



Testimony Provided to the

**Senate Ethics, Election & Local Government Committee
February 11, 2013**

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In Opposition to S.B 109

Chairman Pyle and Members of the Committee,

On behalf of the 174 member cities of Kansas Municipal Utilities (KMU), I respectfully appear before you in opposition to S.B. 109. KMU is the statewide association of municipally-owned and -operated electric, natural gas, water, wastewater, stormwater, solid waste and telecommunications utilities across Kansas. As a not-for-profit association established by its member utilities in 1928, KMU is dedicated to serving the needs and interests of these publicly owned utilities. Membership in KMU is open to any Kansas municipality that owns and operates its own utility and is interested in working together with other municipal systems for the advancement and protection of their utilities and, more importantly, for the citizens, businesses and industries that they serve.

KMU was formed eighty-five years ago for the express purpose of helping our member communities have a voice in various legislative and regulatory arenas. As government regulation and oversight has grown, the need for our utilities to have a voice has grown. Government regulation, oversight and legislation impacts every single aspect of our consumer-owned utilities, whether it is how we procure power and natural gas, ensure clean drinking water, meet job training and safety standards, or enhance the reliability of the state's electric grid and gas and water supply. There is an alphabet soup of state and federal entities with jurisdiction over how our utilities operate: EPA, NERC, FERC, SPP, KCC, KDHE, KWO, and on and on. Rather than have 174 separate entities attempt to express individual matters with state and federal executive and legislative entities, KMU was formed to be a collective voice and thus provide a more efficient use of time and resources.

Some quick facts about municipal utilities in Kansas:

- 119 municipal electric utilities provide power to more than 16% of the state's population
 - Primarily rural communities: only 8 of our 119 electric utilities serve more than 5,000 customers
 - 60 communities have local generating facilities: one baseload power plant, 58 coal, natural gas and diesel units used for reliability and peaking.
- 55 municipal gas systems - only 10 have more than 1,000 meters
- Each of our members operate a water system. The largest is the City of Wichita with more than 452,000. The smallest is the City of Longford with 80 meters.

Federal regulations and Congressional action have a significant impact on how our utilities operate. Just over the past two years, these have included RICE NESHAP, Mercury MACT, 316(b), CSAPR, municipal bond issues, and the litany of regulations on natural gas, water and wastewater.

Meanwhile, state regulation and legislative action impact every aspect of the operation and maintenance of municipal utilities as well. Each year, several dozen bills are considered before the Legislature that would alter the way our utilities operate and determine the ultimate cost of utility services to Kansas citizens and business. Over the past several sessions, subjects have included Kansas One-Call regulations, energy efficiency, fees on water usage, drought response, environmental riders, net metering, parallel generation, solid waste disposal, sales tax on utility service, metal theft, service territory, transmission investment, and much more.

In addition, a significant amount of time is dedicated to working with state agencies with regulatory authority over some aspect of our utilities. These include the Kansas Corporation Commission (KCC), Kansas Department of Health and Environment (KDHE), Kansas Department of Emergency Management (KDEM), the Department of Agriculture (DOA) and more.

An excellent example of the need for a common voice for municipal utilities through KMU is the new Environmental Protection Agency (EPA) Reciprocating Internal Combustion Engine (RICE) rule. This onerous new rule impacts 56 Kansas cities with 306 electric generating units across the state, totaling approximately 600 MW of nameplate capacity. Meaningful changes to the RICE rule - resulting in millions of dollars in savings - would not have been possible without KMU representation. KMU staff traveled to Kansas City, North Carolina and Washington, D.C. to provide oral testimony regarding the RICE rule.

KMU is a non-profit, bottom-line driven organization. Our membership constantly does more with less. Our resources are very limited and our offerings continue to grow so we can better serve our members as they work to meet ever-increasing regulations on industry. We developed KSMAP, host ratemaking seminars, offer hands-on safety and training workshops, and provide financial planning, customer service, operation and maintenance and other workshops. KMU puts the vast majority of its resources into servicing the needs of our community utilities. However, we must have a voice with policymakers as others in the industry do.

The goal of KMU is not to influence politics but to impact policy. Our members operate a service which is fundamental to our customers living the life they want to live - safe, reliable and affordable electricity, natural gas for their homes or irrigation, water and wastewater. The energy and power industry is highly complex and dependent on intricacies and nuances of state and federal policy. Our customers and communities need to have a voice before the state and federal legislative and regulatory entities that craft industry changing policy and regulation just as our investor-owned, cooperative or rural associations enjoy.

The collective voice of electric, natural gas, water and wastewater customers represented by KMU has saved Kansas ratepayers tens of millions of dollars. The vast majority of the time, our advocacy efforts are informative (though occasionally reactive) in nature as we try to preserve the way that our utilities have provided excellent service for over 100 years. Our ultimate goal is to ensure low-cost, reliable power and natural gas and clean drinking water to Kansas communities.

KMU and its 174 member communities strongly oppose Senate Bill 109.