

Approved: 2/22/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 18, 1994 in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Bill Edds, Revisor of Statutes Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Bill Brown - President and CEO, Kansas Power & Light, a Western
Resources Company
Bill Waters for David Cunningham - Division of Property Valuation

Others attending: See attached list

Chairperson Roe opened the hearing on HB 2988.

HB 2988 - public utility property tax surcharge authorized.

Bill Brown, Western Resources Company, testified they support HB 2988 because of their growing tax burden. This bill would make the inevitable process of passing on the tax to consumers quicker and cheaper. Mr. Brown said a corporation the size of Western Resources spends from about \$1.5 million to \$3 million preparing and processing a rate case. The expenses of processing rate cases get passed on to gas and electric consumers (Attachment 1).

Bill Waters, Division of Property Valuation (PVD), said that PVD neither recommends nor opposes HB 2988. However, the Division is concerned that the application of ad valorem tax surcharge recovery to just electric and natural gas public utilities is unnecessarily restrictive (Attachment 2).

Representative Wilk requested PVD to provide a list of all state assessed utilities.

Chairperson Roe concluded the hearing on HB 2988.

The meeting adjourned at 9:50 a.m.

The next meeting is scheduled for February 22, 1994.

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TESTIMONY BEFORE THE
HOUSE TAXATION COMMITTEE

by William E. Brown
WESTERN RESOURCES, INC.

February 18, 1994

Mr. Chairman and Members of the Committee:

I am Bill Brown, President and Chief Executive Officer of KPL, a Western Resources Company. I am here today for Western Resources to support HB 2988. We pay far more Kansas property tax than anyone else. It's not a distinction we want, but we don't foresee escaping it because we have practically no control over increases in our taxes.

Our Kansas property taxes - KPL, KG&E and Gas Service combined - have grown from \$44.2 million in 1985 to \$83.4 million in 1993, nearly doubling in 8 years. We estimate our property taxes will be \$93.7 million for 1994, about \$10 million more than 1993. Attached is a bar graph showing this growth and 1994 projection.

Our growing tax burden is the reason we are asking you to support HB 2988. It would allow electric and natural gas public utilities to recover any future increases in their property taxes by adjusting customers' utility bills without filing a formal rate case. It would similarly allow the Kansas Corporation Commission (KCC) to require utilities to reduce existing adjustments to reflect any future decreases in property taxes. It allows the KCC to make sure increases (or decreases) are spread fairly among customers. The bill would not allow recovery of past increases, only future ones.

2/18/94
House Taxation Cmte
Attachment 1

Attached is an estimate of the impact HB 2988 would have on residential customers' monthly bills if we were to recover our projected 1994 tax increase of approximately \$10 million. For example, a KPL customer's bill would increase about 43¢ a month.

We do not see property tax relief in our future. Browsing through the "Bill Index" we find a few dozen bills and several concurrent resolutions which would increase our taxes. Not all will pass, but the direction upward is set. We are also facing escalating mill levies at local and county levels. To name only a few major causes of our rising property taxes:

- . The USD general fund levy is very likely to increase 2 mills this year, and more in future years.

- . More school districts will find it necessary to exercise their local option budget (LOB) authority to make ends meet.

- . However the Kansas Supreme Court rules on low enrollment weighting or any other part of school finance, any changes are likely to result in higher taxes.

- . Federal and state mandates on local and county governments, public demands for better protection and safety, more exemptions from mill levy lids, and funding for our state universities and community colleges are all likely to drive property taxes up.

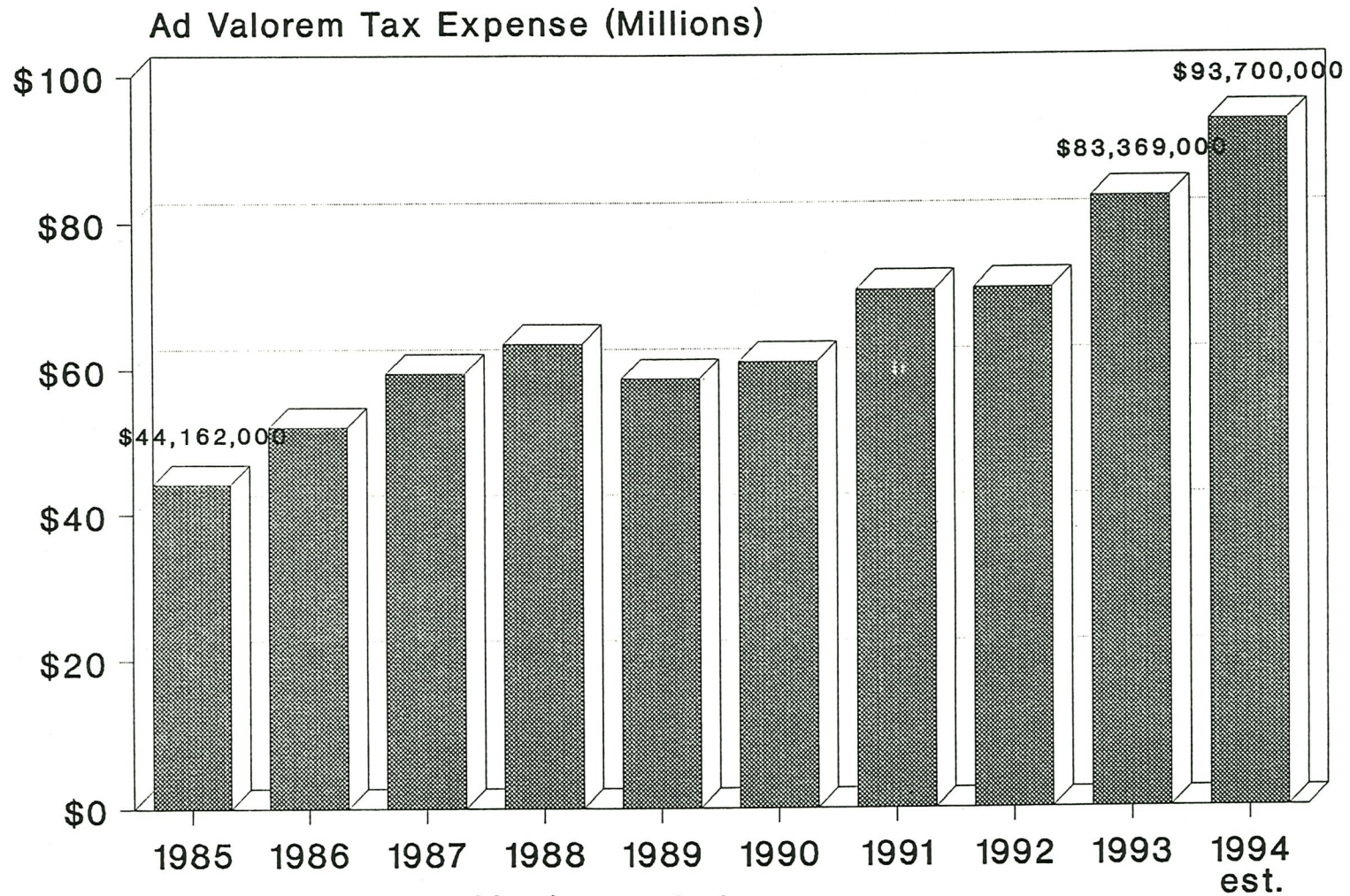
- . Our assessment tends to increase each year, too, regardless of what happens to mill levies.

We have absorbed property tax increases in the past. But we can no longer offset future increases by trimming other costs or by revenue gains through increased sales.

Without this bill, our only recourse is time-consuming, expensive rate cases. We do not believe rate cases should be prerequisite to recovering costs we cannot control and which we have incurred to help fund government-approved programs and policies. We ask you to vote for HB 2988.

Western Resources, Inc.

Kansas Property Taxes



Graph illustrates combined property tax
of KPL, Gas Service and KG&E

Typical Residential Customer

Estimated Monthly Charge to Recover Property Tax Increases

	<u>Projected 1994 Increase</u>
* KPL Electric	\$0.4330
** WRI – KS Gas	\$0.0843
* KG&E Electric	\$0.4785

* Typical residential electric customer amount
based on 750 kWh per month.

** Typical residential natural gas customer amount
based on 10 MCF per month.

1-4

STATE OF KANSAS

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Department of Revenue
Division of Property Valuation

MEMORANDUM

TO: Keith Roe, Chairperson,
House Taxation Committee

FROM: David C. Cunningham, Director,
Division of Property Valuation

SUBJECT: HB No. 2988 (Friday 18, 1994 @ 9:00 am)

DATE: February 17, 1994

HB 2988 amends K.S.A. 66-117 to authorize either an electric public utility or a natural gas public utility to report ad valorem tax changes to the Kansas Corporation Commission (KCC) for surcharge reimbursement.

The Division of Property Valuation neither recommends nor opposes HB No. 2988 in the form of the attached bill draft. It is the Division's position that the bill will not reduce the market value of a public utility. However, the Division is concerned that the application of ad valorem tax surcharge recovery to just electric and natural gas public utilities is unnecessarily restrictive. If ad valorem tax surcharge recovery is to be the law in Kansas it is suggested that it be applied to all public utilities subject to KCC regulation.

RMB/RMB/DCC
FN 94 HB 2988

2/18/94
House Taxation Cmte
Attachment 2