SESSION OF 2007

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2597

As Introduced by House Committee on Appropriations

Brief*

HB 2597 would enact new law and amend existing law regarding municipal natural gas and electric utilities and the extent to which those utilities are regulated by the Kansas Corporation Commission (KCC).

The new provision regarding municipal utilities would exempt municipal natural gas and electric utilities from KCC regulation for those services provided more than three miles from the municipality's boundary under certain circumstances. The exemption from KCC jurisdiction would apply if:

- The number of customers served in the outlying area constitutes 40 percent or less of the utility's total customers;
- Rates and charges are no greater than, and terms and conditions of service are the same for customers in the outlying area as for customers inside the municipality. (Rates and charges for customers in the outlying area could be increased a maximum of 10 percent per year until they are equal to those for customers inside the municipality.);
- Outlying customers are provided with notice a minimum of 10 days before any meeting at which changes to rates and charges will be considered. Contents of the notice, including a statement of the right to petition, are specified in the bill;

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

- The municipality furnishes, within 21 days of a request, names, addresses, and rate classifications of customers in the outlying area; and

- The municipality provides to the KCC an annual report stating the number of customers served in the outlying area and the total number of customers served by the utility as of the end of the prior calendar year. The annual report would have to be filed with the KCC by May 1.

The bill would create a procedure by which customers in an outlying area could protest a change in rates, charges, or terms and conditions of service.

The bill specifically states that the new municipal utility provisions will not be construed to affect the single certified service territory of the municipal utility or the authority of the Commission over the municipal utility as provided for in existing law.

Background

This bill was introduced by House Appropriations Committee and referred directly to the House Committee of the Whole. The provisions contain the language agreed to by the Conference Committee on HB 2032. However, the Governor was not presented the language agreed to by the Conference Committee.

HB 2032 was introduced by the House Energy and Utilities Committee at the request of Kansas Municipal Utilities. At the House Committee hearing on the bill, supporters included Kansas Municipal Utilities, the City Manager of Larned, and the General Manager of the McPherson Board of Public Utilities. No opponents of the bill presented testimony at the House Committee hearing.

The Senate Committee on Utilities amended HB 2032 to require KCC regulation concerning rates, charges and terms and conditions of service for any municipality owned or operated electric or gas utility which serves more than 50,000 customers. Testimony indicated that this provision only would apply to the Board of Public Utilities of Kansas City, Kansas. Subsequent to Senate passage of the amended version of HB 2032, the House introduced HB 2576 which would have created a mechanism by which those large municipal utilities would be placed under limited jurisdiction of the KCC. That bill was not advanced to final action after debate by the House.

The fiscal note for HB 2032 prepared by the Division of the Budget states that the bill would result in a loss of revenue to the KCC because municipal utilities would no longer be assessed as provided by current law. According to the Division, the KCC estimates that the reduction of revenue would not exceed $10,000 annually and that assessments to other utility companies might be increased to compensate for the reduction. However, the KCC believes that the loss in revenue from municipal utilities also may be offset by reduced staff involvement in five to 15 municipal rate cases each year.