

Approved: MARCH 5, 1998  
Date

## MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 16, 1998 in Room 531-N of the Capitol.

All members were present except:  
Sen. Pugh was excused

Committee staff present: Lynne Holt, Legislative Research Department  
Mary Torrence, Revisor of Statutes  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:  
Don Schnacke, Kansas Independent Oil and Gas Association  
Jamie Clover Adams, Governor's Office

Others attending: See attached list

Sen. Ranson announced the agenda for this week and reminded the committee that it will hold a hearing on Wednesday in Room 123-S. Sen. Clark introduced his pages who are assisting the committee today, as well as Sen. Brownlee's daughter.

Sen. Ranson then called attention to the Minutes of the Meeting of February 2, 4 and 5 and asked the committee to review them for a later vote.

Sen. Ranson then called attention to "Be a Smart Shopper, Consumer Guide" from Rhode Island (Attachment 1), which the committee had discussed earlier, copies of which have been distributed to committee members and have been supplied by Tom Day of the Corporation Commission. Also copies of Walker Hendrix's testimony from the hearing on SB 502 last Thursday (Attachment 2) was distributed to members.

Sen. Ranson then announced the committee will hold a hearing on:  
**SCR 1616-Urging Congress to enact legislation providing relief from the order of the Federal Energy Regulatory Commission requiring Kansas natural gas producers to pay penalties and interest on certain refunds to customers**

Mary Torrence briefed the committee on the bill. The following appeared as proponents:

Donald Schnacke (Attachment 3)  
Jamie Clover Adams (Attachment 4)

Members of the committee questioned Mr. Schnacke regarding the Resolution. Sen. Morris asked if the Order by FERC sets a precedent, and that could not be substantiated. He also asked if the money goes to consumers, and what happens if the consumer cannot be found. Mr. Schnacke stated that finding consumers could be a real problem and that notices are to be sent to individuals and that FERC has allowed company hardship cases to be filed. Sen. Barone asked the range of money owed, and Mr. Schnacke answered he did not know, but that there are 150 producers and they range from the largest, such as Mobile, Amoco and Oxy to the small producers, who may suffer financial losses and even bankruptcy. Many of them will be producers from the Hugoton field. In answer to a question from Sen. Hensley, Mr. Schnacke gave history of how this came about, which was with an Order in 1974 and the feeling that Kansas was being discriminated against. The Appeal was moved back five years, and the Supreme Court threw the case out. Lynne Holt furnished information regarding the 1974 Kansas tax rule and the fact that the original suit was filed by Northern Natural Gas Company, bringing about the 1983 Decision. It was also pointed out that the Order involves interstate pipeline sales only. Sen. Morris made a motion the committee report the Resolution favorably, and it was seconded by Sen. Barone. After a roll call vote, the Resolution passed unanimously.

Sen. Ranson referred members to the Minutes of the Meeting for February 2, 4 and 5 (Attachment 5). Sen.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room 531- -N, Statehouse, at 1:30 p.m. on February 16, 1998.

Clark made a motion the Minutes be approved, and it was seconded by Sen. Lee; the Minutes were approved.

Sen. Ranson then asked committee members to look at amendments drafted (Attachment 6) to:

**SB 502-retail electric bills to consumers; providing for disclosure of certain components**

The committee discussed customer service charges and looked at samples of bills from Midwest Energy and Kansas Power and Light. Sen. Ranson read from one of the bills the detail showing what is in the customer service charge, as an example. It appeared, after much discussion, that there is a different charge for urban customers than there is for rural customers. The committee also discussed elements in customer charges, and Ms. Hueter stated the intent of the amendment offered in her testimony. After input from the KCC staff and CURB, the committee concluded there is no uniform definition for customer service charges, that it varies from company to company, and is not defined by FERC.

Sen. Ranson stated that, under deregulation, there could be at least three companies involved-----one who supplies the power; one who is the distributor, and the third company could be the company who furnishes the meter and is involved with the meter reading. She pointed out the testimony regarding smart meters and added that some of the larger companies use sophisticated meter reading.

Sen. Ranson asked the committee at what point do you separate and define the functions and how? Mr. Dittmore suggested the committee study ratemaking in more detail and that a member of the KCC staff could explain what is involved in ratemaking. He stated that Joe Williams would be able to explain ratemaking to the committee, and Sen. Ranson requested he appear before the committee tomorrow.

The committee also discussed "transactional taxes", which Ms. Torrence defined as sales, use and franchise taxes, from the utility to the consumer. Consensus was that "Transactional taxes" should be defined in the bill. Sen. Ranson also raised the question if those taxes also apply to distribution. Mr. Lehman responded that they (Western Resources) are required to break out all taxes, and that all sales and franchise fees are itemized on their bills.

Meeting adjourned at 2:30.

The next meeting is scheduled for February 17, 1998.

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 16, 1998

NAME	REPRESENTING
Don Schmale	KI OGA
Bruce Graham	KEPCO
Julie Hawk	Hein + West
Barbara Hoyer	Emron
Dave Holcomb	Western Service
John J. Miles	KEC
Garrie Ann Brown	KS trout Consulting
Bob Burke	Western Resources
Judith	Eastern - Sen. Ayon
Steve Miller	Sublow
Earnie Lehman	Western Resources
ED SCHAUB	" "
WALKER HENDRIX	CURB
Gilbert Hanson	KIMU / KMEA
Louis Stroup Jr.	KANSAS Municipal Utilities
Patrick Hurley	KUOL
David Bybee	KDOCH
Leslie Kautman	Ks Farm Bureau
Jim Widener	KMEA

Kathy Valentin

SRS

Ashley Sherard

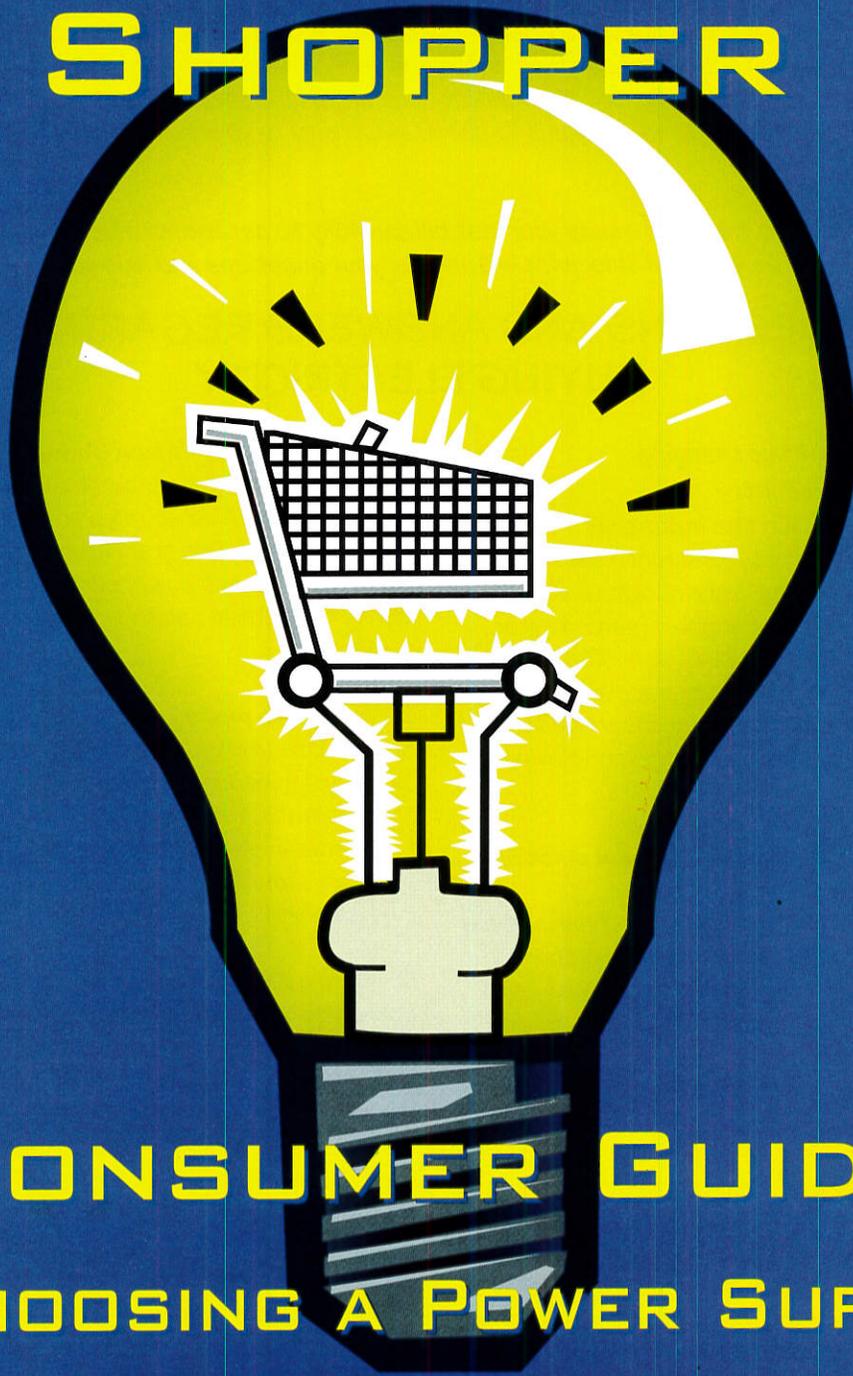
Overland Park Chamber

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb 16, 1998

NAME	REPRESENTING
Joe Dier	BPU KCK
Tom Laches	McGill & Assn.
JC Long	UtiliCorp United
Mike Taylor	City of Wichita
Dave Dittmore	KCC
Larry Holloway	KCC
Doug Smith	SWKROA

# BE A SMART SHOPPER

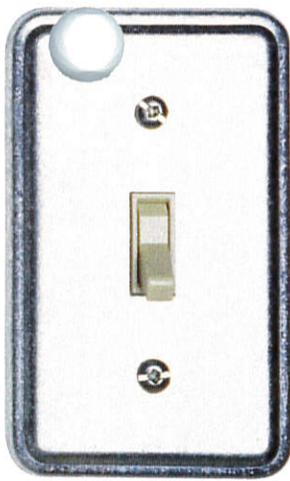


## CONSUMER GUIDE TO CHOOSING A POWER SUPPLIER

THIS CONSUMER GUIDE:

- GIVES YOU INFORMATION ABOUT OPTIONS AND CHOICES THAT ARE NOW AVAILABLE.
- PROVIDES INFORMATION TO HELP YOU MAKE AN INFORMED DECISION.
- EXPLAINS THE "WORDS AND TERMS" USED IN THE NEW WORDS.
- ANSWERS MANY OF THE QUESTIONS YOU MAY HAVE.
- SUGGESTS QUESTIONS YOU SHOULD CONSIDER WHEN SPEAKING TO A POWER SUPPLIER.

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Effective January 1, 1998, all Rhode Island customers who now buy electricity from Narragansett Electric, Blackstone Valley Electric, or Newport Electric may choose a competitive power supplier. The Rhode Island General Assembly and Governor passed a law in August 1996 which provides for competition in electric generation. The Public Utilities Commission and the Rhode Island Division of Public Utilities and Carriers have been working to get systems in place by January 1, 1998 to allow for competition among power suppliers.

Sellers of electric power will offer you new services and different prices for electricity just like companies advertising and selling other products and services. Regardless of which competitive power supplier you choose, your local electric distribution company (Narragansett Electric, Blackstone Valley Electric, Newport Electric) will continue to deliver electricity to your home or business through the existing electric network.

Read this guide and study your last bill carefully to determine which choice is best for you. Referring to your bill as you read this guide will answer your questions and help you be a smart electricity shopper.

## QUESTIONS AND ANSWERS REGARDING BUYING ELECTRICITY

### Questions about the changing electric industry

#### Q. What exactly is changing within the industry?

A. Through the enactment of the Utility Restructuring Act, Rhode Island is one of the first states in the nation to allow customers to choose an electric power supplier (generator or marketer of electric power) on a competitive basis. The delivery system (poles, wires, substations, transformers, etc.) will still be regulated by the Public Utilities Commission and managed by Narragansett Electric, Blackstone Valley Electric and Newport Electric.

#### Q. What are the changes being made in the local electric distribution companies?

A. The existing electric utilities are in the process of selling their electric generation facilities. They will continue to own and maintain their **Distribution and Transmission** facilities (see diagram).

#### Q. How will this change to a competitive electric market affect me?

A. You may choose who will generate or supply your electric energy much as you now choose your long-distance telephone company. Your local electric distribution company will continue to provide the system for delivery of electricity to your home and/or business. The local electric distribution company will continue to maintain the poles and wires and read your meter. They will send you the bill for your energy usage as well as your delivery charges unless you request a separate bill from your competitive power supplier. If you experience a service problem, an outage during a storm, or have a billing question on delivery costs, call your local electric distribution company as you do now.

#### Q. Will different companies need to put up power lines in my neighborhood?

A. No. The local electric distribution company will continue to provide the Delivery System for all competitive power suppliers.

#### Q. What is a "Transition Charge?"

A. This is a non-bypassable charge, currently 2.8 cents per kwh, to allow competitive sources to deliver electricity over existing utility facilities. This transition charge will be reduced over time as the generation and power supply contracts are sold and the money from these sales is credited to the benefit of the consumer.

#### Q. Will I save money over today's rates?

A. Yes. Based on the filed "Interim Service Rates" effective January 1, 1998, residential customers who do not choose a new competitive power supplier will have the following rates:

• Narragansett Electric	3.382 cents per kwh
• Blackstone Valley Electric	3.051 cents per kwh
• Newport Electric	3.341 cents per kwh

#### Q. Where do I look on my electric bill to make cost comparisons of electric power suppliers?

A. Your local electric distribution company bill has been itemized (unbundled) to provide the cost of the electricity and the cost of the delivery of electricity. Under "Supplier Services" you will see a "Total Energy Charge." This is the value that you use for comparison. These values are in cents so they are displayed in decimal form. (See bill as illustrated)

#### Q. Will my local electric company still provide energy conservation programs?

A. Yes. Some competitive power suppliers may also offer conservation services.

#### Q. When will I have the opportunity to choose my competitive energy supplier?

A. Choice for all customers became effective on 1/1/98. As of this date many power suppliers have not yet marketed themselves to most residential customers. In the future it is expected that several suppliers will be active with service offerings for the residential marketplace.



See glossary for definitions of terms in bold print.



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## WORDS AND TERMS YOU'LL USE TO BUY ELECTRICITY

**AGGREGATOR:** A group or organization that joins consumers together to increase their buying power and receive discounts and other benefits from suppliers. Aggregators can serve residential, business, communities and/or other groups. They may be municipal cooperatives or consumer buying groups.

**DEMAND-SIDE MANAGEMENT:** Programs that enable customers to change their pattern of energy use to increase energy efficiency and decrease the cost of their electricity.

**DISTRIBUTION AND TRANSMISSION SYSTEM:** The portion of an electric system, operated by a regulated company, that provides the electric delivery facilities to your home or business.

**COMPETITIVE POWER SUPPLIER:** A non-regulated company or group that will generate and/or sell electricity for delivery to you by your local electric distribution company. May also be called electricity supplier or marketer, power producer, power generator, power seller or power broker.

**FUEL MIX:** The combination fuel sources used to produce electricity. These are: fossil fuels - oil, coal, or natural gas, nuclear, and renewable (or "green") resources - water (hydro), wind, biomass, trash to energy, landfill gas, fuel cell or sun (solar).

**GENERATION:** The act of producing electricity through conversion of other forms of energy. Generation (also called energy or power supply) is now open for competition among energy suppliers.

**INTERIM GENERATION/POWER RATES:** The cost to purchase power through your distribution company until the competitively bid Standard Offer is approved by the Rhode Island Public Utilities Commission. Current supplier services rates for most residential customers are as follows:

Narragansett Electric	3.382 cents
Blackstone Valley Electric	3.051 cents
Newport Electric	3.341 cents

**ISO - NE:** Independent System Operator of New England. This is an independent service organization that controls and manages the New England electric power pool.

**ITEMIZED (UNBUNDLED) BILL:** The electric bill you are currently receiving "unbundles" the various costs of providing you with electricity. The energy supply section of the bill shows the costs that may be competitively supplied.

**KILOWATT HOUR:** The standard unit to measure the electricity you use. For example, a 100 watt light bulb, used for 10 hours, is equal to one kilowatt hour (kwh).

**LAST RESORT SERVICE:** Power supply from your local electric utility, available to customers who do not have a competitive energy supplier and are not eligible for standard offer service.

**RELIABILITY:** Dependable delivery of electricity is not expected to change under competition.

**STANDARD OFFER:** An initial option to continue to buy your electric supply from your local electric company. The Standard Offer allows consumers time to choose an electricity supplier. Under Rhode Island Law, the Standard Offer will no longer be available after the year 2009 and all customers will be provided power through the competitive market.

*This consumer guide is presented to you by the Division of Public Utilities & Carriers and Public Utilities Commission  
Produced by Advertising Ventures Inc. d.b.a. AdVentures, Providence, Rhode Island*

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*Refer to your last electric bill as you read this guide*



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**Q. Are there charges for changing competitive power suppliers?**

A. You will not be charged for changing competitive power suppliers by your local electric distribution company. The competitive power supplier can be charged a changing fee by the local electric distribution company. Consumers are encouraged to check if the charge is included in their agreement with the competitive power supplier.

**Q. Are there any penalties for changing?**

A. Penalties for changing could be imposed by a competitive power supplier under the contract terms of your agreement. You should ask your potential competitive power supplier to clearly define any penalties before you agree to a contract.

**Q. Will I be able to change back and forth to choose promotional packages at various times?**

A. Yes. However, you must be knowledgeable of the existing contract terms to avoid potential penalties and fees.

**Q. Will joining a group of consumers to buy electricity give me a lower rate? (Aggregator)**

A. The Utility Restructuring Act allows any combination of customers to form a purchasing group to negotiate with competitive power suppliers for group rates. Potentially, competitive power suppliers will be interested and may offer you a better price as a member of a large purchasing group. For example, these groups could be municipalities, senior citizen organizations, low income associations, etc.

**Q. How will I know if these groups are offering good deals?**

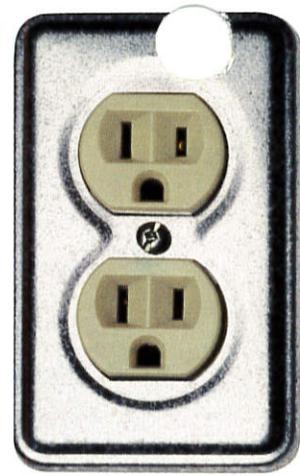
A. You have the responsibility of determining what is a "good deal." Each customer's load and usage pattern varies. Careful analysis should be done to assure the best offer, whether it is for a group or an individual. Compare your group rate to your current rate. To do this, reference the "Supplier Services" section of your current bill.

**Q. What if I choose not to change when given the option?**

A. No problem. Changing competitive power suppliers is solely at the option of the customer and there is no penalty for not exercising that option.

**Q. Will there be a time when I must choose a competitive power supplier?**

A. The Standard Offer Rates will no longer be available after the year 2009. At this point in time, all customers must have chosen electric service through a competitive power supplier.

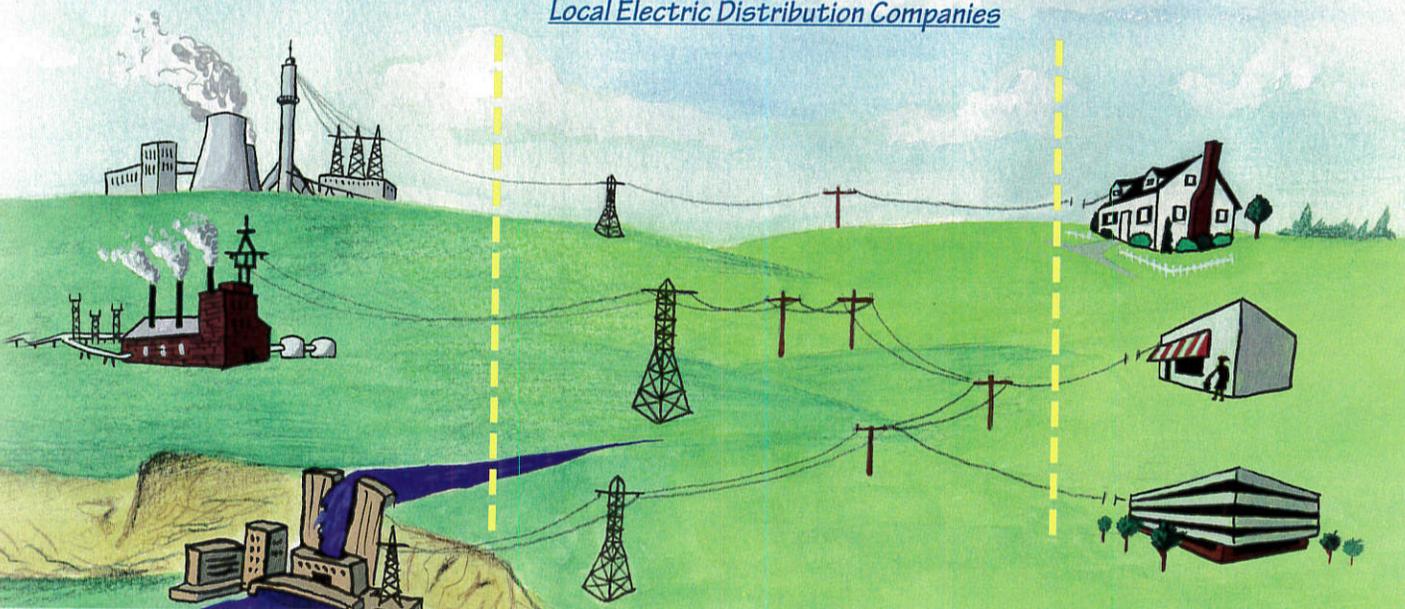


Competitive Power Suppliers

Regulated Utilities

Customer Choice

Local Electric Distribution Companies



Supplier

- No longer regulated
- Prices set by market
- Suppliers compete for customers

Transmission

- Rates remain regulated
- Lines available for all to use

Distribution

- Same company that currently delivers power
- Services remains the same
- Rates remain regulated

Customers

- Choose competitive power suppliers directly

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## Q. WHAT QUESTIONS SHOULD I ASK A POWER SUPPLIER?

A. Power suppliers may contact you through the mail, advertisements and over the telephone. Before making a decision, you should refer to your current electric bill to ascertain your current total energy charge. You may want to ask all potential suppliers the following questions:

1. Are you registered with the Division of Public Utilities & Carriers?
2. What is your company name, the name of your customer service contact person and your toll-free telephone number?
3. What is your price?
4. Is the price fixed or will it vary? If fixed, is it guaranteed? For how long?
5. Are there any discounts? Bonuses? Customer services? Special programs?
6. How long does the contract last? What are the penalties for breaking the contract?
7. Are there any additional fees?
8. What is your fuel mix? Where does the energy to produce the electricity come from?

*Competitive energy suppliers are required to supply this information.*



### *Questions about your rights as a consumer*

#### **Q. What are my rights?**

A. (a) Your rights concerning your electric service remain unchanged. The Rules and Regulations for electric service and competitive power suppliers issued by the Public Utilities Commission remain in effect.

(b) When you choose a competitive power supplier, all billing questions or disputes will be settled directly between you and your competitive power supplier. If this fails to resolve the problem, treat the billing dispute as you would any other contract dispute - through legal action or reporting the transgression to the Better Business Bureau or the Attorney General's Office, Consumer Section.

#### **Q. Will consumer protections still apply?**

A. All the existing protections relating to your local electric distribution company continue, as your current utility company remains regulated.

#### **Q. Will there continue to be lower rates for low income consumers?**

A. Yes. Your local electric distribution company will continue to provide these rates for eligible low income customers.

#### **Q. If I choose a new competitive power supplier during the "Interim Service Rate" period, will I be able to return to this service rate?**

A. Yes. However, there are limits to this. Narragansett Electric will only allow residential customers and small business customers to return within 120 days of choosing a competitive power supplier in 1998. After 1998, Narragansett Electric will not allow any customers to return. Blackstone Valley Electric and Newport Electric require 30 days notice to return to the "Interim Service Rate."

#### **Q. Can I be switched from one competitive power supplier to another without my knowledge or approval?**

A. No. Protections have been provided by your local electric distribution company to prevent unauthorized switching.

#### **Q. Can the competitive power suppliers (new competitive energy companies) "turn me off?"**

A. No. The control of your electric service remains with the local electric distribution company. If you lose your competitive power supplier for any reason, your service will be maintained and billed by your local electric distribution company through **Last Resort Service** until you choose a new competitive power supplier.



See glossary for definitions of terms in bold print.



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BILL GRAVES  
FRANK WEIMER  
A.W. DIRKS  
GENE MERRY  
RALPH SOELTER  
FRANCIS THORNE  
WALKER HENDRIX

GOVERNOR  
CHAIRMAN  
MEMBER  
MEMBER  
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## SENATE UTILITIES COMMITTEE

### S.B. 502

By Walker Hendrix

February 12, 1998

Whether Kansas implements retail wheeling or not, Senate Bill No. 502 is consistent with the philosophy of the Board to allow consumers a right to know what they are paying for the different components of electric service. If Kansas does implement some form of retail wheeling, an informed public is essential to having efficient electric markets. From the testimony before this committee, it appears that there is unanimity for more complete disclosure.

If full disclosure is the sine qua non for eventual deregulation, why wait? It would appear that the Kansas Corporation Commission could initiate proceedings immediately to determine what information should be included in the different categories designated for disclosure. Consequently, CURB would encourage the Committee to act with dispatch in adopting a requirement for disclosure.

Some utilities have expressed some concern over unbundling customer charges on the bills of consumers. Why is there so much defensiveness in disclosing to customers how much it takes to meter and bill them? Is it the case that utilities are reluctant to allow consumers to know the costs for metering and billing, when the cost of information technology is declining at historically significant rates? Even if it is not economical to convert to smart meters in the absence of deregulation, won't it be in the consumers best interests to know the costs in the event that information technology affords a cheaper method than what your local utility is charging?

Reference should be made to a recent article in the Public Utility Fortnightly (February 1, 1998, which is attached). This article is entitled "Integrating Metering & Information Systems" and foreshadows the synthesis of information systems and metering technology. The article describes "smart" meters and holds out the promise that metering and billing will be much more efficient than it is today.

Additionally, CURB would oppose any funding mechanism for public utilities which would specially allow them to collect for converting to a new billing format. All providers will be developing billing formats to enable them to compete and disclose essential information. Competitors will not be permitted a pass-through for their billing expenses and will have to

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include their costs as part of the delivered service. Consequently, special treatment for utilities is anti-competitive. Moreover, by foregoing an analysis of overall earnings for the utilities through the use of a pass-through mechanism, there is considerable risk that the utility will be allowed to overearn as a consequence of a direct pass-through. Therefore, the only prudent way to determine the cost of billing is in a utility rate case.

# Integrating Metering & Information Systems

Why public communications networks will ease meter unbundling and data transmission.

By Ralph D. Masiello

**Y**EAR 2000. MILLENNIUM. DEREGULATION.

Each word strikes fear into the heart of meter manufacturers and utilities alike. Like the turning of the century, deregulation is coming for the electric utility industry, and sooner than we think. How will it affect the metering industry?

The first real indication can be found in California. There, by order of the state public utilities commission, the customer's energy supplier (the energy service provider or the utility distribution company) will, for the time being, own the meter. The ESP or UDC will choose its own "meter data management agent" to read it and manage the data. Other states are considering similar ideas (see sidebar, *California Metering Rules*).

The California model has changed the face of the utility industry, helping to

create a new variety of companies. Enron, for example, which now owns Portland General Electric, plans voluntarily to move to open access by establishing the "power supply coordinator." The company has proposed that ESPs should contract independently with metering companies to obtain metering services.

What are these new entities, the power supply coordinator, and the meter bill collect company or meter data management agent? What are their functions? Modeled after the California Independent System Operator, the power supply coordinator will forecast load, manage schedules, provide settlements, acquire ancillary services, act as an ISO for distribution and probably manage service outages. It will not read meters—that function will fall to the meter bill collect company, which may, perhaps, install as well as own the meters. This MBC will supply billing-ready data and may even process bills for the ESPs, competing for that business against other MBCs.

But how will the infrastructure work with all these new entities?

Here lie some fundamental questions. How will ESPs, UDCs, MBCs and MDMAs transmit this sensitive data back and forth between each other? What sort of communications networks will they use?

Some vendors in the automated meter reading business have already come to rely on proprietary communications networks to receive and transmit data. However, a switch to public networks would allow the industry to escape from this monopolistic and closed model. In fact, these public networks already exist and provide almost complete coverage of the United States.

### Consumer Credit: A Model for Meters

The future of electricity metering is best understood not by looking at the telecom industry, but by looking at the whole process of consumer retail credit.

In retail markets generally, the bank acts as credit provider. Through credit cards and other deals, it offers consumer credit and acts as intermediary for cash transactions between consumers and the retail establishment. The ESP can also act as a "bank" (as do Sears and AT&T through their Discover and Universal cards). The ESP sells energy to the consumer, makes deals and handles the cash between the consumer and the supplier.

The Visa or MasterCard system uses an information technology infrastructure to process applications for credit at the point-of-sale terminal and then processes transactions to the bank. Visa takes no financial position in the transaction but collects a transaction fee. The metering company acts like Visa. It provides the IT infrastructure to process the data but does not take a financial position in the transaction.

Will consumer metering go the way of the credit industry, operating with just a few large players? The answer may depend on the size of the customer.

For large customers or for large, special-purpose suppliers, branded metering will exist analogous to supplier-specific credit cards, such as those offered by large department stores, oil companies, and the like. Large ESPs may even tie value-added services to branded metering—the equivalent of frequent-flyer miles, or the American Express corporate card with its special usage billing reports. However, most retail establishments that offer their own branded cards will also accept stand-alone credit cards, such as Visa, MasterCard or American Express, and it is likely that residential meters will follow this pattern—a few large metering companies, unaffiliated with any ESPs.

The UDC, meanwhile, is a bit like the retail store: It sells goods (energy) under the manufacturer's (ESPs) branding

and linking into the credit (metering) system. There is, of course, a subtle difference. The UDC must "carry" energy offered by all interested suppliers, perhaps including other UDCs, whereas the retail store can select the goods it offers, leaving the customer the choice of which store to patronize.

Thus, the UDC operates like a shipper, as does the ISO. Their customers are the ESPs—not consumers. This role change will lead to different supplier relationships as consumers learn to take service problems to the ESPs. And, just as carriers such as FedEx allow shippers to access their IT systems to identify problems, UDCs will have to allow ESPs to access systems (like trouble call management) to identify and handle customer problems. The meter then looks like a key part of the seller's IT system, which functions like the point-of-sale terminal. It has automatic links to the credit (metering) systems and to the store (ESP and UDC) systems. The retail store uses its POS terminal to drive inventory management and ordering. The UDC and the ESP will use the meter to drive scheduling, forecasting and value-added services. The metering companies use it just as banks and Visa use POS information.

This analogy implies that standards will come along for metering data exchange that will allow any meter to be read by different metering companies or "store" systems. Meter manufacturers will focus on ease of use and consumer features just as POS terminals have focused on bar-code reader design and check clearing and checking systems. Metering systems companies will focus on the information they can provide to ESPs and UDCs.

Finally, note that the store no longer has to buy the card reader from the credit card company as they used to with American Express. Today, the store is free to buy the card reader as part of its IT systems, adapted in many cases to the type of store (i.e., groceries have different bar code

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readers than hardware stores, for instance). This pattern suggests that at the end of electric restructuring, energy customers will have a say in selecting their meter, so long as it meets standards.

### The Meter Appliance: "Smart" or "Dumb"?

Just as superior electronic phones replaced the rotary telephone, the modern "smart" meter will replace the "dumb" electromechanical meter omnipresent in American homes and businesses today.

Smart meters will incorporate the latest microprocessors, communications and applications to take advantage of the opportunities of competition. Two key technologies needed to bring this transformation about are available today: smart, affordable meters and low-cost, pervasive, public, two-way radio networks such as cellular phone and pager networks. The missing ingredient is the regulatory (deregulatory?) framework that allows the competitive market to apply these technologies, including open standards for meter-communications and data models.

The "smart" meter (such as the ABB Alpha meter) has been available to larger business customers using three-phase power for several years; nearly one million have been

## California Metering Rules: An Interview with ORA Engineers

**O**n Dec. 3, 1997, the California Public Utilities Commission issued Decision 97-12-048, ironing out details for deregulation of the electric metering industry, a process begun in May 1997, in Decision 97-05-039, in which it announced the unbundling of "revenue-cycle services," including electric metering.

The December order responded to a report issued by the PUC's Meter and Data Communications Standards Workshop. It was notable for appearing to cut back on the extent of meter deregulation. For example, the order appeared to give no right to direct access customers to choose their own meter service provider or meter data management agent. Instead, energy service providers and utility distribution companies will take over the role of meter service providers and meter data management agents, with the right to assign those tasks to independent vendors, if they so choose.

Does that model achieve the vision of meter unbundling? For an interpretation, Bruce W. Radford, editor of the *Fortnightly*, solicited comments from Anthony Mazy, a utility engineer with the state's Office of Ratepayer Advocates, who originally proposed to unbundle meter services in California.

**BWR:** Do you have any general comments on Decision 97-12-048?

**AM:** While I do not speak for ORA management, much less the CPUC, I think that it is safe to say that we are very pleased with the [December] metering decision. It adopts, substantially intact and frequently verbatim, the ORA and Joint Parties positions offered in the workshops and in formal comments on record. Many of the positions offered in the decision as derived from the workshop report were, in fact, taken from ORA and other Joint Parties' submissions in that process. While it is gratifying to find our proposals

accepted and adopted by the workshop participants, I also take a lot of pride in being part of a group that took the initiative to develop these proposals.

I only found two outright errors in the decision. First, it did not include the names of all of the parties in our group. Others who participated included PacifiCorp and Southern California Gas Co., the energy services provider Illinova Energy Partners, the metering services provider Data and Metering Specialties, the Industry Canada Task Force, and customer representatives Share Plus (a hospital consortium), the U.S. Dept. of Defense (as facilities manager of extensive properties in the state) and the Utilities Consumers Action Network.

Secondly, it was erroneously reported that the Automated Meter Reading Association has rescinded its cosponsorship of our proposals when, in fact, AMRA had never been a cosponsor, but IEEE SCC 31 having at one time been incorrectly identified as AMRA.

**BWR:** Please comment on why the decision makes ESPs and UDCs the MDMA and MSP.

**AM:** While ORA has recommended near-term empowerment of customers to select their own MSPs and MDMAs, we never expected this to be implemented immediately. Incremental unbundling was to be expected, given the unprecedented scope of electric restructuring.

**BWR:** Why give discretion to ESPs or UDCs to subcontract to other vendors?

**AM:** I don't believe that this is anything new, as traditional utilities have always been rather free to apportion their operations between in-house employees and outside contractors as they saw fit, with only broad PUC oversight. "Micromanagement" has been a

successfully deployed in the United States to date; 96 percent of all polyphase meters sold today are electronic. These meters, such as the ABB PowerPlus Alpha, provide much more than simple kilowatt-hour energy measurement; they provide power quality monitoring, outage detection, two-way communications and real-time pricing. Customers also can use electronic meters with a computer to retrieve current or historic usage. Lower-cost, single-phase versions of the same electronic meters are available.

With the growth of the smart meter has also come an entirely new family of application software that allows customers to improve energy quality. Applications available to consumers via smart meters will include better monitoring

and management of energy consumption; tracking of service quality, outage duration and power quality; monitoring of large-appliance loads and power-conditioning effects; and even advanced energy control and control of loads such as air conditioners in response to energy prices. Features can also be added to the meter to enhance power-system reliability, such as autonomous response to low-frequency and low-voltage conditions or to provide whole-house surge protection.

New, smart meters are 20 percent more

## Anthony Mazy

bad word for some time now.

**BWR:** Why can't customers choose their own MSP or MDMA?

**AM:** While we never expected customer choice to be immediately established for all of the so-called "revenue-cycle" services, ORA does recommend this as a goal of restructuring. Customer choice at this level, involving as it does multiple parties, can only take place under sufficient standardization so that all parties can feel comfortable in their expectations for the provided functions. The PUC seems to adopt this approach, in its language at the end of section III.B.2.B. [p. 4]:

"We see merit in eventually allowing customers to choose their own individual metering services from different providers. . . . If systems can be developed to address these [safety, reliability, and accuracy] concerns, we would be willing to revisit the further unbundling of metering services in the future."

**BWR:** Is this what you envisioned with revenue-cycle unbundling?

**AM:** Establishing the principles of interoperability, open architecture, national standards and an orderly and expeditious migration as the essential requirements for meaningful customer choice was our expressed goal. We have achieved that, so, yes, we got what we asked for. But, again, unbundling and electric restructuring are far from being finished.

For one thing, California is the first state to implement such extensive unbundling services as a key means of implementing direct access. This hasn't been without controversy. In 1998, we'll find out which other states have the backbone to participate in the creation of a new industry instead of protecting the status quo.

Also, when we began this process, many of us understood it as

an adjustment —albeit a big one— to the electric services industry, one that changed the rules for utilities, but didn't change the fundamental vision of what electric energy service was. The more we look into these issues, the more answers we find that further challenge assumptions about the "way things are supposed to be." Now, we are coming to believe that this is the beginning of the end of the entire electric services industry as we know it—or as we are capable of recognizing it. Whether the UDCs are the "center of the universe" may not be a very interesting question if the universe we know changes into something else fundamentally different.

**BWR:** Has the vision been achieved?

**AM:** We are far from finished with metering, much less electric restructuring, but the ORA Joint Parties have clearly taken the high ground in this proceeding. We could quibble with the PUC's judgment in certain details of implementation, but we also recognize that part of their job is to mitigate the impacts of change for stakeholders. The PUC did adopt our proposal to embark upon a deliberate migration from UDC-based "standards" to national standards.

The Permanent Standards Working Group established by the PUC will provide a mechanism to review available national standards for adoption as law by the state of California, much as local governments review and adopt periodic editions of the uniform building codes. There will always be room to adjust national standards for the real situations faced by various locales, but the market for electric services is just too big to be defined by the provincial concerns of 50 different states. Having established in the California record and policy the principles of interoperability, open architecture, and national standards, reasonable details will surely follow in good time.

accurate than the old ones. The standard for electromechanical meters is that they should be accurate to within 0.5 percent of full scale when new. Over time, as they wear, they slow and become less accurate. This inaccuracy is biased in favor of the consumer and lost in the rate base. Tomorrow someone will have to pay for it.

### Network Connections: Public or Private?

Today there are automatic meter reading systems that use special-purpose, proprietary and private communications networks to communicate with the meters. Older systems employed power line carrier technology (PLC) which used the actual electric power line to reach the meter. Today private radio networks are used instead. In either case, a communications module is installed in the meter to send meter reading data out over the pri-

mate system. While PLC is a viable option, it offers limited capability and bandwidth.

Just as PLC was necessarily a "closed" system owned by the utility and only usable by them, the current model for private radio networks is the same. These private radio networks are only usable for metering, have limited communications capabilities compared with public networks such as cellular phones and require their own slot in the electromagnetic spectrum. They are only financially viable if they are widely deployed in a high residential density. Such radio networks come with a large up-front cost to "build-out" the system of repeaters and network devices. In the past, these up-front costs would be put in the utility rate base and recovered from the rate payers.

Public communications networks would allow the electric industry to escape from this monopolistic and closed model, encouraging innovation. In an open and public metering environment a consumer will be able to interact with their meter via their personal computer over the Internet and run application software to analyze their energy usage. Smart meters can be integrated closely with the cellular phone network and modem electronics to provide metering and

## A Second Opinion on Network Architecture

Why a "closed" system is actually "open."

By Chris S. King

**M**ETERING issues can be confusing, especially as they relate to new technologies and electric deregulation. However, only three guiding principles are needed to protect consumers and to ensure fair competition.

First, consumers need accuracy, safety and reliability. These are ensured through adherence to ANSI C12 standards.

Second, they need public "open" access to both meters and communications (with passwords to protect privacy). The residential or commercial consumer and their chosen energy supplier must be able to read whatever meter is on that consumer's house or business. If that meter is read remotely via a communications network, the consumer needs open access to that network.

Third, consumers need low-cost. Open access is only viable if it is economical. To illustrate, consumers have low-cost, open access to telephone network devices (both wired and wireless), because any equipment manufacturer can obtain the interface protocol at no or low cost.

Closed, proprietary technology—whether in a network, a meter, or elsewhere—inhibits competition by obstructing access to some consumers or energy suppliers. Excessive interface licensing fees, much as proprietary technology, also obstruct open access.

CellNet is an example of an "open" network. In California, any energy supplier or customer can subscribe to CellNet's communications services, and any manufacturer can obtain the interface to CellNet's networks at essentially no cost. CellNet encourages other network providers, as well as meter manufacturers, to provide similar open access.

When the California and New York commissions established "open architecture" requirements for metering (see CPUC D.97-05-039 and NY PSC Order 97-13), this is the type of consumer protection they had in mind. **E**

Chris King is vice president of strategic planning and regulatory affairs at CellNet Data Systems Inc.

enhanced services via public networks without the need for large, up-front investments in private communications or the allocation of scarce electromagnetic spectrum for these purposes. Similarly, an open environment for metering would allow consumers to choose a metering system provider—whether it be the UDC, the ESP or a communications company. The consumer could choose to invest themselves in a sophisticated meter if they wanted the additional benefits, or they could elect the lowest cost basic service available.

And public networks already exist. They already provide essentially 100-percent coverage across the U.S. Their costs are kept low by a fiercely competitive industry, while the consumer has a choice of network providers and cellular phone products to use. There are 50 million cellular phones in use today and 65 million pagers. By 2002 there will be more cellular phones in use than residential households.

By contrast, the current private network and meter communications module technology would have the industry make large investments in adding communications to existing electromechanical meters. This investment would lock the public into the existing “dumb” meter for years to come with no possibility of innovation, competition or added benefit.

Today, many industrial and commercial customers suffer from degraded power quality because of the increasing number of electronic power supplies in computers and other equipment and microprocessor-controlled motors or drives. These devices generally provide improved efficiency and equipment or appliance life, but they do so at a cost—they introduce harmonics into the power system. These harmonics, when present beyond system design parameters, can damage equipment in both the consumer and utility facilities, can increase energy losses, and can cause sensitive electronic equipment to trip off line. Smart meters can identify the source of these harmonics so that appropriate corrective measures can be taken. Smart meters save the consumer and the utility money by performing the data collection and analysis. Otherwise this job requires an engineer or technician to make a prolonged visit and install special-purpose monitoring equipment or conduct manual diagnostics.

In the future, accurate data about power quality and service availability will become all the more important as the last regulated sector, the “wireco” (distribution company) falls under performance-based rate making. The frequency and length of outages will supply the critical PBR parameters by which a “wireco” can be measured. The meter and an independent metering system are the best source of this information.

## Real-Time Data: Essential for Direct Access

Direct access only increases the need for the precision and advanced capabilities of smart meters. The challenges cover a wide range, from real-time pricing to transmission congestion.

True real-time pricing requires that the usage and price be computed on short time periods—15 minutes anticipated today and possibly five minutes in the future. Reading the meter like this may frequently be beyond the capacity of the private AMR radio network technology; smart meters can retain the information and allow daily or monthly reads as desired. In California, New England and New York, the development of independent system operators has already shown the need for advanced meters for accurate measurement, settlements and accounting.

In fact, ISOs do more than assure reliability and efficient transmission. They must deal with scheduling deliveries, accounting and settling up. These tasks turn out to be as large a technical challenge as the electric operations. The California and New York ISO systems are encountering these challenges and addressing them today.

Granted, California is a large market, but nonetheless it sets the principle that the ISO will end up with a transaction processing requirement as large as any used in American commerce today. Add to this the desire of the industry and Federal Energy Regulatory Commission to move to Internet technology, and you have one of the largest information technology system challenges around today. As was said earlier, the California projects are showing that providing the needed solution is feasible, but the challenge should not be underestimated. **F**

---

Ralph D. Masiello is vice president for business development, ABB Information Systems division of ABB Power T&D Col Inc., the leading manufacturer of electric meters in North America.



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Statement of Donald P. Schnacke  
Before the Senate Utilities Committee  
SCR 1616  
February 16, 1998

The subject matter contained in SCR 1616 is very important and should require the immediate attention of the legislature.

Requiring the repayment of Kansas advalorem taxes, interest and penalties by Kansas natural gas producers by the Federal Energy Regulatory Commission is perhaps the most significant mis-carriage of justice that I have witnessed in my entire professional career.

Producers were ordered to pass the Kansas advalorem tax through the rate base to consumers since 1974. Kansas producers and royalty owners did what was asked, relying on the federal agency involved - FERC. Later when FERC reversed itself, they ordered refunds of taxes and interest paid after 1988. On appeal the court pushed back the repayment to 1983 which added up to over \$500 million. The industry tried to appeal this order but the U.S. Supreme Court refused to accept the appeal.

Governor Graves, Attorney General Stovall, and the State Corporation Commission all weighed in on this issue. The entire Kansas Congressional delegation sponsored two bills aimed at getting relief on interest and penalties, which is about two-thirds the total.

Passage of this resolution will help when hearings are scheduled in the Congress - hopefully in March.

We will appreciate your prompt action in the passage of SCR 1616.

Donald P. Schnacke  
for the  
Kansas Independent Oil & Gas Association

DPS:sm

Senate Utilities  
2-16-98  
3-1

Attach. 4

STATE OF KANSAS

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OFFICE OF THE GOVERNOR

MEMORANDUM

**TO:** Senate Utilities Committee  
**FROM:** Jamie Clover Adams, Legislative Liaison  
**DATE:** 16 February 1998  
**SUBJECT:** Senate Concurrent Resolution 1616

*Jamie*

Madam Chair and members of the committee, thank you for the opportunity to appear in support of Senate Concurrent Resolution 1616. The Administration has been actively following this issue for quite some time.

Governor Graves is extremely frustrated with the recent action of the Federal Regulatory Energy Commission (FERC) requiring Kansas producers to pay interest and penalties on taxes passed through to consumers from 1983-1988. What makes the situation worse is that FERC authorized the inclusion of the Kansas taxes in the rates. This penalty is punishment for which no wrong was done. It is unreasonable to require producers to pay the penalty of interest on the sums that have to be refunded because the FERC orders were nullified. He also finds it difficult to accept the proposition that those who invested in the exploration for and development of the natural resources of our state, for the benefit of Kansas citizens, would find themselves penalized because the form of taxation was different in Kansas than in other states.

We have done all that we can at the state level. The ball is now in the Congressional delegation's court. As the resolution points out, two bills have been introduced to absolve Kansas producers of the interest and penalties on the refunds owed. This resolution is very important because it provides another opportunity to show state government support for fair and equitable resolution to this issue for Kansas producers.

On behalf of the Governor, I urge favorable consideration of this resolution. Thank you for the opportunity to appear before you today. I would be happy to answer any questions you may have.

*Senate Utilities  
2-16-98  
4-1*

Attach. 5

Approved: Feb. 16, 1998  
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 2, 1998 in Room 531-N of the Capitol.

All members were present except:  
Sen. Hensley was excused

Committee staff present: Lynne Holt, Legislative Research Department  
Mary Torrence, Revisor of Statutes  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:  
Steve Miller, Sunflower Electric Power Cooperative  
David Dittmore, Corporation Commission  
Earnest Lehman, Western Resources  
Bruce Graham, Kansas Electric Power Cooperative  
Jon Miles, Kansas Electric Cooperatives  
Susan Cunningham, Kansas City Power and Light  
Barbara Hueter, Enron  
J. C. Long, Utilicorp United, Inc.

Others attending: See attached list

Sen. Ranson recognized Steve Miller, who proposed a bill be drafted which would deregulate electric cooperatives with less than 15,000 customers and explained it would apply to only four in the state. Sen. Morris made a motion a bill be drafted, and it was seconded by Sen. Steffes; the motion passed. There were no other bill requests.

Sen. Ranson announced the committee will hear **SB 436-establishes the joint committee on taxation of public utilities to study and make recommendations regarding taxation of deregulated electric generation public utilities.** The following appeared to offer testimony as proponents:

- David Dittmore, (Attachment 2)
- Earnest Lehman, (Attachment 3)
- Bruce Graham, (Attachment 4)
- Jon Miles, (Attachment 5)
- Susan Cunningham, (Attachment 6)
- Barbara Hueter, (Attachment 7)
- J. C. Long, (Attachment 8)

Written testimony submitted by Leslie Kaufman, Kansas Farm Bureau (Attachment 9)

The committee discussed several points which were emphasized in the testimony. Sen. Barone questioned Mr. Dittmore regarding the recommendation in his testimony to develop tax policies which will be competitively neutral. Mr. Dittmore responded that it is the Commission's desire that revenues be taxed more broadly, and to be sure out of state companies don't have an advantage over state companies. And he stated the tax structure should be formulated so that it does not discourage competition. The Chair noted his recommendation for an amendment to the bill. Mr. Lehman emphasized the fact that Kansas electric utilities pay higher taxes, and the second page of his testimony contains a table of estimates of tax components of electric bills. The third page of his testimony shows a graph which compares Kansas taxes with those of surrounding states. Mr. Graham's testimony contains language from Oklahoma legislation which provides that in the event a uniform tax policy which would allow competitors to be taxed fairly has not been established by a definite date, the effective date for implementing customer choice shall be extended. Sen Ranson called the provision to the attention of Ms. Torrence as a possible amendment to the bill.

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.

Senate Utilities  
2-16-98  
~~5~~ 5-1

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room 531- -N, Statehouse, at 1:30 p.m. on February 2, 1998.

In answer to questions regarding Enron Corporation, Ms. Hueter explained she is director of Government Affairs for Enron and her office is in Columbus, Ohio with responsibilities to cover the Midwest, and that Enron Energy Services is gearing up to sell retail in the state. Sen. Morris asked her who operates the Hugoton field, and she responded Enron Oil and Gas. The committee discussed graphs attached to the testimony of J. C. Long and Mr. Lehman and their sources. Sen. Ranson stated the joint committee, which the bill establishes, would go into more detail when studying tax ramifications. She also stated it appears that Kansans could have lower utility rates if taxes were lower. There were no other conferees.

Sen. Ranson called the committee's attention to the Minutes of the Meeting for January 22. Sen. Salisbury made a motion the Minutes be approved, and it was seconded by Sen. Barone. Sen. Brownlee called attention to Page 2, first paragraph and the statement regarding her intent of the legislation passed last year. She requested the wording be changed to read, "stated the intent of legislation passed last year was not reason to exempt the Williams Company". The chair recognized the request, and Sen. Salisbury requested her motion to include Sen. Brownlee's language, and Sen. Barone agreed with that addition. The Minutes were approved as corrected.

Sen. Ranson asked committee members to talk with Ms. Torrence regarding possible amendments to **SB 436** prior to meeting tomorrow. She also called attention to an article in the Legislative magazine on Nuclear Waste Disposal and the money which was collected with the intention of taking care of the problem.

Meeting adjourned at 2:25.

The next meeting is scheduled for February 3, 1998.

Approved: Feb. 16, 1998  
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 4, 1998 in Room 531-N of the Capitol.

All members were present except:  
Sens. Hensley and Lee were excused

Committee staff present: Lynne Holt, Legislative Research Department  
Mary Torrence, Revisor of Statutes  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:  
Jim Widener, General Manager, Kansas Municipal Energy Agency  
Louis Stroup, Jr., Executive Director, Kansas Municipal Utilities, Inc.

Others attending: See attached list

Sen. Ranson called attention to the Minutes of the Meeting of January 26 and 27 (Attachment 1). After reading the Minutes, Sen. Clark made a motion the Minutes be approved, and it was seconded by Sen. Brownlee; the Minutes were approved.

Sen. Ranson went over the agenda for next week with the committee and called attention to the KCCI Forum on Tuesday of next week and also to the fact that the committee will hold a hearing on Thursday for the unbundling bill at 1:00 in Room 313-S.

Sen. Ranson then introduced the following, who appeared as proponents for:  
**SB 491-municipal energy agencies:**

Jim Widener, (Attachment 2)  
Louis Stroup, Jr., (Attachment 3)

Committee members questioned Mr. Widener regarding how his agency is approaching deregulation, and he responded his agency is working on unbundling and cited two cities in particular. He stated that the municipals would be selling wholesale power and are working with cities under contract. Sen. Clark questioned Mr. Widener regarding contracts the municipals have and how they differ. Mr. Widener replied the cities who generate power generally have contracts with larger utilities at a lower cost. Cities who do not generate have to pay a "demand" charge during peak times, which is a higher rate. Sen. Clark also asked the typical length of time for their contracts, and Mr. Widener replied that they vary from five to fifteen years; that they have not intervened before the Corporation Commission on behalf of municipals; however, they have intervened on behalf of cities before the Federal Energy Regulatory Commission.

Attention was called to Section 2 of the bill, Lines 10 and 11, to remove the restriction and insert additional language to make it possible for KMEA members to sell electricity to brokers, marketers and other utilities. In answer to a question from Sen. Brownlee regarding members of KMEA becoming aggregators once retail wheeling is active, and Mr. Widener replied that with the proposed changes, they are precluded from selling retail; however, they will be working with the cities through the process. In answer to another question from Sen. Ranson, Mr. Widener stated it is possible that cities, who were previously not allowed to participate, could negotiate for lower rates. Mr. Widener stated they would have to wait until the contracts expire, then there would be a potential for lower rates.

Mr. Stroup spoke briefly in support of the bill and explained the restriction in the original bill was a compromise in order to get the legislation passed 21 years ago.

Committee discussed the bill and the proposed amendment removing the restriction, in Section 2. Sen. Salisbury made a motion the amendment be adopted, and it was seconded by Sen. Brownlee; the motion

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room 531- -N, Statehouse, at 1:30 p.m. on February 4, 1998.

passed. Sen. Clark made a motion the bill as amended be passed, and it was seconded by Sen. Barone. Roll call vote was taken, and the bill as amended passed unanimously.

Sen. Ranson called on Mary Torrence to explain a Resolution regarding a Federal Energy Regulatory Commission's Order. Ms. Torrence explained the Order required natural gas producers to pay penalties and interest on refunds for property taxes, retroactive to 1983. This came about because FERC reversed its previous action in 1993. The Resolution supports federal legislation which asks for a reversal of the penalty and interest Order. Sen. Morris made a motion the Resolution be introduced, and it was seconded by Sen. Clark; the motion passed.

Meeting adjourned at 2:10.

The next meeting is scheduled for February 5, 1998.

Approved: Feb 16, 1998  
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 5, 1998 in Room 531-N of the Capitol.

All members were present except:  
Sen. Hensley was excused

Committee staff present: Lynne Holt, Legislative Research Department  
Mary Torrence, Revisor of Statutes  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:  
David Dittimore, Director of Utilities, Corporation Commission  
Larry Holloway, Chief of Electric Operation, Corporation Commission  
Walker Hendrix, Consumer Counsel, Citizens' Utility Ratepayer Board (CURB)

Others attending: See attached list

Sen. Ranson called the committee's attention to a cartoon relating to deregulation which has been distributed to members.

Sen. Ranson announced the committee will hear a briefing on electric rate making, which is a precursor to consideration of the unbundling phase of deregulation. She introduced David Dittimore, who outlined powers and Rules of Practice and Procedure of the Corporation Commission (Attachment 1), as well as outlining rate case procedural requirements and appeal of Commission Orders. He also discussed determination of revenue requirements (the total the utility is allowed to collect), which include rate base, revenues, expenses and capital structure and rate of return. He also explained the revenue requirement calculation, and stated that coops use difference calculations to arrive at rates.

Sen. Barone asked for clarification, and stated the Corporation Commission staff proposes and recommends to the three commissioners, who make up the Corporation Commission, and they act as judge and jury and make the final decision. Mr. Dittimore also pointed out that if, after staff recommendations the commissioners are unable to make a decision on a rate matter, the case proceeds to a contested hearing. Sen. Steffes commented on the right return on equity and stated it is one of the most contentious areas and includes additional revenue shareholders should receive. Mr. Dittimore responded that the rate of return varies, but is somewhere between 10 and 11 1/4 %. Sen. Clark asked specific questions regarding a utility in his district which has made application to be deregulated and asked advice for the ratepayer and how the ratepayers are to respond and have input into the process in order to present a case. Mr. Dittimore recalled some history connected with Sunflower Electric Power Cooperative's debt restructuring in the late 1980's, which involved resetting rates and contingencies.

Sen. Ranson then introduced Larry Holloway, who continued explaining the electric rate making process and began with rate design (Attachment 2). Rate design includes class allocations, development of rates, customer classes, special contracts and customer aggregation. He gave examples and pointed out differences between customer classes and also summarized the KGE KPL electric rate case.

Sen. Ranson then introduced Walker Hendrix, who presented additional information on rates (Attachment 3). He stated that CURB represents the residential customer, which includes representation in court cases. He stated that costs are a big issue; that rates are based on cost or the value of service and that they are complex and difficult for the lay person to understand.

Meeting adjourned at 2:30.

Next meeting will be February 9, 1998

SENATE BILL No. 502

By Committee on Utilities

1-26

9 AN ACT concerning retail electric bills to consumers; providing for dis-  
10 closure of certain components.

11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. (a) As used in this section:

13 (1) "Commission" means the state corporation commission.

14 (2) "Competitive transition charges" means any charges authorized  
15 by law to be assessed to retail electric consumers to recover costs, liabil-  
16 ities and investments that an electric public utility, electric cooperative  
17 or municipal electric utility would reasonably expect to recover under the  
18 existing regulatory structure but that would not otherwise be recovered  
19 as a result of implementation of competition in retail sales of generation  
20 service.

21 (3) "Distribution services" means services provided from the point  
22 where electricity enters the distribution system to the point at which the  
23 electricity is delivered to consumers.

24 (4) "Generation services" means provision of electricity and capacity  
25 to generate electricity but does not include transmission or distribution  
26 services.

27 (5) "Electric cooperative" means an electric cooperative public utility  
28 that is not subject to the jurisdiction of the commission.

29 (6) "Electric public utility" means an electric public utility, as defined  
30 by K.S.A. 66-101a and amendments thereto, that is subject to the juris-  
31 diction of the commission.

32 (7) "Transmission services" means services provided from the point  
33 where electricity is generated to the point at which the electricity enters  
34 the distribution system.

35 (8) "Universal service charges" means any charges authorized by law  
36 to be assessed to retail electric consumers to recover costs of public ben-  
37 efits related to provision of electricity.

38 (b) Before January 1, 1999, the commission shall adopt rules and  
39 regulations requiring that, on and after ~~January 1, 2000~~ an electric public  
40 utility's retail electric bills to consumers shall disclose the components  
41 specified by subsection (d) and such other components as the commission  
42 determines will adequately inform consumers.  
43

(3) "Customer services" means services to provide for the functions of metering and billing to customers, as well as administrative fees. [Enron]

but does not include any municipal electric utility or any portion thereof (KMU/ League)

(7) "Transactional taxes" means sales, use and franchise taxes. [Sen. Ranson]

January 1, 2001 [Western Resources, KCPL]

July 1, 2000 [KCC]

The commission may waive the date for compliance with the requirements of this subsection upon application of a utility and a showing of good cause for the utility's failure to comply by the date established by this subsection. If the commission waives the date for compliance by a utility, the commission shall set a later date by which the utility must comply with the requirements of this subsection. [Sen. Barone]

Attach. 6  
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6-1

January 1, 2001 [Western Resources, KCPL]  
July 1, 2000 [KCC]

1 (c) On and after ~~January 1, 2000~~  
2 (1) An electric cooperative public utility's retail electric bills to con-  
3 sumers shall disclose the components specified by subsection (d) and such  
4 additional components as the cooperative determines will adequately in-  
5 form consumers ~~and~~

. The cooperative may, for good cause, waive the date for compliance with the requirements of this subsection. If the cooperative waives the date for compliance, the cooperative shall set a later date by which the cooperative must comply with the requirements of this subsection. [Sen. Barone]

6 (2) a municipal electric utility's retail electric bills to consumers shall  
7 disclose the ~~components specified by subsection (d), the component at-~~  
8 ~~tributable to budgeted transfers to the city general fund and~~ such addi-  
9 tional components as the governing body of the municipality determines  
10 will adequately inform consumers.

following: (A) Generation service charges and purchased power costs; (B) distribution and transmission service charges; (C) the amount attributable to budgeted transfers to the city general fund; and (D) [KMU, League]

11 (d) The following components are required to be disclosed pursuant  
12 to subsections (b) and (c):

. The governing body of a municipality owning or operating a municipal electric utility may, for good cause, waive the date for such utility's compliance with the requirements of this subsection. If the date for compliance is waived, the governing body shall set a later date by which the utility must comply with the requirements of this subsection. [Sen. Barone]

- 13 (1) Generation service charges;
- 14 (2) distribution service charges;
- 15 (3) transmission service charges;
- 16 (4) competitive transition charges, if any;
- 17 (5) universal service charges, if any;
- 18 (6) transactional taxes relating to the sale or furnishing of electricity

19 at retail ~~and~~

(6) customer service charges [Enron]

20 ~~(7) the portion of the bill attributable to other taxes included in rates.~~  
21 Sec. 2. This act shall take effect and be in force from and after its  
22 publication in the ~~statute book~~

strike [KCC]

(\_) All reasonable costs of complying with the provisions of this section shall be recoverable through a competitive transition charge to be determined by the commission, except to the extent that the commission determines recovery will be completed through regulated rates. [Western Resources, KCPL]

(\_) The commission may waive the date for compliance with the requirements of subsection (b) or (c) upon application of a utility and a showing of good cause for the utility's failure to comply by the date established by this section. If the commission waives the date for compliance by a utility, the commission shall set a later date by which the utility must comply with the requirements of this section. [Sen. Barone]

Kansas register [Utilicorp]