

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Stan Clark at 9:30 a.m. on February 11, 2004 in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Bruce Kinzie, Revisor of Statutes
Raney Gilliland, Legislative Research
Ann McMorris, Secretary

Conferees appearing before the committee:

Richard Good, Westar Energy
Larry Dolci, Kansas City Power & Light
Larry Holloway, Kansas Corporation Commission
David Springe, CURB

Others attending:

See Attached List.

Senator Lyon introduced his guests - four members of Leadership Group; Senator Emler introduced the four pages serving in the Senate from his district.

Chairman Clark opened the hearing on

SB 382 - Recovery of certain costs of security measures, public utilities

Proponents:

Larry Dolci, Director Resource Protection, Great Plains Energy, after providing a background of the regulations and guidelines that require utilities to spend significant additional amounts on security, stated that removal of the sunset provision as proposed in **SB 382** will benefit the citizens of Kansas by assuring that utilities have funding available to follow sound and reasonable security practices. (Attachment 1)

Richard Good, Senior Manager Disaster Recovery & Infrastructure Security, Westar Energy, supports **SB 382** to ensure security costs are recovered appropriately and in a reasonable manner. (Attachment 2)

Opponents:

Larry Holloway, Chief of Energy Operations, Kansas Corporation Commission, testified in opposition to **SB 382**. KCC opposes adoption of prescriptive requirements in statutes for several reasons: (1) KCC already has the authority, responsibility, ability and expertise to investigate each issue, and to establish rules and policies allowing utilities to recover reasonable costs; (2) KCC has the ability to quickly modify such a policy if it finds that it is being abused, needs revision and is no longer needed due to changing circumstances; and (3) KCC notes that no electric or gas utility has applied to the Commission to recover security costs addressed by K.S.A. 66-1233, and that recovery of such costs under an accounting order may be more appropriate.

Included with his testimony were the following documents: (1) Relocation of Facilities Tariff for Western Resources; (2) Municipal Underground Service Rider; (3) Relocation of Facilities Tariff for Kansas Gas & Electric Co; and (4) Docket Order for an Accounting Authority Order Application. (Attachment 3)

David Springe, Consumer Counsel, Citizens' Utility Ratepayer Board, believes the provisions of K.S.A. 66-1233 et seq., and specifically K.S.A. 66-1236 are clearly harmful to utility consumers. He feels consumers have a right to know when, why and where their utility rates are being increased and a right to expect that security expenditures will be reviewed to determine whether they are prudent. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE at 9:30 a.m. on February 11, 2004 in Room 526-S of the Capitol.

Much discussion on comparison of accounting orders versus rate increase hearings, cost to consumers, time element, retention of confidentiality, and the current rules and regulations.

Chair closed the hearing on **SB 382**.

Chair announced the meeting schedule of the Senate Utilities Committee for the week of February 16 and noted that there would be an informational meeting on Tuesday, Feb. 17, for **SB 455** for proponents only.

The next meeting of the Senate Utilities Committee is scheduled for February 12, 2004.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 4

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: February 11, 2004

Name	Representing
JC Long	AQUILA, INC.
W. Holman	KEC
Richard Good	Westar Energy
Doug Smith	SWKROA
TOM DAY	KCC
LARRY HOLLOWAY	KCC
Dave Spivey	curb
Tim Bush	KCPL
Mark Schreiber	Westar Energy
LARRY Dolci	GPE/KCPL
DICK ROHLFS	WESTAR ENERGY
Charley Hernandez	KANSAS GAS Svc
Jacqueline	KANSAS Gas Svc.
Larry Dykes	" "
CARRY MARULLO	KANSAS CITY POWER + LIGHT
Sandra Braden	GPE/KCPL

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: February ~~16~~¹¹, 2004

Name	Representing
RON BRIDGEWATER	KANSAS GAS SERVICE
Tony Cellitti	" " "
Steve Johnson	Kansas Gas Service
Al Walker	KANSAS COAL SERVICE
Michael Urban	KANSAS GAS SERVICE
Bruce GRAHAM	ICE PCO
Chris J Word	Sen. Olsen
Harry McHenry Stem Day	KCC
Dave Spry	CWB
Jack Graves	Alamo, P-71 + VM.
Tim Richards	KANSAS COAL SERVICE
Jeff Johns	KANSAS GAS SERVICE
Terry Kasperck	Kansas Gas Service
Lisa Patterson	Leadership Lawrence
Kim Gouge	Leadership Lawrence
Ann Mupfres	Leadership Lawrence
Cody Howard	Leadership Lawrence
Benjamin Honda	
Andrew Westbrook	
Dod Whitlock	KANSAS GAS SERVICE

Testimony Before the Kansas Senate Utilities Committee Supporting the
Passage of SB382, Submitted by Lawrence Dolci
Director Resource Protection, Great Plains Energy
February 11, 2004

Great Plains Energy and its electrical company, Kansas City Power & Light Company support the passage of Kansas Senate Bill 382 that would repeal the two year sunset provision of K.S.A. 66-1233. The current two-year period for recovery of security costs is not long enough to allow recovery of costs incurred over the next several years to ensure reliable electrical service for the citizens of Kansas.

In the period immediately following the terrorist attacks of September 11, 2001, new regulations and guidelines were issued that required utilities to spend significant additional amounts on security. For example the Nuclear Regulatory Commission, NRC, after the September 11th attacks issued formal orders on February 25, 2002, January 7, 2003 and April 29, 2003 requiring security upgrades at all nuclear plants including the Wolf Creek Plant at Burlington. The latest round of security upgrades at Wolf Creek must be completed by October of 2004. Much of the cost of the latest upgrades will be incurred after the July 1, 2004 sunset provision. Wolf Creek has spent millions in upgrading security since September 11, 2001 and the cost of new guards; cameras, alarms and other security upgrades required under the latest NRC order will be additional millions. NRC statements show it is likely to require further upgrades during the next few years.

Non-nuclear power plants have also increased their security since September 11, 2001. The North American Electric Reliability Council, NERC, that is responsible for the reliability of the national electric grid has issued a series of cyber and physical security guidelines and has plans to issue more. NERC adopted a Cyber Security Standard last year that requires electrical utilities to complete cyber and physical upgrades by the end of 2005. Kansas utilities will incur most of the costs of complying with this standard after July 1, 2004 when the sunset provision of K.S.A. 66-1233 is effective.

At a meeting January 2004 meeting of the NERC Critical Infrastructure Protection Advisory Group a representative of the Federal Energy Regulatory Commission, FERC, announced that as a result of the Northeast power outage of August 2003 FERC would issue new regulations aimed at increasing the reliability of the electrical grid. FERC views reliability and security of the electrical grid as inseparable and their rules will likely reflect this belief and require tougher grid security.

Removal of the sunset provision from K.S.A. 66-1233 as proposed in HB 382 will benefit the citizens of Kansas by helping to make sure utilities have the funding available to follow sound and reasonable security practices, practices that will provide for reliable utility systems for the foreseeable future.

Senate Utilities Committee
February 11, 2004
Attachment 1-1

**Testimony before the
Senate Utilities Committee**

**By
Richard Good
Westar Energy
February 11, 2004**

Chairman Clark and members of the committee, I am Richard Good, senior manager, disaster recovery and infrastructure security for Westar Energy.

Westar Energy supports Senate Bill 382.

The repeal of the security cost sunset would provide certainty for the recovery of prudent costs associated with providing security to a utility's generation and transmission assets. This sunset is set to take effect June 30, 2004. The need to protect our assets to ensure reliable service will continue. The protection of these vital assets is essential for our economy and benefits every customer. Recovery of those costs is needed as long as is prudent and allowed by the Kansas Corporation Commission.

Westar Energy requests that you approve Senate Bill 382 to ensure security costs are recovered appropriately and in a reasonable manner. Thank you for the opportunity to address the committee this morning.

Senate Utilities Committee
February 11, 2004
Attachment 2-1

BEFORE THE SENATE UTILITIES COMMITTEE

PRESENTATION OF THE

KANSAS CORPORATION COMMISSION

February 9, 2004

SB 382

Thank you Chairman and members of the Committee. I am Larry Holloway, Chief of Energy Operations for the Kansas Corporation Commission. I appreciate the opportunity to be here today to testify in opposition to SB 382.

While we are fully sympathetic with the legislature's desire to establish emergency means to address national security issues, we believe such reaction was intended to be short term and should not be extended indefinitely. The committee should be aware that to date no electric or gas utility has approached the Commission to recover security costs anticipated under this bill, even though over two years have passed since September 11, 2001.

It is important to recognize that the underlying legislation addresses the type of unusual and atypical costs an electric or gas public utility may experience due to some external situation outside the control of the utility. In the case of security costs, a utility could experience unusual costs to respond to a known threat, to recover from an attack or to comply with a governmental security directive. Before this legislation was ever passed the Commission already had the responsibility and authority to address these types of situations without prescriptive legislation, and in fact has done on numerous occasions in the past.

In the late seventies and early eighties the Commission and utilities worked together to address large and unanticipated costs due to dramatic increases in fuel prices. To address this

Senate Utilities Committee
February 11, 2004
Attachment 3-1

sudden and unusual “known threat” the Commission developed a mechanism and approved tariffs allowing Kansas electric and gas utilities to recover these unexpected and unpredictable costs. By adopting the purchased gas adjustment, or PGA, for gas utilities and the energy cost adjustment, or ECA, for electric utilities, the Commission made sure that utilities would recover these unexpected costs and that ratepayers would not be overcharged. Today, virtually all of our natural gas utilities have a PGA mechanism. In addition, several of our electric utilities, including Midwest Energy, Sunflower, and Aquila have an ECA mechanism.

Occasionally, an electric or natural gas utility must make large unforeseen expenditures to recover from an event that was essentially outside the utility’s control. For example electric utilities may experience expensive repair and recovery costs due to ice storms or other acts of nature. Historically the Commission has allowed the utility to recover these costs through an accounting order. For example, when Westar Energy spent over \$16 million recovering and restoring their electric system following the 2002 ice storm, the Commission allowed the company to create an account, preserving both the amount spent and the carrying costs on the amount spent, for inclusion in a future rate proceeding, in essence allowing the company an opportunity to recover the costs. The Commission order addressing these costs has been given to this committee. Additionally, we would like the committee to understand that, in our opinion, accounting order treatment for the types of expenses envisioned by K.S.A. 66-1233 is probably more appropriate, better ratemaking policy, and achieves greater confidentiality, than the immediate recovery the statute requires.

With an accounting order, costs envisioned by K.S.A. 66-1233 would be recovered during a subsequent rate review. The net effect would be that the amount and type of security related expenditures would be blended with other changes in revenue requirements and it would

be almost impossible for anyone to determine the level of security related expenditures. K.S.A. 66-1233 now requires an immediate adjustment in utility rates, allowing a dedicated analyst to determine the amount of security expenditures, even though the filing is confidential.

The Commission has also responded when governmental actions, beyond the control of the utility, have required the utility to incur additional costs. I have given the Committee KGE and KPL's "Relocation of Facilities Tariff" and KCPL's "Municipal Underground Service Rider. As shown, KPL's and KGE's Relocations of Facilities Tariff provides a mechanism for KPL or KGE to recover costs incurred when specific actions by a governmental subdivision require KGE or KPL to either relocate or bury existing or new facilities at a cost in excess of the cost absent such governmental action. KCPL's Municipal Underground Service Rider provides a similar mechanism for KCPL to recover its costs should a governmental subdivision require KCPL to construct underground facilities, when KCPL would normally construct overhead facilities absent such governmental action.

As discussed, the Commission already has the responsibility and authority to take any needed action to implement mechanisms for additional costs utilities may face due to

extraordinary circumstance including unexpected economic conditions, acts of nature or governmental actions. Obviously this would include any actions mandated by federal, state or industry directives regarding additional security measures. Furthermore the Commission's actions have gone one step further by establishing that only specific customers bear the costs when the condition arises from the actions of that customer's local government.

While the Commission has the authority and responsibility to address recovery of unexpected costs to respond to and recover from a security event, security enhancements or unanticipated costs due to federal, state or local governmental actions, we do not favor adoption of prescriptive requirements in statutes for several reasons. First, the Commission already has the authority, responsibility, ability and expertise to investigate each issue, and to establish rules and policies allowing utilities to recover reasonable costs. Second, the Commission has the ability to quickly modify such a policy if it finds that it is being abused, needs revision or is no longer needed due to changing circumstances. Unfortunately this statute takes away much of the Commission's discretion and ability to prevent just such abuses. Finally, we note that no electric or gas utility has applied to the Commission to recover security costs addressed by K.S.A. 66-1233, and that recovery of such costs under an accounting order may be more appropriate.

While the Commission is sympathetic that extraordinary events may require unusual measures, without a sunset provision, this overly prescriptive legislation stays in place until it is changed. Finally, while this legislation was enacted two years ago, there has yet to be a single

related filing before the Commission, and therefore you should question the need for this legislation at all.

As stated, the Commission believes the underlying legislation is not needed and therefore deleting provisions to sunset the legislation is unnecessary and potentially poor public policy.

We recommend that the Committee reject SB 382. Alternatively we recommend that the sunset provisions be extended for a period for two years, or if the sunset provisions are removed, that

statute 66-1233 be changed to allow Commission discretion, as shown below:

(2) (b) On and after July 1, 2002, the state corporation commission, upon application and request, ~~shall~~ may authorize electric public utilities and natural gas public utilities to recover the utility's prudent expenditures for security measures reasonably required to protect the utility's electric generation and transmission assets or natural gas production and transportation assets by an adjustment to the utility's customers' bills. The application and request shall be subject to such procedures and conditions, including review, in an expedited manner, of the prudence of the expenditures and the reasonableness of the measures, as the commission deems appropriate. Such application and request shall be confidential and subject to protective order of the commission.

WESTERN RESOURCES, INC., dba KPL

SCHEDULE ROFT

(Name of Issuing Utility)

ENTIRE SERVICE AREA

Replacing Schedule INITIAL Sheet 1

(Territory to which schedule is applicable)

which was filed _____

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 3 Sheets

RELOCATION OF FACILITIES TARIFF

If any governmental subdivision requires Company to construct, remove, or relocate ("change") Distribution or Transmission facilities ("required facilities") when Company, absent such requirement, would do otherwise, and where the recovery of the additional cost for such change is not otherwise provided for, the cost incurred by Company to make such change shall be assessed against the customers located within the governmental subdivision through a monthly surcharge ("Surcharge") as follows:

1. If the required facilities are in lieu of new facilities, Company shall estimate the cost of the required facilities and of the facilities which otherwise would have been installed ("planned facilities"). Any cost of the required facilities in excess of the planned facilities shall be the basis for the Surcharge.
2. If the required facilities replace existing facilities which Company would otherwise maintain or modify in place, Company shall estimate the cost of the required facilities and any planned modifications to existing facilities. Any cost of the required facilities in excess of the cost of any planned modifications to existing facilities plus the cost of removing existing facilities shall be the basis for the Surcharge.
3. If the required facilities replace existing facilities which Company would not otherwise maintain or modify, the cost of the required facilities plus the cost of removing the existing facilities less their salvage value shall be the basis for the Surcharge.
4. Company's costs of planned and required facilities shall be as follows:
 - a. Costs of planned facilities shall include applicable material and labor costs, including allocation of indirect costs. Indirect costs are comprised of supervision, engineering, transportation, material handling, and administrative cost functions that support actual construction. The amount of the allocation of indirect costs is derived by application of unit costs or allocation percentages, determined from historical experience.

93WSRE323TAR

Commission File Number _____

Issued <u>APR 13 1993</u> <small>Month Day Year</small>	NOTED & FILED APR 14 1993
Effective <u>APR 14 1993</u> <small>Month Day Year</small>	THE STATE CORPORATION COMMISSION OF KANSAS
By <u>James Haines</u> James Haines, Executive Vice President	By <u>Quinn M. Bernal</u> Secretary

3-6 *lms*

WESTERN RESOURCES, INC., dba KPL

SCHEDULE ROFT

(Name of Issuing Utility)

ENTIRE SERVICE AREA

Replacing Schedule INITIAL Sheet 2

(Territory to which schedule is applicable)

which was filed _____

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 2 of 3 Sheets

RELOCATION OF FACILITIES TARIFF

- b. Costs of required facilities shall include the cost items identified in subparagraph a. plus all costs of complying with the requirements of the governmental subdivision including any application process of the governmental subdivision, including the cost of preparing the application, costs of developing alternatives not already studied by Company, cost of estimating the cost of alternatives not already studied by Company, the production of data for consideration in any hearing, and any other direct cost of compliance including any hearing held.

- 5. The basis for the Surcharge, as determined under paragraphs 1, 2, or 3, and 4 above, shall be recovered from all customers within the governmental subdivision through the Surcharge. Said Surcharge shall be the amount necessary to recover the basis and Company's associated cost of capital and income taxes in a period of time approved by the Kansas Corporation Commission, not longer than seven years. Subject to review and approval by the Kansas Corporation Commission, the governmental subdivision may determine whether the Surcharge shall be calculated and billed on a per customer basis, energy usage basis or some combination thereof. Surcharge shall be shown as a separate line item on the customer's bill. In the absence of such governmental subdivision determination, the Surcharge shall be calculated and billed on a per customer basis.

- 6. Company shall file a notice of the Surcharge with the Kansas Corporation Commission and shall file a copy with the affected governmental subdivision and provide copies to customers who have requested that the notice be sent to them. The notice shall state the following:
 - a. the reason for the Surcharge;
 - b. the estimated amount of the Surcharge;
 - c. the period of time over which the Surcharge shall be made;
 - d. the number of electric customers within the governmental subdivision.

93WSRE323TAR

Commission File Number _____

Issued APR 13 1993
Month Day Year
 Effective APR 14 1993
Month Day Year

NOTED & FILED APR 14 1993
 THE STATE CORPORATION COMMISSION
 OF KANSAS

By James Haines
 James Haines, Executive Vice President

By Quinn McConnell Secretary

3-7

WESTERN RESOURCES, INC., dba KPL _____

SCHEDULE ROFT

(Name of Issuing Utility)

ENTIRE SERVICE AREA _____

Replacing Schedule INITIAL Sheet 3_

(Territory to which schedule is applicable)

which was filed _____

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 3 of 3 Sheets

RELOCATION OF FACILITIES TARIFF

- 7. The Surcharge may be included in bills rendered in any governmental subdivision 30 days after placing the first required facility in service or the removal of a facility required to be removed or 60 days after filing notice of the terms of the Surcharge with the Kansas Corporation Commission, whichever occurs later, unless the Kansas Corporation Commission has, by order issued within 30 days of the filing, suspended the Surcharge for purposes of investigation.
- 8. At any time after the commencement of the Surcharge, the Surcharge may be reviewed and, if necessary, adjusted to reflect:
 - a. the number of electric service customers then in the governmental subdivision, and/or;
 - b. the amount of energy used by customers in the governmental subdivision, and/or;
 - c. the actual cost of required facilities.
- 9. If the governmental subdivision rescinds its requirements concerning required facilities, the Surcharge shall continue until the end of term specified in Section 5, subject to review and adjustment as specified in Section 8.
- 10. Failure by any customer to pay the Surcharge shall be grounds for disconnection of service to such customer in accordance with Company's General Terms and Conditions for Electric Service.

93WSRE323TAR

Commission File Number _____

Issued _____ <small>Month Day Year</small> Effective _____ <small>Month Day Year</small> By <u>James Haines</u> J James Haines, Executive Vice President	NOTED & FILED APR 14 1993 THE STATE CORPORATION COMMISSION OF KANSAS By <u>Janitha M. Bunnell</u> Secretary
---	---

3-8

THE STATE CORPORATION COMMISSION OF KANSAS

KANSAS CITY POWER & LIGHT COMPANY

SCHEDULE 5

(Name of Issuing Utility)

Rate Areas 2 & 4

Replacing Schedule 5 Sheet

(Territory to which schedule is applicable)

which was filed July 15, 1991

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 3 Sheets

MUNICIPAL UNDERGROUND SERVICE RIDER

Rider UG

If any municipality or other governmental subdivision (hereinafter referred to as the "municipality"), by law, ordinance, regulation or otherwise requires the Company to construct lines and appurtenances or other facilities designed for any Distribution or Transmission voltages (hereinafter referred to as the "facilities") underground when the Company, absent from such ordinance or regulation, would construct or continue to maintain the facilities overhead, and where the recovery of the additional cost for such underground construction is not otherwise provided for in the Company's General Rules and Regulations Applying to Electric Service, the cost of the additional investment required by the Company to construct the facilities underground shall be assessed against the customers, in the form of a monthly surcharge (hereinafter referred to as the "Surcharge") in accordance with the following:

1. If the underground facilities are in lieu of new overhead facilities, the Company shall estimate the installed cost of the underground facilities and shall estimate the installed cost of equivalent overhead facilities. Any cost of installing underground facilities in excess of the cost of installing equivalent overhead facilities plus the cost of estimating the installed cost of both facilities shall be the additional investment upon which the Surcharge is based.
2. If the underground facilities replace existing overhead facilities which the Company has current plans to rebuild overhead, the Company shall estimate the installed cost of the underground facilities and shall estimate the installed cost of equivalent overhead facilities. Any cost of installing underground facilities in excess of the cost of rebuilding the facilities plus any applicable cost of removing existing overhead facilities less any applicable salvage value of existing overhead facilities removed plus all costs of estimating the conversion shall be the additional investment upon which the Surcharge is based.
3. If the underground facilities replace existing overhead facilities which the Company has no current plans to rebuild overhead, the estimated installation cost of underground facilities plus the actual cost of removing existing overhead facilities less the estimated salvage value of existing overhead facilities removed plus all costs of estimating the conversion shall be the additional investment upon which the Surcharge is based.

91 KCP E3 96 TAR

Commission File Number

KCPPL Form 661H001 (Rev 4/88)

Issued MAR 8 1992
 Month Day Year

Effective MAR 9 1992
 Month Day Year

By *B. Beaudoin*
 E. J. Beaudoin Vice President
 Signature of Officer Title

NOTED & FILED FEB 27 1992

THE STATE CORPORATION COMMISSION
 OF KANSAS

By *Judith McConnell*
 Secretary

3-9

THE STATE CORPORATION COMMISSION OF KANSAS

KANSAS CITY POWER & LIGHT COMPANY

SCHEDULE 5

(Name of Issuing Utility)

Replacing Schedule 5 Sheet 2

Rate Areas 2 & 4

which was filed July 15, 1991

(Territory to which schedule is applicable)

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 2 of 3 Sheets

MUNICIPAL UNDERGROUND SERVICE RIDER
Rider UG

- 4. The length of the term of the Surcharge will be 7 years from the date of installation of the last underground facilities subject to this Rider or such other term as agreed to by Company and municipality.
- 5. The Surcharge shall be approved by the Kansas Corporation Commission on a case-by-case basis to support Company's additional investment in underground facilities. Unless otherwise ordered, the Surcharge shall be calculated by first multiplying the sum of the costs determined in accordance with sections 1, 2, or 3 of this Rider by the Monthly Fixed Charge Rate (hereinafter referred to as "MFCR") of 2.013% or such applicable MFCR for any term other than seven years pursuant to paragraph 10, and then dividing by the number of electric service customers in the municipality. The Surcharge shall be added as a separate line item to the customer's monthly bill.
- 6. If approved by the Kansas Corporation Commission the Surcharge may begin to appear in any municipality on bills rendered 30 days after placing the first facilities subject to that municipality's ordinance or regulation in service. The amount of the Surcharge shall thereafter be reviewed and adjusted at least once annually or more often at the discretion of Company, to reflect:
 - a. the number of electric service customers then in the municipality
 - b. the cost of additional facilities installed underground
- 7. All costs of the Company referenced in this Rider shall include applicable material and loaded labor costs, including allocation of indirect costs. Indirect costs are comprised of supervision, engineering, transportation, material handling, and administrative cost functions that support actual construction. The amount of the allocation of indirect costs is derived by application of unit costs or allocation percentages, determined from historical experience. A copy of the Company's estimate of the cost of construction including direct and indirect costs shall be furnished to the customer upon request prior to construction.

KCPL Form 661X001 (Rev 4/88)

91KCP E3 96 TAR

Commission File Number

Issued MAR 6 1992
 Month Day Year
 Effective MAR 9 1992
 Month Day Year
 By B. J. Beaudoin Vice President
 Signature of Officer Title

NOTED & FILED FEB 27 1992
 THE STATE CORPORATION COMMISSION
 OF KANSAS
 By Judith McConnell Secretary

3-10

THE STATE CORPORATION COMMISSION OF KANSAS

KANSAS CITY POWER & LIGHT COMPANY

SCHEDULE 5

(Name of Issuing Utility)

Replacing Schedule 5 Sheet 3

Rate Areas 2 & 4

which was filed July. 15, 1991

(Territory to which schedule is applicable)

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 3 of 3 Sheets

MUNICIPAL UNDERGROUND SERVICE RIDER

Rider UG

- 8. If the municipality repeals or rescinds its requirements concerning underground facilities subject to this Rider, the Surcharge shall continue until the end of term as specified in Section 4, subject to review and adjustment as specified in Section 6.
- 9. Failure by any customer to pay the Surcharge shall be grounds for disconnection of service to such customer in accordance with the Company's General Rules and Regulations Applying to Electric Service.
- 10. The Company will request approval of the Kansas Corporation Commission for application of the surcharge for each law, ordinance or regulation which requires the Company to construct facilities underground pursuant to this rider.

Such request for approval will be filed one year prior to construction in all cases where possible. In cases where, due to the need to meet customer requirements either in terms of capacity or reliability, there is insufficient time to request approval of the surcharge one year prior to construction, such requests for approval will be made as far in advance of construction as practicable. Each request for approval of the surcharge will state the following:

- a. the reason for the surcharge;
- b. The estimated amount of the surcharge;
- c. the period of years over which the surcharge will be made;
- d. the factors upon which a conclusion may be drawn concerning the propriety of the surcharge.
- e. The number of electric customers within the municipality.

KCPL Form 861X001 (Rev 4/88)

91KCP E3 96 TAR

Commission File Number

<p>Issued MAR 6 1992 Month Day Year</p> <p>Effective MAR 9 1992 Month Day Year</p> <p>By <i>B. J. Beaudoin</i> Vice President Signature of Officer Title</p>	<p>NOTED & FILED FEB 27 1992</p> <p>THE STATE CORPORATION COMMISSION OF KANSAS</p> <p>By <i>Judith McConnell</i> Secretary Signature Title</p>
---	--

3-11

KANSAS GAS AND ELECTRIC COMPANY d/b/a Wester Energy

SCHEDULE ROFT

(Name of Issuing Utility)

ENTIRE SERVICE AREA

Replacing Schedule ROFT Sheet 1

(Territory to which schedule is applicable)

which was filed May 19, 1993

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 3 Sheets

RELOCATION OF FACILITIES TARIFF

If any governmental subdivision requires Company to construct, remove, or relocate ("change") Distribution or Transmission facilities ("required facilities") when Company, absent such requirement, would do otherwise, and where the recovery of the additional cost for such change is not otherwise provided for, the cost incurred by Company to make such change shall be assessed against the customers located within the governmental subdivision through a monthly surcharge ("Surcharge") as follows:

1. If the required facilities are in lieu of new facilities, Company shall estimate the cost of the required facilities and of the facilities which otherwise would have been installed ("planned facilities"). Any cost of the required facilities in excess of the planned facilities shall be the basis for the Surcharge.
2. If the required facilities replace existing facilities which Company would otherwise maintain or modify in place, Company shall estimate the cost of the required facilities and any planned modifications to existing facilities. Any cost of the required facilities in excess of the cost of any planned modifications to existing facilities plus the cost of removing existing facilities shall be the basis for the Surcharge.
3. If the required facilities replace existing facilities which Company would not otherwise maintain or modify, the cost of the required facilities plus the cost of removing the existing facilities less their salvage value shall be the basis for the Surcharge.
4. Company's costs of planned and required facilities shall be as follows:
 - a. Costs of planned facilities shall include applicable material and labor costs, including allocation of indirect costs. Indirect costs are comprised of supervision, engineering, transportation, material handling, and administrative cost functions that support actual construction. The amount of the allocation of indirect costs is derived by application of unit costs or allocation percentages, determined from historical experience.

Issued _____

Month Day Year

Effective with bills rendered on and after June 4, 2002

Month Day Year

By Kelly B. Harrison

Kelly Harrison, Vice President

02-WSRE-301-RTS

Approved *JSM*

Kansas Corporation Commission

May 15, 2002

/s/ Jeffrey S. Wessaman

3-12

KANSAS GAS AND ELECTRIC COMPANY d/b/a Wester Energy

SCHEDULE ROFT

(Name of issuing Utility)

ENTIRE SERVICE AREA _____

Replacing Schedule ROFT Sheet 2_

(Territory to which schedule is applicable)

which was filed May 19, 1993

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 2 of 3 Sheets

RELOCATION OF FACILITIES TARIFF

- b. Costs of required facilities shall include the cost items identified in subparagraph a. plus all costs of complying with the requirements of the governmental subdivision including any application process of the governmental subdivision, including the cost of preparing the application, costs of developing alternatives not already studied by Company, cost of estimating the cost of alternatives not already studied by Company, the production of data for consideration in any hearing, and any other direct cost of compliance including any hearing held.
- 5. The basis for the Surcharge, as determined under paragraphs 1, 2, or 3, and 4 above, shall be recovered from all customers within the governmental subdivision through the Surcharge. Said Surcharge shall be the amount necessary to recover the basis and Company's associated cost of capital and income taxes in a period of time approved by the Kansas Corporation Commission, not longer than seven years. Subject to review and approval by the Kansas Corporation Commission, the governmental subdivision may determine whether the Surcharge shall be calculated and billed on a per customer basis, energy usage basis or some combination thereof. Surcharge shall be shown as a separate line item on the customer's bill. In the absence of such governmental subdivision determination, the Surcharge shall be calculated and billed on a per customer basis.
- 6. Company shall file a notice of the Surcharge with the Kansas Corporation Commission and shall file a copy with the affected governmental subdivision and provide copies to customers who have requested that the notice be sent to them. The notice shall state the following:
 - a. the reason for the Surcharge;
 - b. the estimated amount of the Surcharge;
 - c. the period of time over which the Surcharge shall be made;
 - d. the number of electric customers within the governmental subdivision.

Issued _____

Effective with bills rendered on and after June 4, 2002

By Kelly B. Harrison
Kelly Harrison, Vice President

02-WSRE-301-RTS
Approved JSM
Kansas Corporation Commission
May 15, 2002
/s/ Jeffrey S. Wagaman

KANSAS GAS AND ELECTRIC COMPANY d/b/a Westar Energy

SCHEDULE ROFT

(Name of Issuing Utility)

ENTIRE SERVICE AREA _____

Replacing Schedule ROFT Sheet 3_

(Territory to which schedule is applicable)

which was filed May 19, 1993

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 3 of 3 Sheets

RELOCATION OF FACILITIES TARIFF

7. The Surcharge may be included in bills rendered in any governmental subdivision 30 days after placing the first required facility in service or the removal of a facility required to be removed or 60 days after filing notice of the terms of the Surcharge with the Kansas Corporation Commission, whichever occurs later, unless the Kansas Corporation Commission has, by order issued within 30 days of the filing, suspended the Surcharge for purposes of investigation.
8. At any time after the commencement of the Surcharge, the Surcharge may be reviewed and, if necessary, adjusted to reflect:
 - a. the number of electric service customers then in the governmental subdivision, and/or;
 - b. the amount of energy used by customers in the governmental subdivision, and/or;
 - c. the actual cost of required facilities.
9. If the governmental subdivision rescinds its requirements concerning required facilities, the Surcharge shall continue until the end of term specified in Section 5, subject to review and adjustment as specified in Section 8.
10. Failure by any customer to pay the Surcharge shall be grounds for disconnection of service to such customer in accordance with Company's General Terms and Conditions for Electric Service.

Issued _____

Effective with bills rendered on and after June 4, 2002

By Kelly B. Harrison
 Kelly Harrison, Vice President

02-WSRE-301-RTS *DM*
 Approved

Kansas Corporation Commission
 May 15, 2002
 /s/ Jeffrey S. Wasserman

3-14

4

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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

In the Matter of the Application of)
Western Resources, Inc. and Kansas Gas)
and Electric Company for an Accounting) Docket No. 02-WSRE-723-ACT
Authority Order Allowing the Companies)
To Record and Preserve Costs Related to)
Ice Storm Damage)

ORDER

Now this matter comes on before the State Corporation Commission of the State of Kansas ("Commission") for consideration and determination. Having reviewed its files and being fully advised in the premises, the Commission finds and concludes as follows:

1. On March 13, 2002, Western Resources, Inc. ("Western Resources") and Kansas Gas and Electric Company ("KGE"), (collectively "Westar Energy"), filed its application for an accounting authority order allowing the company to record and preserve costs incurred for extraordinary repairs and maintenance of its electrical distribution systems after an ice storm which occurred in January 2002.

2. On March 21, 2002, a group of industrial customers identifying themselves as Kansas Industrial Consumers ("KIC") filed an application for intervention. KIC addresses a number of points relevant to the rate making treatment of the amounts Westar Energy seeks authority to record on its books. KIC objects to the recording of the

3-15

extraordinary costs unless the Commission concurrently examines changes in the major cost categories that underlie the current rates of Western Resources and KGE.

3. On March 25, 2002, the Citizens' Utility Ratepayer Board ("CURB") filed a petition to intervene. CURB states only that the residential and small commercial ratepayers whose interests CURB represents "will or may be bound by any Commission order or activity in this proceeding and will or may be adversely affected thereby."

4. On April 12, 2002, the City of Wichita filed its petition to intervene. Wichita identifies its interest as an electric ratepayer but raises no issues as to the filing.

5. On March 28, 2002, Westar Energy filed a response to the Applications for Intervention of KIC and CURB. On April 18, 2002, Westar Energy filed a response to the Application for Intervention of the City of Wichita.

6. The requests for intervention of CURB, KIC and Wichita will be granted. However, for the reasons stated below concerning lack of rate making impact of the requested accounting order, the Commission finds that the petitions to intervene do not identify any substantive issues requiring a hearing and the Commission is prepared to act on the Application.

7. Westar Energy is a corporation organized and existing under the laws of the State of Kansas with its principal office located at 818 Kansas Avenue, Topeka, Kansas. Westar Energy provides electric utility service in the State of Kansas and its retail rates are subject to the jurisdiction of the Commission.

8. Although the Application provided estimates of the extraordinary costs to Westar Energy of the ice storm in January 2002, Westar Energy has also responded to Staff discovery and has itemized its storm damage costs. The amount of storm damage

costs recorded for Western Resources through April 24, 2002 was \$4,977,314.13 and for KGE the amount was \$8,047,054.73. The capital expenditures related to the storm damages for this period amounted to \$555,166.60 for Western Resources and \$2,999,081.34 for KGE.

9. Staff recommends approval of the request for permission to accumulate in a separate and distinct sub-account of FERC Account 186, Miscellaneous Deferred Debits, the expense portion of the January 2002 storm damage costs. It is appropriate that Westar Energy have the opportunity to recover from its Kansas retail customers prudently incurred costs associated with the January 2002 ice storm damage. It is also appropriate that Westar Energy be permitted to record carrying costs equal to the cost of capital allowed in its most recent retail rate case. The current cost of capital is 9.0836%.

10. Westar Energy will be authorized to accumulate and defer for potential recovery in subsequent rate proceedings before the Commission, the amounts of \$4,977,314.13 for Western Resources and \$8,047,054.73 for KGE, together with carrying costs equal to Westar Energy's cost of capital allowed in its most recent retail rate proceeding before the Commission, that is 9.0836%. These amounts shall be recorded in a distinct sub-account of FERC Account 186.

11. The Commission notes that many elements of the cost of service of a retail electric supplier change over time but are, nonetheless, treated on a test year basis for purposes of retail rate making. The Commission also notes that occasional extraordinary expenses are often offset by years with lower expenses. Accordingly, this Order is expressly without prejudice to any subsequent determination by the Commission as to the

rate treatment, if any, to be accorded the amounts accumulated, or the carrying charges recorded, under this Order.

IT IS, THEREFORE, BY THE COMMISSION ORDERED:

A. The discussion above is adopted as the findings and conclusions of the Commission.

B. The petitions to intervene filed by CURB, KIC and Wichita are granted.

C. Westar Energy is granted the accounting authority as discussed in paragraph 10 above.

D. This accounting authority is expressly without prejudice to any subsequent rate treatment of any amounts recorded on the books of Westar Energy as a result of this Order.

E. A party may file a petition for reconsideration of this order within 15 days of the service of this Order. If this order is mailed, service is complete upon mailing, and three days may be added to the above time.

F. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order or orders as from time to time it may deem proper.

BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Claus, Com.; Moline, Com,

Dated: MAY 08 2002

ORDER MAILED

MAY 08 2002

Jeffrey S. Wagaman Executive Director

Jeffrey S. Wagaman
Executive Director

JMP

3-18

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
A.W. Dirks, Vice-Chair
Francis X. Thorne, Member
Nancy Wilkens, Member
Carol I. Faucher, Member
David Springe, Consumer Counsel



State of Kansas
Kathleen Sebelius, Governor

1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027

Phone: (785) 271-3200

Fax: (785) 271-3116

<http://curb.kcc.state.ks.us>

SENATE UTILITIES COMMITTEE S.B.382

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 11, 2004

Chairman Clark and members of the committee:

Thank you for this opportunity to appear before you today and offer testimony on S.B. 382. The Citizens' Utility Ratepayer Board opposes this bill for the following reasons:

S.B. 382 removes the sunset provision in K.S.A. 66-1233 *et seq.*, ("the Kansas Energy Security Act") currently set to expire on July 1, 2004. CURB testified last year in opposition to H.B. 2374, which is now codified at K.S.A. 66-1236. As stated last year in testimony, CURB is not opposed to prudent security costs, after review, being collected from ratepayers. However, CURB objected to the provisions in H.B. 2374 that kept all information related to security cost rate increases confidential and hidden from consumers.

Specifically, H.B. 2374 (now K.S.A. 66-1236) states, "in adopting procedures applicable in proceedings pursuant to K.S.A. 66-1233, and amendments thereto, the state corporation commission shall provide for:

- K.S.A. 66-1236(a)(1) Confidentiality of information so that the amount of recovery requested, the amount of recovery allowed, the method of recovery requested and the method of recovery allowed is not disclosed;
- K.S.A. 66-1236(a)(4) the security cost recovery charge to be unidentifiable on customer's bills;
- K.S.A. 66-1236(a)(8) recovery of capital expenditures over a period equal to not more than ½ the usable lifetime of the capital investment;

Senate Utilities Committee
February 11, 2004
Attachment 4-1

- K.S.A. 66-1236(a)(7) denial of any expenditure that the Commission determines is not prudent or is not for security measures and approval of all other expenditures;
- K.S.A. 66-1236(b) A determination by the Commission of the prudence of an expenditure for security measures shall not be based on standard regulatory principles and methods of recovery and shall take fully into account the findings and intent of the legislature as stated in K.S.A. 2003 Supp. 66-1235, and amendments thereto.

CURB believes the provisions of K.S.A. 66-1233 *et seq.*, and specifically K.S.A. 66-1236, are clearly harmful to utility consumers. While CURB has never advocated that all security information should be publicly available, CURB does believe that the consumers that pay utility rates in Kansas have a right to know when their utility rates are being increased, why their utility rates are being increased, and where that increase will be in their utility bills. Further, utility ratepayers have the right to expect that the security expenditures will be reviewed to determine whether they are prudent, before being placed on a consumer's bill. Requiring that the prudence review "shall not be based on standard regulatory principles and methods of recovery" clearly calls this principle into question.

For these reasons, CURB does not believe that the sunset provision in K.S.A. 66-1233 should be removed. To the extent that S.B. 382 removes the sunset provision, CURB opposes passage of the bill. These statutory provisions should be allowed to expire and be removed from law.