

Approved: Feb. 16, 1999
Date

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on February 4, 1999 in Room 531-N of the Capitol.

All members were present except:

Sens. Barone and Hensley were excused

Committee staff present:

Lynne Holt, Legislative Research Department
Mary Torrence, Revisors of Statutes Office
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

Pat Parke, Vice- President of Marketing and Rates, Midwest Energy, Inc.
Steve Jurek, Vice-President, Gas Operations, UtiliCorp United

Others attending:

See attached list

Sen. Ranson recognized Sen. Brownlee who introduced five pages, who are assisting the committee from her district; two are exchange students from Spain and Turkey and two are from the Kansas School for the Deaf.

Sen. Ranson reviewed the agenda for next week and announced the committee will hold hearings for the following bills: SB's 123, 186 and HB 2053; and a briefing is scheduled for SB 217 on Thursday.

Sen. Ranson introduced Pat Parke, who presented information on Natural Gas Transportation and Customer Choice (Attachment 1). The first page of his testimony is a territory map showing their service area, and he explained the three systems in place to serve customers. He told about new construction in Finney and Kearney Counties. He stated the company favors customer choice, and stated there is nothing on the supply side which prevents us from allowing all customers to transport gas by 2001. However, he noted there is a need to establish a pipeline capacity charge that follows the departing customers to ensure remaining residential and small commercial customers do not bear the costs of stranded pipeline capacity if others switch to transportation. Mr. Parke also told about a recent Agreement with the irrigators, where they will let bids next week, with a March 1 construction anticipated.

Sen. Ranson asked Mr. Parke questions regarding service to the irrigators, and Sen. Morris stated if the irrigators in southwest Kansas had a similar option, we would not have seen problems encountered two years ago, which resulted in legislation passed by this committee. Sen. Ranson asked questions regarding customer choice and their charges - what the monthly charge would be to commercial customers, if they chose transport only. Mr. Parke described the manual process and time involved, and Sen. Ranson stated it could cost more to have choice available. Sen. Clark stated he has received calls, complaining of higher charges, and Mr. Park stated there is a difference of approximately 5 ½%. Sen. Clark stated his understanding was the charges were up much more than that. Mr. Parke stated the option for transport only made available from Midwest is for commercial use only, and that no residential option is given.

Sen. Ranson then introduced Steve Jurek, who explained UtiliCorp's Nebraska Energy Options Program, the proposed Iowa unbundling program and the Kansas Transportation Program (Attachment 2). The Nebraska plan began as a pilot program, but has now gone to permanent status, and Mr. Jurek explained the options in that program. He explained the role of the marketers and how the billing procedures are handled. Page 6 of his presentation lists the three products available, and Page 10 shows the percentage of enrollments and Page 11 shows the comparison of customers choice. Mr. Jurek explained the guaranteed weather option is designed to protect customers from swings in the weather, but does have a tolerance level, and a cap.

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE, Room 531-N Statehouse, at 1:30 p.m. on February 4, 1999.

The committee continued by discussing the difference between measurements and how those vary from state to state. It appears a "therm" is equivalent to 100,000 BTU's, and the Chair stated the committee needs a glossary to refer to.

Mr. Jurek told of the Iowa Unbundling Program, which was a directive from the Iowa Utilities Board to include all customers. UtiliCorp proposes to begin unbundling for commercial customers in November, 1999, and their residential offer will be the same as offered in Nebraska. They are allowing for a three-year phase-in, with all customers having direct access by November 2001. Mr. Jurek briefly discussed the Kansas Tariff and stated that Kansas is the first state where they have lowered the threshold, from 5,000 to 500 Mcf's. He estimates that they serve 25% of the schools in their service territory and that their goal is to make the option of transport available to all within a short time. He also stated that he believes the savings not that great for residential customers. He also added that the transport marketer does not pay tax, whereas the other services are taxed.

Sen. Steffes stated he wanted to ask a simple questions - Where is the gas stored? Mr. Jurek answered that it is stored in underground storage fields; that a large part of their inventory is in the pipeline, ready to be moved. Jim Bartling, who appeared before the committee February 3, stated United Cities has extensive storage fields in southeast Kansas where the gas is stored among rocks. Mr. Johnson stated they have extensive storage fields by Hutchinson and Spivey and move the gas in and out of the fields. Sen. Morris stated he understands there is a large storage area in Meade County. Sen. Ranson asked if these underground caverns are treated with salt and is it combustible? Mr. Johnson answered the gas is pressurized and stored in the underground rock fields, where salt is added, so it is in the form ready for use and it can be moved quickly. He added that it is highly combustible - has no color and no odor. Sen. Brownlee asked where odor is added to the gas, and Mr. Johnson stated it is added in the pipelines, and it is done because of its close proximity to the population,

Sen. Ranson stated she would like to put some of the maps and graphs on the wall in the committee meeting room and requested staff to find out what the rules are for putting some of them up.

Meeting adjourned at 2:30.

Next meeting will be February 9

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 4, 1999

NAME	REPRESENTING
Pat Parke	Midwest Energy Inc - Hays
Charles Reese	-----
David Gordon	
Philip Kaberline	Rep. Holmes
Whitney Daman	Kansas Gas Service
Angie Campbell	Midwest Energy Inc.
ED SCHACB	WESTERN RESOURCES
Resli Kaufman	Ks Farm Bureau
STEVE JUREK	Utili Corp
J.C Long	UCK
JIM BARTLING	UNITED CITIES GAS / GREELEY GAS
BOB ALDERSON	ATMOS ENERGY CORPORATION
ALLEN SPAUR	UNITED CITIES GAS / GREELEY GAS Co.
STEVE JOHNSON	Kansas Gas Service

A-10

Natural Gas Transportation and Customer Choice

Presented To

Kansas Senate Committee On Utilities

February 4, 1999

Comments By

Mr. Pat Parke

Vice President of Marketing and Rates

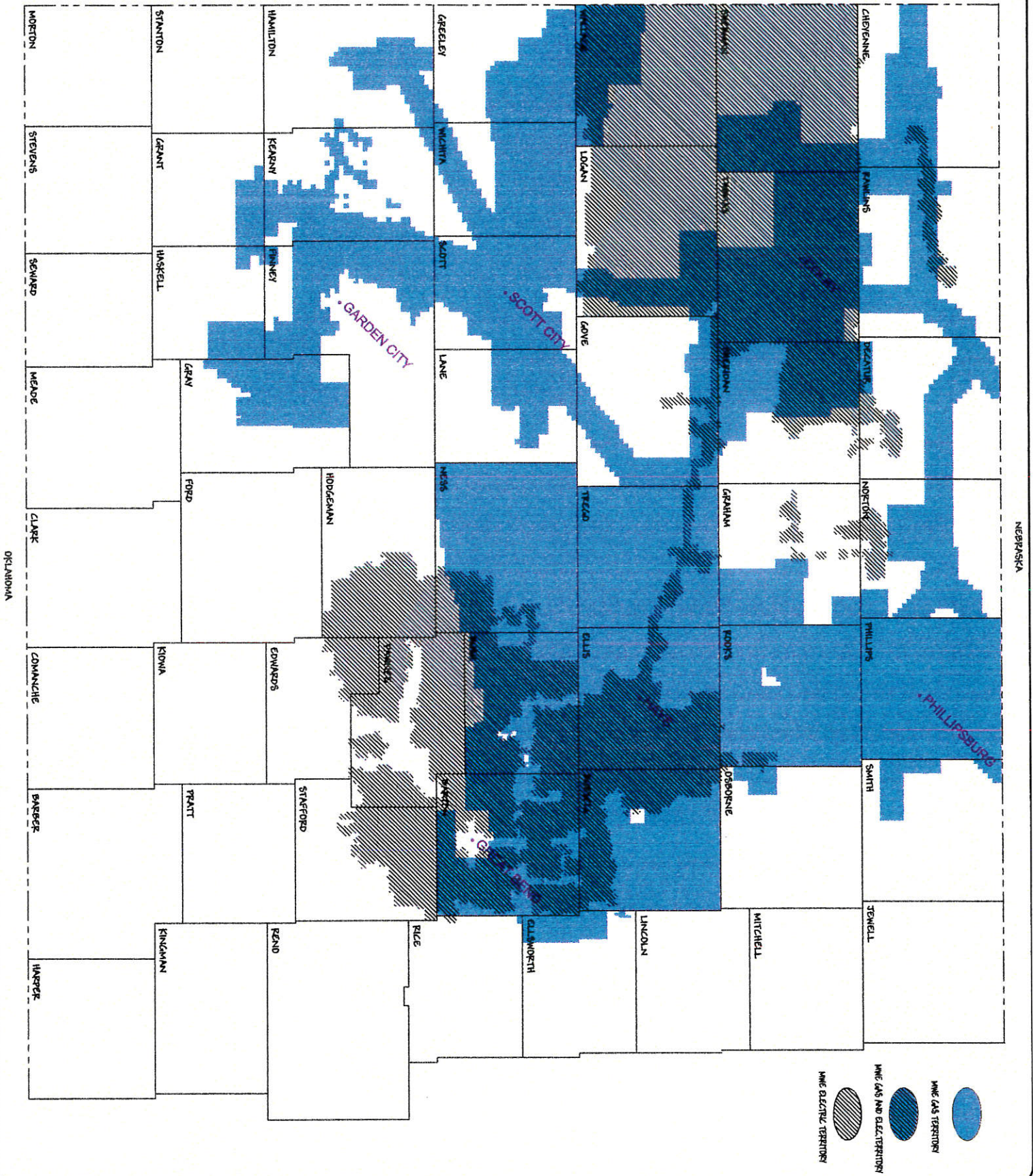
Midwest Energy, Inc.

www.mwenergy.com

patparke@mwenergy.com

758-625-1405

Senate Utilities
2-4-99
Attach. 1



Midwest Energy, Inc
 1330 Canterbury Rd.
 Hays, Kansas 67601

TERRITORY MAP

VER	DATE	FILE NAME
107.2	1-11-99	99MWE
SJB	1-12-99	SHEET 1 OF 1
MVE	1-12-99	SCALE NONE
SJB	1-12-99	

Midwest Energy, Inc. Background Information

Midwest Energy, Inc.

- Customer owned utility
- Serve parts of nearly 40 counties and over 60 communities
- 36,000 electric customers
- 43,000 natural gas customers
- 1,500 propane customers
- Favor customer choice for both electricity and natural gas (First Kansas utility to file KCC application to unbundle electric rates)
- Challenges remain before system wide choice is given to all natural gas customers.

M System

- 12,500 natural gas customers in Hays, Ellis & WaKeeney
- Service since 1920's
- Provided transportation service since 1990
- Fewer than four dozen transportation customers; manual nominations, changes and billing
- Transportation gas is 20 percent of total volume delivered.

T System

- 500 natural gas customers in Wilson and Dorrance
- Service since October 1, 1997 (Previously Twin County Gas Company)
- No transportation customers
- Major system rebuild in Wilson is underway to improve public safety.

K System

- 30,000 customers
- Service since March 31, 1998 (Previously KN Energy)
- 3,300+ transportation customers, primarily irrigation engines (varies monthly; transportation nominations and changes not yet automated; very labor intensive)
- Transportation gas is approximately one-half of total volume delivered.
- \$2.5 million system expansion to serve 400+ irrigation accounts now on gathering systems

Expanded Transportation Service to School Districts

- Transportation service is now available to all K System schools; no volume threshold.
- Most M System schools use transportation service. (Likely that fewer than one dozen buildings and private facilities do not meet the 500 Mcf per month volume threshold.)
- Transportation service is not currently available on T System.
- Will revise tariffs to include all remaining K-12 schools on M and T Systems
- **Expanding open access to all customers raises issues regarding stranded interstate pipeline capacity and internal systems capabilities.**

Looking to the Future

Supply Issues

- Midwest Energy's existing long-term gas supply contracts expire in September 2000.
- Mechanisms are in place to recover gas supply restructuring (GSR) costs that resulted from contract reformation following FERC Order 636.
- Customers moving from sales to transportation service share a portion of the GSR recovery.
- Nothing on the supply side prevents us from allowing all customers to transport gas in 2001.

Interstate Capacity Issues

- Midwest holds firm capacity, primarily on KN Interstate, for its sales customers.
- Midwest does not provide firm capacity for current transportation customers.
- Residential and small commercial customers should be served only with firm capacity, even if they are allowed to choose their commodity supplier.
- Local distribution utility (LDC) should hold the firm pipeline capacity and temporarily release it to the customer's chosen shipper.
- **Need to establish a pipeline capacity charge that follows the departing customers to ensure remaining residential and small commercial customers do not bear the costs of stranded pipeline capacity if others switch to transportation.**

Internal Systems

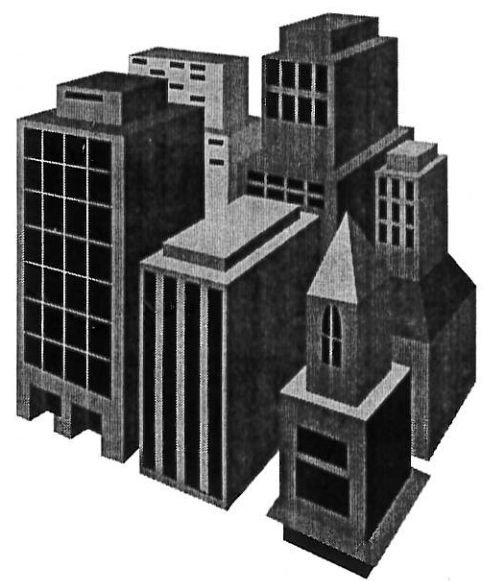
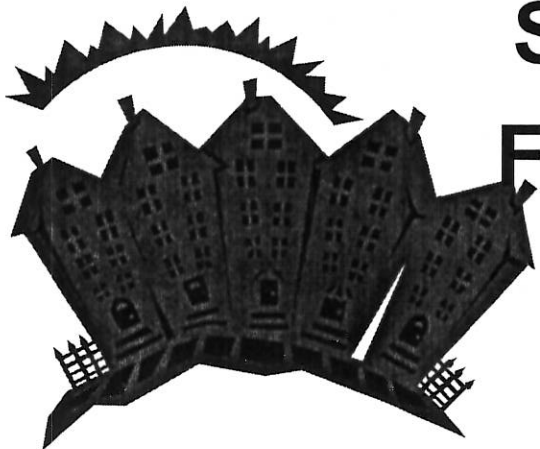
- Gas choice for all customers requires a totally electronic nomination and scheduling system.
- Need about two years to prepare systems and install computer interfaces.
- Electronic flow measurement (EFM) or calculated peak day gas consumption required to ensure that marketers inject enough gas on peak days. (Prevents remaining sales customers from subsidizing imbalance charges.)
- Safety practices for restoring service must be addressed as more customers take deliveries with interruptible capacity. Who verifies valve status on premises before restoring service?

UTILICORP UNITED

Small Customer Transportation Programs

Before the Senate Utilities Committee;
Legislature of the
State of Kansas
February 4, 1999

*Senate Utilities
2-4-99
Attach. 2*



Steve Jurek



Issues

*to Perm. status
Pilot Program*

- Go to mkt. to Buy

*Senate Utilities
2-2*

- **Nebraska Energy Options Program**
 - Business - State-wide
 - Home - Lincoln
- **Iowa Unbundling Program**
 - Business
 - Home
- **Kansas Transportation Program**

Nebraska Business Energy Options

8-3

- **Commercial customers can purchase gas from other suppliers**
- **Available to 14,000 business customers in 89 eastern Nebraska cities**

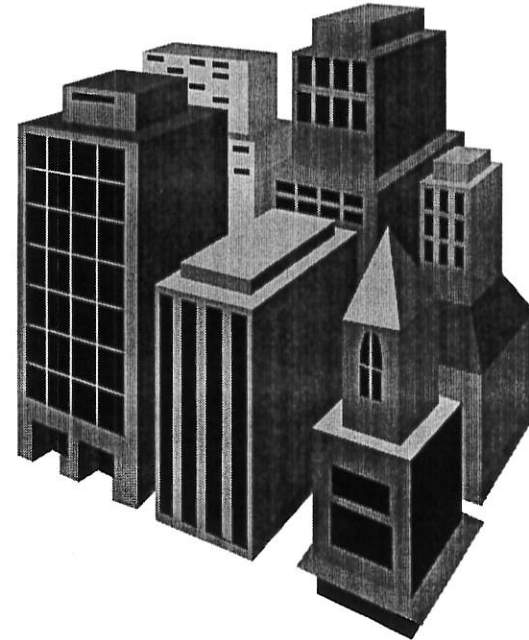


Nebraska Business Energy Options

2-4

Marketers:

- PNG Services
- United Gas Services



Nebraska Business Energy Options

2-5

Contracts:

- PNG Services Firm 3,134
- PNG Services Interruptible 54
- United Gas Services Firm 105
- United Gas Services Int. 4

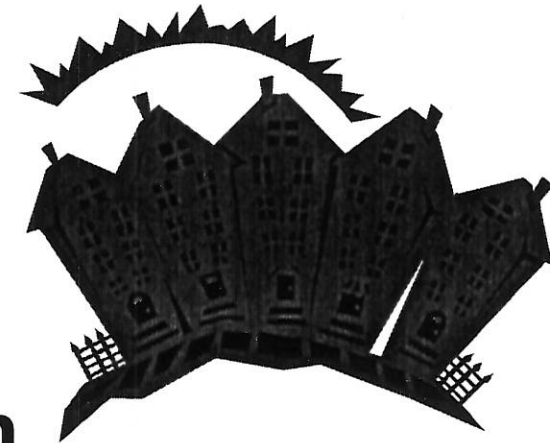


Lincoln Home Energy Options

2-6

(3) Products
↓

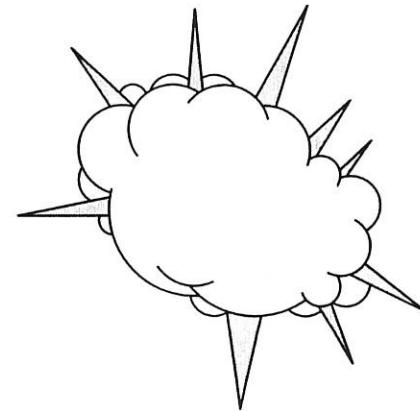
- **Guaranteed Weather Option**
- **Fixed Price Option**
- **Traditional Price Option**



Lincoln Guaranteed Weather Option

8-7

- Total annual bill based on fixed gas price and past usage pattern
- Monthly bill is the same



Lincoln Fixed Price Option

2-8

- **Price per unit locked in**
- **Monthly bill will vary with usage**



Lincoln Traditional Price Option

2-9

- **Combination of fixed-price, market-priced and storage gas supplies**
- **Gas price may change each month and bills will vary with usage**



Lincoln Home Energy Options

Enrollment:

• Fixed Price	1,320	1.8%
• Guaranteed Weather	2,382	3.2%
• Traditional	69,581	95.0%
• Total Residential	73,283	100.0%

1998-99 Heating Season Comparison of Energy Choice

2-11

<u>Customer Choice</u>	<u>\$/ Therm</u>
• Guaranteed Weather	.48
• Fixed Price	.45
• Traditional Price (Febr.)	.37

2-12

Iowa Unbundling Program

- Offered in response to directive from the Iowa Utilities Board
- Transportation Service offered to “all customers”
- Immediate or phase-in
- UCU proposes to begin **November 1999**

*Comm'l.
Res. - Same AS*



Iowa Unbundling Program Business

2-13

- Same program as Nebraska
- Commercial customers can purchase gas from other suppliers
- Available to 14,000 commercial customers



Iowa Unbundling Program Home

2-14

- Same products as Lincoln
- Residential customer in **six Northeast Iowa counties** can purchase gas **directly from suppliers**
- Three-year phase-in of direct access
- November 2001, all customers will have direct access



2-15

Kansas Transportation Tariff

- **Aggregation of small customers**

- moved down*
- **500-5000 Mcf**

- **Most schools would qualify**