

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on March 5, 2008 in Room 526-S of the Capitol.

Committee members absent: Senator Roger Pine- excused

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:

Mark Conklin, General Counsel, Kansas City Board of Public Utilities  
Mike Deggendorf, VP of Public Affairs, Kansas City Power & Light  
Paul Snider, Kansas City Power & Light  
David Springe, Citizens' Utility Ratepayer Board

Others in attendance: See attached list

Presentation of the Kansas City Board of Public Utilities

Mark Conklin, General Counsel & Manager of Human Resources, Kansas City, reviewed the contents of the packet of materials provided to the members of the Senate Utilities Committee. The contents were: (1) KC BPU Legislative Report, Jan. 30, 2008; (2) BPU Comprehensive Strategic Plan Update 2007-2010; (3) KCBPU Inter-Departmental Practice; (4) BPU Rate Comparisons, Jan. 22, 2008. (Attachment 1)

KC Board of Public Utilities has several issues to discuss: (1) we are here to address concerns that were raised during the 2007 Legislative session; (2) we are here to talk about BPU - our budget, strategic plans, how to communicate with our public, how we are trying to do better in communicating with the policymakers of the state; with our own board and with the Wyandotte County delegation; (3) our mission, our customers who are very challenged economically; (4) our responses to concerns raised which are covered by several graphs on how our rate is composed ; (5) we will stress our continued efforts to improve - better communication, better responsiveness with our home delegation and citizens.

Senator Steineger provided statistics on Average Retail Price of Electricity by Utility, 2005 - comparison of Eastern and Western Kansas. He called attention to the residential average price especially in the Kansas City area. (Attachment 2)

Chair opened the hearing on

**HB 2632 - Energy efficiency, conservation and demand management programs at the Kansas corporation commission.**

Proponents

Mike Deggendorf, Vice President of Public Affairs, Kansas City Power & Light (KCPL), noted KCPL's goal is to meet a substantial portion of its new load growth through aggressive deployment of energy efficiency and renewable energy. **HB 2632** seeks to update regulatory policy. The concept is simple: A dollar invested in energy efficiency should be treated like a dollar invested in a traditional generation plant. Energy efficiency is able to benefit customers, communities, environment and energy independence. (Attachment 3)

Paul Snider, Kansas City Power and Light, indicated in the interest of time, written testimony in support of **HB 2632** had been submitted from the following:

Tom Thompson, Kansas Chapter of the Sierra Club (Attachment 4)  
Kansas City Chamber of Commerce (Attachment 5)  
Jody Ladd Craig, Mid-America Regional Council (Attachment 6)  
Bob Courtney, Olathe School District (Attachment 7)  
Nancy Jackson, Climate & Energy Project of The Land Institute (Attachment 8)  
James Ludwig, Westar Energy (Attachment 9)

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on March 5, 2008 in Room 526-S of the Capitol.

Dave Holtwick, Home Builders Assn. Of Greater KC (Attachment 10)

Opponents

David Springe, CURB, noted **HB 2632** is an accounting bill and referred to the outcome of similar legislation in effect in other states. CURB urged the committee to not pass this bill as **HB 2632** serves only to increase the cost to consumers of providing energy conservation and energy efficiency. (Attachment 11)

Written testimony was submitted by Ernest Kutley, AARP. (Attachment 12)

Chair continued hearing of **HB 2632** to the next meeting of the Senate Utilities Committee at 9:30 a.m. on March 6.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 12

# SENATE UTILITIES COMMITTEE GUEST LIST

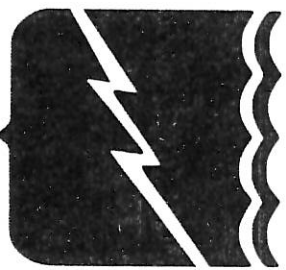
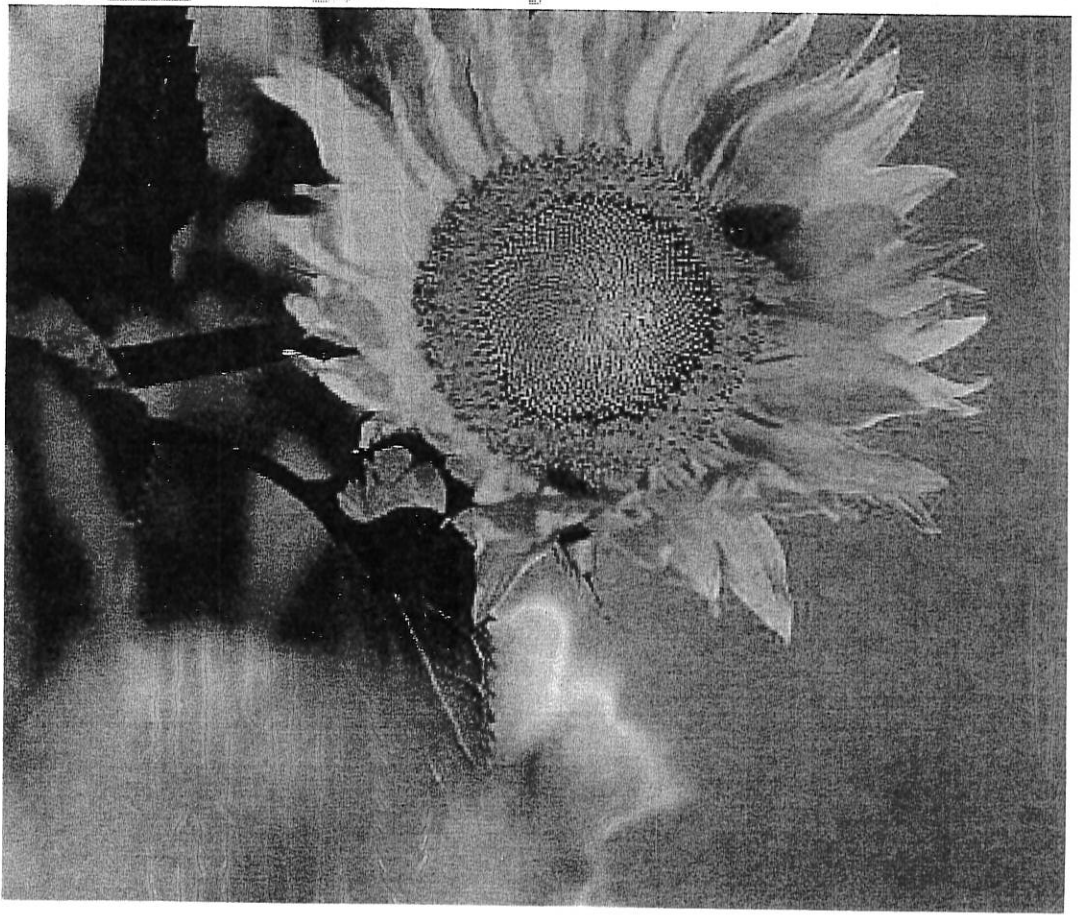
DATE: MARCH 5, 2008

Name	Representing
Tom DAY	KCC
Liz Brosius	KEC
Maril Harlitt	CEP
Phil Wages	KEPCO
David Sprung	Curv
Paul Snider	KLPL
Mike Deggendorf	KLPL
Tom Thompson	Sierra Club
Mike Whelan	Apita
Mark Schreiber	Westar
Larry Gale	MIDWEST ENERGY
Dan Murray	Fed Consulting

# Legislative Report

## Senate Utilities Committee

January 30th, 2008



**Kansas City  
Board of Public Utilities**



Senate Utilities Committee  
March 5, 2008  
Attachment 1-1



## Kansas City Kansas Board of Public Utilities

For nearly one hundred years, the award winning Kansas City Board of Public Utilities has been providing critical utility services to the citizens of Kansas City and beyond. The purpose of the utility then and now, is to provide the highest quality electric and water services at the lowest possible cost. Currently, BPU serves approximately 65,000 electric and 51,000 water customers in Wyandotte County and beyond. BPU's mission is to be both the utility and workplace of choice. It is for this reason, that KCK BPU is pleased to have the opportunity to share our great story with our customers, community leaders, elected officials and opinion leaders.

Kansas City Board of Public Utilities continues to be recognized as one of the top public utilities in the country. In 2006, the American Public Power Association honored BPU with the Reliable Public Power Provider award. And BPU recently was honored by the Association of Metropolitan Water Agencies, receiving a Gold Award for Competitiveness Achievement. While receiving recognition from industry organizations is significant validation for our job performance, focusing on our customers, our community and our 650 employees, who all reside in Wyandotte County, is our sole focus.

Maximizing our existing power generation resources to minimize costly purchase power agreements while introducing wind energy into our energy portfolio is just one of the ways that we work to keep our customer rates low while providing a reliable power supply. The graphs included in this document will explain the components of our customers' bill including the Energy Resource Component- the cost of fuel - which is the largest item on a customer's bill. Also included is a history of our rates for each of the three customer classifications: residential, commercial and industrial. Recently, a performance benchmarking study was completed at BPU's request. We wanted to know how our rates and community contributions compared to other utilities both municipal and investor-owned in Kansas and across the country. **The analysis concluded:**

- **BPU's rates are generally comparable with the surrounding investor-owned utilities and lower than other municipal utilities of similar size. <sup>1</sup>**
- **If the Kansas City, Kansas community was served by an area IOU, rates would not likely be any lower, and in fact, may result in rates 2% - 4% higher. If the community was served by the average, similarly sized municipal utility, rates could likely be even higher."**
- **BPU rates are 26% less than other, similarly sized municipal electric utilities across the country.**

When BPU does need to turn to the credit market for financing, our Triple AAA credit rating ensures access the lowest cost of capital which again helps keeps our customer rates low. Bond ratings for BPU are insured with a AAA credit rating from all three major bond-rating firms:

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<sup>1</sup> KCK BPU is the largest municipal electric utility in Kansas. Similarly sized municipal utility comparison are

Fitch- A+, Standard and Poor's – A+ and Moody's Investor Services- A1. This is a tremendous accomplishment for any utility and rare in the industry.

Our commitment to our community is unparalleled. In fiscal year 2004, BPU contributed more than \$24M to the Kansas City, Kansas community. This is comprised of many different components, the largest of which is payment-in-lieu-of-tax (PILOT), a rate set by the Unified Government of 7.9% of sales. In addition, BPU provides street lighting and signal electricity, Unified Government facility energy and water and fire hydrant services at no charge to the Unified Government. In addition, BPU does the billing for water pollution control and residential trash service for the Unified Government. When compared to operating revenue this calculates to be about an 11.8% contribution rate. **Total payments and contributions projected in the 2007 budget amounts to nearly \$31 million or 11.9% of operating revenue. BPU contributes approximately double the amount contributed by other utilities, investor-owned or municipal.**

It is also important to note, that while many other utilities have closed local offices or stopped accepting walk-in payments, **BPU continues to receive more than 12,500 walk-in transactions per month in the customer service lobby** - approximately 625 per day or 150,000 visits per year! **BPU also fields more than 17,000 customer calls per month and the average wait time is 20 second or less.** And our **website** – another way for us to communicate with our customers and community has more than **31,000** hits each month.

BPU has focused on a number of community-based and environmental-focused initiatives including: partnering with the Unified Government and the Police Department to distribute 8,000 energy-efficient light bulbs in the community to help fight crime, to sponsoring "Save Energy" workshops and a regional "Green Build" conferences for residents and builders. Consistently, BPU is one of the top contributors to United Way in the Kansas City metropolitan area raising more than \$300,000 annually. In addition, BPU helped fund several summer youth programs in Wyandotte County and participated in the United Way Day of Caring.

BPU management and employees may be our harshest critic. We are always looking for ways to improve our service, customer communications, and community relationships. While, many utilities across Kansas, Missouri and the country experienced difficult times as a result of certain senior management decisions or policies; for the 650 employees of BPU who see customers, their neighbors at the grocery store and at tee-ball practice, senior management wanted to ensure that our employees and customers could always be proud of and trust their local utility. As such, we directed our outside auditing firm, KPMG, to undergo an intensive and thorough audit of BPU operations and finances and specifically travel and entertainment and expense reimbursements. KPMG noted that BPU did an "excellent job of getting them the information they needed to conduct their audit."<sup>2</sup> KPMG had no disagreements with management on financial accounting or reporting matters and no material weaknesses in BPU's internal control structure were noted. Moreover, KPMG did not note any abusive practices regarding travel and entertainment expenditures or expenses reimbursements. The audit findings while positive

did not quell our desire to continue to improve. As such, in March of 2007, BPU's General Manager instituted new policies and procedures for procurement cards and expense reimbursement. Every BPU employee was required to attend a training session to ensure their understanding of and commitment to the new policy.

In the words of the President of the Board of Directors of BPU, "The BPU remains committed to open and transparent communications with our community, customers, elected officials and opinion leaders. As since 1929, BPU will continue to meet the community's electric and water needs without losing sight that as a municipal utility, its primary mission is to ensure reliable and affordable utility services to its customers, while improving the overall quality of life in the communities we serve.

## **Fast Facts about Board of Public Utilities**

### *General Utility Information*

- The Kansas City Board of Public Utilities (BPU) was established in 1920 to provide the highest quality electric and water services at the lowest possible cost to consumers.
- Currently BPU serves approximately 65,000 electric customers and 51,000 water customers.
- BPU's mission is to be the utility of choice and the workplace of choice, while improving the quality of life in the communities it serves.
- BPU is a publicly-owned administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas and is self-governed by six publicly elected Board of Directors.
- The Utility serves 127.5 square miles of Wyandotte County. Electric services are provided within the Kansas City, Kansas area and water is supplied to KCK, as well as portions of suburban Wyandotte, Leavenworth and Johnson counties.
- Bond ratings for BPU are insured with a AAA credit rating from all three major bond-rating firms:
  - Fitch- A+
  - Standard and Poor's – A+
  - Moody's Investor Services- A1

### *Electric Utility*

- The electric utility was established in late 1912
- Transmission system consists of 161kV and 69kV transmission lines. The 161kV system is configured in two loops, establishing a figure eight over the service territory to maintain the highest reliability standards. Interconnection between the 161kV and 69kV systems is made at four locations.
- Highest peak demand was recorded on August 9, 2006 at 529MW
- Electrical lines interconnect to four KCP&L locations and one Westar Energy location.
- Facilities consist of three power stations, 29 substations and 2,992 miles of electrical lines
  - Nearman Creek Power Station- 315MW

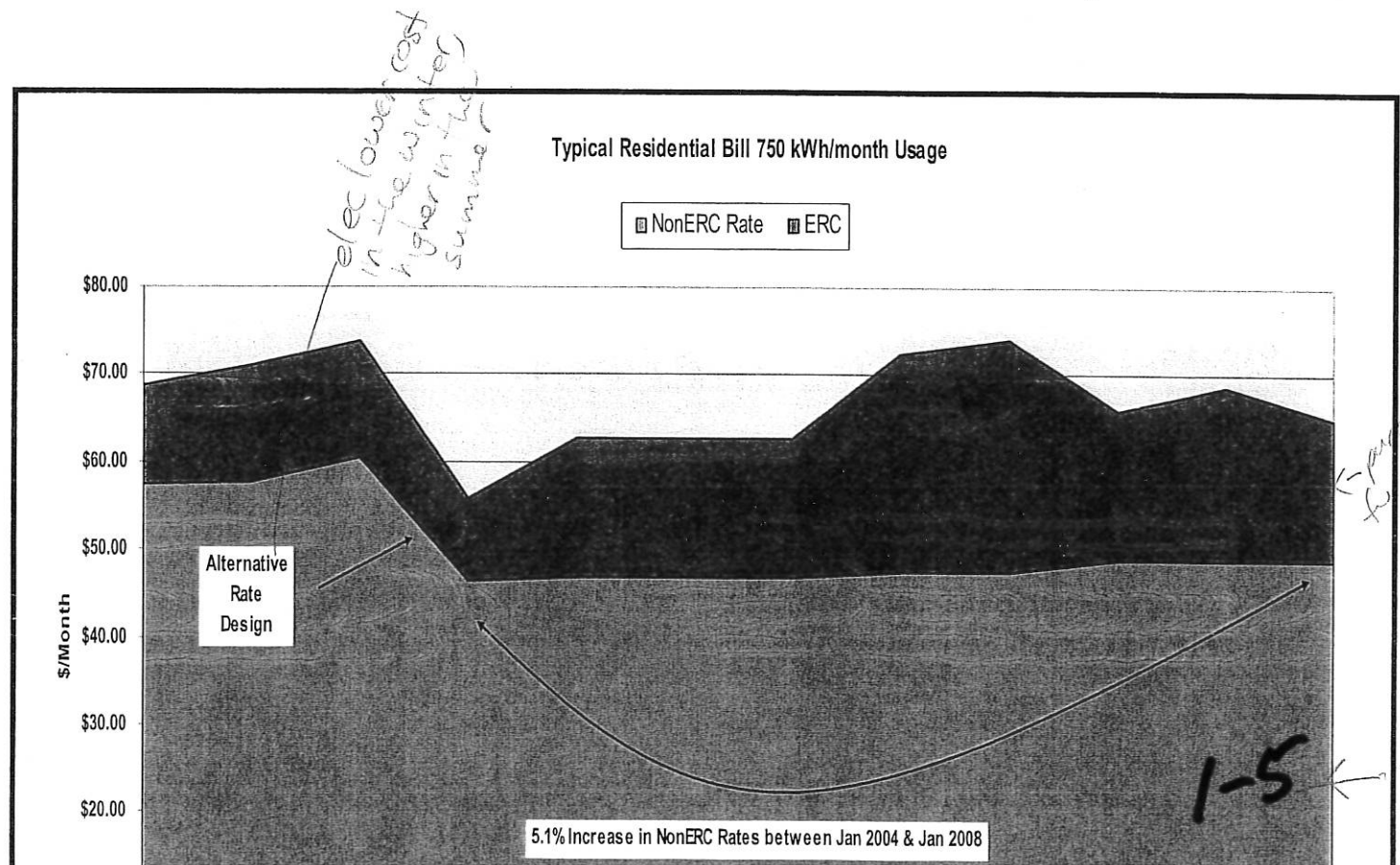
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- o Quindaro Power Station- 316MW
- o Kaw Power Station- 92MW\* currently inactive

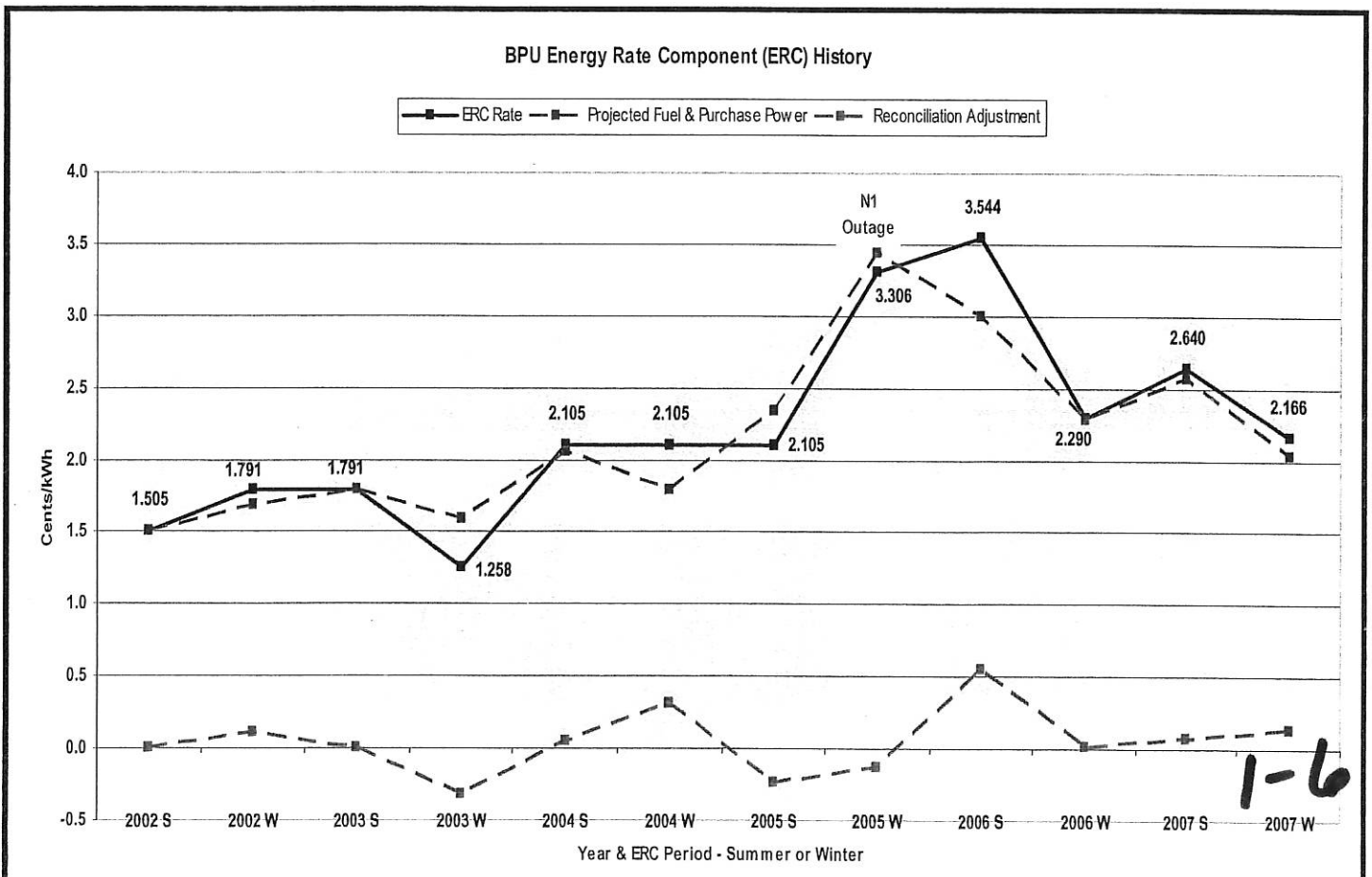
### Water Utility

- A privately-owned system was purchased in 1909 to provide the community with quality water.
- Facilities consist of two water treatment plants with 1,004 miles of water pipes and 6, 242 hydrants.
  - o Nearman Water Treatment Plant provide a capacity of 54 million gallons per day (MGD) from two horizontal collector wells.
  - o Quindaro Water Treatment Plant has a capacity of 30MGD \* (currently on standby basis)
- Four pump stations transfer water to four water pumping districts, delivering water through more than 96 miles of transmission mains and 908 miles of secondary distribution mains. Thirty-one million gallons of water are held in reserve and stored in reservoirs and elevated storage tanks throughout the city.
- Water system pressure ranges between 40 and 100psi.
- Water distribution lines interconnect with WaterOne in Johnson County, KS; Kansas City, MO and Bonner Springs, KS.

## Usage, Supply and Cost Comparisions

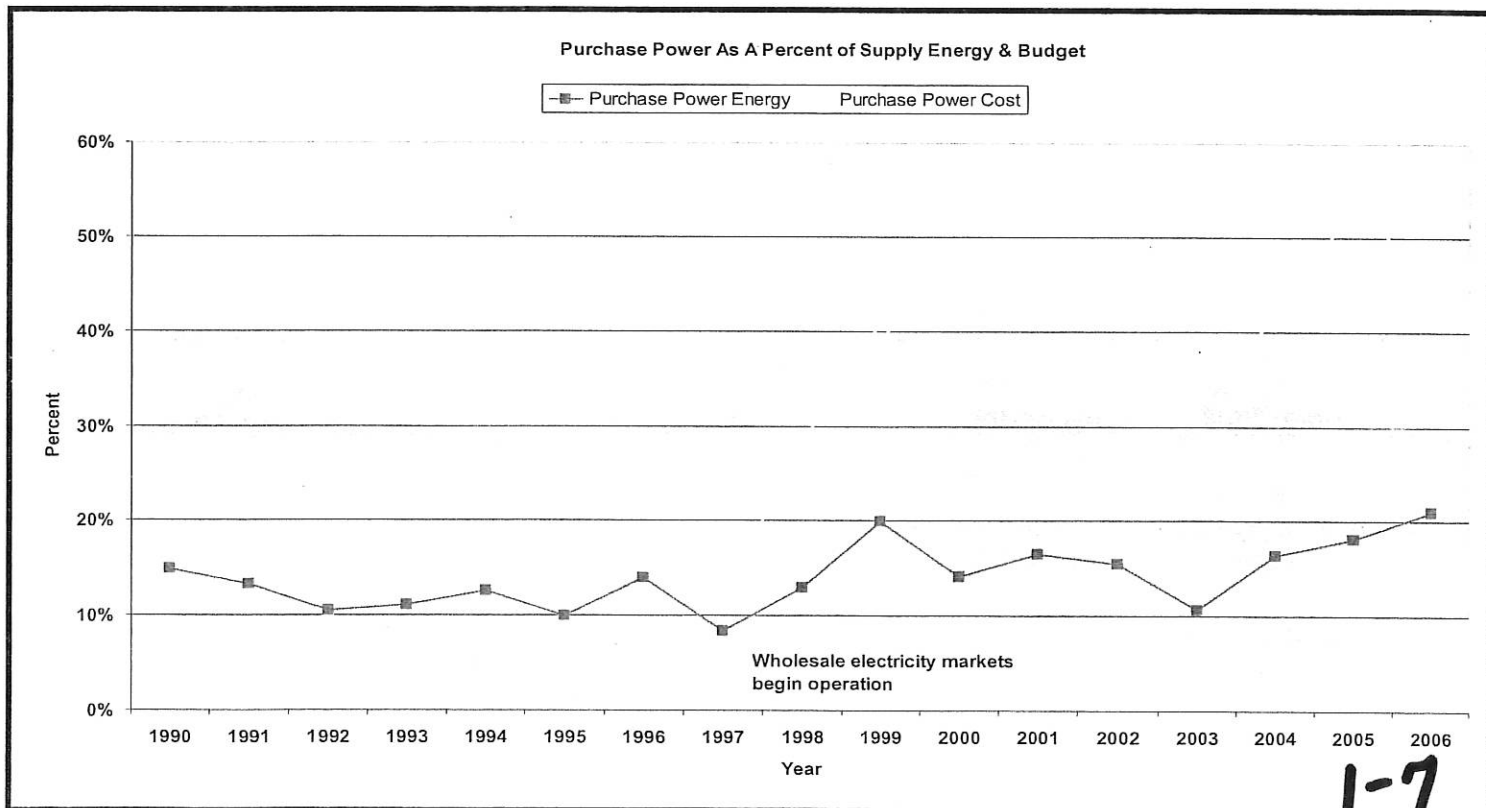


- Between January of 2004 and January of 2008 there has been only a 5.1% increase in customer rates.
- In comparison, between the same time period there was a 9.9% increase in customer rates across the county.
- During this time period as well the cost of gasoline has risen to \$2.94 from \$1.59 and the price of milk has increased to \$1.26 from \$0.72 according to the Bureau of Labor Statistics.

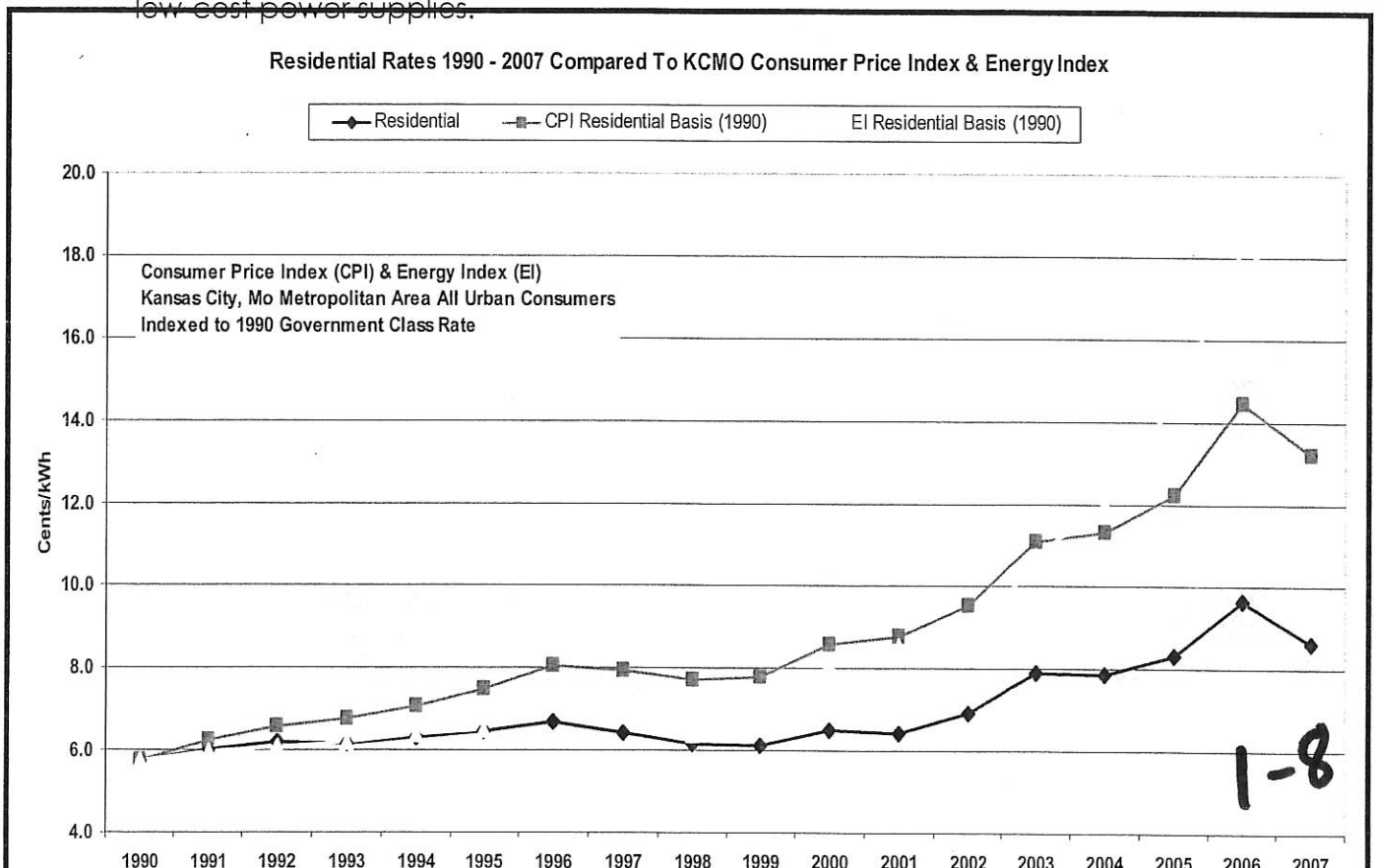




- ERC is the Energy Rate Component which is the cost of fuel.
- Investor-owned utilities have ERC equivalents commonly known as fuel/ energy adjustment charges .



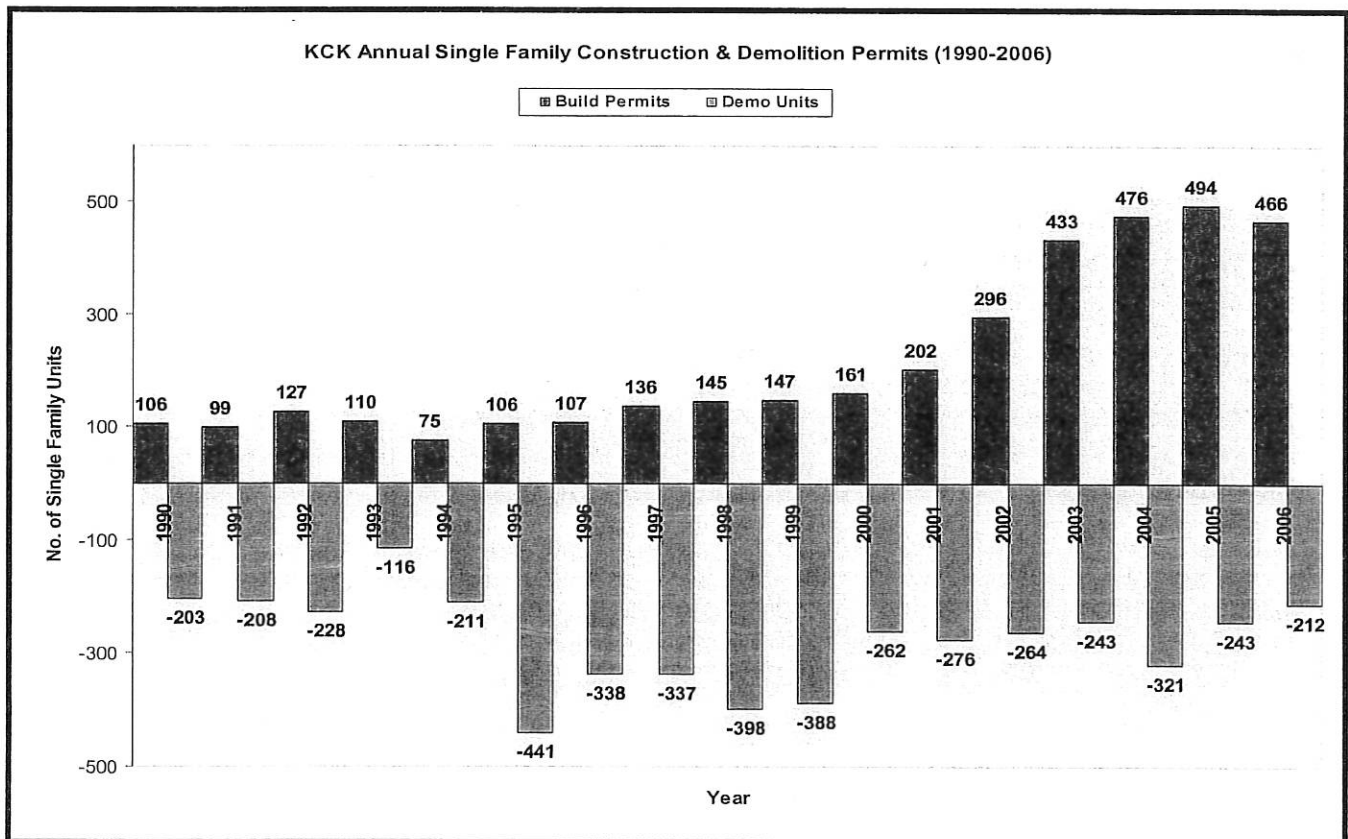
- While the amount of purchased power employed by BPU has remained stable over sixteen years, the cost of purchased power has increased exponentially. The rise in costs were largely driven by the introduction of the wholesale electricity market.
- These charts demonstrate the importance to our customers of having access to reliable, low cost power supplies.





- o Industrial customers are very large manufacturing plants, warehouses, sports venues and the like
- The Kansas City Board of Public Utilities has experienced the loss of 69 industrial customers since 1990- this means loss of jobs, development and revenue streams for the community. It is in the best interest of every utility to keep all customer classifications rates as low as possible as they are all intricically tied to one another.
- Our community is hit doubly hard when companies struggle - like General Motors which has the Fairfax Plant in Kansas City, Kansas or Corning which produces insulation. As the housing market has slowed so has the need for items such as home insulation and discretionary spending on items such as new vehicles. This has a tremendous impact on jobs and local spending.

## Population Statistics



- \* There are 1,003 fewer single family units in Kansas City, Kansas on January 1, 2007 than January 1, 1990.

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Year	INDUSTRIAL	COMMERCIAL	RESIDENTIAL	Other System	Total
1990	163	6,513	59,151	235	66,062
1991	140	6,556	58,909	231	65,836
1992	140	6,557	58,927	232	65,856
1993	131	6,581	59,047	243	66,002
1994	121	6,536	58,900	279	65,836
1995	119	6,726	58,688	281	65,814
1996	113	6,759	58,269	283	65,424
1997	112	6,916	58,146	292	65,466
1998	115	6,786	57,856	289	65,046
1999	119	6,819	57,673	293	64,904
2000	115	6,892	57,956	262	65,225
2001	118	6,943	57,876	252	65,189
2002	115	7,147	57,795	246	65,303
2003	106	7,290	57,931	250	65,577
2004	106	7,436	58,067	281	65,890
2005	99	6,896	57,486	224	64,705
2006	94	6,733	57,500	242	64,569

Decrease

69

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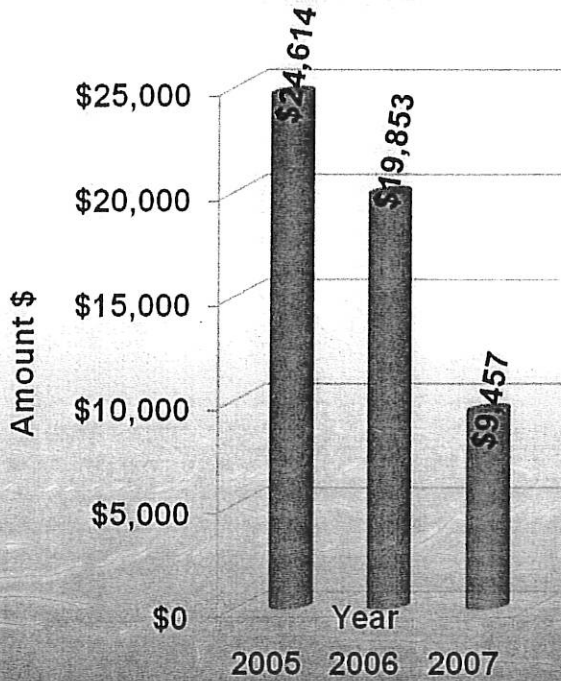
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# Expenditure Review

### Employee Meals 2005-2007



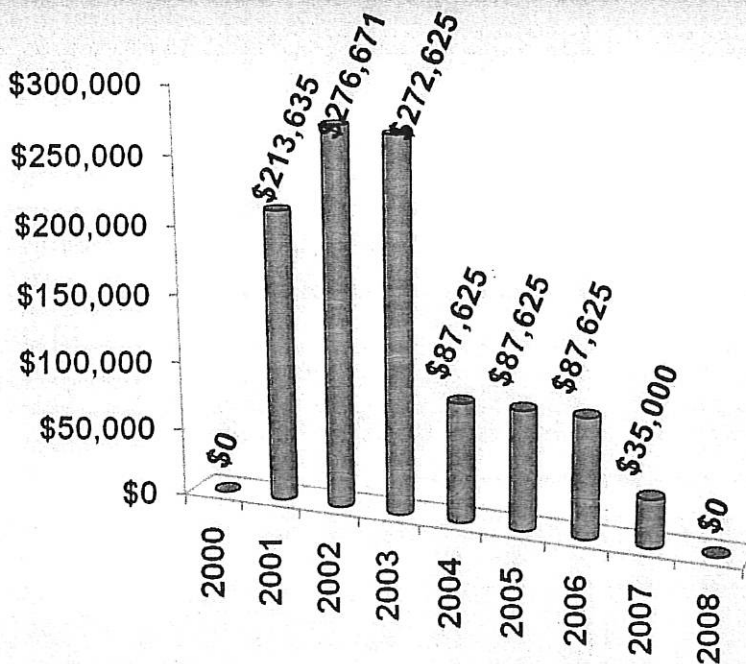
KCKBPU has revised its procurement policies and to include additional and more thorough reviews of expenses.

KCKBPU employs approximately 650 people who all reside in Wyandotte County

In 2005, roughly \$37 was spent per employee on meals.

In 2006, roughly \$30.50 was spent per employee on meals.

### Kansas Speedway Expenses



KCK BPU has continuously reduced expenditures related to the Kansas Speedway. In 2008, KCK BPU will not be expending any money on Kansas Speedway sponsorships.

## BPU December 2007 Ice Storm Response

This is a summary description of past events related to the December 10, 2007 Ice Storm and the subsequent power outages and infrastructure damage. The storm that began during the evening of December 10<sup>th</sup> had a significant impact on the number of customers affected; however, most of the damage and property loss was minimized due to fact that most of the summer foliage had become dormant. The estimated number of customers affected during the initial phases of the storm was reported to be 35,000.

The Board of Public Utilities (BPU) was quick to respond to restoring major systems (i.e., feeders, primary conductors, etc.) which reduced the estimated outages to approximately 10,000 customers by the start of the next business day. BPU scheduled line and field crews to work 16 hour days, covering three shifts with a safety-first emergency response.

Because the storm had already created havoc for most of Oklahoma and southern Missouri, we elected to allow our entire complement of contract line crews and about one-half of our contract tree trimming crews to relocate to those areas in order to restore services. Once the storm reached Kansas City, it was viewed to be less intensive and the subsequent damage was later assessed to be less widespread than with past ice storms. At that point, BPU made a conscious decision that most of the restoration could be accomplished within a few days by the BPU workforce.

The majority of the affected areas were primarily confined to three locations that encompassed several blocks north of the Kansas River and between 18<sup>th</sup> Street to 88<sup>th</sup> Street. BPU provided periodic updates to local television stations and newspapers in the Kansas City Metropolitan Area. The weather updates suggested there were between one to one-half inch of ice to be followed by snow.

The BPU remained in constant communication with the local Emergency Management and Unified Government officials. Part of our communication involved working with the local Red Cross and other agencies to provide temporary shelter, food, and medical assistance and to hold periodic briefing that included Police and Fire Departments.

During the course of the first few days, repeat calls into our Electric Service Dispatch Center (ESDC) created a need to bring in additional telephone representatives to perform customer call-backs and provide additional help in managing the work overflow. Because managing trouble calls and creating work tickets are a labor intensive, time consuming process, BPU is looking to make significant improvements in 2008 to improve customer service and reduce time associated with restoration efforts by installing a new outage management system and interactive voice response system.

Additional data drawn from BPU financial systems indicated that the costs for BPU labor, contract line clearance, and materials equaled approximately \$290,000. The threshold for FEMA reimbursement was set to approximately \$500,000 in combined damage incurred by BPU and

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the Unified Government. The majority of our expenses occurred during the mid to latter phases of our restoration efforts. Our records indicated we spent a combined 16 days making final repairs and restoring permanent services in our community.

After the storm had elapsed, BPU received numerous 'thank you' letters and words of gratitude from the public, having seen how BPU crews worked diligently to make sure everyone had power restored as quickly as possible. The BPU Board and Senior Management staff has also conveyed our heartfelt thanks to all of the men and women who spend countless hours, in adverse work conditions, providing a public service.

On a final note, one of the things that distinguish BPU from other utilities in the Kansas City area is the ongoing commitment and the relationship the utility has with its customers. Most of the employees live and work in the community BPU serves. Because of that, we share a vested interest in making sure that our customers receive our best efforts especially during times when they need us the most.

BPU is a 2006 recipient of the prestigious American Association of Public Power's RP3 Platinum Award for service recognized as being among the best in the industry. It speaks volumes when your peers hold you in such high regard and, at the same time, your community benefits by having a tier one public utility that provides safe and reliable power.

**In your packets you will find a sample of the thank you notes we received from our customers following the ice storm.**

**REGULAR SESSION – WEDNESDAY, APRIL 18, 2007**

**STATE OF KANSAS )**

**) SS**

**CITY OF KANSAS CITY )**

The Board of Public Utilities of Kansas City, Kansas met in Regular Session on Wednesday, April 18, 2007 at 6:00 P.M. The following Members were present: Mary L. Gonzales, President; John M. Pettey, Secretary; Robert L. Milan, Sr., Vice President; Terry Eidson, Loretta Colombel and Mark Jones, Members. Ms. Gonzales presided.

Also present: Hal Walker, Chief Legal Counsel, Don Gray, General Manager, Marc Conklin, Manager of Human Resources/Legal Counsel; Steve Rehm, Manager of Electric Operations; Carl Wolfe, Chief Administrative Officer; Rick Yarnell, Director of Internal Audit and Performance Assurance; Paul Pausick, Manager of Information Services; Susan Allen, Public Affairs Officer; Lori Austin, Manager of Accounting & Finance, CFO; James Mason, Manager of Customer Service; George Powell, Director of Economic Development and Retail Services; Darrell Dorsey, Manager of Electric Supply and Production; Mike Kline, Superintendent Distribution – Underground; Bill Johnson, Director Electric Transmission and Distribution; Kevin Williams, Director of Employee Relations; Chris Stewart, Director of Civil Engineering; John Mikesic, Accounting Specialist – Cash; Visitors and Press.

Ms. Gonzales made the introductions for the installation ceremony for elected and re-elected members of the Board.

The Honorable Philip Sieve administered the oath of office to Terry Eidson, At Large – Position 3 Representative. Mr. Eidson thanked Judge Sieve for taking the time to come to the meeting and swear him in. Mr. Eidson also thanked his wife, Aileen, and all his family for their

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gave him their support – he thanked them for their confidence in him and for allowing him this honoring position as a member of the Board of Public Utilities. Mr. Eidson pledged to do his very best to maintain the highest level of service and to exceed customer expectations. He stated that he would be open, honest and responsive to customer's needs.

The Honorable Muriel Y. Harris administered the oath of office to Robert L. Milan, Sr., First District Representative, and to John M. Pettey, Third District Representative.

Mr. Milan thanked God, his family, and his friends. He stated his friends and family have been very supportive of him, and that it was a blessing to have been elected five times.

Mr. Pettey thanked his family for their support and his supporters who helped him win the election. Mr. Pettey stated that he has really enjoyed being on the Board. He said the utility has been through some good and bad times and they now need to start working on how the utility will go about producing more electricity.

Ms. Gonzales called the meeting to order. Roll call was taken. All members were present.

Mr. Pettey made the motion to approve the "amended" agenda for the April 18, 2007 meeting, motion seconded by Ms. Colombel. Motion carried.

Ms. Colombel made a motion to approve the minutes of the regular session of April 4, 2007, motion seconded by Mr. Pettey. Motion carried.

There were no visitors.

Ms. Lori Austin, Manager of Accounting & Finance, CFO, reviewed the final results and highlights of the 2006 draft of the financial statements and supplemental schedules.

John Lathrop, Managing Partner, Christy Annin, Audit Manager, and Morgan Hannings, Auditor from the auditing firm of KPMG were also present at the meeting.

Ms. Austin stated the annual audit began on March 5, 2007. The audit covered a wide array of testing and multiple processes. She stated the audits were not only about reviewing financial activity, but also future goals and objectives and how the utility is preparing for them. Ms. Austin stated the financial statements and supplemental schedules would be incorporated

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into the Unified Government's CAFR. BPU's report will go through the final production review from KPMG prior to the utility forwarding the document to the UG. Once the draft is approved, BPU will proceed with the preparation of the full CAFR for submission to the GFOA for consideration of the certificate of achievement in excellence in financial reporting for the 26<sup>th</sup> year.

Ms. Austin stated that about a month ago she presented the preliminary 2006 results, which were prior to the completion of the annual audit. At that time, some additional items were identified that would still need to be recorded for 2006. These adjustments were not identified as audit adjustments by KPMG. The first item was the valuation of the FASBY 106, which is the retiree's health care benefit as of 12/31/06. This resulted in an additional expense of \$182,000 to meet the valuation requirements. The second item was the reevaluation of the GASBY 27 which is BPU's net pension obligation and pension cost calculation as of 1/1/2007. This adjustment was a reduction of expense of approximately \$6.8M. With both of these adjustments and the adjustments KPMG would identify a little bit later, the change in net assets would result in a change in net assets of a positive \$14.1M. Between 2006 and 2005 capital assets increased \$23.9M or 4.4% over last year. The debt service coverage for 12/31/06 was 2.33, which compared to 1.93 at the end of 2005. This represents the electric coverage of 2.53 and water coverage of 1.63 for a combined coverage of 2.33. Also, identified in the net assets was increase of \$14.1M during 2006.

Mr. John Lathrop, Managing Partner with KPMG reviewed the results of the audit with the Board. He stated that the audit should be finalized within the next few days. He stated that their profession and rules requires them to make certain communications to boards, which they planned to cover at this meeting. Mr. Lathrop stated that there were two audit adjustments and there will be some areas that will be monitored going forward into 2007. He said that not only will they be issuing an audited statement concerning the basic financial statements, but they would also be issuing compliance reports, which are required by government regulations on internal controls. He stated there was one finding this year that his associate would go over later in the meeting. He stated that KPMG's responsibility is try to ensure that the financial statements that are put together by management and the BPU staff fairly present the financial position of BPU as of December 31, 2006 and for the 12 months there ended. Management prepares the statements, accumulates data and KMPG tests that data to make sure it meets the audit and accounting standards. KPMG tends to focus their efforts on areas that require

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management judgment. He stated that in an organization as big as BPU, there were numerous judgments made in the preparation of financial statements. KPMG tried to ensure those judgments are reasonable and appropriate in the circumstances. He said they have found that the judgments used by management in the preparation of these financials statement, are reasonable, appropriate, and result in a fair presentation of the utility's financial condition. There were no exceptions taken to any of the accounting policies or practices used by BPU. KPMG looked at revenue recognition, how accruals are made and recorded in the financial statements. They had no disagreements with management on any financial accounting or reporting matters. No material weaknesses in BPU's internal control structure were noted. KPMG received very good cooperation with BPU throughout the course of their work. Mr. Lathrop stated that Ms. Austin and her team did an excellent job getting them the information they needed to conduct their audit. He stated that any adjustments that were brought forward and recommended by KPMG, Ms. Austin and the BPU management team made. Mr. Lathrop stated that during this year's audit more detailed work was done in regard to travel and entertainment expenses than what they would typically do. He said they felt this was appropriate considering the circumstances BPU was in. He said that those are not usually the types of things that rise to the level where they would materially impact the financial statements, but they would be important from an integrity perspective. Twelve people were selected (six senior people at BPU and six board members). Travel and entertainment reimbursements were reviewed for the entire year of 2006 and the findings were unremarkable – they did not note any abusive practices.

Christy Annin stated that one of the key areas looked at was "significant estimates" that require management's judgment. Significant estimates include the bad debt reserve, unbilled revenue accrual, payroll accrual, reserve for wage allowances, workers compensation reserve, and certain obligations related to Brushy Creek. She said the methodology management has used was reasonable and consistent with prior years. She stated they were aware of a confidential analysis that was leaked to the media during the year. They performed inquiries with management around that analysis and currently management was not aware of what the resolution would be with the EPA, however, it could involve certain fines and penalties. Management made disclosures around those matters and where they were at with the EPA and any potential consequences. She stated that KPMG believed that appropriate disclosures

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had been made and as more information was known, management would be able to respond to those.

Ms. Annin stated that Brushy Creek Coal Company and Liberty Coal Company involved a wind down of estimates made in the 1970's. Liberty Coal Company filed bankruptcy during 2006, so currently there were no coal mining operations since the bankruptcy. BPU, based on a legal opinion obtained, does not believe that any Liberty creditors would have recourse back to the BPU. KPMG made certain disclosures around Brushy Creek and Liberty Coal Company and their associated abandonment of those investments.

The BPU has recorded two obligations related to Brushy Creek, which they are obligated to provide funding. Those obligations pertain to miner's benefits and certain reclamation costs. The miner's currently are appealing for more benefits and BPU has disclosed that contingency, however, currently no amount has been recorded around those amounts as it is in an appeal process. The BPU also would continue to recover the funding amount for those obligations through rates charged to the customers. Fuel purchased costs are included in the energy rate component. Debt covenant compliance was also reviewed and the BPU was in compliance with their debt covenant as of 2006. Certain testing was performed around payroll expense reimbursements. Nothing appeared to be abusive in expense reimbursements. There were two audit adjustments during the year. The first one was the reversal of construction work in progress. Projects recorded in 2006, however, were not performed in 2006 and that was approximately \$1.1M reversal. As part of the audit, internal controls were reviewed over financial reporting. She stated there were three classifications of deficiencies when looking at internal controls 1) deficiency, 2) significant deficiency, and 3) a material weakness. Material weakness would be the most severe case. There was one significant deficiency – around the BPU's billing system. She said management was taking action to correct that action during 2007. Items they would be monitoring in 2007 include the EPA investigation, the Liberty Coal bankruptcy proceedings, updating estimates for Brushy Creek obligations, the billing system control deficiency, worker's compensation reserve methodology, unbilled revenue analysis, and BPU would be adopting a new accounting pronouncement in 2007 related to accounting and financial reporting by employer's post retirement benefits other than pension. Those areas would be around uncertain contingencies or significant estimates during the year.

Ms. Austin asked the board for approval of the regulatory asset and liability for the over and under recovery of the fuel and purchased power costs for 2007.

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period for 2006. This regulatory asset is the under collection of the fuel and purchased power for the summer of 2006 in the amount of \$746,000. The regulatory liability is for the over collection for the fuel and purchased power for the winter period of 2006 in the amount of \$1.2M.

Mr. Pettey made a motion to approve the regulatory asset and liability for the over and under recovery of the fuel and purchased power costs for both the summer and winter period for 2006. Motion was seconded by Mr. Milan. Roll Call vote was taken - motion carried.

Ms. Austin asked the board for an approval of the collection of the regulatory asset and miner benefits and mine reclamation costs in the amount of \$4.6M over a ten year period. This is a reaffirmation of the continuation of the collection of those costs.

Mr. Pettey made a motion to approve the collection of the regulatory asset and miner benefits and mine reclamation costs in the amount of \$4.6M over a ten year period. Motion was seconded by Mr. Milan. Roll Call vote was taken - motion carried.

Ms. Austin asked the board for approval of the 2006 financial statements and supplemental schedules as presented to the board this evening.

Ms. Colombel made a motion to approve the 2006 financial statements and supplemental schedules as presented to the Board at this meeting. Motion seconded by Mr. Pettey. Roll Call vote was taken – motion carried.

Mr. Eidson stated that during the last couple of weeks he had been in and out of the administration building several times and he wanted to thank Senior management and staff, especially Marc Conklin, for making him feel welcome and being part of the BPU family. He looks forward to working with everyone and wanted to say thank you again.

Ms. Colombel welcomed Mr. Eidson and also Mr. Pettey and Mr. Milan, who have provided the board with a lot of guidance and have been great to work with through the years. She offered her congratulations to the families also.

Mr. Milan congratulated Mr. Eidson and stated that there was a lot of work to do. He stated that when emotions leave and clear heads prevail – this board had a tremendous responsibility to this community. He stated that the Board serves on committees with the Unified Government, such as the financial committee, public works, audit committee and human

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resources. He stated that Ms. Colombel will be sworn in as Chairperson of the American Public Power Association (APPA). Mr. Milan stated that BPU was part of Wyandotte Development Inc. (WDI) and that he was the Vice Chairman. He also serves as vice-chairman there. He said that WDI's annual meeting was May 9<sup>th</sup> at Dave & Busters. Mr. Milan stated that BPU, WDI, the Chamber and the Unified Government work as a team to lure new customers to our area. He has learned a lot during his sixteen years on the Board. He stated that with the help of staff and other board members, BPU could go in the right direction for all the right reasons.

Ms. Gonzales offered her congratulations to Mr. Eidson, Mr. Milan, and Mr. Pettey.

Mr. Jones offered his congratulations to the newly elected commissioners, Mr. Eidson, Mr. Milan, and Mr. Pettey.

Mr. Pettey congratulated Mr. Eidson and Mr. Milan. He said it was nice to see a lot of people in the audience – it would be nice to have crowds that big at every board meeting. Mr. Pettey thanked the families and employees that came to the meeting

Mr. Don Gray, General Manager, congratulated the newly elected board members and stated that he was looking forward to working with the board and that there were certainly some challenges ahead, but with the quality of the board and the staff that the utility had he was sure they would get through them.

Mr. Gray introduced Chris Stewart, the new Director of Civil Engineering.

Mr. George Powell, Director of Economic Development and Retail Services, updated the Board on the Energy Star Partner Award BPU received. There was a Community Development Block Grant Celebration (CDBG) and BPU was presented the Energy Star Partner Award by Lavert Murray, the Director of Community Development and Planning for the UG. The award was in recognition of outstanding contributions to the pilot program for energy housing conservation and partnership with the UG of Wyandotte County/Kansas City, Kansas. Mr. Powell explained that BPU had participated in a pilot program for the construction of three energy efficient homes on the energy efficiency of those homes as a study that HUD was conducting along with the Energy Star Program of the EPA to build energy efficient homes in our community, primarily for homes built east of 635.

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Mr. Gray reminded the Board of the United Way annual luncheon on Wednesday, April 25, 2007 at 11:30 at the Reardon Center. The Board should let Geri know if they wanted to attend.

Mr. Milan made a motion for adjournment, motion seconded by Ms. Colombel. Motion carried. Meeting adjourned.

ATTEST:

APPROVED:

\_\_\_\_\_

\_\_\_\_\_

Secretary

President

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## Thank You Letters Regarding Ice Storm of December 2007

To Whom It May Concern:

I am way overdue in getting his note out, but I still wanted to send it. I just wanted to say a big "Thank You" to the 2 men who drove truck #9 the day of the ice storm. My neighbor (who had just had cataract surgery that morning) and I had lost power due to a limb coming down. We'd been out about 6 hours when I ran into them (the BPU men) at the gas station. They followed my neighbor and me home and had our power on in 15 minutes. The men were cheerful and so willing to help and I know they must have been exhausted. They were terrific and I'm so grateful. They deserve a pat on the back!

*Becky Powell, Kansas City, Kansas*

Dear Mr. Gray:

My family and I would like to extend our sincere appreciation to the Board of Public Utilities and particularly to the dedicated crew that restored the electrical service to our home late Tuesday evening, December 11<sup>th</sup>. I did contact BPU very early in the morning on Tuesday, December 11<sup>th</sup>, and reported our power being out. Throughout the day, I did not receive any response back from the BPU; which I can certainly understand given the scope of the situation. At approximately 6:00 pm on Tuesday, I introduced myself to the BPU work crew working at 17<sup>th</sup> and Orville. The person I spoke with, Eric was extremely kind and professional and explained that the crew was just finishing up and heading out, was not aware that my house as well as my next door neighbor was still without power, and that he and other crew members would work to get our power restored. True to his word, he and the others did stop by and work until the power was restored to both my house and the next door neighbors. Please extend my sincere thanks to Eric and all the other crew members for all their hard work and professionalism. Our community is very fortunate to have a utility company as professional and caring as the Board of Public Utilities.

*Tom Lally, Kansas City, Kansas*

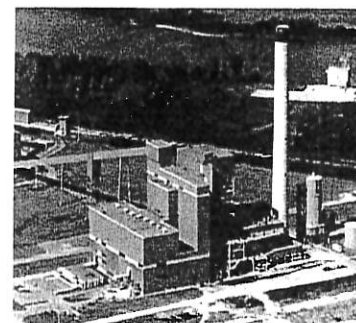
Board of Public Utilities:

At the 1<sup>st</sup> of the year, I had a water main break and had to call the emergency number. The wind storm we had a couple of weeks ago blew the electrical lines down so I had to call the emergency number. And now, the ice storm. Thank you for being there and helping those in distressed situations.

*The Spicers, Kansas City, Kansas*



**Kansas City  
Board of Public Utilities**



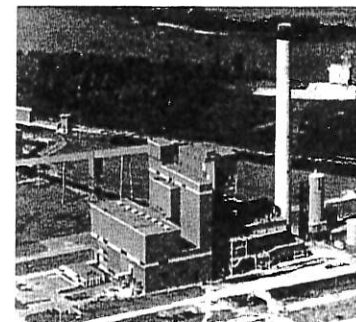
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**Kansas City Board of Public Utilities  
Rate Comparisons  
January 22, 2008**

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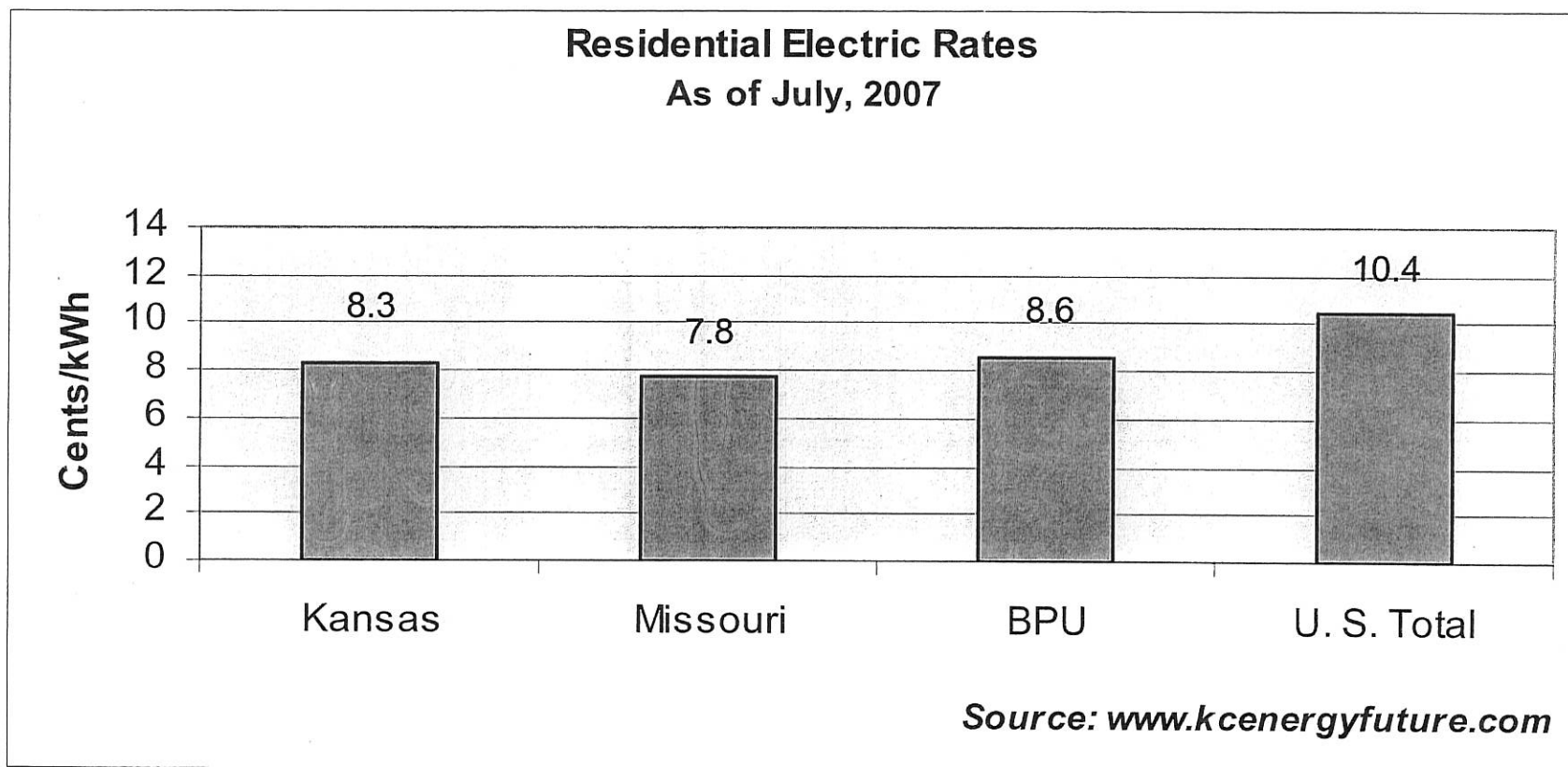


**Kansas City  
Board of Public Utilities**



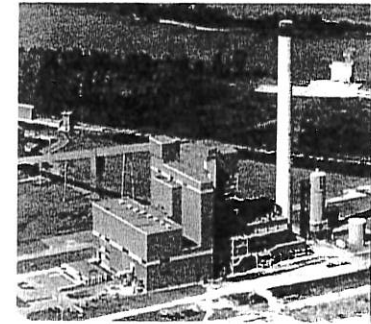
58-1

## Residential Rates – As of July, 2007





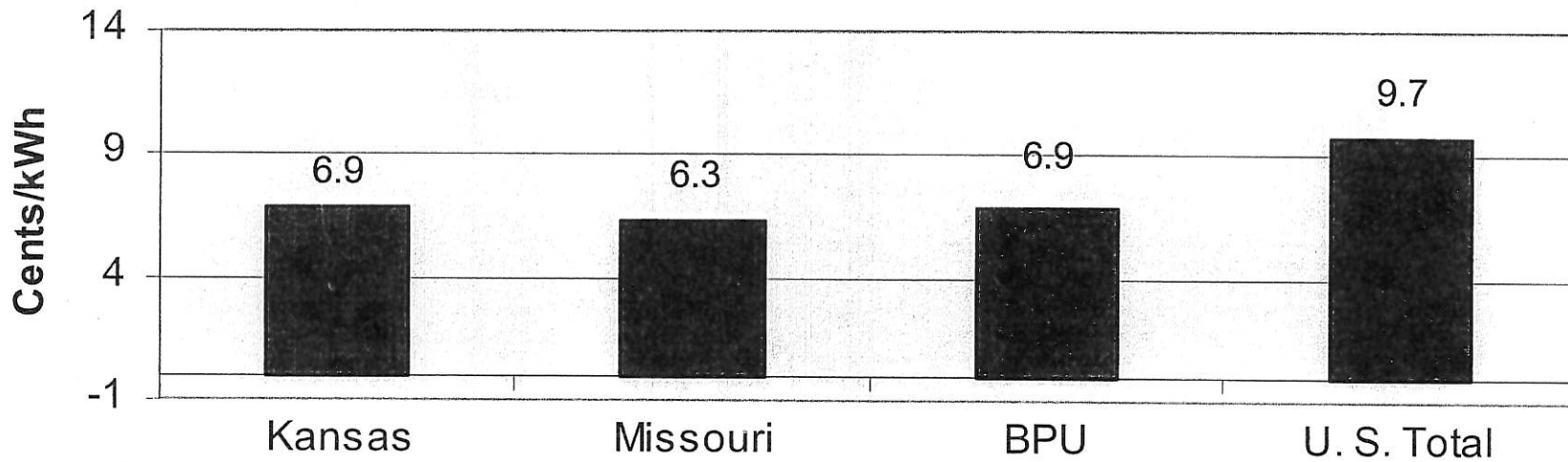
**Kansas City  
Board of Public Utilities**



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# Commercial Rates – As of July, 2007

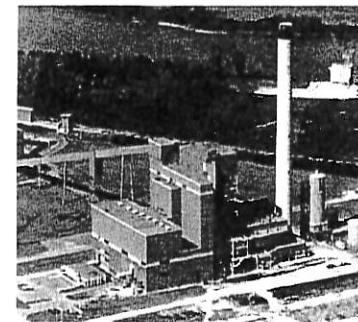
**Commercial Electric Rates  
As of July, 2007**



Source: [www.kcenergyfuture.com](http://www.kcenergyfuture.com)



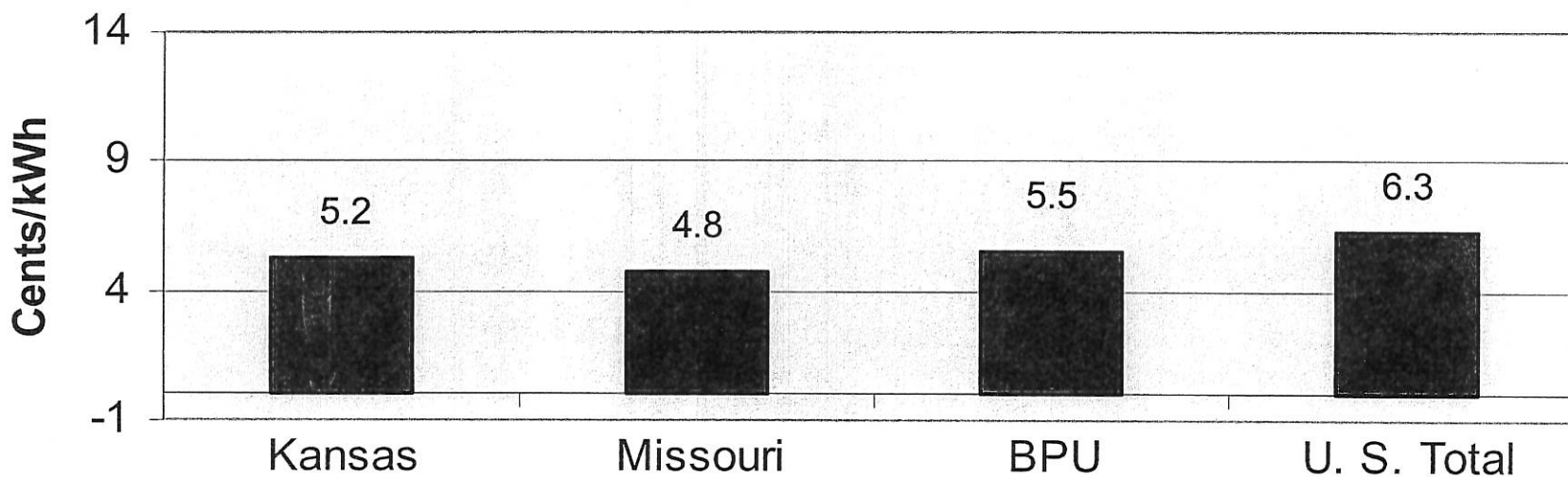
**Kansas City  
Board of Public Utilities**



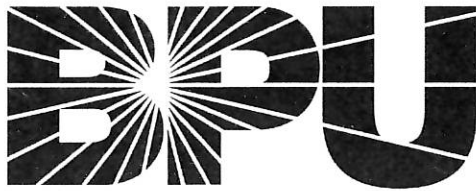
1-27

## Industrial Rates – As of July, 2007

**Industrial Electric Rates**  
As of July, 2007



Source: [www.kcenergyfuture.com](http://www.kcenergyfuture.com)



**DRIVING THE GROWTH**

**Comprehensive  
Strategic Plan Update  
2007-2010**

*Preparing For Our Future  
“Planning The Next 100 Years”*

***Kansas City’s Award Winning Reliable Public Power and Water Provider***

***Planning BPU’s Next 100 Years***

The production, transmission and delivery of reliable, safe, affordable and environmentally sound electricity and water to our customers - that is the reason for BPU’s existence. Effective delivery of utility services is a result of good planning and the hard work and dedication of all BPU employees.

We all recognize the importance of planning--following a detailed program worked out in advance aimed at accomplishing a goal. We follow plans in our daily lives—we plan our work, our play and our family time, and we plan for our financial needs and for our future.

Planning is as important to the success of a goal as the goal itself. The process of planning is, by its very nature, the process of exercising control. Without a plan, we leave results to chance.

Over the years, BPU has developed and followed a number of plans, from budgets and financial plans, to facility maintenance and operations plans, master plans and emergency

plans. BPU also develops and follows a *strategic plan*, a plan intended to develop business strategies and goals, and to communicate BPU’s vision, mission, values, core strategies and strategic action items to our Board of Directors, management, employees and customers. The process of strategic planning is key to setting BPU’s course for the future, and in defining BPU’s future identity—BPU’s strategic plan establishes the actions necessary to accomplish organizational goals, and creates a framework for developing objectives based upon organizational values and core business strategies. Determining *what* is important (goal or objective--priority) is as necessary as determining *how* to accomplish it (strategy or action--plan).

BPU’s strategic planning process develops key priorities and initiatives directed at increasing competitiveness, effectiveness, efficiency, and operational and financial performance, all according to the vision and mission of the BPU—strategic planning is all about starting with the end in mind, and creating strategies aimed at achieving key priorities. At BPU we call this plan the Comprehensive Strategic Plan, or CSP.





# Kansas City Board of Public Utilities

## *“Committed to the needs of our community in the 21st century”*

### Driving Priorities

As we near the 100 year anniversary of our community owned utility, we are planning and preparing for the continued autonomy, viability and existence of BPU, recognizing BPU’s vital importance to the community. The theme of the 2007-2010 CSP is “Preparing For Our Future.” BPU’s planning process continues to be an adaptable and coordinated effort focused on developing key strategies, with careful consideration of other BPU business plans such as the annual budget and operational master plans.

*The following “driving priorities” set the tone for the 2007-2010 CSP:*

- Determine the most effective future electric capacity and generation plan—incorporate environmental strategies, financial strategies and 2007 Cost of Service results, with communication strategies aimed at involving BPU stakeholders.
- Improve communication of BPU information, both internally with employees, and externally with customers and key stakeholders.
- Benchmarking—compare BPU’s performance to other similar organizations, focus on overall performance and efficiencies to reach best-in-class status; utilize best business practices.
- Provide for the efficient, reliable, safe and economical delivery of electric and water utility services to our customers, and provide excellent customer service, organization-wide.
- Customer-focused approach—provide quality work and respect and appreciate our customers.
- Prepare our workforce for change—be adaptable, trained and willing to take on new challenges, while focusing on excellent customer service.
- Hold the line on rates and reduce expenses. Improve. Always improve.
- Ensure the continued autonomy, independence and existing governance structure of the BPU—recognizing the benefits of community ownership and control of the electric and water utilities.

### Vision

As important as the implementation of the strategic plan itself is the use of the plan document to communicate—by telling stakeholders (Board, management, employees, customers, citizens, media, local and state officials, etc.) details about what projects, strategies and initiatives are underway, and those that are planned, we can more effectively communicate our objectives.

Starting with the end in mind, BPU’s strategic plan begins with a *vision*, a statement of long-range success meant to inspire us (*where* are we going?). BPU’s vision is:

***“To be the best utility for improving your quality of life.”***

As a public electric and water utility, certainly BPU’s *products* (electricity and water) are vitally important to the quality of life of our customers and to each of us. By focusing on providing reliable, safe and low cost utility services to our customers, with a customer-focused attitude, we can positively impact the quality of life in our community.

## Mission

BPU's *mission* communicates our main purpose—BPU's reason for existence:

***“To be the utility of choice and the employer of choice, while improving the quality of life in the communities we serve.”***

BPU's reason for existence is two-fold: first, to reliably, safely and efficiently provide our customers the utility services they desire, and second, to be a fair and responsible employer of a workforce that is capable of serving our customers effectively.

## Values

BPU's *values* must support the vision and mission; the values speak to the commitment to our customers and to our fellow employees. BPU's 7 organizational values are:

***“Innovation, Accountability, Responsible Communication, Appreciation, Integrity, Customer Focus, and Respect.”***

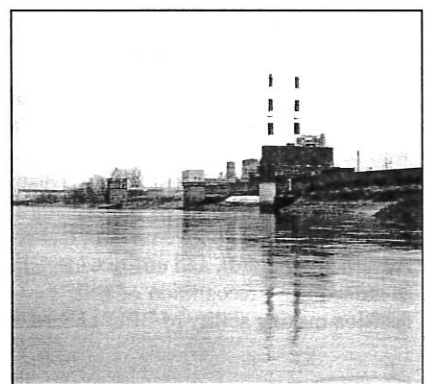
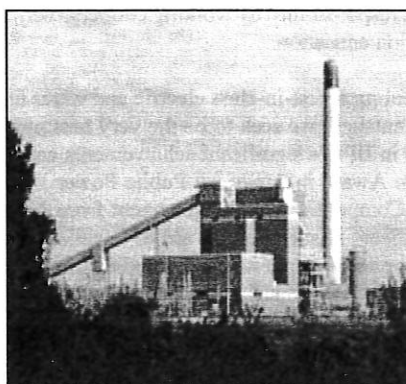
Respect for the individual is the value upon which all other values rest. Recognizing the vital importance of respect, BPU formed a Diversity Committee in 2007 made up of employees and board members that meets monthly to discuss workplace issues that relate to our organizational values. In addition, more information will be provided to employees to keep them informed about BPU business, like this CSP newsletter.

## Core Business Strategies

BPU's core business strategies follow from BPU's reason for existence—to provide reliable, safe and efficient utility services to our customers; core strategies support and define BPU's critical goals for the future, and provide the framework upon which to organize the individual strategies and action items of the strategic plan. BPU's 9 core strategies are:

***“Customer, Economic Development and Growth, Employee, Environment, Finance, Electric Operations, Water Operations, Productivity, and Safety.”***

The primary goal of the CSP is to coordinate planning efforts and to merge the CSP planning process into the annual budget preparation process so that as action items are developed, funding then becomes a reality for higher-priority action items. This two-pronged approach of strategy development and budget preparation results in a coordinated and streamlined annual business and financial plan that communicates BPU's business objectives with the associated cost.





# Kansas City Board of Public Utilities

*“Serving our community’s electric and water needs for nearly 100 years”*

## Comprehensive Strategic Plan

*The following list of 25 action items summarize the focus of the 2007-2010 CSP:*

1. “Planning For Our Future” information and advertising campaign highlighting BPU’s first 100 years of utility operations, and communicating the benefits of municipally-owned electric and water systems. Communicate the positive aspects of BPU, and its impact on the community. Ensure continued autonomy of BPU.
2. Develop risk assessment team to review and consider risk reduction measures, and to study ongoing facility risk assessment reports. Continue asset maintenance programs and continue capital improvement plans.
3. Develop cost reduction strategies.
4. Improve internal communication with employee—Diversity Committee, build relationship with membership of unions and increase CSP participation.
5. Implement BPU.com website improvements aimed at improving customer communication; gather employee and customer email addresses for email communication of important business information.
6. Communicate BPU’s value to employees.
7. Increase billed water revenues, decrease unbilled.
8. Develop conservation and energy efficiency programs.
9. Investigate service call efficiency and cost—consider adding fees where appropriate.
10. Evaluate return on investment, or feasibility and cost/benefit analysis before undertaking new programs.
11. Promote electronic vs. paper business activities.
12. Motivate greater teamwork across divisions and departments of the organization—better coordination of projects; develop project teams.
13. Investigate and recommend appropriate fees for services.
14. Implement IVR improvements.
15. Communicate effectively with BPU employees and customers—key business and planning information.
16. Develop wellness programs aimed at improving health and well being.
17. Develop cross-training opportunities for employees; actively manage workforce development and promotional opportunities.
18. Improve BPU’s reputation—communicate BPU’s positives, its impact on the community, economic value; project a positive image.
19. Work towards 25% reduction in electric and water consumption by Unified Government and BPU by 2010.
20. Work towards 50% reduction in non-critical inventories by 2010.
21. Encourage volunteerism and community service.
22. Reduce purchased power requirements through conservation, energy efficiency, and planning.
23. Focus all employees on being the best—increase efficiency, better use of technology, improve knowledge, skills and aptitudes—take pride in achievement and appreciate contributions of employees.
24. Develop customer appreciation strategies.
25. Commit to environmental leadership and responsibility by working cooperatively with appropriate groups and agencies—lead in conservation and conservation education.

The strategic plan is directed at creating a best-in-class electric and water utility with excellent customer service and a highly trained and qualified workforce, in a nutshell, we seek to be the very best in all core strategies. The BPU workforce, as well as the entire community, can take pride in BPU’s significant achievements and national recognition in the areas of electric operations, production and supply (Platinum Award in American Public Power Association’s Reliable Public Power Provider program), water operations (Gold Award in Competitiveness Achievement from Association of Metropolitan Water Agencies), budget and finance (Government Finance Officers Association Award of Excellence), marketing (Gold Award, Service Industry Advertising Award), and utility wide, BPU is rated A+ by Fitch and Standard and Poors, two of the top financial rating agencies in the world — recognition of BPU’s comprehensive financial practices, strong performance, and the quality of leadership and decision making ability of BPU’s board and staff.



# Kansas City Board of Public Utilities Inter-Departmental Practice

## Procurement Card Procedure

| 03-400-003

**1.01 Purpose:** To outline the procedures for the Procurement Card Program which allows specified Kansas City Board of Public Utilities' (KCBPU) employees to have procurement cards issued to them for the purpose of making purchases on behalf of the KCBPU.

**1.02 Scope:** This practice applies to all authorized KCBPU procurement Card holders.

**1.03 Program Objective:** The KCBPU has established a Procurement Card Program through our Financial Institution. This program provides a way to automate small dollar purchases without delays or paperwork. This lowers costs by reducing the number of purchase orders, checks that are printed and mailed, and invoices that must be matched and paid. These procedures have been developed to assist you in understanding the program and providing step-by-step instructions on the use of the card.

The objective of the Procurement Card Program is to:

- a. Reduce the use of purchase orders for small amounts.
- b. Reduce the quantity of "open" purchase orders.
- c. Provide an efficient method of purchasing and paying for goods and services that cost less than the individuals' per transaction dollar limit.
- d. Reduce the time spent by the individual departments, Purchasing and Accounting Departments on processing low dollar transactions.
- e. Allow employees to obtain certain goods and services much faster and easier.

**1.04 Procurement Card Issue Approval and Authorized Revisions**

**Procurement Card Issue**

The General Manager, Chief Administrative Officer and Division Manager(s) are responsible for designating the employees who will be issued a procurement card. The Managers shall forward a signed Procurement Card Account Action Request, Form No. 0941649-E (Reference: 1.22), to the Procurement Card Program Administrator. The Procurement Card Program Administrator will review all applications prior to the issuance of a procurement card.

Approval: General Manager  
Form No: 9-1178-D (11-04)

Page 1 of 14

Effective: 03/15/07  
Revised: 03/14/07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Don Gray</i>

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**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

**03-400-003**

**Procurement Card Authorization Revisions**

When a Cardholder finds that a limit is too low to accommodate department needs, or other exclusions are too restrictive, a change request on the Procurement Card Account Action Request, Form No. 0941649-E (Reference: 1.22), must be initiated and approved by the General Manager, Chief Administrative Officer or Division Manager. The approved request will then be forwarded to the Procurement Card Program Administrator in the Purchasing Department.

**1.05 Procurement Card  
Assignment and  
Orientation**

**Cardholder Assignment**

Any employee who has completed the new hire probationary period or obtains approval by the General Manager, and whose position requires completion of routine, small purchase requisitions, petty cash, or direct vouchers for small dollar purchases may, with General Manager, Chief Administrative Officer, or Division Manager approval, be eligible to obtain a procurement card.

**Cardholder Training and Orientation**

Each employee is required to receive a Cardholder training session with the Procurement Card Program Administrator (Purchasing Agent) or its designee before a card is issued. This training session will include an overview of the procedures, an oral review of the program, and the reconciliation procedures.

**Cardholder Issue**

The employee will sign the back of the procurement card. A copy of the front and back of the original issued card will be kept on file in the Purchasing Department.

Each employee must sign the Cardholder Agreement, Form No. 094-1650E (Reference: 1.23), prior to the card issuance. This form acknowledges that the employee has received the procurement card, states that the employee will not use the card inappropriately, that the employee has read and understands the procedures, and that the employee agrees to follow the procedures.

**1.06 Procurement Card Use**

Cardholders have the authorization to charge purchases for their department to the procurement card. The cards may be used only to **purchase goods and services for KCBPU**. Such purchases must comply with the Procurement Card Procedure.

Approval: General Manager  
Form No: 9-1178-D (11-04)

Page 2 of 14

Effective: 03/15/07  
Revised: 03/14/07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Don J. Gray</i>



**Kansas City  
Board of Public Utilities**

**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

| 03-400-003

- 1.07 Limitations on Procurement Card** To help ensure the proper use of procurement cards and to ensure that purchasing procedures have not been violated, the following card restrictions may be placed upon each individual Cardholder by the General Manager, Chief Administrative Officer or Division Manager and the Procurement Card Program Administrator.
- a. Prohibition to certain merchant types
  - b. Restriction of cash advances
  - c. Dollars per transaction
  - d. Dollars per billing cycle
- 1.08 Cardholder Purchases** **Purchase Information**  
This information shall be submitted with the monthly reconciliation.
- 1.09 Travel Expenses** When procurement card charges are made for company travel and expenses, the original detailed receipt should be attached to the **KCBPU Expense Report, Form No. 094-1146E (Reference: 1.24)**. A copy of the detailed receipt will need to be attached to the reconciliation of the procurement card. In the event that the purchase involves other participant(s), list the name(s) and the purpose for the group purchase.
- 1.10 Procurement Card Use** **Unauthorized use of your procurement card constitutes improper use of the card and is subject to disciplinary action in accordance with the Personnel Code.**
- 1.11 Authorized Purchases** The following is a partial list of authorized or typical uses:
- a. Materials for minor repair
  - b. Non-capital equipment (equipment under \$500 in value)
  - c. Conference registrations for employee only per KCBPU Travel & Training Policy
  - d. Allowable dues and memberships for employee only
  - e. Subscriptions for business use only
  - f. Books and reference materials

Approval: General Manager  
Form No: 9-1178-D (11-04)

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Effective: 03/15/07  
Revised: 03/14/07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Don J. Gray</i>

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**Kansas City  
Board of Public Utilities**

**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

**03-400-003**

- g. Freight, overnight delivery, shipping costs
- h. Film & photo processing
- i. Services (short term rental, equipment repair)
- j. Tow service
- k. Small equipment rental
- l. Non-stock items

The procurement card can be used for most items that do not exceed the individuals' dollar limit per transaction. The procedures to purchase items that exceed the individual limit are contained in the "Quotation Procedure" IDP No. 03-400-013.

**1.12 Procurement Card Misuse**

Any procurement card misuses by employees will be investigated by the Procurement Card Program Administrator and, if determined to be intentional, may be subject to disciplinary action in accordance with the Personnel Code.

**1.13 Maintaining Records**

To facilitate reconciliation and approval of monthly statements, it is mandatory that Cardholders obtain original detailed vendor documentation for all purchases made. Examples of acceptable documentation are:

- a. Approved requisitions
- b. Original itemized vendor sales receipts
- c. Original itemized packing slips with pricing
- d. Original procurement card charge slips with itemized description of products purchased
- e. Shipping order (if applicable)

The Cardholder shall forward all documentation to their Reconciler. Instructions for monthly bill reconciliation begin on page 14. of the Procurement Card Training Manual.

Approval: General Manager  
Form No: 9-1178-D (11-04)

Page 4 of 14

Effective: 03/15/07  
Revised: 03/14/07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Sam J. Gray</i>

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**Kansas City  
Board of Public Utilities**

**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

| 03-400-003

- 1.14 Missing Documentation** If for any reason the Cardholder does not have documentation of the transaction to send with the monthly statement, the Cardholder must attach a completed Procurement Card Missing Receipt or Detail, Form No. 094-9300-E (Reference: 1.25), to the Procurement Card Monthly Reconciliation Report. Continued incidents of missing detailed documentation may result in the cancellation of the employee's procurement card and may be subject to disciplinary action in accordance with the Personnel Code.
- 1.15 Incorrect Quantity or Defective Product** You should always check any incoming item(s) upon receipt to ensure that the product matches what was ordered in quantity and quality. If there are any discrepancies, the following steps should be taken:
- a. Contact the vendor and attempt to resolve the issue over the phone. Be sure to keep records of who you talked to and the action of resolution.
  - b. If no settlement can be reached, inform your Reconciler of the dispute. When the account is reconciled, a dispute form will be created and forwarded to Accounting with transaction log and original receipts. Accounting will be responsible to make sure the bank receives the Dispute Form.
  - c. Our financial institution pledges that they will resolve all disputes as soon as possible, usually within 90 days. It may be necessary to reorder goods in the interim, but KCBPU will receive the correct reimbursement.
  - d. If the item(s) must be returned as defective merchandise, follow the instructions under "Making Returns" and make sure the credit is issued on the following monthly statement.
- 1.16 Reconciler Selection** The General Manager, Chief Administrative Officer, or Division Manager will designate an employee for each Department to maintain documentation and reconcile the monthly bill for each cardholder, including compiling the monthly statement reconciliation for final manager approval.
- 1.17 Procurement Card Monthly Account Reconciliation** Assignment of Reconciler  
It is the responsibility of the General Manager, Chief Administrative Officer, or Division Manager to assign employee(s) in each department to review monthly charges made by Cardholders.

Approval: General Manager  
Form No: 9-1178-D (11-04)

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Effective: 03/15/07  
Revised: 03/14/07

Revisions	Date	General Manager Approval
	March 15, 2007	Don / Gray

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**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

**03-400-003**

**1.18 Automatic Renewal** Procurement cards normally expire two years from the date of issue. Renewal procurement cards will be mailed directly to the Procurement Card Program Administrator. The Procurement Card Program Administrator will distribute the replacement cards through inter-office mail. The Cardholder shall sign the back of the new card and cut up and dispose of the old card.

**1.19 Employee Transfers** When a Cardholder is transferred to a new position within the same department, and with the same supervisor, the same card can be used.

When a Cardholder is transferred to a new position with a new supervisor, the card must be canceled and a new one issued if applicable.

**1.20 Card Termination** When an employee terminates employment with the KCBPU, it is the responsibility of the Department Supervisor or Manager to retrieve cards from employees upon termination.

The Supervisor or Manager shall cut up the card and dispose of and forward a completed Procurement Card Account Action Request, Form No. 094-1649E (Reference: 1.22), to the Procurement Card Program Administrator as soon as the employee gives notice, or as soon as the information becomes available. When the Administrator receives the completed form, the departed employee's name will be removed from the list of authorized users and will ensure that the card is canceled with the bank.

The Procurement Card Program Administrator will notify the Payroll Department that the card has been turned in. The Accounting Department will not release the employee's final check until the return process is complete.

**1.21 Summary of Responsibilities**

**1. Reconciler Responsibilities:**

- a. Maintain all original detailed receipts and documentation for Cardholder's purchases and returns.
- b. Upon receipt of monthly procurement card billing statement, compare each transaction with Procurement Card Transaction Summary for correctness. If errors exist, work with Cardholder to determine discrepancy.
- c. Sign the Procurement Card Transaction Summary and forward

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Form No: 9-1178-D (11-04)

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Revised: 03/14/07

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**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

**03-400-003**

along with Summary of Accounts Form, any completed dispute forms and all original detailed receipts to the person designated to approve the monthly statement.

**2. General Manager, Chief Administrative Officer, Division Manager or Designee Responsibilities:**

- a. Approving procurement card applications for designated employees.
- b. Establishing departmental spending limits for employees.
- c. Assigning the responsible parties for monthly statement reconciliations.
- d. Approving the monthly statements for each Cardholder unless another manager has been designated to approve the monthly statements.
- e. Verifying general ledger account coding.
- f. Making sure Accounting gets the reconciled statement for payment within **ten days** after receipt of Monthly Statement.
- g. Evaluating the need to cancel or reissue cards.
- h. Retrieving the procurement card from the employee prior to department transfer or termination.

**3. Purchasing Department Responsibilities:**

- a. Reviewing all procurement card requests and submitting the requests to the bank.
- b. Review procedures with new Cardholders.
- c. Distribute procurement cards to Cardholders.
- d. Targeting new Cardholders and expanded use.
- e. Maintaining Cardholder limits.

Approval: General Manager  
Form No: 9-1178-D (11-14)

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Effective: 03.15.07  
Revised: 03.14.07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Scott H. [Signature]</i>

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**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

| **03-400-003**

- f. Maintain file of all Procurement Card Account Action Request Forms and Procurement Card Cardholder Agreements.
- g. Evaluating procurement card feedback from suppliers.
- h. Coordinating program procedure issues.
- i. Making decisions when there are exceptions to the limits established and communicating with bank for exception.
- j. Identifying vendors not set up with procurement card and work with bank to get set up.
- k. Coordinating the issuance and cancellation of cards.
- l. Maintaining the procedures for procurement cards.

**4. Accounting Department Responsibilities:**

- a. Forward completed Procurement Card Dispute Forms to bank.
- b. Receiving approved monthly reconciled statements from departments after review and approval by the General Manager, Chief Administrative Officer, Division Manager or their designee.
- c. Auditing statements for original detailed receipts, account coding, signatures, budget, sales tax, and all other accounting information.
- d. Auditing for the appropriateness of expenditure to make sure it is within guidelines.
- e. Notifying departments when monthly statements have not been received.
- f. Maintaining files on statements and receipts.
- g. Administering IRS 1099 reporting.
- h. Making sure vendor and Cardholder Disputes are resolved.

Approval: General Manager  
Form No: 9-1178-D (11-04)

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Effective: 03/15/07  
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Revisions	Date	General Manager Approval
	March 15, 2007	<i>Don L. Gray</i>

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**Kansas City  
Board of Public Utilities**

**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

**03-400-003**

- i. Ensuring monthly payment is made to Visa.
- j. Withholding final check upon termination of Cardholder's employment until procurement card is returned to the Procurement Card Program Administrator.

Approval: General Manager  
Form No: 9-1178-D (11-04)

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Effective: 03.15.07  
Revised: 03.14.07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Carol J. King</i>

**1-40**



**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

03-400-003

1.22

Procurement Card Account Action Request, Form No. 094-1649-E (01-06)

PROCUREMENT CARD ACCOUNT ACTION REQUEST	
<input type="checkbox"/> New Account	<input type="checkbox"/> Lock or Open Card
<input type="checkbox"/> Name Change	<input type="checkbox"/> Cancel Card Close
<input type="checkbox"/> Address Change	<input type="checkbox"/> Change Controls Limits
ACCOUNT INFORMATION	
Card Name (Last, First, MI)	Company
Employee ID	Address - Street, Apt. No., City, State, Zip
Business Address	Business Category
APU Request Number	Card #/Date
LIMITS	
_____ Dollars Per Purchase	Card A. Expires for Total _____ \$/_____ Mo.
_____ Dollars Per Billing Cycle	
RECONCILER APPROVAL ASSIGNMENT(S)	
The following persons shall be assigned by Manager and to record a card or add to the control card monthly statements. Required for new accounts only.	
Reconciler Name	APU Request Number
NAME AND/OR ADDRESS CHANGE	
Name changed to last first MI	New Street Address
CARD CANCELLATION	
Reason for Cancellation	Card Disposition
<input type="checkbox"/> Termination	<input type="checkbox"/> Exp. Used
<input type="checkbox"/> Multiple Card	<input type="checkbox"/> Turned into _____ Date
<input type="checkbox"/> Department Transfer	
SIGNATURES	
Requester Signature	Date
Manager/Supervisor Signature	Date
Procurement Card Control Manager Signature	Date

Approval: General Manager  
Form No: 9-1178-D (11-04)

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Effective: 03.15.07  
Revised: 03.14.07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Don't Gray</i>

1-41



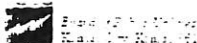
**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

03-400-003

1.23

**Procurement Cardholder Agreement, Form No. 094-1650E (01-02)**

  
**PROCUREMENT CARD  
CARDHOLDER AGREEMENT**

I, \_\_\_\_\_, hereby acknowledge receipt of a KCIB Procurement Card, and I agree to agree to the following terms and conditions of this agreement regarding my use of the Card:

I understand the scope of the Procurement Card Procedure and will adhere to the terms and conditions thereof.

I understand that I am responsible for the use of a KCIB Procurement Card. I will be acting as the authorized representative of the Board of Public Utilities. I will remain the authorized Procurement Cardholder, as defined by the Purchasing Department.

I understand that the BPU is not the KCIB for all charges. I will only use the Procurement Card.

I agree to use the Card for BPU authorized and approved purchases only. All personal expenses will be charged to the Procurement Card. I accept responsibility for protecting the property of the Procurement Card as outlined in the Agreement and the Procedure Manual.

I understand that the scope of the use of the Procurement Card is limited to the purchase of goods and services on the Purchasing Department's approved list of items.

I understand that the Board of Public Utilities may terminate my right to use this Card at any time for any reason. I agree to return the Card to the Board of Public Utilities immediately upon termination of my employment.

If the Cardholder is not a KCIB employee, the KCIB Business Policy Department of the Procurement Card Program Administrator.

I HAVE READ THE ABOVE INSTRUCTIONS AND I UNDERSTAND THE CONDITIONS OF THIS AGREEMENT. \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Employee: \_\_\_\_\_

Procurement Cardholder: \_\_\_\_\_ Date: \_\_\_\_\_ Procurement Card: \_\_\_\_\_

FORM NO. 094-1650E (01-02)

Approval: General Manager Page 11 of 14 Effective: 03.15.07  
 Form No: 9-1178-D (11-04) Revised: 03.14.07

Revisions	Date	General Manager Approval
	March 15, 2007	<i>Don Hayes</i>

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**Kansas City  
Board of Public Utilities**

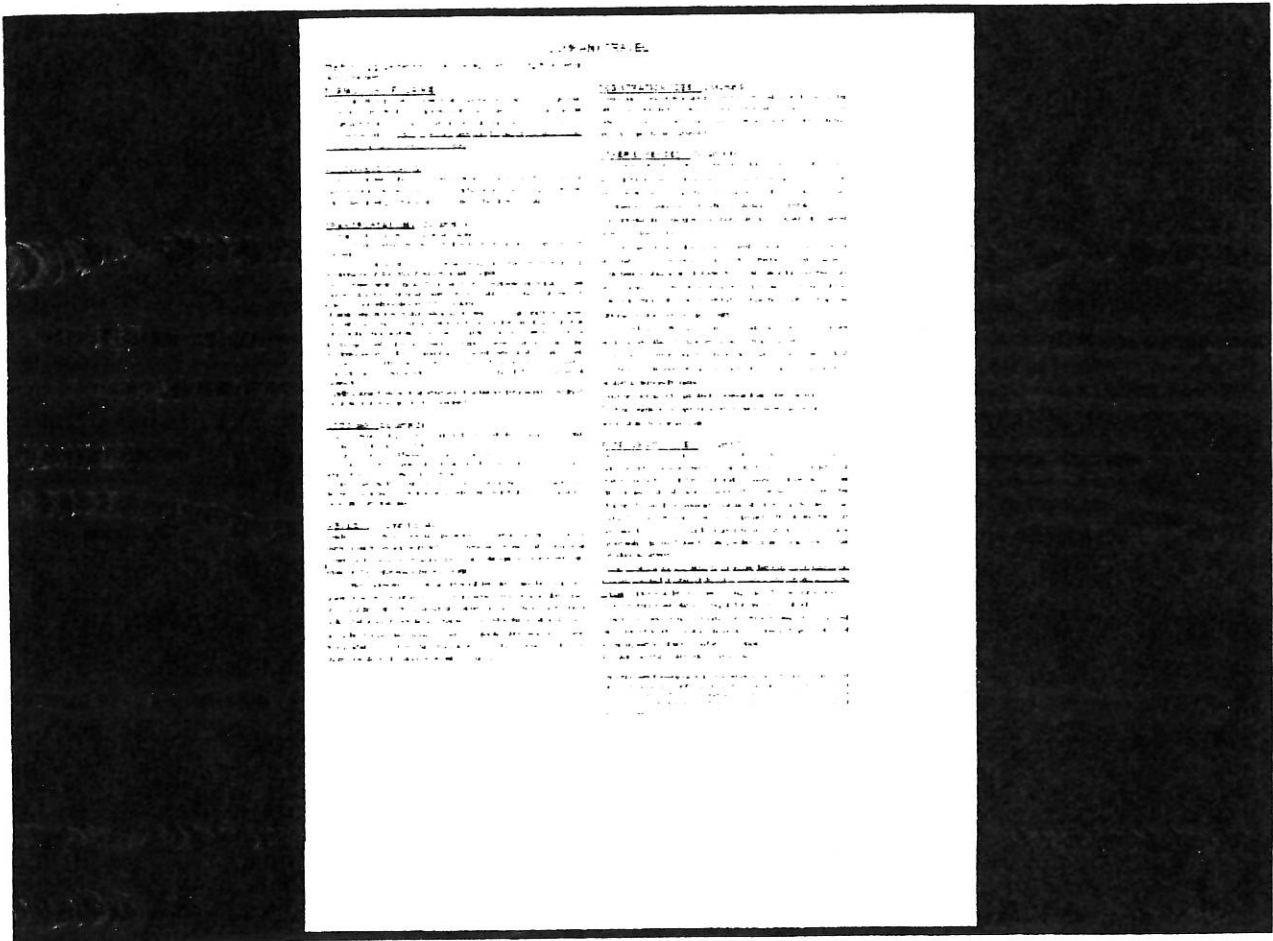
**Kansas City Board of Public Utilities  
Inter-Departmental Practice**

**Procurement Card Procedure**

03-400-003

1.24

Expense Report, Form No. 094-1146E (06-05) Page 2 of 2.



Approved: General Manager  
Form No: 9-117B-D (11-04)

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Effective: 03/16/07  
Revised: 03/14/07

Revisors	Date	General Manager Approval
	March 15, 2007	<i>[Signature]</i>

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**Average Retail Price of Electricity by Utility, 2005  
Comparison of Eastern and Western Kansas**

Area of Service	Entity	Class of Ownership	Residential		Commercial		Industrial	
			Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)	Number of Consumers	Average Price (cents/kWh)
East	City of Neodesha	Public	1,342	9.5	246	8.1	51	8.1
East	City of Gardner	Public	5,254	9.5	283	7.7		
East	City of Horton	Public	910	9.5	154	10.0	2	10.0
East	City of Savonburg	Public	50	9.4	7	10.0		
East	City of Marion	Public	946	9.4	255	8.5	2	9.5
East	Osawatimie City of	Public	1,939	9.4	229	8.4	1	10.5
East	City of Mulvane	Public	2,127	9.3	316	8.4		
East	City of Garnett	Public	1,584	9.3	272	9.1	49	7.9
East	Mount Hope City of	Public	335	9.3	37	7.2		
East	City of Vermillion	Public	86	9.2	16	9.8		
East	City of Pomona	Public	513	9.2	47	7.0		
East	City of Coffeyville	Public	5,737	9.2	1,002	8.5	8	4.0
East	City of La Harpe	Public	320	9.1	8	7.8		
East	City of Wamego	Public	1,819	9.1	267	8.4	20	6.9
East	City of Clay Center	Public	2,241	9.1	471	8.3	54	11.6
East	Doniphan Elec Coop Assn, Inc	Cooperative	1,536	9.0	118	8.8	2	3.6
East	City of Troy	Public	517	8.8	91	7.9		
East	City of Scranton	Public	304	8.8	24	11.0		
East	City of Moran	Public	246	8.8	58	8.0		
East	Ottawa City of	Public	5,592	8.7	441	5.1	105	6.9
East	City of Elsmore	Public	57	8.7	2	12.0		
East	City of Centralia	Public	252	8.7	56	9.3		
East	City of Eudora	Public	2,341	8.7	68	8.2	3	4.8
East	City of Chapman	Public	562	8.7	70	11.6		
East	City of Burlingame	Public	564	8.6	72	8.0	1	6.2
East	City of Glasco	Public	340	8.5	40	24.3		
East	City of Morrill	Public	102	8.5	46	10.6	8	13.3
East	City of Moundridge	Public	730	8.5	120	4.0	27	5.1
East	City of Sabetha	Public	1,479	8.4	503	7.7	69	7.1
East	City of Alma	Public	366	8.4	122	8.1	3	5.6
East	City of Minneapolis	Public	892	8.4	214	7.1	13	7.0
East	City of Kansas City	Public	57,486	8.4	6,871	7.3	99	4.7
East	City of Waterville	Public	395	8.3	49	9.4	11	9.8
East	City of Holton	Public	1,944	8.3	435	7.0	19	5.9
East	Kaw Valley Electric Coop Inc	Cooperative	8,077	8.3	693	8.4	19	6.2
East	City of Bronson	Public	148	8.3	18	7.5		
East	City of Galva	Public	361	8.2	51	8.4		
East	City of Udall	Public	334	8.2	41	15.7		
East	City of Altamont	Public	547	8.2				
East	City of Lindsborg	Public	1,416	8.2	225	8.2		
East	Brown-Atchison E C A Inc	Cooperative	2,799	8.1	339	10.3		
East	Kansas Gas & Electric Co	Investor Owned	269,070	7.7	31,590	6.4	3,447	4.3
East	City of Enterprise	Public	359	7.7	7	8.9	2	6.4
East	Town of Summerfield	Public	115	7.5	28	6.0		
East	City of Oxford	Public	514	7.4	63	7.3	27	8.4
East	Nemaha-Marshall E C A, Inc	Cooperative	2,971	7.3	359	8.1	9	17.6
East	City of Seneca	Public	970	7.3	206	6.6	50	7.2
East	City of Burlington	Public	1,265	7.2	308	6.9		
East	City of Axtell	Public	196	7.1	39	8.6		
East	Empire District Electric Co	Investor Owned	8,820	7.1	1,447	7.4	46	5.0
East	Kansas City Power & Light Co	Investor Owned	202,770	6.9	25,268	6.0	1,052	5.2
East	Westar Energy Inc	Investor Owned	307,582	6.7	45,497	5.3	1,179	4.4
East	City of Robinson	Public	115	6.6	20	7.8		
East	City of Iola	Public	3,300	6.6	551	6.1	3	4.1
East	McPherson City of	Public	7,107	4.6	1,279	4.8	15	3.2
				Residential		Commercial		Industrial
			Number of Consumers	1,015,110		139,789		6,858
			High Price (cents)	15.1		24.3		175.0
			Low Price (cents)	4.6		1.0		1.9
			Weighted Average Price (cents)	7.6		6.6		5.2

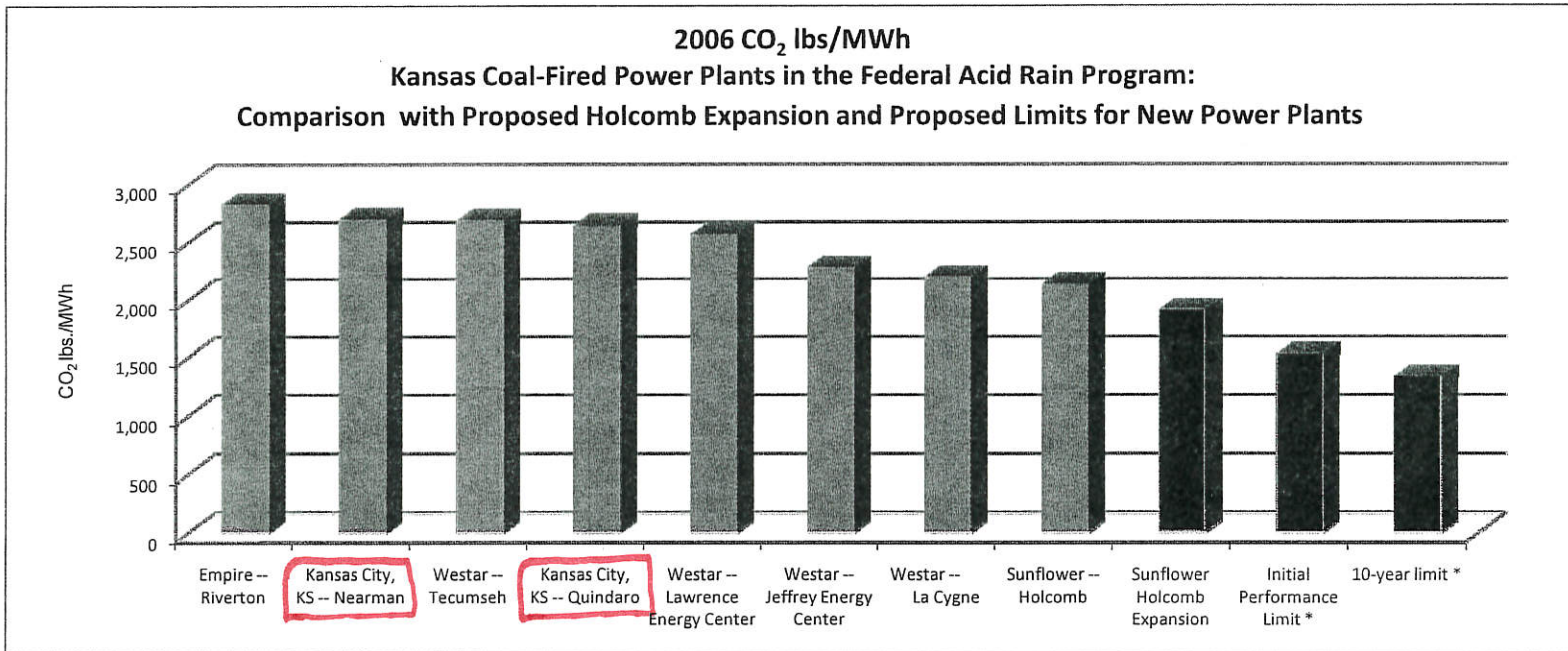
**Eastern Kansas  
Summary**



2-2

**2006 CO<sub>2</sub> lbs/MWh**  
**Kansas Coal Fired Power Plants in the Federal Acid Rain Program:**  
**Comparison with Proposed Holcomb Expansion and Proposed Limits for New Power Plants**

FACILITY_NAME	Net Generation (MWh)	CO <sub>2</sub> Mass (US Short Tons)	CO <sub>2</sub> Mass in Lbs. (tons*2000)	CO <sub>2</sub> Lbs/MWh
Empire -- Riverton	542,069.00	766,094.08	1,532,188,150.00	2,826.56
Kansas City, KS -- Nearman	1,288,282.00	1,736,883.03	3,473,766,054.00	2,696.43
Westar -- Tecumseh	1,192,962.00	1,601,838.19	3,203,676,382.00	2,685.48
Kansas City, KS -- Quindaro	1,079,973.00	1,427,431.64	2,854,863,284.00	2,643.46
Westar -- Lawrence Energy Center	3,257,371.00	4,181,451.56	8,362,903,126.00	2,567.38
Westar -- Jeffrey Energy Center	14,264,089.00	16,239,424.98	32,478,849,952.00	2,276.97
Westar -- La Cygne	9,390,258.00	10,275,074.77	20,550,149,542.00	2,188.45
Sunflower -- Holcomb	2,384,975.00	2,534,424.06	5,068,848,124.00	2,125.33
Sunflower Holcomb Expansion				1,910.00
Initial Performance Limit *				1,520.00
10-year limit *				1,330.00



\* Limits proposed in 2008 HB 2711 and SB 515. Those bills, as introduced, would not apply to existing plants listed above in black.

Data Sources:  
<http://camddataandmaps.epa.gov/gdm/index.cfm?fuseaction=emissions.output&startMarker=1> (data downloaded 12/26/2007).  
[http://www.eia.doe.gov/cneaf/electricity/page/eia906\\_920.html](http://www.eia.doe.gov/cneaf/electricity/page/eia906_920.html) (data downloaded 01/29/2008).

**Testimony of Mike Deggendorf  
Before the Senate Utilities Committee  
In Support of House Bill 2632  
March 5, 2008**

Investments in energy efficiency are good for customers, businesses, the community and the environment. Kansas City Power & Light has been a leader in energy efficiency and, with a supportive regulatory environment, is poised to grow its focus on energy efficiency.

A few years ago, KCP&L worked with policy leaders, our customers and communities, regulators, environmental advocates and others to craft a comprehensive energy plan to help the company meet the energy needs of our customers through 2010. Investments in energy efficiency are a cornerstone of that plan.

Today, KCP&L has a dozen energy efficiency programs approved in Kansas and more on the way. These programs target residential, business and industrial customers. There is an additional focus on affordability and weatherization programs for lower-income customers.

After just a couple of years working with these programs, we've realized the tremendous potential energy efficiency holds. This potential is amplified when environmental concerns about climate change are considered.

These programs are working. Over the latter part of the summer when this region endured excessive heat, most expected us to surpass our record system peak. We didn't. By working with customers and realizing the full benefit of our load reduction programs, we avoided setting a record.

Our goal is to meet a substantial portion of our new load growth through aggressive deployment of energy efficiency and renewable energy. KCP&L views energy efficiency as a bridge to the future, specifically to about the year 2020, when technologies are available to provide baseload power with minimal environmental impact.

What we know now is that energy efficiency is the most affordable and simplest way to mitigate greenhouse gas emissions while simultaneously addressing the growing demand for electric energy. The challenge is a regulatory framework that rewards utilities for making investments in traditional generation but does not grant the same level of certainty and recovery to prudent and cost-effective investments aimed at reducing energy usage and meeting growing demand.

Recognizing this challenge, we convened a series of public forums to both educate the community and gain their input and opinions on energy efficiency. The forums were a great success. The first one last September drew about 500 people from Kansas and Missouri. The feedback from the forums prompted us to pursue this legislation.

House Bill 2632 seeks to update regulatory policy. The concept is simple: *A dollar invested in energy efficiency should be treated like a dollar invested in a traditional generation plant.*

One of the concerns you'll hear is that the KCC is actively pursuing dockets on energy efficiency. We understand that concern and in a perfect world, we would defer to their schedule. However, like any business, we're seeking regulatory certainty before considering large investments.

Another concern deals with capitalizing labor and advertising costs related to the efficiency programs. Our view is that both are critical to the success of the programs. We view the effects of energy efficiency and the avoided demand as competitive with other baseload and dispatchable supply. As is the case with other supply, there is a cost to acquire and "build" this supply. Without an investment of capital into acquiring the customers into the program and implementing these measures (through education and advertising), the programs are bound to have marginal benefits. In many cases, the actual investment in the technology necessary to enable energy efficiency is only a small part of the expenditure and the investment made in educating people on how to be energy efficient, properly utilize installed technology, build awareness of efficiency programs and ensure that the programs are successfully deployed make up the more significant portion of the associated costs.

Energy efficiency is uniquely able to simultaneously benefit:

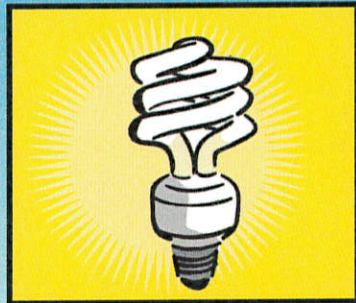
- Customers
  - Both residential and business, can decide which programs work for them, allowing them the ability to customize their energy use in a manner that best fits their lifestyle and budget
  - Reduce the amount of energy they use and thereby reduce their cost of doing business (making them more competitive) or spending less income on household energy costs
  - When layering cost-effective energy efficiency into the generation portfolio, overall rates increase at a slower rate than they otherwise would
- Communities
  - Investments in energy efficiency are localized, such as working with local HVAC dealers to install efficient equipment
  - Local investments will spur greater local economic development translating into more local jobs
- Environment
  - Investment in energy efficiency is an investment in clean energy. Each megawatt of power that is supplied through energy efficiency is a megawatt that doesn't need to be produced through burning a carbon-based fuel
  - By coupling energy efficiency and demand management programs with renewable energy such as wind energy, renewable energy becomes a more dependable and effective energy source
- Energy Independence

These benefits can be realized while meeting the demand for energy in a low-cost manner.

With regulatory changes, Kansas can become a leader in investment in energy efficiency, benefiting our customers, communities and environment. The results are real; the potential is real, and the time is now. KCP&L urges your support of HB 2632.



# Focus on energy efficiency



**Energy Efficiency** → Products or systems using less energy to do the same or better job than conventional products or systems



**Demand response** → Programs help with reducing demand for electricity at a specific time



# KCP&L Energy Efficiency - 2008

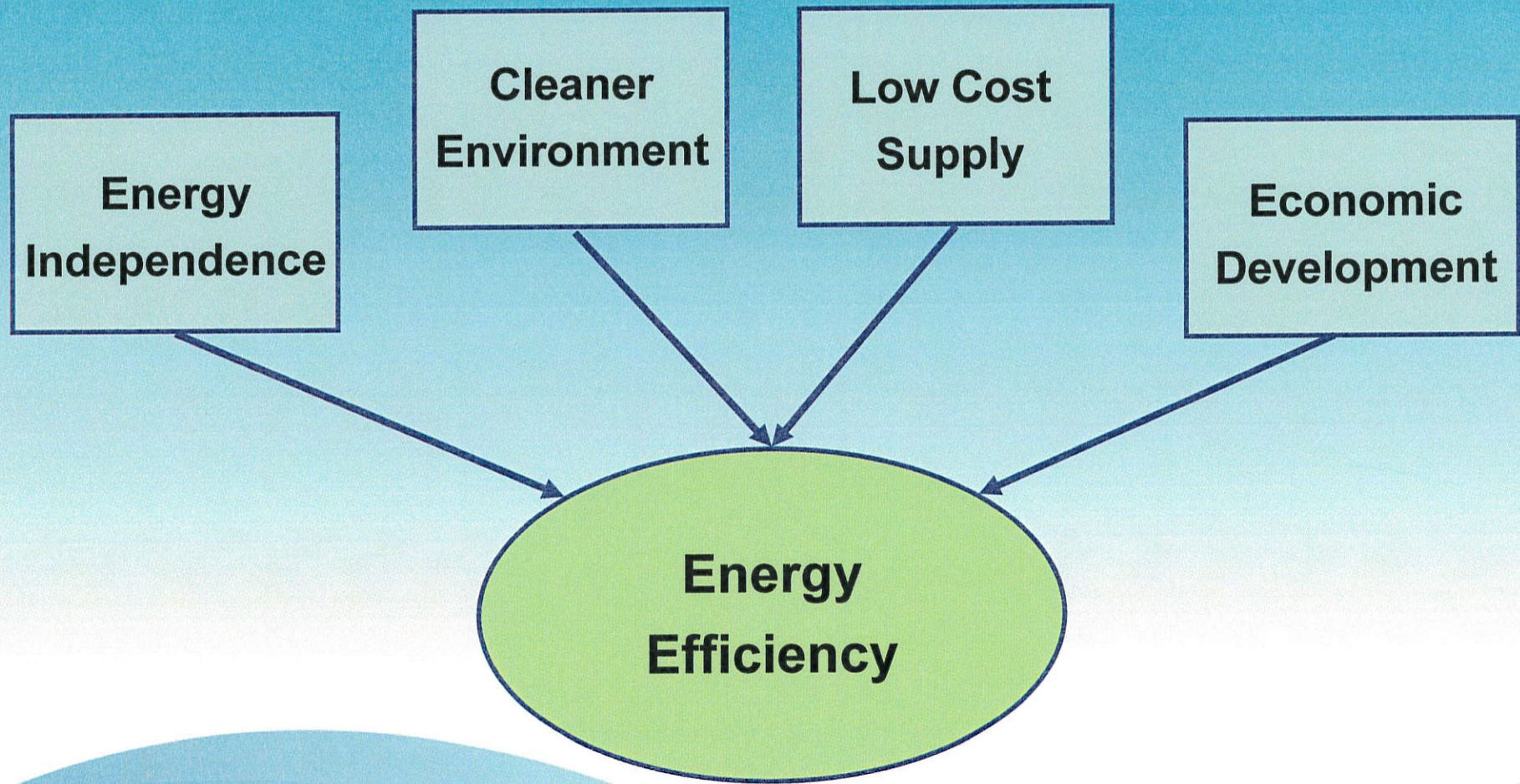
3-4

Program	Type	Aff	Res	Sm Com	Med C&I	Large C&I
<b>Affordability</b>						
· Affordable New Homes	Dir Imp	✓				
· Low Income Weatherization	Dir Imp	✓				
<b>Energy Efficiency</b>						
· Online Analysis	Educ		✓			
· Home Performance-Training	Educ		✓			
· Change a Light, Change the World	Dir Imp		✓			
· Cool Homes Program	Dir Imp		✓			
· Energy Star Homes	Dir Imp		✓			
· PAYS-type program	Dir Imp		✓			
· Online Analysis	Educ			✓	✓	✓
· C&I Audits	Educ			✓	✓	✓
· C&I Custom Rebates-Retrofit	Dir Imp			✓	✓	✓
· C&I Custom Rebates-New Const	Dir Imp			✓	✓	✓
· Bldg Operator Certification	Dir Imp				✓	✓
· Research	Research					
<b>Demand Response</b>						
· Energy Optimizer A/C Cycling	Dmd Rsp		✓	✓		
· The Alliance, an Energy Partnership	Dmd Rsp				✓	✓



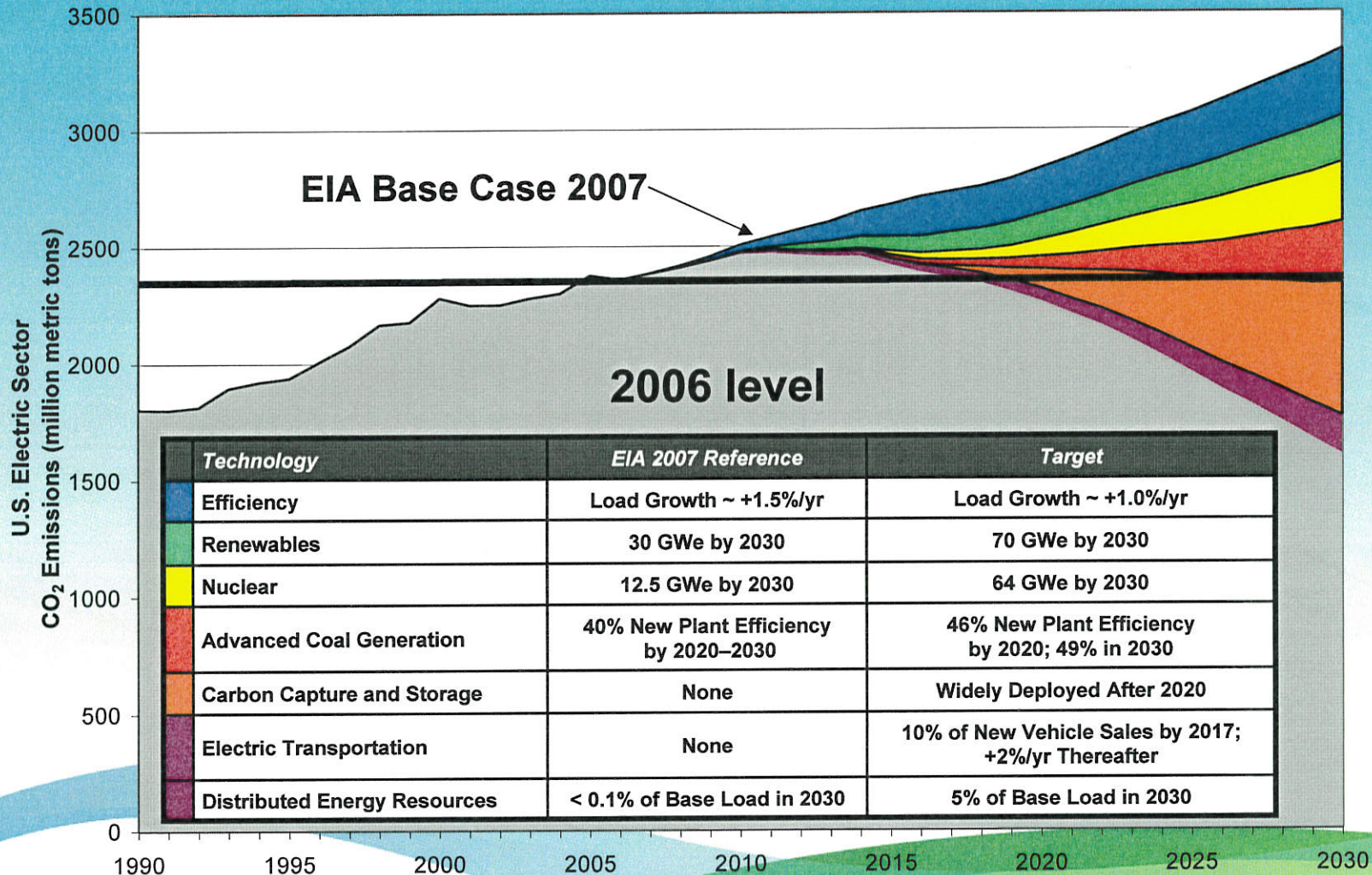
# The Solution for Four Important Issues: Energy Efficiency

3-5





# U.S. Potential of CO<sub>2</sub> Reductions





What can be accomplished in 12 months?

*20 Megawatts saved and 117,000 tons of reduced emissions!*

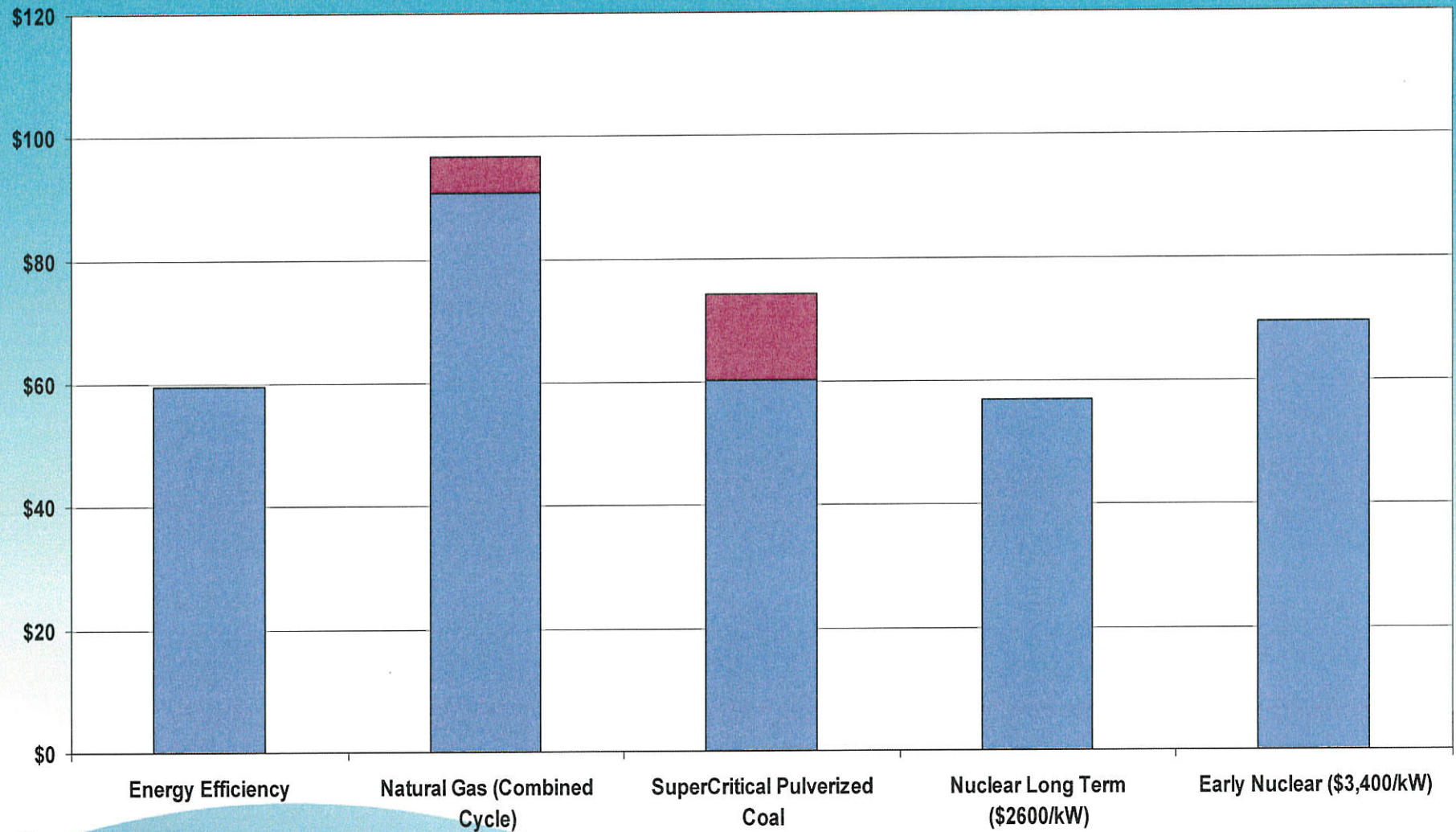
6-3  
3-7

Scenario	Megawatts Saved	CO2 reduction
Every customer changes just 1 incandescent light bulb and replaces with 1 CFL	10	77,000 tons
3% of KCP&L customers retire old-style (SEER 7) A/Cs and upgrade to efficient (SEER 14) units	8	34,000 tons
15,000 KCP&L customers upgrade to the latest Energy Star refrigerators	2	6,000 tons



# Comparing Costs: Energy Efficiency

3-8



Costs per MWhr

■ Busbar Cost Without CO2 Costs ■ Busbar Costs With CO2 at \$15/ton

**Testimony before the Senate Utilities Committee  
March 5, 2008  
Supporting H.B. 2632**

Chairperson Emler 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.2632.

HB 2632 allows a utility a return on their investment in energy conservation and efficiency programs if these programs are approved by the KCC.

In the past, utilities have primarily been in the business of generating electricity and selling it to their customers. Today, building new capacity is very expensive and often results in adverse effects on the health of people and the environment.

There is another way to help energy customers meet their energy needs. Energy conservation and efficiency helps both utilities and individuals save money in the long run. The building of new generation is avoided and base load is expanded. As a result, fewer greenhouse gasses are produced and the impact on climate change is decreased for years to come. It is time to encourage utilities to be part of solving the issue of climate change instead of adding to it.

Utilities that take the lead by developing conservation and efficiency programs should be applauded. More programs are needed. The incentive for businesses is to get a return on their investment.

The Sierra Club supports HB 2632 and believes it is time for utilities to be more in the business of helping its customers meet their energy needs and not just selling them energy.

Thank you for this opportunity and your time.

Sincerely

Tom Thompson  
Sierra Club



# THE CHAMBER

Greater Kansas City Chamber of Commerce

Testimony to the Senate Utilities Committee  
Provided by the Greater Kansas City Chamber of Commerce  
March 4, 2008

The Greater Kansas City Chamber of Commerce supports House Bill 2632 as a way to increase adoption of energy efficiency in Kansas and specifically the Greater Kansas City metropolitan area. The past few years have brought significant attention to energy. The Chamber has been active in participating in and facilitating discussions on energy issues as we seek to help address climate change issues in a way that doesn't harm our vibrant business community and economic development efforts. To help Chamber members and business leaders become knowledgeable and involved in progressive energy initiatives, in 2006, the Chamber started its Energy Policy Task Force, which is comprised of leaders of Kansas City's impressive list of energy and energy-related companies. The Chamber was a co-sponsor of KCP&L's Energy Efficiency forums. The Chamber also held its own community energy discussion at a November Energy Policy and Climate Protection Symposium. At this forum, Lt. Governor Mark Parkinson and House Energy and Utilities Chairman Carl Holmes educated over 130 business and community leaders on Kansas energy issues and opportunities. The Chamber recently launched the Greater Kansas City Climate Protection Partnership and has received a terrific response from the region's business community. The Partnership calls on organizations to take an inventory of their actions related to climate issues and work toward goals to reduce carbon emissions from their own organizations. We currently have over 130 companies and organizations signed on as partners, including the state of Kansas. A copy of the partnership agreement and a list of the member organizations are attached. The Chamber is collaborating with KCP&L and other businesses to provide support to partners in assessing and reducing their carbon footprints. A complete overview of the partnership services and carbon footprint analysis tools may be found on our Chamber website at [www.kcchamber.com](http://www.kcchamber.com). Through our many interactions on energy issues The Chamber believes a greater emphasis on energy efficiency is the quickest and most affordable way to impact climate change and create a secure energy future. For this reason, The Greater Kansas City Chamber of Commerce encourages passage of HB 2632.

*The Chamber. It Works. In Kansas and Missouri*

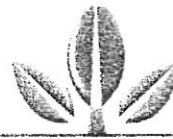
Greater Kansas City Chamber of Commerce | 2600 Commerce Tower • 911 Main Street  
816/221-2424 • Fax 816/221-7440 • [www.kcchamber.com](http://www.kcchamber.com)

Senate Utilities Committee  
March 5, 2008  
Attachment 5-1



**THE CHAMBER**

Greater Kansas City Chamber of Commerce



GREATER KANSAS CITY  
**CLIMATE  
PROTECTION  
PARTNERSHIP**

SPONSORED BY  
THE GREATER KANSAS CITY  
CHAMBER OF COMMERCE

**Greater Kansas City Climate Protection Partnership:  
*Greater Kansas City Chamber of Commerce Coalition of Area Employers Working Together  
To Reduce Greenhouse Gas Emissions and Improve Quality of Life***

**Partnership Agreement**

**Preamble**

The Greater Kansas City Climate Protection Partnership, coordinated by the Greater Kansas City Chamber of Commerce, offers businesses and organizations the opportunity to lead the community toward the complementary goals of reduced regional greenhouse gas emissions and increased economic competitiveness.

Greater Kansas City area employers are in a unique position to contribute to solutions to address climate change. Innovation, creativity, and entrepreneurial talent—all in abundant supply in the Kansas City area business community—are essential to success. The relationships employers enjoy with their customers, partners, and employees are crucial to communicating the changes needed to effect positive change.

Members of the Greater Kansas City Climate Protection Partnership enjoy benefits that include technical assistance in assessing and reducing their climate change impacts in ways that may reduce costs and open new market opportunities. Other benefits include lessons shared by fellow members and recognition as leaders in responsible management.



Ultimately, businesses and institutions join the collaboration to reduce greenhouse gas emissions because they have a shared interest in making economic investments that can potentially improve the environment. The risks associated with carbon emissions—both environmental and regulatory have increased and the economic opportunities presented by technologies that can help shape the solution to climate disruption are creating opportunities to make changes today. Membership in the Greater Kansas City Climate Protection Partnership simply makes good business sense.

It is with these thoughts in mind that members of the Greater Kansas City Climate Protection Partnership agree to make the following commitments.

The Partnership was established by the Greater Kansas City Chamber of Commerce to focus the business community on voluntary climate solutions in the metropolitan Kansas City region.

### **Our Commitments**

As members of the Greater Kansas City Climate Protection Partnership, we commit to take the following four actions:

- 1. We will assess the potential impacts of climate change on the long-term economic value and vitality of our organization, and we will use that assessment to inform strategic decisions to minimize the business risk associated with greenhouse gas emissions and maximize the economic opportunities afforded by reducing emissions.**
- 2. We will reduce our own organization's greenhouse gas emissions by taking actions in our own operations that may include, but are not limited to, the following:**

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- Participate in actions to conduct an inventory of direct greenhouse gas emissions, emissions from purchased electricity, heat, or steam and, where feasible, indirect emissions from activities such as commuter transportation, business travel, or other outsourced activities; set clear reduction goals that maximize economic opportunity and minimize business and regulatory risk; develop an action plan to achieve the goal(s); and document and share progress towards meeting the goal(s).
- Reduce facilities-related greenhouse gas emissions and support the development and use of renewable energy by taking actions such as:
  - participate in a green power program where available to increase the use of renewable energy;
  - ensure that new and renovated facilities are designed and built to be energy efficient;
  - purchase Energy Star computers, printers, and appliances.
  - encourage employees, vendors, and customers to use energy efficiently; and
  - consult with utilities and conduct audits of facilities and operations to learn what financial incentives are available for energy and water efficiency improvements.
- Reduce greenhouse gas emissions from vehicle fleets and off-road equipment by taking actions such as:
  - increase the average fuel efficiency of our fleet;
  - reduce the number of vehicle miles traveled by our fleet;
  - increase the use of clean fuels and clean vehicles in our fleet; and
  - encourage contractors and vendors to “green” their fleets.
- Reduce greenhouse gas emissions from other operational activities by taking actions such as:
  - promote waste reduction and recycling;

- purchase and use climate-friendly materials in construction (e.g. slag cement, locally produced products);
- promote use of green building practices and standards (e.g. LEED) when building new facilities or renovating old buildings.

- Train employees on reducing greenhouse gas emissions.
- Establish an organizational education program to encourage all employees, contractors, vendors, and customers to reduce their greenhouse gas emissions.

**3. We will collaborate with other members of the Greater Kansas City Climate Protection Partnership and take actions, jointly and individually, to help the community support sound policies and legislation that apply to GHG emissions and energy use.**

**4. We will help grow and strengthen the Greater Kansas City Climate Protection Partnership by taking actions such as the following:**

- Help develop and implement a recruitment strategy to increase participation in the Partnership.
- Help develop, implement, and continuously improve the Partnership services, including the technical assistance program.
- Participate in Partnership events, including networking meetings and technical assistance workshops.
- Share progress and lessons learned with Partnership members.

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CHAMBER OF COMMERCE

## Greater Kansas City Climate Protection Partnership Participation Form

Our business or organization agrees to become a member of the Greater Kansas City Climate Protection Partnership of the Greater Kansas City Chamber of Commerce and implement the Greater Kansas City Climate Protection Partnership Agreement, with the understanding that the agreement does not create legal rights in favor of any signatory or any other person or entity or require a member to act in ways it considers contrary to an important business interest.

Date: \_\_\_\_\_

Name of Organization: \_\_\_\_\_

Name of CEO: \_\_\_\_\_

Signature of CEO: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Staff Contact Name: \_\_\_\_\_

Staff Contact Title: \_\_\_\_\_

Staff Phone: \_\_\_\_\_

Staff Email: \_\_\_\_\_

Please add my comments in support of the Greater Kansas City Climate Protection Partnership Agreement. These comments will be added to The Chamber's Climate Protection Web site.

\_\_\_\_\_  
\_\_\_\_\_

Please return completed form at your earliest convenience to:

**Greater Kansas City Climate Protection  
Partnership Agreement**

Kristi Smith Wyatt  
Greater Kansas City Chamber of Commerce  
911 Main St. Ste. 2600  
Kansas City, MO 64105

By Email: [wyatt@kcchamber.com](mailto:wyatt@kcchamber.com)

By Fax: 816-274-6447



**THE CHAMBER**

Greater Kansas City Chamber of Commerce

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CHAMBER OF COMMERCE

## Partners

360 Architecture  
Adams Gabbert & Assoc.  
AMC Entertainment Inc.  
American Academy of Family Physicians  
American Century Investments  
American Micro Co.  
Aquaterra Environmental Solutions, Inc.  
Avila University  
Bank of Blue Valley  
Bayer Health Care, LLC  
Bentley Prince Street  
Best Harvest Bakeries  
Black & Veatch  
Blue Cross and Blue Shield of Kansas City  
Blue Valley Unified School District No. 229  
BNIM Architects, Inc.  
Bridging the Gap, Inc.  
Burns & McDonnell  
Cass County, Missouri  
City of Kansas City, Missouri  
City of Mission, Kansas  
City of Riverside, Missouri  
Civic Council of Greater Kansas City  
ColorMark Printing  
Commerce Bank of Kansas City  
Community Blood Center  
Copaken, White & Blitt  
Corporate Express  
CVR Energy  
Deloitte  
DeSoto Unified School District 232  
DST Systems Inc.  
ECCO Select Corporation  
Ecology and Environment, Inc.  
Economic Development Corporation of Kansas City, MO  
EFL and Associates  
Embarq  
Enterprise Rent-A-Car of Kansas City  
Ewing Marion Kauffman Foundation  
FilterPro  
Fleishman-Hillard, Inc.  
Full Employment Council

Gamble Hospitality  
Gastinger Walker Harden Architects  
Germinder & Associates  
Governor Matt Blunt-Missouri  
Greater Kansas City Chamber of Commerce  
GreenAcres Market  
GT Enterprises, Inc.  
Habitat Restore-Kansas City  
Hallmark Cards, Inc.  
Hangers Cleaners  
HNTB  
Hoefer Wysocki Architects, LLC  
HOK Sport Venue Event  
InkCycle, Inc.  
InterfaceFLOR  
International Motor Coach Group, Inc.  
JE Dunn Construction Company  
Johnson County Community College  
Johnson County Government  
Kansas City Area Development Council  
Kansas City Area Transportation Authority  
Kansas City Board of Public Utilities  
Kansas City Power and Light  
Kansas City Regional Transit Alliance  
Kansas City SmartPort, Inc.  
Kansas City Star  
Kansas City University of Medicine and Biosciences  
Kansas State University  
King Hershey, PC  
KPMG LLP  
Kuhn & Wittenborn Advertising  
Lafarge North America Inc.-Sugar Creek Cement Plant  
Lathrop & Gage L.C.  
Leawood Chamber of Commerce  
Marks Nelson Vohland Campbell Radtke, LLC  
Mazuma Credit Union  
McCormick Distilling Co., Inc.  
McCownGordon Construction  
Metropolitan Community College  
Metropolitan Energy Center  
MidAmerica Minority Business Development Council  
Mid-America Regional Council  
Midwest Mechanical Contractors, Inc.  
Midwest Research Institute  
Missouri Bank  
Missouri Gas Energy  
Morningstar Communications  
National Board for Respiratory Care, Inc. (NBRC)  
National Fiber Supply Company  
National Institute for Strategic Technology Acquisition and Commercialization  
North Kansas City Schools  
Olathe District Schools #233  
Optimum Electrical Services

Park University  
Parris Communications, Inc.  
Performance Roof Systems, Inc.  
Posty Cards  
Rainy Day Books, Inc.  
Realty Trust Group  
Research Medical Center  
Saint Luke's Health System  
Schutte Lumber  
Shook, Hardy & Bacon L.L.P  
Shughart, Thomson & Kilroy, P.C.  
Small Planet Partners  
Sound Products, Inc.  
Spencer Fane Britt & Browne, LLP  
Sprint Nextel  
State of Kansas  
Stinson Morrison Hecker LLP  
Swope Community Enterprises  
Tetra Tech, Inc.  
TetraTech EM Inc.  
The Forrester Group  
Top Innovations, Inc.  
Trabon Printing  
Trigen-Kansas City Energy Corporation  
Trozzolo Communications Group  
Truman Medical Center  
U.S. Representative Emanuel Cleaver, II  
UMB Bank  
United Way of Greater Kansas City  
University of Kansas  
University of Missouri Kansas City  
Urban League of Greater Kansas City  
URS Corporation  
US Bank  
Walton Construction Company, LLC  
Wonderscope Children's Museum  
YRC





Mid-America Regional Council

**Written Testimony before the Senate Utilities Committee**

**Regarding House Bill 2632**

**March 5, 2008**

Good morning. My name is Jody Ladd Craig and I serve as the Public Affairs Director for the Mid-America Regional Council. Mid-America Regional Council, or MARC, is the transportation and environmental planning agency and voluntary council of governments for the Kansas City region, including Johnson, Leavenworth, Miami and Wyandotte counties.

I am here this morning to report to you that the MARC Board of Directors — all elected officials from the cities and counties in the Kansas City region — is solidly behind the proposal before you for a number of reasons.

First, MARC and its member governments are working hard to create ways for businesses and residents to participate in more effective conservation measures in partnership with our local utility providers.

Second, local governments are actively investing in significant conservation programs to make their operations cleaner and more energy efficient allowing them to save taxpayer dollars.

Third, MARC is actively working with many other businesses, governments and institutions to develop a regional strategy for conservation and sustainability which you will be hearing much more about in the next few weeks. This strategy will ask organizations to make a public commitment to sustainability; coordinate progress by undertaking comprehensive research, benchmarking, and evaluation of programs and efforts in the KC region; communicate about these efforts in order to increase awareness of and engagement in sustainability; conserve the region's natural resources by reducing consumption wherever possible; and create new regional systems and other capacities for sustainability.

# MARC

Mid-America Regional Council

The work that KCP & L proposes to do if this legislation is approved is a major element of this strategy. We believe our local utility companies need to be able to invest in conservation measures to a much greater degree than they ever have in the past. This proposal will reorient the entire market, allowing utilities to reward efficiency on the part of businesses and residents, which will save resources and reduce costs, making our region more sustainable and competitive. MARC and its members are fully supportive of this proposal.

Thank you for your attention.

Jody Ladd Craig  
Public Affairs Director  
Mid-America Regional Council  
[jcraig@marc.org](mailto:jcraig@marc.org)  
913/449-5127

## **SENATE COMMITTEE ON ENERGY**

March 5, 2008  
Kansas State House  
Topeka, Kansas

I am Bob Courtney, Energy Manager for the Olathe School District. Today, I am writing on behalf of HB 2632. The Olathe School District began an Energy Management Program in the Summer of 1992. The primary charge of this program is to identify and reduce unnecessary energy consumption resulting in dollars saved and positive environmental impacts. This is accomplished through the efforts of building administrators, staff, and students combined with comprehensive energy audits of school facilities.

The Olathe School District is a rapidly growing district. During the last 15 years, the square footage of the district has increased **97%** (from 2,285,000 in 1992 to 4,489,000 in 2007 due to 20 new buildings and additions district-wide). At the same time, the district's consumption of electricity has only increased **45%** and natural gas consumption has increased only **2%**. Our district's operating cost per square foot for energy was **\$0.86** when compared to the national average of **\$1.22** as reported by the Energy Information Administration (EIA) in their 2003 Commercial Building Energy Consumption Survey.

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The district's buildings are audited on an ongoing basis and information about building performance is shared with building administrators regularly. The Energy Department exchanges information and ideas with the district's Construction Manager so our new buildings and additions are designed and constructed for energy efficiency. We currently have 6 buildings that have received the **Energy Star Award** from EPA with 2 more pending. Our newest building under construction and scheduled to open in the summer of 2008 was designed to receive **LEED Certification** from the U.S. Green Building Council.

Energy efficiency has been the subject of several energy symposiums in the Greater Kansas City area. Kansas City Power and Light has been the sponsor of many of these sessions. I have attended and spoken at several of these conferences. The incentive programs being presented by this utility offer great opportunities for many entities to reduce their energy consumption and carbon footprint. Legislation that can further enhance the ability to be more energy efficient and conservation minded will benefit all of Kansas.

I applaud your efforts to move forward on a statewide energy conservation plan and explore possible federal revenue sources.

Robert Courtney  
Energy Manager  
Olathe School District #233  
913.780.7011

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Testimony before  
Senate Utilities Committee  
Regarding KS HB 2632  
5 March 2008

Thank you for the opportunity to submit testimony today, and for the fine work this committee and its members do for the state of Kansas.

I am Nancy Jackson, Executive Director of the Climate & Energy Project of The Land Institute, based in Salina, Kansas. I write today on behalf of Kansas House Bill 2632, which CEP heartily supports.

This January, 400 Kansans came out on bitterly cold evenings to take part in our community energy forums in Salina, Topeka and Overland Park. Given the lively and extended question-and-answer sessions, I can certainly attest to the keen interest that citizens are taking in the crucial issues before this committee.

Both Westar and KCPL were good enough to participate in those forums, and they fielded numerous questions about energy efficiency. Citizens appear to be eager indeed to enroll in utility programs. Better yet, given Westar and KCPL's answers to questions, 800 MW of energy efficiency to meet new demand in Kansas appears to be a reasonable and achievable goal.

Like so many others today, CEP views energy efficiency as the first fuel – the least-cost, most immediately available, lowest-impact resource to meet new demand.

As such we support all cost-effective efficiency measures – that is, all energy efficiency that costs less than alternative new generation, including supply, fuel, and distribution.

Such a strategy maximizes existing generation while spurring local economies. Dollars spent on improvements to existing building stock – such as insulation, windows, lighting, HVAC, and updated appliances – stay close to home with local contractors and suppliers and have the advantage of reducing demand permanently.

Indeed, the EPA recently announced that it expects energy efficiency could save Americans \$500 billion in energy costs over 25 years and reduce annual greenhouse gas emissions equivalent to those from 90 million vehicles.

We know some harbor a concern about capitalizing advertising costs. While certainly a legitimate issue, we trust that the KCC will carefully consider such details when

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considering specific rate cases. Energy efficiency programs do require marketing, just as transmission lines require tree-trimming. If the overall costs of those programs, including marketing, remain cost-effective – that is, less than new generation – and demand reduction is real and permanent, then we view those investments as valid and would hope they would be deemed recoverable.

Ultimately, of course, the implementation of energy efficiency will be worked out at the KCC, where a docket is pending. We hope that our state regulators will identify aggressive targets – a minimum reduction of 1% of kilowatt/hour sales per year, for example – and that utilities will be held accountable, with penalties for not achieving targets and incentives for meeting or exceeding them.

There seems ample room here for the legislature to speak, setting a long-term policy framework to shape utilities' expectations, and for the KCC to exercise its discretion in implementation.

No Kansan wants to leave money on the table. With our strong agricultural base, and a cultural memory of harder times, few Kansans wish to waste energy. We appreciate all that our legislators and regulators can do to help us make the most of our energy dollars and be the best possible stewards of our valuable resources.

Again, thank you for the opportunity to be heard today, and for acting on behalf of all Kansans.

Nancy Jackson  
Executive Director  
Climate & Energy Project  
The Land Institute  
785.331.8743  
[jackson@climateandenergy.org](mailto:jackson@climateandenergy.org)  
[www.climateandenergy.org](http://www.climateandenergy.org)

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JAMES LUDWIG  
Executive Vice President,  
Public Affairs & Consumer Services

## **Testimony of Westar Energy Before Senate Utilities Committee**

March 5, 2008

Chairman Emler and members of the committee thank you for the opportunity to provide written comments in support of HB 2632.

This bill allows investments and expenditures for KCC-approved energy efficiency, conservation and demand response programs to be recovered over time with a return, that is, to be capitalized. Capitalizing energy efficiency expenses is innovative, but the idea is not unprecedented. In the case of energy efficiency, it provides a means for utilities to make energy efficiency a sustainable business with benefits for both customers and investors.

Energy efficiency programs are a key part of our energy strategy. These programs reduce or delay the need to build new generation. Energy efficiency can be the most cost-effective way to meet consumers' electricity needs with the least harm to the environment. Last year we created a separate internal organization devoted to energy efficiency programs for our residential, commercial and industrial customers.

Let me discuss just one example among several of an energy efficiency expenditure that works like an investment. Technology allows us to install programmable thermostats with internal communication devices, which the utility can control during peak times. There are other types of demand response equipment that can save money for our customers, but in our example here, we'll stick with thermostats. Although most of us would intuitively consider this type of equipment an investment, financial accounting rules require us to record them as expenses. But they are like an investment – equipment that we purchase and install in order to provide efficient, reliable electric service to customers over many years. When enough thermostats are installed, they become an economically dispatchable resource, very similar to a power plant. We can send a signal from a central dispatch to the thermostats to adjust them when we are approaching peak customer usage, just as we can centrally dispatch a power plant to come on line to meet peak load. Both function as an investment to meet customers' electricity needs.

Because of financial accounting rules, however, most "investments" we would make on the customers' side of the meter will have to be recorded as expenses for financial reporting. But as I said, it is not unprecedented for the KCC to treat some expenses as a "regulatory asset" that the utility recovers over time, plus its cost of capital – in other words, recovery as an investment with a return.

What happens if we cannot capitalize expenditures for thermostats and must, for ratemaking, apply financial accounting and treat them as expenses? Assume an electric utility installs \$10 million worth of thermostats in 2008 and \$10 million more in 2009. Then, in the middle of 2010, the utility files a rate case. The utility also spends \$10 million on thermostats in 2010. Rate case expenses are based on an historic test year – in this case, 2009 is the test year. The expenses during that test year are examined and are assumed to be, within reason, representative of future expenses. As an expense, if the KCC were convinced the utility would continue to install \$10 million worth of thermostats each year going forward, it would allow recovery of \$10 million prospectively when new rates went in effect because the utility spent that much in the test year of 2009. New rates would go in effect around the beginning of 2011. The \$10 million spent in 2008, the \$10 million spent in 2009, and the \$10 million spent in 2010 during the rate case year **would never be recovered**. Hence the utility would have spent \$30 million that it would never recover for thermostats that would help its customers use less electricity and thereby also reduce its profits. That obviously is not a sustainable business model. It would not be a rational business decision to choose to install such thermostats.

Westar will implement various aspects of our energy efficiency program this year and will continue to in years ahead. For example, if we install thousands of thermostats in our customers' homes next year, we may not recover that "expense". Yet installing the thermostats can be cheaper and more effective for customers even as an investment with a return if it delays the need to add more peaking power plants. Thus we believe it is appropriate to consider these thermostats and other energy efficiency expenditures as an investment, just like a generation asset, so we can recover our costs with a return.

Energy efficiency is a key part of our strategy. Other utilities are also making it a part of their plans. To make energy efficiency succeed it has to be done in a way that makes good sense for both consumers and for business. The interim Energy, Natural Resources and Environment committee specifically examined how the state can take a leadership role in this area. Westar is committed to be a part of this effort. HB 2632 encourages utilities to continue investments and expenditures in energy efficiency. We support HB 2632.

Thank you again for the opportunity to provide my written comments this morning.



**HOME BUILDERS ASSOCIATION  
OF GREATER KANSAS CITY**



600 EAST 103<sup>RD</sup> STREET • KANSAS CITY, MISSOURI 64131-4300 • (816) 942-8800 • FAX (816) 942-8367 • [www.kchba.org](http://www.kchba.org)

**Testimony in support of HB 2632  
Submitted By Dave Holtwick  
On behalf of the Home Builders Association of Greater Kansas City**

**Senate Utilities Committee  
March 5<sup>th</sup>, 2008**

Chairman Emler, Vice-Chairman Apple and Committee members:

The Home Builders Association of Greater Kansas City is pleased to provide written testimony in support of House Bill 2632.

Like other segments of the community, our members (home builders and suppliers to the industry) are keenly aware of the interest in energy efficient homes. For years, we have presented our customers with various energy efficient options for their homes. More often than not, customers opted to for granite countertops and other amenities rather than more efficient windows or appliances.

Times, however, are changing. With energy price volatility and concerns with the environmental impact of energy production, there's been a resurgence of interest in the home building industry and the remodeling industry.

Over the last year, the Home Builders Association has launched a "Green Building" program where we educate builders, vendors and the public about energy efficient options for new homes and for remodeling existing homes. Price continues to be an obstacle that we are trying to overcome.

Energy efficiency programs sponsored by Kansas City Power & Light, Aquila and other local energy companies are making a difference in helping home builders and customers make investments more affordable though various rebate programs.

It is our hope that with different regulatory treatment as offered through HB 2632, energy companies will continue to offer incentives to home builders, contractors and consumers to help increase energy efficiency investments. For that reason, we urge your support of HB 2632.

Thank you for this opportunity to share my thoughts with you on this important legislation.

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*Do Business With A Member*

# 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*

David Springe, Consumer Counsel  
1500 S.W. Arrowhead Road  
Topeka, Kansas 66604-4027  
Phone: (785) 271-3200  
Fax: (785) 271-3116  
<http://curb.kansas.gov>

## SENATE UTILITIES COMMITTEE H.B. 2632

Testimony on Behalf of the Citizens' Utility Ratepayer Board  
By David Springe, Consumer Counsel  
March 5, 2008

Chairman Emler and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2632. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

Currently the Kansas Corporation Commission (KCC) has a docket open on this very issue. Comments and reply comments have been filed by interested parties. This bill is simply and end-run around the KCC process. The Committee should not act on this bill at this time. Rather, the KCC policy process should be allowed to finish.

While CURB supports increasing the availability of energy conservation and energy efficiency resources, this bill as drafted is bad for consumers. By dictating that "investments in and expenditure for" energy conservation programs shall, at the option of the utility, be included in rate base, this bill eliminates KCC discretion to evaluate the specific facts of an individual case and sets an unprecedented accounting standard. Only long-term capital investments (generation plants, poles, meters, transmission lines) are included in rate base, depreciated over their respective useful lives and allowed a return for shareholders. With few exceptions, day-to-day expenses (advertising, labor) that are not long term capital investments are simply expensed annually as incurred. Expenses are not placed in ratebase and shareholders do not earn a return on expenses.

The majority of expenditures on energy conservation programs are short-lived expenses rather than long-lived assets. By legislating that these short-lived expenditures be given rate base treatment, this bill will increase the long-term cost to consumers for utility sponsored energy conservation programs. CURB is at a loss as to why we would encourage this expensive accounting treatment when we can achieve the same level of energy conservation for less cost to consumers with traditional accounting methods.

In a recently published report entitled "Aligning Utility Incentives with Investment in Energy Efficiency"<sup>1</sup> by the National Action Plan for Energy Efficiency, a project facilitated by the U.S. Department of Energy and the Environmental Protection Agency, it is noted that

<sup>1</sup> <http://www.epa.gov/cleanenergy/documents/incentives.pdf>

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“Capitalization currently is not a common approach to energy efficiency program cost recovery” although the method was used by some states during the last major cycle of utility energy efficiency investment during the late 1980’s and early 1990’s. The report goes on to note that even in those states that at some point used this method of cost recovery, “With very few exceptions, capitalization is no longer the method of choice for energy efficiency cost recovery in these states,” and this “in part because the total costs associated with recovery (given the cost of the return on investment) were rising rapidly”

If the Committee believes that this type of accounting legislation is necessary to put energy conservation investments and expenditures on the same footing with traditional generation facilities, then CURB has two additional suggestions.

First, if the utilities have an incentive problem then perhaps the utilities are not the right entity to be providing energy conservation and energy efficiency. The Committee should investigate whether there are other more effective and less expensive methods to deliver energy conservation to Kansas consumers. For example, Colorado uses a non-profit entity, Energy Outreach Colorado, to provide both low income energy assistance and energy conservation programs. Utility customers still provide the funding, but the non-profit has only one objective; to provide energy conservation, and so does not have the incentive problem that the utilities claim to have. Also, since the non-profit does not have to pay profits (taxed up) to shareholders, all of the money provided by consumers, less some administration expense, goes to providing energy conservation to consumers. The non-profit is also not constrained by pre-set territories like the utilities. Cost effective programs can be offered across different utility territories.

Second, the legislature should also require Integrated Resource Planning (IRP) by utilities. IRP puts energy conservation on the same footing as energy supply option and requires that the utility provide the least cost resource to meet future needs. IRP was considered in Kansas in the early 1990’s, but no rules were ever adopted. Without a robust IRP process, we won’t truly know whether the energy conservation resources at issue are cost effective, or whether any generation resources are being avoided.

CURB urges the committee to not pass this bill. This bill serves only to increase the cost to consumers of providing energy conservation and energy efficiency. CURB does not believe that Kansas consumers want policymakers to dictate an accounting methodology, as in this bill, that encourages energy conservation in the most expensive way possible. It should be the goal of the legislature to set policies that reduce costs for consumers, not set policy that artificially inflates costs to consumers.

One final note, Kansas City Power and Light is in the middle of a five year \$2.5 billion resource expansion plan. KCPL’s rates have increased more than 20% in the last two years and two more rate cases are planned in the next two years. Westar Energy reports that it will spend \$2.3 billion in capital expenditures alone during 2007-2009. Shareholders will have plenty of long term capital to put in rate base. Consumer rates will most certainly increase substantially to pay for that long term capital as well as to pay for increases in operations, maintenance, administrative and fuel expenses. Energy conservation can help consumers. However, this bill will result in additional unnecessary rate increases.





AARP Kansas  
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March 5, 2008

Senator Jay Scott Emler, Chair  
Senate Utilities Committee

Reference: HB 2632

Good morning Chairman Emler and members of the Senate Utilities Committee. My name is Ernest Kutzley and I am the Advocacy Director for AARP Kansas. Thank you for this opportunity to express our comments on HB 2632 which would allow utilities to put expenditures for energy efficiency, conservation, and demand management in rate base and earn a profit on them.

AARP is a nonprofit, nonpartisan membership organization with more than 370,000 members in Kansas. AARP is dedicated to making life better for people 50 and over. We provide information and resources and engage in legislative, regulatory and legal advocacy. AARP has been active in advocating on behalf of our members, especially those on fixed incomes, who are concerned about rising energy and telecommunications bills.

HB 2632 would allow utilities to treat expenditures for energy efficiency, conservation and demand management programs in the same manner as investments in power plants are currently treated. That is, these expenses would be placed in the rate base and utilities would earn a profit on them. This practice would be contrary to sound ratemaking principles, where only large scale investments in plant and equipment with a long term useful life are put in the rate base, utilities are allowed a profit on those expenditures. That is because the utility's shareholders are financing the investment in the first place.

Energy efficiency is different. If done properly, energy efficiency can help to offset the need for new power plants. However, it does not represent a tangible capital investment,

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as do power plants. Energy efficiency expenses should be recovered just like other utility expenses. Cost recovery should be considered in a rate case, and costs recovered in rates as a cost of service. Departure from traditional regulation is neither necessary nor desirable to encourage utilities to engage in energy efficiency programs. It is fairer to consumers to include program costs in rates as with other expenses. In this way, the costs of energy efficiency programs are considered along with any other cost changes occurring within the utility's overall operations, including areas where costs may be decreasing. Thus, the regulator can see the entire picture and consumers are protected from overpaying.

AARP is currently involved in two proceedings before the Corporation Commission regarding cost recovery for energy efficiency, conservation and demand management. Several different proposals for cost recovery and utility incentives are under consideration in those proceedings. Should the Legislature approve this bill it should also prohibit any other forms of cost recovery for the same expenses. In other words if a utility is permitted to seek rate base recovery of energy efficiency expenses, the utility should not be permitted to also seek recovery through riders, surcharges and/or "lost revenue" adjustments, such as "decoupling". Further, if such expenses are included in rate base the utility deserves no additional incentive or bonus on top of the authorized rate of return.

In summary, AARP believes legislation is not necessary and the proceedings at the KCC should be allowed to continue.

Thank you.

Respectfully,

Ernest Kutzley