

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Stan Clark at 9:30 a.m. on February 18, 2004 in Room 526-S of the Capitol.

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

Others attending: See Attached List.

Chairman Clark opened for discussion and possible action on:

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

The hearing on **SB 382** was held on February 11, 2004 with proponents from Westar and Kansas City Power and Light, and opponents from KCC and CURB. Chair Clark requested a brief review of the views of the proponents and opponents - Tim Rush of KCPL and Larry Holloway of KCC provided this review.

Moved by Senator Barone, seconded by Senator Taddiken, amend **SB 382** by reinserting the language on line 31 and changing the date to 2006. Motion carried.

Moved by Senator Taddiken, seconded by Senator Barone, **SB 382** be passed out favorably as amended. Motion carried.

Approval of Senate Utilities Committee minutes

Moved by Senator Emler, seconded by Senator Tyson, Senate Utilities Committee minutes for the dates of February 2, 3, 4, 5, 9, 10 11, 12, 16 and 17, 2004 be approved. Motion carried.

Chairman Clark opened for discussion and possible action on

SB 360 - Public Utilities, costs of new facilities

The hearing on **SB 360** was held on February 3, 2004. Additional information was provided by James Bartling of Atmos Energy who explained the various calculations made for a Gas Reliability Infrastructure Program. (Attachment 1) Further discussion and action was postponed on **SB 360**.

SB 309 - Increasing certain penalties for public utilities or common carriers and SB 310 - Public utilities subsidization of non-regulated affiliates will be discussed and possible action taken on February 19, 2004.

SB 455 - Industrial wind turbine development

A hearing will be scheduled for Monday, February 23. The informational hearing on February 17 allowed proponents to voice their views, therefore on Monday, February 23 proponents will be limited to a short period of time and opponents will be given the balance of time for their testimony. Senator Tyson and Senator Wagle were assigned the task of setting out specific points for discussion.

The next meeting of the Senate Utilities Committee is scheduled for February 19, 2004.

Adjournment.

Respectfully submitted,
Ann McMorris, Secretary



**TESTIMONY OF
JAMES W. BARTLING, MANAGER PUBLIC AFFAIRS
ATMOS ENERGY
BEFORE THE
SENATE COMMITTEE ON UTILITIES
FEBRUARY 5, 2004**

Chairman Clark and Members of the Senate Committee on Utilities:

I appreciate the opportunity to speak before the Senate Committee on Utilities in support of Senate Bill 360.

My name is Jim Bartling and I am Manager of Public Affairs for the Kansas portion of the Colorado-Kansas division of Atmos Energy Corporation. Atmos Energy serves approximately 1.7 million customers in 12 states, including about 117,000 customers in 106 communities located within 40 counties in Kansas.

Senate Bill 360 has been modeled after Texas House Bill 1942, which is commonly referred to as the Texas Gas Reliability Infrastructure Program or Texas GRIP. It was passed in Texas in 2003 after it was determined that a bill of this nature would go a long way toward maintaining the economic growth of the state while enhancing the safety and reliability of the natural gas infrastructure there. It will do the same thing for Kansas.

First, let me make it absolutely clear, the bill before you today does not take away any of the responsibilities of the Kansas Corporation Commission (KCC), nor does it diminish any of its oversight of the operations of the utilities that it regulates. In fact, it would give the KCC a more current picture of the utilities' activities and the capital additions that are taking place. Further, it would provide for a more efficient regulatory procedure. The purpose of this bill is not to usurp any powers of the Commission.

Senate Bill 360 would allow utilities to recover, through a surcharge, the value of the net invested capital in a calendar year that exceeds the value of the net invested capital in the previous calendar year. There are those who would object to this recovery method by playing the often used trump card called "single issue rate making" (the

recovery of specific costs without the consideration for offsetting increases in revenue or decreases in other costs). However, because of the true-up provisions in this bill, the utility will not be allowed to over-earn on any of its investments. The bill speeds up recovery by the utility of new investments, but it does not allow it to earn any more than it would eventually earn under traditional regulation.

In what seems like a prior life, I started in the utility business as an accountant, at a time that we affectionately refer to as “BC,” or “before computers.” It wasn’t unusual to have multiple 21-column work sheets taped together to analyze something or track expenses or capital. At that time we would buy adding machine paper by the case load. Today you would be hard pressed to find columnar work pads or even 10-key adding machines simply because the computer has changed the way that we organize and report information. I say this because perhaps it is time to allow utilities to recover capital additions more quickly and more efficiently than under past methods that remind us of our columnar pads and 10-key machines.

As it stands today, a utility seeking to recover the cost of its increased capital additions must file a rate case and incur thousands of dollars in additional expenses associated with the rate case filing. Senate Bill 360 would not take away any of the KCC’s responsibilities for reviewing or approving a utility’s request to recover the costs of the new investments. On the contrary, it would give the KCC an annual review of a utility’s new investments, and would require each utility availing itself of this recovery mechanism to file a rate case at least every five years, at which time there would be a complete reconciliation of the surcharge recovery filings. What it would do is eliminate the unnecessary costs that are associated with a rate case, and would allow a utility to recover its increased invested capital in a timelier manner. The “true up” features in the bill would allow the Commission to insure that customers do not pay more than they should, thus eliminating one of the concerns about so-called “single issue rate-making.” SB 360 also would eliminate the “rate shock” to customers that occurs when a utility only files a rate case every five to seven years, by spreading the cost over more years.

Multi-state utilities such as Atmos Energy, like any other multi-state business, must manage their business to ensure that their shareholders are adequately compensated for their investment. With a finite capital budget, decisions involving the recovery of

capital investments receive strong management scrutiny. Bills such as Senate Bill 360 would effectively encourage multi-state utilities to expend their capital dollars in Kansas.

We all know that there are other so-called "single issue" recovery methods that are currently in place such as the purchased gas adjustment (PGA) and surcharge recovery of increases in ad valorem taxes, and everyone should agree that a PGA is an efficient and effective method to recover gas costs. Senate Bill 360 could do the same thing for new capital investments and economic growth, while at the same time protecting customers against unreasonable rates as well as promoting system safety and reliability.

I want to thank this Committee for their time and encourage them to strongly consider passage of this bill. I will stand for questions at the appropriate time.