

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Vice Chairman Tom Sloan at 9:07 a.m. on January 24, 2002 in Room 526-S of the Capitol.

All members were present except: Representative Gene O'Brien

Committee staff present: Robert Chapman, Legislative Research
Dennis Hodgins, Legislative Research
Mary Torrence, Revisor of Statutes
Jo Cook, Administrative Assistant

Conferees appearing before the committee:

Jim Bartling, Greeley Gas
Larry Hedley, UtiliCorp
Caroline Williams, Westar Energy
Bruce Graham, Kansas Electric Power Cooperatives
Joe Dick, Public Utilities
Colin Hansen, Kansas Municipal Utilities
Gary Stone, UtiliCorp United
Earl Watkins, Sunflower Electric
Dick Dixon, Westar Energy
Chris Giles, Kansas City Power & Light
Jim Widener,
Joe White, Kansas Corporation Commission
Walker Hendrix, Citizen's Utility Ratepayer Board

Others attending: See Attached List

HB 2644 - No-Pay Adjustment for electric and natural gas public utilities to recover uncollectible accounts

Vice Chairman Sloan opened the hearing on **HB 2644** and welcomed Mr. Jim Bartling, Manager of Public Affairs for the Greeley Gas Company. Mr. Bartling appeared before the committee in support of **HB 2644 (Attachment 1)**. Mr. Bartling told how the extension of the Cold Weather Rule and the moratorium on disconnections last year proved to be contributing factors to the exceptionally high level of uncollectible customer accounts. He stated that allowing utilities to recover uncollectible customer accounts in a manner similar to the purchased gas adjustment would eliminate one expense from future rate cases and could potentially delay the need to file additional rate cases.

Larry Headley, Director of Regulatory Affairs for UtiliCorp United, appeared as a proponent on **HB 2644 (Attachment 2)**. Mr. Headley explained that although lower than normal temperatures along with extremely high gas prices translated directly into record levels of uncollectible customer accounts, the under-recovery of bad debts is a chronic problem, not an isolated case. Mr. Headley stated that this bill is a reasonable attempt to allow utilities to recover legitimate costs incurred in providing safe and reliable service.

Caroline Williams, Vice President, Customer Care for Westar Energy, testified in support of **HB 2644 (Attachment 3)**. Ms. Williams stated that it is important for any business to be able to recover losses from unpaid debts. Allowing utilities to file annually for unpaid customer debt would be efficient. She explained that they were working with the KCC staff in a collaborative effort to resolve certain Cold Weather Rule issues that could allow utilities to effectively enforce pay agreements.

Whitney Damron, on behalf of The Empire District Electric Company, provided written testimony in support of **HB 2644 (Attachment 4)**.

Mr. Bartling, Mr. Headley, and Ms. Williams responded to questions from the committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 526-S Statehouse, at 9:07 a.m. on January 24, 2002.

Chairman Holmes suspended the hearing on **HB 2644** and asked for bill introductions. Rep. Sloan requested a bill be introduced dealing with the Open Records Act and exclusion of security issues and that a bill be introduced dealing with the Cold Weather Rule. Rep. McClure seconded the motion. The motion carried.

The joint meeting of the House and Senate Utilities Committee convened with Senate Chairman Clark presiding. The purpose of the joint meeting was to hear presentations on the status of the electric industry.

Bruce Graham, Vice President of Member Services and External Affairs for the Kansas Electric Power Cooperatives, Inc., outlined the changes in his company (Attachment 5). Mr. Graham told of the rate case filed in June 2001 and the KCC's response in granting the increase. He also detailed the company's generation resources.

Joe Dick, Regulatory Specialist for the Kansas City Board of Public Utilities, distributed a booklet on their organizational profile and development incentives (copy available from Legislative Research). Mr. Dick stated they were in negotiations for a merchant plant to be built in Kansas City, Kansas.

Colin Hansen, Executive Director for the Kansas Municipal Utilities, spoke to the committee about his association's utility concerns (Attachment 6). Mr. Hansen listed a few of the generation projects currently in process for some of the association's members.

Gary Stone, Vice President Network Management for UtiliCorp United, provided a brief synopsis of the company's operations (Attachment 7). He also provided an organizational chart showing the subsidiaries of UtiliCorp and announced that within the next few months the name would be changed to Aquila.

Executive Vice President and General Counsel for Sunflower Electric Power Corporation, Earl Watkins, submitted testimony to the committee regarding the company's activities (Attachment 8). Mr. Watkins listed the rate case recently filed with the KCC, debt restructuring activities and the new coal-fired power plant being developed in southwest Kansas as items in which the committee might have an interest. Additionally, he told of the new agreements on which they are working with Kansas Electric Power Cooperatives and the City of Hugoton.

Richard Dixon, Senior Vice President Customer Operations for Westar Energy, explained the changes the company was currently undertaking (Attachment 9). Mr. Dixon told of the change in name for the electric utility operations and how the company has decided to end efforts to merge, acquire or combine with other companies.

Chris Giles, Senior Director Regulatory and Risk Management for Great Plains Energy, detailed his company's capacity obligations (Attachment 10). Mr. Giles said that Kansas City Power & Light was now a subsidiary of the new utility holding company, Great Plains Energy. They are also in the process of developing a new coal fired plant to be located near Weston, Missouri. Mr. Giles also addressed the issue of Regional Transmission Organizations and the impact they will have on utilities.

Jim Widener, General Manager for the Kansas Municipal Energy Agency and the Kansas Municipal Gas Agency, addressed the committee (Attachment 11). He stated that 92 cities are presently members of one or both of the agencies. Mr. Widener explained that the agencies were created by the legislature and are non-profit entities. He then outlined the organizations' capacity and transmission capabilities. Included with his testimony was a copy of a Federal Register notice reporting the final power allocations for the Loveland Area Projects post-2004 resource pool (Attachment 12).

Written testimony from Midwest Energy, Inc. was distributed to the committee members (Attachment 13).

The conferees responded to questions from the committee.

The joint meeting was adjourned and the House Committee on Utilities returned to their previous order of business.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 526-S Statehouse, at 9:07 a.m. on January 24, 2002.

HB 2644 - No-Pay Adjustment for electric and natural gas public utilities to recover uncollectible accounts - HEARING RESUMED

Mr. Joe White, Director of the Utilities Division for the Kansas Corporation Commission, appeared in opposition to **HB 2644** (Attachment 14). Mr. White explained that the Commission provides for recovery of uncollectible account expenses and that the bill changes the current procedure. He stated that each jurisdictional utility collects an allowed amount of bad debt through approved rates under the current regulatory procedures. Mr. White also shared that the Commission Staff was concerned that the bill is in violation of the Commission's long standing prohibition against "single issue ratemaking."

Walker Hendrix, General Counsel for the Citizens Utility Ratepayer Board, also appeared as an opponent to **HB 2644**. Mr. Hendrix stated that as a practical matter, we all share in the bad debt expense as a component of the utility's rate.

Additional questions were posed to all of the conferees. The hearing was closed on **HB 2644**.

The next meeting will be January 28, 2002 at 9:00, with a joint meeting with Senate Utilities to commence at 9:30 a.m.

The meeting adjourned at 10:58 a.m.