

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on February 21, 2008 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Raney Gilliland, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Mike Corrigan, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Senator Roger Reitz
Prof. Kenneth Shultis, Kansas State University
Mark Schreiber, Westar Energy
Paul Snider, Kansas City Power & Light
Tom Thompson, Sierra Club
David Springe, CURB

Others in attendance: See enclosed list.

Chair Emler opened the hearing on:

SB 586 - Incentives to encourage development of nuclear power by utilities and authorizing recovery of certain costs.

Proponents:

Senator Roger Reitz noted the Senate Utilities Committee is concerned about development of nuclear energy. **SB 586** is a step in that direction and it would authorize an electrical utility to recover its expenditures for a study and allows recovery of feasibility study costs for a new nuclear generation plant. He introduced Dr. Ken Shultis of Kansas State University. (Attachment 1)

Dr. Ken Shultis, Professor of Mechanical and Nuclear Engineering and Nuclear Engineering Program Director at Kansas State University, provided facts about nuclear power as it is presently being developed in the US and elsewhere in the world. Currently, the US has 104 Nuclear Power Plants in 34 states. US nuclear power has a demonstrated 40-year record of reliable and safe operation. Economically, nuclear plants are expensive to construct but inexpensive to operate. Worldwide, there are 439 nuclear power reactors operating in 30 countries. China has plans to construct 2 new nuclear plants every year for the next 15 years. Fuel recycling and nuclear waste storage concerns were discussed. Dr. Shultis provided information on nuclear engineering at K-State. (Attachment 2)

Mark Schreiber, Westar Energy, noted that Jim Ludwig of Westar testified on January 23, 2008 before the Senate Utilities Committee. He provided a status update on the nuclear industry and offered some conceptual statutory changes that could create a more favorable environment for the expansion of commercial nuclear power in Kansas. Those recommendations are included in **SB 586**. (Attachment 3)

Paul Snider, Kansas City Power & Light, KCP&L supports **SB 586** and suggests adding development costs to the list of recoverable items. (Attachment 4)

Whitney Damron presented testimony in support of **SB 586** on behalf of the Board of Commissioners of Coffey County. (Attachment 5)

Questions from the committee: Is China developing its own nuclear training programs? Future design of reactors and their safety. Are we moving fast enough? Dr. Shultis noted the 30 years that have past without much nuclear development in the US has now made it necessary to get reactors and other elements from foreign plants. Should there be a cap on predetermined costs? How far out can the planning for a facility go?

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on February 21, 2008 in Room 526-S of the Capitol.

Opponents:

Tom Thompson, Sierra Club, voiced Sierra Club opposition to construction of nuclear power plants. It is concerned about the issues of emissions, storing of radioactive waste and security. (Attachment 6)

David Springe, CURB, opposed **SB 586** for the following reasons: the bill deals with regulatory cost recovery related to nuclear power plant studies and construction; requires the KCC "shall" authorize study and feasibility costs by an adjustment to the utility's rates; removes the KCC's discretion to set appropriate depreciation rates. (Attachment 7)

Concern was voiced on the increase cost to consumers.

Chair closed the hearing on **SB 586**.

Chair closed the hearing on **SB 555**. He appointed a Subcommittee consisting of Senators Petersen, chair, Pine and Francisco to study the bill and return their findings to the Senate Utilities Committee.

John Flower, Bonner Springs, provided the committee with his comments on **SB 555** balloon amendment. (Attachment 8)

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 8

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: FEBRUARY 21, 2008

Name	Representing
Bill Felker	Manhattan Mercury
Phil Wages	KEPCO
Kari Prestley	Hearney & Associates
Tom Thompson	Sierra Club
Mark Schreiber	Westar Energy
Paul Snider	KCP&L
Mick Votaw	KGS
David Sprunze	Curb
Whitney Damm	Copper Co Commission
Nelson Krueger	LEL
Emily Geir	Hein Law Firm
Jim Garalner	AT&T
Spesch	PMCA / KS

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TOPEKA

SENATE

COMMITTEE ASSIGNMENTS

MEMBER: COMMERCE
ELECTIONS AND LOCAL GOVERNMENT
FEDERAL AND STATE AFFAIRS
UTILITIES

The nuclear energy bill authorizes an electrical utility to recover its expenditures for a study and allows recovery of feasibility costs for a new nuclear generation plant. This would be done by an adjustment of the utility's customers' bills. The request will be dealt within an expedited manner and the commission can decide if the expenditures are appropriate.

Once a license has been obtained the utility shall be allowed to use a book depreciable life of not more than the amount of time remaining on the United States nuclear regulatory commission operating license of such facility.

The commission will be allowed to fix fair and reasonable rates, tolls and charges to the planning feasibility endeavor.

The bill notes that the property of any public utility which has not been completed shall not be deemed to be used and required to be used in the public utility's service to the public. The definition of a utility's project completion and dedication is described in the bill. A previous statutes exemption of electrical energy derived from a nuclear plant is omitted as would be expected from this initiative.

Roger P. Reitz M.D.
Senator District 22

Senate Utilities Committee
February 21, 2008
Attachment 1-1

Testimony
Senate Committee on Utilities
February 21, 2008
Presented by Dr. Kenneth Shultis
Department of Mechanical & Nuclear Engineering
Kansas State University

Mr. Chairman, and Members of the Committee, I am Ken Shultis, Professor of Mechanical & Nuclear Engineering and Nuclear Engineering Program Director at Kansas State University. Thank you for the opportunity to appear before the Committee today.

Satisfying the ever increasing demand for electrical energy is one of the greatest challenges facing our society, particularly after a lull of many years in which few large, base-load, central power stations have been constructed. The solution to our society's insatiable demand for electric power certainly will not be achieved by using a single energy source; rather the solution must involve, in my opinion, the many proven technologies including conservation, wind and solar power, fossil fuels and nuclear power. All of these technologies have advantages and disadvantages involving economics, environmental concerns, public safety, politics, special interests, and national security. It is important that you, the lawmakers, are given as wide a perspective as possible about all our energy options. It is my pleasure to come before you today to present, from my perspective, some of the important facts about nuclear power as it is presently being developed in the US and elsewhere in the world.

1. Nuclear Power in the US:

- There are 104 Nuclear Power Plants in 34 states that provide 20% of the nation's electricity. The same percentage is true for Kansas.
- For large central-station electricity production, nuclear and fossil fuels are presently the only two choices. Development of large new hydro facilities is unlikely, and solar and wind power, while they will be important in the future, are presently limited to small to medium size installations and can operate only when weather permits.
- The nuclear plants that are being ordered today have much simpler passive safety systems than do existing plants and, consequently, have far fewer components, e.g., one design has only 10% of the pumps needed in the present operating plants.
- After decades without orders for new nuclear plants, last year applications for Construction and Operation Licenses (COL) for 4 new nuclear units were received by the USNRC, and 16 more COL requests are expected this year. Additionally, another 11 nuclear units are currently in the planning stage.
- US nuclear power has a demonstrated 40-year record of reliable and safe operation accompanied by negligible emissions of green-house gases or other pollutants.
- A basic economic fact: nuclear plants are expensive to construct but inexpensive to operate. Just the opposite is true for fossil-fired plants.

- In 2006 electricity production costs in cents per kilowatt-hour (= O&M costs + fuel costs) were

Nuclear	1.72 (= 1.26 + 0.46)	Gas	6.75 (= 0.52 + 6.23)
Coal	2.37 (= 0.54 + 1.83)	Oil	9.63 (= 1.20 + 8.43)
- The annual *capacity factor* is the ratio of the electrical energy produced in a year to the maximum energy a plant could produce running at full power all year: In 2006 the capacity factors for different energy sources were as follows:

Nuclear	90%	Coal	71%
Gas (combined cycle)	40%	Gas (steam turbine)	16%
Oil (steam turbine)	16%	Hydro	33%
Wind	31%	Solar	19%

2. World Use of Nuclear Power:

- Nations without large fossil fuel reserves have had to rely on nuclear power or the importation of oil to generate electricity.
- In 2006 France generated 78% of its electricity from nuclear, Belgium 54%, Sweden 48%, South Korea 38%, and Switzerland 37%.
- There are presently 439 nuclear power reactors operating in 30 countries.
- Today, 34 nuclear power plants are under construction in 14 countries
- China has recently started a nuclear expansion program and plans to begin constructing 2 new nuclear plants every year for the next 15 years.
- This increasing acceptance of nuclear power is largely motivated by nuclear power's attractive economics and the elimination of greenhouse gas emissions. Many environmentalists, once bitterly opposed to nuclear power, have now changed their minds and insist that nuclear power must be part of our energy solution. Patrick Moore, one of the founders of the Greenpeace movement, Stewart Brand, founder of the *Whole Earth Catalogue*, Gaia theorist James Lovelock, and Hugh Montefiore, former Friends of the Earth leader, all have stated their strong support for nuclear power.

3. Fuel Recycling and Nuclear Waste

- Nuclear fuel reprocessing separates uranium and plutonium from the fission products in spent fuel. Spent fuel still contains 95% of the potential energy contained within it. The uranium and plutonium are valuable nuclear fuels and can be recycled into new fuel rods.
- The merits of reprocessing include (1) separation of long-lived transuranics (other than plutonium) for possible transmutation, (2) recovery of fission products that have commercial value, (3) the volume of radioactive waste to be disposed of is smaller and, because the long-lived transuranics are removed, the waste needs to be sequestered for considerably shorter times (1000s of years vs 100,000s of years), and (4) recovered uranium and long-lived plutonium can be recycled as new fuel.
- France, the U.K., Germany, Japan and Russia all have working reprocessing facilities and benefit from the closed fuel cycle. In particular, the French have safely recycled spent fuel for over 30 years with no terrorist attacks, no plutonium thefts, and no accidental explosions. The French reprocessing facility at La

Hague has excess capacity, and France currently reprocesses spent fuel for other countries as well as using the recycled fuel to generate excess electricity to sell to other countries (in fact, electricity is France's fourth largest export product).

- The US, by contrast, has limited experience in commercial fuel reprocessing. From 1966-1972, Nuclear Fuel Services operated a facility at West Valley NY, and Allied General Nuclear Service built a facility at Barnswell SC but never processed any spent fuel because President Carter, in 1977, issued a ban on reprocessing hoping, futilely it turns out, that other countries would follow suit. This ban had little impact on the US because of its large uranium and coal resources. President Reagan lifted the reprocessing ban in 1981, but industry so far has been wary to adopt reprocessing because of uncertainty in government policy and questionable short-term economic benefits.
- In 1982, Congress mandated that various sites for a high-level waste (HLW) repository be explored and characterized, taking into account the geology, hydrology, chemistry, meteorology, earthquake potential and accessibility. In 1987, Congress decreed that studies at other sites should cease and Yucca Mountain near the Nevada nuclear-weapons test site should become the focus. Following lengthy legal challenges, site characterization began in 1991 and acceptance of the first spent fuel is presently scheduled for 2010. The DOE was to have begun accepting spent fuel in 1998 but has not complied because no waste repository yet exists. The cost and operation of the HLW repository is to be paid from a 1/10 of a cent per kWh surcharge on nuclear electricity. Presently this fund has accumulated \$31.9 billion (about \$300 million per reactor) and spent \$9.5 billion.

4. Nuclear Engineering at K-State

- I've been in the NE program at KSU since 1969 and have seen the nuclear power industry wax and wane. Presently, there is a great resurgence in nuclear engineering, driven largely by the future expansion of nuclear power and the retirement of nearly one-half of the nuclear work force in the next 15 years.
- At K-State we have had a renaissance in the NE program. Currently, we have about 60 undergraduates in our Nuclear Option and about 25 graduate students with the enrollment rapidly growing.
- Our research emphasis focuses on the design, fabrication and application of radiation detectors, an emphasis unique among US universities, and currently we enjoy considerable extramural funding, receiving more than \$11.7 million over the last 5 years. Although most of our work is sponsored by various national security programs, one of our new detector designs is planned for inclusion in the core of a new type of power reactor, thereby, augmenting its safe operation.
- K-State's research reactor will be one of the first of the remaining 24 US research reactors to receive a renewed operating license. Our reactor is heavily used for various research projects and is an indispensable facility for the nuclear program.
- I invite anyone who would like a tour of our reactor and research facilities to contact me at jks@ksu.edu or 785-532-5626.

Thank you for your kind attention. Are there any questions?



MARK A. SCHREIBER
Director, Government Affairs

Testimony of Mark Schreiber
Director Government Affairs, Westar Energy
Before the Senate Utilities Committee
On SB 586
February 21, 2008

Good morning Mr. Chairman and members of the committee. Thank you for the opportunity to testify in support of Senate Bill 586.

The genesis of this bill came from testimony before this committee on January 23 by Jim Ludwig of Westar. At the request of the committee, he provided a status update of the nuclear industry including some conceptual statutory changes that could create a more favorable environment for the expansion of commercial nuclear power in Kansas. I would like to quote from Jim's testimony, "These suggestions, if enacted, should not be viewed as a guarantee that Westar or any other utility would build a new nuclear unit.....several obstacles still remain."

New Section 1 requires the KCC to authorize the recovery of prudent expenditures for study and feasibility costs for a new nuclear generation facility. These costs can be several million dollars. Such feasibility studies are needed prior to spending billions of dollars on a new plant to assess if a new nuclear generating facility in Kansas is feasible. At present, a utility may request recovery of these costs, but that recovery is at the discretion of the KCC.

New Section 2 requires that for ratemaking the depreciable remaining life cannot be more than the amount of time remaining on the NRC operating license. This change would prevent extending the remaining depreciable life past the normal 40-year licensed life of a nuclear plant until or unless the NRC extends the operating license, at which time the depreciable life can be extended to match.. Keeping remaining depreciable life consistent with licensed life is appropriate because a nuclear unit cannot be operated beyond its NRC license, so depreciation should match the remaining time on the license.

New Section 3 removes the exclusion for nuclear generation from the Construction Work In Progress (CWIP) statute. Last session, this legislature approved requiring CWIP for public utility projects, but nuclear generation was excluded. By the removal of the exclusion, if a utility decided to build a new

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nuclear plant it could recover prudent costs as the plant was built. Recovery in this manner reduces the overall cost of the project by reducing carrying costs.

I want to specifically thank Senator Reitz for initiating this discussion. I urge the committee to support SB 586. I will stand for questions at the appropriate time.

**Testimony of Paul Snider
Before the Senate Utilities Committee
In Support of Senate Bill 586
February 21, 2008**

Kansas City Power & Light supports Senate Bill 586. SB 586 provides reasonable cost recovery mechanisms to promote additional investment in nuclear energy in Kansas.

KCP&L is a 47 percent owner of the Wolf Creek Nuclear Operating Station.

With broad concerns about looming regulations related to coal-fired generation to address climate change, a renewed interest in nuclear generation is occurring. We appreciate the committee's willingness and initiative in addressing the advantages and risks related to nuclear energy.

As KCP&L undergoes planning for future generation needs, nuclear is certain to be part of the consideration. SB 586 provides assurances that certain recovery methods will be available, to the benefit of customers, utilities and the state.

For your consideration, KCP&L suggests adding development costs to the list of recoverable items. This could be done in Section 1 as follows:

“New Section 1. On and after July 1, 2008, the state corporation commission, upon application and request, shall authorize an electric utility to recover the utility's prudent expenditures for *nuclear plant development costs which include preliminary engineering, study, feasibility, prepayments for major equipment, and permitting* costs for a new nuclear generation facility by an adjustment to the utility's rates.”

Thank you for your consideration of this bill. We urge your support.

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Paul Snider – KCP&L
Manager, Kansas Government Affairs
816-556-2111; paul.snider@kcpl.com

Senate Utilities Committee
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Attachment 4-1



SUBMITTED TESTIMONY

**TO: The Honorable Jay Emler, Chair
And Members of the Senate Committee on Utilities**

**FROM: Whitney Damron
On behalf of the Board of Commissioners of Coffey County**

**RE: SB 586 - An Act concerning the state corporation commission;
relating to nuclear generation facilities; recovery of
certain costs.**

DATE: February 21, 2008

Chairman Emler and Members of the Senate Committee on Utilities:

The Board of Commissioners of Coffey County have asked me to express their support for legislation such as SB 586, which would provide an economic incentive to an electric utility's study for the feasibility costs for a new nuclear generation facility and also make changes to the depreciation schedule for a nuclear generation facility.

With increased pressure on utilities to find alternatives to fossil fuel base load electric power, many believe it is only a matter of time before a nuclear renaissance of sorts returns to our country. Nuclear power continues to be a reliable and emission-friendly power source both in the United States and around the world. Initial costs of construction are high, but once completed, nuclear power plants provide an economical and reliable source of power at a competitive price point.

In all likelihood, additional nuclear power development will occur at locations that already have nuclear generation, such as the Wolf Creek Nuclear Generation facility located in Coffey County.

Certainly there are costs to be considered long term, including what to do with nuclear waste. However, technology continues to improve and nuclear expended nuclear fuel is being recycled back into generation. We believe there will be continued technological advancements and evolution of efficiencies in the nuclear power industry as companies involved in its development continue to conduct research into its future deployment. Legislation such as SB 586 could help insure the State of Kansas is considered when these companies begin the process of siting a nuclear power plant in the Midwest.

On behalf of the Board of Commissioners of Coffey County, I thank you for your attention to this testimony.

Senate Utilities Committee

919 South Kansas Avenue ■ Topeka, Kansas 66612-1210 February 21, 2008
(785) 354-1354 (O) ■ (785) 354-8092 (F) ■ (785) 224-666 Attachment 5-1

Testimony for the Senate Utilities Committee
February 21, 2008
Opposing S. B. 586

Chairman Emler and Honorable Members of the Committee,
My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I am here to oppose SB 586.

SB 586 allows for study and feasibility costs for a new nuclear power plant and for work on nuclear power not completed to be deemed completed and dedicated to commercial service.

This takes us back to last years debate concerning the words "may" and "shall" when applied to the K C C's ability to allow what is often referred to as CWIP. Nuclear power plants are not currently included for this automatic consideration.

SB 586 appears to be designed to encourage the development of a new nuclear power plant. The Sierra Club opposes construction of nuclear power plants.

The Sierra Club opposes the construction of new nuclear power plants for a number of reasons. One is cost. Not only are nuclear power plants expensive, they are heavily subsidized by the federal government. The U.S. government subsidizes research and development, uranium enrichment, liability, decommissioning and other things. The Sierra Club believes that this money would be better spent developing clean renewal sources of energy found in Kansas and conservation and efficiency efforts.

Many have said that nuclear power is emission free so why doesn't the Sierra Club support it? The enrichment of uranium takes thousands of megawatts of electricity, most of which tends to come from coal-fired power plants. Furthermore, enrichment plants emit chlorofluorocarbons that are 10,000 times more potent as a global warming gas as CO2. This does not include the millions of curies of radioactive isotopes released into the air and water every year that aren't regulated.

Then there is the issue of storing the radioactive waste. Every year, 33 tons of waste is produced by each 1000-megawatt nuclear reactor. Currently, 88,000 tons of radioactive waste sits in cooling pools next to 108 U.S. nuclear plants. Where will it go? How long can we keep it safe? I have heard some legislators indicate it is going

to Yucca Mountain in Nevada. Yucca Mountain is not accepting this waste. Senator Harry Reid of Nevada has indicated that Yucca Mountain will never be used for nuclear waste.

Sierra Club is also concerned about security. There is always uncertainty. In the case of nuclear power, it only takes one mishap to have major impact on a region.

The Sierra Club does not believe it to be good policy to encourage an expensive, highly subsidized, dangerous source of energy that contributes to global warming and has a waste disposal problem. It could be putting its efforts into encouraging clean renewable sources of energy that are abundant in Kansas and energy efficiency and conservation programs that help Kansans save money.

Thank you for this opportunity and your time. The Sierra Club hopes you will oppose S.B. 586.

Sincerely
Tom Thompson
Sierra Club

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
Randy Brown, Vice-Chair
Carol I. Faucher, Member
Laura L. McClure, Member
A.W. Dirks, Member



State of Kansas

Kathleen Sebelius, Governor

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SENATE UTILITIES COMMITTEE S.B. 586

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 21, 2008

Chairman Emler and members of the committee:

Thank you for this opportunity to offer testimony on S.B. 586. The Citizens' Utility Ratepayer Board opposed this bill for the following reasons:

Senate Bill 586 deals with regulatory cost recovery for utility expenditures related to nuclear power plant feasibility studies and nuclear plant construction.

Section 1 requires that the state corporation commission "shall" authorize an electric utility to recover the utility's prudent expenditures for study and feasibility costs for a new nuclear generation facility by an adjustment to the utility's rates. While the application and request are subject to such procedures as the commission deems appropriate, it appears from the language in the bill that there is an expectation of an "expedited review process" that may take place outside of a traditional rate case. CURB is opposed to these types of single issue rate proceedings where only cost increases are considered without consideration of other changes or reductions in costs that might work in favor of the customer. CURB would not be opposed to allowing these costs to be gathered under an accounting order such that the costs can be considered in the next general rate. This would be a more traditional means of handling these types of costs.

Section 2 removes the commission's discretion to set appropriate depreciation rates for new nuclear plants by requiring that the utility "shall be allowed to use a book depreciable remaining life of not more than the amount of time remaining" on the operating license of the facility. Normally, the regulatory process attempts to set the depreciable life of a facility equal to the actual life of the facility. In this way, customers in each year over the life of the facility pay equally for the depreciation of the facility. If a facility is expected to last 40 years, you would want to depreciate that facility over 40 years such that each year an equal amount of depreciation expense is charged to customers. Conversely, if you depreciate a 40 year facility over 20 years, the customers in the first twenty years pay twice as much depreciation expense in rates, forcing rates higher, while the customers in the second twenty years pay nothing for depreciation expense. This forces up rates to customers in the early years of the plant and has always been considered inequitable. The customers in the second 20 years get a free ride at the expense of the earlier customers.

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Restricting the commission's authority to set an appropriate depreciable life for facilities removes an important protection for consumers. In the Westar Rate case (01-WSRE-436-RTS) the commission extended the depreciable life of Wolf Creek to 60 years, from 40 years. This was based on the expectation that Westar, and the other owners of Wolf Creek, would seek a license extension on the plant and that the license extension would be granted. The Commission adjusted the depreciable life such that it was consistent with the expected life of the plant. By doing so, customers saw a reduction in rates due to a lower level of depreciation expense in rates. The Commission actions were consistent with good regulatory practice and provided a substantial benefit to consumers. The language contained Section 2 of the bill would have prevented the commission from acting to benefit customers in the Westar case. The legislature should not restrict the commission's authority to set depreciation rates in an appropriate manner. To do so may force rates up to the customers in the early years of the plant.

Section 3 of the bill deletes section (b)(3) of K.S.A. 2007 Supp. 66-128. Section (b)(3) in current law precludes the cost of a nuclear generation facility under construction from being placed in consumers rates prior to being completed and dedicated to commercial service.

K.S.A 66-128(b)(1) is specific in that "***property of any public utility which has not been completed and dedicated to commercial service shall not be deemed used and required to be used***" in the public utility's service to the public. However the legislature functionally gutted this law last year in passing HB 2033, such that K.S.A. 66-128(b)(2), now states "any public utility property described in (b)(1) ***shall be deemed completed and dedicated to utility service*** if:....(C) the property is an electric generation facility or addition to an electric generation facility."

The cost associated with generation facilities that are being constructed can be put in consumer rates, even though the facilities are not finished and not providing power to the customers that must pay for the facility. The only remaining exception to this rule is for the cost of nuclear plants under construction. CURB does not believe it is a good policy to make customers pay for a generating plant that is not operating and providing those customers power. CURB also does not believe that customers will accept paying for a nuclear plant before it is operational.

For the above reasons, CURB recommends that this bill not be passed by the committee.

John E Flower
 15515 Cedar Lane
 Bonner Springs, Ks 66012

Subject: SB555 Balloon Amendment (H-1 Drafts/Balloons/z555g3.pdf)

This 3rd revision of the Bill is back on track with the original intent of the Bill. It reinstates the timely notification of customers of utilities requesting a major rate increase. I'll get to the issue with "major" later. It puts the onus on the requesting utility. This additional time allows citizens to become informed. It allows them time to learn the reason for the rate increase rather than just assuming the mean old utility is just greedy. It allows for intelligent discourse between parties so questions can be answered and only the real issues are argued not conspiracy theory. It allows time for honest disagreements to be surfaced and resolved or an agreement to disagree. The difference between the current process and the new SB555 process is it allows time for healthy examination by clients which is cut short at this time.

I am still concerned about the use of the word "major" even as defined in item (d).

- Item (d) (1) states "relates to a general increase in revenues for the purposes of obtaining an alleged fair rate of return." My understanding of this is if the overall rate increase doesn't result in an overall revenue increase it doesn't equal "major". Let me give you an everyday example of how this does not protect the consumer. Let's say a telephone company faced with competition in the business segment of its offerings needs to reduce price on its high speed data lines to remain competitive but did not want to reduce its revenue. Consequently, it could increase rates for single family lines (1FR) by a small amount and based on the volume of 1FR's be able to reduce the price on data lines significantly. The earnings would be the same but would have resulted in a change in rates to consumers, potentially worth millions in a year. Example: \$1.00/mo increase X 12 months = \$12.00 x 2M customers = \$24M. Using the word "major" in its current definition the 1FR customers, mostly likely state wide, would have had an increase without the extended time notice. This same scenario could take place within a class but be between urban and suburban and rural.
- Item (d) (2) is fine. This is the circumstance of the Suburban Water rate increase. They invested \$1.2M in a new water tower. With the definition as shown in revision 3 additional notice would have been given.
- Item (d) (3) I'm still out to lunch on because as I stated in my earlier testimony "materially affects" is like beauty it's in the eye of the beholder. The \$274,000 increase for Suburban Water didn't cause a stir in most minds unless you were the recipient of the 37% increase. It should be noted their \$1.2M dollar investment over a 20 year period will return to them \$18M after paying back principal and interest. What a country! When this was brought to the attention of the KCC

Staff their response was we'd never let that happen. You tell me when is the last time you saw a utility come in for a rate reduction or the KCC Staff sitting around with nothing to do but go check on small utilities earnings. Having been in the business world, if you are a monopoly, the reason for the KCC, and are able to earn on all your expenses and get a guaranteed rate of return above expense. I believe utilities are smart enough to insure their expenses will equal the amount they need to not over earn. I am uneasy this group will perceive "materially affect" the same way I do.

So what's my solution? At first glance it seems pretty straight. If a utility comes in with a rate request above a certain % then this Bill applies. Unfortunately, once you start to really think about it you realize it is a Solomon like decision. The reason is rate cases are rarely simple. They have different rates for class of customer; type of services offered, optional feature etc. Given this complexity I suggest we not add to the confusion and set the threshold at 3% (cost of living increase for a number of years) increase on any item in the requested rate increase. I'm sure there are those who will find fault with this proposal. I would suggest they provide an alternative that does not contain the holes the present loose language.

Thank you again for the opportunity to provide input on this precedent setting Bill.