers to be served by the facility are in Kansas; **and**
c) such retail customers located in Kansas number no more than 15,000.

Additionally, for out of state units, the KCC siting approval is limited to only matters of system reliability and economic efficiency. KCPL is clearly required to file for a siting permit as the number of Kansas retail customers for KCPL greatly exceeds the 15,000 and 10% limitations.

NATURAL GAS

18) ***Docket 99-GIMG-068-GIG*** *In the Matter of a General Investigation Upon the Motion of the Commission Staff to Establish General Policies with Regard to Distribution of Kansas Ad Valorem Tax Refunds from Interstate Pipeline Companies to Kansas Jurisdictional Direct Sales Customers*

Staff filed a Motion with the Commission in July arguing that the Commission should assert jurisdiction over any ad-valorem tax refunds received by interstate pipelines which are related to non-FERC jurisdictional sales. In November, the Commission issued an order finding that it had jurisdiction over refunds attributable to former retail sales customers of interstate pipelines. Williams has requested that the Commission reconsider its decision and argues that the Commission does not have jurisdiction over any portion of the ad-valorem tax refund. The Commission has requested comment on what amount of refund is appropriate and how such monies should be refunded to former sales customers.

The ad-valorem tax refund, required by FERC, greatly affected Kansas gas producers and is still the subject of litigation. Monies from Kansas producers have been paid to affected interstate pipelines who in turn have made refunds to local distribution companies consistent with FERC's mandate. However, during the period in which the refund applies, certain interstate pipelines made direct retail sales to end use customers which are not subject to FERC jurisdiction. This is the portion of the refund which is at issue in this case. There is also a companion KCC docket (98-GIMG-592-GIG) applicable to how disbursements should be made to customers from monies received by local distribution companies. The KCC's authority to determine how monies received by LDCs are to be refunded to its retail customers is not in dispute.

19) ***Docket 98-KGSG-822-TAR*** *In the Application of KGS for Approval of Proposed Tariff Changes Reducing the Minimum Requirements for Transportation Service to 3,000 MCF Annually and to Approve a Revenue Neutral Residential Basic Service Charge and an Upstream Capacity Charge*

KGS, a division of OneOk, has an application before the Commission containing numerous requests including:

a) an increase in the basic service charge approximately $5 per month, in conjunction with a revenue neutral reduction in the commodity charge ranging from $.61 - $.67 per MCF;

b) adopting an upstream transportation charge, which would convert interstate pipeline capacity charges, now collected on a volumetric basis through the PGA mechanism, to a fixed charge of $8.70 per month; and

c) to lower the threshold for transportation service eligibility from 6,000 MCF per year to 3,000 MCF per year.

Staff has filed testimony opposing items one and two above and supporting item 3, while CURB opposes all three proposals listed above. A technical hearing on these issues was held January 12, 1999. Public hearings were held in December in Wichita, Salina and Topeka.

20) ***Docket 99-GIMG-194-GIG*** *In the Matter of a Generic Investigation Upon the Commission's Own Motion Into the Challenges and Opportunities Presented by the Decline in Wellhead Pressure in the Western Kansas Natural Gas Fields*

There are 3,000 - 10,000 natural gas users in SW Kansas whose service is provided from a producer's wellhead, or from a gathering line from either a producer or a utility. Many of these users are at risk of not having continuing natural gas service due to depletion of the Hugoton natural gas fields.

During 1998, prior to the opening of this docket, the Commission expedited the approval of 12 certificates for natural gas providers in the region. The majority of the certificates were for cooperative utilities described in KSA 66-104(c); the remainder were utilities under KSA 66-104. In response to the Commission's request for comments, several parties provided comments on this issue. Staff is in the process of analyzing and summarizing the comments for the Commission.

21) ***Docket-99-KGSG-233-GIG*** *In the Matter of an Investigation Upon the Commission's Own Motion Into Natural Gas Distribution Supplier Competition in the City of Wichita and Surrounding Areas Which are Dually Certificated to Kansas Gas Service Company, a Division of ONEOK, Inc., and Peoples Natural Gas Company, a Division of UtiliCorp United Inc.*

Much of downtown and western portions of Wichita and suburbs has redundant distribution piping of both OneOk and Peoples Natural Gas. It is Staff's opinion that in the interest of ongoing public safety, dual certification in urban areas is not in the public interest. Staff has met with the companies on several occasions concerning this issue, including a meeting on December 22, where each company exchanged proposed solutions to this problem.

*22) ***Docket-99-KGSG-419-TAR*** *Gas Transportation Program for Schools*

This filing would make transportation service available for all non-profit, separately metered K-12 schools, regardless of size. This would add some 1,100 meters, representing approximately 1.2 million mcf per year, to KGS's transportation customers. This is in addition to the approximately 3,300 meters expected to be receiving transportation service if the Commission approves the S&A

in Docket No. 98-KGSG-822-TAR. The "pilot" transportation program under which U.S.D. 259 in Wichita currently receives service is set to expire on June 1, 1999.

There is one note of caution of which customers contemplating transportation service should be aware. Also, as part of the S&A in Docket No. 98-KGSG-822-TAR, there is to be a study conducted to determine whether or not the sales customers of KGS are experiencing significant "stranded cost" impacts because of the movement of some customers to transportation service. Depending on the outcome of that study, many transportation customers may, in the future, be asked to absorb a portion of those stranded costs (principally interstate pipeline capacity charges) in addition to their initial transportation rates.

NATURAL GAS - FEDERAL

23) ***FERC Docket RP98-117***

In February, 1998, KN Interstate Gas Company (KNI) filed with the Federal Energy Regulatory Commission (FERC) in Washington, D.C. to increase the rates it charges for wholesale transportation of natural gas. KNI is an interstate natural gas company that transports wholesale natural gas to local distribution companies in Kansas, Colorado, Nebraska, and Wyoming. KNI is a major transporter of natural gas for Midwest Energy of Hays, Kansas. Midwest serves approximately 50,000 retail gas customers in central and western Kansas.

A major issue in KNI's rate case is whether or not KNI may charge its current customers for the costs of a newly constructed pipeline that provides little benefit to customers such as Midwest Energy. The costs related to the new pipeline are material, thus, retail gas customers of Midwest Energy face the possibility of increased costs related to the transportation component on their gas costs. The rates that KNI has requested went into effect in August, 1998, but are subject to refund pending a decision on the rate case from the FERC.

The KCC has intervened in this case and will provide testimony that requests the FERC not to burden traditional customers such as Midwest Energy with the costs of a new pipeline that provides uncertain benefits. A hearing is scheduled in Washington, D.C. in June, 1999.

OTHER

24) ***Docket 99-GIMX-241-GII*** *In the Matter of a General Investigation Into Utility Preparedness for Year 2000 (Y2K) and Date Compliant Computer Problems*

On October 5, the Commission Staff filed a Motion with the Commission requesting it authorize an investigation into Y2K preparedness. Staff requested that industry specific Y2K questionnaires and status reports be submitted to the Commission by January 1, 1999, and quarterly thereafter. Where possible, Staff suggested the Commission endorse specific existing industry Y2K questionnaires in order to minimize the reporting burden on jurisdictional utilities. On November19th, the Commission adopted Staff's motion and indicated that utilities should develop contingency plans and take steps to educate consumers about Y2K issues.

For details of these dockets, pleadings, etc., please contact our web page at *www.kcc.state.ks.us/docket/actcal.htm.*

January 24,1999

ESTIMATE OF NATURAL GAS SALES AND TRANSPORTATION VOLUMES FOR 1996 AND 1997 BY KANSAS UTILITIES[1] (Mcf)

	Kansas Gas Service[2]	United Cities Gas	Greeley Gas[3]	Peoples Natural Gas[4]
1996 Retail Sales	81,746,927	60,371,297	5,357,456	10,102,575
1996 Transportation	38,091,265	17,611,987	87,000	11,149,656
1996 Percent Transportation	31.8%	22.6%	1.6%	52.5%
1997 Sales	72,241,358	55,814,599	4,975,764	13,010,942
1997 Transportation	39,450,000	18,696,053	298,500	15,584,138
1997 Percent Transportation	35.3%	25.1%	5.6%	54.5%

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[1]Data from respective Annual reports filed with KCC.

[2]Transportation quantity estimated by dividing annual revenue by KCC best estimate of average transportation rate ($ 0.60 /mcf)

[3]Transportation quantity estimated by dividing annual revenue by KCC best estimate of average transportation rate ($0.60 /mcf)

[4]Transportation quantity estimated by dividing annual revenue by KCC best estimate of average transportation rate ($ 0.50 /mcf)

HOUSE UTILITIES

DATE: January 25, 1999

ATTACHMENT 2