Approved: Feb. 22, 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 11, 1999 in Room 531-N of the Capitol.

All members were present except:
Sen. Hensley was excused

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

Conferees appearing before the committee:
Glenn Smith, Chief of Natural Gas and Pipeline Safety

Others attending:
See attached list

Sen. Ranson introduced her pages from Curtis Middle School, who are ROTC students, and are accompanied by their instructor, Sgt. Christina Strunk.

Sen. Ranson then asked the committee to direct their attention to **SB 217-concerning natural gas service; providing for competition in retail sales.** Mary Torrence briefed the committee on the bill, explaining that the bill provides for the development of a plan to permit competition in retail sales as well as its implementation on or after July 1, 2002, after which it would not be classified as a public utility and would be taxed as a commercial and industrial business.

Sen. Ranson then introduced Glenn Smith, who provided the committee with detailed information on the above bill and natural gas unbundling issues in general, (Attachment 1). Mr. Smith referred to a Corporation Commission document, entitled "Notice of Inquiry", which the Corporation Commission issued yesterday to Kansas gas utilities and is attached to his written brief.

Mr. Smith defined the deregulation of natural gas as the separation of purchase (sale) from the transportation of natural gas. He continued by giving some history of deregulation and stated that his staff monitors natural gas activities in other states. Mr. Smith outlined issues to be considered, which include customer education, the stranded cost issue and the LDC (Local Distribution Companies) contracts. He emphasized good public policy, the reliability factor and balance for peak delivery. He also told how important the role of the marketer is as well as the LDCs and whether the consumer will experience interruptions in service and whether, in the long haul, the consumer will benefit financially.

The committee questioned Mr. Smith regarding metering and the safety issue and marketers who are trustworthy. Sen. Ranson asked if the bill precludes the Corporation Commission from phasing in the change, noting the bill provides three years to implement. Mr. Smith referred to the bill and pointed out in Line 28, if the word, "all" were removed, it would allow for more flexibility; that there is nothing to preclude phasing in customer choice. Mr. Dittemore stated a concern is stranded costs. Ms. Holt also suggested replacing "on and after" with "by", in Line 30 of the bill. The committee also discussed pilot programs and if they would be allowed as the bill now reads. Sen. Ranson closed the hearing.

Sen. Ranson referred to Minutes of the Meeting for February 3. Sen. Clark made a motion they be approved, and it was seconded by Sen. Barone; the Minutes were approved.

Sen. Ranson reviewed next week's agenda and the need to work bills since the deadline is near.

Meeting adjourned at 2:30. Next meeting will be February 16.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 11, 1999

NAME	REPRESENTING
Glenn Smith	KCC
J C Long	UCU
Dave Dittemore	KCC
Peter Bhen	MOUNTAIN ENERGY.
BURTON CRAWFORD	KCPL
Christyna C. Strunk	USD 259
Jon K Miles	KEC
ALLEN SPAUR	UNITED CITIES GAS / GREELEY GAS
Whitney Damron	KS Gas Service
WALKER HENDRIX	CURB
Jack Glaves	Cfy, K N & Duke
Randy Smith	USD 372
Amy A. Campbell	Midwest Energy, Inc.
BOB ALDERSON	ATMOS ENERGY CORPORATION

February 11,1999

NATURAL GAS UNBUNDLING ISSUES

by

Glenn Smith, Chief, Natural Gas Operations
Kansas Corporation Commission

Natural gas unbundling is slowly occurring across the country. For this presentation I shall define unbundling to mean the separation of the purchase/sale of the commodity (natural gas) from the transportation of the gas. The Federal Energy Regulatory Commission (FERC) has permitted interstate pipeline companies to provide transportation-only services for more than 15 years, and the KCC has permitted it since 1986 for large volume industrial customers. With the issuance of Order 636 in 1992 the FERC mandated that interstate transmission companies cease offering "bundled" service to local distribution companies (LDC).

This is not the first activity at the KCC regarding retail choice. Staff monitors the activities in other states and attempts to evaluate the potential for success of those programs in Kansas. The Commission sponsored a natural gas industry workshop on the topic of unbundling in October,1996. The KCC issued yesterday a Notice of Inquiry to Kansas gas utilities (and other interested parties) regarding retail choice and/or alternative regulatory measures for natural gas. I have attached a copy of the Notice of Inquiry by the Commission for your information.

There are a number of issues that I suggest are worthy of consideration by the Commission or this body as they consider whether retail choice is in the public interest. This list is not totally inclusive, and may contain matters that the policy makers may choose to leave to the

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Attach. 1

implementors to decide. I need to emphasize that the Commission has not considered these issues, and has made no findings.

ISSUES TO BE CONSIDERED

1 Costs to implement change/Stranded costs

A) If approximately 800,000 Kansas gas customers are given retail choice there will be costs incurred by marketers to solicit potential customers.

B) Customer education will involve costs that are not presently incurred. How these functions are performed, and who has that responsibility is a matter to be determined.

C) Some or all existing LDC gas purchase contracts likely will be terminated or renegotiated with accompanying costs.

D) Shall LDCs retain sufficient firm transmission pipeline capacity to serve all residential and small commercial customers? One alternative is to have the LDCs assign the capacity to the marketers until the contracts expire. At that time the marketers would have the option of renewing the firm capacity contract or to utilize interruptible transportation.

2 Aggregation

Presently each transport customer on a LDC is responsible to assure that the amount of gas delivered to the LDC from the transmission line is within the necessary tolerances, on a monthly basis. In times of peak delivery the balance must occur on a daily basis. If the transport customer does not balance receipts and deliveries within the limits they are subject to financial penalties. While a given marketer may be arranging the transmission

transportation and the receipt of the gas into the transmission line for more than one customer, it remains the responsibility of the transport customer to keep the receipts and deliveries to the LDC in balance. While the sum of a marketers customers may be in balance, individual customers (LDC transport customers) may incur penalties. Presently, it is not sufficient that the aggregate of a marketer's customers are in balance. As greater numbers of customers transport gas, and as the percentage of transport gas flowing on the system increases, the cost of tracking individual imbalances increases significantly. Furthermore, the impact of a single customer imbalance is not as important as whether the total is in balance.

3 Standby/backup/ provider of last resort

Currently, LDCs provide bundled service to the residential and small commercial customers. With customer choice the LDC will be responsible for only the transportation through its system for the gas. The customers will purchase the gas from a marketers, and will be responsible for arranging the delivery of the gas to the LDC. Likely the customer will not be personally involved in arranging pipeline transportation. The pipeline transportation will be arranged by the marketer, and that transaction will be transparent to the customer. The issue here is what entity has the responsibility to assure that gas is available to all residential customers. In addition to designating the provider of last resort it is necessary to define the standard to which the provider of last resort will be held. There are several standards from which to choose. First, the standard could be stated in terms of type of actions expected of the entity. An example would be to specify that the provider of last resort is expected to purchase gas on the spot market to assure no

loss of service. Second, it could be specified in terms of outcome. An example here might be to specify that there should be no loss of service due to lack of supply delivered into the transmission pipeline. The supplier of last resort might contract for emergency volumes, and pay a reservation charge for the right to purchase gas on demand. This alternative likely would have a higher annual cost to the customers but would reduce the chance of supply related loss of service.

4 Capacity Assignment / Interruptible service for residential customers

LDCs contract for transportation capacity on transmission pipelines to enable the receipt of gas volumes that they purchase for their customers. Under retail choice, if LDCs do not remain in the merchant function, it would be possible for them to let the transmission transportation contracts expire (or negotiate termination of them), and permit gas marketers to arrange transmission transportation on behalf of their customers. Alternatively, LDCs could be required to retain sufficient transmission transportation to serve non-interruptible (residential and small commercial) customers. Marketers could simply utilize this capacity to serve the non-interruptible customers.

5 Consumer Education

Consumer education will be required to have Kansas natural gas users aware of the changes and choices that will be available to them. This issue has not yet been discussed in comments to the commission, nor has it had significant evaluation by Staff.

6 Obligation to serve

The issue is whether LDCs would continue to have the same obligation to serve that they now have. Another issue is whether single utility certification would continue to be the

normal Commission practice.

7 Metering

Historically, metering and billing has been the responsibility of the LDC. Theoretically, there is no reason that an entity other than the LDC could not own, operate, and maintain the meters and its associated piping and regulators. This function could be split out and provided by the low bidder.

The principal argument used against the concept of splitting out metering and billing is as follows: In residential and small commercial service metering is nearly always in close proximity to the structure where it is consumed. If there are gas leaks in this area it is quite likely that gas will migrate to the building, with the potential for catastrophic failure. With two entities responsible for facilities in immediate proximity to the building there is a much greater possibility for confusion of which entity to notify in a potential emergency.

8 Stranded Costs

The potential for the creation of stranded costs due to retail choice primarily exists with regard to gas purchase contracts and transmission transportation contracts. Whether either of these major areas result in the creation of actual stranded costs depends upon the formulation of the retail choice. It has previously been mentioned that one alternative is to require the LDC to retain the transmission capacity, and permit the gas marketers to utilize this capacity. The impact of that alternative would be to avoid stranded costs associated with transmission capacity.

If the LDC were required to assure that there would be no loss of service due to a lack of

gas delivered to the transmission pipeline, it is possible that the existing gas purchase contracts could be amended to provide the gas on demand, and could result in less stranded cost than if the contracts were bought out.

At this time Staff has not estimated the magnitude of the stranded costs that might be incurred under any of the possible alternative approaches.

9 Credit worthiness of marketers

Credit worthiness of marketers is an issue that Staff has not analyzed. The issue is simple: marketers must be able to perform, and provide gas to customers who contract with them for service under the agreed to contract terms. The lower the financial worthiness standard is set the more marketers will be eligible to compete in the Kansas market. Theoretically, prices should be lower to customers if there are "enough" marketers. Conversely, the lower the worthiness standard is set, the greater the probability is that one or more marketers will not perform and the provider of last resort will be required to provide gas to the non-performing marketer's customers. The issue becomes one of how any additional incurred costs are recovered. Should it be from the customers of the non-performing marketer, or should it be all customers that have elected to utilize marketers ?

10 Cold weather rule

Simply stated, under current KCC regulations LDCs may not discontinue service to customers during the months of November through March for failure to pay their bill, subject to certain exceptions. The issue is should the cold weather rule be applied if customer choice is adopted ?

11 Municipal systems

Should municipal natural gas systems be required to provide customer choice ? Staff has not analyzed this issue, and it was not a topic at the KCC workshop on gas unbundling since the KCC has no jurisdiction over municipal systems except for pipeline safety. It is debatable whether the KCC has the authority to order municipal systems to offer customer choice without statutory changes.

SUMMARY

It appears that additional analysis and evaluation must be done before a decision can be made as to the appropriateness of customer choice for Kansas natural gas consumers. It is not clear whether the benefits outweigh the costs. The issue is complicated by the fact that many of the alleged benefits and alleged costs are qualitative rather than quantitative. Reasonable people differ on the worth of the benefits and cost of the potential problems. What value do consumers put on having the opportunity to select their gas supplier (even if it doesn't save them any money). Conversely, what cost is placed on the increased probability that some customers will lose their natural gas service during extremely cold weather ? The answers to these questions and others will be the determining factors in whether this body / KCC will decide if customer choice is appropriate, and if so under what restrictions. Thank you.

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: John Wine, Chair
Cynthia L. Claus
Brian J. Moline

In the Matter of the Commission Inquiry Into Retail Choice and/or Alternative Regulatory Measures for Natural Gas Customers.	))))	Docket No. 99-GIMG-538-GIG

NOTICE OF INQUIRY

COMES NOW the State Corporation Commission of the State of Kansas ("Commission") and issues its Notice of Inquiry ("Notice") in the above-captioned docket on its own motion. For its Notice, the Commission states as follows:

I. INTRODUCTION

1. Significant changes have occurred in the natural gas industry over the last two decades as the result of industry restructuring. With restructuring we have seen the deregulation of the price of natural gas as a commodity, the creation of an open access interstate pipeline network and the ability of wholesale (and some large retail) purchasers of natural gas to choose among competitive suppliers.

2. Historically, pipeline companies bought gas directly from producers and then delivered the gas to natural gas local distribution companies ("LDCs"). In this "one size fits all" model, the LDCs paid the pipelines regulated rates for the commodity, the transportation, the storage and other services related thereto. Federal restructuring activity required pipelines to divest themselves of their merchant function and engage exclusively in the transportation of natural gas. As a result, LDCs now enjoy expanded purchase opportunities with the ability to enter the gas

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market, evaluate alternative purchase options, negotiate to make direct purchases and arrange to have the gas transported by an available pipeline. Unbundling the commodity from the other components of natural gas service has enabled the LDCs to make decisions directly in their own best interest without the limitations of "one size fits all." Moreover, deregulation, arguably, has produced greater stability both in the price and availability of natural gas.

3. LDCs are not the only entities benefitting from a restructured natural gas market. Some large retail purchasers also have direct access to a market-based price for natural gas. Most small retail consumers, however, have not gained access to the choices and opportunities availed by industry restructuring. For this reason, the Commission has established the instant docket, the goal of which is to explore whether extending restructuring to all retail consumers is in the public interest. We also wish to explore other regulatory alternatives which may bring benefits to smaller retail gas consumers.

4. The purpose of this Notice is to facilitate the Commission's inquiry into whether extending the restructuring of the natural gas market in the retail sector or some alternative regulatory measure is appropriate and in the public interest. To that end, the Commission is interested in soliciting input from its jurisdictional natural gas LDCs, consumer advocacy groups and other interested parties, and seeks comments on the questions detailed below.

II. DISCUSSION

5. In order to achieve the Commission's stated goal that all retail customers realize the benefits of the restructured natural gas industry, the Commission must examine the performance of the existing regulatory framework relative to alternative approaches. A demonstration that alternative approaches are superior to existing regulation might necessitate a determination that

changes in the Commission's policies for its jurisdictional gas utilities is warranted and in the public interest.

6. Before alternative approaches are discussed, however, a brief description of the existing regulatory environment is necessary. Since 1985, the Commission has permitted jurisdictional LDCs to file tariffs which allow certain customers to purchase their own gas and then transport the gas through the LDC's distribution pipeline system at a regulated rate. Typically, only larger users have qualified to take service under a transportation tariff. The remaining retail customers obtain service from the LDC under a general sales tariff whereby the LDC purchases gas on behalf of the customer. Provided the Commission determines that the LDC's purchase decision is prudent, the LDC is allowed to fully recover the cost of that decision through the purchased gas adjustment ("PGA") mechanism.

7. More recently, the Commission has approved several requests by LDCs to reduce the threshold level at which customers qualify for transportation only service. Nevertheless, the majority of retail natural gas customers still do not qualify.

8. The Commission has identified several alternatives it is interested in exploring in relation to existing regulation. For example, one possible alternative is to allow all retail customers to choose their own gas supplier. Another possible alternative is to modify the existing PGA mechanism (e.g., implement a gas purchase performance-based rate making under which the LDC would be allowed to charge its retail customers a price equal to a gas market index price) and/or to modify the Commission's purchase contract review process (e.g., require the LDC to utilize a Commission-approved competitive bidding process by which to determine both its gas and pipeline capacity purchase decisions). Other alternatives also will be considered.

9. To the extent the Commission considers natural gas unbundling as a potential alternative, the conclusions drawn at its October 15, 1996 natural gas unbundling workshop may prove helpful. The purpose of the workshop was to discuss ideas and concerns pertaining to retail unbundling with a cross section of representatives from various segments of the gas industry. As a result of the workshop, Staff developed six general principles it believes any residential/smaller customer unbundling plan submitted by jurisdictional LDCs should adhere to. Those principles are as follows:

(1) A traditional bundled sales service should remain available to all customers.

(2) There should be no option of interruptible service for residential customers.

(3) Residential (and firm commercial) customers choosing unbundled service must be held responsible for the remaining term of firm pipeline capacity contracted for on their behalf. Such capacity may either be held and managed by the utility or released to the customer's marketer. At the expiration of that term, firm capacity must continue to be held for residential customers, either by the utility or the marketer. If firm capacity is held by the marketer, the utility must exercise extreme caution in assuring itself that firm capacity has indeed been contracted for on behalf of the marketer's residential customers. Further, agreements between marketers and utilities must be clear that firm capacity entitlements follow the customer if he chooses to change marketers or return to sales service.

(4) The utility should assume that it will be considered the gas supplier of last resort for residential customers. There is a presumption that the reasonable costs of serving in such capacity will be recoverable.

(5) If the utility wishes to participate in a competitive market for the provision of unbundled services to its customers, it must do so in compliance with the Commission's affiliate rules established in Docket No. 190-358-U.

(6) Any unbundling proposal for small customers should allow for customer aggregation for balancing purposes.

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10. In determining whether a change in its policies for its jurisdictional gas utilities is in the public interest, the Commission will weigh and consider the following factors:

(A) Price: Is change likely to provide any savings in terms of the price of gas? Will savings be achieved in terms of the price of transport capacity, storage capacity, etc.? What option is likely to generate the greatest savings per the individual commodities (i.e., gas, transport, storage)? What proposed option is likely to generate the greatest opportunity for total savings?

(B) Gas Price Volatility: How would potential changes affect gas price volatility? Will a proposed change increase the need for risk management services?

(C) Reliability: Will change increase, reduce or leave unaltered existing system reliability? Of those changes that might diminish reliability, which would likely have the least effect?

(D) Convenience: Will change result in less convenience for retail customers? What option is likely to have the least "hassle" factor (e.g., telephone calls by marketers)? Is convenience important to retail customers?

(E) Transaction Costs: Will change result in an increase in transaction costs (i.e., the costs associated with shopping, searching, gathering information, asking questions, negotiating, making arrangements, coordinating, entering contracts, among others)? Which option is likely to minimize the transaction costs incurred by or on behalf of retail customers? What type of consumer education will be required? Which option is least likely to require consumer education? Who should bear the expense of consumer education?

(F) Stranded Costs: Will change result in the stranding or non-recovery of any costs already incurred by the LDC? Which costs might be stranded (e.g., gas, storage, transport capacity)? Which option will minimize stranded cost exposure?

(G) Regulatory Oversight: Will change result in a decreased need for Commission oversight? Alternatively, which option will foster the greatest replacement of agency oversight by market discipline? Which option will enable a more efficient use of Commission resources?

(H) Tariff/Billing Determinant Implications: It is possible that when consumers make their own gas purchase decisions and/or receive improved price signals, their gas consumption behavior may change. Which option will have the least influence on billing determinants and, consequently, tariffs?

(I) Rate of Return on Equity: How might a proposed change affect the LDC's opportunity to realize a competitive return on equity?

(J) Operational Considerations: Which option is least likely to disrupt or unduly complicate LDC operations?

(K) Other Performance Measures: What other performance measures should be used to evaluate proposed changes?

(L) Tax Implications: Natural gas providers who are not subject to certain taxes and treatments may have a competitive advantage over those who are. There may be constraints on state and local governments that may limit those jurisdictions' authority to collect certain taxes from non-jurisdictional entities. What tax issues pertaining to gross receipts taxes, property taxes, franchise taxes and sales and use taxes should be addressed prior to further restructuring?

(M) Cross-Subsidization Among Customer Classes: What issues of cross-subsidization exist if the LDC is allowed to continue to operate as the supplier of natural gas?

III. REQUEST FOR COMMENTS

11. In order to assist the Commission in its inquiry as to whether retail choice and/or some other alternative regulatory measure is in the public interest for natural gas retail customers, all natural gas LDCs and other interested parties are asked to respond to the following questions within 60 days of receipt of service:

(1) Do you believe there is any need to change the current framework under which the LDC purchases gas and other commodities on behalf of its retail customers and then seeks Commission approval of its purchase decisions? Why or why not?

(2) If you believe changes are in order, what types of changes would you propose (e.g., implementation of a retail choice program, implementation of alternative regulatory measures such as a gas purchase performance-based rate making mechanism or competitive bidding, or implementation of some other option)?

(3) Please provide a complete description of the options described in your response to question (2).

(4) Please demonstrate why your proposed options as described in question (3) are preferable relative to other feasible options. The following performance measures (more fully described above) should be considered in response to this question: price, price volatility, reliability, convenience, transaction costs, stranded costs, regulatory oversight, tariff implications, system operations, return on equity, any other proposed measures.

(5) Please provide an indication of the relative importance to the average retail customer of the performance measures listed in question (4). One way this can be achieved is by ranking the measures from most to least importance, among others. If you believe there are other meaningful measures, please describe them and explain why they are important.

(6) If you believe that an incentive PGA mechanism should be utilized, in addition to your responses to the above questions, please address the following regarding how the mechanism might work

(A) Should an incentive PGA mechanism be mandatory?

(B) Should the incentive apply to gas acquisition costs only of should it apply to both transportation and gas acquisition costs?

(C) How should the Commission determine an appropriate benchmark for gas purchase costs?

(D) How should the Commission determine an appropriate benchmark for the acquisition of gas transportation services, including storage?

(E) Should the Commission incorporate capacity release revenue into the incentive mechanism? If so, how should the appropriate "credit" be determined?

(F) Should the Commission periodically review its benchmark for reasonableness? If so, how frequently?

(G) What effect might the imposition of a PGA mechanism have on the cost of equity of a utility?

(H) What sharing parameters should the Commission establish? Should the Commission adopt a dead band around the benchmark? Should the mechanism be symmetrical in the assignment of risk between ratepayers and shareholders?

(7) If the Commission allows changes in the existing regulatory framework for the provision of natural gas to retail customers, should the Commission mandate one statewide model or should each individual LDC be given the option to implement its own preferred option?

(8) If the Commission allows changes in the existing regulatory framework, should such changes initially be tested in a pilot program?

(9) Should the Commission consider unbundling ancillary services (e.g., metering, billing) as it explores changing the existing regulatory framework for the provision of natural gas service to retail customer?

(10) Does competition necessarily provide lower prices?

IV. AUTHORITY

12. The Commission has authority under K.S.A. 66-1,204 to investigate, on its own initiative, the rates, rules, regulations, acts and practices of jurisdictional natural gas public utilities. In addition, the Commission has plenary authority under K.S.A. 66-1,201 to regulate and oversee the practices of the natural gas public utilities under its jurisdiction and is empowered to do all things necessary and convenient for the exercise of its power, authority and jurisdiction.

V. ASSESSMENT OF COSTS

13. Pursuant to K.S.A. 66-1502, when the Commission deems it necessary to investigate any public utility and the costs of the investigation are likely to exceed $100, the Commission may assess the public utility the expense of the investigation.

14. The Commission will utilize members of its staff, comprised of attorneys, economists, accountants and engineers, and, as deemed appropriate, employ special assistants and consultants to investigate all matters connected with the above-captioned matter.

VI. FINDINGS AND CONCLUSIONS

15. The Commission finds that changes have occurred in the natural gas industry as the result of federal activity which have provided advantages to wholesale and some large retail purchasers of natural gas. In support of its stated goal to extend the advantages of the restructured

natural gas industry to all of the state's retail consumers, the Commission finds that establishing the instant docket is appropriate.

16. The Commission further finds that issuance of this Notice will facilitate the Commission's inquiry into whether restructuring the natural gas market in the retail sector or some alternative regulatory measure is an appropriate means to achieve its goal and in the public interest.

17. The Commission believes that input from its jurisdictional natural gas LDCs, consumer advocacy groups and other interested parties is necessary in order to make a fully informed and well-reasoned decision. To that end, the Commission finds that all jurisdictional natural gas LDCs and other interested parties are asked respond to the questions set out in Section III of this Notice.

18. The Commission finds that it will utilize its Staff throughout the course of this proceeding and the expenses attributable thereto may exceed $100. These expenses will be assessed against the Kansas jurisdictional natural gas public utilities as defined by K.S.A. 66-1,200 and K.S.A. 66-104 pursuant to K.S.A. 66-1502. Assessment will commence three business days after the utilities receive notice of the assessment by first-class, postage prepaid, mail. By this Notice, affected utilities are given notice that they have an opportunity to request a hearing on the assessment made herein in accordance with the provisions of the Kansas Administrative Procedure Act. The utilities being served with the notice of this assessment are listed in Appendix A of this Notice.

IT IS, THEREFORE, BY THE COMMISSION CONSIDERED AND ORDERED THAT:

This Notice shall be served on each natural gas public utility in the State of Kansas and the State's consumer advocate for utility matters. Each natural gas public utility listed in Appendix A

is an automatic party to this proceeding and are asked to provide comments within 60 days of receipt of service of this Notice as set out in Section III above. This is not intended, however, to limit the full participation in this proceeding by any other interested party. Any interested party may request intervention in accordance with the provisions of K.A.R. 82-1-225 and K.A.R. 82-1-218. All parties shall receive service of all pleadings in this matter.

Upon receipt of the responses to the questions posed in Section III above, or any other comments a party might deem relevant, the Commission will issue further order or orders establishing such additional procedures as deemed necessary and appropriate for the resolution of its inquiry.

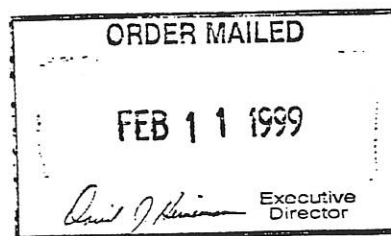
Any party may file a petition for reconsideration of this Notice within 15 days of the date this Notice is served. If service is by mail, service is complete upon mailing, and three days may be added to the above time.

The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Claus, Comm.; Moline, Comm.

Dated: FEB 1 0 1999



David J. Heinemann
Executive Director

SBC

1-17

MUNICIPAL GAS SYSTEMS
Updated 10-12-98

City Clerk
CITY OF ALMA
City Hall
Alma, KS 66401

City Clerk
CITY OF ALTA VISTA
City Hall-Main Street
Alta Vista, KS 66534

City Clerk
CITY AUBURN
P.O. Box 160
Auburn, KS 66402

City Clerk
CITY OF AURORA
Box 99
Aurora, KS 67417

City Clerk
CITY OF BURLINGAME
City Hall - 101 East Santa Fe
Burlingame, KS 66413

City Clerk
CITY OF ESKRIDGE
City Hall
P.O. Box 156
Eskridge, KS 66423

City Clerk
CITY OF GARDEN PLAIN
P.O. Box 246
Garden Plain, KS 67050

Gas Superintendent
CITY OF HARVEYVILLE
City Hall
Harveyville, KS 66431

City Clerk
CITY OF JAMESTOWN
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City Clerk
CITY OF LaCYGNE
City Hall - P.O. Box 600
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City Clerk
CITY OF LONGFORD
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City Clerk
CITY OF MILFORD
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City Clerk
CITY OF MORLAND
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City Clerk
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Palmer, KS 66962

City Clerk
CITY OF PAWNEE ROCK
City Hall - P.O. Box 218
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Ray Heskamp, Mayor
CITY OF SPEARVILLE
City Hall
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City Clerk
CITY OF UNIONTOWN
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GAS COMPANIES
Updated 10-12-98

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