Approved: February 27. 2009
Date

# MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 a.m. on January 27, 2009, in Room 783 of the Docking State Office Building.

All members were present.

Committee staff present:
Renae Hansen, Committee Assistant
Mary Galligan, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Melissa Doeblin, Office of the Revisor of Statutes
Sean Ostrow, Office of the Revisor of Statutes

Conferees appearing before the committee:
Peggy Mast, State Representative
Rickye Reber, Americus, Kansas
Rod Craig, Mayor, Severy, Kansas
Leo Haynos, KCC
Tom Sloan, State Representative
Don Low, KCC
Mark Schreiber, Westar
Carl Huslig, ITC Great Plains

Others attending:
Thirty-four including the attached list.

Representatives Dan Johnson, Tom Sloan, Vern Swanson, and Cindy Neighbor introduced students from high schools in their districts that were shadowing them during the day.

Representative Tom Moxley moved to introduce a bill on wind siting guidelines. Seconded by Representative Annie Kuether. Motion carried.

Hearing on:

**HB 2027 - Granting cities' power to relinquish authority over natural gas and water utilities.**

Melissa Doeblin explained **HB 2027.**

Questions were asked and comments made by Representative Tom Sloan.

Proponents:

Peggy Mast, State Representative (Attachment 1), presented testimony in support of **HB 2027.**

Questions were asked and comments made by Representatives: Tom Moxley, Annie Kuether, Carl Holmes, Tom Sloan, Gail Finney, and Vince Wetta.

Rickye Reber, Americus, Kansas (Attachment 2), presented testimony in support of **HB 2027** noting a personal story of the inequity of the business this bill addresses.

Rod Craig, Mayor, Severy, Kansas (Attachment 3), offered testimony in support of **HB 2027** noting some examples that have brought this legislation before the legislature.

Leo Haynos, KCC, (Attachment 4), presented information in support of **HB 2027.**

Representative Forrest Knox spoke to the committee in favor of **HB 2027** as this issue concerns a community, Severy, Kansas in his district. He noted that the company is a sole supplier to a few towns and no one

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

regulates them. He asked that the committee give this bill consideration and determine if regulation needs to be enacted.

Questions were asked and comments made by Representatives: Margaret Long, Tom Sloan, Tom Moxley, Carl Holmes, Vern Swanson, Forrest Knox, and Josh Svaty.

The hearing on **HB 2027** was closed.

Hearing on:

**HB 2021 - Listing factors to be weighed by the state Corporation Commission when granting a certificate of public convenience to an electric utility.**

Proponent:

Tom Sloan, State Representative (Attachment 5), presented testimony in support of **HB 2021.**

Opponents:

Don Low, KCC (Attachment 6), offered testimony in opposition to **HB 2021.**

Mark Schreiber, Westar (Attachment 7), presented testimony in opposition of **HB 2021.**

Neutral:

Carl Huslig, ITC Great Plains (Attachment 8), appeared before the committee regarding **HB 2021.**

Questions were asked and comments made by Representatives: Annie Kuether, Carl Holmes, Tom Moxley, and Tom Sloan.

The hearing on **HB 2021** was closed.

Kimberly Gencur Svaty handed out two pieces of information concerning energy utility acronyms (Attachment 9), and utility lingo simplified (Attachment 10).

Representative Forrest Knox moved to introduce a bill concerning the recording of wind leases. Seconded by Representative Vern Swanson second. Motion Carried.

Representative Forrest Knox moved to introduce a bill for cost recovery for smart grid and smart meters. Seconded by Representative Annie Kuether. Motion carried.

Representative Vern Swanson noted that the sub-committee on KCC issues would take up **HB's 2012, 2014, 2017**, and **2021**, and that amendments needed to be prepared by staff before the sub-committee convened.

The next meeting is scheduled for January 28, 2009.

The meeting was adjourned at 10:32 a.m.

# HOUSE ENERGY AND UTILITIES COMMITTEE
# GUEST LIST

DATE: January ~~26~~ 27, 2009

| NAME | REPRESENTING |
|---|---|
| Joe Dick | KCBPU |
| Kimberly Svaty | ITC |
| Carl Huslig | ITC |
| Don Low | KCC |
| Mark Schreiber | Westar |
| Tom Day | KCC |
| Phil Wages | KEPCo |
| David Springe | Capitol |
| Leigh Keck | Hein Law Firm |
| Mark Hutchens | CEP |
| Lon Stanton | Northern Natural Gas Co |
| Mari Tucker | Dept of Commerce |
| Tim Gardner | AT&T |
| Rodney Craig | City of Severy |
| Carol McDowell | Talgrass Ranchers |
| Ryan Eagleson | Capitol Consulting Group, LLC |
| Nathan Eberline | LKM |
| Jim Carlson | BOI |
| Mick Urban | Kansas Gas Service |

Tom Thompson

Nelson

Scott

Larry Bell

Kruegn

Jones

Sierra Club

PAR

KCPL

MIDWEST FURRY

STATE OF KANSAS

PEGGY MAST
REPRESENTATIVE, 76TH DISTRICT
765 ROAD 110
EMPORIA, KANSAS 66801
(620) 343-2465

~~ROOM 446-N~~ CAPITOL BLDG.
TOPEKA, KANSAS 66612
(785) 296-7685

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIR: LEGISLATIVE POST AUDIT
VICE CHAIR: HEALTH & HUMAN SERVICES
VICE CHAIR: SOCIAL SERVICES BUDGET
UTILITIES
HEALTH POLICY OVERSIGHT

# Testimony on HB 2027

January 27, 2009

Mr. Chairman and Members of the Committee, I want to thank you for allowing a hearing on this bill today. I also want to thank you for hearing it early in session, although for the people in Americus, it has been a long time coming.

The people in the small town of Americus have been victims of a utility company that does not have any accountability or any regard for its customers. Because of the high prices charged for energy in this community, many have chosen to move away and some have had to go without hot water, or even heat from their furnaces.

The KCC is familiar with this case and I want to thank them for attempting to address it, but without legislation that allows for them to intervene with the approval from the municipality, they are helpless to address it. I know the individuals who have experienced this injustice are far better to explain it than I, so I would like to step back and allow them to explain their circumstances.

Again, thank you for giving these citizens an opportunity for change.

Peggy Mast, Representative
District 76th

Peggy Mast

*HOUSE ENERGY AND UTILITIES*
DATE: 1/27/2009
ATTACHMENT 1

Bill #HB2027

In late October 2007, Americus Energy demanded a payment of $1,000 within 24 hours or my service would be disconnected. That deadline was met, however, my service was still disconnected. After calling the company as to why, my service was restored late the following day. At that time, Jennifer Moyer, secretary of Americus Energy, stated to me that as long as I paid a minimum of $55 per month, my service would not be disconnected; additionally, Ms. Moyer stated that Al Reiss, owner of Americus Energy, had decided to write off an amount of approximately $1400 from my gas bill. To my knowledge, I did not miss any payments from this time until November 2008, Ms. Moyer has acknowledged as much to Representative Mast. The $1400 still has not been written off my balance. It is difficult for one to determine payments as every bill lists $0.00 for "Pymt Rec'd", regardless of payments made.

On 15 September 2008, I received a bill from Americus Energy with a statement date of "8/28/08". Stamped on this bill is "Warning. Your service will be disconnected if not paid by the date below. Sep 30 Rec'd. Immediate Attention Required". I tried to reach Ms. Moyer numerous times during regular business hours but each and every time I was told Ms. Moyer is either "unavailable" or "out of the office". Each time I left a message, however, to no avail, as a total of two phone calls spanning a time frame of over a month were returned with a voice message left by Ms. Moyer.

I have contacted the KCC multiple times, and was told numerous complaints have been made about this company and they are very aware of the situation. I was additionally told Americus Energy is not a regulated company; however, the KCC wishes to regulate them and is in the legal process of trying to do so. I was told it might be best to contact my legislature. On 2 October 2008, I contacted Representative Peggy Mast regarding this matter. Upon her request, I wrote her a detailed letter and sent copies to Senator Jim Barnett and Al Reiss. I have also contacted CURB, but was told they were not able to provide any assistance.

I received a "Late Notice" from Americus Energy, no mailing date is offered, however, it states that my service is subject to discontinuance on 10/08/2008 if the amount stated is not paid by that date. On 6 October 2008, a pastor of a local church was able to get in touch with Americus Energy (since I had no luck) to determine what needed to be done to keep my service from being disconnected. She was told that a payment of $504.94, paid on 7 October 2008, would keep my service from being disconnected; I sent a letter to Al Reiss stating the same, Americus Energy chose not to respond.

On 13 October 2008, I received a "Payment Plan" from Americus Energy, with a sticky note "Return this form signed with in 3 day. Jennifer". The plan stated that starting 20 October 2008, a payment of $125.00 needed to be paid monthly in addition to my monthly bill; which is a minimum of $65-75, thus I was expected to pay a minimum of nearly $200 for summer, and ranging upwards of anywhere from $300-$500 per month during the winter. As there was neither an explicit nor implicit mention on this Payment Plan that my service would not be disconnected if I met each and every payment again, and since my previous agreement was not honored by Americus Energy, I felt it in my best interest not to sign this and return it.

I received another "Late Notice" from Americus Energy, again no date, except stating that my service is subject to discontinuance on 10/24/2008 if the amount stated is not paid by that date. I sent a letter to Al Reiss on 20 October 2008, stating my confusion as to this notice since a pastor was told that the payment made on 7 October 2008 ensured my service would not be disconnected. Again, Americus Energy chose to not respond.

On 25 October 2008, my gas service was disconnected. I contacted Americus Energy to receive some sort of answer as to why, however, I did not receive a response. There was not a disconnect notice mailed to me or left at my home.

On 26 October 2008, I filed a complaint with Attorney General's office. I am making the assumption that this is still an active case, as I have not received any information stating otherwise.

On 4 November 2008, a notice was sent to me from Midwest Service Bureau, dated 29 October 2008, that Americus Energy turned my gas utility account over for collection. I disputed the debt within the 30 days requested.

I have not heard from Americus Energy or Midwest Service Bureau since 4 November 2008. Fortunately, I was able to switch all of my heating needs to electric and have no intention of ever using gas to heat my water and home as long as Americus Energy is the provider and/or manager of the gas utility service for the residents of Americus.

Submitted by: Rickye Reber

*HOUSE ENERGY AND UTILITIES*
DATE: 1/27/2009
ATTACHMENT 2

# CITY OF SEVERY

**Rodney Craig, Mayor**

**Telephone: (620) 736-2323**
**Fax: (620) 736-2349**

**P.O. Box 128**
**Severy, KS 67137**

Bill Number: 2027
Proponent

1/26/2009

To Whom It May Concern:

The City of Severy feels that the citizens of Severy are being gouged when it comes to the price that is being charged by Severy Gas Company for Natural Gas. The current price for natural gas is $16.49 plus a $20.00 Basic Charge and a Fuel Ad charge of 90 cents per unit (the 90 cents fuel ad charge can very and does very per customer even in the same month)(see the two bills included). This is a price increase of a dollar per unit as of last month (the rate before that was $15.49 per unit with the add on charges), although the price of natural gas went down last month. Howard, a neighboring town, is charging $19.25 for the first unit and $11.25 for each additional unit with no other charges of natural gas used. In trying to control the rates the City passed a Resolution to regulate the price of natural gas provided by Severy Gas Co., but Al Reiss the owner of Severy Gas company, said it wasn't fair and totally ignored the resolution. We have asked for documentation of the Severy Gas Co. Expenses and feel the information that was provided was not accurate. Severy has contacted the KCC for assistance but the KCC can't seem to get any information from the Severy Gas Company either. All the City of Severy is asking for is fair pricing of Natural Gas for the citizens of Severy. Thank you so much for hearing our dilemma.

*HOUSE ENERGY AND UTILITIES*
DATE: 1/27/2009
ATTACHMENT 3-1

**SEVERY GAS COMPANY INC.**
P.O. Box 8709
Wichita, KS 67208

Statement Date 12/31/08 Meter Read 12/22/08

| TYPE OF SERVICE | METER READINGS CURRENT | METER READINGS PREVIOUS | USED | CHARGES |
|---|---|---|---|---|
| PrevBal | | | | $0.00 |
| Connec | 0 | 0 | 0 | $0.00 |
| Other | | | | $0.00 |
| NSF | | | | $0.00 |
| Repair | | | | $0.00 |
| Gas | 803 | 775 | 28 | $461.72 |
| Basic C | | | | $20.00 |
| Fuel Ad | Service ID# 68 | | | $25.08 |
| Franchise | | | | $14.45 |
| | | | | $0.00 |
| Sales Tax | | | | $0.00 |
| Pymt Recd: 12/13/2008 | | | | $0.00 |
| ***Amount NOW DUE =*** | | | | **521.25** |
| IF Late - Add'l Charge | | | | 52.13 |
| Amt Due After: 1/20/09 | | | | $573.38 |

Pd 1-15-09

3-2

**SEVERY GAS COMPANY INC.**
P.O. Box 8709
Wichita, KS 67208

1/8/09

Statement Date 12/31/08 Meter Read 12/22/08

| TYPE OF SERVICE | METER READINGS CURRENT | METER READINGS PREVIOUS | USED | CHARGES |
|---|---|---|---|---|
| PrevBal | | | | $0.00 |
| Connec | 0 | 0 | 0 | $0.00 |
| Other | | | | $0.00 |
| NSF | | | | $0.00 |
| Repair | | | | $0.00 |
| Gas | 236 | 224 | 12 | $197.88 |
| Basic C | | | | $20.00 |
| Fuel Ad | | | | $10.75 |
| Franchise | | | | $6.54 |
| | | | | $0.00 |
| Sales Tax | | | | $0.00 |
| Pymt Recd: 12/13/2008 | | | | $0.00 |
| ***Amount NOW DUE =*** | | | | **235.17** |
| IF Late - Add'l Charge | | | | 23.52 |
| Amt Due After: 1/20/09 | | | | $258.69 |

5443

Service ID# 16

Severy Gas Co., Inc.
P.O. Box 8709
Wichita, KS 67208

FIRST CLASS MAIL
POSTCARD RATE
U.S. POSTAGE PAID
WICHITA, KS
PERMIT NO. 712

**RETURN THIS STUB WITH PAYMENT**

***Now DUE:*** **$235.17**
After 1/20/09 $258.69

S/A 115 W Main

Service ID# 16
US Post Office
115 W Main

Severy KS 67137

3-3

3-3

# Ordinance No. 381

**AN ORDINANCE GRANTING TO SEVERY GAS COMPANY, INC., ITS SUCCESSORS AND ASSIGNS, A FRANCHISE CONFERRING FOR A PERIOD OF TWENTY (20) YEARS THE RIGHT , PRIVILAGE AND AUTHORITY TO PROVIDE, FURNISH DISTRIBUTE AND SELL NATURAL GAS TO THE CITY OF SEVERY, KANSAS; AND TO ITS INHABITANTS. TOGETHER WITH THE RIGHT TO USE ALL STREETS, AVENUES, ALLEYS, PARKINGS, BRIDGES, EASEMENTS AND PUBLIC GROUNDS OF SAID CITY FOR THE PURPOSE OF LAYING MAINS, PIPES, LATERALS AND OTHER NECESSARY EQUIPMENT FOR SUPPYING AND DELIVERY TO THE CITY OF SEVERY, KANSAS, AND THE INHABITANTS THEREOF GAS FOR MANUFACTORING, HEATING, COOLING AND ILLUMINATING PURPOSES FOR WHICH NATURAL GAS IS OR MAY BE USED DURING SAID PERIOD UPON THE TERMS AND CONDITIONS HEREIN STATED.**

**BE IT ORDAINED BY THE CITY OF SEVERY, KANSAS.**

**SECTION 1.** That there is hereby granted to Severy Gas Company, Inc., hereinafter called "Grantee", its successors and assigns, the right, privilege and franchise for a period of twenty years (20) years from the effective date hereof to supply the City of Severy, Kansas and the inhabitants thereof, with natural gas.

**SECTION 2.** That as consideration for the rights and privileges herein granted, the Grantee, its successors and assigns, bind and obligate itself during the full term of this ordinance to furnish gas to the City of Severy, Kansas within its present boundaries, and to its inhabitants, upon the terms and conditions stated in this ordinance and to accept from the City and its inhabitants as full compensation thereof the rates and charges as shall be lawfully established by the corporation or governing body having jurisdiction thereof under the laws of the state of Kansas, provided, however the Grantee, its successors and assigns, shall not be obligated under the terms of this franchise to install, maintain, or extend its gas distribution system unless the prospective revenue from the sale of gas will provide an adequate and reasonable return on the capital investment required thereof. Subject to the above restrictions, the Grantee, its successors and assigns, shall be entitled to establish rates for the sale of gas and other services which rates shall be deemed reasonable and proper and lawfully established and shall be deemed approved by the appropriate rate making body.

**SECTION 3.** That further in consideration and as compensation for the right, privilege and franchise hereby granted, the Grantee, its successors and assigns, shall furnish gas at such pressure and of such quality as is normal for the purpose herein authorized; shall furnish free of cost to each consumer a recognized standard meter or other instrument for measurement of gas sold computation of consumers' bills and keep same in repair at Grantee's cost, which meter shall at all times be the property of the Grantee, its successors and assigns; shall at all times save the City harmless from any and all damages which said city may be liable to pay that may arise from the construction, maintenance and operation of the plant system or any part thereof; shall limit all excavation of streets, alleys or places to the necessities of efficient operation and shall not at any one time open or encumber more of any highway or public place than shall be reasonably necessary to enable Grantee, and its successors and assigns, to proceed with advantage in laying or repairing mains or pipes and shall not permit such highway or public place to remain open longer than necessary for the purpose for which it was opened; shall refill all excavations and replace all pavement with like material and leave same in as good condition as when altered or removed.

**SECTION 4.** The Grantee, its successors and assigns, shall have the right to make such lawful rules and regulations for the protection of their property for the prevention of loss and waste in the conduct and management of their business and for the sale and distribution of gas under the terms hereof as may from time to time be deemed necessary.

**SECTION 5.** The Grantee, its successors and assigns, shall not be obligated to deliver nor the customer to receive gas or gas service when its delivery or receipt shall be prevented by strike, flood, drought, riot, fire,

invasion, explosion, act of God, public enemy, failure of gas supply or for any other cause reasonably beyond the control of the Grantee, its successors and assigns, but the Grantee, its successors and assigns, shall endeavor promptly and diligently to remove and overcome the cause or causes of such interruptions with the least possible time delay.

**SECTION 6.** As a further consideration for the rights, privilege and franchise hereby granted and in lieu of all occupation and license taxes, the Grantee shall monthly report to the governing body of the City of Severy its gross receipts from the sale of gas for all purposes within said city. At the time of making such report, the corporation shall pay to the City Treasury a sum equal to three percent (3%) of said gross receipts from the sale of gas. Such fee to be paid to the City of Severy, to be passed on by the Grantee, its heirs and assigns, to customers over and above all other lawful rates and fees charged for gas and gas service.

**SECTION 7.** Should any part, terms, section or provision of this ordinance be by the court decided to be illegal or in any conflict with the laws of the State of Kansas, the validity of the remaining portion or provisions shall not be affected thereby.

**SECTION 8.** All ordinances and parts of ordinances of the City of Severy, Kansas in conflict with this ordinance are hereby repealed.

**SECTION 9.** This ordinance shall take effect and be in force from and after sixty (60) days from its final passage, and upon its acceptance by Grantee, or its successors and assigns, as herein provided; and this ordinance shall be published once each week for three consecutive weeks as provided by law.

**PASSED this 7th day of October, 2002**

By Robert E. Coble
Mayor

ATTEST
Rhonda L. Taylor
City Clerk

(Typed 11/24/2004 by Paula Babb, City Clerk)

RESOLUTION NO. 07-005

A RESOLUTION AUTHORIZING THE RATES AND TERMS OF AN AGREEMENT BETWEEN THE CITY OF SEVERY, KANSAS AND THE SEVERY GAS COMPANY WHEREIN THE SEVERY GAS COMPANY AGREES TO PROVIDE NATURAL GAS TO THE RESIDENTS OF THE CITY OF SEVERY, KANSAS

WHEREAS, The Severy Gas Company has agreed to provide natural gas service to the residents of the City of Severy, Kansas; and

WHEREAS, the City of Severy, Kansas, under Ordinance No. 381 has agreed to regulate the terms of said agreement; and

WHEREAS, the provisions of said ordinance and K.S.A. 66-133 and K.S.A. 66-104© authorize the City of Severy, Kansas to regulate such rates and terms of said agreement; and

WHEREAS, The Severy Gas Company has provided all necessary rate, cost and operating information to the City of Severy, Kansas; and

WHEREAS, the governing body of the City of Severy, Kansas hereby finds and determines that it is necessary and desirable to set rates and terms of said agreement and to take certain action relating thereto.

THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SEVERY, KANSAS:

1. The Severy Gas Company shall provide natural gas to the residents of the City of Severy, Kansas at a flat rate of $16.98 per MCF with no other surcharges, taxes or rates.

2. The Severy Gas Company shall pay a 4 percent franchise fee to the City of Severy, Kansas per unit used., said fee to be paid by the 5th of each month for all units used the previous month.

3. The Severy Gas Company may from time to time provide to the City of Severy, Kansas rate, cost and operating information relating to any cost per unit increases it requests.

4. The Severy Gas Company has full rights to appeal to the KCC under the provisions of K.S.A. 66-133.

5. The terms of this resolution shall become effective December 1, 2007.

PASSED by the governing body of the City of Severy, Kansas on Nov 5, 2007 and APPROVED by the Mayor.

Rodney D. Craig
Mayor

ATTEST:

Paula Babb
CLERK

KANSAS
CORPORATION COMMISSION

Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

**Before the House Energy and Utilities Committee**
**Comments by the**
**Staff of the Kansas Corporation Commission**
**January 27, 2009**

**House Bill 2027**

Thank you, Mr. Chairman, and members of the Committee. I am Leo Haynos, Chief of Gas Operations and Pipeline Safety for the Kansas Corporation Commission, and I am appearing today on behalf of the KCC Staff. The Commission Staff supports House Bill 2027 which would allow a municipality to relinquish to the KCC the city's authority to set rates and regulate the quality of service from privately owned and operated natural gas public utilities.

If a public utility only serves a single municipality, K.S.A. 66-104 vests the exclusive power and authority to control and regulate such a utility with the city government[1]. The only oversight assigned to the KCC is the consideration of a formal complaint regarding the utility's rates or practices brought before the Commission according to the provisions of K.S.A. 66-133.

KSA 66-104e presently gives a municipality the option of ceding its authority to regulate a privately owned water public utility to the KCC by passage of an ordinance. The proposed bill would expand this option to include privately owned natural gas public utilities. Currently in Kansas, there are four privately owned natural gas public utilities that only serve one city. All of these towns are Class 3 cities with the largest having 330 natural gas customers. It has been Staff's experience that small towns do not have the expertise or the resources necessary to exercise their exclusive right to regulate a private entity providing utility service. Passage of this bill would give these cities the option of regulating the utility or allowing the KCC to provide the necessary regulatory oversight. Because there are only four cities that would qualify for this option, we do not expect the passage of this bill to have a fiscal impact on the KCC's operations.

This concludes my testimony, and I will now stand for questions.

[1] 66-104(c) ...Except as herein provided, the power and authority to control and regulate all public utilities and common carriers situated and operated wholly or principally within any city or principally operated for the benefit of such city or its people, shall be vested exclusively in such city, subject only to the right to apply for relief to the corporation commission as provided in K.S.A. 66-133, and amendments thereto, and to the provisions of K.S.A. 66-104e, and amendments thereto.

1500 SW Arrowhead Road, Topeka, KS 66604-4027 • (785) 271-3100 • Fax: (785) 27

*HOUSE ENERGY AND UTILITIES*
DATE: 1/27/2009
ATTACHMENT 4

TOM SLOAN
REPRESENATIVE, 45TH DISTRICT
DOUGLAS COUNTY

300 SW 10TH STREET
TOPEKA, KANSAS 66612
(785) 296-7654
1-800-432-3924

772 HWY 40
LAWRENCE, KANSAS 66049-4174
(785) 841-1526
sloan@house.ks.gov

STATE OF KANSAS

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

CHAIRMAN: VISIONS 2020

MEMBER: ENERGY & UTILITIES
GOVERNMENT EFFICIENCY & FISCAL OVERSIGHT
JOINT COMMITTEE ON ENERGY & ENVIRONMENTAL POLICY

**Testimony on HB 2021 – Relating to Certificates of Public Convenience**

**Mr. Chairman, Members of the Committee: HB 2021 addresses an issue that the Chairman and other members of the Committee raised when we discussed the KETA (Kansas Electric Transmission Authority) bills – namely the length of time that the Kansas Corporation Commission has taken to make a determination.**

**The bill is relatively simple and has two parts: 1) The Commission shall make a determination to grant or deny a Certificate of Public Convenience within 120 days of receipt of the (completed) application; and 2) Minimal factors that the Commission shall consider in making that determination.**

**Those factors include: the financial, managerial, and technical capabilities of a common carrier or public utility. The Commission shall give priority in consideration of certificates to utilities contracting to construct KETA projects.**

**In addition, for projects of 115 kv or greater the Commission shall give first priority in determining what company shall construct the proposed lines to the incumbent electric provider proposing a project within its service area; (incumbent utility includes utilities operating as generation and transmission utilities).**

**Second priority in determining what company shall construct the proposed lines to a utility under contract with the incumbent electric provider that serves the territory (incumbent utility includes generation and transmission utilities providing transmission service); and**

**Third priority to a utility proposing a project independent of the incumbent electric utility serving the territory (incumbent utility includes the generation and transmission utility providing transmission service).**

**In practical terms, the language in the bill specifies that the electric utility (transmission provider or integrated utility) may construct approved projects or may contract with another utility to construct approved projects. Proposed projects (though unstated) would necessarily have been included in the Southwest Power Pool's plans or they would be ineligible for cost recovery.**

---

**Although not part of the hearing, I call the Committee's attention to HB 2025 – providing for the creation of an independent transmission company in Kansas to operate all 115 kv lines and greater for the benefit of the state's electric customers. This bill is modeled on Wisconsin's American Transmission Company that successfully operates transmission lines on behalf of the state's electric utilities and avoids "silo" or fragmented decision-making.**

*HOUSE ENERGY AND UTILITIES*
DATE: 1/27/2009
ATTACHMENT 5

KANSAS
CORPORATION COMMISSION

Kathleen Sebelius, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

**BEFORE THE**
**HOUSE COMMITTEE ON ENERGY AND UTILITIES**

**PRESENTATION OF THE KANSAS CORPORATION COMMISSION**

**HB 2021**
**January 27, 2009**

Thank you, Chairman and members of the Committee. I am Don Low, Director of the Kansas Corporation Commission's Utilities Division. I appreciate the opportunity to testify on behalf of the Commission.

The Commission opposes HB 2021 for the same reasons that it opposed HB 2017. This bill would impose a 120 day limit on Commission consideration of certificate applications under K.S.A. 66-131, half of the 240 day limit in HB 2017. As I noted last week, some cases that fall under K.S.A. 66-131, such as acquisitions and mergers of utility companies, can be very complex and involve significant changes in how the serving company operates and its cost structure and financial picture. Four months is simply not enough time in for the Commission's staff and the Commission to fully investigate and review a proposal to determine whether it is in the public interest and whether conditions should be imposed.

HB 2021 is also more problematic than HB 2017 in several ways. First, it doesn't even allow the applicants, much less the Commission, to extend the 120 deadline. Furthermore, the intent with regard to the priorities in Sections (c) and (d) is very unclear and would cause considerable confusion and litigation. Although it could be read to establish relative priorities for



*HOUSE ENERGY AND UTILITIES*
DATE: 1/27/2009
ATTACHMENT 6-1

processing pending certificate applications,[1] it appears intended to tell the KCC which entity should receive a certificate when there are competing entities. Thus, it would seem to require granting the certificate first to the "incumbent electric provider proposing a contract within its service area," then to a utility with a contract with the incumbent,[2] and lastly to a utility "independent of the incumbent." The basic problem with setting out such priorities is that they ignore all other considerations of the public interest. Subsection (d) would thus require the Commission to ignore subsection 1(b) of the bill, which mandates consideration, at a minimum, of the "financial, managerial, and technical capabilities" of the applicants.

Thank you for your consideration. I would be pleased to answer questions.

[1] If so, it isn't clear whether the listed type of applications are to have precedence over all other 66-131 proceedings, including acquisitions and mergers.

[2] It is not evident why an incumbent would need a certificate for a project within its certificated service area. If it is contracting to allow another entity to build the project, the second "priority" would appear to cover the situation.



6-2

Westar Energy®

MARK A. SCHREIBER
*Director, Government Affairs*

**Testimony of Mark Schreiber**
**Director Government Affairs, Westar Energy**
**Before the House Energy and Utilities Committee**
**On HB 2021**
**January 27, 2009**

Good morning Chairman Holmes and members of the committee. Thank you for the opportunity to provide testimony in opposition to HB 2021.

The bill directs the KCC to substantially alter the way it considers certain items when granting a certificate of public convenience to utilities. Specifically, it prioritizes unprecedented considerations when granting a certificate of public convenience for transmission projects greater than 115 kv.

Our main point of opposition is that the prioritization of items in 1(d)(1) through (3) would conflict with the public interest test used in regulatory decision-making. It would place the customers' interests secondary to the prioritized items

Secondly, the use of "service area", "serves the territory" and "serving that area" implies that the state has transmission service areas much like retail service territories. The notion of service territories does not apply to transmission or generation. In fact, transmission providers do not have designated territories. When Westar builds a transmission line, it is very likely we will cross the retail service area of a rural electric cooperative, another investor-owned utility and could possibly be within the jurisdiction of a municipal utility. This is true of many of our existing transmission lines.

Generation is very similar. Jeffrey Energy Center, Wolf Creek, Emporia Energy Center and our wind farms are not in our retail service area. If the terms are referring to retail service territories, then the bill would completely change the way transmission has been approved and built in Kansas.

Thank you again for the opportunity to testify. I will stand for questions at the appropriate time.

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**Testimony By ITC Great Plains**
**HB 2021**

Good morning Mr. Chairman and Honorable Members of the Committee. My name is Carl Huslig, President of ITC Great Plains, a transmission-only utility based in Topeka.

ITC appears before your committee in support of legislation that advances transmission investment in the state. ITC recognizes that there are many ways to encourage transmission development – many tools Kansas lawmakers have already employed. Tools such as pre-determination, bifurcation of transmission rates, property tax exemptions on real property used for transmission lines, the creation of the Kansas Electric Transmission Authority and the list continues. The Kansas Legislature's progressive and forward-looking perspective was a key driver in ITC's decision to locate in Kansas and bring a unique, focused business perspective to the state's transmission grid and to regional transmission-related policies such as cost allocation.

HB 2021, as it reads, is an attempt to help clarify an issue that has brought near-term transmission investment in Kansas to a standstill. HB 2021 suggests that the KCC shall issue an order on a certificate of public convenience or on an amended certificate application within 120 days. A similar bill was considered by this committee last week which to which ITC provided supporting testimony. While a timeline would provide guidance to utilities wanting to invest in transmission we will leave it to the committee's discretion to determine a suitable timeframe whether that is 120 days as proposed in this measure, 240 days as proposed in HB 2017 or an alternative number of days. As discussed last week, a ruling must be issued on most matters pending before the KCC within a defined timeframe so this provision would not establish a new precedent.

In addition, HB 2021 attempts to prescribe to the Kansas Corporation Commission a preference for consideration of transmission project applications. While such a prescription could prove useful to the Kansas Corporation Commission another possible alternative that ITC would respectfully submit to your committee for consideration is: A new concept, a "Right to Participate" (RTP), for any regional wholesale transmission project. This RTP would ensure the development and construction of regional transmission while satisfying transmission owners Right of First Refusal (ROFR). This proposal would protect state prerogatives, as there would be no changes to siting or applications for certificates of need.



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Regional transmission projects can be defined in a number of ways, but for purposes of the RTP, ITC suggests that such projects should be designated by the respective regional transmission operator (RTO). All of the RTOs have either established or are working to establish regional cost allocation for projects which benefit the region rather than a specific zone or customer.[1] The RTOs are best positioned to identify regional projects that would allow Transmission owning members of an RTO the ability to qualify for the RTP.

Transmission owning members of an RTO that are interested in constructing and owning part of a regional transmission project that traverses their transmission service area would have a right to participate in the proposed project. Upon receiving that right, the transmission owner would then have the ability to build their portion, designate their portion to an approved transmission owner, or have a FERC recognized Independent Transmission Company build their portion.

As we discussed last week regarding HB 2012 and HB 2017, regulatory certainty and predictability is critical to a regulated company in making investment decisions. ITC Great Plains intends to make major capital investments in Kansas soon and continuing into the future. We think it would be helpful to have a statutory timeframe for approval or rejection of a certificate of public convenience and authority from the KCC to allow companies to develop more accurate business plans and investment decisions in Kansas. We believe that any reasonable time limitation that the Committee determines to be appropriate should apply to proceedings to amend existing certificates as well as proceedings to issue new certificates and we respectfully submit to you the concept of the right to participate for your consideration.

Thank you for your consideration and I am happy to stand for questions at the appropriate time.

[1] *See e.g.*, SPP's Balanced Portfolio proposal pending in FERC Docket No. ER08-1419.

***About ITC Great Plains***

*In short summary, ITC Great Plains' business model is to serve as an independent transmission builder, owner and operator in the State of Kansas and the surrounding region. ITC Great Plains plans to construct Southwest Power Pool-identified projects in Kansas that increase transmission system reliability, reduce congestion, and provide open, non-discriminatory access to energy resources, including renewable resources. By improving the reliability of Kansas' transmission system, ITC Great Plains will be working to provide consumers in Kansas with equal access to competitively priced electricity and to improve the reliability of the state's transmission system. In addition, the projects that we have proposed for construction in the state of Kansas will require the investment of hundreds of millions of dollars. These sizeable investments represent a significant opportunity for economic development in Kansas.*

*ITC Great Plains obtained a Certificate of Public Convenience and Authority from the Kansas Corporation Commission in a proceeding initiated on October 13, 2006 and concluded with a Stipulation and Agreement on June 5, 2007. [KCC Docket No. 07-ITCE-380-COC] ITC Great Plains has successfully amended its certificate once in an uncontested proceeding initiated on December 7, 2007 and concluded with an Order of the KCC on March 12; 2008. [KCC Docket No. 08-ITCE-544-COC] This proceeding amended ITC Great Plains certificate to authorize it to build the "KETA project", a high-voltage transmission project from Spearville Substation to Knoll Substation (near Hays, Kansas) to Axtell Substation (located in Southern Nebraska). ITC Great Plains is currently seeking to amend its certificate in a contested KCC proceeding that was filed on April 11, 2008. On September 2nd, Sunflower Electric Power Corporation and Mid-Kansas Electric Company announced a partnership agreement wherein the three companies would work together to construct, own, operate and maintain transmission infrastructure throughout both utilities' certificated service territory. Initial projects in the partnership include the Kansas V-Plan and the KETA line.*

# Commonly Used Electric Utility Acronyms

**AC/DC** – Alternating Current vs. Direct Current – AC is electric current that reverses direction at regularly reoccurring intervals of time. AC can be easily converted into higher or lower voltages. DC is electric current that flows in one direction, remaining as close to constant "magnitude" or a certain flow as possible.

**CURB** – Citizen's Utility Ratepayer Board is a state agency designed to protect the interests of residential and small commercial utility ratepayers in the state of Kansas.

**DOE** – U.S. Department of Energy.

**DSM** – Demand Side Management – Any effort aimed at getting customers to use less electricity during peak demand periods, like during and after dinner during the hot summer months or the cold winter months. It includes conservation efforts or load control such as incentives to use less electricity or natural gas.

**EEI** – Edison Electric Institute, a Washington D.C. based national trade organization of investor-owned electric utilities that provides industry information and monitors regulatory changes and political developments.

**EPA** – Environmental Protection Agency - EPA was founded in 1970 and leads the nation's environmental science, research, education and assessment efforts. The mission of the Environmental Protection Agency is to protect human health and the environment.

**EPACT 2005** – A comprehensive energy bill that was passed by Congress in 2005 called the Energy Policy Act of 2005.

**FERC** – The Federal Energy Regulatory Commission, an agency within the Department of Energy that regulates and oversees interstate electricity sales, electric rates, hydroelectric licensing, natural gas transmission, gas and oil pipeline rates and investor-owned utility transmission. Was preceded by the Federal Power Commission.

**GHG** – Green House Gasses which include Nitrous Oxide and Sulfur Dioxide. Mercury is not deemed a GHG, but is monitored by state and federal agencies.

**IOU** – Investor Owned Utility – a utility that has stockholders.

**IPP** – Independent Power Producer – A producer of electricity not affiliated with the local utility selling the power.

**ISO** – Independent System Operator – An entity that controls and administers access to electric transmission in a region or state or across several systems on a non-discriminatory basis for a number of independent utilities.

**ITC** – Independent Transmission Company – a FERC regulated transmission-only utility that builds, operates, maintains and finances the transmission infrastructure.

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**KDH&E** – Kansas Department of Health and Environment - As the state's environmental protection and public health agency, KDHE promotes responsible choices to protect the health and environment for all Kansans. Through education, direct services and the assessment of data and trends, coupled with policy development and enforcement, KDHE will improve health and quality of life.

**KCC** – The Kansas Corporation Commission, a state agency that regulates rates, service and safety of public utilities, common carriers, motor carriers, and regulates oil and gas production by protecting correlative rights and environmental resources.

**KETA** – Kansas Electric Transmission Authority – Created by Kansas Legislature in 2005 and began operations in 2006. KETA's Mission is to ensure reliable operation of the electrical transmission system, diversify and expand the Kansas economy, facilitate consumption of Kansas energy through improvements in the state's electric transmission infrastructure.

**kV** – Electrical potential equal to 1,000 volts. Transmission lines are referred to as 34.5kV, 115kV, 345kv, etc....

**LDC** – Local Distribution Company, which is a utility that obtains the major part of its income from a retail distribution system for the delivery of natural gas or electricity to end-users. Said plainly, it's the company that supplies your home with electricity or natural gas in exchange for your money.

**KMU** - Kansas Municipal Utilities – An association of municipally-owned electric utilities.

**NERC** – The North American Reliability Council – A power industry alliance formed in 196 as a result of the massive 1967 New York City blackout. Its purpose is to make sure that kind of event doesn't occur again. NERC is composed of 10 regional councils and includes virtually all the power regions of the contiguous United States, Canada and part of Mexico.

**NRC** – The Nuclear Regulatory Commission – A federal agency that licenses and regulates US nuclear power plants.

**OASIS** – Open Access Same – Time Information System – The short answer is a FERC sanctioned method of information sharing. IF you own a transmission line this is how you tell your customers when you have available transmission capacity to sell. It's the power company's version of Ebay.

**REC** – Rural Electric Cooperative – also known as the Coops

**RPS/RES** – Renewable Portfolio Standard/Renewable Energy Standard – a mandate that a percentage of a utility's, municipal's or cooperative's energy load shall be composed renewable energy.

**RTO** – FERC-mandated regional organizations charged with managing the transmission power in a region of the country.

**SPP** – Southwest Power Pool – the regional transmission organization with planning responsibility for Kansas and much of the Great Plains region.

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PUBLIC AFFAIRS

# Utility Lingo Simplified

***The unique language of energy in the utility business.***

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Note: The information in this booklet was collected from a wide variety of sources. For any suggested changes or additions you may contact Aquila Corporate Communications at 816-467-3000. Printed June 2004




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# A Word About Special Words

In the old world — the days before computers, the Internet, personal digital assistants and wireless gadgets galore — there was little need to discuss or understand all the little details about the worlds of energy and utilities. Your lights came on when you flipped the switch. Your gas furnace went on when the weather turned cold. And you received your bills, and paid them, by mail or in person at a local office. There was little need to learn more and more about how all these things worked.

Today people are talking a lot about the new world of utilities. Mention the word "deregulation" and the conversation quickly shifts to the rise and rapid fall of Enron or the just-as-rapid ousting of former California Governor Gray Davis. Mention the words "power grid" and your conversation likely will shift to discussing the reasons the lights suddenly went out in the fall of 2003 in two countries, including eight Northeastern states, leaving 50 million people unable to go about their normal activities.

So, there's a lot to learn about the world of utilities and the power it wields. That's where this glossary fits. No one source can give you all the details. This small volume is just the beginning.

### Stuff You Might Want To Know (But Didn't Know How Or Whom To Ask)

**Kilowatt-hour** – The amount of electricity used to keep a 50-watt bulb burning for 20 hours.

**One pound** – The amount of coal it takes to produce one kilowatt-hour of electricity.

**Btu** – The amount of energy required to raise or lower the temperature of one pound of water one degree Fahrenheit. A kitchen match has about one Btu of energy. Adding a pot to hold the water will require the use of more matches.

**1,000 cubic feet** – Enough natural gas to meet the needs of an average American home (heating, water-heating, cooking and clothes drying) for four days.

**$555** – How much it will cost to heat an average home in 2004 using natural gas, vs. $1,400 if you used an electric resistance furnace, or

$931 if you used a propane furnace, according to the American Gas Association.

**945,000 megawatts** – The total power that U.S. generating plants were capable of producing in the summer of 2003.

**300,000 megawatts** – The amount of announced new generation capacity planned for 2004.

**11 percent** – The share of all the electricity produced in the United States that is used for lighting. (15 percent is used for air conditioning, and 10 percent is used for heating.)

**14 percent** – The estimated share of U.S. power consumption now used by computers and Internet-related activities, compared with only 4 percent 10 years ago.

**1879** – The year Thomas Alva Edison perfected the incandescent light bulb, which marks the unofficial beginning of the world of electricity.

**1882** – The year Pearl Street Station, the nation's first power plant, began operating in New York City.



**Records set by the Blackout of 2003, the biggest blackout in North America:**

- Affected 50 million people in the U.S. and Canada
- Eight states and two Canadian provinces experienced power failures
- Three deaths attributed to the blackout
- 22 U.S. and Canadian nuclear power plants shut down
- 10 major airports shut down
- 700 flights canceled nationwide
- 7,600 gallons of drinking water distributed by the National Guard in Cleveland after the city's four main pumping stations failed
- 350,000 people on the New York City subway when the power went out, including 19 trains in underwater tunnels

# How Do Utilities Work?

Generally speaking, there are two views on how utilities work, and one doesn't sound anything like the other. To people outside the business, a utility seems like it's an easy, sure way to make money. All you need is a power plant, or some natural gas pipelines, a couple of electric transmission and distribution lines, and you're in business. No need to constantly update your product line with the latest technology or snazzy ad campaign. Electrons are electrons. Natural gas is natural gas. Customers don't see'em, hear'em or taste'em. And best of all, you have no competition. To most people, utilities own the marketplace because they are a monopoly. Only Santa Claus has a better deal – and that's only because he works just one day a year!'

But from inside the utility industry, the view is quite different. It starts to get more complicated the day you decide to supply a community with energy (electricity or natural gas). For example, let's say you decided to supply Santa Claus' hometown, the North Pole, with electricity. Now just because you decided to do business with the North Pole, doesn't mean you're home free. Before you can hook up your first customer, you need to get a franchise agreement. A franchise agreement? "Wait a minute," you say. "This isn't McDonald's or Krispy Kreme. This is a utility business. We supply a vital community service, and we do it well. Why do we need a franchise agreement?"

The long legal answer to this question would fill the rest of the pages of this booklet. The short answer is that you need a franchise agreement so that you have the community's official permission to construct or maintain your distribution system within the community. The franchise agreement is eventually enacted as a city ordinance. In other words, the utility franchise is required by state law so that community leaders and everyone else in the community generally know what you are going to do for them, how you are going to do it and, of course, that you will fix the sidewalks and streets you dig up to put in your power lines or natural gas pipelines.

Throughout its seven-state operating territory, Aquila has more than 1,000 such franchise agreements. That may seem like a large number, but roughly 83 percent of the company's customers live in rural communities of 1,000 or fewer people.



In addition to the utility franchise, you may have to pay the community a "franchise fee," which in turn you are allowed to include on your customers' bill. Not all communities enact an additional franchise fee ordinance.

Franchise agreements are not meant to cover everything associated with operating a utility. Items like rates, service obligations, metering, cold weather rules, complaint procedures and customer service rules are covered by federal and state laws, rules and regulation. You could fill an encyclopedia with all that information. (For a primer on how rates are set, and its associated lingo, see pages 39-43.)

Okay, so you now have your franchise agreement with the North Pole. Clear sailing from here on. Wrong! Franchise agreements don't last forever. You have to renew them. Some communities want you to ask for a renewal every few years. Some every five years. Some every 20 years. On average, each year Aquila must renew between 25 and 50 franchise agreements. What is more, there's no guarantee that a community will renew your franchise agreement. As communities grow and leadership changes, some communities may decide to operate the distribution system (that's the pipe and wires that connect to the customer's home or business) as a municipally-owned system. Or, maybe the community now wants to deal with a local cooperative system (that's where the customers own the operating entity). All these and other issues, such as possible service upgrades to help the community grow and facility relocations become part of negotiations for a new franchise agreement.

Of course, there's some special lingo associated with franchising. Here are a few of the most commonly used terms:

**Franchise Agreement or Franchise Ordinance** – A legal agreement, which becomes a city law, between the community and the utility that explains in detail how the utility will operate within the community. The purpose of such an agreement is to grant permission to the utility to locate its property inside the city limits of the community, minimize misunderstandings of the community's governing requirements, and to provide guidance as how duties will or will not be performed by the utility.

**Franchise Record** – One of the factors financial rating companies and prospective investors consider when the company prepares to obtain long-term financing. These financial institutions prefer long-term franchise agreements and close to 100-percent renewals.

A good franchise record contributes to a better credit rating, which results in lower interest rates and thereby lower rates for customers.

**Exclusive vs. Non-Exclusive Franchise Agreements** – In almost all states only one electric utility is permitted to serve a community because of the expense of building and maintaining electric distribution systems. Those franchises are "exclusive." The same fact is not true for natural gas. While most communities only have one natural gas utility, state law generally permits communities to have multiple natural gas franchises. Those natural gas franchises are "non-exclusive." Competition of natural gas distribution facilities does occur from time to time in some of the communities served by Aquila.

**Hold Harmless or Indemnity Clause** – Part of a franchise agreement that protects the community from liability for injury or damages related to negligence by the utility during construction, operation or maintenance of its facilities.

**Public Right-of-Way Use** – Allows the utility to use the community's streets, alleys, avenues and other public places for its facilities. Sometimes the utility will also need to enter into private (easement) agreements with property owners for use of their property. Private easement or private right-of-way agreements would not be part of the utility franchise agreement.



# Federal Energy Deregulation Laws

Just in case you're wondering how the federal government is influencing the utility industry, here's a list of key legislation passed by Congress and orders by the Federal Energy Regulatory Commission (FERC):

| Year | Law & Competitive Implications |
|---|---|
| 1935 | **Public Utility Holding Company Act (PUHCA):** Restricts ownership of an electric business by a non-utility company. |
| 1978 | **Natural Gas Policy Act:** First step toward deregulation of natural gas prices. |
| 1978 | **Public Utility Regulatory Act:** Beginning of competition for generation of electricity. Requires utilities to provide open access to transmission lines for use by independent power generators. |
| 1985–1992 | **Open Gas Access (FERC Orders 436 through 636):** Direct access, disaggregation of integrated natural gas industry, and unbundling of products at the wholesale level. |
| 1989 | **Wellhead Decontrol Act:** By 1993, had effected the end of all price controls on first sales of gas. |
| 1992 | **Energy Policy Act:** Set the stage for competition in wholesale electricity generation. |
| 1996 | **Electricity Open Access (FERC Orders 888 and 889):** Order 888 opened up wholesale power sales to competition; Order 889 addressed transmission system fairness to all competitors as pertains to wholesale power transactions and created the OASIS system (see definition) in use today. |

# A Tradition Of Safety

### Electricity Safety Tips:

Aquila delivers reliable electricity to hundreds of thousands of homes and businesses. Because the power lines that bring the convenience of electricity to customers have the potential to be hazardous, they must be respected. Safety is Aquila's top priority.

Serious shock or electrocution can occur when electricity contacts water. This can happen at a swimming pool or when an electrical appliance comes in contact with water. Shock or electrocution also can occur when objects contact overhead lines, when underground service lines are damaged or when fallen power lines are touched.

When an accident involves electricity, contact Aquila immediately at 800-303-0357. If your electric service is provided by another utility, please follow their notification procedures. The following safety tips are meant to help maintain your safety:

- Don't touch a fallen power line or attempt to rescue someone in contact with a power line. If a line falls on your car when you're in it, stay inside and wait for help.
- Never fly a kite or balloon near power lines. Don't climb trees that have power lines in contact with or near them.
- Don't allow children to play on the green pad-mount transformer used with underground power lines.
- Never use electric equipment if your hands or feet are wet or if you are standing on wet ground.



### What Happens If The Lights Go Out?

Aquila is committed to providing safe and reliable service to its customers. On occasion, however, power can be disrupted by severe weather. To help you prepare for these occurrences:

- Set aside an emergency drawer that is easily accessible. Stock it with a battery-powered radio, flashlight and a supply of fresh batteries. During extended outage situations, Aquila works with local news agencies to keep customers informed of progress in service restoration.
- If any member of your family is on a life support system, make arrangements today to get them to a location where their needs can be met when a power outage occurs. In addition, you should contact Aquila's Customer Service Center at 800-303-0752 to make sure records show that a life support system exists at your location.
- If your power does go out, first check to see if your neighbors have lights. If they do, check for blown fuses or a tripped circuit breaker in your home. If they don't have lights or if you don't locate the problem, contact Aquila immediately at 800-303-0357.

When interruptions of electrical service do occur, Aquila makes every attempt to restore your power as quickly as possible. These situations are an inconvenience, and Aquila appreciates your patience as work continues to restore service.

# Natural Gas Safety Information

## Helpful Tips To Follow

Aquila delivers reliable natural gas service to thousands of homes and businesses. And although natural gas has an excellent safety record, it is possible to have a gas leak by accident or through misuse.

Natural gas has no odor of its own. A special chemical called mercaptan is added to give natural gas its distinctive smell. Be alert for the smell of natural gas – sometimes compared to the odor of rotten eggs – and follow these tips if you smell it:

- Leave the premises immediately. Don't look for the source of the gas leak or try to correct the problem yourself.
- Go to a neighbor's house and call us immediately at 800-303-0357. If your natural gas service is provided by another utility, please follow their notification procedures.
- Don't strike matches, turn lights or appliances on or off, use the telephone, or ring the doorbell. These can create a spark, which could ignite the gas.
- Leave the doors and windows open, but don't open them if they're not already open

## Avoid Carbon Monoxide

Carbon monoxide (CO) is a colorless, odorless and tasteless gas that can be potentially harmful to you and your family. The incomplete burning of fuels such as natural gas, propane, heating oil, kerosene, coal, charcoal, gasoline and wood produces CO.

It is important to make sure natural gas appliances are vented correctly and in proper working order; otherwise, they can produce harmful levels of CO.



## Safety Precautions

You will probably never have a gas leak, but it's important that you and your family be informed of how to prevent a leak and what to do if one occurs. Here are some things you can do to help keep natural gas service safe:

- Arrange for natural gas appliances and equipment to be installed, inspected and/or repaired by a trained professional.
- Request the services of a qualified professional to check the flexible gas connectors used to connect natural gas appliances to supply lines. These connectors can separate from the tubing, causing serious gas leaks, explosion or fire. Only a qualified professional should check the connector and replace it if necessary. Don't try to do it yourself.
- Do not allow wiring or other objects to touch any gas connection or piping.
- Please review the "Call Before You Dig" phone numbers for your state and contact them in advance of planting a tree, building a fence or beginning any project that involves digging so that they can identify where utility pipes or wires may be located.

# Making Energy From Wind

With today's emphasis on finding renewable and "green" sources of energy, as well as reasserting America's energy independence, wind-generated power is finally coming into its own. Wind power capacity has risen dramatically in the last few years.

Partnering with FPL Energy, the most experienced builder of wind farms in the United States, Aquila helped develop a large "wind farm" in Gray County, Kansas, which began delivering electricity to customers in late 2001. It's a large-scale project. Its 170 wind turbines on the plains near Montezuma, Kansas, are an arresting sight. Each turbine is mounted on a tower more than 200 feet tall and has three blades resembling airplane propellers, each 77 feet long. The facility can produce 110 megawatts of electricity, and Aquila purchases its entire output. That's enough to supply the needs of 33,000 homes. By early 2004 wind accounted for the production of around 5 percent of the electricity the company produced in Kansas and Missouri.

Aquila distributes about three-fourths of this power to its customers in Kansas and Missouri, with the rest going to power wholesalers. Since neither the availability nor the speed of wind are predictable, Aquila dispatchers have learned to balance wind power with power from natural gas-fired turbines, which respond almost instantaneously when needed (unlike plants fueled by coal).

Seasonality of wind activity varies by region. In California, the peak wind season is summer; in the Midwest, it's fall and winter; and in Texas, spring is peak. Each wind plant has specific daily and seasonal variations. Site-specific wind patterns are determined through studies conducted during early development of a project.

Wind energy has always been clean and renewable, but realizing man's dream to harness the wind to make significant amounts of electricity was frustratingly elusive during most of the last century. What changed was the economics. Big improvements in wind power technology lowered the costs of bringing this long-awaited energy source to market. In fact, the costs have dropped about 80 percent over the past 20 years, allowing wind power to approach the costs of traditionally-fueled generation. That helps explain why today wind energy is the fastest-growing renewable energy resource in the world.



Also, in the United States the federal Wind Production Tax Credit, first enacted in 1994, had a dramatic effect by providing a tax incentive to develop and operate wind generation facilities. For the first 10 years of a wind turbine's output, the owner receives a 1.8-cent tax credit per kilowatt-hour generated. The tax credit expired in December 2001 and was reinstated in March 2002. It expired at the end of 2003, although Congress is considering a further extension. An extension of the PTC through December 31, 2006 is contained in wide–ranging energy policy legislation on which Congress has been unable to reach final agreement. This tax credit has dramatically changed the landscape of the U.S. wind generation business and has helped encourage diversification of the nation's energy sources.

Today, wind still produces a pretty small percentage of the nation's electricity, but it's certain to continue to grow. The question is: by how much? The optimistic says perhaps to 6 percent of the country's electricity by 2020. That's about the same amount of electricity generated today through hydroelectric power and enough to serve 25 million homes. However, others are not that optimistic.

The Gray County Wind Farm was the product of vision, not regulation. It was the largest wind project in the United States that wasn't mandated by state regulations as part of a utility company's "green" energy mix. The project has received awards from the U.S. Environmental Protection Agency and the Missouri Governor's Office.

# How Wind Turbines Generate Electricity

1. The elaborate computer system inside a turbine performs thorough self-diagnostic tests and troubleshoots errors before the start-up command is given. If the computer detects any problems it can't auto-correct, the turbine automatically shuts down. In addition, a SCADA (system control and data acquisition) control system allows a remote operator using a modem from anywhere in the country to set new operating parameters, perform system checks and ensure turbines are operating at peak performance.
2. The computer that automatically controls each turbine turns the turbine's rotor to face into the wind, which at more than 100 feet up is stronger and less turbulent than at ground level.
3. The rotor turns (depending on the type of wind turbine) at 11-20 rotations per minute (rpm). As the wind blows, the pitch of the rotor blade adjusts to suit changes in wind speed. For safety, the turbine shuts down automatically if sustained wind speed exceeds 56 miles per hour.
4. The blades drive the main shaft, which drives the generator through a gearbox to convert the mechanical power to electrical power.
5. The electricity is cabled down the tower, then through a series of transformers and underground distribution lines before entering a main substation.