Approved: Carl Dean Holmes
Date 3-9-99

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl Holmes at 9:09 a.m. on February 18, 1999 in Room 522-S of the Capitol.

All members were present except: Rep. Cliff Franklin

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

Conferees appearing before the committee: Debbie Nichols, Jefferson County Health Dept.
Mike Ensrud, CompTel Kansas
Rob Hodges, KTIA
Bob Fox, UtiliCorp
David Dittemore, KCC
Brady Cantrell, CURB

Others attending: See Attached List

Chairman Holmes drew attention to copies of articles regarding the KCP&L Hawthorn plant explosion (Attachments 1, 2, 3, & 4). The Chair also acknowledged testimony provided by Midwest Energy on **HB 2025** (Attachment 5). Also distributed were copies of tax comparison grids (Attachment 6).

Hearing on HB 2290 - repeal of statutes relating to public utilities' loaning money, pledging credit & paying dividends.

Chairman Holmes welcomed David Dittemore, on behalf of the Kansas Corporation Commission, testified as a proponent to **HB 2290** (Attachment 7).

Bob Fox, representing UtiliCorp, provided a copy of a memorandum from Dana Bradbury Green supporting **HB 2290** (Attachment 8). Mr. Fox also provided a map showing UtiliCorp's holdings in Europe (Attachment 9).

Brady Cantrell, appearing on behalf of the Citizens' Utility Ratepayer Board, provided testimony in opposition to **HB 2290** (Attachment 10).

Following testimony, conferees responded to questions from the committee.

Hearing on HB 2246 - Long distance carriers required to provide unlimited in-area-code calls for flat monthly rate.

Debbie Nichols, Chairwoman of the Jefferson County Alliance of Service Councils, Inc. and Administrator for the Jefferson County Health Department, Home Health & Hospice, provided testimony in favor of **HB 2246** (Attachment 11).

Jefferson County Commission Chairman Charlie Giest spoke in support of **HB 2246**. Commissioner Giest stated that from Oskaloosa to nearly any other town in Jefferson County was a long distance call. This was a deterrent for growth in the county. Mr. Geist felt that finding a reasonable rate for long distance would be a benefit to everyone.

Mike Ensrud, CompTel Kansas, testified as an opponent to **HB 2246** (Attachment 12).

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 522-S Statehouse, at 9:09 a.m. on Febrary 18, 1999.

Rob Hodges, President of Kansas Telecommunications Industry Association, presented neutral testimony on **HB 2246** (Attachment 13).

Conferees responded to questions from the committee following testimony.
Rep. Ward Loyd announced he would have a subcommittee report ready tomorrow on **HB 2045**.

Meeting adjourned at 10:30 a.m.

Next meeting is Friday, February 19.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 18, 1999

NAME	REPRESENTING
Brady Cantrell	CURB
Robert A. Fox	UtiliCorp United Inc.
J.C. LONG	UCU
Sandy Braden	McGill, Gaches, & Assoc.
DOUG LAWRENCE	SWBT
BRUCE GRAHAM	KEPCo
Don K Miles	KEC
Adam Gatewood	KCC
Doug Smith	SITA
Nelson Krueger	TCG of K.C.
BOB FLAPPAN	AT&T
RICHARD LAWSON	Sprint
PATRICE SCOTT	SPRINT
MARY PETERS	Sprint
Paul Snider	SWBT

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: 2-18-99

NAME	REPRESENTING
Chris Wilson	KS Governmental Consulting
Charlie Geist	Jefferson County
Lynn Luck	JEFFERSON CO. SERVICE ORG.
Del Nickel	Jeff Co. Health Dept & the Jeff Co. Alliance of Service Council
Michael Jay Ensminger	Comptel-KS / CGI
Kim Gulley	LKM

TheStar.

NEWS

Explosion hits Kansas City utility plant

The Associated Press
Date: 02/17/99 04:00

An explosion ripped through an 11-story boiler building at an electric power plant east of downtown Kansas City early today, collapsing much of the structure but causing only one minor injury, fire and utility officials said.

Fred Blocher/The Star
It could take months to determine what caused an explosion early Wednesday at Hawthorn power plant. The generating plant, which produces 15 percent of Kansas City Power & Light's electricity, will be out of operation for an extended period of time.

"There was an 11-story building there, and now it's just a five," said Kansas City Fire Department spokesman Brad Humston. "And then that's just a shell. When you look inside there it's just a bunch of steel."

The explosion at Kansas City Power & Light's Hawthorne generating plant, along the Missouri River east of downtown, took place about 12:30 a.m. It was heard and felt up to 15 miles away, Humston said.

Humston said there were 12 workers in the area at the time of the explosion. He said all those workers are accounted for, with only one minor injury reported.

The workers, Humston said, were "very, very lucky. God was with them."

Fire departments from nearby suburban communities sent crews and equipment to the scene. One of the big needs was lighting so that officials could get a better look at the extent of damage.

"We've got parts of the upper structure that are just precariously balanced up there, hanging, and we don't want anybody up there real close, but we do need to see what we've got," Humston said.

Humston said a huge ball of fire that rose into the sky bur

HOUSE UTILITIES
DATE: 2-18-99
ATTACHMENT 1

itself out once the natural gas supply had been turned off. The boiler itself is coal-fired.

There was no word yet on the cause of the explosion.

KCP&L spokeswoman Pam Levetzow said the explosion caused no interruption of service to the utility's customers. There is damage to the other buildings at the generator complex, she said, "but until we get some daylight the exact extent of that is yet to be determined."

Humston said there were reports that there might be asbestos in some of the dust left in the air after the explosion, and a hazardous materials unit was analyzing the situation to see if any precautions needed to be taken.

Television footage taken soon after the explosion showed debris falling like snow on the area, leaving a coating on the ground and motor vehicles. But Humston said later that the debris was determined to be only ash.

He did say there was some concern about asbestos being on the ground and in the badly damaged building, and that crews would probably be wetting down the area to reduce the danger of airborne particles.

"Then we can get some people in there to do some assessment on the building and how they're going to take it apart," he said.

Some people came to the area after hearing the explosion.

"I was sleeping, and I just heard this humongous bang," said one, Amy Smith.

Mike Smith said he thought someone had broken into his house. He ran out and checked, and saw smoke coming from the area near the electric plant. Smith, who works at the plant, is on vacation this week.

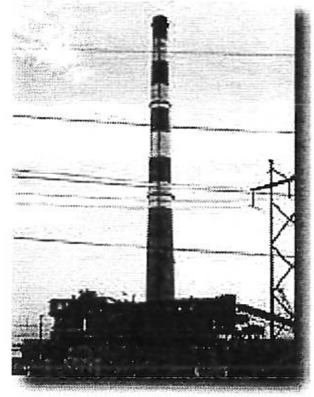
"I thought I'd better come down and check, and sure enough, it was Unit 5," he said.

The explosion was the second incident at the Hawthorne plant in less than a year. On Aug. 19, 1998, a rupture occurred in a high-pressure steam pipe.

1-2

Explosion rips through KCP&L plant

By KIA SHANT'E BREAUX
The Associated Press



A smokestack rose above the remains of a boiler building at a Kansas City Power & Light power plant Wednesday in Kansas City, Mo., after an explosion collapsed much of the building.
The Associated Press

KANSAS CITY, Mo. -- State and federal officials combed through mounds of debris Wednesday and examined the destruction of a massive explosion that ripped through an 11-story boiler building at an electric power plant.

No one was seriously injured in the explosion at the Kansas City Power & Light Hawthorne generating plant, but much of the structure collapsed.

"There was an 11-story building there, and now it's just a five," said Brad Humston, serving as a spokesman for fire departments at the scene. "And then that's just a shell. When you look inside there it's just a bunch of steel."

The explosion happened about 12:30 a.m. Wednesday at the 550-acre site along the Missouri River nine miles northeast of downtown.

Humston said there were 12 workers in the area at the time of the explosion. None of those workers was injured, but two employees of Kansas City Southern Railroad working on a nearby train were treated and released from a hospital.

The explosion was heard and felt up to 15 miles away, Humston said.

The workers, Humston said, were "very, very lucky. God was with them."

Fire departments from suburban communities sent crews and equipment to the scene.

Humston said a huge ball of fire that rose into the sky burned itself out once the natural gas supply had been turned off. The boiler itself is coal-fired.

KCP&L spokeswoman Pam Levetzow said it may take several weeks or perhaps months before investigators determine a cause of the accident.

Officials from the Environmental Protection Agency and Kansas City Health Department were checking the building Wednesday to make sure it was safe. It wasn't known when workers would be able to return.

Levetzow said the plant, which produces about 15 percent of the utility's electricity, had been shut down for regular maintenance and the explosion caused no interruption of service to customers.

HOUSE UTILITIES

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ATTACHMENT 2

There is damage to the other buildings at the generator complex, Levetzow said, but the extent of it had yet to be determined.

Early reports indicated there might be asbestos in some of the dust left in the air after the explosion, but environmental personnel determined there was no threat to public health, Levetzow said.

Debris falling in the area later was found to be only ash.

Some people came to the area after hearing the explosion.

"I was sleeping, and I just heard this humongous bang," said one, Amy Smith.

Mike Smith said he thought someone had broken into his house. He ran out and checked, and saw smoke coming from the area near the electric plant. Smith, who works at the plant, is on vacation this week.

"I thought I'd better come down and check, and sure enough, it was Unit 5," he said.

2-2

AP News

Wednesday, February 17, 1999

Tell someone about this story with our Take-A-Look service

Traduzca a los españoles: Traduzca

Early-morning explosion hits Kansas City utility plant

Eds: SUBS grafs 10-11 with new material on investigation and plant; INSERTS reaction, quotes in new 20th-21st grafs; ADDS photos.

AP Photos KX101-102

By STEVE BRISENDINE

Associated Press Writer

KANSAS CITY, Mo. (AP) - An explosion ripped through an 11-story boiler building at an electric power plant early today, collapsing much of the structure but causing only one minor injury, fire and utility officials said.

"There was an 11-story building there, and now it's just a five," said Kansas City Fire Department spokesman Brad Humston. "And then that's just a shell. When you look inside there it's just a bunch of steel."

The explosion at Kansas City Power & Light's Hawthorne generating plant, along the Missouri River east of downtown, took place about 12:30 a.m. It was heard and felt up to 15 miles away, Humston said.

Humston said there were 12 workers in the area at the time of the explosion. He said all those workers are accounted for, with only one minor injury reported.

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Fire departments from nearby suburban communities sent crews and equipment to the scene. One of the big needs was lighting so that officials could get a better look at the extent of damage.

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Humston said a huge ball of fire that rose into the sky burned itself out once the natural gas supply had been turned off. The boiler itself is coal-fired.

There was no word yet on the cause of the explosion.

KCP&L spokeswoman Pam Levetzow said officials from the Environmental Protection Agency and Kansas City Health Department were checking the building to make sure it is safe before other workers enter.

She said the plant, which produces about 15 percent of the utility's electricity, had been shut down for regular maintenance and the explosion caused no interruption of service to customers. There is damage to the other buildings at the generator complex, she said, but the extent of it had yet to be determined.

HOUSE UTILITIES

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ATTACHMENT 3

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Television footage taken soon after the explosion showed debris falling like snow on the area, leaving a coating on the ground and motor vehicles. But Humston said later that the debris was determined to be only ash.

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Mike Smith said he thought someone had broken into his house. He ran out and checked, and saw smoke coming from the area near the electric plant. Smith, who works at the plant, is on vacation this week.

"I thought I'd better come down and check, and sure enough, it was Unit 5," he said.

Kimberley McKinley, a cashier at a convenience store about a mile away, said she felt the explosion. "There was a big boom. It felt like someone ran into the building or something."

Carol Nash of Independence, a customer at the store, said the explosion rattled her house, located about five miles away. "I thought something had blown up in my house," she said.

The explosion was the second incident at the Hawthorne plant in less than a year. On Aug. 19, 1998, a rupture occurred in a high-pressure steam pipe.

3-2

Investigators hope to find answers to massive blast

By MICHAEL MANSUR, CHRISTINE VENDEL and MATTHEW SCHOFIELD - The Kansas City Star
Date: 02/17/99 22:15

Investigators today hope to get their first close look at KCP&L's Hawthorn 5 power plant, where an explosion early Wednesday rocked people awake 20 miles away, knocked nearby workers off their feet and launched flames 200 feet into the night sky.

"It's a miracle we're still alive," said John Hernandez, a Kansas City Power & Light field equipment operator who was just outside the plant in Kansas City's East Bottoms.

"We're very lucky men."

One minor injury was reported. Two railroad workers who had been near the plant went to North Kansas City Hospital for examination, but were released without treatment.

Only 12 workers were on site at the time. It's fortunate, KCP&L officials said, that the blast didn't occur during day shifts, when many more of the plant's 135 employees would have been on duty. The plant will be shut down for an undetermined amount of time.

The blast occurred about 12:30 a.m. in the generating station's boiler, company officials said, but its cause was not known. Local, state and federal officials said safety concerns about the plant's wreckage prevented inspectors from touring the facility. They hope to inspect the damage today.

It was not immediately clear what impact the loss of generating capacity at the plant would have on KCP&L's residential and commercial customers.

Much clearer, though, was the blast's devastating power. Only twisted metal and charred wreckage remained of the metal building that had housed the boiler.

"It was massive," Fire Battalion Chief Domenic Serrone said of the destruction. "They lost six floors of an 11-story structure."

KCP&L had yet to place a dollar figure on the damage.

Pam Levetzow, a KCP&L spokeswoman, said the plant was not producing electricity at the time of the blast. The plant had been down this week for repairs unrelated to the boiler.

The generating plant, which produces 15 percent of KCPL's electricity, will be out of operation for an extended time. That's significant, with the summer peak-demand season only a fe months away.

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Missouri utility regulators said Wednesday that they would assess whether KCP&L will be able to meet its electricity demands this summer if Hawthorn remains out of operation.

Flames in the sky

Meanwhile, environmental regulators tried to determine the effects of the blast, which sent asbestos, a known carcinogen, and other debris airborne over Kansas City's northeast industrial district.

Initial reports from regulators, though, were that air pollution from the blast didn't pose significant public health threats.

"It doesn't look like there was any great hazard," said Mike Manning of Kansas City's air quality office.

Both the Health Department and the U.S. Environmental Protection Agency pledged to continue checking the situation. KCP&L set up monitors on site, and the EPA set up monitors near the generating station.

The early monitoring by KCP&L and the EPA showed low levels of asbestos in the air a few hours after the blast, said Art Spratlin, who directs the EPA regional office's programs dealing with air pollution and toxins.

KCP&L also was bringing in crews to clean up asbestos that remained in the wreckage, said Spratlin.

Regulators tested chunks of white insulation material found on the nearby Bayer property. Tests of the insulation material showed it was only 1 percent asbestos, which means it poses no risk, Spratlin said.

Fire and health officials said tests showed that the material that fell on cars near the blast site contained fly ash, not asbestos.

"We don't believe the scattering of fly ash is a concern, from anything we've heard," Spratlin said.

Federal law requires a company to report the airborne release of more than one pound of asbestos. KCP&L made such a report Wednesday, Spratlin said.

Workers won't be allowed back into the plant until fire officials certify that it is safe to re-enter. That also delayed Wednesday's investigations.

Officials at the Occupational Safety and Health Administration want to know whether KCP&L or its contractors had breached federal worker safety regulations.

Fire Marshal Jim Duddy said he planned to help in the investigation of the explosion, but his participation was limited Wednesday.

4-2

"We're waiting for the environmental part to get straightened out first," he said. "They don't want us in there (Wednesday) moving things around."

He said large equipment would be needed to secure dangling debris before firefighters could safely investigate.

The boiler that exploded Wednesday had experienced problems at least once before. Last Aug. 19, a welded seam on a pipe inside the boiler ruptured, causing the release of high-pressure steam.

The plant was out of service for 78 days following that incident. KCP&L couldn't say whether the blast Wednesday was related to the August incident.

KCP&L officials also plan to interview employees about whether the boiler was being fired up at the time of the explosion.

Fire in the sky

About midnight, Richard Hickman, a KCP&L field equipment operator, arrived at a shack across the street from the plant. He wanted to fetch a warm jacket for the cold night ahead.

Hickman chatted for a time with co-workers about Chiefs cornerback Dale Carter's signing with the Denver Broncos. Suddenly, the explosion knocked him over. A false ceiling collapsed above him.

It was like a being in the middle of sonic boom, Hickman said.

Quickly, Hickman ran outside to see what had happened. He looked up at towering flames. Workers raced in a pickup truck from the plant.

"They had their hands over their ears and they were moving," he said. "I have a good friend who was in the building, so I made sure he was all right, then I got away from there."

Hernandez, a KCP&L assistant field equipment operator, was outside the plant when it exploded. The concussion from the explosion knocked him off his feet, and left his ears ringing for more than an hour.

"The flames were covering the smokestack -- I mean, I've never seen anything like it before," he said early Wednesday, pointing through the night at the orange-and-white-ringed smokestack towering more than 20 stories above.

Across the metro area, residents rocked out of bed by the blast called 911. A Missouri Highway Patrol dispatcher said some callers who couldn't get through to their local police called the patrol's offices.

4-3

At 12:31 a.m., the Kansas City Fire Department dispatched units to a reported explosion at the Hawthorn power plant.

Serrone, the fire battalion chief, sat in the front of his car as it led a pumper and a rescue truck from a fire station at Independence Avenue and Ewing Avenue.

Serrone saw the fire shooting into the sky and debris falling like snow on streets, cars and the neighborhood around the plant.

"It looked like Mount St. Helens," Serrone said.

By the time Serrone arrived at the scene, KCP&L officials had cut off the natural gas that was fueling the fire.

"There were only a few small spots of fire left," he said. "We let those burn themselves out. The structure was basically metal, so there wasn't much to burn."

Firefighters concentrated on helping KCP&L officials account for employees. They called firefighters from other area departments, including Lenexa and Overland Park, which sent trucks with spotlights to illuminate the scene to find the workers. They soon determined that no workers were trapped.

Hours later, Serrone marveled at the power of the blast.

"I've been doing this 27 years and I was in awe of the destruction," he said. "There were I-beams 24 inches wide and girders that were thrown through steel tanks like it was nothing."

To reach Michael Mansur, environment writer, call **(816) 234-4433 or send e-mail to mmansur@kcstar.com To reach Christine Vendel, police reporter, call (816) 234-4438 or send e-mail to cvendel@kcstar.com**

The Star's Steve Everly and Ruth Igoe contributed to this report.

4-4

Testimony of Mr. Gene Argo
Midwest Energy, Inc.
February 16, 1999

The position of Midwest Energy is that we embrace the benefits that price competition and service innovations will bring to retail electric customers. On April 30, 1997 we announced a plan called "Open Access" through which we intend to offer choices to <u>all</u> of our retail customers, irrespective of size. Since Kansas is in the process of completing a three-year legislative moratorium on retail wheeling, our plan has been devised so that all service will continue through Midwest Energy, but our customers will be able to choose from several price options. We have filed an unbundled rates plan, and upon the approval of the KCC, will begin providing unbundled bills in 1999. Our primary role as an energy distributor and local service provider will become even more important. After all, our customers own the system. Surely they have a right to use it to their advantage.

Midwest Energy supports a logical progression towards retail competition. However, it seems the "go slow" approach endorsed by many, three years ago, has never started. We must remember that the Energy Policy Act was passed in 1992, allowing utilities a view to the future. The future is NOW!

Midwest Energy supports retail competition for the consumer. We encourage you to develop public policy that will give the consumer the advantages of competitive pricing, higher levels of service and open market innovations.

Midwest Energy recognizes the perceived significance of stranded costs. This issue is not without solutions and alternatives, and apparently requires changes in public policy to resolve.

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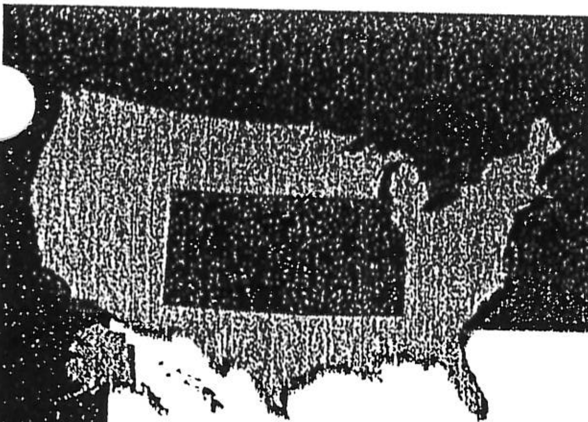
Thank you for accepting this testimony. We appreciate the committee's interest and stand ready to answer any questions you may have. Please feel free to use us as a resource.



Kansas Ad Valorem Compariso

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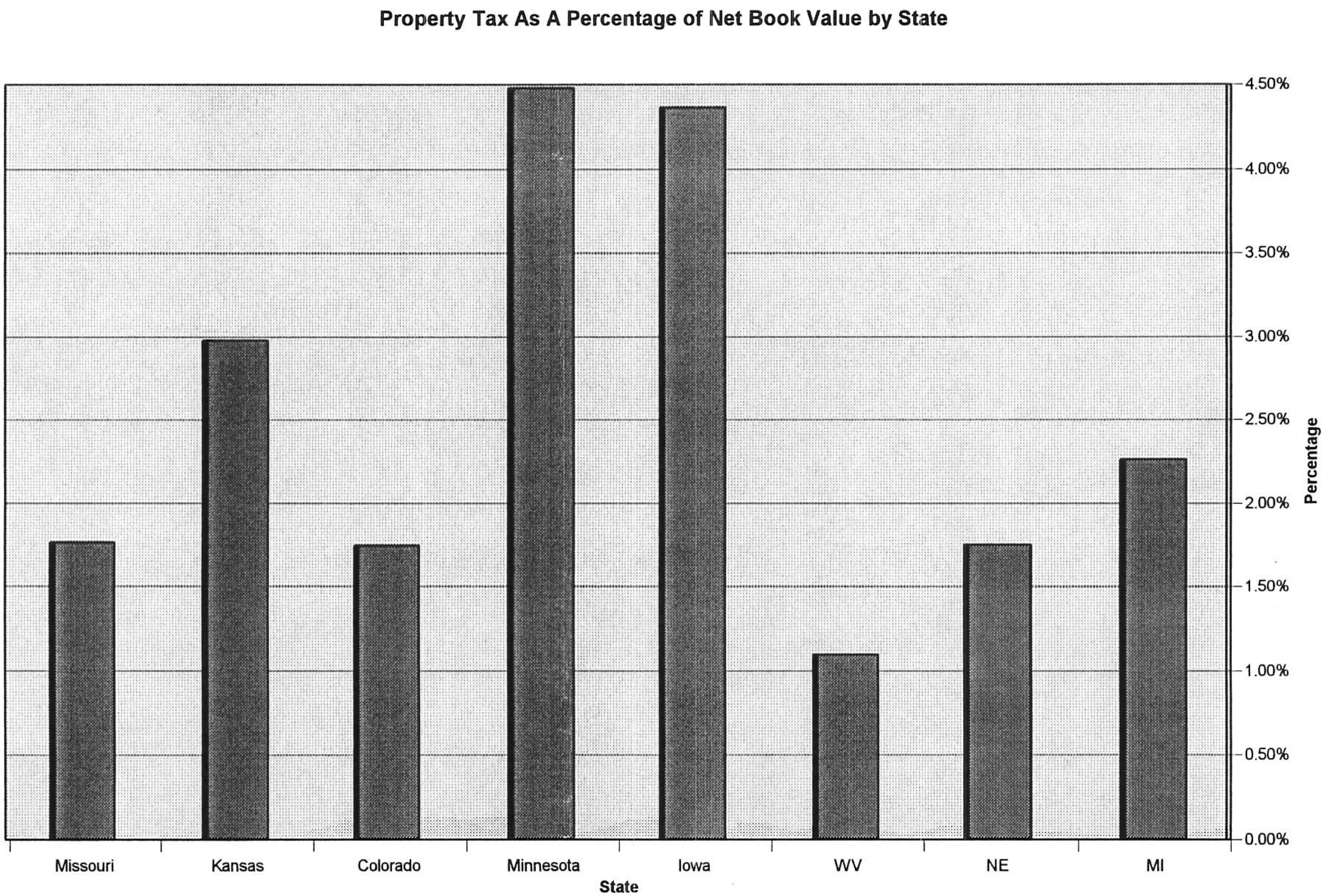
ATTACHMENT 6

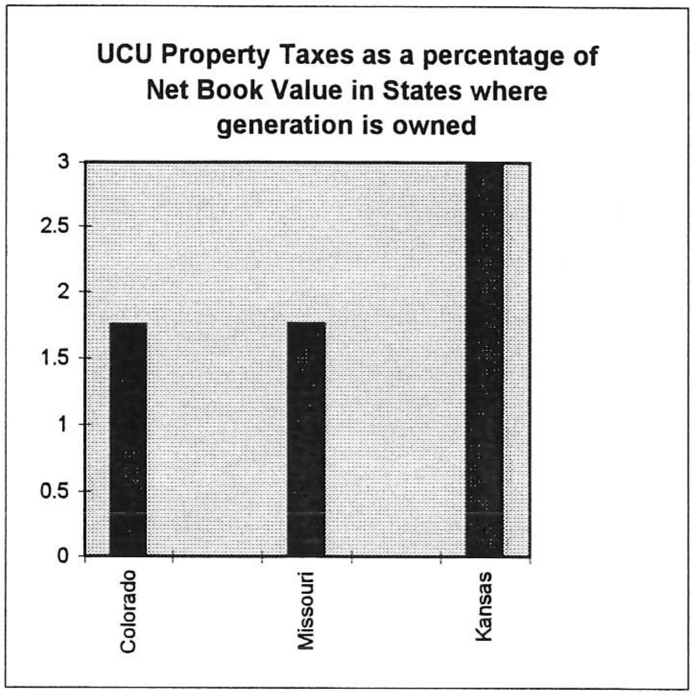
	Mkt Value Ks v Other	Assessment Ratio	Tax per 1 million of Market Value	Other States v $1.00 of Ks Tax
Arkansas	0.836	0.2000	8,300	0.25
Oklahoma	0.873	0.2197	17,576	0.52
S Dakota	0.957	0.8550	23,800	0.70
Nebraska	0.970	1.0000	24,367	0.72
Wisconsin	0.990	1.0000	28,394	0.84
KANSAS	1.000	0.3300	33,858	1.00
Michigan	1.016	0.5000	24,540	0.72
Missouri	1.019	0.3220	18,700	0.55
N Dakota	1.060	0.0500	17,300	0.51
Minnesota	1.072	0.0460	5,980	0.18

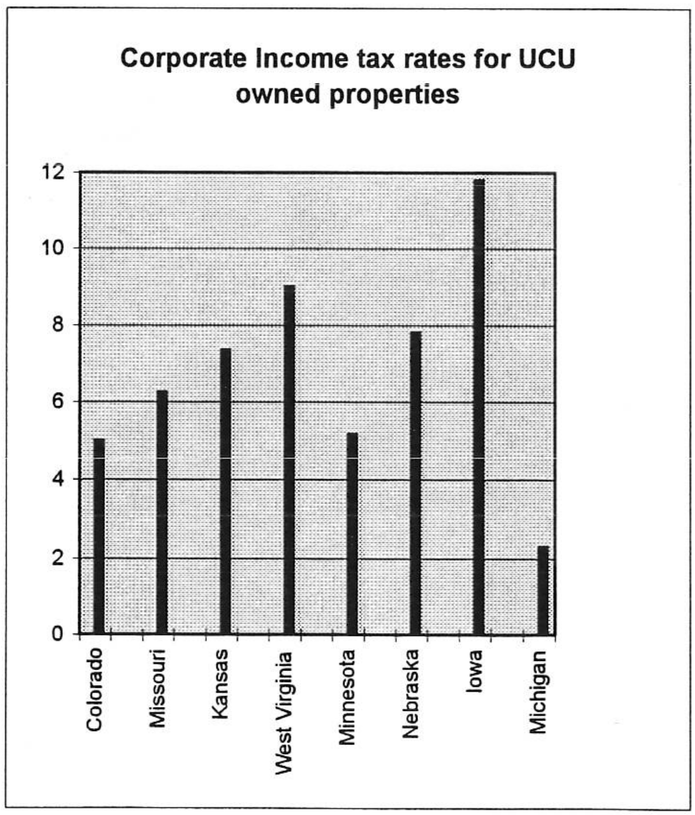
Source: Property Valuation Division

6-2


Property Tax As A Percentage of Net Book Value by State
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
Percentage
Missouri
Kansas
Colorado
Minnesota
Iowa
WV
NE
MI
State

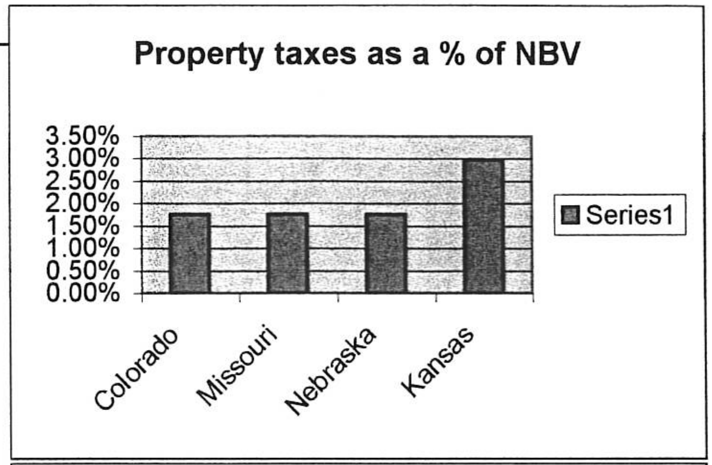
Property	
Colorado	1.75
Missouri	1.76
Kansas	2.98
INCOME	
Colorado	5
Missouri	6.25
Kansas	7.35
West Virginia	9
Minnesota	5.16
Nebraska	7.81
Iowa	11.8
Michigan	2.3



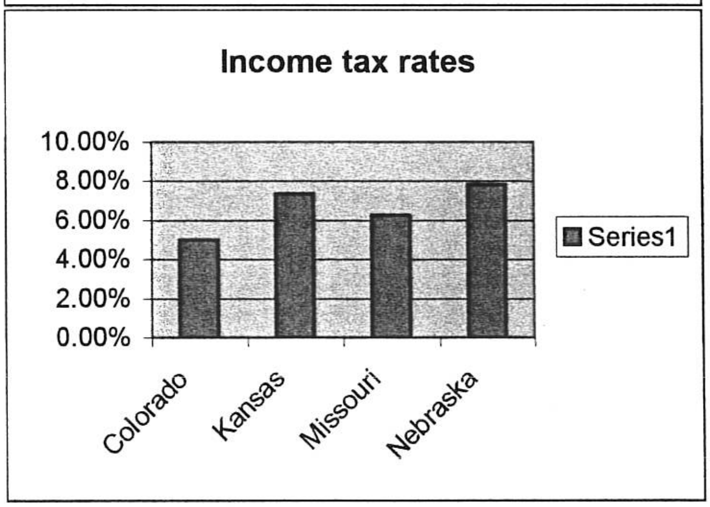


6-3

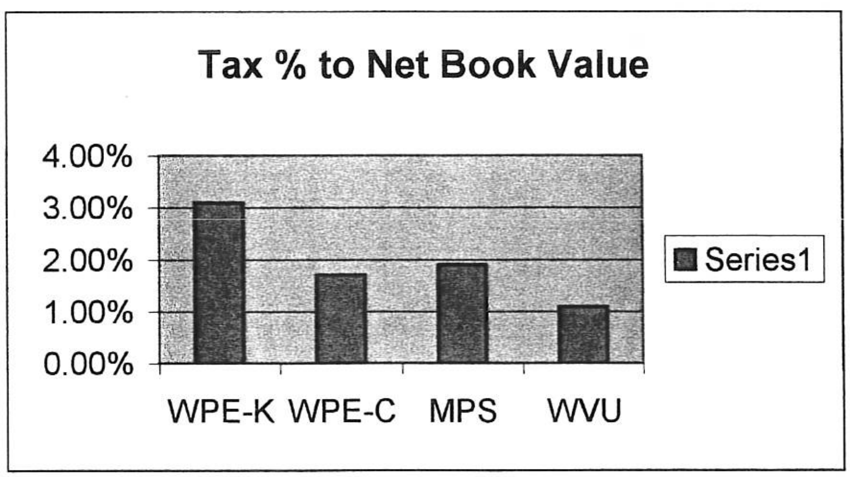
Prop as a % of NBV	
Colorado	1.75%
Missouri	1.76%
Nebraska	1.75%
Kansas	2.98%



Income Tax %	
Colorado	5.00%
Kansas	7.35%
Missouri	6.25%
Nebraska	7.81%



UCU Electric	
WPE-K	3.09%
WPE-C	1.69%
MPS	1.90%
WVU	1.09%



6-4

Testimony of David Dittemore
HB 2290
On behalf of the Staff of the Corporation Commission
February 18th, 1999

I. Summary – The Commission supports repealing KSA 66-1213 which addresses the loaning of money and pledging of credit by utilities to persons having an affiliated interest in the utility. The Commssion does not support repealing KSA 66-1214 which gives the Commission explicit authority to prohibit dividend payments that could impair a utility's financial health and operating condition.

II. The Commission supports repealing 66-1213 because the statute has three flaws. First, it requires Commission Staff to make a number of forecasts regarding the affiliate's financial health and its ability to meet its obligations to lenders. These forecasts are very speculative in nature. Second, it requires Staff to forecast the impact on the utility of paying off its affiliate's loan. Once again such a forecast is both time consuming and very speculative in nature. Third, the statute allows only 10 days for Staff complete this investigation.

In the past, the Commission Staff has worked around the flaws in 66-1213 requesting that the Commission include in its Order, language to inform the

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company that approval under 66-1213 does not guarantee that it can pass related costs to ratepayers. In essence the Commission's orders grant the company authority to carry out the transaction, but caution the company that it is very unlikely that associated costs will be allowed in rates. That is if the pledge of credit has the effect of increasing the costs to the utility to obtain financing, the Commission reserved the right to protect ratepayers from these incremental costs. By including this language in the order, the companies are very aware that Staff is intent on protecting ratepayers from costs associated with loans and pledging credit to affiliates.

Instead of requiring companies to file under 66-1213, the Commission believes would be less cumbersome and just as effective to repeal 66-1213 and instead address the direct and indirect costs caused by guaranties and pledges of credit during rate proceedings. It is only during a rate proceeding that the utility can pass such costs to consumers.

III. The Commission does not support repealing 66-1214 which provides it explicit authority to prohibit a utility from paying dividends if doing so could jeopardize its financial health and ability to maintain adequate service. To the best of my memory, the Commission has not used this statute. But we can envision circumstances, particularly with smaller, closely held utilities when this statute could be useful in stemming the decline of a financially troubled company.

MEMORANDUM

TO: Bob Fox

FROM: Dana Bradbury Green

DATE: February 17, 1999

RE: House Bill No. 2290

House Bill No. 2290 is an act repealing K.S.A. 66-1213 and K.S.A. 66-1214 relating to public utilities.

K.S.A. 66-1213 generally provides that before a public utility loans its funds or pledges its credit to a person or corporation having an affiliated interest, the utility must apply to the Kansas Corporation Commission for approval. Thereafter, the Commission is given 10 days to investigate the matter and either approve the loan or set the matter for hearing. The Commission shall grant the Application unless it finds the loan will substantially impair the financial condition of the utility or substantially impair the ability of the utility to maintain sufficient and efficient services.

K.S.A. 66-1214 allows the Commission, on complaint or its own initiative, to review whether payment of a dividend by a jurisdictional public utility would impair the financial condition of the utility to the point that the utility could not maintain its facilities in reasonably efficient operating condition and render adequate service at reasonable rates. If after notice and hearing, the Commission makes such a finding, the Commission is authorized to enter an order denying payment of the dividend until the specified conditions cease to exist.

HOUSE UTILITIES

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ATTACHMENT 8

There are many reasons behind the move to repeal these statutes.

First, repeal of the statutes does not limit the Commission's authority to monitor the provision of sufficient and efficient service by public utilities. That authority is expressly granted in K.S.A. 66-101d, 66-101e, 66-1,189, 66-1,202 and various other statutory grants of Commission authority. The Commission will retain its authority to investigate the sufficiency and efficiency of utility service and take steps necessary to remedy any adverse situation.

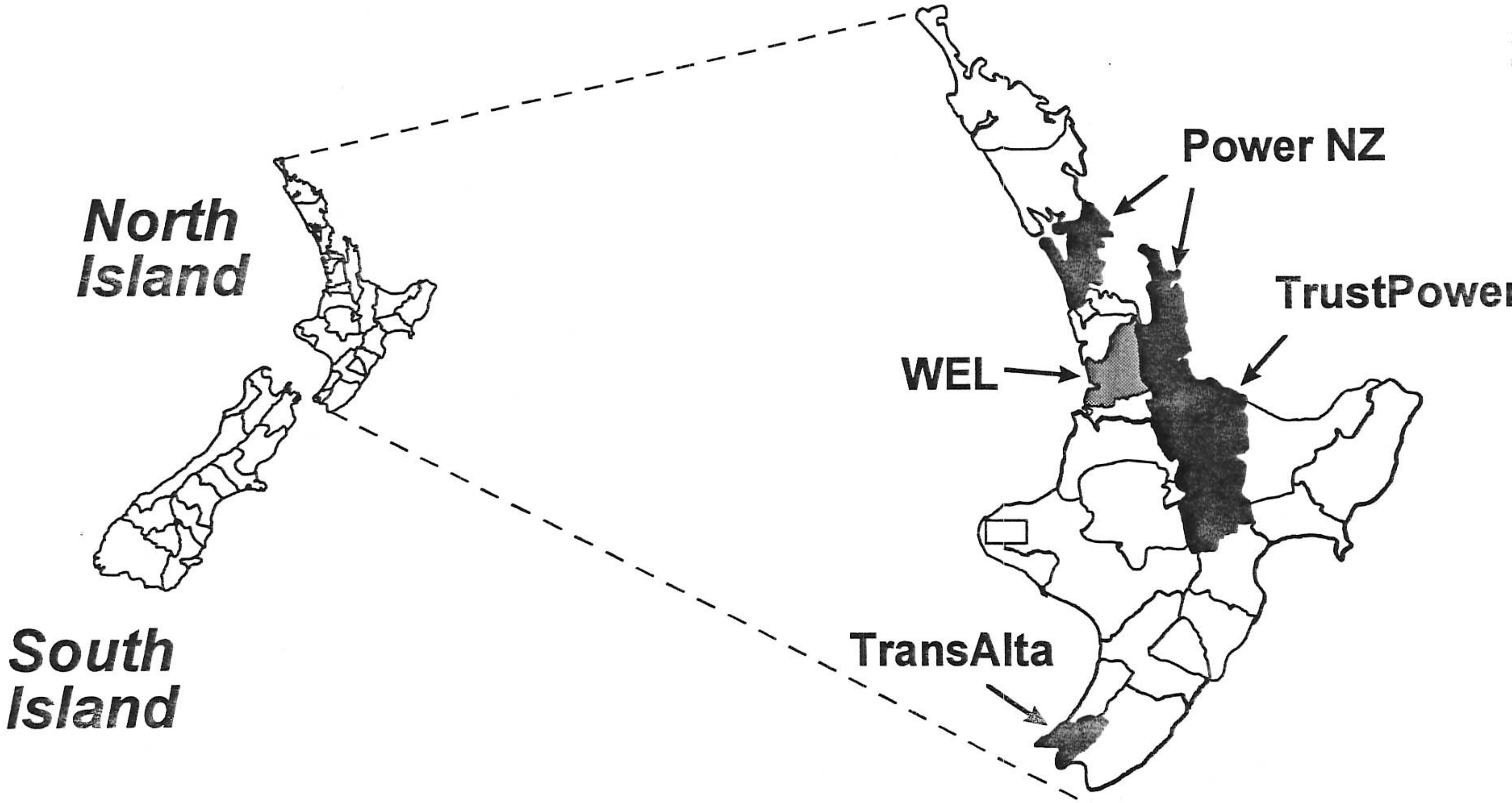
Second, the statutes sought to be repealed places an unnecessary and cumbersome burden on utilities in the normal course of business. UtiliCorp has affiliated interests all over the world. UtiliCorp has financial dealings with many of its national and international affiliates on a regular basis. Every time UtiliCorp loans money or pledges credit to an affiliate, UtiliCorp must first seek approval from the Kansas Corporation Commission by virtue of the fact UtiliCorp also happens to transact business in Kansas.

In 1997, a similar statute, requiring a public utility to obtain a certificate from the Commission prior to issuing stocks, bonds or other evidence of indebtedness, was amended to apply only to investor owned utilities. (i.e. utility subsidiaries of Western Resources). (K.S.A. 66-125) This amendment was enacted when it became apparent that the previous statute was imposing an inordinate amount of time and paperwork on the Commission and its Staff without sufficiently serving a public purpose. In the present case, the Application process is administratively cumbersome and provides no real benefit to Kansas consumers. As such, K.S.A. 66-1213 and 66-1214 are superfluous and should be repealed.

Finally, the statutes sought to be repealed present timing issues for both the Commission and the public utilities because the closing of financial transactions and payment of dividends cannot be easily timed with Commission review.

Because K.S.A. 66-1213 and K.S.A. 66-1214 do not expand the Commission's authority , but further burden the Commission's administrative workload with little public benefit, the statutes should be repealed.

UnitedNetworks Limited



HOUSE UTILITIES
DATE: 2-18-99
ATTACHMENT 9

Stat of Kansas

Citizens' Utility Ratepayer Board

1500 Southwest Arrowhead Road
TOPEKA, KANSAS 66604-4027
Ph. 785-271-3200

HOUSE UTILITIES COMMITTEE

H.B. 2290
CITIZENS' UTILITY RATEPAYER BOARD
by Walker Hendrix

House Bill 2290 repeals sections of the Public Utilities Act which are codified as K.S.A. 66-1213 and 66-1214. These sections have withstood the test of time. Both sections were enacted at a time when Public Utility Holding Companies were in prominent use and abuses were rampant in the fledgling utility industries.

Some business enterprises were used to siphon funds away from public utilities in the 1930's. These funds would be loaned and transferred to affiliated enterprises, leaving the utilities financially impaired. This left the utilities and their ratepayers without reliable services. Investors in some instances absconded with funds. To correct these abuses, the Corporation Commission was given oversight authority under 66-213. This section required that loans to affiliated companies be approved by the Corporation Commission.

Although CURB recognizes that reporting requirements and auditing techniques have vastly improved to detect abuses which might occur, CURB does not think it is unsound to require a utility to report loans to affiliated companies. With the advent of competition, the number of affiliated utility enterprises has grown. This gives rise to the possibility that a utility would make a large loan to an affiliate and that affiliate could default. Who would be responsible for making up the shortfall? If there is the slightest chance that ratepayers would be required to make up the difference, there is reason for the Commission to have some oversight authority and knowledge of large loans to affiliates.

No doubt it will be argued that the filing process is cumbersome and expensive. However, under 66-213, the Commission is required to determine if approval is warranted within 10 days. Should you find, however, that the process under 66-213 is too much for a utility to bear, please consider the possibility of establishing a new reporting requirement, wherein each loan to an affiliate is reported to the Commission, with some information about the amount and purposes of the loan. This would lessen the filing requirements, but would also allow the Commission to see if there is a dangerous pattern of making loans which could financially impair a utility.

Additionally, H.B. 2290 requests the repeal of K.S.A. 66-1214. This statute provides protection for ratepayers and the general public. K.S.A. 66-1214 provides a process which allows a party to challenge the payment of a dividend that would financially impair a utility. No utility should be allowed to make a dividend payment which would financially impair a utility. This section also protects consumers from unreasonable rates which might be implemented to support a financially unsound dividend. CURB sees no reason for modification or repeal of K.S.A. 66-1214.

In conclusion, CURB would like for you to consider the public interest when determining the merit of this bill. Even though both of these sections were enacted some time ago when the financial climate was much different, CURB believes these sections still have some redeeming protective value for consumers today. However, if you want to decide to change K.S.A. 66-1213 and require a new type of reporting requirement, CURB would not make a strong objection.

With these comments, I conclude an will stand for questions. Thank you for your attention.

Jefferson County Alliance of Service Councils, Inc.

The Mission of the Jefferson County Alliance of Service Councils, Inc. is to improve quality, comprehensiveness, and accountability of the local human service delivery system, by strengthening the collaboration, effectiveness, and efficiency of all its members through the sharing of services, information, resources, and appropriate funding.

Testimony to the House Utilities Committee
February 18, 1999

Chairman Holmes and committee,

My name is Debbie Nickels and I am the Chairwoman of the Jefferson County Alliance of Service Councils, Inc. and the Administrator for the Jefferson County Health Department, Home Health and Hospice. On behalf of the Alliance, I request your support of HB 2246.

My peers and I would hope that the language in the bill stating, "requiring **certain service providers** to provide certain long distance service at or below a certain rate" would include companies such as Sprint. Our Alliance with assistance, from Representative Joann Flower and Senator Don Biggs, has been in communication with Sprint and the Kansas Corporation Commission for the past several years on just this issue. After the Alliance's most recent meeting with Sprint back in December, we received communication that Sprint has begun looking at optional flat-rate calling for the Jefferson County area. HB 2246 could assist in expediting the process. (See attached correspondence.)

The Alliance members believe that we do not have equal access to intraLATA services when some communities in our county can not call, except to their same prefix, without having long distance charges. Whereby individuals from Silver Lake to Lecompton can call without a long distance toll charge. As health, social service, and governmental entities we are finding long distance charges budgetarily burdensome. We would like to utilize our limited resources for improving program services versus encumbering the expense of long distance calls.

Thank you for your support of HB 2246.

Respectfully,

Debbie Nickels

Debbie Nickels R. N., C. Chairwoman
Jefferson County Alliance of Service Councils, Inc.

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Sprint

Richard D. Lawson
State Executive - Kansas and Missouri

319 Madison Street, P.O. Box 689
Jefferson City, Missouri 65102-0689
Telephone (573) 634-1511
Fax (573) 634-1550

December 10, 1998

Ms. Debbie Nickels
Jefferson County Alliance of Service Councils, Inc.
1212 Walnut-Highway 59
P. O. Box 324
Oskaloosa, Kansas 66066-0324

Dear Ms. Nickels:

Thank you for having me as your guest at last week's meeting of Jefferson County community leaders. I found the meeting informative and appreciated your candor about the local services currently being offered by Sprint. Based on your input, we are now exploring the plausibility of new services that would meet needs expressed at the meeting and at the same time represent sound business decisions for Sprint. The following are the principle service needs I heard expressed at last week's meeting:

- Optional, flat-rate calling from a Sprint exchange to the other Sprint exchanges in the county.
- Optional, flat rate calling from a Sprint exchange to county offices in Oskaloosa and from county offices to all other Sprint exchanges in the county.
- Optional, flat-rate calling from certain Sprint exchanges in the county to neighboring metropolitan areas.
- Less stringent requirements to qualify for such services as Optional Community Calling.

As I explained at the meeting, there are many things to consider in determining if such services make sense for Sprint and its Jefferson County customers. One factor we discussed last week is that calls made today between Sprint exchanges in Jefferson County are long distance calls. Sprint revenues derived from these calls are used to cover Sprint's overall costs of providing service, including local service. If a new service replaces traditional long distance calls, rates for the new service would have to be set at levels that would make up for the lost revenues associated with today's long distance calling.

In addition, Sprint will have to seek approval from the Kansas Corporation Commission to offer a new service. In seeking the Commission's approval, we will have to demonstrate that our costs calculations and demand forecasts are sound. And we will likely have to defend our proposal against the challenges of other parties.

There is also the issue of Sprint exchanges falling into two Local Access and Transport Areas (LATAs) within the county. Today, Sprint is not certified by the state Commission to carry calls between the two LATAs. Today, these calls are handled by interexchange carriers.

I say all this just to point out that there is much work to be done and many issues to be resolved. The last thing I want to do is create unreasonable expectations. However, we have started our internal look at offering a new service that would better meet your expressed needs. I will keep you informed of our progress. If we go forward with developing a new product, we may be able to introduce the new service as early as late second quarter 1999.

I trust this letter begins to address the concerns expressed at last week's meeting and fulfills the commitment I made to you at that time. If you have questions, feel free to contact me or Carolyn Gaston.

Sincerely,

Richard D. Lawson

Richard D. Lawson
State Executive - Kansas and Missouri

JEFFERSON COUNTY ALLIANCE OF SERVICE COUNCILS

ANNUAL REPORT
1997-1998

The following activity and policy report is to inform the members and the public on how collaboration and coordination can achieve useful outcomes for the membership and the public we serve.

I. Addressed Jefferson County Community Health Assessment Process Priorities:
The Alliance continued to refer to, and build upon the data and public information concerning Jefferson County health needs, that were assessed and prioritized in 1996.

- **Substance Abuse- -**
  - A. Committee work continued through the Substance Abuse Task Force to identify problems and develop intervention strategies.
  - B With data and public input the Alliance sought assistance from the Jefferson County Substance Abuse Council for support and funding of an after care program for Jefferson County youth.
  - C. The Alliance also is working with the Jefferson County Youth Substance Abuse Task Force to determine program agenda for the youth next school year, based on assessed problems/needs through the Substance Abuse Task Force.
- **Medical Care- -**
  Local medical providers and other groups have addressed availability to care in our rural area, by increasing access to new primary care providers in the county, and adding more evening and Saturday hours for services.
- **Cardiovascular Disease** - - the leading cause of death in Jefferson County.
  - A. The Alliance has supported the Jefferson County Health Department's Chronic Disease Risk Reduction Grant education to the employees of the 4 largest employers of the county.
  - B. Supported the Jefferson County Youth Substance Abuse Task Force's efforts to deter teens from tobacco use and development of local government and school tobacco policies.
  - C. Supported Co. Commissioners' grant application for a walking trail to increase physical activity.
  - D. Supported the Jefferson County Health Department's and Medical Services Development, Inc.'s CPR campaign in the county.
- **Water Quality- -**
  This priority is not directly being addressed by the Alliance but is being watched closely with population growth in the county. Most of the Rural Water Districts in the county are improving water quality, quantity and service to provide access to the entire Jefferson County geographic area.

II. Development and Adoption of By-Laws for the Alliance, and Incorporation.

11-4

III. **Through committee efforts designed and implemented a Community Resource Notebook.**
The notebooks were developed for general public access and/or professionals to assist in finding Jefferson County resources. The notebooks were distributed to the schools, public libraries, law enforcement center, Emergency Management, physician offices, and other public entities and service providers.

IV. **Addressed access to more cost effective long distance phone services to the communities in Jefferson County.**
The Alliance followed up on past communications with Sprint, legislators, and KCC. The Alliance wrote a letter to the Editor that was published in area papers, and has sparked communications by the public, legislators, media, and County Commissioners with Sprint to request improvements in long distance service in Jefferson County communities.

V. **Developed a Strategic Plan- -**
Unified the membership in goal development and intervention strategies, the Alliance went through a planning process in order to identify community successes, and needs for collaborative efforts.

VI. **Began addressing community transportation needs.**
Committee work began to assess and formulate interventions as identified in the S/P for disabled, elderly, and low income Jefferson County residents to access transportation. Public transportation assistance is available in the county, but there are not adequate resources to transport individuals to work, or for more long term health care service needs.

VII. **Facilitated efforts to provide post traumatic counseling for Jefferson County emergency responders.**

VIII. **Alliance supported Early Intervention funding strategies.**
A. The council was made aware of funding inadequacies for the Infant/toddler program serving children with disabilities ages birth to three and their families in Jefferson County. Members discussed the need for more state and local funding with state legislators, KDHE, and the state Interagency Coordinating Council.

IX. **Collaborated on facilitating Wraparound Services for Children and Youth.**
Identified a gap in services and pursuing a means for assuring that children and youth in jeopardy of being removed from their home or community will be able to access this process.

X. **Developed Internet Home Page.**
The home page will eventually be an information and communication resource for both members and the general public.

CompTel-Kansas

Competitive Telecommunications
Kansas Association

Before the House Utilities Committee
Comments by Michael Ensrud
On Behalf CompTel Kansas
February 19, 1999
House Bill No. 2246

CompTel Kansas opposes HB # 2246 for the following reasons:

- CompTel members provide intraLATA services in Kansas. No member offers flat-rated service today.

- There is good reason why no CompTel member would voluntarily offer a flat-rated service in the present environment. Our members must pay the local telephone companies a per-minute charge to use their local facilities to originate a long-distance call and to terminate a long-distance call. In other words, CompTel members pay for each call placed by its customers. These charges are called "access charges".

- We pay between 40% to 60% of every dollar we receive for long distance service to the local telephone companies in access charges. These charges required for the use of access services, are the largest expense that a long distance provider incurs in the provision of service to our customers.

- In the vast majority of these cases, no alternative exists but to use the local telephone company's facilities. Access service remains a monopoly service for all intents and purposes. Access service is sold on a per-minute basis. In short, ***CompTel members experience a per-minute cost with each call placed.***

- The per-minute cost that a CompTel member would pay Southwestern Bell is between $.046766 and $.052706 to both originate and terminate a long-distance call. (See attached.) Bell's access rates are considered the lowest in the state. Therefore, this problem only gets worse when dealing with other local telephone companies.

- It is fundamentally unfair to require a CompTel member to provide a flat-rated service at $30.00 per-month to its customer in a situation where we are required to pay a local telephone company a per-minute charge for every long distance call placed. There is a possibility that a long-distance provider will pay more in access cost than the $30.00 per-month revenue received. All the customer need do is place more than 10.7 hours of intraLATA long distance calls for the cost of Bell's access to exceed the mandated $30.00 monthly revenue. In this situation, ***CompTel members would pay Bell more in access charges than the revenue we receive.***

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- While access is the largest cost of providing long distance service, it is by no means the only cost. These "other" costs assure a CompTel member would lose money, even if the customer does not generate 10.7 hours of service. In other words, it would be wrong to assume any customer who places less than 10.7 hours of intraLATA long-distance service would be profitable to serve.

- HB #2246, as written, requires ***"every customer"*** to have access to intraLATA long-distance service at $30.00 per month. Customers (particularly businesses) have multi-lines. These customers have the potential to generate thousands of dollars in access costs. However, even a single-line customer who connects to his/her Internet provider via long distance service can generate the volume of traffic necessary to render that customer unprofitable to serve.

- Establishing a dichotomy in "rate structures" is unfair. CompTel members are expected to pay a "wholesale" cost for access that is usage-sensitive. Yet, we are mandated to offer a flat-rated service to our customers. This dichotomy in rate structure is economically unsound. It may result in CompTel members being forced to lose money by offering such a service to customers who place a large volume of calls.

- While access service is priced between $.046766 per-minute and $.052706 per-minute to both originate and terminate a call, that price is in no way indicative of the underlying cost of access service. Most trade press indicates that the cost of access is less than one cent to both originate and terminate a call. This huge mark-up on a monopoly wholesale service means Bell is imposing fictitious costs upon their competitors.

- These per-minute costs ($.046766 to $.052706) are "real" to CompTel members because that is the underlying cost that we pay to use Bell's access. However, Bell has inflated these costs above their underlying cost. When Bell offers long-distance service, it pays the "true" (deflated) cost of access service, which is less than a penny per-minute. Given this difference in the per-minute "cost" of underlying access, Bell has a distinct cost advantage.

- HB #2246 creates a condition where both CompTel members and Bell are limited in charging the customer no more than $30.00 per month. However, Bell will enjoy an unnatural cost advantage in access over CompTel members. Bell can serve a customer at the mandated, fixed rate yet remain profitable. At least, Bell customers will have to generate a much greater volume of traffic before that customer becomes unprofitable to serve, than would the case for a CompTel member.

Given the aforementioned flaws and inequities contained in HB #2246, CompTel recommends the bill be rejected.

As a secondary alternative, the HB #2246 could be revised to allow long distance providers to use access facilities without having to pay tariffed rates in relation to intraLATA traffic. In that situation, many of the concerns expressed in this testimony would be mooted. Also, the bill should be altered to charge $30.00 per line, not $30.00 per customer, even in this scenario.

12-2

SOUTHWESTERN BELL ACCESS
Kansas Access Rates
Currently In Effect

RATE ELEMENTS

	Originations	Terminations	Composite
Carrier Common Line	$0.007462	$0.007462	$0.014924
Interconnection Charge	$0.006411	$0.006411	$0.012822
Tandem Switching Transmission			
per minute	$0.000276	$0.000276	$0.000552
per minute/per-mile	$0.000030	$0.000030	$0.000060
Tandem Switching Charge	$0.001000	$0.001000	$0.002000
Local Switching	$0.007709	$0.007709	$0.015418
Information Surcharge	$0.000495	$0.000495	$0.000990

TOTAL COST PER MINUTE OF SOUTHWESTERN BELL ACCESS

Total Cost	Originations	Terminations	Composite
1 mile	$0.023383	$0.023383	$0.046766
25 miles	$0.024103	$0.024103	$0.048206
50 miles	$0.024853	$0.024853	$0.049706
100 miles	$0.026353	$0.026353	$0.052706

BREAKEVEN CALCULATION

CompTel Member Paying Bell Access Rates

$30.00 per month charge / $.046766 lowest per-minute access charge = 641.49 minutes of use.

641.49 MOUs / 60 minutes in an hour = 10.7 hours

PROOF

$.046766 lowest per-minute access charge @ 60 minutes to an hour = $2.81 per hour

$2.81 per hour @ 10.7 hours = $30.00

Bell Experiencing "True" Underlying Cost of $.01 Per-Minute

$30.00 per month charge / $.01 "true" underlying cost = 3000 minutes of use.

3000 MOUs / 60 minutes in an hour = 50 hours

PROOF

$.01 "true" underlying costs @ 60 minutes to an hour = $.60 per hour

$.60 per hour @ 50 hours = $30.00

12-4

Kansas Telecommunications Industry Association 700 SW Jackson St., Suite 704, Topeka, KS 66603-3758 V/TTY 785-234-0307 FAX 785-234-2304

Before the House Committee on Utilities

HB 2246 February 18, 1999

Mr. Chairman, members of the committee, I am Rob Hodges, President of the Kansas Telecommunications Industry Association. Our membership is made up of local telephone companies, long distance companies, wireless telecommunications companies, and firms and individuals that provide service to and support for the telecommunications industry in Kansas.

As KTIA members reviewed HB 2246, they found that the bill failed to provide sufficient details to permit them to make meaningful input. The bill, while appearing to be quite simple in its printed form, is actually quite complex in how it might impact telephone customers, KTIA members, and the Kansas telecommunications industry as a whole. Permit me to explain where we need more information to responsibly respond to this proposal.

In lines 14, 15 and 16, the bill would require providers of intraLATA long distance service to offer to every customer in the state a flat-rate calling plan for certain calls. This simple appearing language ignores the fact that there are several companies that provide service to customers in only one geographic area of the state. The bill could force a company with customers exclusively in Brown County or Doniphan County to make the plan available in Thomas and Sherman Counties, even though the company has no presence in those counties and may have no interest in conducting business there. Is that an intent of the bill?

The bill, in line 17, sets an arbitrary amount of $30 per month for the unlimited calling service within the LATA. That establishes the ceiling for what may be billed to a customer, but ignores the transactions between the long distance companies, in the middle, and the local telephone companies at each end of each call. Long distance companies pay per-minute access charges to local companies for the use of the local network in completing the call. The bill could be interpreted to subject the long distance companies to increased access fees owed to local telephone companies, while limiting those long distance companies to recovering only $30 per month from a customer.

At a time when the telecommunications industry is being encouraged to drive its prices more toward cost, HB 2246 would ignore cost and impose a set fee. It's fair to assume that every customer who uses more than $30 a month in intraLATA long distance would subscribe to the service. Not a single customer who makes less than

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$30 a month in long distance calls would subscribe to such an offer. So the long distance company would lose the revenue between what is rightfully owed and the $30 ceiling, but still incur the costs of providing all the service. Because revenues come from customers, and the "$30 a month customers" could not be charged more, the remaining customers would likely be asked to make up the difference. Is this the desired result of HB 2246?

Conversely, if the effects of the bill are interpreted to limit access charges for the calls made by the "flat-rate" customers, local telephone companies would be deprived of one of their most important revenue streams. What is to be done with any shortfall between the access fees rightfully owed and those fees paid under the limits of this bill? Would the difference be made up with money from the Kansas Universal Service Fund or from a drastic increase in local rates? Is it the goal of the Legislature to shift the cost of intraLATA long distance service onto the rates for local telephone service of those customers who make less than $30 per month in intraLATA long distance? KTIA members need to know the answers before they can respond to this bill in a meaningful manner.

Regardless of the handling of the access questions raised above, KTIA members indicate that they could anticipate significant stimulation in network traffic if HB 2246 becomes law. Customers could dial a number within the area code and leave the circuit tied up 24 hours a day, 365 days a year. The public switched telephone network is not engineered or constructed to accommodate that kind of holding time. Facilities would have to be constructed to maintain the current level of service our customers have come to expect. How would the cost of those facilities be recovered? With only $30 per month being generated by the customer, another demand could be placed on the KUSF or other customers.

Finally, as drafted, HB 2246 does not speak to telephone lines – it only mentions telephone customers making unlimited calls. Would customers with many lines be subject to a single $30 monthly charge? While we find such a result hard to believe, that appears to be the result of enactment of this bill.

Mr. Chairman, members of the committee, telecommunications finance is a complicated matter. Bills such as HB 2246 have the potential to wreak havoc with delicate balances created over years of regulatory activity. Proposals such as this one must be understood before any of us, legislators or telecommunications people, can make intelligent decisions.

Thank you for your time this morning, I'll attempt to respond to questions you may have.