



# kansas municipal utilities

*Submitted Testimony Provided the*

## **Senate Utilities Committee**

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### **House Bill 2032 – Deregulation of Municipal “Three-Mile” Customers**

Under existing statutes, the customers of municipal electric and natural gas utilities located more than three miles outside of city limits currently fall under the jurisdiction of the Kansas Corporation Commission (KCC). Municipal utilities serving these customers are required to secure approval from the KCC through a formal rate filing should they wish to modify their utility rates, charges or terms and conditions.

**KMU strongly supports House Bill 2032.** The language in HB 2032 was originally drafted as a compromise between KCC staff and KMU members and would allow municipal electric and natural gas utilities with customers more than three miles outside corporate limits to locally control their rates and conditions. The legislation provides numerous safeguards for current customers. In summary, KMU believes the legislation would save significant time, effort and resources both for municipal utilities and the staff of the KCC.

#### **What HB 2032 Does**

In lieu of the KCC requiring a formal rate request and subsequent economic and engineering analyses from a municipal electric or gas utility for their “three-mile” customers, the municipal utility would instead have local control and jurisdiction over the rates of these customers. For municipal utilities, control and oversight of rates, terms and conditions fall under locally-elected city councils or commissions. In a handful of cases, municipal utilities are governed by a locally-elected or appointed board of public utilities.

As part of this compromise legislation, HB 2032 requires that the rates and charges for these rural “three-mile” customers not exceed the rates and charges of those customers within city boundaries, even though the cost to serve them is nearly always higher.

**Table 1. Municipal Electric Utilities  
with KCC Jurisdictional Customers**

	<b>"Three Mile" Customers</b>	<b>Total Customers</b>
Anthony	284	1,954
Ashland	4	705
Burlingame	14	603
Clay Center	96	2,801
Coffeyville	61	6,931
Larned	3	2,621
McPherson	1,182	8,312
Pomona	20	547
Pratt	46	3,966
Russell	231	3,301
Sabetha	87	1,723
Sterling	12	1,169
Wellington	99	4,352
Winfield	1,035	8,194
<b>Total</b>	<b>3,174</b>	<b>47,179</b>

## Customers Affected

In Kansas, 14 municipal electric utilities and 19 municipal gas utilities have at least one customer more than three miles outside their city limits (*see Tables 1 and 2*). In total, 3,174 municipal electric utility customers would be impacted by HB 2032. This represents just over one percent of all municipal electric customers in Kansas (and 0.2% of all electric customers in Kansas). The number of municipal gas utility customers that the bill affects is 1,281. A total of 4,455 customers would be impacted.

## Safeguards

A number of safeguards are built into the compromise language to ensure that existing “three-mile” customers are not adversely impacted. Such safeguards include:

- “Three-mile” rates must mirror in-town rates
- “Three-mile” rates must not increase more than 10% in a given year
- Notice of any proposed changes in rates must be provided to “three-mile” customers
- Annual report submitted to the KCC
- A petition by 25% of a utility’s “three-mile” customers will trigger KCC investigation of municipal rates. KCC may order removal of unjust or unreasonable rates.

**Table 2. Municipal Natural Gas Utilities with KCC Jurisdictional Customers**

	"Three Mile" Customers	Total Customers
Alma	42	456
Alta Vista	167	397
Auburn	346	905
Aurora	16	67
Burlingame	31	576
Eskridge	405	698
Garden Plain	18	291
Harveyville	1	138
Jamestown	32	188
LaCygne	39	497
Longford	51	47
Milford	60	253
Morland	26	116
Palmer	4	75
Pawnee Rock	1	152
Rozel	13	123
Spearville	7	333
Uniontown	3	149
Winona	19	113
<b>Total</b>	<b>1,281</b>	<b>5,574</b>

would allow municipal utilities to offer new services and rates that might currently be infeasible due to the cost of a formal rate filing. We believe the legislation might also benefit the Kansas Corporation Commission by removing the administrative headache that reviewing provisions for a small subset of municipal customers imposes on the agency.

## Benefits

The primary benefit of the legislation is to standardize the manner by which municipal utilities are allowed to charge rates to their customers. Removing the requirement of a formal rate filing to modify the rates of jurisdictional customers would alleviate a big administrative headache for many municipal systems. The time associated with filling out paperwork for these customers is the top complaint of the municipal utilities with three-mile customers, particularly if there are only a handful of such meters served by the utility.

In addition, KMU believes that passage of the bill would reduce the time and resources currently required of the KCC to review filings, monitor annual reports, and generally keep track of jurisdictional municipal utility customers. The 4,455 such customers in Kansas are a very small subset of the overall Kansas consumers for whom the KCC is responsible.

## Conclusion

KMU believes that House Bill 2032 would be beneficial to its membership by removing a significant administrative burden on municipal utility management and personnel. In addition, the bill