

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 A.M. on March 19, 2007 in Room 241-N of the Capitol.

All members were present except:

Oletha Faust-Goudeau-excused
Vaughn Flora-excused

Committee staff present:

Mary Galligan, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Renaë Hansen, Committee Assistant

Conferees appearing before the committee:

Senator Chris Steinegar
Tom Thompson, Sierra Club
JR Russell
Shirley Mingin
Dave Littlefield
Julius Novak
Domingo Soto
Don Gray
Mike Taylor
Kimberly Winn
Cindy Cash
Colin Hansen
Senator Mike Peterson

Others attending:

Forty including the attached list.

Hearing on:

SB 2576 **Regulation of Kansas City Board of Public Utilities by state corporation commission.**

Proponents:

Senator Chris Steinegar, (Attachment 1), offered testimony in support of **HB 2576**. Additionally, attached to his testimony were newspaper clippings from the present to 15 years in the past. He noted that there was documentation in the files of the Kansas Museum of History substantiating 50 years of this abuse happening at the Kansas City Board of Public Utility.

Senator David Haley, spoke in favor of **HB 2576**. He noted that the Senate was asking for a consistent oversight of the rate making process.

Tom Thompson, Sierra Club, (Attachment 2), gave testimony in support of **HB 2576**. The Sierra Club supports the Board of Public Utilities being subject to the Kansas Corporation Commission regulations concerning rates, charges and terms and conditions of service.

JR Russell, Wyandotte County attorney, spoke in favor of **HB 2576**. He noted there is no reason why the KCC should not oversee the rates that the Kansas City Board of Public Utilities charges.

Wyandotte resident Shirley Mingin, gave testimony noting that the average fixed income citizen could not afford the continuous increase in prices of public utilities.

Dave Littlefield, (Attachment 3), gave testimony in support of **HB 2576**.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:00 A.M. on March 19, 2007 in Room 241-N of the Capitol.

Domingo Soto, (Attachment 4), offered testimony in support of **HB 2576**.

Questions were asked and comments made by Representatives: Rob Olson, Vern Swanson, Margaret Long, Tom Sloan, and Don Myers.

Opponents:

Representative Mike Peterson, (Attachment 5), gave testimony in opposition to **HB 2576**. He noted that Senator Steinegers efforts are well intended, but premature in nature.

Representative Stan Frownfelter offered testimony in opposition to **HB 2576** noting that this issue should be in the hands of the voters and not the Legislature. He believes that the new administration in the BPU should be allowed a chance to make decisions that would change the way things have worked in the past.

Don Gray, General Manager, Kansas City Board of Public Utilities, (Attachment 6), gave testimony in opposition to **HB 2576**. He gave an explanation of the way that the KC - BPU works as an entity, noting that as a public utility they have mandatory rate hearings open to the public. He noted that in his testimony are other comments by David MacGillivray, Chairman, Springsted Incorporated, and Kathy Peters, Kutak Rock, LLP.

Mike Taylor, United Government Public Relations, (Attachment 7), offered testimony in opposition of **HB 2576**. Within Mr. Taylor's testimony were a list of several levels of control and oversight that KC-BPU is subject to currently.

Kimberly Winn, League of Kansas Municipalities, (Attachment 8), offered testimony in opposition to **HB 2576** noting that **HB 2576** opens the door to KCC jurisdiction over municipal utilities, and the League of Kansas Municipalities must therefore be opposed, as it takes away the authority of the local elected officials.

Cindy Cash, President and CEO, KCK Chamber of Commerce, (Attachment 9), offered testimony noting the Chambers' lack of support to **HB 2576**. She noted that the Kansas City Chamber was not made aware of this bill or the amendment to **HB 2032** before it was brought to the Legislature.

Colin Hansen, Executive Director, Kansas Municipal Utilities, (Attachment 10), presented testimony strongly in opposition to **HB 2576**. Kansas Municipal Utilities believes that the issues of local utilities are best handled at the local level. He also was opposed to the manner in which this legislation was amended in the Senate, compromising the base bill that was four years in the making.

Representative Tom Burroughs, spoke in opposition to **HB 2576**, and noted BPU's commitment to service to the people of Wyandotte county. He also noted that the cost of using the KCC as an oversight entity would be very expensive, compared to the current mode of oversight.

Questions were asked and comments made by Representatives: Peggy Mast, Vern Swanson, Annie Kuether, Cindy Neighbor, Vaughn Flora, Tom Moxley, Bill Light, Tom Sloan, Judy Morrison, and Carl Holmes.

The hearing on **HB 2576** was closed.

The next meeting is scheduled for March 20, 2007.

Meeting adjourned.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: March 19, 2007

NAME	REPRESENTING
Joe Dick	KCBPU
DON L GRAY	KCBPU
LORI AUSTIN	KCBPU
BRAD MEARS	CITY OF HOUSTON
Mary Gonzales	KCBPU
Robert Melander	KCBPU
Xiomara Soto	PRIVATE CITIZEN
DAVE KITTLEFIELD	PRIVATE CITIZEN
Mike Merriam	Eachus
David Springe	Curb
PHIL WAGG'S	KCPKO
MIKE TAYLOR	unified Gov Wyco/KCK
COLIN HANSEN	KCKU
TOM DAY	KCC
HARRY BRIGGS	MIDWEST ENERGY
Whitney Janner	KS Gas Service
Steve Johnson	Kansas Gas Service
Mark Schreiber	Westar Energy
SHIRLEY A. MINGIN	KCK RATEPAYERS

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: March 19, 2007

NAME	REPRESENTING
Paul Snider	KCPC
REP Steve Fournier	31st

STATE OF KANSAS

CHRIS STEINEGER
SENATOR, SIXTH DISTRICT
51 S. 64TH ST.
KANSAS CITY, KANSAS 66111
(913) 287-7636



TOPEKA

SENATE CHAMBER

STATE CAPITOL BLDG., ROOM 181-E
TOPEKA, KANSAS 66612-1504
(785) 296-7375
steineger@senate.state.ks.us

BPU Oversight Amendment

- HB 2032 puts the Board of Public Utilities (BPU) under the jurisdiction of the Kansas Corporation Commission (KCC), allowing them to regulate and oversee their expenditures, budget and utility rates.
- The BPU has spent millions of rate-payers dollars sponsoring races and purchasing suites at the Kansas Speedway, they have given their relatives plum jobs and contracts, and they have dined at the Savoy Grill and at the Golden Ox. They spend more of our money on their lunch then anyone in Wyandotte county spends on a months worth of groceries.
- The people of Wyandotte county are disgusted with the latest round of scandals by the BPU. This behavior has gone on for years and the BPU has done nothing to correct it. The BPU needs adult supervision.

ENERGY AND HOUSE UTILITIES
DATE: 3/19/2007
ATTACHMENT 1-1

March 4, 2004

B 2 www.kansascity.com

BPU approves big boost in salary

By MARK WIEBE
The Kansas City Star

Members of the Kansas City, Kan., Board of Public Utilities nearly quadrupled their salary at their meeting Wednesday evening even though the issue did not appear on the agenda.

After a brief discussion near the end of the meeting, the board voted 4-2 to increase the monthly pay of members from \$250 to \$950. Board members already are eligible for the BPU's health insurance coverage.

The action marked the board's first pay increase since 1983, spokeswoman Susan Allen said.

Although the board did not discuss when the increase will take effect, BPU attorney Marc Conklin said it was his assumption the increase will begin next month.

The issue of more pay was raised at a budget retreat Dec. 4. According to minutes from the meeting, board president Jim Head appointed members Mary Gonzales and Mark P. Jones to research it and report to the board. The board had not discussed the issue since then, Allen said.

Jones made a motion for the pay increase Wednesday during a period of the meeting reserved for board comments. Little discussion followed. Board member Loretta Colombel noted that she works about 25 hours a week on BPU matters and calculated that even with the increase her pay would amount to about \$9.50 an hour.

Board member Robert L. Milan Sr. joined Jones, Colombel and Head in voting for the increase. Gonzales and board member John Pettey voted against it.

As the board hurried into an executive session to discuss a separate issue, Jones said that, based on his research, the increase brought the board's salary in line with that of other public utility boards.

Gonzales said she could not support such a large increase. Gonzales also conceded that she "didn't do a very good job" of researching the issue, adding that she didn't know the issue would come up until just before Wednesday's meeting.

Pettey said that he might have supported a more modest increase but that this one went too far. He noted that most commissioners for the Unified Government of Wyandotte County and Kansas City, Kan., made \$1,000 a month.

"We spend a lot of time, but not as much as they do for their \$1,000," Pettey said.

To reach Mark Wiebe, Wyandotte County government reporter, call (913) 234-5995 or send e-mail to mwiebe@kcstar.com.

Wednesday, September 10, 2003

BPU weighs nepotism rule

Policy would prevent close relatives from working for the utility

By MARK WIEBE
The Kansas City Star

Members of the Board of Public Utilities discussed a proposed nepotism policy last week that would prohibit close relatives of board members and the general manager from working at the utility.

If implemented, however, the policy would not prevent the daughter of General Manager Leon Daggert and the son of board member Loretta Colombel from continuing to work as BPU employees. Both would be exempted under a grandfather clause. Nor would the policy apply to Daggert's wife, who performs contract work for the BPU through another employer.

Kristina Daggert, the general manager's 24-year-old daughter, was hired in April as an environmental scientist. Her salary is \$49,000 a year.

Keith Colombel, 37, was hired in May to work as a meter reader for \$36,000 a year.

See BPU, Page 10

LIABILITY ANALYSIS

A confidential document shows that a number of power plant upgrades done by the Board of Public Utilities of Kansas City, Kan., may have violated federal clean air laws. The report divided more than 70 projects into three categories, depending on whether they appeared to have followed regulations. Projects were "probably not defensible," "questionable" or "probably defensible." Here are the projects at each plant.



Plant Name	Probably not defensible	Questionable	Probably defensible
Nearman Creek Power Station	5	2	13
Guldaro (ABOVE) Power Station	6	7	21
Kaw Power Station (NOW CLOSED)	4	6	7

PHOTO BY CHRIS OBERHOLTZ | THE KANSAS CITY STAR

Utility may have violated federal law

By KAREN DILLON
The Kansas City Star

At least 15 upgrades at power plants operated by the Board of Public Utilities of Kansas City, Kan., may have violated federal clean air laws, according to a confidential BPU document.

On Friday, a Jackson County judge barred *The Kansas City Star* from publishing an article based on the document and ordered the newspaper and *The Pitch* newsweekly to remove articles from their Web sites.

But on Tuesday the Missouri Court of Appeals Western District ruled that the order was unenforceable, which had the effect of allowing publication.

The document, obtained from an anonymous source by *The Star*, was prepared in 2004 by an attorney to lay out for BPU the risks of penalties by the Environmental Protection Agency. It examined 72 projects to determine whether they followed regulations.

Of those 15 were "probably not defensible" and another 15 were "questionable," it said.

The document, which calls itself a "liability analysis," says BPU could be subject to thousands of dollars in fines. It points out that the utility had the choice of approaching the EPA to reach a settlement or waiting for the EPA to initiate action.

Go to KansasCity.com to read the BPU documents and the court ruling.

SEE BPU 1A4

BPU Could Face Thousands In Fines

A confidential report reveals the utility didn't follow federal pollution regulations when upgrading its plants.

By Justin Kendall

Published: March 1, 2007



Wednesday, January 10, 2007

'Fair and Forthright'

www.kansascitykansan.com 5.50

Ethics Commission scolds BPU

Commissioners fume over alleged credit card abuses; also, BPU ethics liaison Mike Manske resigns

By SAM HARTLE
Kansas City Writer

The Kansas City Board of Public Utilities will receive a scolding Monday from its ethics commission on Tuesday regarding recent allegations of abuse of the commission's credit cards.

The program is being run by the utility. Ethics Commission Chair Mike Price said the program is "a complete failure of the BPU's ethics."

The allegations are set against the fact that the BPU's ethics program is "a complete failure of the BPU's ethics."

Some very serious medical issues stemming from an automobile accident (Manske) was involved in during the summer.

Manske's resignation comes in the wake of a report in the Kansas City *Kansan* last month that Manske, who serves as the administrative liaison manager for Ethics Commission and BPU management,

did not provide the commission with requested documents relating to the credit card allegations.

The Ethics Commission was originally scheduled to address the issue at a meeting in December, but was unable to do so since Manske had provided the documents.

Ethics Commission members had several sessions with the BPU staff

"I think the program has failed from the top down. It's definitely a failure of the BPU as a whole."

- Ethics Commission Chair Mike Price

ing Tuesday's meeting. "I'm not happy about the alleged procurement card abuses," Ethics Commission Chair Steward said. "I don't think the rate payers would be happy about it either."

Price said that current policies regarding procurement card purchases to be reviewed with an original receipt were not followed. Commissioners were notified that the purchases of almost every nature were

SEE BPU 1A4

The Board of Public Utilities Paid for Its Use of Facilities At the Speedway and The Ballpark

Sponsor 'BPU 200' at Kansas Speedway

\$150,000.00

Including:

- 32-person racetrack suite
- 200 general admission tickets
- 200 tickets to qualifying race

100-person hospitality tent at the races

\$60,000.00

\$20,000.00

400 race tickets

\$35,000.00

Sponsor T-Bones Games

Including:

- 20-seat ballpark suite for every other home game

TOTAL over 4 years:

\$265,000.00

During the audit, people pointed out to us that the Board also had access to suites and hospitality tents. Our review showed that in 2001, 2002, and 2003, the Board paid between \$150,000 and \$185,000 to sponsor a race called the "BPU 200." That sponsorship included access to a 32-person suite at the Speedway, 200 general admission tickets to the race event, and 200 tickets to the qualifying event the night before.

The Board also has purchased access to a 100-person hospitality tent at the Speedway for \$15,000 during each of the past 4 years, and 400 race tickets (100 tickets each for 4 separate races) for slightly more than \$20,000.

According to Board officials, they also acquired access to a 20-seat Ballpark suite for every other home game as part of an agreement in which they paid \$35,000 to become an advertising sponsor for a scoreboard at the Ballpark. The Board provided us with proof of payment for these facilities.

STATE LINES

How Suite It Is

WyCo utility execs enjoy fast times at the Kansas Speedway.

BY BRYAN HOODMAN

The first weekend in July was a hot one at the Kansas Speedway, where 80,000 fans stood for Danica Patrick as she circled the track averaging nearly 180 miles an hour (though Tony Kanaan went on to win). "Just top employment with the Kansas City Board of Public Utilities, the company that provides water and electric to Wyandotte County customers — who actually own the public utility — were en route to an air-conditioned suite, along with their spouses, friends and colleagues."

They should enjoy the view while it lasts. Over the past three months, since BPU board members have harshly criticized BPU General Manager Leon Daggert, claiming it is not in the public's best interest to have a few BPU executives living large at the races on rate-payer dollars. Water and electric customers paid their power company \$207.4 million last year. At the same time, the BPU has spent about \$36,000 annually for the suite since the track opened in 2001. The BPU exceeded its budget last year by \$400,000, but Daggert renewed a three-year contract for the suite. Angry board members have complained that he avoided discussing it with them by hiding the cost under a vaguely worded line item for a "cooperative marketing program."

Daggert claims that the suite has been essential for bringing new businesses to Wyandotte County. "The BPU initially signed up for the suite to fulfill a bid it made to International Speedway Corp. before the track was built. BPU officials had promised to spend \$5 million building the water and electrical infrastructure for the complex. But when the final bill came in at under \$2 million, the BPU offered to spend the difference by leasing a suite for the first three seasons, sponsoring the

first three ARCA/REMAX races and paying for other advertising and promotional events.

Daggert tells the Pitch that the BPU hosted a crucial meeting at the suite in 2001, inviting 15 developers to view the racetrack and the future development site for the booming Village West shopping center (now the Plaza) tourist destination in Kansas. That meeting resulted in significant growth in Wyandotte County, Daggert says, because he was able to use the gathering to tout the BPU's incentives for developers (such as helping to build water lines in communities that promise to go all-electric). "Fourteen out of those 15 are developing here today because of that meeting," Daggert says. "The bottom line is, nobody would be here without our incentives."

But some of those developers have told the Pitch that the BPU had little to do with their interest in Wyandotte County. Don Dadd Jr., who built an 850-acre housing tract called Piper Estates, says the BPU had become a pleasure to work with — and that the incentives were a factor in his development. "The reason we started Piper Estates was because I fell that Wyandotte County was prime for a housing boom," he started building before the Speedway was under construction, so he couldn't have been moved by the BPU's invitation to talk business in a suite at the track.

Linda Coleman, the new-Tones sales director for Coldwell Banker, began working on the Whispering Pines development. She says her company closed on its land before the BPU invited it to any meetings. Instead of incentives, she adds, Coldwell Banker began looking for land value, proximity to shopping, schools and highway access. "It doesn't mean anything," she says of her invitation to the Speedway on the day Daggert says everything changed. "We went and we reached."

In February, a committee of five Kansas state senators and representatives signed an anti-questioning bill of the houses. The BPU had spent between \$130,000 and \$150,000 in advertising on the Speedway races if each of the first three years. The BPU had spent \$15,000 for a 100-person hospitality tent and \$20,000 for 400 race tickets. The committee also stated that the BPU had paid \$35,000 a year for advertising on the scoreboard at

the T-Bones baseball stadium to deal with unwanted access to a suite there. (According to the audit, BPU customers also receive discounts at some Village West businesses.) Critics have since argued that the BPU's advertising and marketing efforts are superfluous when there's no other water or electric company to compete for contracts with developers.

BPU spokeswoman Susan Allen says marketing efforts benefit rate payers because electric and water bills go down when more customers sign up for BPU utilities. But in 2003 and 2004, in the midst of a development boom, rates actually increased. In May, the Pitch spoke with residents in the Westborough neighborhood near 75th Street and State Avenue, who had complained that their utility bills had gone up \$10 to \$15 a month over the past two years. "They've never entertained me or my wife," Gary Showalter, 65, said of the BPU executives and their Speedway suite.

"They've never entertained me or my wife."

A woman appearing to begin her rant in a neighborhood near Daggert's home, said she had lived in Wyandotte County for 50 years. (She asked not to be named in this story.) When she heard about the suite, she said, "I kind of blew and thought, 'That's politics.' The suite and the company didn't need to promote itself because it was the only one in the county. Because the utility is owned by the public it serves, the suite would be fine, she said. "If they let each homeowner have their turn." "We can't keep giving privileges to a chosen few," BPU board member Lucretia Colmelli said at a May 25 meeting, criticizing Daggert for what she described as a useless party for utility heads. Daggert told board members he had sold four of the 20 seats in the suite to the Enlow, Anthony and said he would try to sell more. "I can't," he continued. "we'll postpone the next three years."

And after the July 2 race, Daggert still claimed to be withdrawing and so announced the suite. "With the people I deal with, it's a business. It's not the public's right to know. It's not the state's right to know. It's not the public's right to know in Wyandotte County."

Controversial credit card documents not given to BPU Ethics Commission

BPU says officials need more time to review executives' high-dollar charges at local restaurants.

[The Ethics Commission] needs to wait until senior staff members at the BPU become more familiar with this issue. We ask that this group wait to review the issue until that time.

BPU ethics commissioner Michael Marzella says the commission should wait until senior staff members at the BPU become more familiar with this issue. He says the commission should wait until that time.



Wyandotte County

KANSAS CITY, KAN. • PIPER

THIS WEEK

BONNER SPRINGS • EDWARDSVILLE

At BPU, loyalty earns lavish rewards

\$200,000 has been spent on gifts, parties, jewelry and cruises for employees since 1985.

by KAREN DILLON
Staff Writer

Since 1985, the Board of Public Utilities in Kansas City, Kan., has spent nearly \$200,000 rewarding its most loyal employees with pen-bar dinner parties, riverboat cruises and diamond-studded jewelry.

The board's practice of offering service awards appears to be the most lavish among the metropolitan area's public and private utilities — and within its own

municipal government.

When other public workers in Kansas City, Kan., are honored at annual functions for their years of public service, the typical fare is cookies, Kool-Aid and a coffee mug or other tokens of the city's appreciation, delivered at a City Hall reception with Council members.

Bertt-Matthews, city personnel director, was surprised this week to learn that this year's annual BPU bash aboard the Riverboat America was budgeted at \$25,000.

He said about \$7,000 had been set aside this year to honor city employees.

"There is a line as to the fiscal responsibility especially since we're tied into taxes," Matthews said.

This year's riverboat party follows a recent BPU proposal to raise electricity and water rates this year and next. If approved this summer, the new rates would, by January 1994, add nearly \$10 a month to the average residential customer's monthly bills.

Additional proposed rate increases, some as high as 10 percent in a single year, have been plotted by utility planners through

the year 2010 in anticipation of construction of new water and electric generating plants.

Despite the proposed rate increases, BPU President Clarence DeGraeve justified the expense of the annual employee party as "a morale booster."

He said, "I worked at Safeway stores for 41 years, and they had the same thing. I think it helps productivity. We just think it's good for the employees."

The BPU is a city agency, but it operates independently under its elected board of directors and is funded almost entirely by its rate structure.

BPU spokesman Karen Ford

said the utility's annual employment peaked around 1970. The number of employees nearly went to zero in 1971 but resumed in 1972. About 900 employees were employed by the utility in 1990.

"We depend on the work force of the utility," he said. "Every year we have to hire new employees here with us."

After each annual BPU employee party, a guest list is compiled.

ANNUAL LOSS PUT AT \$100,000

BPU HAS BEEN UNDERCHARGING SOME CUSTOMERS

Utility will start billing them in January according to its standard practice, but won't collect back payments.

By MARK
The Kansas City

The Kansas City, Kan., Board of Public Utilities has undercharged dozens of water customers, some for decades. Most of the price breaks went to businesses.

The practice, which the BPU only recently revealed, resulted in annual losses to the utility of about \$100,000, according to a rough estimate.

Utility spokeswoman Susan Allen said that some customers, mostly businesses, were undercharged for "many and others for a few years." One particular customer

KANSAS IN BRIEF

Ruling: KCK utility violated civil rights

KANSAS CITY, Kan. — A federal agency has ruled that a city utility violated the civil rights of four employees by investigating them for possible ties to terrorist organizations after the World Trade Center bombing in 1993.

Then Board of Public Utilities General Manager Terry Drake ordered investigations of several foreign-born employees soon after the fatal bombing in New York.

The employees, natives of Iraq and Iran, learned of the investigations after being contacted by The

Rate increase out of line BPU customers tell board

Trim spending before seeking bigger fee for water, residents say.

By ANNE LAMOY
Staff Writer

Customers asked the Kansas City, Kan., Board of Public Utilities on Wednesday to reconsider raising water rates nearly 60 percent over the next three years.

Time and again, customers at a public hearing said the utility should tighten its belt before raising rates to pay for a new water treatment plant.

"Gentlemen, I want you to use discretion in your spending," said Warren Liston of Kansas City, Kan. "People are concerned that the spending is out of hand."

Ed Lee, also of Kansas City, Kan., said: "I don't think the rate they're asking for is reasonable. I'll go along with a little raise, but not 60 percent."

John Feedback, the only BPU board member who attended the evening hearing, said he sympathized with customers worried

"I don't think the rate they're asking for is reasonable. I'll go along with a little raise, but not 60 percent."

— Ed Lee, Kansas City, Kan.

about higher water rates.

"I understand. I've lived in this community all my life," he told the 20 audience members. "We're trying to cut anywhere we can."

Two hearings, one in the morning and one in the evening, were held at the utility's headquarters at 700 Minnesota Ave., Kansas City, Kan.

Under consideration by the independently elected board is a plan to raise average monthly water rates by \$4.91 next year, \$4.62 in 1997 and \$3.61 in 1998. Those average increases are slightly different from the estimated increases utility officials previously announced.

The board will decide whether to

raise the rates after holding a public hearing for large commercial water users in November.

The BPU wants the rate increase to finance a \$42 million new plant and to pay increasing operating costs. The proposed rate would be at 55th Street and Mission Road, southwest of the Nearman Creek Power Station.

About 55 percent of the proposed rate increase is needed to shore up water department revenues, which have dropped 20 percent in the last few years, partly because of population loss in Kansas City.

The new plant will augment diminished operations at the 100-year-old Quindaro plant, which was ravaged during a flood.

Even if the utility board approves the rate increase, it faces opposition from the Kansas City Council.

Earlier this month, Councilman Tom Bruns asked for an independent examination of utility operations.

The BPU can approve rate increases without council approval, but the council could refuse to issue bonds to finance the plant.

BPU carries heavy debt

BPU: Utility has been undercharging some customers, some for decades

FROM PAGE 1

However, Allen said the utility could not determine why the customers were undercharged. "We don't know how it came about," Allen said. "And it probably came about for different customers for different reasons." Allen stressed that the BPU does not suspect wrongdoing or deliberate violations of a billing policy. However, she said it was possible that some employee or employees may have changed the way these customers were billed to relieve the "administrative burden" on them. But the truth is, she said, "we

don't know why it was done." Allen said that 75 customers — including 50 commercial and 16 industrial customers — would receive letters this week notifying them that they had been undercharged and that the utility in January would begin billing them according to its standard practice. The utility will not attempt to collect back payments. Allen said the BPU decided to give the customers enough notice so they could adjust their finances to the new billing practice. "We're doing that as a courtesy to those customers," she said. All the customers affected had two or more water meters at a location. Typically, the BPU bills

each meter separately. But in the case of the undercharged customers, the readings from each meter were combined. Because the utility charges less per unit the more water a customer uses, those customers whose meter readings were combined would have had lower bills. It's possible, Allen said, that customers may now decide to have just one meter. The utility learned that something might be wrong last year after installing new computerized billing, financial and operating systems, Allen said. The new system yielded timelier and more accurate data. That information couple

with a push from General Manager Don Gray to review finances in greater detail, exposed the billing errors. Allen said the BPU wants to do all it can to make sure all customers are billed equitably.

"We can't have the ties," she said. "Plus we have to examine takes and correct the To reach Mark Wiebe 234-5995 or send e-mail mwiebe@kcstar.com

Officials challenge higher water rates

Continued from B-1

water rates would increase by \$5.20 next year, \$4.60 in 1997, and \$3.70 in 1998.

The publicly owned utility provides electric service to Kansas City, Kan., and water to Kansas City, Kan., and Edwardsville.

The greatest threat to the proposed water-rate boost appears to be the City Council, not customers. Fewer than 40 persons turned out for three public information sessions in the last 10 days.

Council members last week challenged the need for a new water plant as people continue moving out of Kansas City, Kan. Councilman Tom Bruns said higher rates would drive large businesses out of town and discourage new ones.

He and other council members, including Mayor Carol Marinovich, have asked for an outside, independent examination of the utility's operations.

"If we find that they're not efficient enough to meet competition, we're not sure they need a new water plant," Bruns said last week. "There's no growth in water use; in fact, it's down."

Although council approval is not needed for higher rates, the council could refuse to issue bonds to finance the new plant, to be located at 55th Street and Dickinson

Road, southwest of the Nearman Creek Power

Utility officials said two-thirds of the proposed increase is necessary to stabilize revenues, which have dropped off over the last few years because of population loss in Kansas City, Kan. Even with the new water plant, rates would be substantially within a five percent increase.

The new plant is needed to replace a nearly 100-year-old plant damaged during the flood, said Don Gray, director of processing.

According to Board of Public Utilities figures, demand has averaged about 28 million gallons a day for the last several years, down from an average of 30 million gallons a day in 1990.

Muddying the issue is the deregulation of the electric utility. Because the Board of Public Utilities provides water service, council members say a new water plant may put financial stress on the utility, which also must compete for electric customers.

"They're not ready for it," said Councilman Steve Seure. "In 1997 you'll have a choice (as to) whether you buy your electricity from..."

Dailey hired to review BPU

By ANNE LAMOY
Staff Writer

Former Kansas City, Kan., Police Chief Tom Dailey has been hired to conduct a wide-ranging security review of the Board of Public Utilities operations.

According to his contract, Dailey will be paid \$100 an hour for the review, which could take 30 to 45 working days.

Although he's signed a contract with the BPU, Dailey apparently hasn't applied for a city business license yet.

"We'll get ahold of the BPU and make them aware of the ordinance," John Lacy, city license administrator, said Wednesday. "He's just like anybody else."

Anyone working for money in Kansas City, Kan., must have a license, Lacy said. For the rest of the year, Dailey would owe a \$21 license fee.

According to Lacy's records, Dailey has not applied for the license.

Dailey did not return messages left on his home answering machine this week.

The contract with the BPU calls for Dailey to study current security procedures regarding bomb threats, fire

risks, protection of employees and customers at the downtown headquarters; alarm monitoring at all facilities; and determine whether security guards should be BPU staff members or be provided by an outside company.

"We're looking to see just exactly what our needs are to make our utility safe and sound for our ratepayers and employees," said Bob Milan, BPU president. "That's all that it's about."

Dailey was hired this month after the BPU's rejection in July of bids from five security companies.

At that time, Dailey was tapped as a consultant, although he's not a certified security adviser.

Dailey's contract also requires him to carry \$1 million of liability insurance coverage, which he got last month through the Chris-Leef General Agency in Johnson County.

Generally, the coverage is "for giving advice," according to Jody Boeding, assistant city attorney.

Dailey was police chief for six years until his retirement in March. His brother

BPU scraps marketing effort burdened by costs, connections

By MARK WIEBE
The Kansas City Star

For the second time in a year, the Kansas City, Kan., Board of Public Utilities will look for a new way to administer the marketing program for electric heat pumps.

Acting General Manager Don Gray told The Star last week that the

contract despite never having provided the service.

The BPU was to pay Electro-Co \$175,000 — the prorated amount for delivering the service for the rest of 2006 — plus \$200,000. The contract expired at the end of the year.

Owned by former U.S. Rep. Alvin E. King, Electro-Co continued to keep Deven Duggan in the heat pump business, according to a letter to

also employed Gus Pascoe, a Kansas City, Kan., employee who was part of an investment group that years ago reconstituted the BPU to spend \$400,000 to study the feasibility of bringing a Wizard of Oz theme park to the city. The park was never built and the money never returned.

These issues aside, however, was the driving reason behind Gray's

This year's budget, approved under Duggan's watch, set aside \$315,000 for marketing the heat pump program for the entire year. But Gray suggested he thought that was too much. "We will look to reduce that figure."

The BPU encourages the installation of heat pumps as a way to boost demand for electricity during the winter months, a time when

demand but when the utility is

to run its power plants. As part of its marketing effort, the utility offers rebates to homeowners and home builders who install heat pumps. This year, for example, the utility set aside more than \$200,000 for the rebates.

To reach Mark Wiebe call 234-5995 or write e-mail to mwiebe@kcstar.com

BPU's debt doubles others'

City, county together have only half the utility's burden.

By ANNE LAMOY
Staff Writer

The Board of Public Utilities hasn't ordered a neon billboard touting the findings of a revenue study report released last week by the Kansas City, Kan., Area Chamber of Commerce.

That's partly because the utility's total bond debt — \$529 million — was one of several numbers that jumped out from the

KANSAS CITY, KAN.

pages of the inch-thick report.

The BPU debt is more than double the \$263 million combined debt of Kansas City, Kan., and Wyandotte County.

According to the report, the \$529 million debt, combined with four consecutive years of revenue losses, means that the utility isn't ready for pending deregulation of the nation's power industry.

That was one of several findings included in the chamber's gloves-off report. It

analyzed the financial health of the utility, as well as county and city governments.

For the utility's analysis, the report compared it with other Midwestern public power utilities, using studies done by the Lincoln (Neb.) Electric Service.

Those studies found that compared with other Midwestern electric utilities, the BPU has higher operating costs per customer, spends more than other utilities to produce power and has more employees for customer than other utilities.

BPU approves increases in water, power rates

By MARK WIEBE
The Kansas City Star

The Kansas City, Kan., Board of Public Utilities on Wednesday approved double-digit percentage increases for residential water and electric rates — the largest in two

and time in less than a year that it has increased rates. In December, it approved a temporary electric rate increase that boosted the average residential bill 7.1 percent. That increase is expected to end in three years.

Utility administrators proposed his ago, generator its ex-

puts that positions, formed that the calls if it

BPU director aids kin on public's tab

Executive has contractor cut down a tree in his daughter's yard.

By RICK ALM
Staff Writer

A top executive at the Board of Public Utilities in Kansas City, Kan., ordered a contractor earlier this week to cut down a tree in his daughter's front yard at public expense.

The executive, Gary Shrader, director of electrical operations for the BPU, acknowledged the misuse of public funds in an interview Thursday.

"You got me," said Shrader, a 23-year veteran of the city-owned water and electric company. "I screwed up."

Shrader said he acted on his own

and outside normal city procedures in having the tree removed Tuesday as part of his plan to install a city streetlight outside his daughter's house on New Jersey Avenue in Kansas City, Kan.

Shrader said that he arranged the tree work without paperwork and that none of his superiors knew that Shrader was doing it.

"I wasn't thinking about what it appeared like," Shrader said. "I was just going to get (the tree) trimmed and then call the guy at the city" to arrange for the streetlight.

Robert L. Sadrakula, interim general manager of the city-owned water and electric company, said the utility was investigating the matter.

"I assure you that corrective ac-

See BPU, C-6, Col. 1

BPU sued over radio contract bid

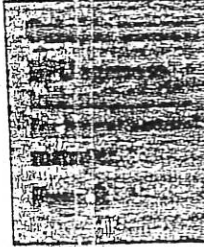
By JOHN T. DAUNER
Staff Writer

A lawsuit seeking to stop the Kansas City, Kan., Board of Public Utilities from awarding a multimillion contract for a mobile-radio system to Motorola has been filed in federal court by the company that claims to be the low bidder.

The plaintiff, Ericsson Inc., said mathematical errors and the BPU's interpretation of its bid resulted in the erroneous determination that Motorola was the low bidder. Ericsson contends it beat Motorola's bid by at least \$600,000.

A hearing on a preliminary injunction scheduled for today before U.S. District Judge Earl E. O'Connor in Kansas City, Kan.

Ericsson's petition alleges that BPU officials



Noose found at BPU plant spurs hate-crime investigation

By MARK WIEBE
The Kansas City Star

A contract employee for the Board of Public Utilities in Kansas City, Kan., was fired last month on the same day a noose was found dangling from a railing.

The incident, which occurred Nov. 22, is now the subject of a criminal investigation to determine whether a hate crime was committed.

BPU officials said Monday that the employee, who belonged to a labor union and worked at the utility

let go by his employer on Nov. 22.

The officials declined to identify the name of the employee, the name of the employer or the employer.

In a Nov. 23 letter to BPU general manager Leon Dagggett, employee Donald Crawford, who is black, said that he and three other BPU employees, all of them white, were on their way to lunch when they saw the noose hanging just above their heads from a balcony railing. The noose was fashioned from white rope. Crawford thought was a 3/4-inch thick rope. He said he was disturbed at seeing what has come

KICKBACK allegations leads to FBI inquiry of BPU consultant

Security expert says payments to him were a legal subcontract.

By PHILLIP O'CONNOR
Staff Writer

Oblivious to the hidden camera, the visitor laid out details of his plan.

John Strong, an alarm company owner, listened warily as the visitor boasted that he could use his father's connections as a security consultant at the Kansas City, Kan., Board of Public Utilities to give business to Strong.

In return, the visitor said, Strong would funnel money back to his father, BPU consultant Paul Gearheart.

"The kid was alluding right on tape that we could get business and they'd tell us how to bid,"

Strong said, recalling the March 4, 1993, meeting in his Overland Park office with Gearheart's son, David.

Rather than accept the offer, which he secretly videotaped, Strong called a friend, former FBI agent Chuck Stephenson. Stephenson, who runs another Overland Park security firm, urged Strong to call the FBI.

Within days, Strong and Stephenson were cooperating in a seven-month federal investigation — featuring videotaped meetings and body wires — into allegations that Paul Gearheart received kickbacks in exchange for steering a BPU contract to Stephenson.

Paul Gearheart, in an interview last week, acknowledged receiving payments from Stephenson. But he said they were a legal part of a BPU subcontract with Stephenson that he arranged. Gearheart said

See **KICKBACK, A-6**, Col. 1

38 sue BPU alleging bias against blacks in hiring, promotion

Utility, board, general manager and Unified Government are defendants

By ROBERT A. CRONKLETON
The Kansas City Star

Thirty-eight persons have accused the Kansas City, Kan., Board of Public Utilities of racial discrimination when it comes to employment.

The individuals, mostly Kansas City, Kan., residents, claim in several federal lawsuits that the BPU has a pattern and practice of discriminating against black employees when it hires, promotes, disciplines and terminates individuals' jobs. They claim that the BPU also retaliates against workers.

All the plaintiffs are black. They claim that the alleged discrimination started in 1977 and continues today.

The plaintiffs named as defendants the BPU, its board, General Manager Leon Daggett and the Unified Government of Wyandotte County and Kansas City, Kan.

In all the lawsuits, the plain-

tives without the aid of attorney.

Daggett referred all complaints to BPU Attorney Marc Conklin said the utility very comprehensive affirmative action plan and follow general requirements on employment practices when it comes to hiring and promotion.

"We stand by the position that there is no merit to allegations," he said.

Conklin added that the Equal Employment Opportunity Commission and the Department of Labor's Office of Federal Compliance programs fully investigated the allegations and found them to be without merit.

The lawsuits have been filed over the past month, with the most recent ones this week. The recent ones filed by individuals originated in a larger suit filed by 38 people.

BPU: Higher rates OK'd

Continued from B-1

Although she said the BPU staff did a good job of putting its proposal together, Gonzales said smaller incremental increases would have been easier to take for residents on fixed incomes.

"This was too much to bear, said.

That echoed the sentiments expressed at morning and evening public hearings that attracted 40 residents Tuesday. Many of them lived on fixed incomes and wouldn't be able to afford the increase. Others urged the BPU to look for cost savings.

"I've got a good job and I can't afford to pay the electric bill," said Maxwell, who spoke at the evening hearing. "People ain't going to be able to turn on their air conditioning. It's hot outside."

To reach Mark Wiebe call (816) 5995 or send e-mail to mwiebe@kcstar.com

BPU rate boost stirs questions

Some KCM officials doubt new treatment plant will bolster utility.

By ANNE LAMOY
Staff Writer

A plan by the Kansas City, Kan., Board of Public Utilities to raise water rates nearly 60 percent over three years has prompted a lot of private grumbling but no organized opposition.

But that could easily change at two public hearings Wednesday,

when customers will get a chance to tell the independently elected members of the Board of Public Utilities what they think about the proposed rate increase.

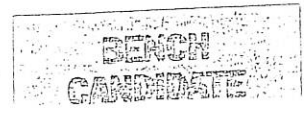
Hearings at 9 a.m. and 7 p.m. will be held at utility headquarters, 700 Minnesota Ave., Kansas City, Kan.

A separate hearing for large commercial water users and a staff presentation will be held in November.

The increase would pay for a \$42 million water plant and higher operating costs. Average monthly

See **OFFICIALS, B-2**, Col. 5

standards



landside

His prediction was based, in part, on the huge turnout of black South Africans who jubilantly

celebrated an election that has started to bring a new mood in South Africa ... bonding people together and healing wounds of the

... symbolic secretary of the state ... monwealth, the grouping of former British colonies that the new democratic South Africa is

As the party reached fever pitch, chants of "ANC! ANC!" reverberated around the dance hall.

express their joy in a way befitting members of the ANC," said R. ... maphosa, considered a likely can-

African Unity held a joint news conference to give their stamp of approval to the coming

Kickback allegations are distortions, consultant says

Continued from A-1

his son was incorrect when he told Strong that his father could get him business.

Authorities soon are expected to ask a federal grand jury to decide whether the transaction was simply a business deal or a series of criminal acts that could include mail and wire fraud, bribery and extortion, sources said.

Nothing ever came of David Gearheart's meeting with Strong, owner of Strong Alarm Co. But Stephenson, wearing a body wire to several future meetings with Paul Gearheart, landed a contract with the BPU that is the focus of the federal inquiry. FBI agents watched from a distance and took photographs, Stephenson said.

Both Strong and Stephenson said they soon expect to be telling the grand jury how they helped the FBI gather evidence against Paul Gearheart. The FBI and U.S. Attorney Randy Rathbun declined to comment.

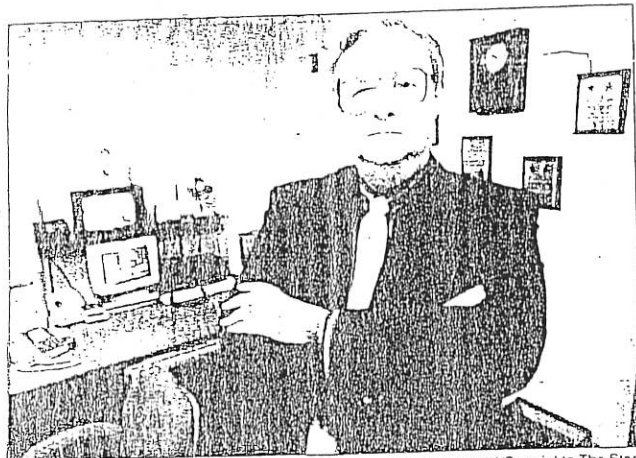
Among the evidence, according to numerous interviews and records obtained by *The Kansas City Star* are \$4,800 in checks from a Stephenson company account which Gearheart cashed, and taped interviews in which Gearheart told Stephenson to overcharge the BPU for his services and give some of the fees back to the security consultant.

Payroll records also show that Stephenson's company, Orion Investigations, hired another of Gearheart's sons as a private investigator and paid him with money from the BPU.

David Gearheart could not be reached for comment and at least two attempts to reach him through Paul Gearheart and his lawyer, Nancy Roe, were unsuccessful. Paul Gearheart said he has done nothing wrong and blamed his problems on a suspended son, an overzealous FBI and government enforcement willing to twist the facts.

"I've been in the investigation business for 25 or 30 years and I've never had a problem," Paul Gearheart said.

He said the original business practice of hiring a subcontractor, and keeping some of the fees for



COLIN BRALEY/Special to The Star

A videotape made by John Strong, owner of Strong Alarm Co., helped launch a seven-month FBI investigation into kickback allegations involving the Kansas City, Kan., Board of Public Utilities.



COLIN BRALEY/Special to The Star

A federal investigation is focusing on a contract between the BPU and former FBI agent Chuck Stephenson, the owner of Orion Investigations, who has been cooperating with the FBI in its inquiry.

it look illegal and make it sound illegal," Roe said. "It appears that Stephenson had an ax to grind or manufactured something."

Gearheart said he did not recall telling Stephenson that each investigation should take 100 hours. But he agreed that he accepted checks from Stephenson, although he could not remember for how much. "That was legal," Gearheart said.

Gearheart said he hired Stephenson as a subcontractor to investigate the backgrounds of BPU employees.

Because the investigation included surveillance of BPU employees, Gearheart said he could not do the work himself without being recognized.

"I told (Stephenson) exactly how it was commissioned, how I would work it and that I couldn't personally do most of the work myself."

Although Gearheart said it was

The friends shared ownership of a racehorse and took vacations together. Gearheart was the best man at Drake's 1991 wedding.

Drake resigned in January after seven years at the utility and has declined to be interviewed since his resignation.

Gearheart was among the biggest beneficiaries of the security buildup. From 1987 to 1992, his firm, Professional Security Services of Kansas City, Kan., was paid nearly \$300,000 without bidding for the work.

But Gearheart said his friendship with Drake and his role at the utility have been misrepresented.

Gearheart had done occasional contract work for the BPU since 1972, but met and became friends with Drake only after being hired as a security consultant. He said the friendship did not affect their business relationship. In fact, Gearheart said his proposals have saved the utility the cost of his services many times over.

Just one recommendation for cutting employee theft from BPU storerooms, warehouses and other facilities saved ratepayers about \$1 million a year, Gearheart said.

"Since I put in all the security, they're not losing a dime," Gearheart said. "I feel good about what I did. They got a reward."

The playe

A seven-month F security consultant a Utilities received kick to the owner of an C Here are the major p

Board of Public I A publicly owned K and electricity.

Paul Gearheart

Owner of Professio and a consultant to it April. Now under inve kickbacks.

David Gearheart

A son of Paul Gearl appraiser who oper favored companies Ic

Drake E. Gearhea

Another son of Paul investigator and a stu

John Strong

Owner of Strong Ala

BPU official interviewed by FBI

Investigation focuses on bid solicitations for insurance policies.

By PHILLIP O'CONNOR Staff Writer

An elected official with the Kansas City, Kan., Board of Public Utilities said Wednesday that he had been interviewed by FBI agents in connection with a federal grand jury probe of the utility.

Mike Murray said FBI agents interviewed him in late October regarding a continuing investigation of the utility's use of private insurance agents to solicit bids for the BPU's various insurance policies.

Murray said the investigation appeared to focus on "current and past practices involving the

agents," but he declined to elaborate.

"I can't go into details," he said.

Murray said he did not know whether any BPU employees or financial records had been subpoenaed by the grand jury.

FBI spokesman Jeff Lanza on Wednesday said he could neither confirm nor deny any agency investigation.

The grand jury is expected to reconvene in Kansas City, Kan., at the end of the month.

Since 1987, the BPU has contracted with private firms to solicit bids for most of the utility's insurance.

Currently those firms are Marino & Wolf Inc., which places the BPU's property and casualty insurance; and Al Bukaty Insurance, which places the utility's health, life and long-term disability policies for employees.

Jasper M. Marino, Frank Wolf and A.V. "Skip" Wheat are believed to have testified before the grand jury late last year. Wheat, a former agent for Marino & Wolf, declined to comment Wednesday.

Bukaty said Wednesday that he has not been subpoenaed.

Wolf and Marino could not be reached for comment.

BPU President Clarence D. Graeve said Wednesday that he had been briefed by BPU General Manager Terry Drake, who advised him that FBI agents had interviewed Richard Hughes, a utility employee who oversees the BPU's insurance program.

Hughes has declined to comment.

Drake wouldn't answer questions about the investigation Wednesday evening.

a checking account at Valley View

Kansas City, KS-- BPU EXCESSIVE SPENDING

Date:	Amount:	Location:	Charged by:	Note:
* 01/07/04	\$219.60	The Cigar Box	Marc Conklin	For sure: Don Gray. Leon Daggett says Broad Band
1/13/2004	\$42.90	Applebee's (VW)	Marc Conklin	
* 1/13/2004	\$167.11	Savoy Grill	Marc Conklin	Liz Mager, Lori Austin, Leon Daggett "Ratos Spec"
1/14/2004	\$177.51	Applebee's (VW)	Marc Conklin	Mark Jones, Rodney Turner, Pat Scherzer, JK, TC
1/15/2004	\$26.13	Sports Page Lounge	Leon Daggett	
* 1/20/2004	\$713.39	Monte Carlo (Vegas)	Marc Conklin	Blackstone's Monte Carlo Reson & Casino
1/21/2004	\$44.16	Smith & Wollensky	Willard "Joe" Dick	Las Vegas
1/23/2004	\$23.86	Dreamers Bar & Grill	Marc Conklin	Las Vegas
* 1/18/2004	\$924.55	Monte Carlo (Vegas)	Marc Conklin	depart 1/23/04
* 1/27/2004	\$256.30	The Golden Ox	Marc Conklin	Leon Daggett, Rodney Turner, DT, Pat Scherzer, PS
2/13/2004	\$123.97	Savoy Grill	Marc Conklin	Lunch - Leon Daggett, Marc Conklin, Don Gray
* 2/18/2004	\$189.30	Cigar Box	Marc Conklin	Leon Daggett, Don Gray, Pat Scherzer, Rodney Turner "Benefits Bd. Dev"?
* 2/27/2004	\$159.54	Savoy Grill	Leon Daggett	Leon Daggett, Joe Dick, Pat Scherzer. LTC
3/1/2004	\$142.81	Cigar Box	Marc Conklin	
3/8/2004	\$97.94	Applebee's (VW)	Marc Conklin	
3/15/2004	\$132.33	Arizona's Grille & Bar	Marc Conklin	Mark Jones, Garden Builders
3/18/2004	\$71.38	Sports Page Lounge	Marc Conklin	Mark Jones & Marc Conklin
3/22/2004	\$96.56	Savoy Grill	Marc Conklin	Leon Daggett "Discussion of employee issues"
3/30/2004	\$137.33	Sports Page Lounge	Leon Daggett	Mark Jones, Pat Scherzer, Rodney Turner
* 4/5/2004	\$189.52	Arizona's Grille & Bar	Marc Conklin	Mark Jones (MJ), Rodney Turner, Pat Scherzer, Alan Caro (sic)
4/7/2004	\$136.90	Savoy Grill	Marc Conklin	Alan Caro, Leon Daggett "Strategic Planning Kickoff"
* 4/14/2004	\$228.39	Cigar Box	Marc Conklin	Don Gray, James Epp, Joe Dick, Leon Daggett "Strategic Planning"
04/15/04	\$18.55	Sports Page Lounge	Marc Conklin	
4/20/2004	\$24.52	Longhorn Steak (VW)	Marc Conklin	
4/20/2004	\$50.85	Longhorn Steak (VW)	Marc Conklin	
4/28/2004	\$143.54	Cigar Box	Leon Daggett	Leon Daggett, Rodney Turner "Broad Band"
* 4/29/2004	\$177.43	Applebee's (VW)	Marc Conklin	James Head, Leon Daggett, Pat Scherzer, Don MCF, Rodney Turner. ? "Development"
5/12/2004	\$65.36	Longhorn Steak (VW)	Marc Conklin	
* 5/13/2004	\$190.05	Longhorn Steak (VW)	Marc Conklin	Mark Jones, Holt Blders. ? RT
05/15/04	\$148.89	Sports Page Lounge	Marc Conklin	
5/16/2004	\$148.70	Smith & Wollensky	Leon Daggett	Las Vegas
* 5/16/2004	\$787.34	MGM Grand	Marc Conklin	Las Vegas
5/17/2004	\$139.87	Applebee's (VW)	Marc Conklin	
5/20/2004	\$56.77	Applebee's (VW)	Marc Conklin	
5/21/2004	\$120.03	Longhorn Steak (VW)	Marc Conklin	
* 5/26/2004	\$278.59	Applebee's (VW)	Marc Conklin	
* 6/2/2004	\$850	KC Chiefs	Leon Daggett	10 tix to the Big 12 title game at Arrowhead plus two parking passes

	6/7/2004	\$63.53	Applebee's (VW)	Leon Daggett	Leon Daggett, RT
	6/7/2004	\$170.69	Applebee's (VW)	Leon Daggett	Leon Daggett, James Head, Mark Jones, Lori Austin, RT
*	6/15/2004	\$200.36	Longhorn Steak (VW)	Marc Conklin	RT, PS, Mark Jones, MF, Jim Clark "Ins Policy"
	6/21/2004	\$46.56	Applebee's (VW)	Willard "Joe" Dick	
	6/22/2004	\$174.11	Longhorn Steak (VW)	Leon Daggett	Leon Daggett, Mark Jones, MF, Joe Dick, PS, TE (or TC)
	6/23/2004	\$161.51	Longhorn Steak (VW)	Leon Daggett	Mark Jones, Alan Caron "Strategic planning"
	6/23/2004	\$47.14	Longhorn Steak (VW)	Marc Conklin	Mark Jones, Alan Caron "Strategic planning"
*	7/5/2004	\$610.61	Levy Rest @ T-Bones	Marc Conklin	15 hot dogs, 25 hamburgers, 2 snack mixes, 8 bud light six packs, 2 coke sixers, 2 diet coke sixers, 2 water sixers, 2 cookie and brownie assortments
	7/6/2004	\$153.83	Applebee's (VW)	Marc Conklin	Leon Daggett, PS, RT, Mark Jones, Dean MCC "Discussion of ? Development"
	7/8/2004	\$113.20	Applebee's (VW)	Marc Conklin	Marc Conklin, R Truner, Mark Jones, "Piper Sub issues"
	7/22/2004	\$230	KC Chiefs	Marc Conklin	8 club level tix to the Pittsburgh State-Northwest Missouri State Fall Classic III football game @ Arrowhead. Plus two parking passes. Nov 6 game
*	7/28/2004	\$1,400	T-Bones	Marc Conklin	11425 PEG - tix to the T-Bones ?
	7/30/2004	\$118.58	Savoy Grill	Marc Conklin	Leon Daggett "Employee issues"
	8/6/2004	\$168.56	Applebee's (VW)	Willard "Joe" Dick	Mark Jones, GB, AC, Leon Daggett
	8/11/2004	\$30.67	Longhorn Steak (VW)	Marc Conklin	
	8/13/2004	\$186.27	Applebee's (VW)	Willard "Joe" Dick	Mark Jones, MF, RT, PS, TL, TE (or TC)
	8/24/2004	\$225.72	Applebee's (VW)	Marc Conklin	Leon Daggett, Mark Jones, RT, PS, AL, KW, MF, JF "Economic Development issues"
	8/26/2004	\$108.07	Sports Page Lounge	Marc Conklin	Gus Fasom, DM, Leon Daggett, PS, RT "Board Issues"
	8/30/2004	\$88.76	Applebee's (VW)	Marc Conklin	
	9/2/2004	\$155.91	Cigar Box	Marc Conklin	Lunch - Marc Conklin, Leon Daggett "Budget review"
*	9/12/2004	\$1,486.93	The Sanctuary	Marc Conklin	The Sanctuary @ Kiawah Island Golf Resort in South Carolina (six day stay)
*	9/12/2004	\$969.57	The Sanctuary	Marc Conklin	?
	9/14/2004	\$192.94	Applebee's (VW)	Marc Conklin	Mark Jones, RT, GB, PS "HR Issues"
	9/15/2004	\$149.37	Sports Page Lounge	Marc Conklin	Leon Daggett, Marc Conklin, R Turner, Mark Jones
	9/15/2004	\$99.02	Longhorn Steak (VW)	Marc Conklin	Leon Daggett, Board Members Loretta Colombell, Mark Jones, Woodlands JG
	9/15/2004	\$24.19	Longhorn Steak (VW)	Marc Conklin	Mark Jones, Leon Daggett.
*	9/21/2004	\$226.37	Savoy Grill	Marc Conklin	Leon Daggett, SD, SW, Joe Reardon
	9/28/2004	\$100.27	Felitzas	Marc Conklin	Alan Cara, Leon Daggett, Don Gray, TP, KW "Strategic Planning"
	9/28/2004	\$125.67	Longhorn Steak (VW)	Leon Daggett	Leon Daggett, Mark Jones, PS, RT "Strategic Planning" "internship?"
	10/5/2004	\$189.95	Applebee's (VW)	Marc Conklin	Hal Walker (UG attorney), Mark Jones, RT, PS, MF
	10/13/2004	\$181.18	Savoy Grill	Willard "Joe" Dick	Leon Daggett, KW, PS "Employment issues"

	10/14/2004	\$147.30	WJ McBride's	Marc Conklin	No explanation
	10/15/2004	\$91.25	WJ McBride's	Willard "Joe" Dick	Leon Daggett, Joe Dick, Steve W. Ped, Adms. Joe Gates ?
*	10/28/2004	\$208.26	WJ McBride's	Marc Conklin	Mark Jones, AL, PS, RT, TE (or TC) "paper properties. ins" ?
*	11/11/2004	\$1,003.46	Grand Hyatt S.F.	Marc Conklin	?
*	11/18/2004	\$1,261.03	Ted's Montana Grill	Marc Conklin	Approved by Leon Daggett on 12/9/04 see receipt
*	11/8/2004	\$222.06	Scala's Bistro (S.F.)	Marc Conklin	Hal Walker, Leon Daggett, RT "Legal seminar" "Board issue queestion"
	11/22/2004	\$47.88	Longhorn Steak (VW)	Marc Conklin	
*	11/24/2004	\$242.50	Savoy Grill	Marc Conklin	John Yar, Leon Daggett, Joe Dick, Don Gray "IF Issues"
	12/6/2004	\$110.96	Savoy Grill	Marc Conklin	Leon Daggett, Marc Conklin, TR Rehorn, Lunch
	12/7/2004	\$111.66	Sports Page Lounge	Marc Conklin	Mark Jones, AL, MC, RT, Joe Dick, Leon Daggett "Consulting issues"
	12/7/2004	\$118.26	Outback	Marc Conklin	supper - paty and john bryant? ?
	12/9/2004	\$220.02	Savoy Grill	Marc Conklin	"IBEW meeting" K Quinn, Jim Lerch, Leon Daggett, TP, KW
	12/16/2004	\$143.73	Cheeseburger in Paradise	Marc Conklin	"Union issues" RT, PS, Mark Jones
*	12/21/2004	\$274.07	Felitzas	Leon Daggett	"HR Luncheon" Tony P and Leon Daggett
	1/3/2005	\$96.64	Longhorn Steak (VW)	Marc Conklin	
	1/7/2005	\$125.91	Savoy Grill	Marc Conklin	Joe Dick, Don Gray "Legislative issues - water, energy"
	1/10/2005	\$116.36	Longhorn Steak (VW)	Marc Conklin	
*	1/18/2005	\$205.15	Applebee's (VW)	Marc Conklin	Mark Jones, RT, PS, AL, MF, Doug Spangler, JB "lunch meeting to discuss BPU issues with mayor candidate"
	1/20/2005	\$261.62	Sports Page Lounge	Marc Conklin	"Meeting re: disdcussion with water main contracts, legal issues" doesn't say who attended
	1/31/2005	\$87.29	Longhorn Steak (VW)	Marc Conklin	
	2/4/2005	\$56.50	Sports Page Lounge	Marc Conklin	
	2/9/2005	\$89.46	Applebee's (VW)	Willard "Joe" Dick	
	2/17/2005	\$76.90	Longhorn Steak (VW)	Marc Conklin	
	2/23/2005	\$139.67	Applebee's (VW)	Marc Conklin	
*	2/28/2005	\$189.99	Applebee's (VW)	Willard "Joe" Dick	James Head, Tom (KS Speedway), Tom Enright, Mark Jones, PS, RT, Smith, A "BPU Bd. Issues"
	3/1/2005	\$155.52	Sports Page Lounge	Marc Conklin	James Head, Mark Jones, P Schur, RT, CB, AL "Ins issues develop"
	3/10/2005	\$129.40	WJ McBride's	Marc Conklin	"Builders risk policy" "employment issues" bd doesn't say who attended
	3/21/2005	\$81.74	Sports Page Lounge	Leon Daggett	
	3/24/2005	\$235.27	Sports Page Lounge	Marc Conklin	"Environmental" James Head, Mark Jones
	4/3/2005	\$86.05	Dave and Buster's	Willard "Joe" Dick	Tony P, Deon Daggett, "Bid kermon enroute to liberty coal mtg"
	4/6/2005	\$102.51	Felitzas	Marc Conklin	Lunch - Leon Daggett, Marc Conklin, Don Gray, Mark Jones
	4/11/2005	\$70.41	Sports Page Lounge	Willard "Joe" Dick	
	4/12/2005	\$57.59	Cigar Box	Leon Daggett	Leon Daggett, PS "ins issues"
	5/2/2005	\$160.42	Sports Page Lounge	Willard "Joe" Dick	Lunch - Leon Daggett, James Head, R Turner, Marc Conklin, Don Gray

5/6/2005	\$156.79	Sports Page Lounge	Marc Conklin	"Lunch meeting" "Strategic plan" Doesn't say who attended
6/3/2005	\$417.13	Cheesecake Factory	Marc Conklin	"Pension Bd. Retirement of Walt Stedman, election 12 people"
6/4/2005	\$177.77	Savoy Grill	Marc Conklin	"meeting customer service and chathetic ? Charities?"
6/9/2005	\$152.90	Longhorn Steak (VW)	Marc Conklin	Leon Daggett, Joe Dick "K scenke, Dean M" "Discussion of heat pump program" KMV, KBP
* 7/6/2005	\$290.03	Savoy Grill	Leon Daggett	Lunch - Marc Conklin, Leon Daggett, Hal Walker
8/3/2005	\$189.40	Cheeseburger in Paradise	Leon Daggett	Tony Pick, Don Gray, S Rehm, Mark Jones, G Fason"
8/17/2005	\$110.03	Savoy Grill	Marc Conklin	"Discussed PR - UG/BPU work" Marc Conklin, Leon Daggett, Hal Walker
8/18/2005	\$229.06	Levy Rest @ T-Bones	Marc Conklin	Mechanic's Netamon - bought 8 Bud Light six packs at \$19.50 each
8/24/2005	\$212.36	Savoy Grill	Marc Conklin	Lunch - Mark Jones, Leon Daggett, Marc Conklin "PR Discuss"
8/26/2005	\$149.61	Felitzas	Marc Conklin	"Employee Strategy team meeting" 11 members
* 9/20/2005	\$249.32	Cigar Box	Marc Conklin	"Econ Devel" Water Park. rates
11/9/2005	\$109	Dave and Buster's	Marc Conklin	Leon Daggett, Mark Jones, "Opening lunch"
11/15/2005	\$88.27	Dave and Buster's	Marc Conklin	Don Gray "Budget Issues" "Water m contract"
12/9/2005	\$171.60	Sports Page Lounge		"BPU employee holiday function"
12/12/2005	\$17.32	Sports Page Lounge		
12/14/2005	\$96.45	Johnny C's Deli		"meals for letters? - board retreat"
12/22/2005	\$68.10	Sports Page Lounge		
12/27/2005	\$108.73	Cigar Box		Don Gray, Mark Jones "BPU issues"
2/10/2006	\$131.84	Felitzas		Mark Jones, Joe Dick, Pat Schorer, "Appa assue AEGIS Ins Appli."
* 2/16/2006	\$214.29	Dubliner (Wash D.C.)		DL Dinner Fe RL ?
2/22/2006	\$128.15	Hereford House		"Managers legal update" Don Gray, Joe Dick, Steve R. Bill Johson, Gottinger ?
3/16/2006	\$136.63	Savoy Grill		No explanation
5/3/2006		Hyatt Regency Wichita		Leathers Bar charges
6/19/2006	\$94.52	Longhorn Steak (VW)		Mark Jones "Discuss bd meeting planning"
	\$26,127.65	TOTAL		

■ Mission

The mission of the Kansas Corporation Commission is to protect the public interest through impartial and efficient resolution of all jurisdictional issues. The agency shall regulate rates, service and safety of public utilities, common carriers, motor carriers, and regulate oil and gas production by protecting correlative rights and environmental resources.

■ Regulatory Authority

The Kansas Corporation Commission (KCC) regulates five cornerstone industries in the Kansas economy. The Commission has the responsibility of ensuring that natural gas, electricity, telephone and transportation vendors provide safe, adequate and reliable services at reasonable rates. The Commission also has the mandate of assuring that oil and gas producers protect correlative rights and environmental resources.

The authority of the KCC is derived from KSA 74-601 to 74-631.

■ What is regulated & what is not

In the absence of competition, the KCC regulates public utilities, common carriers, motor carriers, and oil and gas producers. It does not regulate most electric cooperatives, water cooperatives, municipalities, wireless telephones, long distance phone services, cable companies or the internet.

■ History

The Kansas Commission was one of the first state regulatory bodies in the nation, established as the Railroad Commission in 1883 by the Kansas Legislature. The Railroad Commission had power and authority to regulate steam-operated railroads, express companies, sleeping car companies and inter-company electric lines. The members were elected by popular vote.

In 1911, the Kansas Legislature created a three member Public Utilities Commission to regulate telegraph and telephone companies, pipeline companies, common carriers, water, electric, gas and all power companies with the exception of those owned by municipalities. Members of this commission were appointed by the Governor.

The present regulatory body, The State Corporation Commission of the State of Kansas was established by the Legislature in 1933. Its jurisdiction was extended to include the regulation of motor carriers, gas conservation and supervision of plugging abandoned wells to protect fresh and useable water from pollution.

■ Structure & Organization

The three member Commission is appointed by the Governor with the approval of the Senate. Member serve staggered four-year terms. Law provides that no more than two of the three commissioners may belong to the same political party. Commissioners elect one of their colleagues as Chair. The Chair acts as agency head with input from the other members. The Commission acts independently as a quasi-judicial branch of the government with authority to render judgements and decisions on regulated utilities.

The work of the Commissioners is supported by the Divisions of Administration, Utilities, Conservation, Transportation and Energy.

STATE OF KANSAS

CHRIS STEINEGER
SENATOR, SIXTH DISTRICT
51 S. 64TH ST.
KANSAS CITY, KANSAS 66111
(913) 287-7636



TOPEKA

SENATE CHAMBER

STATE CAPITOL BLDG., ROOM 181-E
TOPEKA, KANSAS 66612-1504
(785) 296-7375
steineger@senate.state.ks.us

The need for PROFESSIONAL, OUTSIDE OVERSIGHT of the Board of Public Utilities

- 1) spending is out of control and has been for years
- 2) utility rates are higher than for-profit utilities
- 3) local control has failed to stop the abuse---- local elections fail due to low turnout, voter apathy, candidates funded by special interest groups who gain financially from status quo.
- 4) large corporate users negotiate discounted rates while residential rate payers pay full price

BPU approves 29 Apr. 06 9.45% water rate increase

Kansas City, Kan., residents will be paying slightly more for water starting Monday, and additional increases will be implemented in the coming years.

At a recent meeting, the Board of Directors of the Kansas City Board of Public Utilities approved increasing the utility's water rates by approximately 9.45 percent over a three-year period.

The board's decision was made after BPU's public hearing on the issue was re-opened on April 25.

The approximate percentage of rate increase for each year follows:

- Approximately 1.86 percent (annualized) in 2006 effective May 1

- Approximately 3.82 percent in 2007, effective January 1, 2007

- Approximately 3.77 percent in 2008, effective January 1, 2008

In late 2005, BPU announced that it needed to raise water revenues by 10 percent over three years, as proposed in the utility's public

Breaking down the rate increase

• Total water rate
increase will be

9.45% over 3 years

• A 1.86% increase
takes effect Monday

• A 3.82% increase
takes effect Jan. 1,

2007

• A 3.77% increase
takes effect Jan. 1,

2008

hearing in January. According to the BPU, the utility worked to minimize the need for increased revenue. After revising the utility's financial policies, reviewing a cost-of-service study, revenue projections, and adjusting the timing of major capital con-

Please see BPU/Page 2

BPU

Continued from PAGE 1

struction projects, the staff was able to lower the requested increase to 9.45 percent.

BPU officials say that with additional strict attention to the management of capital projects, the use of cash reserves and controlling operation and maintenance expenses, the level of revenues the BPU Water Utility will receive through the adjusted rates will be sufficient to meet the operation, maintenance, debt service and capital outlay needs through 2008.

According to the BPU, the rate adjustment was needed because several cost-drivers have significantly escalated the utility's expenses in recent years, for example:

- Much of the utility's infrastructure is 50 years old or older; an aging pump station, reservoirs, and water transmission and distribution lines. These older facilities and systems must be maintained or replaced.

- Revenues from residential retail water sales have leveled off or decreased in recent years.

- The utility was not able to collect the revenue it needed over the past four years. In 2002, according to the utility, BPU needed to increase its water rates by 20 percent. However, an increase of only 6 percent was approved that year.

- Inflation has escalated the cost of construction materials and labor. Local construction costs rose approximately 24 percent over the

last three years, the BPU states. Complying with new security regulations and requirements of the Safe Drinking Water Act are costly.

Five of BPU's industrial customers had earlier filed a "Petition to Intervene" related to the proposed rate adjustments. The resulting "Stipulation and Agreement" outlined the proposed changes in the rate structure, and was approved by the industrial customers and the BPU board. James Zakoura, an attorney with Smithyman & Zakoura, represented the industrial customers in negotiations with BPU.

BPU General Manager Don L. Gray said that the negotiations were a lengthy, detailed process.

"Jim Zakoura represents all customers in this process," Gray said. "This was a real challenge to our staff in working on the rate design, but we were successful."

A continuation of the public hearing will be held at a later date to consider revenue-neutral rate issues.

51-1

BPU to ponder rate adjustment

Industrial customers press utility to keep increases minimal

By MARK WIEBE
The Kansas City Star

The Kansas City, Kan., Board of Public Utilities will hold a rate hearing Thursday, but it won't be discussing the rate increases it had initially proposed.

The board is scheduled to hold the hearings at 9 a.m. and 7 p.m. at the BPU's downtown headquarters.

Utility administrators announced in October that they would ask board members for nearly 10 percent increases in water and electric rates over the next three years. But by December that proposal was on life support, the victim of challenges from industrial customers who believed the utility should re-examine its budget with an eye toward smaller increases.

So instead of the rate hikes, ratepayers on Thursday will face the prospect of no increase at all.

The hearing, however, is still necessary because administrators are seeking to make a temporary 7.1 percent electric rate increase enacted several years ago a permanent fixture on customers' power bills.

"In actuality there will be no

First glance

■ The Kansas City, Kan., Board of Public Utilities will hold two rate hearings Thursday to discuss a proposal to make a temporary 7.1 percent electric rate increase permanent. The hearings will be held at 9 a.m. and 7 p.m. at the BPU's headquarters, 540 Minnesota Ave.

change in ratepayers' bills," said Rick Yarnell, director of internal audit. "But for technical reasons we have to hold the hearing because we are changing the rates."

Eventually, Yarnell said, administrators will return to ask for rate increases that would affect ratepayers' bills. The utility expects to hold a water rate hearing in March and an electric rate hearing in May.

The delay came about when the BPU's largest industrial customers asked the utility to re-examine its financial policies and to justify its capital expenses in the name of finding savings and curbing the proposed increases.

The BPU announced last month that it would do just that. At the time, Yarnell said it was unlikely that the BPU would seek rate increases as high as the ones initially proposed. However, he cautioned, some increases were still likely.

The rate hikes, utility officials

have said, are needed to meet rising costs.

Construction costs have hit the utility hard in both the water and electric divisions at a time when it is undergoing several projects, including the construction of a new water pump station, a new electric substation and a water cooling tower.

Those and other projects have also generated annual principal and interest payments, most of them on the electric side, that have added to the need for more revenue.

On top of those needs, the utility faces the replacement of an aging infrastructure in neighborhoods east of Interstate 635. Many water mains, electric distribution lines and at least three electric substations in that area need to be replaced in the coming years.

To reach Mark Wiebe call (816) 234-5995 or send e-mail to mwiebe@kcstar.com.

The Record

BPU Increases Electric Rates By 2.65%

Rate Lowered From Proposed 6.9%

The Board of Directors of the Kansas City Board of Public Utilities (BPU) has approved increasing the utility's electric base rate by 2.65%. The increase will apply to all electric rate classes and will become effective with the first billing period in January 2007.

The board's unanimous decision was made after BPU's public hearing was re-opened on December 20, 2006.

Initially in August 2006, when BPU gave notice that a public hearing would be held in November, the utility announced that it needed to raise electric revenues by 6.9%. At the time, the utility had not received the full revenue figures from summer electric sales. In addition, BPU staff was working on initial budget requirements for 2007. By the time of the public hearing on November 16 and 17, BPU had realized enough revenue projections and budget cost-savings to announce that a 3.96% electric rate increase was required.

By working with major industrial customers and trimming its 2007 budget, BPU was able to lower the requested rate increase to 2.65% by mid-December. Six of BPU's industrial customers had earlier filed a Petition to Intervene related to the proposed rate adjustments. The resulting Stipulation and Agreement outlined the proposed changes in the rate structure, and was supported by the industrial customer group and approved by the BPU board.

What this rate increase means to a typical residential customer who uses 750 kilowatt hours of electricity per month: They would see an increase of \$1.26 on their monthly bill, effective in January. However, at the same time, BPU's Energy Rate Component (ERC) will be lowered by approximately one cent per kilowatt hour. This reduction is based on more efficient power plant operations and lower fuel costs. The ERC rider is a separate charge from the electric base rate. It is based on the utility's actual costs of fossil fuel and purchased power, and is adjusted every six months.

The one-cent ERC reduction will result in a savings to the typical customer of approximately \$7.58 a month, compared to the winter of 2005-2006. Taking into account the increase in base rate of \$1.26 means the typical customer will actually see a reduction in his/her monthly electric bill by approximately \$6.32 this winter.

BPU General Manager Don Gray thanked the staff, the industrial customers and the representatives involved who worked to reduce the revenue requirements while protecting the cash flow and providing needed resources for the utility. "We are pleased that we are able to make this increase a small, incremental increase rather than a larger rate hike," he said. He added that the revenue generated from the base rate will support needed capital projects for infrastructure improvements and new developments.

One board member remarked that this is the smallest rate increase he had ever heard of. Generally the board members agreed that no one wants a rate increase, but they were glad BPU was able to keep this increase so low.

It was also announced that BPU had reached an agreement on items from the 2005 public hearing which had been disputed by the intervening industrial customers, and that a full cost-of-service study will be performed at the utility in 2007.

About BPU

BPU's water department was originally created in 1909, and its electric utility was operational in 1912. The purpose of the utility, then and to this day, is to provide the highest quality electric and water services at the lowest possible cost. Today the publicly owned utility serves approximately 65,000 electric and 51,000 water customers, primarily in Wyandotte County, Kansas. The mission of the utility and its 650 employees is "to be the utility of choice and the workplace of choice, while improving the quality of life in the communities we serve." BPU's Web site is at www.bpu.com.

Some large BPU customers undercharged by thousands, possibly for several years

Former employees may be involved in 'administrative courtesies'; utility will not ask for payment

By ADAM TORRES
Kansan Staff Writer

Errors in water meter billing led the Kansas City, Kan., Board of Public Utilities to undercharge some of its largest customers, and a BPU official said the errors may have been "administrative courtesies" from former BPU employees to the companies involved.

The BPU does not plan on asking those who have been undercharged to pay for the used water. Although no figure was given for the total

'We have talked to all the staff members who may have been involved and we cannot identify who may have been involved from the staff currently here.'

- BPU Public Affairs Officer Susan Allen; she said employees who were involved may be retired

amount under-billed, the utility inferred that it has lost several thousand dollars through the errors.

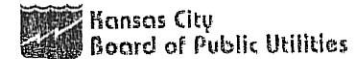
During a review of the BPU's billing process for last year, it was

discovered that 75 of the BPU's larger customers were being under-billed, according to Jim Epp, BPU director of water distribution and support services.

He reported the billing errors to

the BPU's board at their regular meeting last week.

The errors occurred in customer's bills that have two or more water meters and whose billing is combined before being applied to



the rate schedule, Epp said.

Customers with larger, combined meters were being under-billed by as much 25.4 percent per month, he said. At last week's meeting, Epp gave an example of a customer that used 8,000 CCFs of water per month (a CCF is 750 gallons) should have

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BPU

Continued from PAGE 1

been charged \$37,777 each month for water. But under the errored billing system, that customer would have been charged only \$27,728, a difference of over \$7,000.

Not every customer with combined meters was being under-billed by that much, though. Some saw as low as a 1.9 decrease in their water bills.

For customers who have more than one water meter, the BPU combines the fees. The BPU has a water program for customers who use a large amount of water: The more water used, the lower the rate. Numbers from more than one meter were being combined, thus customers were being charged a cheaper rate.

Seventy-five of the combined meter setups were under-billed, and 338 locations with combined meters were billed correctly.

Some of the BPU's largest industrial customers were under-billed, according to Susan Allen, BPU public affairs officer.

Fifty of the under-billed combined meters were at commercial businesses, 16 were industrial businesses, and nine were at other locations.

Among those under-billed were manufacturing and construction businesses, large stores, schools, banks,

churches, warehouses, office buildings and some residential centers, according to Allen.

Allen did not say who was responsible for the billing errors, but she said it may have been an "administrative courtesy."

She said the staff who may have made the courtesy is no longer with the utility provider.

"We have talked to all the staff members who may have been involved and we cannot identify who may have been involved from the staff currently here," she said.

The people who may have made the arrangement are now retired, she said.

Allen said some of the under-billing has been taking place for over 10 years.

To prevent further discrepancies from reoccurring, Epp suggested changing some of the BPU's policies.

As of Jan. 1, 2007, the BPU will no longer combine meters at one customer's location. This will prevent any further under-billing to continue, Epp said.

Epp said the policy shift should not occur immediately, in order for businesses to prepare for the billing change.

Allen said the BPU would work with customers who have been under-billed and tell them what the change in billing will be.

"We will be talking with each customer and do the numbers with them," she said. "The customer may decide they might want to change their water meters."

SCHLITTERBAHN

VACATION VILLAGE DEVELOPMENT AGREEMENT

7.14 Utilities During the Term, all utility and utility services used by SVVI in, on or about the Vacation Village shall be paid for by SVVI and shall be contracted for by SVVI in SVVI's own name, and SVVI shall, at its sole cost and expense, procure any and all permits, licenses or authorizations necessary in connection therewith. SVVI agrees to construct the Improvements so that the same utilize only electric utility service and SVVI hereby agrees to contract with the UG Board of Public Utilities ("BPU") for any such utilities and potable water. If, however, SVVI reasonably believes that BPU's rates are not competitive with other utility providers in the region, SVVI shall give notice of the same to the UG and BPU indicating a range of rates that SVVI reasonably believes are more competitive, along with evidence supporting such range, and BPU shall have thirty (30) days in which to negotiate such rates with SVVI. If SVVI and BPU are not able to mutually agree to competitive utility rates in such thirty (30) days, SVVI may, subject to Applicable Laws and Requirements, utilize such other utility provider as it so chooses. Notwithstanding the foregoing, the UG understands and agrees that certain kitchen equipment in the Vacation Village will require gas service, and SVVI shall have the right to install and utilize the same for such purpose at SVVI's sole cost and expense. Any costs associated with such gas service shall not be considered eligible for STAR Bonds.

Large Corporations get preferential treatment
and lower rates

KCK residents pay full price

Developers given incentives

By **MELISSA SHUMAN**

Kansas City Kansan

The Kansas City, Kan. Board of Public Utilities has granted two developers economic incentives.

On Thursday, BPU members voted to give economic development assistance requests of \$207,541 to RBW Enterprises, LLC, and \$26,350

to Kempf Development.

George Powell, director of economic development at the BPU, said a cost-benefit analysis was completed to ensure that the BPU would benefit by giving benefits to the developers. He said RBW Enterprise is building Hazelwood Villa homes at 115th Street and Parallel

Parkway.

"The Hazelwood Villa homes will be built on 228 lots," he said. "They're for seniors 55 and older and cost from a range of \$79,000 to \$127,000."

Powell said the cost benefit analysis determined the Hazelwood Villa homes would bring about \$525,000 per year

in revenue for the BPU, once completed.

"The funds will be available for the homes when they are completed," Powell told the board.

Susan Allen, public affairs officer for the BPU, said developers must meet several criteria in addition to being cost-beneficial for the BPU.

They must be an equal opportunity employer, have all-electric heating and cooling, and be receiving no other economic development incentives.

"The (developers) have to go before the board and present a package about their

Please see **DEVELOPERS/Page 6**

Developers

Continued from **PAGE 1**

business," she said.

Kempf Development is building Normandy Ridge Homes at 80th Street and Parallel Parkway. The development will be built on 17 lots and will also be an all-electric heated subdivision. Rick Kempf, developer, said they would build 34 homes on the site.

Loretta Colombel, BPU

board member, said she had reviewed the projects and was pleased with the quality of housing.

"People are moving into the area, and it's a wonderful thing to happen," she said.

In other business, commissioners went into executive session for 45 minutes to discuss personnel. Allen said the board made a comment that the internal auditor, Rick Yarnell, should begin reporting to the board instead of the BPU general

manager, Leon Daggett. Allen said the board would vote on a motion at the next public meeting next week.

Bob Milan, BPU board member, said he is interested in keeping track of the internal audits.

"We think it would be a better value to the board (for the auditor to report)," he said. "There's no particular problem. Whenever we have an audit report, it's to keep close tabs — it's just checks and balances."

12-13-2005

BPU to rethink rate boosts

By MARK WIEBE
The Kansas City Star

Pressure from industrial customers has prompted the Kansas City, Kan., Board of Public Utilities to reconsider a proposed 10 percent increase in electric and water rates.

At the beginning of a regularly scheduled budget hearing Wednesday, the utility's administrators told board members they would no longer request the increases, which were scheduled for consideration at a Jan. 5 rate hearing.

Instead, administrators said they would seek at that time to make permanent a 7.1 percent electric

rate increase that had been enacted several years ago as a temporary fixture on customers' power bills.

A decision on increasing water rates will also be pushed back from Jan. 5.

Rick Yarnell, director of internal audit, said the BPU's largest industrial customers had asked the utility to re-examine its financial policies and to justify its capital expenses in the name of finding savings, thus curbing the proposed increases.

To reach Mark Wiebe, call (816) 234-5995 or send e-mail to mwiebe@kcstar.com.

38 sue BPU alleging bias against blacks in hiring, promotions

Utility, board, general manager and Unified Government are defendants

ROBERT A. CRONKLETON
The Kansas City Star

Thirty-eight persons have sued the Kansas City, Kan., Board of Public Utilities of racial discrimination when it comes to employment.

The individuals, mostly Kansas City, Kan., residents, claim in several federal lawsuits that the BPU has a pattern and practice of discriminating against black employees when it hires, promotes, disciplines and terminates individuals' jobs. They claim that the BPU retaliates against workers. All the plaintiffs are black. They claim that the alleged discrimination started in 1977 and continues today.

The plaintiffs named as defendants the BPU, its board, General Manager Leon Daggett and the Unified Government of Wyandotte County and Kansas City, Kan.

In all the lawsuits, the plaintiffs are representing themselves without the aid of an attorney.

Daggett referred all comment to BPU Attorney Marc Conklin. Conklin said the utility has a very comprehensive affirmative action plan and follows federal requirements on employment practices when it comes to hiring and promotion.

"We stand by the position that there is no merit to these allegations," he said.

Conklin added that the federal Equal Employment Opportunity Commission and the Department of Labor's Office of Federal Compliance Programs fully investigated the allegations and found them to be without merit.

The lawsuits have been filed over the past month, with the most recent ones this past week. The recent ones were filed by individuals originally named in a larger suit filed by 38 people.

Conklin said that to his knowledge the BPU employed at one time or still employs all of the plaintiffs. They held various positions, including supervisory roles.

They seek an unspecified amount in damages.

In each case, the Equal Employment Opportunity Commission declined to pursue the allegations. The EEOC said that from its investigation, which included interviews with more than 30 people, it was unable to conclude that there was a violation of employment laws.

That doesn't mean, however, that the BPU is in compliance with the law, the EEOC said in its notice to the plaintiffs. The letter notified the plaintiffs of their rights to sue.

According to one suit, the 38 plaintiffs claim, among other things, that the BPU has:

- Failed and refused to recruit, hire and promote black persons in the same manner as white persons.
- Retaliated against those who oppose discriminatory practices.
- Created a "glass ceiling" that prevents the advancement of black persons into upper-management levels and discourages their long-term employment.

At least three of the plaintiffs have also sued the BPU as individuals, in addition to being part of the overar-

ching lawsuit. The three are Aaron Mabon and Margaret E. Quarles of Kansas City, Kan., and Clarence L. Wooten of Kansas City.

Mabon claims he was discriminated against by being denied acting supervisory assignments and the increased pay that comes with those assignments. He also alleges that he was denied promotions to the positions of director of maintenance and director of electric production maintenance because of his race, age, disability and history of complaints of discrimination.

Quarles alleges that her supervisor, who is a white female, treats her more harshly than everyone else, reprimands her in front of co-workers; denies her authority to assign and re-assign duties; and pulls her from her duties to perform physical inventory. She also claims that her supervisor retaliated against her when she filed complaints about unfair treatment.

Wooten claims that during his six-month probationary period as an electric utility operator, his supervisors asked him questions that were not part of a standard job evaluation; he was trained by a person not qualified to train; and his evaluation period was extended beyond the normal six months. He claims that he was let go in January 2002 after the probation period, despite being qualified to perform all the duties of his job.

Here is a list of the other plaintiffs. All are Kansas City, Kan., residents, unless otherwise noted.

Patrice E. Townsend, Sharon P.

Heard, Darrell F. Heard, Cheryl R. Johnson, Jacqueline Wilhite, Carolyn Wyatt, Glenna Love, Alisa G. Cummings, Charles Berry, Don Smith, Maurice E. Saunders, Clyde W. Alexander III of Edwardsville, Benell Davis (deceased), Rosetta Bell, Patricia Hill, Vernon Woodard, Clydene Wooten, Larry Coleman, Shirley Lee, Shirley Wainright, Kimberli Johnson, Phyllis Pumphrey (deceased), Sammie L. Nelson, Garland James, Wilbert S. Horton, Robert E. Royston, Barbara Freeman, Laurance Caruthers, Tearee Ford, Lonnie Moore, Stanley Taylor, Vernell Lindsay, Christopher Townsend, William W. Bland and Denise Perry.
To reach Robert A. Cronkleton, Wyandotte County police and courts reporter, call (816) 234-5994 or send e-mail to bcronkleton@kcstar.com

Noose found at BPU plant spurs hate-crime investigation

By MARK WIEBE
The Kansas City Star

A contract employee for the Board of Public Utilities in Kansas City, Kan., was fired last month on the same day a noose was found dangling from a railing.

The incident, which occurred Nov. 22, is now the subject of a criminal investigation to determine whether a hate crime was committed.

BPU officials said Monday that the employee, who belonged to a local union and worked at the utility's Neuman Power Plant, on 55th Street near the Missouri River, was

let go by his employer on Nov. 22.

The officials declined to identify the name of the employee, the race of the employee or the employer.

In a Nov. 23 letter to BPU general manager Leon Daggett, employee Donald Crawford, who is black, said that he and three other BPU employees, all of them white, were on their way to lunch when they saw the noose hanging just above their heads from a balcony railing. The noose was fashioned from what Crawford thought was a 3/4-inch thick rope. He said he was disturbed at seeing what has come to

See BPU, B-2

KANSAS IN BRIEF

Ruling: KCK utility violated civil rights

KANSAS CITY, Kan. — A federal agency has ruled that a city utility violated the civil rights of four employees by investigating them for possible ties to terrorist organizations after the World Trade Center bombing in 1993.

Then Board of Public Utilities General Manager Terry Drake ordered investigations of several foreign-born employees soon after the fatal bombing in New York.

The employees, natives of Iraq and Iran, learned of the investigations after being contacted by The Kansas City Star in 1994.

BPU: Incident at power plant leads to hate-crime investigation

Continued from B-1

symbolize the lynchings that terrorized African-American citizens or more than a century.

"I'm saying to myself, This is not what I think it is," Crawford said in a telephone interview Monday.

After lunch, about 30 minutes later, Crawford, who performs heavy industrial cleanup for the BPU, and other employees saw the noose pulled tight around a hooded sweatshirt. Neither the noose nor the shirt was accompanied by racial epithets or anything with Crawford's name on it.

Nevertheless, Crawford, 47, believed the noose was meant to intimidate him.

"It was somebody's intention for me to not just wonder if this was a noose but know it was a noose,"

Crawford said. "I was the only black person there. It would be awfully strange to direct that at somebody white."

Although he suspected that one of the contract employees had made the noose, Crawford said he could not identify a specific person.

Crawford also suspected that the noose was related to an incident that occurred Nov. 21.

He said that while he was cleaning out a large duct system that day, one of the contract employees working above him placed a piece of sheet metal in the system without first checking to see whether anyone was below. A co-worker saw what was happening and shouted at Crawford to look out. When he looked up, he saw the sheet metal two feet above his

head.

After the two incidents, Crawford informed the union steward and then wrote his letter to Daggett.

In a Nov. 27 written response to Crawford, Daggett said he had directed the utility's attorney to investigate. "You may rest assured that I am taking this matter very seriously and that I will deal with it accordingly," Daggett said.

Crawford, who has been on medical leave since the incident, said he was afraid of returning to work. "I went through more emotions than I could explain," he said. "I thought the majority of that kind of activity was in the past."

Last week Crawford filed complaints with the FBI and Kansas City, Kan., police.

On Monday, FBI spokesman Jeff Lanza said that his office, in con-

sultation with the U.S. attorney's office in Kansas, determined that the incident did not meet the standards for a federal prosecution.

Lanza said investigators could not conclude, for example, that the noose was aimed at a specific person or that it was accompanied by racist epithets. "None of that was present in this particular case," Lanza said.

A Kansas City, Kan., police spokesman said he was not familiar with the case. Chief Ron Miller could not be reached for comment.

Earlier this year Wyandotte County's Unified Government passed a hate-crimes ordinance that created stiffer penalties for persons whose misdemeanor crimes were motivated by "antipathy, animosity or hostility" based

upon race, among other things.

The ordinance applies to several misdemeanors, including assault, battery, criminal damage to property, harassment by telephone and unlawful use of a weapon.

Alvin Sykes, Crawford's "victim advocate" and president of the Justice Campaign for America, said he believed that municipal prosecutors were still trying to determine whether the incident violated the Unified Government's ordinance.

Sykes added that he would be sending a formal request for a criminal investigation to the Justice Department's civil rights division in Washington.

To reach Mark Wiebe, Wyandotte County government reporter, call (816) 234-5995 or send e-mail to mwiebe@kcitystar.com.

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**Testimony before the House Energy and Utility Committee
March 19, 2007
Supporting H.B. 2576**

Chairperson Holmes and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I have come today to speak in support of H.B. 2576.

H.B. 2576 calls for any municipal electric or gas utility serving more than 50,000 customers to be subject to the Kansas Corporation Commission.

The Sierra Club calls for clean air and clean water. It advocates for legislation at all levels of government that will provide for an environment that keeps citizens healthy and our wild and natural environment from being destroyed. It does what it can to promote public policies that keep pollutants out of air and water that can make people sick. It also strives to make sure that laws written to protect citizens are enforced.

The practices recently revealed by various documents about the Board of Public Utilities, including 15 reported projects that were indicated as probably not being defensible under EPA regulations, show that they may not be abiding by laws that ensure that the environment is clean and are thus not working to protect the health of citizens in the area. The Sierra Club believes that these practices could negatively impact not only those in Kansas City, Kansas, but also those throughout the Kansas City Area, Eastern Kansas and Western Missouri.

Because of this, the Sierra Club supports the Board of Public Utilities being subject to Kansas Corporation Commission regulations concerning rates, charges and terms and conditions of service. The Sierra Club believes that such oversight would help protect citizens and the environment throughout the area. Many of those effected do not live in the area served by the B.P.U. and deserve to have oversight by an agency that serves them.

The Sierra Club supports HB 2576 and encourages the committee to support KCC oversight of BPU.

Thank you for this opportunity and your time.

Sincerely

Tom Thompson
Sierra Club

ENERGY AND HOUSE UTILITIES

DATE: 3/19/2007

ATTACHMENT 2

GOOD MORNING TO THE HOUSE OF REPRESENTATIVES. THANK YOU FOR GIVING ME THIS OPPORTUNITY TO SPEAK TO YOU. MY NAME IS DAVE LITTLEFIELD AND I AM A LIFE LONG RESIDENT OF WY. CY. I WANT TO THANK SENATOR STEINGER FOR WHAT HE IS DOING FOR THE RESIDENTS OF WY. CY. GOD BLESS YOU SENATOR STEINGER. I WANT TO THANK HIM FOR PURPOSING THIS BILL THAT WOULD PLACE THE KANSAS CORPORATION COMMISSION IN CONTROL OF THE BPU.

THE BPU IS A UTILITY THAT HAS RUN A MUCK, IT IS OUT OF CONTROL, WITH FREE AND WILD SPENDING, WITH NO REGARD FOR THE FEDERAL LAWS OF THE EPA, WITH NO CONSIDERATION FOR THE RESIDENTS OF WY. CY. WITH NO ACCOUNTABILITY TO ANYONE.

RETIRES, SINGLE PARENTS, WIDOWS, WIDOWERS. FAMILIES WITH BOTH MAN AND WIFE WORKING TO MAKE ENDS MEET, CANNOT HANDLE ANYMORE INCREASES IN UTILITY RATES.

THE SIX MEMBER BOARD OF THE BPU IS POWERLESS AND USELESS, IT CANNOT OR WILL NOT BRING THIS MADNESS UNDER CONTROL.

I ASK THAT YOU PASS THIS BILL SO THAT THE KANSAS CORPORATION COMMISSION IS PLACED

ENERGY AND HOUSE UTILITIES

DATE: 3/19/2007

ATTACHMENT

3-1

IN CONTROL OF THE BPU. BY VOTING FOR THIS BILL YOU ARE VOTING FOR THE RESIDENTS OF WY. CO., AND PUTTING AN END TO THIS OUT OF CONTROL BPU, AND HIGH UTILITY RATES.

THANK YOU FOR YOUR TIME AND CONSIDERATION FOR THE RESIDENTS OF WY. CO.

March 19, 2007

Mr. Chairman and Members of the Kansas House Energy and Utility Committee, thank you for allowing me the opportunity to appear before you to express myself regarding the proposal to place the Kansas City, Kansas Board of Public Utilities, under the supervision of the Kansas Corporation Commission.

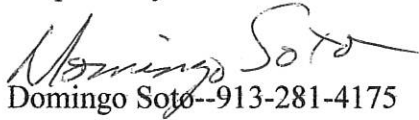
My name is Domingo Soto of 1713 Metropolitan, Kansas City, Kansas. I am a resident of Wyandotte County, and as such a customer and rate payer, of the Board of Public Utilities. I am also one of those rare Wyandotte County Republicans. My appearance before you is very simple: I support said proposal. My support is based on the following:

- For the past thirty years or so, without question, I have faithfully paid my utilities bills because I trusted the Board of Public Utilities with their decision making process on behalf of their customers and ratepayers.
- This trust and confidence has, within recent years, been eroded due to the financial and mismanagement crisis mode that the current Board is currently in:
 1. Firing the former General Manager and allowing him a generous going away present in the tune of \$700,000 that the customers ratepayers had to pay.
 2. The leasing of a suite at the Speedway, that us, the customers , the ratepayers had to pay for it, without benefiting all of us
 3. The recent confidential document, revealed by the KCSTAR, which indicated that the Board of Public Utilities might have violated the Federal Clean Air Act, which might cost us, the customers and ratepayers, millions of dollars in upgrades and possible fines.
 4. Their continued silence on issues and matters discussed above. In my opinion, the Board should have admitted their mistakes and move forward with a plan to fix whatever crisis they were experiencing.

In summation, I am asking this committee to move forward with this proposal, since I have lost faith in the local elected Board to do that what is right for us the customers, and ratepayers of the Kansas City, Kansas Public Utilities.

I will be glad to answer any questions committee members or other interested parties might have.

Respectfully submitted,


Domingo Soto--913-281-4175

1713 Metropolitan
Kansas City, Kansas 66103

ENERGY AND HOUSE UTILITIES

DATE:

3/19/2007

ATTACHMENT

4

MICHAEL J. PETERSON
REPRESENTATIVE, THIRTY-SEVENTH DISTRICT
WYANDOTTE COUNTY
340 N. 18TH
KANSAS CITY, KANSAS 66102
(913) 342-2444

STATE CAPITOL—ROOM 420-S
TOPEKA, KANSAS 66612
(785) 296-7122



TOPEKA
HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: FEDERAL AND STATE AFFAIRS RANKING
DEMOCRAT
ELECTIONS AND GOVERNMENTAL
ORGANIZATION
JOINT COMMITTEE ON SPECIAL CLAIMS
AGAINST THE STATE

HOUSE COMMITTEE ON ENERGY AND UTILITIES

**Testimony of Representative Michael J. Peterson and Others
March 16, 2007**

Mr. Chairman and Committee Members:

This testimony is in opposition to House Bill 2576 which would, if enacted, place the Board of Public Utilities of Kansas City, Kansas under the jurisdiction of the Kansas Corporation Commission. This is in response to a news item in the *Kansas City Star*, that there may be some fiscal problems with the Board of Public Utilities. There has been no investigation; there are no relevant facts other than generalizations about a utility owned by the government and the people of Kansas City, Wyandotte County, Kansas. It is premature for any change, especially one as dramatic as this. We must assume that the Senator's actions were well intended; however, we find no basis in fact to support such a radical departure from an orderly investigation, if necessary, by the proper authorities.

In 1980, the Kansas Supreme Court ruled that the Board of Public Utilities is an agency of the city of Kansas City, Kansas, and although it operates under a Board, it is under the jurisdiction of the Unified Government of Wyandotte County. The Board oversees and runs the day-to-day operations of the utility, and when necessary, the governing body of the city of Kansas City, Kansas makes policy decisions. The case in 1980 was over who was to select bond counsel. The Board at that time felt that they had the authority to do this, just as the Board of City Commissioners felt that they had exclusive right to select bond counsel. The Supreme Court, in a lengthy decision by Justice Herd agreed with the position taken by the city of Kansas City, Kansas and therein defined what the position of the Board of Public Utilities actually is. It is an agency of the city, and instead of having a department head to govern it, it has an elected board. This concept dates back to, I believe, 1929.

Senator Steineger has bypassed everyone and jumped to the conclusion that there are abuses and they can only be solved by placing the BPU under the Kansas Corporation Commission. We disagree. This is purely a local matter that will be decided by local authorities. If there are civil violations or criminal complaints they should be investigated and promptly handled by those empowered to do so. Senator Steineger should have informed the Unified Government of his concerns; be that as it may, it is a local matter

ENERGY AND HOUSE UTILITIES
DATE: 3/19/2007
ATTACHMENT 3-1

that the Kansas Legislature has no business looking into in the absence of extremely compelling and provable facts.

As far as the rest of us can see, there is no emergency, there are no criminal charges, there are no civil suits, nor is there a general upheaval, and there seems to be no one upset other than Senator Steineger in that the rest of us have received no calls concerning this matter. Our local authorities charged with the duty of reviewing the relevant facts and have it within their power to correct any problems that are present. In 1980, the District Attorney of the 29th Judicial District filed ouster proceedings against three (3) members of the Board and the problem was handled by the next election, which incidentally will be held on the first Tuesday of April of this year.

It is our opinion that this bill should be adversely reported to the House.

Respectfully Submitted,



Michael J. Peterson, Representative
37th District

MJP:sl



Submitted Testimony Provided to the

House Utilities Committee

March 19, 2007

Don L. Gray
General Manager
Kansas City Board of Public Utilities

House Bill 2576—
Regulation of Kansas City Board of Public Utilities
By Kansas Corporation Commission

Honorable Chairman Holmes and Members of the Kansas House of Representatives' Utilities Committee:

It is my pleasure to appear before you today—thank you for the opportunity to address this Committee; my name is Don Gray, and I am the general manager of the Kansas City Board of Public Utilities (BPU) in Kansas City, Kansas. I have been the BPU's general manager for the past 12 months. I have worked at BPU for more than 36 years, starting as a laboratory technician; I am a life-long resident of Wyandotte County. I appear before you today on behalf of the BPU and its six elected board members who serve on the BPU's elected board of directors—present in the audience today are Mary Gonzales, BPU's Board President, and Robert L. Milan, Sr., BPU's Board Vice-President.

BPU testifies today in opposition to House Bill 2576. BPU strongly opposes HB 2576, legislation that, if enacted, would remove local control of electric utility rate setting from the BPU elected board of directors and place such control under the direct authority of the Kansas Corporation Commission. BPU exists as an administrative agency of local government, the Unified Government of Wyandotte County/Kansas City, Kansas, pursuant to Charter CO-5-01. As a municipal utility, BPU's purpose is to provide electric and water utility services to its citizens and customers who reside within Wyandotte County. Through direct representation on the elected board of directors, the citizens of Wyandotte County have a voice in all aspects of BPU governance, from ratemaking, to budget approval and the oversight of BPU business activities.

About BPU

BPU is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas. BPU's water department was originally created in 1909, and its electric utility was operational in 1912. The purpose of the utility, then and to this day, is to provide the highest quality electric and water services at the lowest possible cost. Today the publicly owned utility serves approximately 65,000 electric and 51,000 water customers, primarily in Wyandotte County, Kansas. The mission of the utility and its 650 employees is "to be the utility of choice and the workplace of choice, while improving the quality of life in the communities we serve."

BPU's board consists of six elected board members, three of whom are elected at large, and three of whom are elected from districts. The elected board members serve staggered, four-year terms, and represent the interests of the citizens and BPU customers who elect them.

BPU operates all aspects of utility delivery to its customers, from electric power production, to transmission and distribution, delivering highly reliable, safe and efficient electric service to its customers on demand, around the clock. BPU provides this same level of quality water utility service.

BPU Accomplishments

As a not-for-profit publicly-owned utility, BPU's top priority is its customers and the community we serve. Our primary focus has always been, and will remain, our customers. By focusing on Main Street, and not Wall Street, I believe BPU can better serve its customers in Wyandotte County—BPU is responsible to customers, not stockholders.

BPU's purpose is simple, to provide dependable utility services at the lowest possible price. This regard to customer service, as well as industry leading achievements, has made BPU one of the top performing public utilities in the country.

BPU has received numerous national and industry awards for excellence and best practices, including the 2006 Reliable Public Power Provider (RP3) platinum award from the American Public Power Association (APPA) for safety and reliability, recognition for its best in class inventory controls, communications efforts, and a litany of other service and operational awards and recognition.

BPU gives back to the community it serves, through community service hours, philanthropic events, and civic support. In 2006, BPU was the number one supporter in its class of the United Way campaign in the Kansas City metro area.

Moreover, BPU and its employees have raised more than \$250,000 for children's organizations in Wyandotte County.

BPU works in partnership with the Unified Government and other local organizations to attract new business, additional manufacturing, and new home growth in every corner of Wyandotte County. We are proud to have played such a critical role in this transformation that has occurred over the past decade.

Local Control

The critical difference between not-for-profit municipal electric utilities like BPU, and their investor-owned, for-profit counterparts is that municipal utilities are controlled and governed by locally-elected officials. Because BPU is a municipal, governmental entity, its records are largely open to public review, its board meetings and its rate hearings are all open to the public. BPU elected board members are citizens of our community, elected by the people they represent.

House Bill 2576 would remove the local control of BPU's important electric utility rate-making authority, and would act to supersede the wishes of local citizens in the active management and operation of their own, community-owned utility. Local issues should be controlled at the local level. The primary issue here is: are the ratepayers and citizens of BPU better served by rate-making at the local level, or by some other form of control and governance? BPU believes the answer is that BPU's ratepayers and citizens are best served by continued local control.

Financial Integrity

Further acknowledging the fiscal direction of the utility and the leadership of its board of directors and management, BPU recently received an A+ rating from the Standard and Poor's Ratings Services, and has also received an A+ revenue bond rating from FitchRating.

These rating organizations based their findings on a number of factors, specifically citing BPU's:

- historically solid financial performance
- good management, supported by management's financial targets
- low-cost, coal-based power supply
- continued improvement in service territory

According to the Standard and Poors report, "Overall, BPU rates are competitive, with an average retail rate of about 6 cents per kWh [kilowatt hour], which is on par with the state average for 2005. Residential rates were about 8 cents per kWh in 2005. The board's industrial rate is slightly lower than the state rate, but is substantially below that of the area's investor-owned utilities. The board's

competitive position should not be compromised despite a proposed modest electric rate increase for fiscal 2007. Water rates are manageable, despite rate increases in 2003 and 2006.”

Furthermore, S&P stated that the BPU “...has adopted clear and prudent financial guidelines, addressing working capital, debt service coverage levels, operating and rate stabilization reserves, and the frequency of rate review.”

Clearly, based on these reports, BPU remains financially solvent and is prepared to grow for the future, providing quality utility services to our customers and the community.

For your review, provided with my written testimony are the Standard and Poors and FitchRatings reports, as well as a letter from Kathy Peters, Kutac Rock, BPU’s rate counsel, explaining the rate-making process that BPU utilizes.

Closing Comment

Recent negative media accounts have focused on some areas of concern to BPU. Since I have been general manager over the past 12 months, BPU has implemented numerous changes in how business is managed, and how ratepayer funds are spent. The BPU board of directors has made it clear: BPU management must be sensitive to the perceptions of the citizens of Wyandotte County, and must take positive steps to decrease costs, hold the line on rate increases, improve customer satisfaction, and be mindful of the will of the citizens.

Regretably, the media and the public have a negative perception of BPU’s business practices—that is unacceptable to me. BPU is committed to doing better. We will work to improve communication with the citizens we serve, and we will tighten control over spending. Under my watch, we have begun the process of reducing expenses, and increasing effectiveness. We will continue to direct improvements to BPU’s business practices, and we will be ever-mindful of the public’s concern over how ratepayer funds are spent.

Mr. Chairman, I will stand for questions at the appropriate time. I thank this Committee for its attention.

Public Power
Credit Analysis

**Unified Government of
Wyandotte County/Kansas City
(Kan.)**
(Kansas City Board of Public Utilities)

Ratings

Security Class	Current Rating	Previous Rating	Date Changed
Revenue Bonds	A+	A	5/13/98

Rating Watch..... None
Rating Outlook..... Stable

Analysts

Mark Gannon
+1 212 908-0555
mark.gannon@fitchratings.com

Karl Pfeil, III
+1 212 908-0516
karl.pfeil@fitchratings.com

Profile

BPU is a combined utility system serving approximately 69,000 electric and 55,000 water customers in Kansas City, Kan., and the surrounding area of Wyandotte County. 2005 operating revenue was more than \$221 million, consisting of 84% electric and 16% water. Energy sales for 2005 consisted of 19% residential, 29% commercial, 32% industrial and 20% other.

Related Research

- New Issue, July 25, 2005.

Key Credit Strengths

- Historically solid financial performance.
- Low-cost, coal-based power supply.
- Continued improvement in service territory.

Key Credit Concerns

- Sizable capital needs going forward.
- Some customer concentration.
- Large contributions to the general fund.

Rating Rationale

Kansas City Board of Public Utilities' (BPU) 'A+' rating takes into account the system's new 20-year master plan that incorporates capital expenditures, including a new base-load unit, as well as a future rate strategy that should ensure financial margins sufficient to generate debt-service coverage (DSC) of 2.0 times (x) or greater.

Underpinnings for the rating continue to include the system's historically solid financial performance, a low-cost coal-based power supply and retail rates that are in line with those of regional competitors. Additional support for the rating is provided by ongoing improvements in the utility's service territory. Continuing a turnaround that began several years ago, new development (retail, commercial and residential) has spread from the western portion of Wyandotte County eastward toward Kansas City proper. In addition, unemployment in Wyandotte County decreased (7.3% in May 2006) and population declines flattened, leading to stable sales growth for the electric system. Electric sales have grown at a compound annual growth rate (CAGR) of 1.7% over the past five years.

Credit concerns include a capital-improvement plan that features construction of a new base-load plant, BPU's above-average contribution to the Unified Government of Wyandotte County/Kansas City's (Unified Government) general fund and some industrial customer concentration.

Primary Future Credit Drivers

- The electric system's large capital-improvement program (more than \$592 million over the next five years), which includes the construction of a new base-load plant. The scope of the program is mitigated by a drop-off in existing debt service beginning in 2009, which will allow for the long-term financing of the new base-load resource without a material increase in annual debt service from current levels.
- The utility's ability to implement appropriate rate increases to achieve projected financial metrics.
- Management's execution of the new 20-year master plan, including efficient management of the system's power supply needs and resources prior to completion of the planned new base-load unit and the successful development of the new plant.
- Continued economic development and stability within the service territory.

August 1, 2006

6-5

■ Financial Summary

While BPU's financial performance remains consistent with those of other 'A+' rated retail systems, it has weakened over the past several years. DSC fell to 1.71x in 2005 from 2.06x in 2002, and liquidity dropped from 131 days cash to 63 days cash over the same period. Liquidity was affected in 2005 by an unplanned outage at the Nearman Station coal-fired plant and the resulting increased purchased power expense. This additional purchased power expense of \$9.5 million will be fully recovered through the system's energy rate component (ERC) rider between May 2006 and October 2006 and will replenish cash drawn down during 2005.

Targeted future financial objectives include DSC levels in the range of 2.09x–2.30x and cash liquidity of approximately 60 days of operations. The utility also expects to utilize more frequent adjustments to the ERC to stabilize the system's operating results.

Interim financial statements through May 31, 2006, indicate stable financial performance for the first five months of this fiscal year. With the exception of an increase in purchased power and a decrease in wholesale market sales, both as a result of the 12-week outage (of which eight weeks was scheduled) at the Nearman Station plant, revenues and expenses have been in-line with expectations. The increased purchased power expenses have been passed through to customers, so operating income has not been affected.

The concern regarding the historically large general fund transfer (between 10.8%–11.8% over the past four years) is tempered by its consistent level in recent years and the payment-in-lieu-of-taxes (PILOT) portion of the transfer (defined as 7.9% of revenues since Jan. 1, 2002, but can be raised by the city council to as much as 15% of utility revenues) being charged to consumers as a separate line item on their bill. In essence, the PILOT is a cost pass-through that does not affect BPU's financial margins. The remainder of the general fund transfer consists of free services provided to the Unified Government.

■ Recent Developments

Change in Management

In December 2005, the general manager of BPU was terminated by the board after serving in that role for 10 years. Don Gray, who had been manager of water operations for the past seven years and has been with

BPU for 35 years, was named interim general manager. After a nationwide search, Mr. Gray was appointed as the new general manager on April 19, 2006.

Fitch Ratings views the senior management and staff of BPU favorably. It is a deep and experienced team, and Fitch expects that the operation of the utility and the implementation of the 20-year master plan will continue seamlessly through the recent change in management.

Financial Policy Review

Fitch views current steps being taken by management and the board with regard to the financial performance of the utility as positive and will monitor its progress on this front going forward. Management initiated a rate study and a complete review of the utility's financial policies. These reviews are currently taking place and are expected to be completed by the end of the year. Results and conclusions drawn from this review are expected to help determine the appropriate rate levels for BPU to meet its business plan goals. The potential for changes to base electric rates will be considered upon completion of these studies.

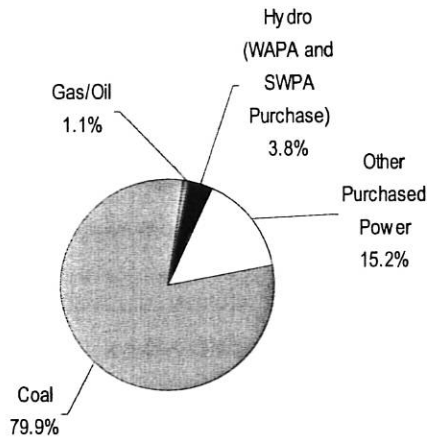
Future Base-Load Resource Addition

BPU is currently reviewing its options with regard to the addition of new base-load capacity. The utility expects to need additional capacity by 2012 to meet expected growth, replace expiring purchase power contracts and replace older, less efficient generating assets. BPU expects to be long capacity when the new asset initially comes online. The utility plans to sell surplus power into the market by entering into short-term power purchase agreements structured to expire as BPU grows into the entire capacity of the new asset. The utility expects to have a well-defined project by the end of 2006 and move forward with environmental permitting and preliminary design in 2007.

Nearman Station Outage

BPU's Nearman Station coal-fired plant came back online at the end of May after a 12-week outage. A planned eight-week outage began the beginning of March and was extended an additional three weeks to replace a damaged rotor discovered during the scheduled maintenance, thus mitigating future maintenance that would otherwise have been required at a later date. Purchased power expense as a result of the eight-week scheduled outage totaled \$9.5 million.

Electric System Fuel Mix



WAPA – Western Area Power Administration. SWPA – Southwestern Power Administration. Source: Company reports.

These funds were fully collected through the ERC in place from November 2005–April 2006. The extra three- to four-week outage resulted in \$4.3 million of additional purchased power expense, which is being recovered through the ERC in place between May 2006 and October 2006.

■ Power Supply

Fitch views BPU’s low-cost power supply, which consists of a combination of owned (primarily coal-fired) and purchased power, as one of the primary strengths supporting the credit rating. The 80-mw Nearman Station combustion turbine No. 4 peaking unit came online in the summer of 2005 and enabled BPU to continue to meet its peaking and reserve margin requirements. The unit was the first addition to BPU’s generation portfolio since 1981.

Reliability for BPU’s coal-fired units has been very good, and in 2005, the utility had one of its best years for availability of Nearman Station (90%), Quindaro I (77%, but would have been 93% without scheduled outage) and Quindaro II (93%). A major overhaul of Quindaro I was finished in the fall of 2005, and an overhaul of Quindaro II is scheduled for 2007. See the Recent Developments section on page 2 for a discussion regarding the recent scheduled outage at the Nearman Station plant.

■ Rates

As a result of BPU’s primarily coal-based generation resources, the utility’s rates have historically been

very competitive and are expected to remain in-line with those of other regional providers. Fitch expects BPU’s rate competitiveness in the region going forward to ultimately be determined to a great extent by the ability of investor-owned utilities in the region to receive approval for rate increases. BPU implemented its fuel-adjustment clause (ERC) on July 1, 2002. The rider has historically been reviewed every six months and adjusted when necessary. However, going forward, management plans on reviewing the ERC on a monthly basis and incorporating adjustments on a timelier basis if needed. The ERC is calculated on a formula basis and can be implemented simply by approval of the general manager. No vote of the BPU is necessary to make adjustments to the ERC.

A 7.1% rate-stabilization rider was put in place at the beginning of 2002 and was originally scheduled to expire on Dec. 31, 2004. The rider was created and had been used to cover major emergency expenses, such as a 2002 ice storm, a 2003 tornado and a major lightning storm in 2004. The original rider was extended through 2005. As of January 2006, the rider was incorporated into base rates, in effect acting as an increase in base rates. The rider has been reset at 0.0%, but the utility has retained the option to adjust it in the future.

■ Demographics

Despite some service area demographic concerns over the past several years, the electric utility has seen steady growth in both revenues (CAGR of 5.4%) and megawatt-hour sales (CAGR of 1.7%) over the past five years.

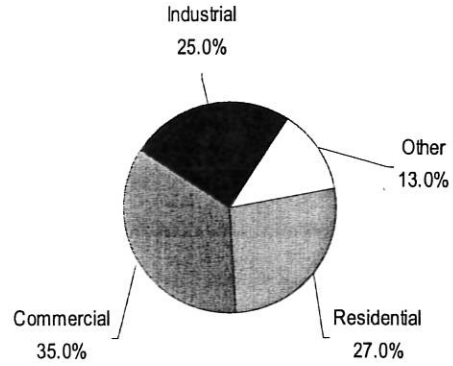
The electric system’s revenue distribution has been very consistent and well-diversified over the past 10 years (see the Electric System Revenue Distribution by Customer Class chart on page 4).

While BPU has three relatively large industrial electric customers, overall customer concentration is not viewed as a credit concern. In 2005, the top 10 electric customers accounted for 27.2% of revenues and 32.0% of energy usage. The top user, Owens Corning, accounted for 5.0% of revenues and 7.1% of energy usage. Johnson County Water District No. 1 (Johnson County Water), currently the fourth-largest electric customer, will have a new water treatment center come online in 2010. BPU will provide power to the facility, resulting in Johnson County Water becoming BPU’s top electric customer.

6-7

The water utility (16% of revenues) serves approximately 55,000 customers in a 152 square-mile service area. Water supply comes from the Missouri River watershed, both the river itself and an aquifer below the river. Over the past five years, water system revenue and sales (gallons) have grown at CAGRs of 7.1% and 0.6%, respectively. BPU expects water sales to continue to grow steadily as a result of continuing residential and commercial development within the utility's service territory. Customer concentration within the water system is not a concern, as the top 10 customers accounted for only approximately 10% of water system revenues in 2005.

Electric System Revenue Distribution by Customer Class



Source: Company reports.

6-8

Financial Summary — Kansas City Board of Public Utilities

(\$000, Fiscal Years Ended Dec. 31)

	2005	2004	2003	2002	2001
Cash Flow (x)					
Debt-Service Coverage	1.71	1.81	1.93	2.06	1.47
Adjusted Debt-Service Coverage	1.55	1.67	1.82	1.92	1.40
Coverage of Full Obligations	0.99	1.00	1.17	1.28	0.89
Debt/Funds Available for Debt Service	6.2	7.4	4.9	4.8	6.9
Liquidity					
Days Cash on Hand	63	86	117	131	120
Leverage (%)					
Equity/Capitalization	48.6	48.3	57.1	56.3	56.9
Other (%)					
General Fund Transfer/Revenues	11.9	11.8	10.8	11.4	9.5
Variable-Rate Exposure/Capitalization	0.0	0.0	0.0	0.0	0.0
Income Statement					
Total Operating Revenues	221,945	207,408	201,535	191,352	172,735
Total Operating Expenses	191,790	177,604	169,898	157,353	160,725
Operating Income	30,156	29,804	31,637	33,998	12,010
Funds Available for Debt Service	63,187	54,357	56,967	60,692	39,610
Total Annual Debt Service	37,041	29,969	29,471	29,439	26,903
Balance Sheet					
Unrestricted Funds	28,111	36,346	46,769	47,729	44,859
Restricted Funds	79,927	116,635	18,275	21,768	17,014
Total Cash	108,038	152,711	65,044	69,497	61,872
Total Debt	391,064	400,847	281,220	288,759	273,281
Equity and/or Retained Earnings	369,628	374,481	374,887	371,306	360,362

Note: Numbers may not add due to rounding. Source: Company financial reports.

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Unified Government of Wyandotte County/Kansas City (Kan.)

RESEARCH

Wyandotte County Unified Government Board of Utility System, Kansas; Combined Utility

Publication date: 08-Dec-2006
Primary Credit Analyst: Peter V Murphy, New York (1) 212-438-2065;
 peter_murphy@standardandpoors.com
Secondary Credit Analyst: Paul Jasin, Dallas (1) 214-871-1424;
 paul_jasin@standardandpoors.com

Credit Profile**AFFIRMED****Wyandotte Cnty Unif Govt Brd of Util Sys, Kansas**

\$72.575 mil. Wyandotte Cnty/Kansas City Unif Govt
 (Wyandotte Cnty Brd of Pub Util) util sys rev bnds ser 1998 dtd
 12/01/1998 due 09/01/2002-2014 2018 2028 AAA/A+(SPUR)

\$25.325 mil. Wyandotte Cnty/Kansas City Unif Govt util sys rev
 bnds (Wyandotte Cnty Un Govt Brd of Util) ser 1999 dtd
 12/01/1999 due 09/01/2000-2017 2019 2024 2028 AAA/A+(SPUR)

Wyandotte Cnty/Kansas City Unif Govt, Kansas

Wyandotte Cnty/Kansas City Unif Govt, Kansas
 \$126.005 mil. Wyandotte Cnty/Kansas City Unif Govt util rev
 (AMBAC) AAA/A+(SPUR)

\$115.535 mil. Wyandotte Cnty/Kansas City Unif Govt util sys
 imp rev bnds ser 2004B dtd 11/30/2004 due 09/01/2005-2007
 2009-2019 2021 2023-2028 2032 (FSA) AAA/A+(SPUR)

OUTLOOK:**STABLE****Rationale**

The 'A+' rating on Wyandotte County Unified Government Board of Utility System, Kan.'s utility system revenue bonds reflects:

- A stable service area with potential for growth driven by residential and commercial development;
- Good financial performance, supported by management's financial targets for debt service coverage (1.6x-2.1x) and liquidity (60 days of working capital);
- Good management; and
- Good system operations, including ownership of relatively low-cost coal-fired base load power plants.

Sizeable capital needs and a somewhat concentrated customer base limit these strengths.

A business profile of '4' (on a '10'-point scale, with '1' representing the least risk) has been assigned to the board based on the good management, competitive rates, sound operations, and some concentration among the system's largest users.

The bonds are payable from net revenues of the combined water and electric utility systems.

The Wyandotte County Unified Government Board of Utility System (BPU) provides electric and water

service within Wyandotte County to more than 64,000 electric and more than 50,000 water accounts. The service area economy is relatively diverse, with significant manufacturing-, government-, and transportation-related sectors. Customer concentration is fairly significant, however, with the 10 leading electric customers accounting for more than 21% of system revenues, including wholesale contracts. The county also benefits from its participation in the Kansas City metropolitan area economy. However, income indicators are below average. Unemployment rates, which have declined since the 2001 recession, remain high relative to the state and national averages.

Electric operations provide the majority of revenues, 84%, while water operations provide the balance. The utility is self-sufficient, capable of meeting its own energy requirements and selling excess base load capacity. Many of its units are dual-fueled, allowing for peaking use as well. Additional power is purchased when cost effective. Residential and commercial electric rates are slightly above the state average, although BPU's industrial and overall rates are below the state average, according to Energy Information Agency data for 2004. BPU's rate advantage has been maintained in the industrial sector, which is critically important, given BPU's current customer mix.

On the water side, BPU has shifted its water treatment process of surface water from the Missouri River to underground well water filtration in conjunction with its latest water treatment facility. The effect of this shift has been a reduction in treatment costs.

Financial performance is good. In recent years, management has focused on operating efficiencies to counter commodity price and growth-related expenditure pressures, enabling debt service coverage to be maintained at least 1.9x since fiscal 2001. Liquidity dipped to about 60 days at fiscal year-end 2005, including a rate stabilization fund with a balance of \$11.9 million. Fixed charge coverage, which takes into account capacity payments associated with power purchases, was solid at 1.4x in fiscal 2005. A proposed rate increase of about 4% for fiscal 2007 in the electric system will help preserve coverage levels. Earlier in 2006, the board adopted a three-step water rate increase, which will increase water rates 9.6% by 2009.

Future debt plans include \$45 million for general capital needs in 2007. Additionally, there is potential for a large baseload power plant that would be debt-funded, although the board has not made any final decisions on its future power resources to date.

Outlook

The stable outlook reflects the expectation that financial margins and liquidity will be maintained at adequate levels as management copes with growth-related and other capital pressures.

Economy

Wyandotte County's economy continues to expand. Commercial development in support of the rising population is also underway. Owens Corning Inc. and General Motors Inc. two of the system's largest utility users have recently expanded production at their plants. General Motors' Kansas City plant produces the Chevy Malibu and Saturn VUE lines, and has recently added staff to an already sizeable workforce. However, despite these developments, the unemployment rate for Wyandotte County was 7.4% in 2005, which, although lower than it was in the past two years, is nevertheless three to four percentage points above the state and national averages. The residents of Kansas City and Wyandotte County voted and approved (with 60% in favor) the consolidation of governments, effective Oct. 1, 1997. The territory of the unified government includes all of Wyandotte County except the cities of Bonner Springs, Edwardsville, Lake Quivira, and unincorporated areas. The area served by the utility has extended into nearby Leavenworth County, as water sale contracts with five local utilities have increased wholesale water sales markedly since 1997.

Markets

The BPU provides electric service to all of the territory of the unified government with the exception of the territory limits of the cities of Bonner Springs, Edwardsville, Lake Quivira, and a small unincorporated area south of Bonner Springs. The electric system has 64,481 customers, and is forecasting 2% annual growth in demand annually. In addition, the utility also provides wholesale power, under contract, to the Kansas Municipal Energy Agency (KMEA) and the city of Columbia, Mo. BPU has wholesale power sales agreements with KMEA through 2022 and Columbia through 2013. Each is obligated to pay a demand charge for MW of capacity contracted to be purchased, kilowatt-hour (kWh) purchased, a fuel charge,

operation and maintenance charges, and their share of payments in lieu of taxes for their respective power sales.

The BPU's primary electric customers are residential (89%); however, the majority of kWh sales and revenues are accounted for by the commercial and industrial customers classes. Commercial and industrial customers account for about 60% of energy sales but only 55% of electric system revenues in 2005, indicating a slight preference in rates for those two classes, which are key to the local economy. The 10 leading retail electric customers account for 26% of electric system revenues and 21% total utility system operating revenues.

Operations

Electric system

The utility has three electric power generating stations and with power purchase agreements has ample power to meet its peak demand (500 MW in fiscal 2005). The board's generating assets are predominantly coal-fired, but gas and oil fueled units, as well as hydro resources purchased from the Southwestern Power Administration, provide good fuel diversity among the board's peak and baseload resources. A long-term coal supply is secured pursuant to an agreement (expiring 2017) with Western Fuels, providing for the delivery of coal to the Nearman Station by Western. The purchase price to the utility is based on Western's costs of acquiring and delivering the coal, as well as a management fee.

BPU has wholesale power sales agreements with KMEA and the city of Columbia, Mo. for the sale of 38 MW and 20 MW, respectively, of output from the Nearman Station Unit No. 1. The agreement with KMEA expires in 2022, and the agreement with Columbia terminates on the earlier of 2013 or upon the date of deactivation of Nearman Station Unit No. 1. Each is obligated to pay a demand charge for MW of capacity contracted to be purchased, kWh purchased, a fuel charge, operation and maintenance charges and their share of payments in lieu of taxes for their respective power sales.

BPU's long-range electric system master plan indicates a sizeable coal-fired plant to serve baseload, which would be needed by 2012, is also part of the utility's long-range plan.

Water system

Water service is provided to 50,000 customers in all areas within the territory of the unified government, excluding Bonner Springs and Lake Quivira; wholesale water service is also provided to LanDel Water District and Consolidated Water District No.1, both in Leavenworth County. The 10 leading customers account for 23% of water by volume and about 10% of water revenues. Like the electric system, residential customers account for the bulk of the total customer base, but commercial and industrial customers account for water sales. Water is currently drawn from the Missouri River, which reduces treatment costs relative to ground water. The board's strategy is to be a major regional supplier, and water sales to five interconnected water utilities are made under contracts of various lengths, some as long as 20. These wholesale sales enable the board to maximize use of its treatment and delivery capabilities to keep retail rates affordable.

Competitive Position

Overall, BPU rates are competitive, with an average retail rate of about 6 cents per kWh, which is on par with the state average for 2005. Residential rates were about 8 cents per kWh in 2005. The board's industrial rate is slightly lower than the state rate, but is substantially below that of the area's investor-owned utilities. The board's competitive position should not be compromised despite a proposed modest electric rate increase for fiscal 2007. Water rates are manageable, despite rate increases in 2003 and 2006.

Finances And Debt

Financial performance is sound, as BPU has achieved strong debt service coverage and maintained sufficient reserves over the past several years. The board has adopted clear and prudent financial guidelines, addressing working capital, debt service coverage levels, operating and rate stabilization reserves, and the frequency of rate review. Operating revenues have grown steadily over time, increasing to \$222 million in fiscal 2005. Liquidity is adequate, with fiscal 2005 year-end unrestricted cash, including an \$11.9 million rate-stabilization fund, equaling about 60 days' expenditures, down from 94 days' cash on

hand as of Dec. 31, 2003. Financial policies govern BPU's operations, including debt service coverage targets of at least 1.6x in both the water and the electric system and liquidity targets that require a minimum of 60 days' working capital. Furthermore, the board, when needed, has implemented a temporary rate-stabilization rider to electric bills if extraordinary events result in operating deficits, enabling BPU to fully recover unplanned costs on a timely basis. Currently, this rider is set at zero.

Upcoming debt plans include about \$45 million for general system improvements in 2007, to finance general capital needs. This debt will supplement the board's typical \$22 million-\$25 million of capital spending from base rate revenues. While no decisions have been made to date, the board would need to incur several hundred million dollars in debt should it undertake construction of a sizeable baseload coal-fired generating facility.

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KUTAK ROCK LLP

SUITE 500
1010 GRAND BOULEVARD
KANSAS CITY, MISSOURI 64106-2220

816-960-0090
FACSIMILE 816-960-0041

www.kutakrock.com

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WICHITA

KATHRYN PRUESSNER PETERS
kathryn.peters@kutakrock.com
(816) 960-0090

MEMORANDUM

TO: HOUSE UTILITIES COMMITTEE

FROM: MS. PETERS

DATE: MARCH 19, 2007

RE: HOUSE BILL 2576; EXISTING KANSAS CITY BOARD OF PUBLIC UTILITIES RATE HEARING PROCEDURES

Since 1980, the Kansas City Board of Public Utilities (“BPU”) has been required by law to hold public hearings before implementing any rate increases. The BPU is the only municipal utility in the state which is required to hold public hearings as a part of its rate setting authority. The procedures which the Kansas legislature put in place in 1980 are set forth in the Kansas statutes, K.S.A. 13-1228a et seq.

Under the statutes and procedures, BPU has to publish notice of a public hearing at least ninety (90) days before the hearing commences. BPU also sends out press releases immediately prior to the hearing to remind its customers of the upcoming hearing. At the public hearing, the staff and BPU consultants present staff’s recommendation for adjustments to the rates and comments from the public are heard. In addition, technical testimony from the BPU staff and consultants, and from the intervenors if any party has filed a petition to intervene, is presented.

A hearing officer is selected to preside over the hearing and handle the functions of an administrative law judge. A court reporting service records the proceedings. After completion of all public comment and technical evidence, the Hearing Officer turns the proceedings over to the elected BPU board members (the “Board”) for decision. The Board receives all the testimony and evidence presented in the hearing, as well as final recommendations from the BPU staff and intervenors.

The hearing includes both a public portion and a technical portion. In the public portion, the BPU staff makes a public presentation setting out in detail the reasons that staff recommends that the Board approve the rate proposal, and the public is given the opportunity to make comments. In the technical portion, the BPU staff and any intervenors introduce pre-filed

testimony, offer exhibits, cross-examine each other's witnesses and offer any other evidence felt necessary by each party.

The BPU staff uses the 90 day period between the notice and the hearing to review the initial hearing proposal in depth. For example, BPU staff has used this period to examine the cost drivers which led to the initial proposal, and to determine if any cost reductions could be put in place to lower the rate recommendation. This period provides an opportunity to schedule community forums on BPU operations and the reasons that staff has proposed a rate increase. BPU and its engineering consultants also use this time period to engage in extensive discussions with representatives of BPU's major industrial customers and their attorneys and engineering consultants, reviewing all of the work papers and other materials which were filed in support of the rate hearing proposal. The detailed scrutiny of the proposal in the 90 period has commonly enabled BPU staff to lower the original recommendation as published in the notice, prior to the commencement of the hearing.

There have been intervenors in every rate hearing which BPU has held since 1980. BPU's major industrial customers have intervened in each hearing, as a group, with an experienced utility attorney and an engineering consulting firm representing them in the hearing. In each hearing, during the technical portion of the hearing, BPU's engineering consultant and the industrial customers' engineering consultant have worked together to review the BPU staff proposal and to modify and refine the proposed rates as needed. In every rate hearing since 1980, the BPU and its major industrial customers have presented agreed-upon recommendations to the Board for action after conclusion of the hearing. In these agreements, BPU staff and its major customers have also agreed to work together on a continuous basis on various rate making matters. For example, BPU staff is presently working with the major customer group on certain time of use issues.

The final decision is on rates is that of the Board after receipt of all the public comment, technical evidence and recommendations from BPU staff, consultants and intervenors. Until the Board has reached its decision following the conclusion of the hearing, no rate increase can be implemented.

Under the Kansas statutes, a dissatisfied intervenor can file a petition with the Wyandotte County District Court no later than thirty (30) days after the Board has rendered its final decision on the rate increase. If such a petition is filed, the Court will review the lawfulness or reasonableness of the Board's decision based on the transcript of proceedings of the rate hearing.

Since 1980, an effective rate hearing procedure has been in place for the BPU. The rate hearing procedure which the Kansas legislature approved in 1980 has been utilized to good effect by the BPU staff and its customers through the years to provide a sound, public, forum for all rate decisions of the utility.

K.P.P.

From: David MacGillivray [mailto:dmacgillivray@springsted.com]
Sent: Friday, March 16, 2007 6:00 PM
To: Lori Austin; Don Gray
Cc: dhays@wycokck.org; Bach, Doug
Subject: KCC Issue- Response

Hi,

In response to your request, I offer the following:

We understand legislation is being put forth which would require the Board of Public Utilities (BPU) to have proposed user rate changes approved at the state level. We also understand the legislation is drafted such that the BPU would be the only municipal electric utility in the state required to go through state approval for rate changes.

We believe this proposed legislation would have a negative impact on the BPU's credit rating. Whether the magnitude of this negative impact is sufficient for a downgrading of the BPU's credit rating, can not now be determined. However this proposal would have a major negative impact. A

rating downgrade would lead to higher borrowing costs, less capacity to respond to new infrastructure needs and ultimately higher user rates.

This added layer of approvals would be negative because of a new, additional layer of decision-making to the rate setting process, at a level further removed from the direct operation of the utility. The rating agencies view the ability of local officials to respond to their utility's needs as a positive rating criteria. Multi-layered, local and state, regulatory oversight in the setting of user rates is a negative rating condition because changing financial conditions can not be responded to by those closest to the utility, and because of the normally longer associated review and approval process.

Another potential outcome is that a protracted process with the financial dynamics of this industry could lead to the need to maintain higher cash reserve levels to fund unforeseeable market conditions.

This particular legislative proposal has the additional element of singling out only one municipal utility in the state for such review. The rating agencies would be asking a significant number of questions as to why this

specific legislative action was directed at the BPU? What is the
experience
base, as compared to investor-owned utilities, of the state regulatory
body
to conduct such a review given only one municipal utility would be
subject
to such a review? And with this singling out, what does that mean as
to the
state's position on BPU user rate increases in particular, as distinct
from
all other Kansas municipal utilities?

Those are my general comments based on what I understand to be the
situation.

Please contact me if you have any questions.

Thanks

Dave

David N. MacGillivray, Chairman
Springsted Incorporated
651.223.3068
651.223.3002 fax
visit us at www.springsted.com
dmacgillivray@springsted.com

KUTAK ROCK LLP

SUITE 500
1010 GRAND BOULEVARD
KANSAS CITY, MISSOURI 64106-2220

816-960-0090
FACSIMILE 816-960-0041

www.kutakrock.com

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SCOTTSDALE
WASHINGTON
WICHITA

KATHRYN PRUESSNER PETERS
kathryn.peters@kutakrock.com
(816) 960-0090

MEMORANDUM

TO: HOUSE UTILITIES COMMITTEE

FROM: KATHY PETERS

DATE: MARCH 19, 2007

RE: HOUSE BILL 2576; EXISTING KANSAS CITY BOARD OF PUBLIC UTILITIES RATE HEARING PROCEDURES

Since 1980, the Kansas City Board of Public Utilities (“BPU”) has been required by law to hold public hearings before implementing any rate increases. The BPU is the only municipal utility in the state which is required by law to hold public hearings as a part of its rate setting authority. The procedures which the Kansas legislature first put in place in 1980 are set forth in the Kansas statutes, K.S.A. 13-1228a et seq.

Under the statutes and procedures, BPU has to publish notice of a public hearing at least ninety (90) days before the hearing commences. BPU also sends out press releases immediately prior to the hearing to remind its customers of the upcoming hearing. At the public hearing, the staff and BPU consultants present staff’s recommendation for adjustments to the rates and comments from the public are heard. In addition, technical testimony from the BPU staff and consultants, and from the interveners if any party has filed a petition to intervene, is presented.

A hearing officer is selected to preside over the hearing and handle the functions of an administrative law judge. A court reporting service records the proceedings. After completion of all public comment and technical evidence, the Hearing Officer turns the proceedings over to the elected BPU board members (the “Board”) for decision. The Board receives all the testimony and evidence presented in the hearing, as well as final recommendations from the BPU staff and interveners.

The hearing includes both a public portion and a technical portion. In the public portion, the BPU staff makes a public presentation setting out in detail the reasons that staff recommends that the Board approve the rate proposal, and the public is given the opportunity to make comments. In the technical portion, the BPU staff and any interveners introduce pre-filed

testimony, offer exhibits, cross-examine each other's witnesses and offer any other evidence felt necessary by each party.

The BPU staff uses the 90 day period between the notice and the hearing to review the initial hearing proposal in depth. For example, BPU staff has used this period to examine the cost drivers which led to the initial proposal, and to determine if any cost reductions could be put in place to lower the rate recommendation. This period provides an opportunity to schedule community forums on BPU operations, construction projects and the reasons that staff has proposed a rate increase. BPU and its engineering consultants also use this time period to engage in extensive discussions with representatives of BPU's major industrial customers and their attorneys and engineering consultants, reviewing all of the work papers and other materials which were filed in support of the rate hearing proposal. The detailed scrutiny of the proposal in the 90 day period has commonly enabled BPU staff to lower the original recommendation as published in the notice, prior to the commencement of the hearing.

There have been interveners in every rate hearing which BPU has held since 1980. BPU's major industrial customers have intervened in each hearing, as a group, with an experienced utility attorney and an engineering consulting firm representing them in the hearing. In each hearing, during the technical portion of the hearing, BPU's engineering consultant and the industrial customers' engineering consultant have worked together to review the BPU staff proposal and to modify and refine the proposed rates as needed. In every rate hearing since 1980, the BPU and its major industrial customers have presented agreed-upon recommendations to the Board for action after conclusion of the hearing. In these agreements, BPU staff and its major customers have also agreed to work together on a continuous basis on various rate making matters. In the hearing held in November that resulted in rate revisions effective January 1, 2007, BPU entered an agreement with intervening customers General Motors, Owens-Corning Fiberglas Corporation, the University of Kansas Medical Center, Griffin Wheel, WaterOne and Armour Eckrich. BPU staff is presently working with these major customers on certain time of use issues and other rate matters.

The final decision on rates is that of the Board after receipt of all the public comment, technical evidence and recommendations from BPU staff, consultants and interveners. Until the Board has reached its decision following the conclusion of the hearing, no rate increase can be implemented.

Under the Kansas statutes, a dissatisfied intervener can file a petition with the Wyandotte County District Court no later than thirty (30) days after the Board has rendered its final decision on the rate increase. If such a petition is filed, the Court will review the lawfulness or reasonableness of the Board's decision based on the transcript of proceedings of the rate hearing. The Court has the power to vacate a rate decision. No one has ever filed a petition challenging the BPU rates following a public hearing.

Since 1980, an effective rate hearing procedure has been in place for the BPU. The rate hearing procedure which the Kansas legislature approved in 1980 has been utilized to good effect by the BPU staff and its customers through the years to provide a sound, public, forum for all rate decisions of the utility.



Testimony

Unified Government Public Relations
701 N. 7th Street, Room 620
Kansas City, Kansas 66101

Mike Taylor, Public Relations Director
913.449.4848 mtaylor@wycokck.org

House Bill 2576 Control of the Kansas City Board of Public Utilities

Delivered March 19, 2007
House Energy and Utility Committee

The Unified Government of Wyandotte County/Kansas City opposes House Bill 2576 which proposes to take control of the Board of Public Utilities away from local citizens and place it with the Kansas Corporation Commission.

The BPU is a municipal utility owned by the citizens of Kansas City, Kansas. The citizens elect the Board of Directors and if they don't like the way those elected officials operate the utility, they can and will express that opinion at the polls. That process is going on right now for three of the seats on the board. Taking control of the utility away from the citizens and their elected officials and handing it over to a non-elected state agency is an affront to our citizens, local control and representative democracy. It is also bad public policy.

The BPU is now subject to several levels of control and oversight: 1)An internal auditor reviews financial and operational activities and reports to the BPU Board; 2)An independent external accounting firm conducts two financial management audits a year; 3)The Unified Government Legislative Auditor has conducted two financial audits and will be doing more; 4)A BPU customer group meets with the utility regularly to discuss rates and other operational aspects of the utility; 5)The media is active in covering events at the utility keeping the public informed; 6)Several State and Federal agencies impose various controls and oversights; and 7)BPU management and UG management meet monthly to discuss and coordinate issues.

Additionally, Mayor Joe Reardon is announcing this morning that because of the utility plan to build a new power plant in the next few years and the fact that the Unified Government will be the entity borrowing the money for that construction, he is calling on the County Administrator and Legislative Auditor to provide a thorough analysis of the financial condition of the BPU and the advisability of issuing the debt to construct the plant. This detailed, independent analysis is one more example of how responsible local control provides thorough oversight of the BPU.

In closing, I need to raise one more issue which points to the reason turning control of the utility over to the KCC is a bad public policy decision. This knee-jerk proposal has failed to take into account how that shift may affect outstanding bonds issued to finance the utility. Do those bonds require the BPU to have authority to set rates? Will imposing KCC controls over rates breach those bond covenants? These are questions which have probably not been contemplated and certainly not studied by the legislator proposing HB 2576.

The Unified Government, on behalf of the citizens it represents, urges the committee to reject HB 2576 and the similar amendment contained in HB 2032.

ENERGY AND HOUSE UTILITIES

DATE: 3/19/2007

ATTACHMENT 7-1



News Release

Unified Government Public Relations
701 N. 7th Street, Room 620
Kansas City, Kansas 66101

Mike Taylor, Public Relations Director 913.573.5565

FOR IMMEDIATE RELEASE

March 19, 2007

Mayor Supports Retaining Local Control **Reardon Calls for Analysis of BPU**

Mayor Joe Reardon today said the best the course of action for the Board of Public Utilities is for the community to retain local control and oversight and for the elected BPU Board of Directors to protect the integrity of the utility. Reardon said:

"The BPU is a community asset. As Mayor I expect, and believe the Unified Government Board of Commissioners will demand, that the elected board and management of the BPU will take the necessary steps to protect the integrity of its operation for our citizens.

Local control and local scrutiny are the hallmarks of a publicly owned utility like the BPU. The most direct accountability rests with the board, elected by the citizens of the community the utility serves. I believe retaining that local control and not ceding it to a state commission is the best course of action.

The BPU's recent presentation to the Unified Government Board of Commissioners focused on the utility's conclusion that a new \$500 million power generation facility is needed for the future of our community. When an extraordinary investment is proposed by the utility, additional scrutiny by the UG Board of Commissioners is necessary as the UG and the community itself will be called on to commit to the investment.

In light of BPU's plan and the ultimate request for the UG to issue debt to build the plant, I will be asking the County Administrator and Legislative Auditor to provide the Unified Government Board of Commissioners with a thorough analysis of the financial condition of the BPU, the advisability of issuing a large amount of debt to build a new plant and a realistic analysis of the need for a new coal fire plant for our community and possible options for providing additional electric power.

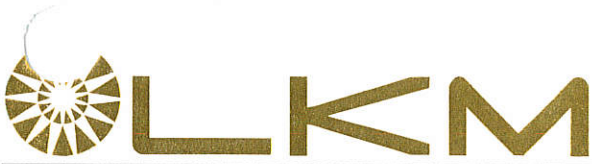
It is only with this thorough, independent analysis that the UG board of commissioners can make a responsible decision with respect to one of the largest single public investments in the history of the county.

I will be asking the County Administrator to outline for the commission his course of action to begin the analysis before the end of the month."

CONTACT: Mike Taylor, Public Relations Director

Office: 913.573.5565 Cell: 913.449.4848

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League of Kansas Municipalities

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

To: House Energy and Utilities Committee
From: Kimberly Winn, Director of Policy Development & Communications
Date: March 19, 2007
Re: HB 2576

Thank you for the opportunity to offer comments on behalf of the 576 member cities of the League of Kansas Municipalities. We appear today in opposition to HB 2576.

Earlier this year, this Committee passed out HB 2032, a bill which represented an agreement between municipal utilities in Kansas and the Kansas Corporation Commission (KCC). That bill was designed to deregulate certain municipal utilities provided that specific protections were allowed for the customers that live outside the three mile ring around the city. We believe that HB 2032 is a fair and appropriate compromise regarding the issue of KCC jurisdiction over municipal utilities.

Municipal electric and gas utilities are operated by officials who are elected at the local level. The 2007 *Statement of Municipal Policy*, as adopted by the LKM Convention of Voting Delegates, supports "the greatest measure of self-determination in the operation" of municipal utilities. HB 2576 opens the door to KCC jurisdiction over municipal utilities, and for this reason, we must oppose this legislation.

We urge this Committee to reject this legislation and to continue to support the compromise which was represented in HB 2032. Thank you for your consideration and I would be happy to stand for questions at the appropriate time.



KCK Chamber
Partnering for Success

**THE KANSAS CITY KANSAS AREA
CHAMBER OF COMMERCE**

727 Minnesota Avenue
P.O. Box 171337
Kansas City, Kansas 66117
Phone: 913-371-3070
Fax: 913-371-3732
www.kckchamber.com

TO: MEMBERS OF THE HOUSE ENERGY & UTILITY COMMITTEE

FROM: CINDY CASH, PRESIDENT/CEO

RE: TESTIMONY ON HB 2576 AND HB 2032

DATE: MARCH 19, 2007

Chairman Holmes and Members of the House Energy & Utilities Committee, my name is Cindy Cash and I am the President/CEO of the Kansas City Kansas Area Chamber of Commerce. I am also a resident of Kansas City, Kansas and rate payer of the Kansas City Board of Public Utilities known locally as the BPU.

I am here today to urge this committee to either take out the amendment in House Bill 2576 that would put the BPU under the regulatory control of the Kansas Corporation Commission or defeat the bill in its entirety. I am also here today to ask that the similar HB 2032 that was passed by the Senate on March 14th have this same amendment taken out in conference committee or that bill also be defeated in its entirety.

Last week I emailed a letter to members of the Wyandotte County delegation, legislative leadership, the Governor and Lieutenant Governor expressing among other things the Chamber's total lack of support for this amendment. A copy of this letter is attached to this testimony.

The Kansas City Board of Public Utilities is a municipally owned utility. It is owned by the people of Kansas City, Kansas. We believe it is the right of the people of KCK to determine the course of their utility. An amendment has been inserted into these two bills that would take away this right. This action was initiated by Senator Steineger without any notice or even conversation to anyone at the Utility, the Chamber, the Unified Government or any community leader I am aware of. In fact, I spoke with Senator Steineger on Tuesday, March 13th and he said nothing to me at that time about this amendment that so greatly affects our community which passed the Senate in HB2032 the very next day.

ENERGY AND HOUSE UTILITIES

DATE: 3/19/2007

ATTACHMENT 9-1

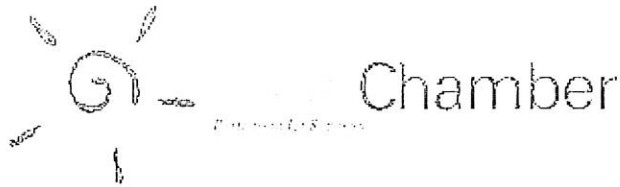
We believe our community as a whole needs to determine the course of direction of the BPU. The media has documented areas of concern for all of us at our utility. We as citizens and ratepayers need to ask questions and get answers to our concerns. We are currently in the final weeks of the election season that will decide three seats on the BPU board for the next four years by the voters. That is the way a municipally owned utility should be regulated, by the voters and the community it serves.

The BPU not only provides electric and water service to the community, it also provides community service through public service of its employees, donations to community activities and youth, as well as investments in the development of the community. In fact the Chamber I serve has been a recipient of some of these funds in the past to pursue economic development growth in our community. Those funds assisted us and our partners in bringing more business and residents to the community which resulted in more electrical and water usage for the utility

The BPU is also a part of our Unified Government and is intertwined with them through billing and services such as fire hydrants and traffic lights. The Kansas Corporation Commission regulates entities that are pure utility. Our BPU is more than that in our community and our citizens and ratepayers should be the ones to decide what services – both utility and community they are willing to pay for.

Putting the BPU under the Kansas Corporation Commission will not accomplish this.

Please do not pass House Bill 2576 out of the House Energy and Utility committee with this amendment and please do the same with House Bill 2032 in Conference committee. Thank you very much.



March 15, 2007

The Kansas City Kansas Area Chamber of Commerce would like to go on record regarding some of the recent legislative introductions by Senator Chris Steineger.

The Kansas City Kansas Area Chamber does not support, endorse or even agree with any of Senator Steinegers' recent proposals to:

1. Have legislation to merge Wyandotte and Johnson County. We are pleased with the progress our County/City consolidation has made but do not believe an attempt at the consolidation of Wyandotte and Johnson counties would result in anything other than bad feelings and a colossal waste of time and money.
2. Sell KU Hospital for \$800 million and split the proceeds between deferred maintenance at universities and the funding of the KPERS fund. We believe KU Hospital is an incredible resource as it is right now. It is overseen by Kansans through the Hospital Authority Board. It has gained an excellent reputation for its cutting edge medical practices and compassionate care. It gives back to the community in many ways and takes care of its share of people who have little or no health insurance. We don't think you can put a price on an institution like KU Hospital and certainly do not believe it should be sold. We believe there are other methods to fund the deferred maintenance issues and KPERS such as expanded gaming.
3. Put the control of the Board of Public Utilities under the Kansas Corporation Commission. The Board of Public Utilities is a municipally owned facility. It belongs to the citizens of Kansas City, Kansas and we as citizens and customers need to determine the direction of its control, not the state.

We felt it important to go on record at this time regarding these issues. Even though Senator Steineger is an elected official and was voted in by a majority of his district, he does not represent every voter in the county. His three proposals certainly do not represent the Chamber's interests for the businesses and the community.

Sincerely,

Cindy Cash
President/CEO



kansas municipal utilities

Submitted Testimony Provided the

House Utilities Committee

March 19, 2007

Colin Hansen

Executive Director

Kansas Municipal Utilities

House Bill 2576—

*Regulation of Kansas City Board of Public Utilities
by State Corporation Commission*

On behalf of its 170 municipal electric, natural gas, water and wastewater members, Kansas Municipal Utilities (KMU) strongly opposes House Bill 2576, legislation to remove local control of rate setting from the Kansas City Board of Public Utilities (KCBPU).

Local Control

The core principle driving all municipal utilities is control and oversight of its operations by a locally-elected council, commission or board. Should the customers of a municipal utility have concerns regarding the management or operation of its community-owned utility, they have a direct opportunity at the ballot box to affect change. HB 2576 would remove the right of Kansas City, Kansas citizens to decide how best to operate their own community-owned system.

Local Issues Handled Locally

Local issues are best handled at a local level. For nearly a hundred years, a representative process has been in place for the customer-owners of Kansas City BPU to directly appoint the board to govern their system. KMU believes that it is through this representative process that any debate regarding the management and oversight of the utility should be addressed, not the state legislature.

Customer vs. Shareholder Dichotomy

The primary reason for state corporation commission regulation of large investor-owned utilities is the potential conflict between the customers and ratepayers of the utility and those shareholders investing in the system. Municipal utilities like Kansas City BPU are owned by the customers they serve and therefore do not have the potential for such conflict.

Cost to BPU Consumers

We believe the cost to Kansas City BPU, and ultimately its customers, would increase significantly if the utility were required to seek approval from the Kansas Corporation Commission (KCC). Fees paid to the commission to support the agency would be a new cost borne by BPU ratepayers. In addition, the utility would be required to pay for new

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DATE: *3/19/2007*

legal, engineering and consulting assistance to do nothing more than create the expansive rate filings – and prepare for subsequent hearings – required by the KCC ratemaking process.

Impact on HB 2032

The language in HB 2576 was initially introduced as an amendment to HB 2032. HB 2032 is compromise legislation four years in the making that seeks to remove an unnecessary regulatory burden on those municipal electric and gas utilities with customers more than three miles outside of their city boundaries. The majority of these municipal utilities are small and rural in nature. As introduced, KMU believes that the amendment now reflected as HB 2576 would do far more harm to the municipal utility community in Kansas than any benefit that the original bill would have produced.

BPU History

In 1912, the citizens of Kansas City, Kansas voted to establish a municipally-owned and operated electric utility. Since that time, the utility has provided reliable and low-cost service to its customer-owners. Like any utility, BPU has faced its share of ups and downs over the past nine-and-a-half decades. However, the utility has always persevered through these difficulties while retaining local control.

BPU Offers Effective Utility Service

According to a recent rate comparison completed by KMU for its member utilities, Kansas City BPU had the 9th lowest total electric rate of the 154 municipal utilities, rural electric cooperatives, and investor-owned utilities in the state of Kansas. The linemen, power plant operators, and other employees of BPU are some of the most well-respected and competent in the industry. The utility is innovative and forward-thinking, as indicated by such recent projects and initiatives as their announced intention to invest in the Smoky Hills Wind Farm, plans for a new baseload coal unit, the utility's upcoming Green Build Energy Conference, a recent Plug-in Electric Hybrid Vehicle Seminar, and countless other instances of volunteerism, support and assistance to citizens in Wyandotte County. KMU supports BPU and believes that local control has worked well in the KCK community.

Conclusion

The members of KMU strongly urge the committee to oppose HB 2576 and to allow the local issues of any community-owned utility, large or small, to be handled through the appropriate local representative process.