

## MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on January 16, 2001 in Room 231-N of the Capitol.

All members were present except:

Committee staff present:      Emalene Correll, Legislative Research  
   Raney Gilliland, Legislative Research  
   Bruce Kenzie, Revisor of Statutes  
   Lisa Montgomery, Revisor of Statutes  
   Ann McMorris, Secretary

Conferees appearing before the committee:

Jim Ludwig, Senior Director, Regulatory Affairs, Western Resources  
J. C. Long, Director of Government Affairs, Utilicorp United Inc.  
Cynthia Smith, Kansas City Power & Light  
Jon K. Miles, Kansas Electric Cooperatives, Inc.  
Larry Berg, Midwest Energy, Inc., Colby  
Colin Hansen, Kansas Municipal Utilities  
Joe Dick, Kansas City Board of Public Utilities

Others attending:      See attached list.

Chair Stan Clark reviewed the agenda and introduced the following Electric Industry representatives who briefed the committee on the functions and operations of their respective companies.

Jim Ludwig, Senior Director of Regulatory Affairs, Western Resources (Attachment 1)

J. C. Long, Director of Government Affairs, Utilicorp United Inc. (Attachment 2)

Cynthia Smith, Manager, Governmental Affairs - Kansas, Kansas City Power & Light (Attachment 3)

Jon K. Miles, Vice President, Governmental and Technical Services, Kansas Electric Cooperatives, Inc. (Attachment 4)

Larry Berg, Community Services Manager, Midwest Energy, Inc., Colby (Attachment 5)

Colin Hansen, Executive Director, Kansas Municipal Utilities (Attachment 6)

Joe Dick, Regulatory Specialist, Kansas City Board of Public Utilities, provided a booklet entitled "Make the Business SMART Move" available on request from Board of Public Utilities.

Written testimony provided by Whitney Damron, Empire District Electric Company (Attachment 7)

Following the presentations, Chair opened for questions.

Written information was provided the committee by Western Resources in response to CURB Testimony of January 11, 2001. (Attachment 8).

The next meeting of the Senate Utilities Committee will be at 9:30 a.m. on January 17, 2001.

Adjournment.

Respectfully submitted,  
Ann McMorris, Secretary

Attachments - 8

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: JANUARY 16, 2001

NAME	REPRESENTING
LARRY BERG	MIDWEST ENERGY, INC.
Timothy Graham	Hensley Staff
JOE DICK	KCK BPU
CORIN HANSEN	KMU
Justin Holstein	KS Coop Council
Brian Jurek	BOEING
Wayne Kitchon	Western Resources
J.C. LONG	UtiliCorp United
Mike Reecht	AT&T   KCPL
Carl Folsom III	Rep. Carl Holmes
JOHN C. BOTTENBERG	WESTERN RES.
Cynthia Smith	KCPL
Mary Ellen Orlee	KCPL
Paul Johnson	PACK
Terry Leatherman	KCCI
DENNY ROCK	PNM
TOM DAY	KCC
Susan Cunningham	KCC
Martin Haavee	Haavee's Capitol Report

*Amy Campbell*

Midwest Energy, Inc.  
*J*





*Senate Utilities Committee*

*Jim Ludwig  
Senior Director, Regulatory Affairs*

*January 16, 2001*

---



# *Government Affairs Personnel*

---

1-2

- *Dave Holthaus, Western Resources, Senior Manager, Government Affairs*
- *John Bottenberg, Bottenberg and Associates, Contractor*
- *Wayne Kitchen, Western Resources, VP, Regulatory/ Environmental*

# *System Statistics*

---

1-3

- *628,000 retail customers*
  - *KPL: 330,000*
  - *KGE: 298,000*
- *5,604 MW generating capacity*
- *4,500 miles transmission (345kV-69kV)*
- *25,000 miles distribution (34kV-4kV)*
- *827 substations*
- *400 communities in Kansas*
  - *11,300 square miles certified territory*
- *Over 60 municipals*

# Generation Highlights

---

1-4

- *Net generating capacity of 5,604 MW, the third largest in the SPP*
- *Efficient, diverse fuel mix including coal, uranium, natural gas, oil, and diesel fuel*
- *Plant equivalent forced outage rates significantly outperformed the NERC average four out of the five past years*

# Energy Centers Capacity and Locations

Plant	Unit Capacity (MW)	Fuel
Jeffrey	1,870*	Coal
Gordan Evans	682	Gas/ Oil
La Cygne	681*	Coal
Lawrence	572	Coal
Wolf Creek	550*	Nuclear
Hutchinson	493	Gas/ Oil
Murray Gill	335	Gas/ Oil
Tecumseh	284	Coal
Neosho	67	Gas/ Oil
Abilene	66	Gas/ Oil
Gordon Evans Diesel	3	Oil
<u>Westar Wind</u>	<u>1*</u>	<u>N/ A</u>
<b>System Total</b>	<b>5,604</b>	

\*Western Resources' share of jointly owned generating capacity



# Large Generation Portfolio

1-6

With the third-largest portfolio of assets in the Southwest Power Pool (SPP), the Utility maintains a significant presence in the region

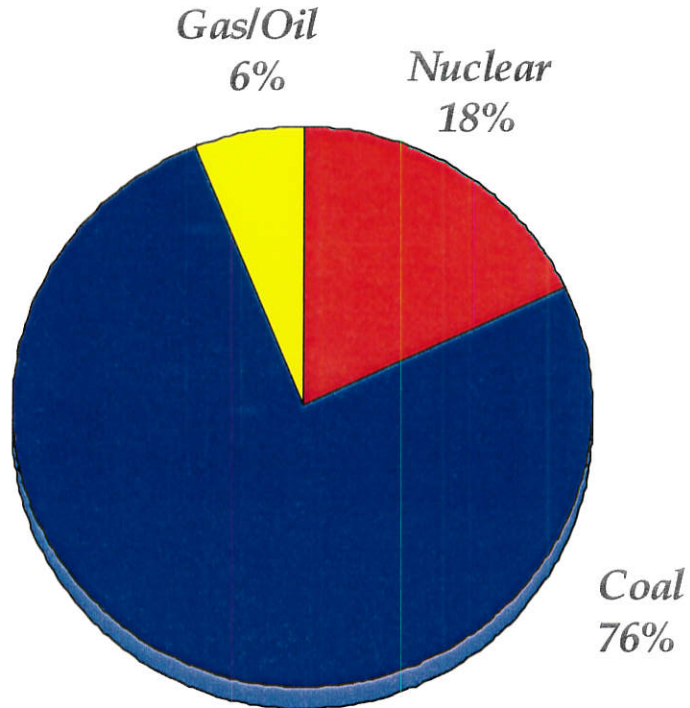
<i>Rank</i>	<i>Investor Owned Utility</i>	<i>SPP Capacity (MW)</i>
1	<i>Entergy</i>	23,115
2	<i>Central and South West (AEP)</i>	8,385
3	<i>KPL and KGE</i>	5,604
4	<i>OGE Energy</i>	5,513
5	<i>Southwestern Public Services (Xcel Energy)</i>	4,325
6	<i>Kansas City Power &amp; Light</i>	2,879
7	<i>UtiliCorp United/ Empire District/ St. Joseph Light &amp; Power</i>	2,772
8	<i>CLECO</i>	1,359



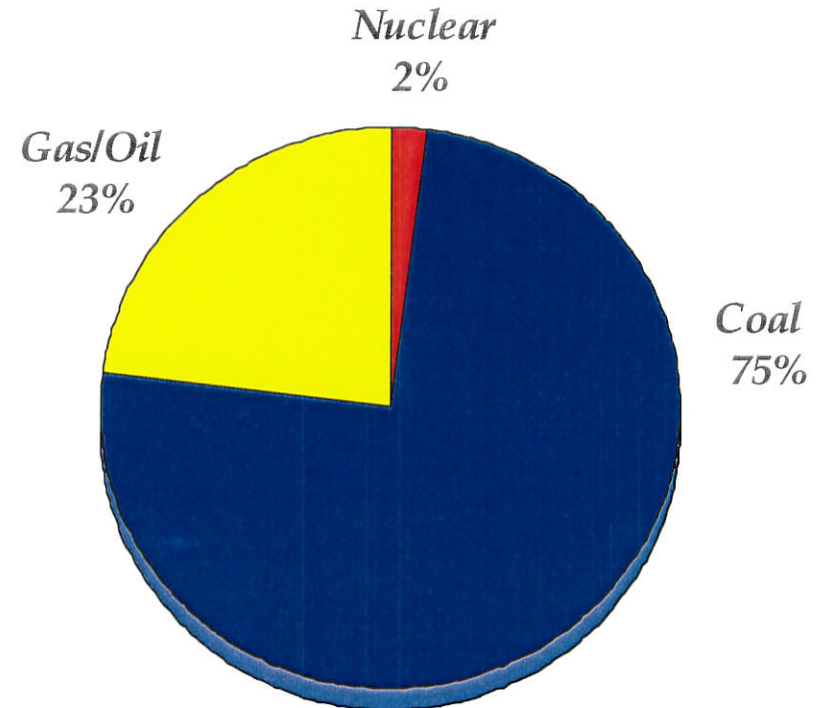
# Diversified Fuel Mix

The Utility's diverse fuel mix and its ability to switch fuel sources help minimize its exposure to variable fuel prices

1999 Fuel Mix by MWh of Generation



SPP Fuel Mix by MWh of Generation



# Generation Capacity Additions

8-1

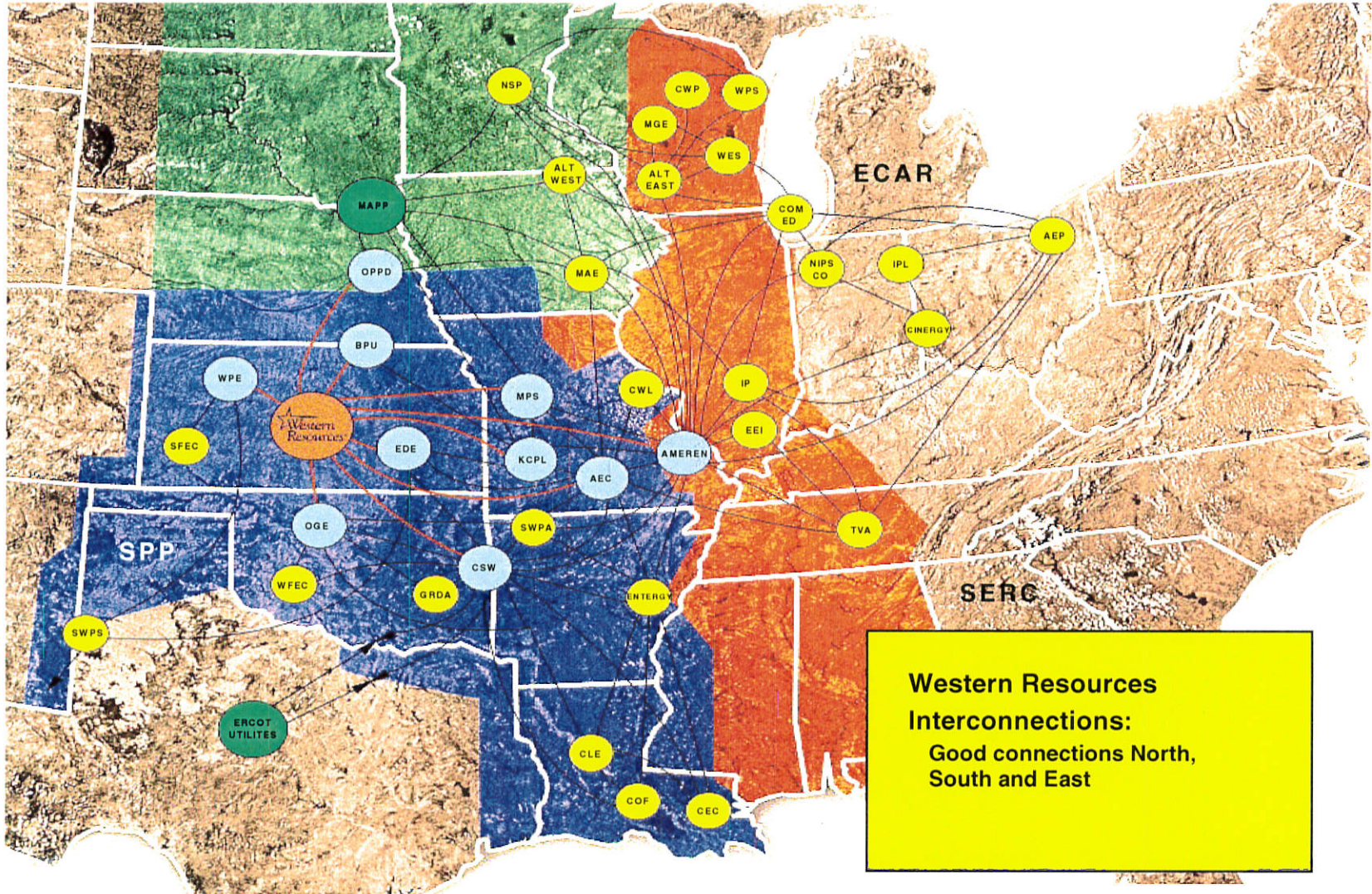
<i>Plant/ Unit</i>	<i>Description</i>	<i>Capacity</i>	<i>Cost (\$ Million)</i>	<i>Estimated Completion</i>
<i>Gordon Evans CTs</i>	<i>Peaking combustion turbines</i>	<i>160 MW</i>	<i>64</i>	<i>June 2000</i>
<i>Gordon Evans CT3</i>	<i>Peaking combustion turbine (gas with oil capacity)</i>	<i>154 MW</i>	<i>61</i>	<i>June 2001</i>
<i>State Line*</i>	<i>Combustion and steam turbine</i>	<i>200 MW</i>	<i>105</i>	<i>June 2001</i>

*\* Utility's share of 500 MW plant jointly owned with Empire District*



# Strategic Location and Interconnections

1-9



# Transmission Interconnections

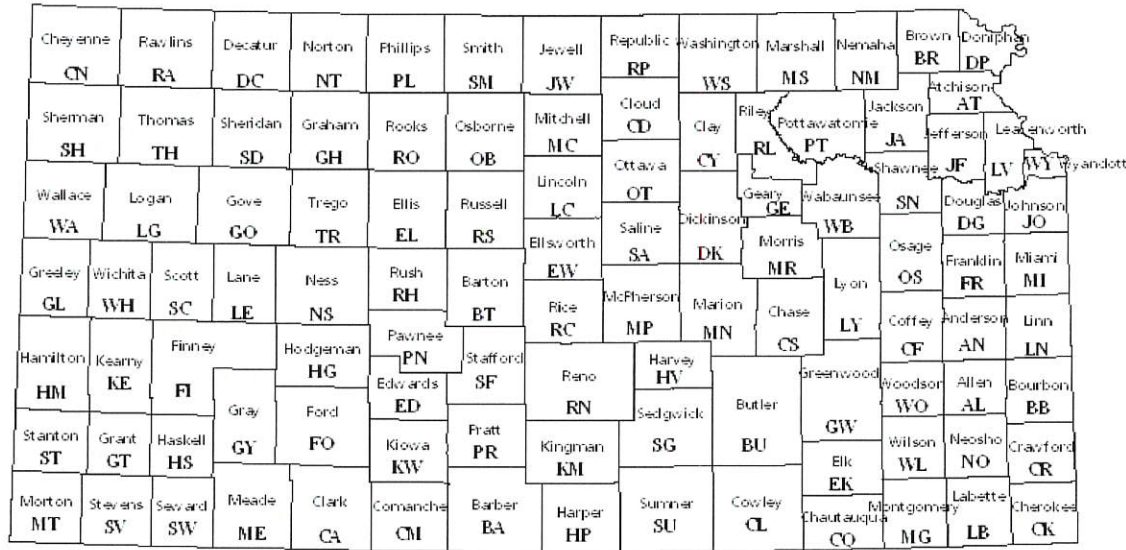
---

<i>East/ Northeast</i>	<u><i>Voltage (kV)</i></u>
KCPL	161/ 345
Utilicorp-MPS	161/ 345
KCBPU	161
Empire	161
Ameren-UE	345
AECI	345
<i>South</i>	
AEP-West	138/ 345
OGE	138/ 345
<i>West</i>	
Utilicorp-WPE	115/ 138/ 230
Midwest	230
<i>North</i>	
OPPD	161

---



# Percent Population Change 1990-99 by County



Source: US Census Bureau

Pawnee PN	(4.6)	Marion MN	5.1	Nemaha NM	(2.5)	Neosho NO	(2.3)
Edwards ED	(13.5)	Butler BU	24.1	Jackson JA	5.7	Labette LB	(3.2)
Stafford SF	(6.9)	Cowley CL	0.1	Shawnee SN	6.1	Leavenworth LV	11.5
Ellsworth EW	(5.6)	Riley RL	(5.1)	Osage OS	12.8	Wyandotte WY	(6.6)
Rice RC	(3.6)	Geary GE	(18.2)	Coffey CF	4.0	Johnson JO	24.0
Reno RN	2.1	Morris MR	(0.4)	Woodson WO	(5.0)	Miami MI	15.4
Kingman KM	4.3	Chase CS	(5.5)	Wilson WL	0.5	Linn LN	12.6
Harper HP	(11.5)	Greenwood GW	1.5	Montgomery MG	(5.3)	Bourbon BB	0.1
Saline SA	4.2	Elk EK	1.7	Atchison AT	(0.4)	Crawford CR	2.1
McPherson MP	5.7	Chautauqua CQ	(3.0)	Jefferson JF	14.1	Cherokee CK	4.8
Harvey HV	10.4	Marshall MS	(6.8)	Douglas DG	20.2	Dickinson DK	3.6
Sedgwick SG	11.9	Pottawatomie PT	17.4	Franklin FR	14.3	Lyon LY	(2.7)
Sumner SU	5.2	Wabaunsee WB	(0.4)	Anderson AN	4.0	Allen AL	(1.4)



**Electric Issues**  
J. C. Long  
Director of Government Affairs  
UtiliCorp United Inc.

Mr. Chairman and Members of the Committee:

My name is J. C. Long and I am the Director of Government Affairs for UtiliCorp United, which does business in Kansas as West Plains Energy, Peoples Natural Gas and Kansas Public Service.

West Plains Energy serves nearly 75,000 electric customers in central and western Kansas, Peoples nearly 70,000 in south central, central and western Kansas and Kansas Public Service serves 28,000 natural gas customers in Lawrence.

UtiliCorp United recent announcements:

TransAlta purchase in Calgary, Alberta Canada completed (363,000);  
St. Joe Light and Power purchase completed (66,000);  
Empire District Electric Company purchase terminated (145,000); and  
Placed our network operations division up for competitive bid.

Issues that we think this Legislature should address:

- Taxes on generation:  
Taxes on generation must be reduced and business incentives allowed enticing developers to build and operate generation facilities in Kansas.
  
- Fast track of environmental oversight:  
Currently, Kansas does not have a time certain deadline on applications for environmental decisions by state agencies. In contrast, the Department of Natural Resources in the State of Missouri has a deadline of 180 days to approve or disapprove an application.

## **Committee on Utilities Kansas Senate January 16, 2001**

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.

KCPL is the corporate successor to Kansas City's first electric company, incorporated in Kansas in 1881 as Kawsmouth Electric Light Company. Our commercial origin dates back to May 1882, when 40 arc lamps illuminated the businesses of Kawsmouth's 13 original customers along Main Street in downtown Kansas City, Missouri.

Today, KCPL is a leading provider of energy and related products and services in the Kansas City metropolitan area. 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 22 counties in northeastern Kansas, northwestern Missouri, and across the Kansas City metropolitan area.

KCPL's Kansas service territory is centered in Johnson County, the fastest growing county in the Sunflower State. Major facilities located in Kansas include:

- Wolf Creek Station, one of the nation's most reliable nuclear generating units with a capacity of 1,170 megawatts in Coffey County;
- La Cygne Station, a dual-unit, coal-fired station with a generating capacity of 1,362 megawatts in Linn County; and
- Three major service centers – two in Johnson County and one in Miami County.

For 1999, total retail electric sales amounted to 13.3 billion megawatt-hours, with a summer peak load of 3,251 megawatts – a 2.4 percent increase over the 1998 peak. KCPL's electric operating revenues amounted to \$897.3 million.

KCPL's generating capacity for 1999 was 2,884 megawatts. As primarily a coal-fired generating system, coal amounted to 69.5 percent of the company's 1999 fuel mix. Nuclear represented 28 percent, with gas and oil totaling 2.5 percent.

As we begin a challenging new Millennium, KCPL will continue to seek opportunities for growth while maintaining an emphasis on outstanding customer service.

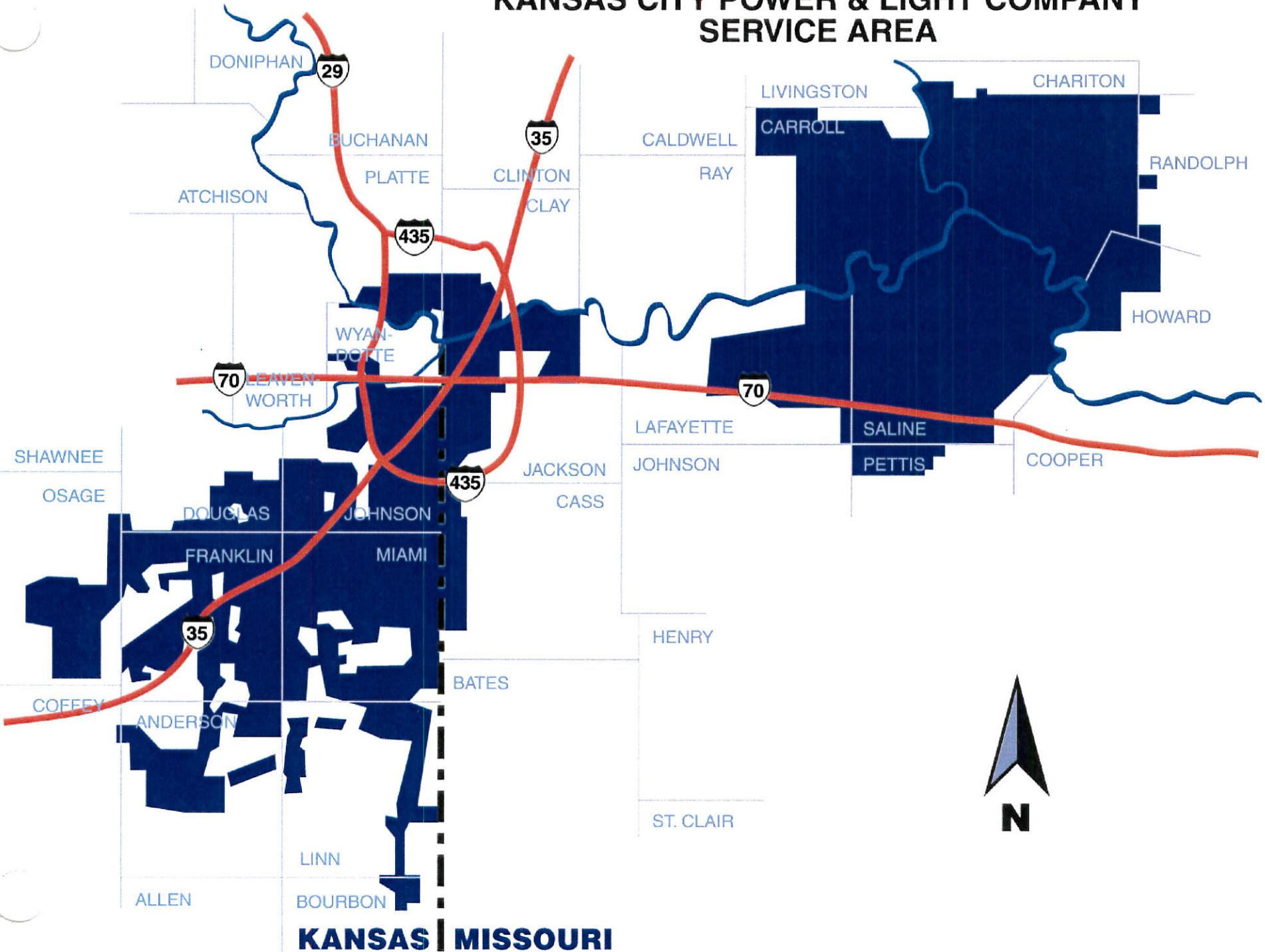
*over please*

## KCPL Kansas Facts

<u>Type</u>	<u>Customers</u>	<u>KWH Sales</u> (000,s)	<u>Revenue Sales</u> (000,s)
Residential	175,828	2,129,647	\$155,452
Commercial	21,805	2,372,187	\$149,193
Industrial	1,118	410,913	\$22,564
Other	63	21,601	\$4,595
Totals:	198,814	4,934,348	\$331,804

Cynthia Smith, JD  
Manager, Governmental Affairs – Kansas  
Kansas City Power & Light  
1201 Walnut  
Kansas City, MO 64106  
(816) 556-2649  
(816) 719-5138 (cell)  
(785) 865-1431 (home/office)  
(816) 556-2975 (fax)

# KANSAS CITY POWER & LIGHT COMPANY SERVICE AREA



**KANSAS | MISSOURI**

## **Senate Utilities Committee**

### **Testimony of Jon K. Miles**

**Vice President, Governmental and Technical Services  
Kansas Electric Cooperatives, Inc.**

**January 16, 2001**

Good morning, Chairman Clark and members of the Committee. My name is Jon K. Miles and I am the Vice President of Governmental and Technical Services for Kansas Electric Cooperatives, Inc. (KEC), the statewide association of electric cooperatives in Kansas. KEC has 29 distribution cooperative members that serve end-use customers at retail in Kansas. It also has two generation and transmission cooperative members, those being Kansas Electric Power Cooperative (KEPCo) and Sunflower Electric Power Corporation (Sunflower). A copy of the KEC directory is included with my testimony which lists all of the KEC member systems and provides pertinent information about each system.

Kansas Electric Power Cooperative, Inc., (KEPCo), headquartered in Topeka, was incorporated in 1975 as a not-for-profit generation and transmission cooperative (G&T). KEPCo has 21 REC owner/members which provide retail electric and other services to approximately 100,000 meters serving a population of 300,000 in the eastern two-thirds of rural Kansas.

KEPCo's power supply resources consist of a six-percent ownership of the Wolf Creek Generating Station; hydropower allocations from the Southwestern Power Administration and the Western Area Power Administration; plus partial requirement power purchases from regional utilities.

KEPCo is governed by a board of trustees representing each of its member cooperatives, has a professional staff of 25 employees and is fully regulated by the Kansas Corporation



Commission. The non-profit cooperative celebrated 25 years of service during the past year and its history, accomplishments and much more are detailed in the Annual Report included with my testimony. KEPCo is represented at the State House by Bruce Graham, Vice President of Member Services and External Affairs. He could not be here today but has been with KEPCo for 13 years and has more than 15 years of government affairs experience.

We've all been witnessing the energy crisis in California which has certainly served to temper the enthusiasm of retail wheeling advocates across the country. Many states have slowed down implementation and some states are even considering retracting their plans.

Kansas Governor Bill Graves and most Kansas lawmakers should pat themselves on the back for taking a cautious approach to restructuring the industry and consumers are better off because of some healthy Kansas skepticism.

However, the Kansas Legislature should avoid status quo. There are steps that can be taken now to ensure adequate generation, improved transmission, an equitable tax structure, and a regulatory environment that permits creative and timely solutions. We look forward to the Committee's discussion on Thursday regarding our collective goals for the next four years in order to maintain the state's history of reliable and affordable electric service.

Sunflower Electric Power Corporation is a generation and transmission utility organized in 1957 by 6 rural electric distribution cooperatives. Headquartered in Hays, Kansas, Sunflower is governed by a Board of Directors that is appointed to represent the interests of its six Member systems.

Sunflower owns and operates six power plants, all of which are located in Finney County, near Garden City, Kansas. The largest plant, Holcomb Station, is a 360 MW coal-fired unit that was placed in commercial operation in 1983. It is one of the cleanest and most reliable plants in

the nation as evidenced by the fact that it regularly exceeds the performance criteria measured by the North American Electric Reliability Council.

The other five generating plants are located in Garden City and are all natural gas-fired units. Collectively, these units can produce 235 MW of electricity bringing Sunflower's total generating capacity to 595 MW.

Sunflower also owns, in whole or in partnership with its members, a high-voltage transmission system with nearly 1,200 miles of 345 kV and 115 kV line. This system also includes 27 substations, and 78 microwave and SCADA (System Control and Data Acquisition) sites.

The transmission system is used to interconnect Sunflower with its wholesale customers throughout the region and to the 19,000 miles of distribution lines owned by Sunflower's distribution systems. That system provides electrical service to 50,000 meters serving 150,000 people in the 34 counties of western Kansas.

While Sunflower employs 200 people to operate the G&T, its members employ 228 to deliver the power to consumers.

Sunflower is financed, for the most part, by the Rural Utilities Service (RUS), an agency of the United States Department of Agriculture. It is regulated not only by the RUS, but by the Kansas Corporation Commission (KCC) as well.

Sunflower's rates were a concern of the Legislature for many years. They are happy to report that those rates to their members have declined by 42% from 7.3¢ in 1986 to 4.3¢ in 2000. In the past decade, Sunflower's system peak demand rose by 59% (from 240 MW to 382 MW) and its MWH sales increased by 28%. Finally, they consider themselves blessed by the fact that, even though it sits on top of the Hugoton gas field, Holcomb Station burns coal rather than gas.

Much more information about Sunflower is detailed in their 1999 Annual Report which is included with my testimony. Sunflower is represented at the Statehouse by Steve Miller, Senior Manager, External Affairs, and by Earl Watkins, Sunflower's General Counsel. Steve is here with me today, but Earl was not able to attend this hearing. Between the two of them, they have worked for Sunflower for nearly 40 years.

I would like to now focus on the distribution members of KEC. These cooperatives serve about 20% of the end-use electric consumers in the state of Kansas, but provide service to approximately 80% of the land mass in Kansas. Much of the territory that the distribution cooperatives serve is rural in nature which, obviously, presents many unique challenges. As with most businesses, economy of scale has an impact on the ultimate cost to consumer. One measure of economy of scale for distribution electric utilities is customer density. Electric cooperatives in Kansas have an average customer density of 2.5 consumers per mile, as compared to 32 consumers per mile for investor-owned utilities and approximately 40 consumers per mile for municipal suppliers.

The distribution electric cooperatives are member owned and governed by a board of trustees elected from among the membership. The cooperatives have differing levels of regulatory oversight from the KCC. Under K.S.A. 66-104d, distribution electric cooperatives can deregulate from the jurisdiction of the State Corporation Commission for ratemaking purposes. The rates for service charged by these cooperatives can be established by the board of trustees, subject to a referendum by members of the rate class or the membership as a whole. The nature of the electric cooperative operations also subjects them to regulatory oversight by EPA, Department of Transportation, Department of Labor, and many other federal, state and local agencies.

The prospect of retail competition presents challenges to the distribution electric cooperatives on many levels and continues to be a primary concern. There are issues that impact the distribution electric cooperatives through their ownership of the generation and transmission cooperatives. But also, retail competition presents challenges to cooperative distribution functions. The cooperatives must make business decisions, plant investments, and operational plans based upon a planning horizon that allows for reasonable cost recovery. Retail competition, and specifically the as-yet-to-be-determined obligations of the distribution utility in retail competition, has effectively shortened or eliminated this planning horizon.

This problem is compounded when the financial impact of changes in the industry are recovered from so few consumers, again due to customer density. It is probably not reasonable for us to request the Legislature to find a way to increase population in rural Kansas. But the Legislature can take action that will serve to benefit the Kansans who receive electric service from distribution cooperatives.

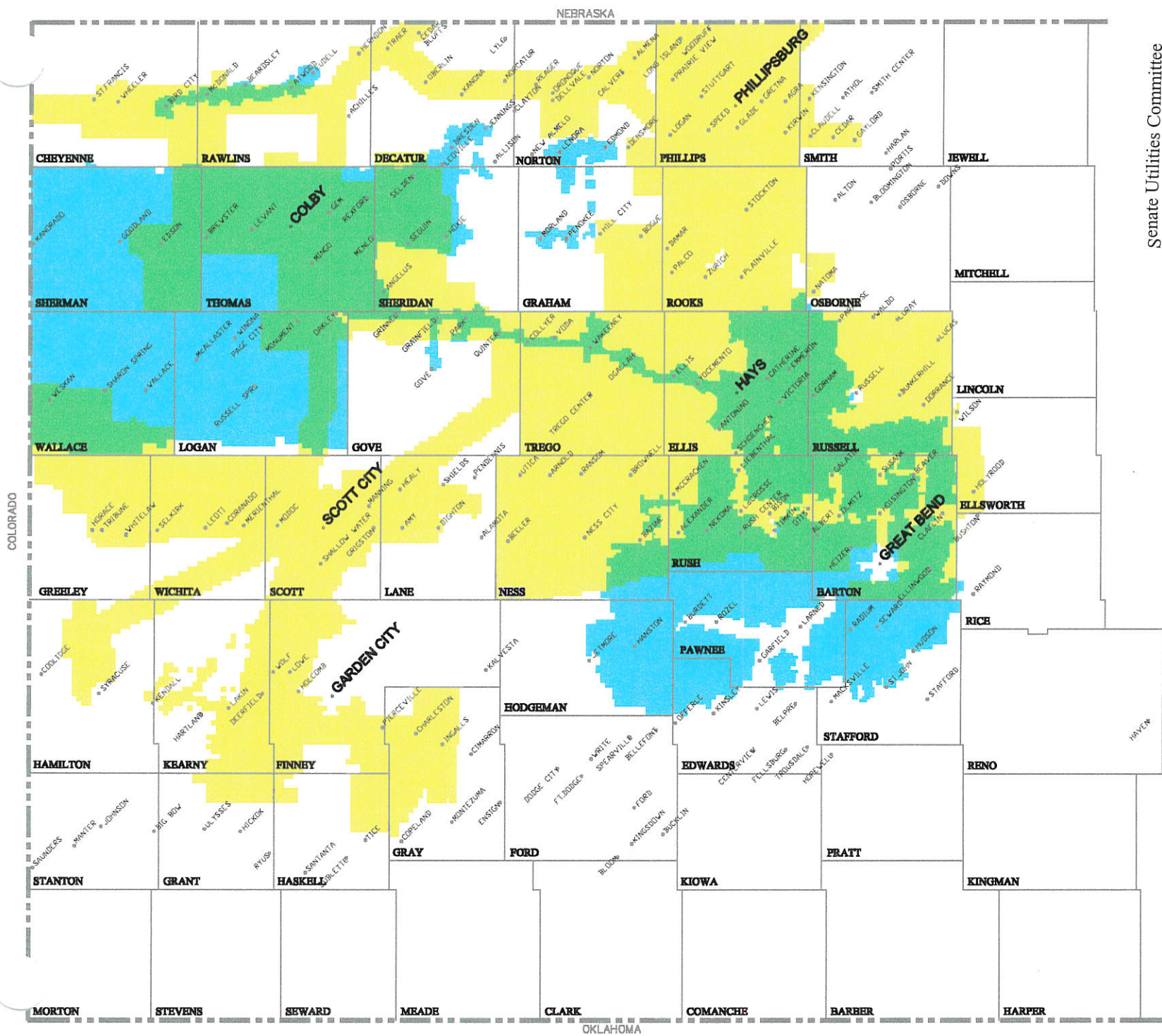
First, the Legislature can continue to move cautiously with respect to the implementation of retail wheeling. Without expanding, it is safe to say that knowledge is gained every day from the experience in other states concerning retail competition. Kansas can learn from the efforts of others before moving hastily in that direction.

Second, the Legislature can, either as part of its study of retail competition or by itself, move toward defining which distribution functions will remain as distribution functions with or without retail competition. This would perhaps spur more confident investment in distribution infrastructure without concern that that investment will somehow be stranded, should retail wheeling be implemented. In that same vein, the Legislature can address the loss of customers and service territory by distribution electric cooperatives due to municipal annexations.

Certainly the loss of customers and load by electric cooperatives in these circumstances harms the cooperatives' customer density and increases the cost to serve the remaining customers. Oftentimes, the lost customers or territory are in developing areas that would otherwise improve both the load characteristics and customer density of the electric cooperative.

Third, the legislature can take steps now to ensure adequate generation, improved transmission, an equitable tax structure, and a regulatory environment that permits creative and timely solutions. We look forward to the Committee's discussion on Thursday regarding our collective goals for the next four years in order to maintain the state's history of reliable and affordable electric service.





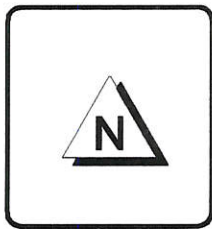
Midwest Energy, Inc.  
 1330 Canterbury Rd.  
 Hays, Kansas 67601  
 1-800-222-3121

Senate Utilities Committee  
 January 16, 2001  
 Attachment 5-1

**MWE GAS TERRITORY**

**MWE GAS AND ELEC. TERRITORY**

**MWE ELECTRIC TERRITORY**



**NOTES:**

MIDWEST ENERGY TERRITORY	
FILE NAME	2000MWE-map
VID	1-42407
DATE	1-11-99
OWNER	SJB
CREATED	
REVISED	SJB 10-4-00
SHEET	1 OF 1
SCALE	NONE

*Testimony before the*

**Senate Utilities Committee**

January 16, 2001

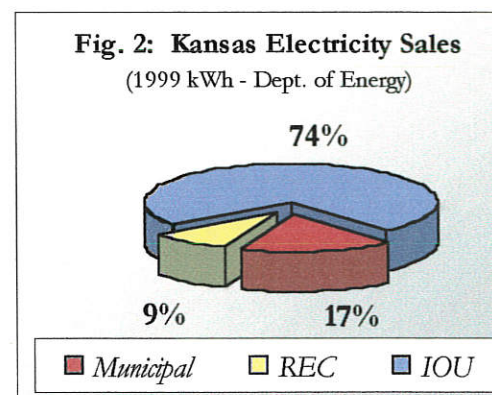
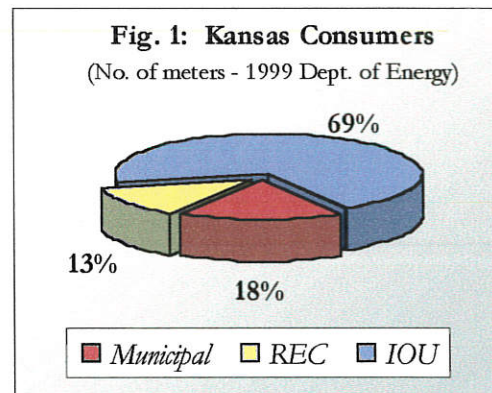
*Colin Hansen  
Executive Director  
Kansas Municipal Utilities*

**Municipal Electric Utilities in Kansas**

The history of Kansas is rich with municipal utility participation in the state’s electric industry, where public power has served as a yardstick for competition for over 100 years. Since the City of Herington – Kansas’s first municipal electric utility – began operation in 1888, city utilities have played a key role in the generation, transmission and distribution of state’s electricity.

Kansas Municipal Utilities (KMU) is the statewide association representing the interests of Kansas municipal electric, natural gas and water utilities. Currently, we have 156 member communities in the organization. Founded in 1928, KMU member cities provide utility services to over one million Kansans. I serve as Executive Director of the association with offices located in McPherson.

Municipal electric utilities – also often referred to as “public power” - are not-for-profit utilities that are owned by the communities they serve and governed democratically. Most public power systems in Kansas are governed by a city council, while only a handful in the state are governed by an independently elected or appointed board. Citizens have a direct voice in utility decisions and policies about electric rates and services, generating fuels, clean air and water, and other issues that affect them through public meetings, the ballot box and open council or commission meetings.



Today, 121 municipal electric utilities provide service in Kansas. These utilities range in size from the Kansas City Board of Public Utilities serving nearly 65,000 customers and almost



all of Wyandotte County, to the City of Radium with just 38 residents. Overall, municipal utilities serve approximately 18% of the electric customers in the state.

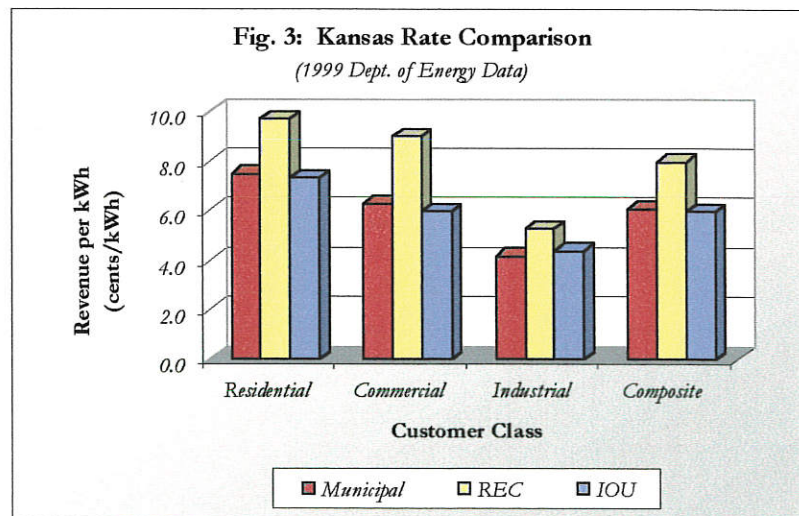
Municipal utilities also account for approximately 17% of electricity sales in the state. Much of this electricity is self-generated, with 63 of the 121 municipals owning generating capacity. However, a majority of this generation is comprised of peaking units with baseload power typically purchased on the wholesale market. A number of municipals receive an allocation of energy from federal hydropower projects. Approximately 11 MW of hydro capacity is utilized by our membership.

Many municipal electric utilities in the state also work through their joint action agency to coordinate energy purchases. Under the guidelines of K.S.A. 12-885, the Kansas Municipal Energy Agency (KMEA) was organized in 1980. KMEA is the state municipal joint action agency that serves its 55 member cities by purchasing and transmitting blocks of electricity for redistribution among individual cities.

While public power utilities are “not-for-profit” organizations, they make major economic contributions to their communities. Public power systems, on average, return to state and local governments in-lieu-of-tax payments and other contributions that are equivalent to or exceed state and local taxes paid by private power companies. These payments and contributions fund a host of municipal and community programs.

Citizens in municipal utility communities enjoy relatively low electric rates. Residential “rates” (revenue per kilowatt-hour) average approximately 7.5 cents per kilowatt-hour for Kansas public power communities. Rates for all customers combined (residential, commercial and industrial) average 6.1 cents per kilowatt-hour, significantly less than national averages. We feel that the low rates are due primarily to public power’s not-for-profit status and efficient management and operations.

The hometown advantages of public power – low rates, commitment to local communities, not-for-profit operations, public accountability, local decision making and a customer service ethic – are something that we are extremely proud of in Kansas. We hope that we might continue to serve our citizens in that manner for the next 100 years.



## 121 Kansas Municipal Electric Utilities

(and date established)

Alma - 1938	Greensburg - 1911	Neodesha - 1922
Altamont - 1934	Haven - 1908	Norton - 1912
Anthony - 1909	Herington - 1888	Oakley - 1910
Arcadia - 1913	Herndon - 1937	Oberlin - 1901
Arma - 1909	Hill City - 1912	Osage City - 1890
Ashland - 1909	Hillsboro - 1930	Osawatomie - 1913
Attica - 1915	Hoisington - 1940	Osborne - 1921
Augusta - 1911	Holton - 1909	Ottawa - 1906
Axtell	Holyrood - 1918	Oxford - 1923
Baldwin City - 1906	Horton - 1912	Pomona - 1914
Belleville - 1923	Hugoton - 1919	Pratt - 1910
Beloit - 1890	Iola - 1900	Prescott - 1921
Blue Mound	Isabel	Radium - 1935
Bronson - 1926	Iuka - 1916	Robinson
Burlingame - 1902	Jetmore - 1914	Russell - 1910
Burlington - 1935	Johnson City - 1938	Sabetha - 1901
Cawker City - 1913	Kansas City BPU - 1929	St. Francis - 1914
Centralia - 1911	Kingman - 1913	St. John - 1910
Chanute - 1903	Kiowa - 1976	St. Marys - 1908
Chapman - 1911	LaCrosse - 1906	Savonburg - 1902
Chetopa - 1937	LaHarpe - 1899	Scranton - 1919
Cimarron - 1913	Lakin - 1915	Seneca - 1903
Clay Center - 1907	Larned - 1916	Seward
Coffeyville - 1901	Lincoln Center - 1906	Sharon Springs - 1918
Colby - 1910	Lindsborg - 1904	Stafford - 1910
Dighton - 1916	Lucas	Sterling - 1916
Ellinwood - 1948	Luray - 1915	Stockton - 1908
Elsmore	Mahaska	Summerfield
Elwood	Mankato - 1950	Toronto - 1917
Enterprise - 1910	Marion - 1928	Troy - 1911
Erie - 1915	McPherson BPU - 1909	Udall - 1939
Eudora	Meade - 1910	Vermillion
Fredonia - 1901	Minneapolis - 1921	Wamego - 1908
Galva - 1918	Montezuma - 1921	Washington - 1938
Garden City	Moran - 1900	Waterville
Gardner - 1918	Morrill - 1927	Wathena - 1937
Garnett - 1918	Moundridge - 1909	Webber - 1937
Girard - 1904	Mount Hope - 1920	Wellington - 1902
Glasco - 1910	Mulberry - 1915	Winfield - 1904
Glen Elder - 1905	Mulvane - 1902	
Goodland - 1937	Muscotah	

\*Cities with generating capability shown in blue (63 of 121 cities)

# Average Revenue Per kWh, 1999

(in cents)

## United States and KANSAS

	Residential Rev/kWh	Commercial Rev/kWh	Industrial Rev/kWh	All Classes Rev/kWh	All Classes Adjusted* Rev/kWh
<b>U.S. Utilities</b>					
Publicly Owned	7.3	7.0	4.7	6.4	6.4
Investor-Owned	8.5	7.4	4.5	6.8	6.9
Cooperative	7.5	7.0	4.1	6.6	6.3
<b>Kansas</b>					
Publicly Owned	7.5	6.3	4.2	5.9	6.1
Investor-Owned	7.3	6.0	4.4	6.0	6.0
Cooperative	9.7	9.0	5.3	8.0	8.1
<b>Kansas</b>					
<b>Publicly Owned</b>					
Alma City of	8.4	8.1	7.7	8.2	8.1
Altamont City of	7.3	0.0	0.0	7.3	(a)
Anthony City of	6.5	6.6	0.0	6.6	(a)
Arcadia City of	11.1	9.2	0.0	10.9	(a)
Arma City of	13.2	7.4	6.2	10.8	9.0
Ashland City of	8.1	7.3	0.0	7.7	(a)
Attica City of	5.9	6.5	7.3	6.2	6.5
Augusta City of	7.3	12.5	0.0	8.7	(a)
Axtell City of	8.1	5.2	0.0	7.3	(a)
Baldwin City City of	8.9	7.8	0.0	8.3	(a)
Belleville City of	9.4	7.7	0.0	8.4	(a)
Beloit City of	6.8	7.5	4.2	6.0	6.3
Blue Mound City of	6.9	0.0	0.0	6.9	(a)
Bronson City of	9.3	7.3	0.0	8.6	(a)
Burlingame City of	9.3	8.7	0.0	9.1	(a)
Burlington City of	7.6	7.0	6.1	7.2	6.9
Cawker City City of	7.0	11.9	0.0	8.2	(a)
Centralia City of	9.8	9.0	0.0	9.4	(a)
Chanute City of	6.8	5.9	4.2	5.2	5.7
Chapman City of	9.3	14.8	0.0	10.5	(a)
Chetopa City of	6.5	7.0	0.0	6.7	(a)
Cimarron City of	8.5	7.7	8.8	8.5	8.3
Clay Center City of	7.4	7.4	5.6	6.8	6.8
Coffeyville City of	7.1	5.8	0.0	5.7	(a)
Colby City of	7.7	5.0	5.8	6.2	6.2
Dighton City of	10.7	10.3	0.0	10.5	(a)
Ellinwood City of	9.3	9.3	0.0	9.3	(a)
Elsmore City of	9.4	n/a	0.0	n/a	(a)
Elwood City of	13.5	8.6	5.4	11.0	9.3
Enterprise City of	7.5	7.5	7.4	7.5	7.5
Erie City of	8.0	6.4	4.5	7.2	6.4
Eudora City of	7.9	9.8	6.6	7.7	8.2
Fredonia City of	9.8	9.5	0.0	9.6	(a)
Galva City of	8.3	8.3	0.0	8.3	(a)
Garden City City of	9.2	7.3	6.5	8.0	7.7
Gardner City of	8.4	7.6	6.1	7.7	7.4

KANSAS (continued)

	Residential Rev/kWh	Commercial Rev/kWh	Industrial Rev/kWh	All Classes Rev/kWh	All Classes Adjusted* Rev/kWh
Garnett City of	8.7	8.5	7.5	8.3	8.3
Girard City of	9.4	9.6	6.8	8.5	8.7
Glasc0 City of	11.2	8.0	0.0	10.0	(a)
Glen Elder City of	7.9	10.0	0.0	8.3	(a)
Goodland City of	7.7	8.8	8.2	7.8	8.2
Greensburg City of	8.7	7.1	0.0	8.2	(a)
Haven City of	8.6	8.3	0.0	8.5	(a)
Herington City of	9.5	9.5	0.0	9.5	(a)
Herndon City of	7.8	10.8	0.0	8.7	(a)
Hill City City of	9.6	8.7	0.0	9.1	(a)
Hillsboro City of	9.2	8.8	0.0	9.0	(a)
Hoisington City of	7.3	8.5	7.0	7.4	7.6
Holton City of	7.5	6.8	4.8	6.6	6.4
Holyrood City of	7.6	8.5	0.0	7.8	(a)
Horton City of	9.1	8.6	8.3	8.8	8.7
Hugoton City of	9.2	10.6	0.0	9.6	(a)
Iola City of	6.2	5.5	3.3	4.5	5.1
Isabel City of	9.4	11.4	0.0	10.0	(a)
Iuka City of	7.2	7.0	0.0	7.1	(a)
Jetmore City of	7.0	7.3	0.0	7.2	(a)
Johnson City of	6.9	7.9	7.1	7.4	7.3
Kansas City City of	6.5	5.5	3.7	5.1	5.3
Kingman City of	7.5	7.9	6.2	7.0	7.2
Kiowa City of	8.6	11.5	5.8	8.3	8.8
La Crosse City of	9.8	9.6	8.4	9.4	9.3
La Harpe City of	9.5	8.5	0.0	9.4	(a)
Lakin City of	13.6	13.7	0.0	13.7	(a)
Larned City of	9.1	7.6	9.1	8.4	8.6
Lincoln Center City of	6.8	7.8	7.1	7.2	7.2
Lindsborg City of	7.8	8.3	0.0	8.0	(a)
Lucas City of	9.0	8.0	7.5	8.4	8.2
Luray City of	8.5	11.5	0.0	9.4	(a)
Mankato City of	6.6	10.1	5.6	7.8	7.5
Marion City of	8.4	8.3	8.3	8.3	8.3
McPherson City of	4.4	4.4	2.9	3.3	3.9
Meade City of	9.7	9.5	7.8	8.9	9.0
Minneapolis City of	8.5	6.9	3.5	7.6	6.4
Montezuma City of	8.1	8.8	0.0	8.5	(a)
Moran City of	7.6	6.6	0.0	7.1	(a)
Morrill City of	8.0	10.5	9.2	8.2	9.3
Moundridge City of	6.6	5.5	5.3	5.8	5.8
Mount Hope City of	8.5	10.0	0.0	8.9	(a)
Mulberry City of	10.4	10.4	0.0	10.4	(a)
Mulvane City of	7.7	7.6	0.0	7.3	(a)
Muscotah City of	7.9	6.3	0.0	7.8	(a)
Neodesha City of	8.3	6.2	6.8	7.2	7.1
Norton City of	8.8	7.8	0.0	8.3	(a)
Oakley City of	7.8	7.6	5.8	7.2	7.1
Oberlin City of	10.7	8.7	0.0	9.9	(a)
Osage City City of	6.6	6.5	6.3	6.5	6.5



KANSAS (continued)

	Residential Rev/kWh	Commercial Rev/kWh	Industrial Rev/kWh	All Classes Rev/kWh	All Classes Adjusted* Rev/kWh
Osawatomie City of	10.5	9.3	7.2	9.9	9.1
Osborne City of	7.4	9.9	7.3	7.6	8.3
Ottawa City of	7.9	7.9	6.7	7.0	7.5
Oxford City of	6.8	7.1	8.8	7.4	7.5
Pomona City of	7.3	6.0	0.0	6.9	(a)
Pratt City of	7.5	6.2	0.0	6.8	(a)
Prescott City of	9.1	9.7	0.0	8.8	(a)
Radium City of	10.3	0.0	0.0	10.3	(a)
Robinson City of	7.9	8.2	0.0	7.8	(a)
Russell City of	7.1	7.0	4.9	6.1	6.4
Sabetha City of	7.6	9.6	6.7	7.4	8.0
Savonburg City of	10.0	14.8	0.0	10.7	(a)
Scranton City of	8.5	12.7	0.0	9.2	(a)
Seneca City of	6.9	6.3	6.8	6.8	6.7
Seward City of	7.7	7.5	0.0	7.6	(a)
Sharon Springs City of	12.0	11.2	11.1	11.6	11.4
St Francis City of	11.0	10.9	0.0	11.0	(a)
St John City of	9.6	9.2	0.0	9.4	(a)
St Marys City of	8.0	8.5	0.0	8.3	(a)
Stafford City of	9.6	8.4	0.0	9.1	(a)
Sterling City of	9.5	8.5	0.0	9.0	(a)
Stockton City of	9.0	8.0	0.0	8.2	(a)
Summerfield Town of	6.8	6.1	0.0	6.5	(a)
Toronto City of	8.7	9.7	0.0	8.9	(a)
Troy City of	8.4	8.3	0.0	8.4	(a)
Udall City of	8.4	5.4	0.0	7.3	(a)
Vermillion City of	9.2	9.0	0.0	9.1	(a)
Wamego City of	8.9	9.4	5.8	8.0	8.1
Washington City of	9.4	8.6	0.0	9.0	(a)
Waterville City of	9.0	9.6	0.0	9.2	(a)
Wathena City of	9.6	6.4	0.0	8.5	(a)
Wellington City of	7.5	8.0	6.0	6.6	7.2
Winfield City of	7.4	7.1	4.5	5.4	6.4
<b>Kansas</b>					
<b>Investor-Owned</b>					
Empire District Electric Co	6.0	6.4	4.6	5.7	5.7
Kansas City Power & Light Co	7.3	6.3	5.5	6.7	6.4
Kansas Gas & Electric Co	8.5	7.0	4.6	6.5	6.8
Southwestern Public Service Co	6.2	6.0	6.5	6.1	6.2
UtiliCorp United Inc	7.8	7.1	4.1	6.1	6.4
Western Resources Inc	6.3	4.9	4.0	5.2	5.1
<b>Kansas</b>					
<b>Cooperative</b>					
Alfa Electric Coop Inc	6.9	8.0	0.0	7.4	(a)
Ark Valley Elec Coop Assn Inc	11.8	11.0	6.8	10.4	10.0
Bluestem Electric Coop Inc	10.8	11.6	6.9	10.3	9.9
Brown-Atchison E C A Inc	9.9	8.9	0.0	9.6	(a)
Butler Rural El Coop Assn Inc	10.7	8.3	0.0	10.2	(a)
CMS Electric Coop Inc	9.9	9.6	12.5	9.9	10.6
Caney Valley El Coop Assn Inc	11.4	11.3	8.9	11.3	10.6



KANSAS (continued)

	Residential Rev/kWh	Commercial Rev/kWh	Industrial Rev/kWh	All Classes Rev/kWh	All Classes Adjusted* Rev/kWh
D S & O Rural E C A Inc	9.0	9.1	7.4	8.8	8.5
Doniphan Elec Coop Assn Inc	8.0	8.1	0.0	8.0	(a)
Flint Hills Rural E C A Inc	10.5	8.8	0.0	10.4	(a)
Heartland Rural Elec Coop Inc	10.5	9.6	0.0	10.3	(a)
Jewell-Mitchell Coop Elec Inc	9.4	9.1	7.8	9.7	8.8
Kaw Valley Electric Coop Inc	8.3	8.0	6.4	8.1	7.6
Lane-Scott Electric Coop Inc	10.4	9.5	0.0	9.9	(a)
Leavenworth-Jefferson E C Inc	9.9	7.7	0.0	9.6	(a)
Lyon-Coffey Electric Coop Inc	9.7	10.3	8.0	9.8	9.4
Midwest Energy Inc	8.0	8.0	6.4	7.1	7.5
N C K Electric Coop Inc	11.8	8.2	14.7	11.1	11.4
Nemaha-Marshall E C A Inc	7.4	8.0	0.0	7.5	(a)
Ninnescah Rural E C A Inc	10.2	9.3	5.3	8.9	8.4
Pioneer Electric Coop Inc	9.6	8.7	3.5	5.4	7.4
Prairie Land Electric Coop Inc	10.6	9.9	0.0	10.6	(a)
Radiant Electric Coop Inc	10.4	8.3	0.0	9.8	(a)
Sedgwick Cnty El Coop Assn Inc	8.7	8.3	5.7	8.5	7.6
Smoky Hill Elec Coop Assn Inc	11.5	9.3	0.0	10.7	(a)
Sumner-Cowley Elec Coop Inc	11.9	10.4	0.0	11.5	(a)
Tri-County Electric Coop Inc	7.1	8.0	0.0	7.6	(a)
Twin Valley Electric Coop Inc	11.4	12.4	0.0	11.6	(a)
Victory Electric Coop Assn Inc	9.4	5.7	0.0	7.0	(a)
Western Coop Electric Assn Inc	10.2	8.4	0.0	8.9	(a)
Wheatland Electric Coop Inc	11.1	10.9	5.6	8.0	9.3

\* This is a standardized average that adjusts for compositional differences in the customer classes served. For each utility, the average is calculated by multiplying the average rev/kWh for each class by the average proportion of sales for that class for the state (for the nation for U.S. averages) and then summing the results.

(a) Adjusted total not computed unless sales in all customer classes are greater than zero.

Source: U.S. Department of Energy, Energy Information Administration, Form EIA-861, 1999 data. Prepared November 2000 by the American Public Power Association, Department of Statistical Analysis.

**WHITNEY B. DAMRON, P.A.**  
**800 SW JACKSON STREET, SUITE 1100**  
**TOPEKA, KANSAS 66612-2205**  
**(785) 354-1354 ♦ 354-8092 (FAX)**  
**E-MAIL: <WBDAMRON@aol.com>**

---

**SUBMITTED TESTIMONY**

**TO:           The Honorable Stan Clark, Chairman  
              And Members Of The  
              Senate Committee on Utilities**

**FROM:       Whitney Damron**

**RE:           The Empire District Electric Company**

**DATE:       January 16, 2001**

Mr. Chairman and Members of the Senate Committee on Utilities:

Attached to this cover page is information requested by the Committee on The Empire District Electric Company. As noted on the fact sheets, Empire is a Kansas Corporation, headquartered in Joplin, Missouri. Our Kansas operations are located in southeast Kansas.

We hope this information is of assistance to you and your Committee as you consider matters of interest to the electric and utility industry in Kansas.

Thank you.

Senate Utilities Committee  
January 16, 2001  
Attachment 7-1

**The Empire District Electric Company**  
602 Joplin Street  
P. O. Box 127  
Joplin, Missouri 64802  
(417) 624-0300

**Web Page:** [www.empiredistrict.com](http://www.empiredistrict.com)  
**NYSE Symbol:** EDE

**Empire is a Kansas Corporation, with its corporate headquarters located in Joplin, Missouri. They have principal operations/customers in Missouri, Arkansas, Oklahoma and Kansas.**

**1. Overview of operations in Kansas (service territory, customer base, all operations, employees, etc.)**

Kansas service territory:

Kansas customers (in Cherokee County) at the end of December 2000 – 10,335.

- Of these, 8,803 are residential, 1,317 commercial, 47 industrial, 6 wholesale and 162 municipal and street lighting.
- The Kansas customers represent approximately 6.9% of our total customers.

Our Riverton generation plant is located in Riverton, Kansas, and has approximately 55 employees. There are a total of 88 employees who work in Kansas (this does not include anyone who may work in another state and live in Kansas).

During 2000, we paid over \$1.1 million in property taxes in the state as opposed to total property taxes of \$7.7 million. The Kansas portion represents over 14% of our total property taxes.

Kansas property is approximately \$88 million or 9.6% of our total plant of \$912 million (does not include the new State Line CC).

Empire has property in Cherokee, Crawford, and Labette counties.

**2. Future in Kansas – where is the generation market, in general, and our market going?**

In general, generation is being built close the load centers, avoiding the risk of transmission being unavailable. In the near term there is much to work out with regard to transmission, Regional Transmission Organizations (RTO), Market Rules, etc. Eventually this will settle out and it may be to advantage to build closer to fuel supplies.

Eventually the market on natural gas may give coal or even nuclear an opportunity again, unless fuel cell or some other technology makes tremendous progress.

**3. Generation capacity.**

Riverton	136
Ozark Beach	16
Iatan	80
State Line 1	101
State Line CC	300
Energy Center	180
Asbury	213
Total	1026

**4. Power Sources.**

Riverton, KS	Natural Gas and Coal
Ozark Beach, MO	Hydro-electric
Iatan, MO	Coal
State Line (MO)	Natural Gas
Energy Center (MO)	Natural Gas and Oil
Asbury, MO	Coal

**Topeka Contact:**

Whitney Damron (lobbyist)  
800 SW Jackson Street, Suite 1100  
Topeka, Kansas 66612-2205  
(785) 354-1354  
(785) 354-8092 (FAX)  
E-Mail: [wbdamron@aol.com](mailto:wbdamron@aol.com)

**Senate Utilities Committee  
January 16, 2001**

**Western Resources Response to CURB Testimony of January 11, 2001**

Rate filings at best are complex. And while the regulatory process ensures a forum where all parties can be heard, until then, the complexities of utility rate making and the many components of the process often can be misunderstood or oversimplified with broad generalizations and unfounded assumptions.

Walker Hendrix, counsel for Citizens' Utility Ratepayer Board, overstepped his bounds in misrepresenting Western Resources' rate cases with unsubstantiated allegations before the Senate Utilities Committee January 11. As an attorney, Mr. Hendrix should understand that he and CURB need to make their case through legitimate channels with factual evidence, not inflammatory conjecture that undermines his credibility and that of the regulatory process established under Kansas law.

Despite our past good-faith efforts to inform Mr. Hendrix about the rate cases and the merger, he continues to recite positions that are patently incorrect. We would like to cite factual information to refute some of Mr. Hendrix's most egregious misrepresentations.

In March 2000, the Kansas Industrial Consumers (KIC) filed a complaint, without any supporting facts, alleging that Western Resources is overearning. Western Resources is not overearning, and the facts cited in our 1,000-page rate case filings support that position. KPL will have invested \$230 million in building four new power plants between January 2000 and June 2001. Since 1992, Western Resources has invested more than \$1.7 billion, excluding fuel costs, in capital and maintenance and operating expenditures to preserve service reliability for customers. Since KPL and KGE's last rate requests, these expenses, the price of natural gas and retiree benefit costs have all increased. We have yet to see any factual information to support Mr. Hendrix's contention.

Western Resources and the Kansas Corporation Commission (KCC) staff reached an agreement last August that Western Resources would file rate cases for both KPL and KGE, enabling the KCC to thoroughly review the companies' requests as well as supporting documentation from all interested parties. Mr. Hendrix's comment that this agreement delayed any decision on the issues raised by the KIC complaint by more than a year mistakenly assumes that the KCC could or would have granted immediate rate reductions based solely on the KIC complaint without hearings, which are required by law. The KCC explicitly and correctly rejected KIC's request for immediate reductions. The truth is, the filing of our rate cases triggered a regulatory clock that requires a decision from the KCC within eight months. Complaints like that of the KIC are not under any clock, and the KCC has no time limit in which to act on a complaint.

Mr. Hendrix accuses us of creating a "fictional tax liability." We surmise he is criticizing the fact that we have employed a hypothetical capital structure for the rate cases, a practice not

uncommon in utility industry rate cases. The KCC has used adjusted capital structures for calculating rates several times for Kansas utilities. We have filed extensive testimony in our rate cases justifying the use of our proposed capital structure.

Mr. Hendrix has repeatedly misrepresented our treatment of depreciation in our rate cases. We hired an acknowledged depreciation expert to review the depreciation rates of all our utility properties. This expert has recommended that various depreciation rates be adjusted to align the depreciable life of our properties with their remaining life. This is a matter of good business practice acceptable to accountants, business professionals and regulators. Mr. Hendrix's assertion that Western Resources has "shortened the depreciation lives of its utility assets" is a misleading oversimplification of a commonly accepted business practice.

Although we are seeking a return on equity of 12.75 percent as compared to a current return on equity of 11.2 percent implied in our last rate reduction settlement, the requested amount is considerably less than the last return on equity of 15.5 percent authorized by the KCC for KPL in 1983 and for KGE in 1985. The requested amount of 12.75 percent is fair and reasonable and takes into consideration interest rate hikes, increased financial risks associated with the utility business and the competitive nature of the industry in attracting capital. Again, Western Resources' position is supported by expert testimony contained in the rate case filings.

KPL and KGE customers benefit from the proceeds of wholesale market transactions when the power sold in these transactions is produced by the companies' power plants. In fact, all wholesale proceeds from the companies' own power plants are credited back to our retail customers in retail rate cases. Our filed rate cases already reflect those benefits to retail customers.

Mr. Hendrix's assertion that Western Resources is attributing "large amounts of overhead to utility operations as opposed to unregulated operations and has chosen to attribute all the capital costs associated with the utility operations to retail customers" is not true. Again, Western Resources retained an accounting expert with extensive experience in allocation methodologies to review our allocation practices. He found that almost all our allocations between regulatory and non-regulatory operations are proper. In those few instances in which he recommended adjustments in allocations, we made the adjustments and clearly identify them in our rate case filings.

His reference to "the lagging financial position of the company" is once again incorrect. The company as a whole has had a good year financially. His characterization of Western Resources' unregulated businesses as "unsuccessful," particularly Protection One, a home security business, is not relevant. Nothing related to Protection One is included in the rate cases. Utility customers are not being required to pay anything related to Protection One.

He erroneously implies that Protection One's debt "has placed pressure on the company to seek a rate increase." As Mr. Hendrix has been told and retold, we are seeking rate relief to compensate the company for \$230 million invested in building new power plants, increased fuel costs, retiree benefit costs and other capital improvements and increased maintenance and



operating expenses incurred since the companies' last rate increases. Protection One's accounting records are separate from the utility business accounting records. Our rate cases are based on utility business accounting records. Additionally, only those salaries or portions of salaries allocated to the electric business are included in the rate cases, a point made repeatedly to Mr. Hendrix.

We entered a merger agreement with Public Service Company of New Mexico to better position the company for growth opportunities. We agreed to file our rate cases in August, two months before the merger announcement with PNM in November. Mr. Hendrix states that "some have speculated that the merger is contingent on the rate case." It is regrettable that Mr. Hendrix sees fit to resort to innuendo. When one has to preface an allegation with "some have speculated," the allegation is not worth making. As Mr. Hendrix very well knows, the rate cases and the merger agreement are separate endeavors. Many factors can influence a merger agreement. PNM will certainly be interested in the rate cases, but the merger itself is not tied directly to their outcomes.

Mr. Hendrix's description of the proposed merger is so groundless it is impossible to tell what his source of information may be. If his source is anything issued by Western Resources or PNM, he needs to read it again carefully. His assessment of the merger's effect on the utility's debt costs belie a fundamental misunderstanding of how regulators treat utility capital structure.

His statement that "the merger also will have a negative impact on employment levels in Kansas" is based on his own unfounded assumptions. PNM executives have publicly stated that while the company will seek sensible cost savings, it has no intention to have involuntary work force reductions as a result of the merger. In fact, PNM has pledged that the Kansas utility headquarters will remain in Topeka.

KPL customers have not had a rate increase since 1983, following the start of commercial operations of the third power plant unit at Jeffrey Energy Center. Under KPL's proposal, the average KPL residential electric customer would see an increase of approximately \$9.25 per month, resulting from a \$93 million rate request. KPL's rates are even lower today than they were in 1983, reflecting rate reductions of \$59.5 million. In addition, customers have received rebates of \$18.8 million.

KGE customers have not had a rate increase since 1989. During that time, the cost of living and the costs of doing business have continued to rise while KGE rates have actually decreased. Since 1992, KGE customers have received more than \$65 million in rate reductions and rebates of \$23 million. If our rate request of \$58 million for KGE is granted in full, we anticipate that the typical KGE residential customer will pay \$6.50 more per month.

We understand that no one likes to pay higher rates. We are always sensitive to the rates our customers pay. We strive to balance their desire for the lowest possible prices and our commitment to provide safe, reliable electric service. The KCC will carefully review our requests for rate relief, and others, including Mr. Hendrix, will have the opportunity to test our evidence for rate increases and provide their own evidence supporting their positions. In the KCC forum,

Mr. Hendrix will have to rely on facts and evidence. The KCC must make decisions based on facts and evidence.

Providing our constituencies with the facts is also important to the process. We will do everything we can to provide you with correct information.