

Approved: March 7, 2000 *Carl Dean Holmes*  
Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:10 a.m. on February 10, 2000 in Room 522-S of the Capitol.

All members were present.

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

Conferees appearing before the committee: Rep. Mike O'Neal  
Larry Kleeman, League of Kansas Municipalities  
Dick Rohlfs, Western Resources  
Walker Hendrix, Citizens' Utility Ratepayer Board  
Larry Holloway, Kansas Corporation Commission

Others attending: See Attached Guest List

**HB 2710 - Use of proceeds of 911 tax; vehicle preemption and priority control systems**

Chairman Holmes opened the hearing on **HB 2710**.

Representative Michael O'Neal, as lead sponsor, submitted testimony on **HB 2710** (Attachment 1). He provided a brief overview of the request in the bill, that is to add to the approved list of expenditures from 911 tax money 'vehicle preemption and priority control devices'. He also provided copies of literature that explains the technology (Attachment 2).

Rep. O'Neal responded to questions from Rep. Vining, Rep. Sloan, Rep. McClure, Rep. Morrison, and Rep. Kuether.

Larry Kleeman, on behalf of Kim Gulley from the League of Kansas Municipalities, presented testimony in support of **HB 2710** (Attachment 3). The League believes that funding this service through the use of a dedicated fee fund makes good common sense.

Mr. Kleeman responded to questions from Rep. Krehbiel, Rep. Sloan, Rep. Vining, Rep. Myers, Rep. McClure, Rep. Alldritt and Rep. Morrison.

Chairman Holmes distributed a copy of a letter sent to Rep. McKinney about the use of 911 tax money (Attachment 4).

**HB 2849 - Certain electric public utility construction work in progress allowed in rate base**

Mr. Dick Rohlfs, Senior Manager of Regulatory Requirements for Western Resources, testified as a proponent of **HB 2849** (Attachment 5). Mr. Rohlfs stated that this bill would permit all utilities to request the inclusion of Construction Work in Progress (CWIP) in rates. He explained that CWIP is the accumulation of costs associated with a major construction project. It is an accumulation of the costs of a project prior to inclusion in rate base of a regulated utility. If this bill passed, and with approval from the Kansas Corporation Commission, the utility would not need to accumulate the interest associated with the amount of CWIP allowed in rates, thereby effectively reducing rates by the interest component. He stated that there would be three benefits to both the utility and its customers. They are 1) avoidance of rate shock, 2) lower construction costs and 3) freedom of the KCC to regulate effectively.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES in Room 522-S on February 10, 2000 at 9:10 a.m.

Mr. Rohlfs responded to questions from Rep. Myers, Rep. Krehbiel, Rep. Sloan, Rep. Klein and Rep. Kuether.

Cynthia Smith, Kansas City Power & Light, distributed written testimony in support of **HB 2849** (Attachment 6).

Walker Hendrix, Consumer Counsel for the Citizens' Utility Ratepayer Board, testified in opposition to **HB 2849** (Attachment 7). He stated that CWIP was anti-competitive. In a competitive world there is no regulation, therefore no return on plant investment until the facility is on-line and providing service to the public. Mr. Hendrix stated that the inclusion of CWIP in the rate base can lead to a mismatch of rate base with revenues and expenses to the inclusion of property not used and useful in the rate base.

Mr. Hendrix responded to questions from Rep. Dal, Rep. Klein, Rep. Sloan, Rep. Myers and Rep. Loyd.

Mr. Larry Holloway, Acting Director of Utilities of the Kansas Corporation Commission also responded to questions from Rep. McClure and Rep. Krehbiel

Meeting adjourned at 10:55 a.m.

Next meeting will be Friday, February 11, 2000 at 9:00 a.m.

# HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 10, 2000

NAME	REPRESENTING
Jim Ludwig	Western Resources
Don Miles	K&C
Cynthia Smith	K&PL
<del>Wade Hollings</del>	W.R.
TOM DAY	KCC
Lang Hollings	KCC
Musan Cunningham	KCC
Bruce Graham	KEPCO
Pat Lehman	KFSA
J.C. LONG	UtiliCorp United Inc.
Kristen CROW	Federico consulting
Larry K. Spruells	Visita
Bill Burke	Western Resources
Dick Rohlf	Western Resources
Judy Moler	Ks. Assoc of Counties
Larry Klaman	League of KS Municipalities
Rob Hodges	KJIA
John C. Bottalby	West Resources
Mike Mowday	Sprint
Richard Harrison	Sprint



STATE OF KANSAS  
HOUSE OF REPRESENTATIVES

**MICHAEL R. (MIKE) O'NEAL**

104TH DISTRICT  
HUTCHINSON/NORTHEAST RENO COUNTY

LEGISLATIVE HOTLINE  
1-800-432-3924  
e-mail: [oneal@house.state.ks.us](mailto:oneal@house.state.ks.us)



**CHAIRMAN:**  
**JUDICIARY COMMITTEE**

**VICE-CHAIR:**  
REDISTRICTING ADVISORY COMMITTEE

**MEMBER:**  
BUSINESS, COMMERCE & LABOR  
FISCAL OVERSIGHT  
STATE-TRIBAL RELATIONS  
UNIFORM LAW COMMISSION  
KANSAS JUDICIAL COUNCIL

**TESTIMONY ON H.B. 2710**  
**HOUSE UTILITIES COMMITTEE**  
**HON. CARL HOLMES, CHAIRMAN**  
**FEB. 10, 2000**  
**REP. MIKE O'NEAL**

Mr. Chairman and members of the Committee, thank you for the opportunity to testify and seek passage of H.B. 2710, a bill requested by the City of Hutchinson for the benefit of all communities in the state who administer funds generated by the Emergency 911 tax. The law was initially passed in 1980 and has provided communities a source for funding emergency 911 services-related expenses. K.S.A. 12-5304 sets out the laundry list of approved expenditures. The law was amended in 1996 to allow, for example, use of these funds to install road signs to aid in the delivery of emergency services.

H.B. 2710 proposes to add to the list of approved expenditures charges for "vehicle preemption and priority control devices". You're probably asking yourselves what these devices are. I know I did when the City approached me. I have attached to my testimony some literature that explains the technology. Briefly, the technology involves traffic signal preemption, giving an authorized emergency vehicle control over the signals regulating traffic at intersections along the emergency vehicle's route. Upon approaching an intersection, an encoded, infrared signal is sent from the vehicle to the traffic

*TOPEKA ADDRESS*

STATE CAPITOL BLDG., SUITE 170-W  
TOPEKA, KS. 66612-1504  
785-296-7679  
FAX: 785-296-5805

*HOUSE UTILITIES*

DATE: 2-10-00

ATTACHMENT 1

# 3M Intelligent Transportation Systems



HOME

PRODUCT INFORMATION

Products

→ Priority Control

Fleet Management

Traffic Management

Vehicle-to-Roadside  
Communications

SALES ASSISTANCE

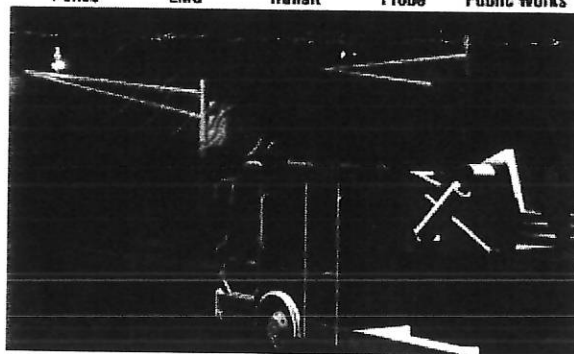
NEWS

EVENT LISTING

NET LINKS

3M™ Opticom™ Priority Control System

*Proven Intelligent Transportation  
Systems Technology*



The Opticom system gives an authorized vehicle advantage over other traffic, intersection by intersection, as needed. As the vehicle approaches, it saturates the intersection with an encoded, infrared signal that is received, decoded, and validated to give the requesting vehicle the safest possible driving condition -- a green light.

With this advanced traffic technology, you can specify information, security, or response characteristics in any combination anywhere in the community.

All Opticom system applications put intelligence in the controller cabinet and provide multiple priority for a safer, integrated response among agencies. All infrastructure components are designed against obsolescence. Components are forward and backward compatible. . .

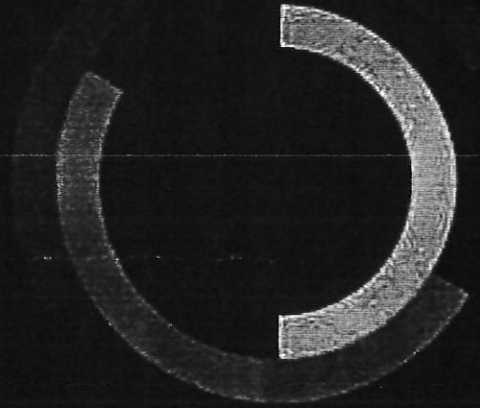
HOUSE UTILITIES

[http://www.3m.com/market/trans/its/prod\\_priority.html](http://www.3m.com/market/trans/its/prod_priority.html) DATE: 2-10-00

ATTACHMENT 2

# Opticom™ Priority Control System

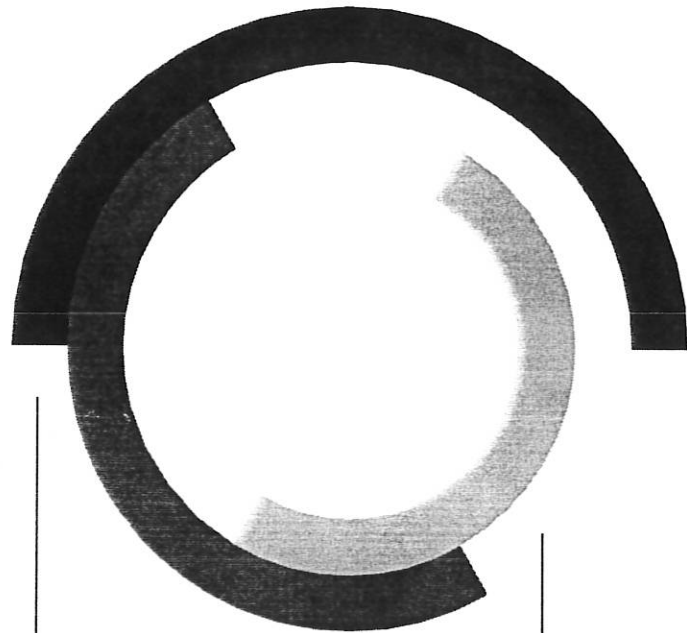
*An Array of Products  
Fingerprinted to Your Community*



## Flexible Solutions for a Perfect Fit

Like fingerprints, no two communities or agencies are alike. Each has different traffic related needs and resources. So 3M offers a customized range of choices to provide information management, security management, response management...and any combination. It's the Opticom™ Priority Control System — a family of integrated options you select for a perfect fit.

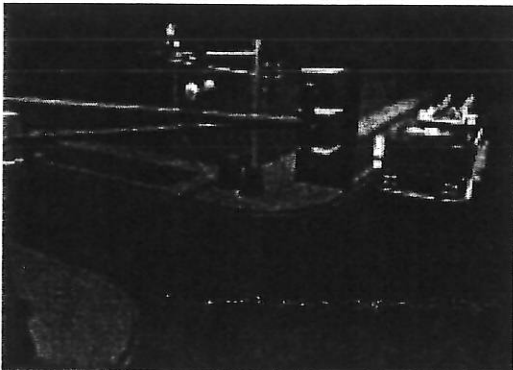
- Over 20 integrated component combinations
- Hundreds of intersection solutions
- Virtually unlimited software options



*Reporter*

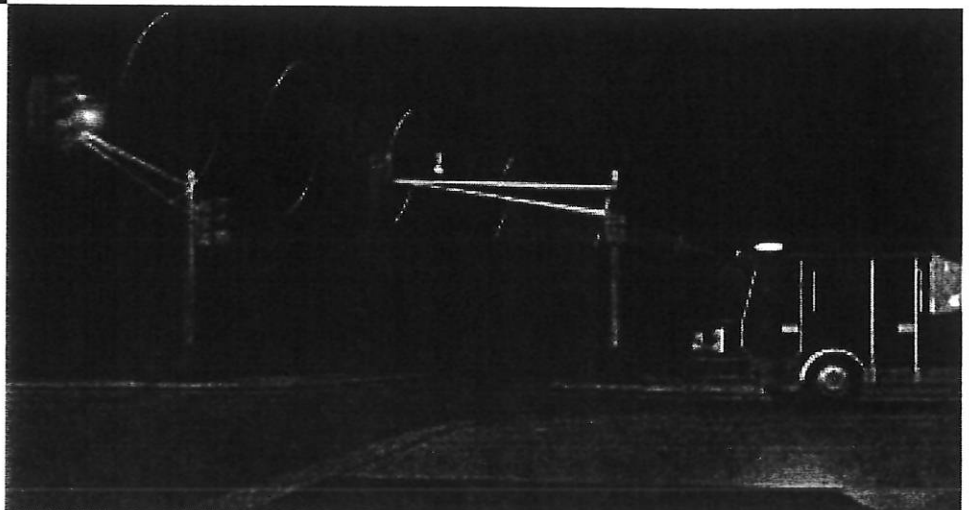
*Sentry*

*Responder*



**With one flip of a switch, the driver initiates the Opticom system and optical communication begins. Encoded infrared light saturates the intersection. The transmission requests intersection control as the authorized vehicle approaches.**

**At the intersection, the Opticom system receives and routes the intelligent message to produce dependable operation and maximum control. The emergency vehicle is granted momentary right-of-way, intersection by intersection as needed for smooth, rapid travel.**





## Information, Security and Response Management

Information is a vital product today. Accurate priority control information helps communities anticipate future needs, control current requirements and resolve past issues. The Opticom™ Reporter series delivers on all counts.

System users have information management and communication capabilities critical to continued mobility. This smart system logs incidents at each intersection and recognizes authorized vehicles individually. The Opticom system monitors the intersection controller for the time and duration of a priority control incident... the vehicle's travel direction... and green light right-of-way.

Reporter turns data into useful information, giving you the power to make informed decisions. This performance-oriented technology supports the diversity of transportation management and traffic control.

When you want information, security and response, Reporter is your system choice.

- Complete system communications
- Data generation and database information
- Decision-making support and report generation
- Implements Opticom system security characteristics

*Traffic management people and community executives appreciate the system's user friendly Windows® screens and flexible options. This integrated traffic management solution is designed for long term dependability without obsolescence.*



## Sentry Series

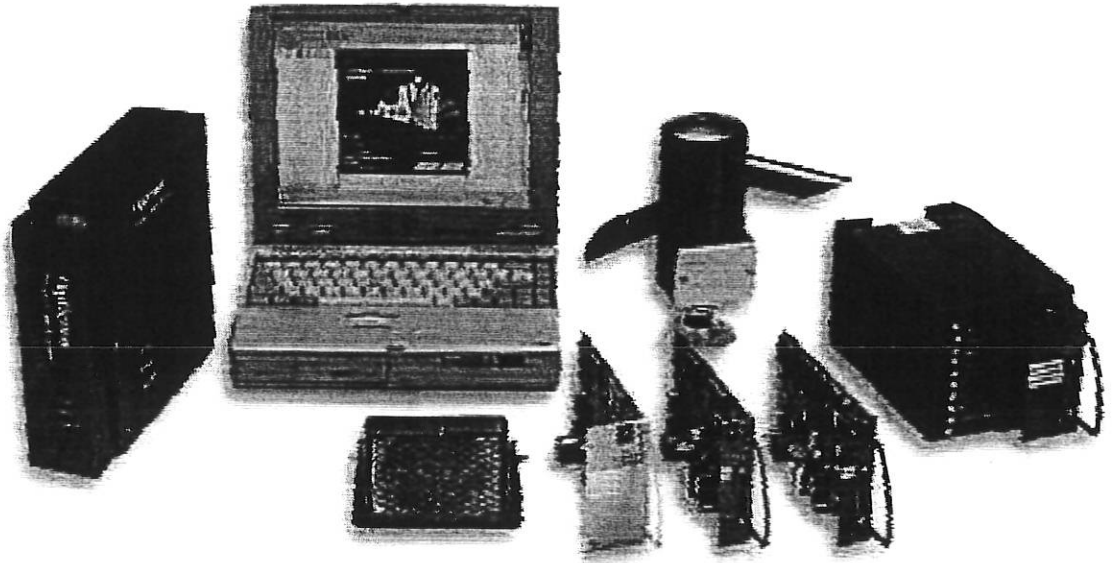
### Security and Response Management

In an age of electronic invaders, system security assures peace of mind. The Opticom™ Sentry series recognizes an additional high-security encoding feature for valid system use.

Where protection against unauthorized use is critical, Sentry is your state-of-the-art choice.

- Implements Opticom system security characteristics
- Controls system use and eliminates abuse

*Public safety personnel see how it gives them control of intersection lights and opens travel routes for safer, quick response. They like knowing it's secure against unknown, unauthorized use.*



## *Responder Series*

### **Superior Response Management**

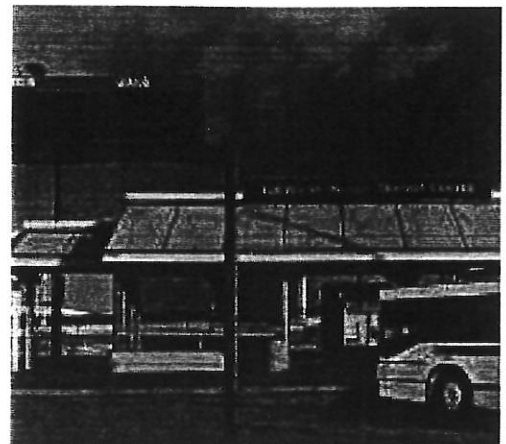
Priority control over individual signalized intersections gives authorized vehicles the safest possible response situation — a green light. The Opticom™ Responder series provides high value with high technology to promote system use community-wide.

In addition, the Opticom system design permits easy replacements for security and information/communication upgrades. So, you can add system capabilities without costly infrastructure changes.

When your primary need is for quick response, Responder is your choice.



*Transit authorities support its integrated, community-wide approach to congestion relief and emergency response. All agencies work together without confusion or conflict.*

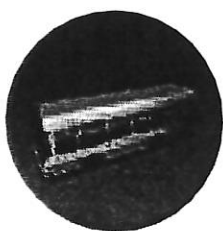




Police



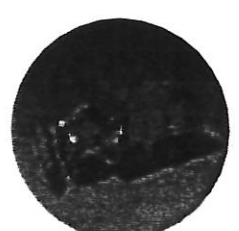
EMS



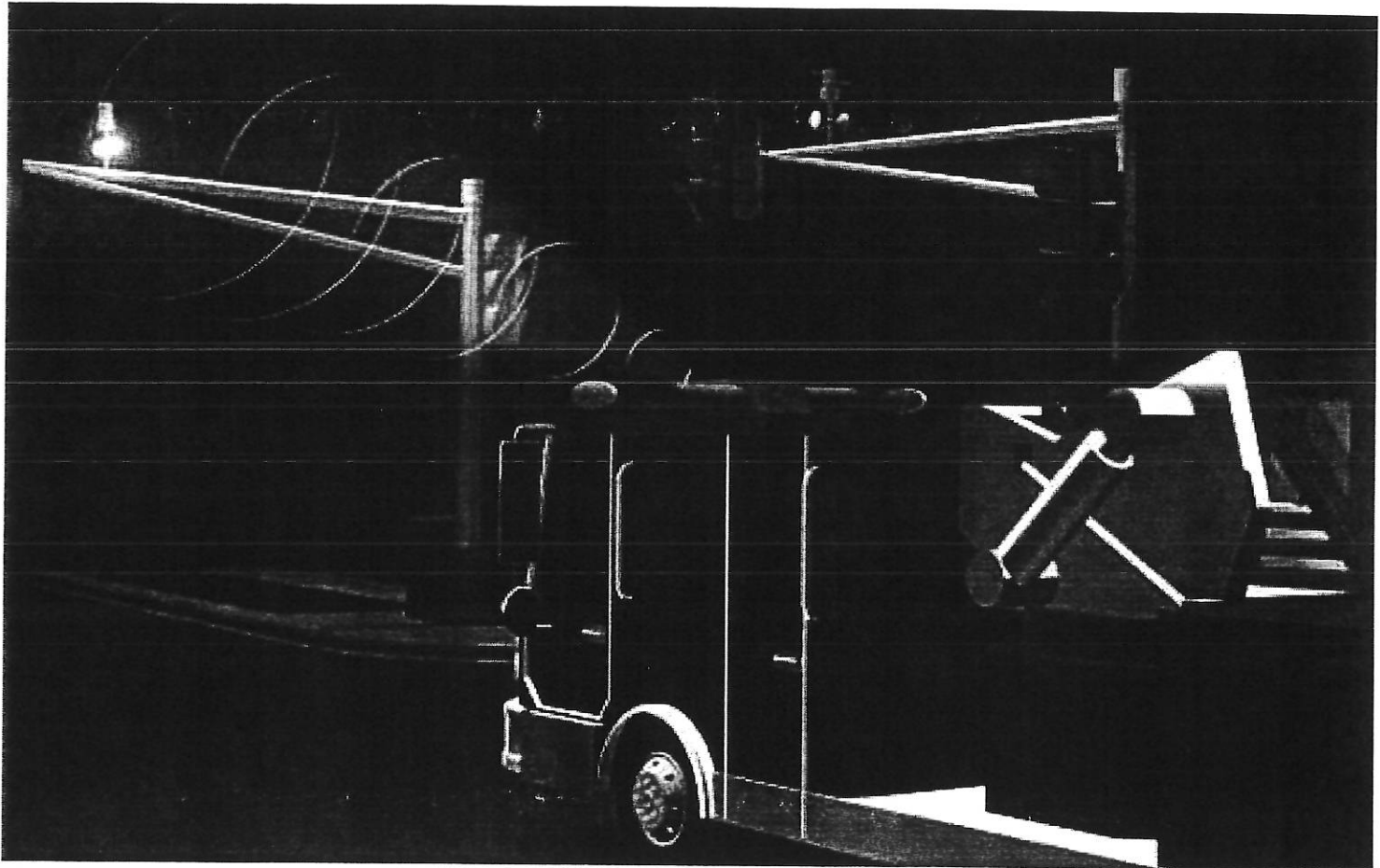
Transit



Probe



Public Works



**Proven Intelligent Transportation Systems Technology**

The Opticom system gives an authorized vehicle advantage over other traffic, intersection by intersection, as needed. As the vehicle approaches, it saturates the intersection with an encoded, infrared signal that is received, decoded and validated to give the requesting vehicle the safest possible driving condition — a green light.

With this advanced traffic technology, you can specify information, security or response characteristics in any combination anywhere in the community.

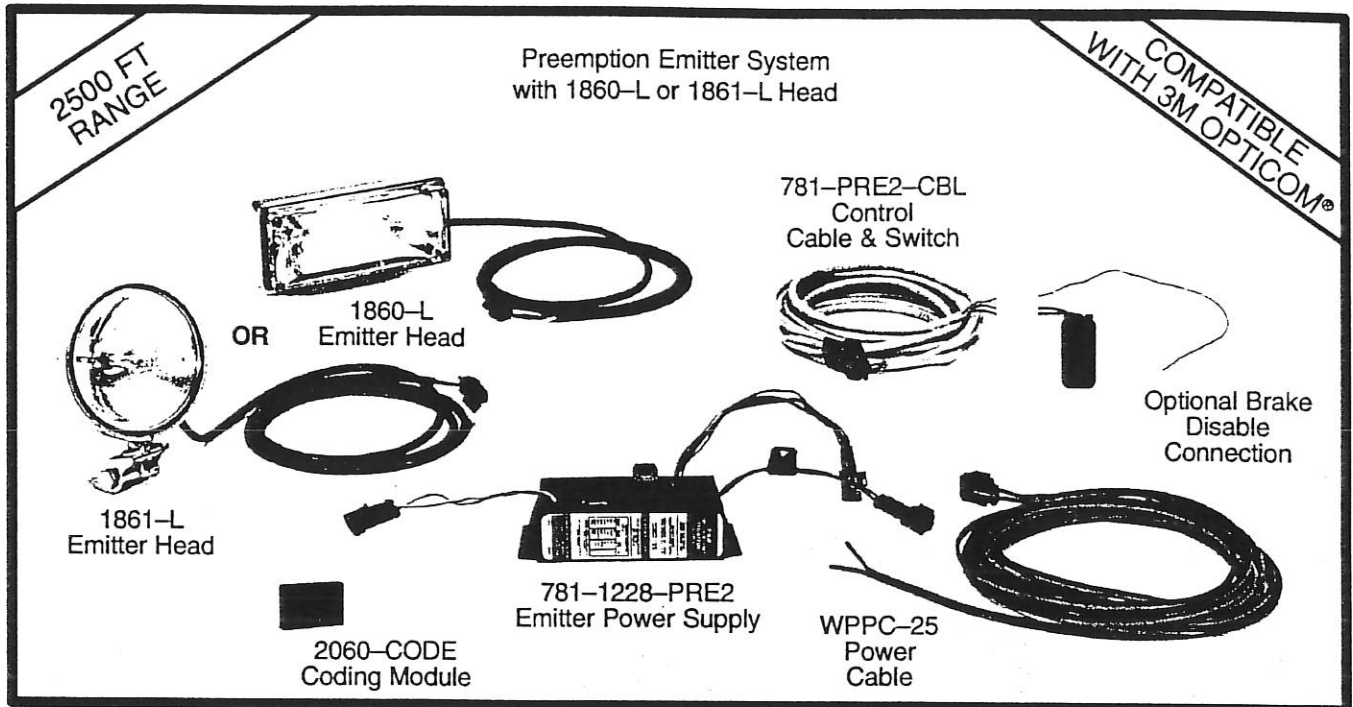
All Opticom system applications put intelligence in the controller cabinet and provide multiple priority for a safer, integrated response among agencies. All infrastructure components are designed against obsolescence. Components are forward and backward compatible — guaranteed — to grow with the community.

**The system decodes, validates and submits the priority request. The controller then appropriately grants the authorized vehicle a green light. The process produces the safest possible situation for everyone in the intersection even as it improves response times for priority vehicles.**

2-6

# 2060 AND 2061 PREEMPTION EMITTER SYSTEMS

Single Head, 12 V, Crystal Controlled, Dual Frequency



The model 2060 and 2061 Preemption Emitter Systems are used to operate TOMAR Optical Traffic Preemption Systems. The 2060-CODE Programmable Coding Module can be plugged into the communications port on these 2000 Series Preemption Emitters. Addition of the 2060-CODE Module allows the user to access up to 65,000 individual system vehicle Emergency and Transit Band ID Security Codes for use on the STROBECOM Model 2080 and 2140 Optical Preemption and Communications Systems. The lamp, cable, power supply, and coding module are completely waterproof and may be hosed down without fear of shorting them out. The power supply has a parking brake disable feature which may optionally be connected to the vehicle's brake switch to automatically switch the emitter off when the vehicle is parked to prevent traffic signal lockup at the scene of an emergency.

## ORDERING INFORMATION

Model No.	Description
2060	Preemption emitter system with 1860-L rectangular lamp
2061	Preemption emitter system with 1861-L round lamp
2060-CODE	2000 series preemption system coding module

### System Features:

- 15 ft. lamp cable (furnished with head)
- 15 ft. control cable & switch
- 25 ft. power cable
- Waterproof potted power supply
- Waterproof connectors on cables
- Hermetically sealed waterproof lamp
- 3000 hour lamp life
- Low power mode (reduces range) **A**
- Control switch included

### NOTICE: RESTRICTED ITEM

The sale of this item is restricted to state and local governments and to authorized distributors only.

### EXTENDED 10 YEAR WARRANTY!

This product is covered by TOMAR's standard warranty (see back cover) except that the warranty period is extended to 10 years for the power supply.

## SPECIFICATIONS

### Power Requirements:

Input Voltage: 10 to 30 VDC

Input Current: 2.8 AMP Avg. @ 12.8V or 1.4 AMP Avg. @ 25.6V

### Output:

Single Xenon flashtube

### Dual Frequency:

Hi Priority 14Hz

Lo Priority 10Hz

### Control Features:

All modes are selected by switching positive, low current, battery voltage. The main battery power may be left connected to the supply at all times. Current draw is less than 100 microamps standby. Brake disable circuit auto resets when switch is released.

### Construction: (Power Supply)

Glass filled Lexan® case, polyurethane potting

Size:  $7\text{-}1/8"$  x  $3\text{-}3/4"$  x  $2\text{-}1/2"$  Weight: 3.5 lbs.  
 (181 mm) (95 mm) (64 mm) (1.56 kg.)

2100 WEST OBISPO  
GILBERT, AZ. 85233



PHONE: 800-338-3133  
FAX: 800-688-6627

2-1

# STROBECOM II OPTICAL PREEMPTION DETECTOR



The TOMAR Model 2090-SD Strobecom II Optical Preemption Detector detects the optical pulses emitted by properly equipped emergency or transit vehicles. Mounted to observe the approaches of an intersection, the 2090-SD is used with the TOMAR Model 2080 Optical Signal Processor to inform the traffic control system of the presence of designated vehicles.

The 2090-SD is constructed of durable glass-filled, UV-stabilized, polycarbonate with a built-in terminal block for easy installation and fully encapsulated electronics for the ultimate in water, heat, and vibration resistance. The 2090-SD's electronics are fully protected from damage due to miswiring and both the power input and signal output have enhanced protection from electrical transients. Metallic flashing on the interior of the housing makes the 2090-SD resistant to EMI/RFI.

Built with the highest quality components in our modern manufacturing facility, you can be sure that your investment in Strobecom II and the 2090-SD will pay off with long years of trouble-free performance.

## 2090 Optical Preemption Detector Specifications

### DETECTION PERFORMANCE

Maximum Range: 2500 feet minimum when used with an TOMAR 2080 Optical Signal Processor.

Optical Pulse Rise Time Discrimination:

The 2090 input stages are optimized for the detection of strobe pulses with a rise time from start of pulse to peak of pulse of 10 microseconds or less. Slower pulses such as varying sunlight and incandescent emergency lighting will be highly attenuated and substantially ignored by the detector's digital discriminators.

Field of View: 13 degrees conical centered about the viewport normal axis (typical).

### ELECTRICAL

Power Requirements: VOLTAGE: 12 to 30 VDC CURRENT: 50 mA maximum

Wiring Connections: Blue Wire - GROUND Orange Wire - +12 to 30 VDC  
Yellow - SIGNAL Shield and Drain Wire - CONNECT TO BLUE WIRE AT TRAFFIC CABINET

### ENVIRONMENTAL

Temperature Range: -40C to +75 C

Physical Construction: The 2090 enclosure is black, glass-filled, UV stabilized, polycarbonate suitable for all-weather use. All electronic circuitry is completely encapsulated in polyurethane for protection from shock, vibration, and moisture. A weep hole is provided for allowing the escape of condensation or other internal moisture build-up in the sight tube of the detector.

### MECHANICAL

Size and Weight: 2-3/4" dia. (69.8 mm) X 3-3/8" tall (85.7 mm) with side mounted 4" long (101.5 mm) sight tube. .85 lb (0.383 Kg)

Mounting: The 2090 is easily mounted using standard hardware on either span wire or mast arm. The unit has a 1/2" female pipe mount hub and internal terminal block for connection to a 3/C shielded detector cable.

### **EXTENDED 10 YEAR WARRANTY!**

This product is covered by TOMAR's standard warranty (see back cover) except that the warranty period for the power supply is extended to 10 years.

2100 WEST OBISPO  
GILBERT, AZ. 85233



PHONE: 800-338-3133  
FAX: 800-688-6627

2-8



League of Kansas Municipalities

300 SW 8th Avenue  
Topeka, Kansas 66603-3912  
Phone: (785) 354-9565  
Fax: (785) 354-4186

To: House Utilities Committee  
From: Kim Gulley, Director of Policy Development  
Date: February 10, 2000  
Re: Support for HB 2710

Thank you for allowing me to appear today on behalf of the League of Kansas Municipalities and our 530 members. We support the provisions of HB 2710 because it expands the use of the proceeds of the 911 tax.

We encourage cities to develop budgets that use revenues from a variety of different sources. The 911 tax is unique in that it allows for an important public safety function to be provided without reliance on the property or sales tax. Funding this service through the use of a dedicated fee fund makes good common sense.

The recent study by Legislative Post Audit demonstrates that cities and counties are using existing funds for appropriate purposes and attempting to expand the capabilities of their 911 systems. Adding one more use for the proceeds of the 911 tax is appropriate.

For these reasons, we support the provisions of HB 2710 and respectfully request that it be recommended favorably for passage.

# STULL & REIN ATTORNEYS AT LAW

Gordon B. Stull  
Kathleen W. Rein  
Ernest H. Richardson, Associate

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P.O. Box 345  
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February 9, 2000

Representative Dennis McKinney  
State Capitol, Room 327-S  
Topeka, KS 66612-1504

SENT VIA "FAX"

Dear Representative McKinney:

This is to follow up on our recent telephone conversations regarding the Pratt County Board of County Commission's concerns about K.S.A. 12-5301 *et seq.* As you know, this statutory scheme permits cities and counties in Kansas to create emergency telephone service, namely 911 service, within their respective jurisdictions. In initially adopting this act, the Legislature provided that a tax could be levied at the rate of \$.75 per month per access line to help defray the expense of creating and maintaining such service. Obviously, the theory was that anyone with a telephone line would be a potential user and beneficiary of such service and so it is only fair to let the consumer pay for the cost of the service.

The problem Pratt County is experiencing, however, begins with the modification of the statute when wireless telephones were exempted from the \$.75 tax. Notwithstanding this, the Legislature mandated that on or before December 31, 1995, each governing body providing 911 service should provide or contract for that service for wireless emergency calls. We assume that initially this was meant to apply to what are commonly known as "cellular phones" which have grown rapidly in numbers and usage. Therefore, there are a lot of phone users which have mandated access to 911 service which are not paying for any of the cost of the service.

With respect to Pratt County, this situation will soon become exacerbated by the institution in our jurisdiction of a fixed wireless telephone service through South Central Telcom. They intend to establish a service which will compete directly with the land service provider in this jurisdiction thereby offering phone customers an alternative. If they are successful, a land line customer could cancel its land line service

HOUSE UTILITIES

DATE: 2-10-00

ATTACHMENT 4

Testimony of  
Dick F. Rohlfs  
Senior Manager, Regulatory Requirements  
Western Resources, Inc.

On  
House Bill No. 2849  
February 10, 2000

Chairman Holmes and members of the committee, my name is Dick Rohlfs. I am Senior Manager, Regulatory Requirements at Western Resources. Thank you for letting Western Resources present testimony to you today on House Bill 2849. Western Resources is in favor of the concept contained in the proposed legislation. We do have a modification that is attached to my testimony that should clarify the intent and meaning of the proposed bill.

This bill would permit all utilities to request the inclusion of Construction Work in Progress (CWIP) in rates. Before I explain the potential impact on Western Resources and its electric customers, let me provide a definition of CWIP and the accounting associated with it.

Construction Work in Progress is the accumulation of costs (e.g. labor, material, work equipment, overheads and Allowance for Funds Used During Construction, commonly referred to as interest) associated with each major construction project. CWIP then is the accumulation of the costs of a project prior to inclusion in rate base of a regulated utility. Approval of this bill would permit utilities to request the KCC to include CWIP in their rates. If the KCC approved the inclusion of CWIP in rates, there would be no need for the utility to accumulate the interest component associated with the amount of CWIP allowed in rates, thereby effectively reducing rates by interest component mentioned above.



What would this mean to Western Resources or any other company wanting to invest capital in building utilities in Kansas? In reality not much currently. But let us look back at the time when utilities in Kansas were actively adding base load generation.

In 1985, the Wolf Creek Nuclear Generation Station went on line providing energy to Kansas Gas and Electric Company (KGE), Kansas City Power and Light Company (KCPL) and Kansas Electric Power Cooperative (KEPCo). That plant took approximately nine years to complete. The Kansas Power and Light Company (KPL), KGE and UtiliCorp United (UCU) began construction of the Jeffrey Energy Center in 1974 with Unit 1 becoming commercial in 1978, Unit 2 becoming commercial in 1980, and Unit 3 becoming commercial in 1983.

As chart 1 indicates the total cost of Wolf Creek was approximately \$1.4 billion for KGE's 47% ownership share. Included in the total cost was \$432 million of interest or Allowance for Funds Used During Construction (AFUDC) or approximately 31% of the total cost. Chart 2 shows the total cost to Western Resources (KPL) to construct its share of the three Jeffrey units and the corresponding interest component of the total.

These amounts are big numbers, but what does it mean to our customers? If the entire interest amount associated with Wolf Creek's construction could have been avoided by inclusion of CWIP in rates, the average KGE residential customer would have saved approximately \$65 per year. This would result in rates that are approximately 6.7% lower than the current residential rate. This is indicated on Chart 3. Similar numbers are shown for Jeffrey Energy Center on Chart 4 and the corresponding impact on KPL residential customers.

I would like to focus now on the practice of other utilities, in particular water and sewer utilities. Municipal water and sewer utilities do not have a prohibition of including construction work in progress in the rates they charge for the services provided. Many in fact include the construction cost expended or to be expended in current rates prior to the improvement projects providing any additional service to the consuming public. For example, the City of Wichita recently raised its water and sewer rates to cover capital projects for the utilities. According to the Wichita Eagle, recent increases in water rates would be significant enough to help generate millions of dollars for future improvements with the bulk of the money to be used for continued development of the city's long term water supply. The City of Topeka also increased its water rates in 1999 to fund major capital improvement projects including the waste water treatment system that will not be completed until at least the end of 2000.

In addition, this legislature has previously endorsed the inclusion of construction work in progress in public work projects through the passage of increased fuel tax incorporated in the comprehensive highway legislation. The 1989 comprehensive highway bill provided for fuel tax increases of 4 cents in 1989, 2 cents in 1991 and 1 cent in 1993. This raised the state gasoline tax from 11 cents to 18 cents. In addition, the most recent comprehensive highway bill provided for 1 cent increases in the gasoline tax each year from 1999 through 2002. If the Kansas Department of Transportation was unable to increase the fuel use tax until after all the highways were built under the comprehensive highway legislation, the impact on the gasoline price would be more severe than the overall 7 cent increase between 1989 and 1993 and the 4 cent increase between 1999 and 2002.

Lastly, I would like to suggest there are at least three benefits to electric utilities and their customers with the removal of the CWIP prohibition. These benefits are:

1. Avoidance of rate shock. This would be avoided if the KCC would permit a utility to collect some or all of the CWIP in rates thereby gradually increasing rates rather than sudden one time increases.
2. Lower construction costs resulting in overall lower rates. Including some or all of CWIP in rates ceases interest charges being accumulated on the CWIP considered in rates and ceases the compounding effect of the interest charges as we witnessed with the construction of base load generation by Kansas utilities.
3. Freedom of the KCC to regulate effectively. Passage of this bill would permit utilities to request and the KCC to deliberate on the merits of inclusion of CWIP in a company's rate base rather than relying on an outright prohibition except for the construction of nuclear facilities.

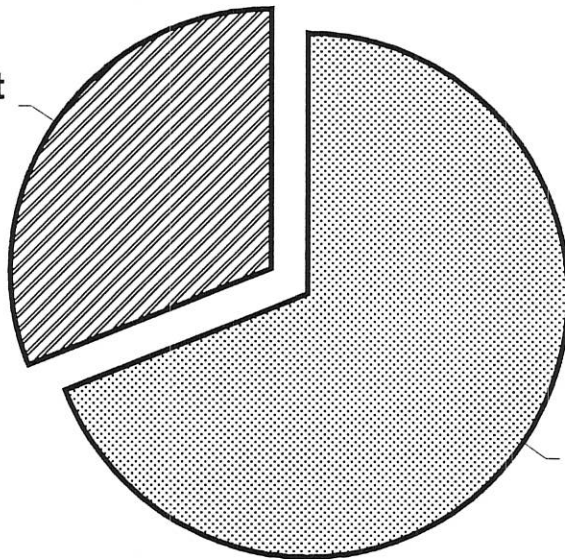
Finally, permit me to briefly explain the proposed amendment attached to my testimony. The purpose of the additions clarifies what Western Resources understands the intent of this piece of legislation, that being to permit Kansas utilities to request all CWIP to be included in their rates. The deletions remove contradictory language such as the reference to the siting act.

Again thank you for permitting Western Resources to present testimony on this bill and I encourage the Committee to favorably report this bill with my proposed amendment.

# KGE's Cost to Build Wolf Creek

Total Cost \$1.4 Billion

\$432 Million Interest  
31.0%

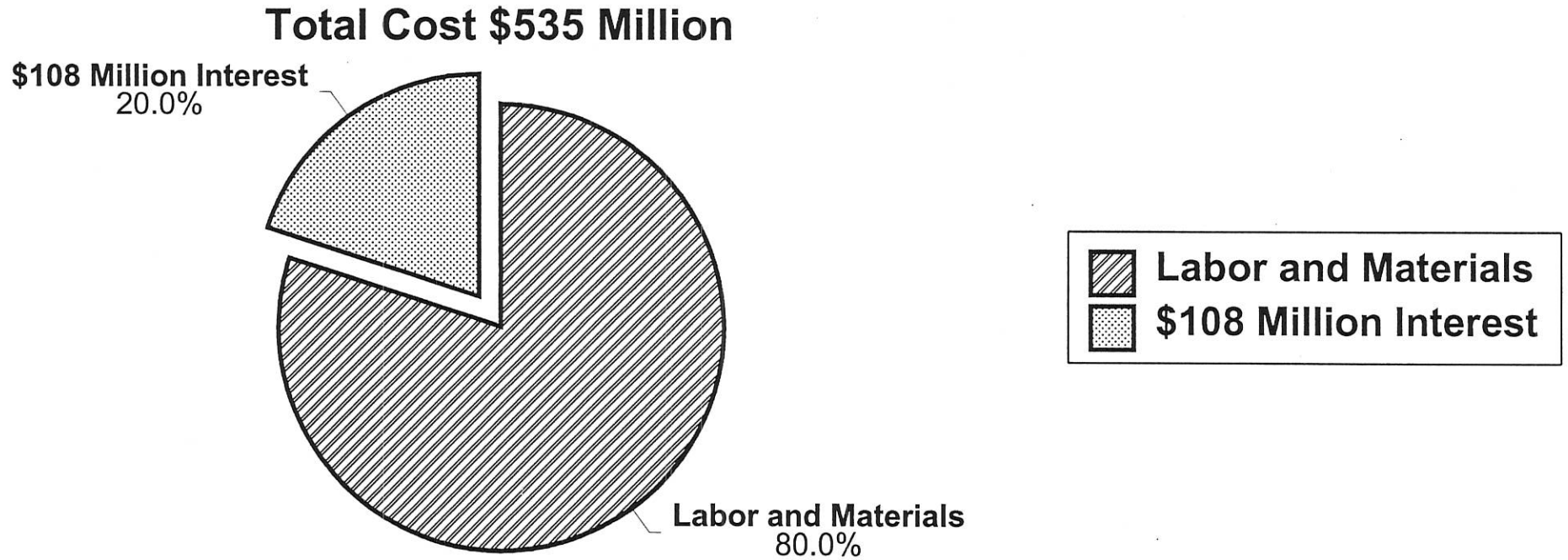


Labor and Materials  
69.0%



5-6

# KPL's Cost to Build JEC



# KGE Estimated Customer Savings

- \$432 Million Interest Expense
- \$54.4 Million Estimated Revenue Requirement Associated with \$432 M
- \$65 Estimated Annual Savings
- **6.7%** **Lower Rates**

# KPL Estimated Customer Savings

- \$108 Million Interest Expense
- \$13.4 Million Estimated Revenue Requirement Associated with \$108 M
- \$14 Estimated Annual Savings
- **2.2%** **Lower Rates**

HOUSE BILL No. 2849

By Committee on Utilities

2-3

9 AN ACT concerning electric public utilities; relating to inclusion of cer-  
10 tain property in ratebase; amending K.S.A. 1999 Supp. 66-128 and  
11 repealing the existing section.

12

13 *Be it enacted by the Legislature of the State of Kansas:*  
14 Section 1. K.S.A. 1999 Supp. 66-128 is hereby amended to read as  
15 follows: 66-128. (a) The state corporation commission shall determine the  
16 reasonable value of all or whatever fraction or percentage of the property  
17 of any common carrier or public utility governed by the provisions of this  
18 act which property is used and required to be used in its services to the  
19 public within the state of Kansas, whenever the commission deems the  
20 ascertainment of such value necessary in order to enable the commission  
21 to fix fair and reasonable rates, joint rates, tolls and charges. In making  
22 such valuations the commission may avail itself of any reports, records or  
23 other things available to the commission in the office of any national, state  
24 or municipal officer or board

, including the intent of the legislature to provide for efficient utility service by Kansas utilities.

25 (b) (1) For the purposes of this act, ~~except as~~  
26 ~~provided by subsection~~  
~~(b)(2)~~, property of any public utility which has  
not been completed and

27 dedicated to commercial service shall not be deemed to be used and may

28 required to be used in the public utility's service to the public, ~~except~~ except for  
29 ~~that, any property of a public utility.~~

30 ~~(2) Any public utility property described in subsection (b)(1) may be~~  
31 ~~deemed to be completed and dedicated to commercial service if: (1) (A)~~  
32 ~~Construction of the property will be commenced and completed in one~~  
33 ~~year or less; (2) (B) the property is an electric generation facility that has~~  
34 ~~a capacity of 100 megawatts or less and converts wind, solar, biomass,~~  
35 ~~landfill gas or any other renewable source of energy; or (3) (C) construc-~~  
36 ~~tion of the property has been authorized by a siting permit issued under~~  
37 ~~K.S.A. 66-1,158 et seq. or 66-1,177 et seq., and amendments thereto; or~~  
38 ~~(D) the property is electric public utility property other than: (i) A nuclear~~  
39 ~~generation facility or addition to a nuclear generation facility, as defined~~  
40 ~~by K.S.A. 66-1,158, and amendments thereto; or (ii) an electric transmis-~~  
41 ~~sion line, as defined by K.S.A. 66-1,177, and amendments thereto, that~~  
42 ~~will be used to transmit electricity or electric power from a nuclear gen-~~  
43 ~~eration facility.~~

1 Sec. 2. K.S.A. 1999 Supp. 66-128 is hereby repealed.  
2 Sec. 3. This act shall take effect and be in force from and after its  
3 publication in the Kansas register.





KANSAS HOUSE UTILITIES COMMITTEE  
FEBRUARY 10, 2000

TESTIMONY  
ON  
HOUSE BILL 2849

Kansas City Power & Light supports the concept behind House Bill No. 2849 that allows for the inclusion of electric utility property in ratebase prior to the property being placed in service.

Theoretically, this measure can result in significant savings for electric consumers in the state. These savings are a result of placing new utility assets into ratebase earlier than currently allowed by law. By allowing an electric utility to place property in ratebase earlier (and therefore charging rates that cover expenses related to construction work in progress) the overall costs of utility additions is reduced. These savings can be substantial for new generating plants that take several years to construct.

Typically, building a new coal fired generating plant can take 4 to 5 years from the time construction begins, until the time it is placed in service. If the utility is allowed to place assets into ratebase as construction progresses (instead of after it is placed in service), the overall cost of the project can be reduced 15 to 20%, depending on the length of construction and financing costs. This reduction in costs is then reflected in consumer electric rates since the investment required by the utility is reduced.

If you have any questions, please refer them to Cynthia Smith who will be present during today's hearing.

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*One of the nation's first electric utilities, Kansas City Power & Light Company has been providing reliable and economical energy to its customers for more than a century. Today, KCPL is the leading provider of energy and related products and services in the Kansas City metropolitan area and nationwide. KCPL is the second largest investor-owned electric utility in the state of Kansas serving a population of over 1 million people in portions of 23 counties in northeastern Kansas, northwestern Missouri, and across the Kansas City metro area.*



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BEFORE THE HOUSE UTILITIES COMMITTEE  
TESTIMONY OF THE CITIZENS' UTILITY RATEPAYER BOARD  
H. B. 2849  
By Walker Hendrix

The debate over construction work in progress (CWIP) is about as old as utility regulation itself. It is a classic debate over whether a utility should be able to earn a return on plant under construction and not yet dedicated service. But, why would you want to permit a utility to earn a return on plant that is not yet in service, unless you want the ratepayers to finance the risk of constructing a power plant, rather than the shareholders. This issue becomes particularly acute as we decide whether to permit retail competition in the electric industry. CWIP is extremely **anti-competitive**. In a competitive world, would-be competitors will be unregulated. They will not earn a return on plant investment until the facility is on-line and providing service to the public. The shareholders of the competitor will have to incur the risk of constructing a new plant. If the incumbent monopoly provider is permitted to recover on plant investment before the facility comes on line and the ratepayers are forced to underwrite the cost of construction, the incumbent has an overwhelming advantage over its competitor and there is no

likelihood of competition. To use a modern day example, imagine if a grocery store were under construction and as a precondition to shopping at the store you were required to pay for the cost of construction prior to its opening. Would you shop at that store?

H.B. 2849 takes the existing statute in K.S.A. 66-128 and splits subsection (b). The bill, if I am reading the statute correctly, would appear to exempt all property which is non-nuclear from the requirement that utility plant must be ready for commercial service before it may be valued as utility property. Under the current statute, the Commission may include certain property in a utility rate base if the property meets certain conditions. H.B. 2849 may do the same thing. But, if it does, then there should be some clarification.

The whole issue of construction work in progress may be a confusing concept. In the hopes of clarifying the issue, I will provide this brief explanation. One of the more controversial rate-base issues has been whether or not to include construction work in progress in the rate base. Construction work in progress (or CWIP) is the investment in plant under construction. Its inclusion can lead to a mismatch of rate base with revenues and expenses and to the inclusion of property not used and useful in the rate base. Some jurisdictions have included CWIP in rate bases. Others follow more traditional ratemaking and do not include CWIP.

The allowance for funds used during construction has been developed to permit the capital costs the utility has during the construction period to be compensated by the future consumer actually to be served by the plant under construction. The cost of capital used in financing the construction is capitalized, i.e., the original cost of the plant recorded on the utility's books includes capital charges and other overheads. The Federal Energy Regulatory Commission provides in its uniform system of accounts that the costs of short-term debt should be applied to construction first. If the short-term debt is not sufficient to cover the amount of construction work in progress, the weighted cost of long-term financing is then applied to the remaining amount of construction.

The use of an allowance for funds used during construction is less costly than is construction work in progress. An allowance for funds used during construction does not produce taxable income to the utility. Rather, the taxable income results in higher book depreciation charges and more earnings in later years when the plant is used and useful. Allowing a return on construction work in progress does create taxable income, on the other hand. As a result, \$1 of equity return earned on construction work in progress increases the cost of service by \$2. A tax deferral accompanies the allowance for funds used during construction, which makes this method of recovering capital costs during

construction less costly than the inclusion of construction work in progress in the rate base.

Based on this analysis, CURB would recommend no change to the existing statute. We think it is inappropriate to permit construction work in progress. It is anti-competitive. It shifts the risk for the cost of construction to the ratepayers. Depending on the utility rate of growth and the AFUDC rate, it usually is less expensive to shift the burden for construction to the shareholders. This is why the shareholders earn a rate of return. Moreover, if CWIP is allowed, it has the potential of increasing the amount of stranded costs that may be determined in the event the state of Kansas goes to retail wheeling.

This will conclude my testimony. Thank you.