

Senate Utilities Committee

Testimony in Support of SB 360

by

Scott Heidtbrink

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Mr. Chairman and members of the Committee:

My name is Scott Heidtbrink and I am the Vice-President of Operations for the Kansas and Colorado Gas division of Aquila, Inc. Prior to my present position, I served as state President of Aquila's Kansas electric operations, headquartered in Great Bend, and known at that time as WestPlains Energy. Aquila's Kansas gas operations, formerly Peoples Natural Gas and Kansas Public Service, provide reliable and economic natural gas service to over 100,000 retail gas customers in Lawrence, Wichita and southwest Kansas. Aquila's Kansas electric operations provide service to 68,500 retail and 23 wholesale customers in central and western Kansas. Within Kansas, Aquila owns and operates 563 megawatts of electric generation through four power stations, is a 16% participant (356 megawatts) in the Jeffrey Energy Center, and purchases the entire 110-megawatt output of the Gray County Wind Farm. In addition to generation, Aquila owns and operates over 1,083 miles of 115,000 and 230,000-volt transmission line.

On behalf of Aquila, I support the passage of Senate Bill 360.

Aquila appreciates the efforts of the Kansas legislature to previously enact legislation facilitating the construction of needed transmission infrastructure in Kansas. Passage of acts such as HB-2018, which provides for low-cost financing for transmission facilities, and SB-104, which provides for the regulatory pre-approval of transmission projects, make the construction of needed transmission facilities more financially attractive.

While the previously enacted legislation makes the construction of transmission facilities more feasible, it still doesn't address the time lag required for the utility to recover its investment. In order to recover its investment under current regulatory procedures, a utility must prepare and

file a case with the KCC to increase rates. This is an expensive and time-consuming procedure that can easily cost \$500,000 in Aquila's case and normally takes 240 days from the time the case is filed to when new rates can be put into effect.

But the 240 days is not representative of the actual time elapsed from when a transmission project is completed and when cost recovery in rates begins. Again under current regulatory procedures, a transmission project must be completed and placed in-service in or prior to the annual test period used in the rate case. The test period typically ends several months before the actual case can be filed. As a result, there can easily be a year or more of elapsed time before a utility can begin recouping its investment.

Under the proposed legislation, a utility would be authorized to annually adjust its rates based on the actual change in its transmission and distribution investment. The factors used to adjust the rates, including rate of return, would be the same as those approved in its most current rate case. If investment were higher in the current year than the previous, the utility would adjust its rates up.

Aquila views this proposed process as fair and equitable to the ratepayer and the utility. The ratepayer benefits from the reduced costs of fewer rate hearings, the cost of which is passed on to the ratepayer in its rates. The utility benefits by being able to timely recover its investment in transmission and distribution facilities without the need for an expensive and lengthy rate case.

Thank you Mr. Chairman for the opportunity to appear before you today in support of Senate Bill 360. I would be pleased to address any questions you may have.