Approved: Carl Dean Holmes
Date 3-9-99

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Rep. Carl Holmes at 9:06 a.m. on February 12, 1999 in Room 522-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: David Heineman, Kansas Corporation Commission
Melvin Webb, Stevens County Commissioner
Justin Hamblin, SWKI-STEVENS-SE, President
Mongomery Escue, SWKIA
Leslie Kaufman, Kansas Farm Bureau

Others attending: See Attached List

Lynne Holt, Legislative Research, distributed copies of glossaries of terms for telecommunications, natural gas and electricity (Attachments 1, 2 & 3).

Hearing on HB 2272 - Nonprofit public utilities not subject to KCC regulation, size limits

Chairman Holmes recognized David Heineman, Executive Director of the Kansas Corporation Commission, who testified as a proponent of **HB 2272** (Attachment 4).

Testifing in favor of **HB 2272** next was Mr. Melvin Webb, Stevens County Commissioner and rancher/farmer (Attachment 5).

Justin Hamlin, president of SWKI-Stevens-E.C., Inc. provided testimony as a proponent of **HB 2272** (Attachment 6).

Montgomery Escue testified in favor of **HB 2272** on behalf of the Southwest Kansas Irrigation Association. Mr. Escue provided maps showing pipeline locations. He supported Mr. Heineman's and Mr. Hamblin's testimonies. He said that the real vehicle here was 66-104c. He stated that landowners need the ability to be customers, even though they may not be local residents.

Leslie Kaufman, Assistant Director of Public Affairs for Kansas Farm Bureau provided a public policy statement in support of **HB 2272** (Attachment 7).

Following testimony of each conferee, committee members had the opportunity to ask questions.

Chairman Holmes announced that **HB 2272** would be worked next week.

Meeting adjourned at 10:02 a.m.

Next meeting is Monday, February 15.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 12, 1999

NAME	REPRESENTING
Ron Gaches	McGill, Gaches & Assoc.
Ken Peterson	KS Petroleum Council
Bob Alderson	Atmos Energy Corporation
Montgomery Escue	Southwest Kansas Irrigation Assoc.
Melvin W. Kelly	South West Kansas Irr. Assn.
Jerry E Stuckey	Southwest Kansas Irr assn. SWKI-Stevens-NE Inc.
Justin Hamlin	SWKIA SWKI-Stevens-E.C., Inc
Walker Hendrix	CURB
Leslie Kaufman	KFB
John C. Bottenberg	Western Resources
Von K Miles	KEC
J.C. Long	UCU
Dave Holtzman	Western Resources
Bruce Graham	KEPCo
Steve Kearney	SWKIA

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: 2-12-99

NAME	REPRESENTING
Don Schnacke	ICIOGA
Heinemann	KCC
Doug Smith	SWKROA
Whitney Damron	Anadarko
Amy A. Campbell	Midwest Energy, Inc.
Robert W. Fredrick	PVD, KDCR

Telecommunications Glossary

Access charge -- A special fee to compensate the local exchange company for use of its network to connect to the long distance network; recently a fixed fee for access has been authorized to be charged to U.S. telephone customers.

AM -- Amplitude modulation (see Modulation).

Analog -- Representations that bear some physical relationship to the original quantity: usually electrical voltage, frequency, resistance, or mechanical translation or rotation.

Antenna -- A device used to collect and/or radiate radio energy.

Artificial intelligence -- Computer programs that perform functions, often by imitation, usually associated with human reasoning and learning.

ASCII -- (pronounced ask-ee). American Standard Code for Information Interchange. The binary transmission code used by most teletypewriters and display terminals.

Band -- A range of radio frequencies within prescribed limits of the radio frequency spectrum.

Bandwith -- The width of an electrical transmission path or circuit, in terms of the range of frequencies it can pass; a measure of the volume of communications traffic that the channel can carry. A voice channel typically has a bandwidth of 4000 cycles per second; a TV channel requires about 6.5 MHz.

Baseband -- An information or message signal whose content extends from a frequency near dc to some finite value. For voice, baseband extends from 300 hertz (Hz) to 3400 Hz. Video baseband is from 50 Hz to 4.2 MHz (NTSC standard).

Baud -- Bits per second (bps) in a binary (two-state) telecommunications transmission. After Emile Baudot, the inventor of the asynchronous telegraph printer.

Bell-compatible -- Essentially this means that a modem conforms to the standards of the Bell Telephone System.

HOUSE UTILITIES

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ATTACHMENT 1

Binary -- A numbering system having only digits, typically 0 and 1.

Bit -- Binary digit. The smallest part of information with values or states of 0 or 1, or yes or no. In electrical communication systems, a bit can be represented by the presence or absence of a pulse.

BOC -- Telephone jargon for Bell operating company, used to refer to divested companies.

Booster -- Amplifier in a communications system that increases the power of a signal for retransmission to a further point in the system.

Bridge -- In teleconferencing, a device used to interconnect three or more phone lines in different locations.

Broadband carriers -- The term to describe high-capacity transmission systems used to carry large blocks of, for instance, telephone channels or one or more video channels. Such broadband systems may be provided by coaxial cables and repeated amplifiers or microwave radio systems.

Broadband communication -- A communications system with a bandwidth greater than voiceband. Cable is a broadband communication system with a bandwidth usually from 5 MHz to 450 MHz.

Buffer -- A machine or other device to be inserted between other machines or devices to match systems or speeds, prevent unwanted interaction, or delay the rate of information flow.

Bypass -- A telephone industry term meaning service that avoids use of the local exchange company network, such as a customer connecting directly into the long distance network or buying a direct line between offices instead of using the public
network.

Byte -- A group of bits processed or operating together. Bytes are often a 8-bit group, but 16-bit and 32-bit bytes are not uncommon.

Cable television -- The use of a broadband cable (coaxial cable or optical fiber) to deliver video signals directly to television sets in contrast to over-the-air transmissions. Current systems may have the capability of receiving data inputs from the viewer and of transmitting video signals in two directions, permitting pay services and videoconferencing from selected locations.

CAD -- Computer-aided design. Techniques that use computers to help design machinery and electronic components.

CAI -- Computer-assisted instruction.

CAM -- Computer-aided manufacturing.

Carrier -- Signal with given frequency, amplitude, and phase characteristics that is modulated in order to transmit messages.

Carrier signal -- The tone that you hear when you manually dial into a computer network.

Cathode ray tube -- Called CRT, this is the display unit or screen of your computer.

CCITT -- Consultative Committee for International Telephone and Telegraphs, an arm of the International Telecommunications Union (ITU), which establishes voluntary standards for telephone and telegraph interconnection.

Cellular radio (telephone) -- Radio or telephone system that operates within a grid of low-powered radio sender-receivers. As a user travels to different locations on the grid, different receiver-transmitters automatically support the message traffic. This is the basis for modern cellular telephone systems.

Central office -- The local switch for a telephone system, sometimes referred to as a wire center.

Channel -- A segment of bandwidth that may be used to establish a communications link. A television channel has a bandwidth of 6 MHz, a voice channel about 4000 Hz.

Chip -- A single device made up of transistors, diodes, and other components, interconnected by chemical process and forming the basic component of microprocessors.

Circuit switching -- The process by which a physical interconnection is made between two circuits or channels.

Coaxial cable -- A metal cable consisting of a conductor surrounded by another conductor in the form of a tube that can carry broadband signals by guiding high-frequency electromagnetic radiation.

Common carrier -- An organization licensed by the Federal Communications Commission (FCC) and/or by various state public utility commissions to supply communications services to all users at established and stated prices.

Computer word -- A string of characters or binary numbers considered as one unit and stored at a single computer address or location.

COMSAT -- Communications Satellite Corporation. A private corporation authorized by the Communications Satellite Act of 1962 to represent the United States in international satellite communications and to operate domestic and international satellites.

CPE -- Telephone jargon for customer premises equipment, which may often be distinguished from telephone company-owned equipment.

CPU -- The central processing unit of a computer.

Cross-subsidy -- A telephone term meaning that funds from one part of the business (e.g., long distance) are used to lower prices in another (local service).

A controversy is how to prevent cross-subsidy between regulated and unregulated parts of the telephone business.

CRT -- See Cathode ray tube.

Database -- Information or files stored in a computer for subsequent retrieval and use. Many of the services obtained from information utilities actually involve accessing large databases.

DCE -- Data communications equipment, computer components that are designed to communicate directly to data terminal equipment (see DTE).

Deaveraging -- Changing telephone rates so as to reflect true cost differences, thus making rates vary in different parts of a state. (Local rates are typically regulated so that telephone service is not much more expensive in some parts of a state than in others, although the costs to the providers may vary greatly; rates are kept at an "average" by having a pool so that high-cost areas are subsidized by low-cost ones. Typically rural telephone companies are against deaveraging because it could cause a major increase in their rates.

Dedicated lines -- Telephone lines leased for a specific term between specific points on a network, usually to provide certain special services not otherwise available on the public watched network.

Demodulate -- A process in which information is recovered from a carrier.

Depreciation -- As usually defined, the tax "write-off" or giving credit in some way for the declining value of equipment investments; in the telephone business, depreciation variations are an important variable in setting rates.

Digital -- A function that operates in discrete steps as contrasted to a continuous or analog function. Digital computers manipulate numbers encoded into binary (on-off) forms, while analog computers sum continuously varying forms. Digital communication is the transmission of information using discontinuous, discrete electrical or electromagnetic signals that change in frequency, polarity, or amplitude. Analog intelligence may be encoded for transmission on digital communication systems (see Pulse code modulation).

Direct broadcast satellite (DBS) -- A satellite system designed with sufficient power so that inexpensive earth stations can be used for direct residential or community reception, thus reducing the need for a local loop by allowing use of a receiving antenna with a diameter that is less than one meter.

Divestiture -- The breakup of AT&T into separate companies.

Dominance -- A telephone industry term meaning whether a company serving an area has such a high percentage of the business that it drives out competition; a current challenge is in how to define and measure dominance.

Downlink -- An antenna designed to receive signals from a communications satellite (see Uplink).

Download -- To receive information from another computer and store it into your computer memory or disk files.

Dumb terminal -- See Terminal.

Duplex -- The condition when information can flow two ways simultaneously in a communication link. This condition is often called full duplex as contrasted with one-way communications or half duplex. For most computer communication services, a full duplex condition is necessary.

Earth station -- A communication station on the surface of the earth used to communicate with a satellite. (Also TVRO, television receive-only earth station.)

Elasticity -- How one variable may be subject to change given changes in a related variable; "demand elasticity" in the telephone business is how much the quantity of service demanded may vary with changes in price.

Electronic mail -- The delivery of correspondence, including graphics, by electronic means, usually by the interconnection of computers, word processors, or facsimile equipment.

Encryption -- To change from a plain text to an encoded form requiring sophisticated techniques for decoding. Digital information can be encrypted directly with computer software.

Equity -- In the telephone business, this refers mainly to the availability of low cost service to all groups of customers, including the poor, handicapped, elderly, or rural.

ESS -- Electronic switching system. The Bell System designation for their stored program control switching machines.

FAX -- Facsimile. A system for the transmission of images. It is a black and white reproduction of a document or picture transmitted over a telephone or other transmission system.

FCC -- Federal Communications Commission. A board of five members (commissioners) appointed by the president and confirmed by the Senate under the provision of the Communications Act of 1934. The FCC has the power to regulate interstate communications.

Fiber optics -- Glass strands that allow transmission of modulated light waves for communication.

Final mile -- The communications systems required to get from the earth station to where the information or program is to be received and used. Terrestrial broadcasting from local stations and/or cable television systems provide the final mile for today's satellite networks.

FM -- Frequency modulation (see Modulation).

Frequency -- The number of recurrences of a phenomenon during a specified period of time. Electrical frequency is expressed in hertz, equivalent to cycles per second.

Frequency spectrum -- A term describing a range of frequencies of electromagnetic waves in radio terms; the range of frequencies useful for radio communication, from about 10 Hz to 3000 GHz.

Full duplex -- See Duplex.

Gateway -- The ability of one information service to transfer the user to another one, as from Dow Jones/News Retrieval to MCI Mail.

Geostationary satellite -- A satellite, with a circular orbit 22,400 miles in space, which lies in the satellite plane of the earth's equator and which turns about the polar axis of the earth in the same direction and with the same period as that of the earth's rotation. Thus, the satellite is stationary when viewed from the earth.

Gigahertz (GHz) -- Billions of cycles per second.

Half duplex -- Message flow is only one-way at a time (see Duplex).

Handshaking -- Jargon for the electronic exchange of signals as one computer links with another.

Hardware -- The electrical and mechanical equipment used in telecommunications and computer systems (see Software).

Hard wire modem -- Or direct modem; as contrasted with an acoustic modem, this equipment plugs directly into a telephone jack.

Headend -- The electronic control center of the cable television system where weaving signals are amplified, filtered, or converted as necessary. The headend is usually located at or near the antenna site.

Hertz (Hz) -- The frequency of an electric or electromagnetic wave in cycles per second, named after Heinrich Hertz, who detected such waves in 1883.

Host -- The main computer or computer system that is supporting a group of users.

IEEE -- Institute of Electrical and Electronic Engineers, a professional society.

Information utility -- A term increasingly used to refer to services that offer a wide variety of information, communications, and computing services to subscribers; examples are The Source, CompuServe, or Dow Jones News/Retrieval.

Institutional loop -- A separate cable for a CATV system designed to serve public institutions or businesses, usually with two-way video and data services. Also called I-net.

Interface -- Devices that operates at a common boundary of adjacent components or systems and that enable these components or systems to interchange information.

I/O -- Input-output. The equipment or processes that transmit data into or out of a computer's central processing unit.

ISDN -- Integrated Services Digital Network; a set of standards for integrating voice, data, and image communication; a service now being promoted by AT&T and some regional telephone companies.

IXC -- Interexchange carrier; telephone companies (e.g., AT&T, MCI, Sprint) that connect local exchanges and local access and transport areas (LATAs) to one another; a highly competitive part of the business.

Kilobyte (Kb) -- 1024 bytes of information, or roughly the same number of symbols or digits.

Kilohertz (KHz) -- Thousands of cycles per second.

LAN -- See Local area network.

Laser -- Light amplification by simulated emission of radiation. An intense beam that can be modulated for communications.

LATA -- Local access and transport area; a telephone service region incorporating local exchanges, yet usually smaller than a state; typically are serviced by a given telephone company for local services, and interexchange carriers for some intraLATA and all interLATA service.

Local area network (LAN) -- A special linkage of computers or other communications devices into their own network for use by an individual or organization. Local area networks are part of the modern trend of office communication systems.

LMS -- Local measured service; a method of telephone rate calculation that is sensitive to amount of usage as against a flat rate.

LEC -- Local exchange company; the telephone company that supports local calls (non long distance); typically a regulated monopoly. LECs are within larger areas called LATAs (Local access and transport areas).

Loop -- The wire pair that extends from a telephone central office to a telephone instrument. The coaxial cable in broadband or CATV systems that passes by each building or residence on a street and connects with the trunk cable at a neighborhood node is often called the "subscriber loop" or "local loop."

LSI -- Large-scale integration. Single integrated circuits that contain more than 100 logic circuits on one microchip (see VLSI).

Mainframe -- The base or main part of a large computer, as contrasted with mini- or microcomputers. Usually refers to the actual processing unit.

Mass storage -- A device that can hold very large amounts of information cheaply with automated access on demand.

Megahertz (MHz) -- Millions of cycles per second.

Memory -- One of the basic components of a central processing unit (CPU). It stores information for future use.

MFJ -- Short for modified final judgment which set AT&T divestiture in motion.

Microchip -- An electronic circuit with multiple solid-state devices engraved through photolithographic or microbeam processes on one substrate (see Microcomputer; Microprocessor).

Microcomputer -- A set of microchips that can perform all of the functions of a digital stored-program computer (see Microprocessor).

Microprocessor -- A microchip that performs the logic functions of a digital computer.

Microsecond -- One millionth of a second.

Microwave -- The short wave lengths from 1 GHz to 30 GHz used for radio, television, and satellite systems.

Millisecond -- One thousandth of a second.

Minicomputer -- In general, a minicomputer is a stationary computer that has more computer power than a microcomputer but less than a large mainframe computer.

MOU -- Minute of use; a usage measure used in the telephone business to calculate certain rates.

Modem -- Short for modulator-demodulator. The equipment used to link a computer to a telephone line.

Modulation -- A process of modifying the characteristics of a propagating signal, such as a carrier, so that it represents the instantaneous changes of another signal. The carrier wave can change its amplitude (AM), its frequency (FM), its phase, or its duration (pulse code modulation), or combinations of these.

Monitor (Video) -- Usually refers to the video screen on a computer, but has more technical meanings as well.

Multiplexing -- A process of combining two or more signals from separate sources into a single signal for sending on a transmission system from which the original signals may be recovered.

Nanosecond -- One billionth of a second.

Narrowband communication -- A communication system capable of carrying only voice or relatively slow-speed computer signals.

Network -- The circuits over which computers or other devices may be connected with one another, such as over the telephone network. One can also speak of computer networking.

Node -- A point at which terminals and other computer and telecommunications equipment are connected to the transmissions network.

Off-line -- Equipment not connected to a telecommunications system or an operating computer system.

On-line -- A device normally connected to a microcomputer that permit it to run various programs and handle scheduling, control of printers, terminals, memory devices, and so forth.

Optical fiber -- A thin flexible glass fiber the size of a human hair which will transmit light waves capable of carrying large amounts of information.

Packet switching -- A technique of switching digital signals with computers wherein the signal stream is broken into packets and reassembled in the correct sequence at the destination.

Parallel interface -- Refers to a computer communications connection where the bits code for a symbol is sent simultaneously as contrasted with serial interface, where the symbols are sent in sequence.

PBX -- A private branch exchange which may or may not be automated. Also called PABX (private automatic branch exchange).

Peripherals -- Units that operate in conjunction with a computer but are not a part of it, such as printers, modems, or disk drive.

Pooling -- "Revenue pooling". A telephone industry term meaning setting up special collections of funds for intended cross-subsidy, as in averaging rates between high-cost rural services and less expensive urban ones.

Port -- A place for a communication signal to enter or exit a computer.

POTS -- Jargon for "plain old telephone service."

Program -- A set of instructions arranged in proper sequence for directing a computer to perform a desired operation.

Protocol -- A description of the requirements for enabling one computer to communicate with another.

Public switched telephone network -- The more formal name given to the commercial telephone business in the United States; includes all the operating companies.

PUC -- Public Utility Commission, usually the entity that sets telephone rates in a state.

Pulse code modulation (PCM) -- A technique by which a signal is sampled periodically, each sample quantitized, and transmitted as a signal binary code.

RAM -- Random access memory. A RAM provides access to any storage or memory location point directly by means of vertical and horizontal coordinates. It is erasable and reusable.

Regional holding companies (RHC) -- The companies formed to take over the individual Bell System operating companies at divestiture; there are seven (e.g., Pacific Telesis).

Return key -- A holdover from the carriage return of a typewriter keyboard, the return key is used to tell a computer to execute what it has received. It is sometimes called an enter or execute key.

Robotics -- The use of electronic control techniques, as programmed on microprocessors and microcomputers, to operate mechanical sensing and guidance mechanism or robots in manufacturing and assembly processes.

ROM -- Read only memory. A permanently stored memory which is read out and not altered in the operation.

RS232 -- An interface between a modem and associated data terminal equipment. It is standardized.

Separations -- A telephone industry term meaning methods for dividing costs, revenues, etc. between different types of carriers, especially long distance versus local exchanges.

Slow-scan television -- A technique of placing video signals on a narrowband circuit, such as telephone lines, which results in a picture changing every few seconds.

Software -- The written instructions that direct a computer program. Any written material or script for use on a communications system or the program produced from the script (see Hardware).

Systems program -- As contrasted with an applications program which accomplishes specific tasks (e.g., word processing), this supports the basic operating system of the computer, for example, in allocating memory storage and operating peripherals.

Tariff -- The published rate for a service, equipment, or facility established by the communications common carrier.

Telco -- Jargon for "telephone company."

Telecommuting -- The use of computers and telecommunications to enable people to work at home. More broadly, the substitution of telecommunications for transportation.

Teleconference -- The simultaneous visual and/or sound interconnection that allows individuals in two or more locations to see and talk to one another in a long distance conference arrangement.

Telemarketing -- A method of marketing that emphasizes the creative use of the telephone and other telecommunications systems.

Teletext -- The generic name for a set of systems that transmit alphanumeric and simple graphical information over the broadcast (or one-way cable) signal, using spare line capacity in the signal for display on a suitably modified TV receiver.

Telex -- A dial-up telegraph service.

Terminal -- A point at which a communication can either leave or enter a communications network.

Terminal emulator -- Use of a personal computer to act as a dumb terminal; this requires special software or firmware.

TIBS -- Telecommunications-intensive businesses.

Timesharing -- When a computer can support two or more users. The large computers used by the information utilities can accommodate many users simultaneously who are said to be timesharing on the system.

Transponder -- The electronic circuit of a satellite that receives a signal from the transmitting earth station, amplifies it, and transmits it to the earth at a different frequency.

Trunk -- A main cable that runs from the head end to a local node, then connects to the drop running to a home in a cable television system; a main circuit connected to local central offices with regional or intercity switches in telephone systems.

Twisted pair -- The term given to the two wires that connect local telephone circuits to the telephone central office.

Uplink -- The communications link from the transmitting earth station to the satellite.

Upload -- To transfer information out of the memory or disk file of your computer to another computer.

Videotext -- The generic name for a computer system that transmits alphanumeric and simple graphics information over the ordinary telephone line for display on a video monitor.

VLSI -- Very large scale integration. Single integrated circuits that contain more than 100,000 logic gates on one microchip (see LSI).

WATS -- Wide area telephone service. A service offered by telephone companies in the United States that permits customers to make dial calls to telephones in a specific area for a flat monthly charge, or to receive calls collect at a flat monthly charge.

Natural Gas Terms Glossary - Indiana

IX. GLOSSARY

Advanced Combined Cycle Combustion Gas Turbines: An electric generating unit that is a combustion turbine installation that uses waste heat boilers to capture exhaust energy for steam generation.

Affiliates (see also subsidiaries)

Aggregators, Brokers and Marketers (ABMs)

Back-Up Service: Additional supply to assure reliability

Balancing: Reconciliation of actual takes versus forecasted (or nominated) use.

BCF: Billion Cubic Feet

BTU -British Thermal Unit: The standard unit for measuring quantity of heat energy, such as the heat content of fuel. It is the amount of heat necessary to raise the temperature of one pound of water on Fahrenheit degree. There are 1.03 million Btu in 1 Mcf and 3,412 Btu in 1 kWh.

Bypass: Allowing customers to purchase from a competitor to the traditional LDC supplier. In many cases, LDCs offered discounted rates as incentives to keep customers from switching suppliers.

Bundled Service: (see unbundled service)

Buy/Sell Arrangement: A buy/sell arrangement is a means of procuring gas supply where the ownership of the gas is transferred from the seller to the LDC for delivery to end-users. The LDC normally bills the buy-sell customer at its tariffed rate for system gas. The seller rebates to the customer the difference in price between the gas distributors cost of gas and the gas purchased from the seller.

Capacity: The physical capability of the facility (e.g., pipeline or power plant).

Capacity Factor: A measure of efficiency were:

$$\frac{\text{Average Load}}{\text{Rated Capacity}} \times 100$$

Capacity Release: Selling back unneeded gas transmission capacity to the pipeline, marketers or other entities. In 1995, according to the Interstate Natural Gas Association (INGAA) about 15% of the gas moved on capacity that was released.

City Gate: A point of delivery (metering point) to the LDC from a pipeline.

Coincidence Factor: The ratio of coincident demand to the sum of the individual demands at a specific time. Most commonly, it is the ratio of an individual (or class of) customer's demand at the time of the system peak demand. This is used in Cost-of-Service Analysis to assign costs based on a customer's contribution to the utility's peak.

Combination Utility: Typically, this refers to a utility that serves both electric and gas.

Commodity Charge (see also Variable Costs)

Consumer Price Index: A measure of aggregate prices for commodities and services typically purchased by individuals (e.g., housing, food, health care,gas, electricity, autos, clothing). The index is generally used to gauge the change in average price levels for all commodities. By comparing the change in the price of any commodity to the change in the Consumer Price Index o estimate the "real change" (i.e., the net price of general inflation in the econ

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ATTACHMENT 2

estimate the "real change" (i.e., the net price of general inflation in the economy) for that commodity.

Core Market: Customers that do not have competitive options and are therefore captive to a single supplier.

Correlation (also used as Correlation Coefficient): A measure of the linear association between two variables, calculated as the square root of the R^2 obtained by regressing one variable against another. Correlation ranges from -1 to +1. Correlation values close to -1 or +1 show a strong correlation between the two variables (inversely proportional or directly proportional respectively). Correlations close to zero show no correlation.

Cost-of-Service (COS): A method of allocating the costs of providing service to individual customers. Typically, there are three components of cost-of- service: classification, functionalization and allocation of costs. COS attempts to correlate utility costs and revenues with the service that is provided to each customer (more typically a class of customers).

Cubic Foot: A unit of volume equal to 1 cubic foot at a pressure base of 14.73 pounds standard per square inch absolute and a temperature base of 60° F.

Customer Class: Typically, residential, commercial and industrial customers are designated as separate classes. It is not uncommon to have subclasses such as residential spaceheating customers. These are groups of customers with similar characteristics.

Decontracting: "Pipeline customers (shippers) that fail to renew their contracts for firm transportation services". The Grey Market is used to resell this unused capacity.

Deflator: (see also Consumer Price Index) An index which is used to adjust for the purchasing power of a dollar.

Demand: In economic terms, it is the inverse relationship between the price of a good and the quantity of the good that is demanded. In utility terms, it is the instantaneous (or over any specified time interval) load on the utility.

Demand Charge (see also Fixed Costs) It is the amount charged to a customer (or customer class) to reflect that customer's use during a specified time interval. In Cost-of-Service analysis, the demand charge is typically based on the fixed costs associated with serving customers.

Demand-Side Management: The planning, implementation and monitoring of utility activities designed to influence customer use of electricity in ways that will produce desired changes in a utility's load shape (i.e., changes in the time pattern and magnitude of a utility's load). Utility programs falling under the umbrella of DSM include: load management, energy efficiency, energy conservation, and innovative rates.

Derivatives: SFAS No. 119 defines derivatives as a "financial instrument is a future, forward, swap or option contract, or other financial instrument with similar characteristics." A derivative is a financial instrument that derives its value from the value of other financial instruments or an underlying asset such as a commodity, futures contract, stock, bond, currency, index or interest rate.

Efficiency: The ratio of inputs ÷ outputs.

Elasticity: The ratio of the percentage change in one variable to the percentage change in another variable, where X and Y represents variables and to represents time (e.g., the price of gas and the demand for gas over time).

Electronic Bulletin Boards (EBBs see also GISB): A means of communicating the prices and availabilities of different unbundled services.

End-Use: Uses of energy including, but not limited to, space heating, water heating, lighting, air

End-Use: Uses of energy including, but not limited to, space heating, water heating, lighting, air conditioning, refrigeration.

End-Use Load Research: Load research conducted for end-use equipment. This is done by metering these specific end uses.

Federal Energy Regulatory Commission (FERC): An independent agency created within the Department of Energy. The FERC is the successor of the Federal Power Commission (FPC) on September 30, 1977. The FERC is vested with broad regulatory authority over interstate sales of gas and electricity.

Firm Capacity (FT): short and long-term firm

Fixed Costs (see also Demand Charges)

Gathering Facility: A facility used to combine the gas from different gas wells for delivery to the pipelines.

GCA: Gas Cost Adjustment Clause (see detailed discussion)

GISB: Gas Industry Standards Board Provides for standardization of nomination practices and information pertaining to transportation services using the internet. Order 587-Final Rule adopts 140 standards submitted by the GISB. see Standards for Business Practices of Interstate Natural Gas Pipelines, Docket No. RM96-1-000, 75 FERC ¶61,077. April 26, 1996. The FERC noted that much work needs to be done and set a September 30, 1996 deadline for the GISB to submit additional proposals to encompass all electronic information provided by pipelines.

Gray Market (see Secondary Market and Capacity Sell Backs)

Gross Domestic Product (GDP): Considered to be the best measure of the aggregate value of national output. GDP is equal to the Gross National Product net of residents' income from economic activity abroad (e.g., exports, repatriated profits, interest) and property held abroad minus the corresponding income of non-residents in the country (e.g., imports, profits and dividends taken out of the country).

Gross National Product (GNP): The total dollar value of market oriented goods and services produced by the United States economy. While the proper accounting adjustments are made, this is equivalent to adding up total income, taxes in the economy, or total sales or purchases or the total value of each industry's output.

GSR Gas Supply Realignment Costs (transition costs): This was an attempt to resolve the take-or-pay problem that plagued the industry during the 1980s. Under Order 636, pipelines had to realign their contracts. First, they could try to assign the contracts to former customers. The second option were to be reformed to reflect current market conditions. Of the costs incurred in reforming the contracts, 90% were allocated to firm transportation customers while 10% were allocated to interruptible customers. By June 30, 1992 pipelines agreed to absorb $3.6 billion of the estimated $10 billion in take-or-pay stranded costs. The remaining balance of $7.4 billion would be paid by consumers. Account 191 provided for direct billing of other stranded costs. The U.S. Court of Appeals for the District of Columbia No. 92-1485 July 16, 1996 held that FERC must reconsider the allocation of 10% of GSR costs to interruptible customers and explain why pipelines can pass through all of their GSR costs to customers in light of the equitable sharing procedures in Order 500 and the general cost-spreading principles in Order 636.

Heating Degree Days (HDD): A measure of how cold a location is relative to a base (normal) temperature over a period of time. The heating degree days for a single day is the difference between the base temperature and the days average temperature. If the daily average is greater than or equal to the base, this would be a "zero" heating degree day.

Hedging: The difference between a pre-arranged price and the sum of **1)** the cash market city-gate price

Hedging: The difference between a pre-arranged price and the sum of **1)** the cash market city-gate p... as quoted by a commodity price index, **2)** a previously agreed upon retailing markup and 3) LDC transportation charges relevant to that consumer.

Hubs: Where two or more pipelines interconnect such as the Henry Hub in Louisiana and the Moss Bluff Hub in Texas. Some practitioners use the terms "Hub" and "Market Center" interchangeably. Mechanisms to reduce the volatility of prices between various regions of the country by reducing operational and informational inefficiencies. Hubs organize trading activity at locations where prices on gas, storage, pipeline, and other services are available to all participants in the hub market, and where daily trading may be active enough to provide liquid markets.

Implicit Price Deflator: The economy's aggregate price index. Defined as the ratio of nominal GNP to real GNP.

Inflation Rate: The rate of change in the economy's price level.

INGAA: Interstate Natural Gas Association of American. An association of natural gas pipelines.

Interruptible Capacity (IT): According to a 1995 survey of its members by INGAA, interruptible transportation amounted to 51% in 1987 and remained fairly constant (55%, 55%, 51% and 49%) until 1992 (Order 636) when IT accounted for 42% of all gas transported. Since 1992, the amount of IT has dropped to 14% for the first half of 1995 (35% and 19% during the years 1993-1994).

LNG: Liquified Natural Gas. Gas that has been liquified by reducing its temperature to minus 260° Fahrenheit at atmospheric pressure.

Load Curve: A graph that shows the shape of demand for gas (electricity) over a specified period of time (e.g., a day, month, season, year).

Load Duration Curve: A graph that shows the amount of time that gas (electric) demand is at a particular level. Demands are usually ordered from the highest to the lowest on the vertical axis. Time (e.g., a year) is on the horizontal axis.

Load Factor: The ratio, expressed as a percent (100) of the average load supplied during a designated period (e.g., hour, day) to the peak demand.

$$\frac{\text{Average Demand}}{\text{Peak Demand}} \times 100 \quad \text{or} \quad \frac{\text{Energy}}{\text{Peak Demand} \times \text{Time}} \times 100$$

Load Research: (see also End-Use Load Research) Analysis of gas (or electric) usage data to better understand when and how customers use energy. This data is typically used to support load forecasting, cost-of-service and marketing programs.

Local Distribution Company (LDC): An LDC is the utility that is responsible for delivering gas to the customer behind the city gate (where the pipeline delivers gas to the LDC).

Long Run: A period of time that is long enough to permit the variation of all inputs to production including capital and technological change. By way of example, long term usually describes fixed costs. Purchases of spot gas would be an example of short term costs.

Major Interstate Pipeline: A company whose combined sales for resale, and gas transported interstate or stored for a fee, exceeded 50 million thousand cubic feet in the previous year.

Marginal Cost: The change in total costs associated with a unit change in the quantity supplied. The cost of providing an additional Mcf or KWh.

Market Center: A market center has been defined as a Hub that has a pipeline, marketer or other entity identified as the operator of the interconnection. Defined as: "A market center is an area where (a)

...ntified as the operator of the interconnection. Defined as: "A market center is an area where (a) pipelines interconnect and (b) there is a reasonable potential for developing a market institution that facilitates the free interchange of gas." -FERC's Order 636-B, November 27, 1992.

MCF: Thousand Cubic Feet. 1 Mcf of gas = 1.03 million Btu (also, 1 kWh = 3.4 thousand Btu).

Mean:

$$\text{The average} = \frac{N \text{ (observations)}}{\text{Number of Observations}}$$

MMBtu: Million British Thermal Units

MMCF: Million Cubic Feet

Natural Gas: A mixture of hydrocarbons (principally methane) and small quantities of non-hydrocarbons existing in the gaseous phase or in solution with crude oil in underground reservoirs.

No Notice Service: Rebundled pipeline services.

Nominal: An adjective that describes any monetary magnitude measured in current rather than "real" dollars. For example, Nominal Total Personal Income is the current dollar value of Total Personal Income through time not adjusted to reflect the general levels of price increase in the economy through time

Non-Coincident Peak Demand (NCP): The sum of two or more individual demands which do not occur in the same (coincident) time interval. Mathematically, the NCP can be equal to but is almost always greater than the coincident peak demand.

Non-Firm Purchase: An "as available basis. There is no commitment to serve.

On System Sales: Sales to customers where the delivery point is a point on, or directly interconnected with, a transportation, storage, and/or distribution system operated by the reporting company.

Peak Demand: The maximum amount of gas (electricity) that is consumed during a specified period of time (e.g., an hour).

Performance-Based Rates: Sometimes referred to as "Incentive Rates", PBRs may take many forms including: "price caps", "yardstick regulation" (e.g., comparing a utility to other utilities), "sliding scale" regulation (i.e., where the customers and the shareholders share benefits and costs), or hybrids.

Price Elasticity: The ratio of the percentage change in demand for a good to the percentage change in the price of that good. Demand is considered to be elastic when the ratio exceeds 1 and inelastic when it is less than 1.

Rate Base: The value of a utility's property, established by the IURC, upon which the utility is allowed to earn a specified return.

Rate-of-Return: The ratio of allowed operating income to a specified rate base expressed as a percentage.

Real: A price that has been adjusted to remove the effects of changes in the purchasing power of the dollar. A real price reflects changes in the value relative to a base year (e.g., 1990)

Real Gross Domestic Product: Real GDP is the figure derived by deflating each component of the GDP for the general level of increase in prices.

Reliability: The assurance of system performance at all times and under all reasonable circumstances to ensure quality, adequacy and economy of gas.

Secondary Market: In the gas industry, this is the market for re-selling unneeded pipeline capacity.

Shippers: Another name for customers (e.g., industrial, LDC)

Spot Gas: This is typically gas that is purchased on a short term basis and is furnished on an as available basis.

Storage: Storage may take the form of underground storage in salt caverns, abandoned gas/oil well or in above ground containment vessels such as liquified natural gas.

Straight-Fixed Variable Pricing: The FERC approved SFV for pipelines to have a higher degree of assurance that their costs would be covered by customers. All fixed costs would be allocated to customers according to their peak day entitlement. In other words, SFV rate design allows pipelines to recover most of its costs through the demand component, rather than the commodity component. As a consequence, customers that have a relatively low load factor (peak demand in relation to average use) pay more than those customers that have a relatively constant usage pattern throughout the year.

Tcf: Trillion Cubic Feet

Therm: One-hundred thousand British Thermal Units.

Unbundling: (See detailed discussion). Generally, this involves the separation of various services upstream of the LDC (e.g., production, transmission and storage). For an LDC, unbundling might include: transforation, metering, billing, storage, backup, and balancing).

Variable Costs: The opposite of fixed costs. These are costs that vary over time (e.g., the cost of purchasing gas).

Wellhead: It is a term to describe the production fields. The wellhead price of natural gas at the source. Usually, this is the total price delivered to the City Gate minus transportation and storage costs.

Working Gas: The volume of gas in an underground storage reservoir above the designed level of the base. It may or may not be completely withdrawn during any particular withdrawal season. Conditions permitting, the total working capacity could be used more than once during any season.

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Electric Terms- Glossary – PA PUC

Pennsylvania Public Utility Commission

P.O. Box 3265, Harrisburg, Pa. 17105-3265

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Consumer's Dictionary for Electric Competition

Affiliate A company that is controlled by another or that has the same owner as another company.

Aggregator A firm, licensed by the commission, that signs up a large group of consumers to bargain on their behalf for the lowest possible price for electricity. The firm "aggregates" or combines many smaller customers into one large customer for purposes of negotiation. It purchases the electricity for the group.

Base Load The minimum energy level a company must provide to its customers on a constant basis.

Basic Service The four charges for generation, transmission, distribution and transition that all customers must pay in order to retain electric service.

Broker A firm, licensed by the commission, that acts as an agent or "middle man" in the sale and purchases of electricity but never owns the electricity and typically does not own generating facilities.

Bulk Power Market Wholesale purchases and sales of electricity.

Chapter 56 The Public Utility Commission's regulations that establish rules for payment of utility bills, requests for service, payment of deposits, billing, termination of service and complaint handling. These regulations are to protect residential customers of regulated electric, gas, water, steam heat, and sewer companies in Pennsylvania.

Commission The Pennsylvania Public Utility Commission

Conservation Reducing a customer's electricity use to decrease the need to generate electricity.

Consumer Education Efforts to provide consumers with skills and knowledge to use their resources wisely in the marketplace.

Customer Assistance Programs (CAPS) Alternative collection program set up between a utility company and a customer that allow customers to pay utility bills on a percentage-of-the-bill they owe or percentage-of-customer-income instead of paying the full amount owed. These programs are for low income people who can't pay their bills. These customers must agree to make regular monthly payments based on their new payment plans.

Daily Peak The maximum amount of energy or service demanded in one day from a company or utility service.

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Demand A measure of customer or system load requirements over a measured period of time.

Departing Member A member consumer served at retail by an electric cooperative corporation that has given notice of intent to receive generation service from another source or that is otherwise in the process of changing generation suppliers. These persons shall nonetheless remain members of the electric distribution cooperative corporation for purposes of distribution service.

Deregulation Removal or relaxation of regulations or controls governing a business or service operation such as utilities.

Distribution The local wires, transformers, substations and other equipment used to distribute and deliver electricity to end-use consumers from the high-voltage transmission lines.

Distribution Charges Part of the basic service charges on every customer's bill for delivering electricity from the electric distribution company to your home or business. The distribution charge is regulated by the Public Utility Commission. This charge will vary according to how much electricity you use.

Distribution Line The local part of an electric system that delivers electricity to most customers.

Distributive Power A packaged power unit located at the point of demand. While the technology is still evolving, examples include fuel cells and photovoltaic applications.

Electric Distribution Company (EDC) The company that owns the power lines and equipment necessary to deliver purchased electricity to the customer.

Energy Conservation To reduce or manage energy consumption in a cost-effective manner.

Energy Services Company (ESCO) A company offering specialized or customized services for efficiency or financial savings to customers.

Escape Provision A contract provision which allows a party, such as an electric customer, to get out of it. Usually, there is a penalty.

Fixed Price A price which remains the same, usually for a set time period.

Flat Rate A fixed charge for goods and services that does not vary with changes in the amount used, volume consumed, or units purchased.

Formal Complaint A written dispute or disagreement about a utility problem filed by a consumer with the Public Utility Commission. A formal complaint is assigned to an Administrative Law Judge (ALJ) who holds hearings to develop a record. After the hearings, the judge issues a decision. (See informal complaint.)

Generation Production of electricity from a power plant.

Generation Charges Part of the basic service charges on every customer's bill for producing electricity. Generation service is competitively priced and is not

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regulated by the Public Utility Commission. This charge depends on the terms of service between the customer and the supplier.

Green power or Greencos Demand side management and other non-polluting sources of energy generation.

Grid A network for the transmission of electricity throughout the state or nation.

Gross Receipts The total revenue for a calendar year for all electric distribution companies and electric generation suppliers which are derived from the sales of electric energy.

Hourly Metering or Time of Use Metering Tracking or recording a customer's consumption during specific periods of time that can be tied to the price of energy.

Informal Complaint A dispute or disagreement about a utility problem filed by a consumer with the Public Utility Commission's Bureau of Consumer Services (BCS). A BCS investigator reviews the informal complaint and provides the customer with a response to their dispute. Most responses are in the form of a decision that the customer or company can appeal. If an informal complaint is appealed, it becomes a formal complaint. (See Formal Complaint.)

Intangible Transition Charge The amounts on all customer bills, collected by the electric utility to recover transition bond expenses.

Interruptible Rate A special utility rate given to those who agree to have their service reduced or temporarily stopped as part of an agreement with the utility company. Circumstances for service interruptions can be periods of high demand or high cost periods of short supply for the utility and/or system emergencies.

Investor-owned Utility A utility company owned and operated by private investors.

Kilowatt (kW) (1) A measure of demand for power during a preset time--minutes, hours, days, months; (2) 1,000 watts--Ten 100 watt light bulbs use one kW of electric power.

Kilowatt-hour (kWh) The basic unit of electric energy for which most customers are charged. The amount of electricity used by ten 100-watt light bulbs left on for 1 hour. Consumers are charged for electricity in cents per kilowatt-hour.

Load The amount of electricity being used at one time by a customer, circuit or system.

Load Profile Information on a customer's usage over a period of time, sometimes shown as a graph like the one on the bill.

Load Management Shifting use of electricity from periods of high demand to periods of lower demand, when the cost of electricity usually is lower.

Marketer A company, licensed by the Commission, that buys and resells electricity, but that typically does not own generating facilities.

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Non Basic Service Any category of service not related to basic services (generation, transmission, distribution and transition charges).

Office of Consumer Advocate (OCA) A government office that represents the interests of residential utility consumers before the Public Utility Commission in rate and service cases and before other state and federal regulatory agencies and courts.

Office of Small Business Advocate (OSBA) A state government office that represents the interests of small business consumers by participating in PUC rate cases and other state and federal regulatory cases.

Off-Peak/On-Peak Blocks of time when energy demand and price is low (off-peak) or high (on-peak).

Pilot A utility program offering a limited group of customers their choice of certified or licensed energy suppliers on a one year minimum trial basis.

Power Pool Combining electric power supplies. Two or more interconnected electric systems planned and operated to supply power in the most reliable and economical manner. (POOLCO)

Price Cap Situation where a price has been determined and fixed.

Public Input Hearings Meetings where consumers can give input to the PUC. Sworn or unsworn testimony to the PUC judge and to the utility, consumer advocate and PUC staff. The PUC conducts hearings in the service area of the utility who requested the rate increase. Sometimes consumers can point out problems with the quality of the utility's service, management, or policies which could affect the outcome of a case.

Public Utility Code The law which sets the powers and duties of the PA Public Utility Commission. It also sets many of the guidelines the PUC uses for utilities' rates and service standards.

Public Utility Commission (PUC) The state regulatory agency that provides oversight, policy guidance and direction to electric public utilities.

Real-time Pricing Rates that reflect the actual cost of providing service at a given time creating fluctuating prices.

Regulation A rule or law established by the federal or state government which sets procedures that a utility must follow.

Reliability The providing of adequate and dependable generation, transmission and distribution service.

Renewables Includes technologies such as solar photovoltaic energy, solar thermal energy, wind power, low head hydro power, geothermal energy, landfill and mine based methane gas, energy from waste and sustainable biomass energy.

Resellers Companies that purchase utility service from a wholesaler and resell it to consumers.

Restructuring The reorganization of traditional monopoly electric service to

allow operations and charges to be separated or "unbundled" into generation, transmission, distribution and other services. This will permit customers to buy generation services from competing suppliers.

Retail Wheeling Also known as retail customer choice--A utility company is required to transport electricity from a generating plant it does not own directly to its retail customers. This gives retail customers the ability to purchase electricity from sources they choose.

Retail Customer Choice See Retail Wheeling

Rural Electric Cooperative Customer-owned electric utility that distributes electricity to members and that receives lower-cost financing through the federal government.

Securitization The act of pledging assets to a creditor through a note, lien or bond.

Spot Market Short-term purchases of electricity from surpluses available for a short time.

Stranded benefits Special collection programs, renewable energy and demand side management programs, lifeline rates and other utility resources funded by a monopoly utility that may not be funded if the utility's competition does not have similar costs.

Stranded commitment Assets and contracts associated with shifting to competition which are above market prices and hence result in non-competitive conditions for the utility.

Stranded investments or stranded costs A utility investment, such as in facility and equipment, that is not supported by market prices.

Supplier (Electricity Supplier) A person or corporation, generator, broker, marketer, aggregator or any other entity, that sells electricity to customers, using the transmission or distribution facilities of an electric distribution company (EDC).

Title 52 The section of the Pennsylvania Code that governs utilities.

Transition Charge A charge on every customer's bill designed to recover an electric utility's transition or stranded costs as determined by the Public Utility Commission.

Transmission Interconnecting electric lines which move high voltage electricity from where it is produced to the point of distribution to customers.

Transmission Charges Part of the basic service charges on every customer's bill for transporting electricity from the source of supply to the electric distribution company. The Public Utility Commission regulates retail transmission prices and services. This charge will vary with your source of supply.

Unbundling Breaking down services offered into parts so each part can be billed separately.

Universal Service Policies, protections and services that help low-income

customers maintain electric service.

Utility Competition Two or more electric suppliers providing the same or similar goods or services in the same market place and for the same customers.

Variable Price A price which can change, by the hour, day, month etc.

Weatherization Modifying a home or structure to conserve energy. Methods include: sealing window and door frames with caulking or gaskets, installing storm doors and windows, and adding or increasing the insulation.

Wheeling The transmission of power that has been generated by one entity over the lines of another utility system.

Wholesale Competition A market structure where municipal and other utilities can exercise choice in electricity suppliers in order to meet customer needs.

Questions or problems regarding the Public Utility Commission Internet Web Site should be directed to


webmaster@puc.state.pa.us.
Last modified: Tuesday November 11, 1997 10:38 PM.

Email the Commissioners:
Chairman John Quain, Commissioner David Rolka, Commissioner John Hanger,
Commissioner Nora Mead Brownell

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Commonwealth of Pennsylvania Home Page

HOUSE UTILITIES COMMITTEE

Testimony presented by David J. Heinemann, Executive Director
Kansas Corporation Commission
February 12, 1999
House Bill 2272

Mr. Chairman, ladies and gentlemen of the committee. The Commission appears today as a proponent of House Bill 2272 and would like to offer the following comments to the committee.

K.S.A. 66-104c was adopted by the legislature in 1990 at the request of the Commission to allow a small number of customers to provide their own utility services without having to go through the expense of being a regulated utility under certain limited circumstances. The Commission would still control the service territory and the nonprofit utility would still have to meet natural gas pipeline safety standards.

Last Spring many irrigators in Southwest Kansas were confronted with the fact that the lower pressures in the Hugoton gas field would leave them with inadequate pressure to operate their irrigation wells. The Commission staff suggested to the irrigators that 66-104c might be an option to consider. As a result of this initiative 8 separate nonprofit utilities were created to help the irrigators respond to their need to obtain natural gas for irrigation purposes. Commission staff worked long and late hours to expedite the certification of these nonprofit utilities.

Recently, members of the nonprofit utilities have shared with us concerns about the number limitation and how the customer limit is to be determined in the case of a sale or transfer. The Commission shares those concerns and believes that the clarifications contained in House Bill 2272 addresses our mutual concerns. The Commission respectfully requests this committee to recommend House Bill 2272 for passage.

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Testimony before the House utilities Committee
February 12th, 1999

By
Melvin H. Webb, Commissioner, Irrigation Farmer and Rancher.

Thank you for allowing me to testify today before this committee. I am testifying today in support of House Bill 2271. I am also the President of SWKI – Stevens Lower Southeast (NPU), non-profit public utilities, which is owned by my neighbors and I.

We need the support of House Bill 2271, so that we can make sure that we can try and help all of those who are in need of natural gas in our certified area.

We need to increase the number of customers so that both tenant and landowner can be customers. Both the land owner and the tenet want to guarantee that they will be able to purchase natural gas in the future since they have invested the capitol to construct the lines.

Example:

In a one week period one NPU converted 3 customers to 10 customers simply because landowners wanted to assure that in the future if there was a change in tenants or more customers came into the system, they would still be able to purchase natural gas.

I have spent not only hours but also days of free time and money to help get these NPU's up and running. I am very much interested in the benefits that it will create for the people of Kansas.

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Why and how did the Irrigators start the NPU's

Justin Hamlin
President of SWKI-Stevens-E.C.,Inc.

1. In the past the irrigators have purchased the gas from the well head to their engine using the natural pressure of the field. As the large gas companies started setting the compressors the natural field pressure was reduced so much that we could not get the gas to our engines.

2. At this time Steven's County was not certificated and the current utilities were not moving fast enough to get certificated. One utility did try to help a very small portion of the county but they wanted the irrigators to sign up before the terms and conditions of the contract were stated. Meaning we had no idea what they would charge for the price of gas nor did we have any idea what the cost of construction is going to be.

3. To get things started we found a law (66-104c) that allowed the irrigators to get together and start these non-profit utilities.

4. We hired a consultant, lawyer, and an engineer.

5. All the irrigators decided it was worth so much money to them to get the study done. After the study was done the majority of the farmers stayed on board to solve their problems and some of the others decided to go another route. Every irrigator in Steven's County had a chance to get on one of the seven non-profit utilities in Steven's County. In some cases we went several miles with very few customers which increased the cost of construction.

6. Our attorney has applied and received a service territory through the Kansas Corporation Commission. We have met all the rules and regulations that the KCC has set forth.

7. Our engineer has designed a pipeline for us and is currently over seeing the construction of them.

8. Our consultant has negotiated our tap agreements and our gas contracts.

9. This has been a tremendous amount of work.

10. We really need your support on this House Bill to raise the 50 customer level to a 100 customer level.

11. We are in quite a delima were we originaly have 20 members all the landowners are wanting to be customers also. The majority of tenants have more than one land owner and this will put us over the 50 customer level.

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PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON UTILITIES

Re: HB 2272 - Increasing the number of members in a nonprofit utility.

February 12,1999
Topeka, Kansas

Prepared by:
Leslie J. Kaufman, Assistant Director
Public Affairs Division
Kansas Farm Bureau

Chairman Holmes and members of the Committee. Thank you for the opportunity to appear before you today and share our support for the general concepts contained in HB 2272. I am Leslie Kaufman. I serve Kansas Farm Bureau as the Assistant Director of Public Affairs.

Farm Bureau is extremely concerned with gas delivery challenges in Southwest Kansas. We, as an organization, have established a task force to study various issues surrounding gas gathering and natural gas delivery in the region. The task force is just beginning its work. Our elected leadership and our Resolutions Committee, which coordinates our policy development process, are also following these matters.

Farmers and ranchers need fuel supply options for sustaining various types of agricultural production. No where is this more evident than in irrigated farming. Farm Bureau policy supports legislative and regulatory actions designed to insure access to

and provide a dependable, timely, uninterrupted supply of affordable natural gas for irrigation and other agricultural purposes.

One fuel supply option for many Southwest Kansas irrigators was the formation of nonprofit utilities (NPU) for distributing natural gas. These NPU's are filling a need other traditional utilities were unable to meet. Farm Bureau supports the opportunity farmers and ranchers are provided in Kansas to create these NPU's. We encourage the Kansas Legislature to preserve this opportunity. It is our support for the general concept of nonprofit utilities that brings us before your committee today.

In our opinion, part of the Legislature's role in preserving the ability to form NPU's is to ensure that legislation allows formation in such a way that the utilities are economically viable. It does little good to have the opportunity to form a nonprofit utility codified in statue if the actual perameters are so narrow that creation is economically unfeasible.

Obviously, the current statute is not so narrow that it completely discourages NPU development or one would not see the nonprofit utilities that have developed in Southwest Kansas. This does not preclude the possibility of improving the statutory structure of NPU's. One such improvement could be increasing the number of members in an NPU as contemplated in HB 2272.

Farm Bureau has not enacted policy articulating a "magic number" for NPU membership. But, we realize that "economies of scale" and the ability to spread costs over a greater number of customers can have a significant impact on the economic viability of nonprofit utilities. As pressures in the Southwest Kansas gas fields decline, it is possible that more and more farmers and ranchers will be considering the formation of nonprofit utilities. As such, we respectfully request the Committee look favorably on HB 2272's goal of limited expansion of NPU membership as a means of preserving the viability of the nonprofit utility as a fuel delivery option. Thank you.

1999 Kansas Farm Bureau Policy

Natural Gas CNR-8

We support national and state legislative or regulatory commission action to prolong the life of existing gas fields, insure access to and provide a dependable, timely, uninterrupted supply of affordable natural gas for irrigation and for other agricultural purposes.

The Kansas Corporation Commission (KCC) and the Kansas Legislature should examine "spot market" sales and protect against any adverse economic impact on irrigation farmers. We are in favor of continuing the alternate fuels tax credits.

We support the opportunity that existing law provides agricultural producers to create non-profit utilities and we encourage the legislature to preserve this opportunity.