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Urban Affairs Committee
March 03, 2009

[LB562 LB658]

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, March 3, 2009, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB562 and LB658. Senators present: Mike Friend, Chairperson; Amanda McGill, Vice Chairperson; Colby Coash; Tanya Cook; Steve Lathrop; and Kent Rogert. Senators absent: Tom White.

SENATOR FRIEND: This is the Urban Affairs Committee. We switched rooms. If you're looking for...who's in here when we're not, Ag? []

(UNKNOWN): Ag. []

SENATOR FRIEND: If you're looking for Ag, they're downstairs in our 1510. My name is Mike Friend and I'm from northwest Omaha, District 10. I will quickly introduce the folks that are here. Obviously, senators will come and go with bills so don't be offended by that. On my right is the Vice Chair of the committee, Senator Amanda McGill; and Bill Stadtwald is the research analyst; Beth Dinneen, to my left, is the committee clerk; Steve Lathrop is from Omaha, Senator Steve Lathrop; and Tanya Cook, Senator Tanya Cook, also from Omaha. If we could silence our cell phones and pagers, we would appreciate that. Everything is transcribed and we want to make sure that it doesn't get garbled. If you wish to testify, we have some green sheets you can fill out and please drop...please drop those right next...there's a box right out in front of the testifying table. If you don't wish to testify, you'd like your name entered in the record as a proponent or opponent, please fill out a white sheet, I believe. When you come up to testify, we're going to give you about five minutes. We've only got a couple of bills today. I don't think it's going to be a long process but you never know. If you can keep it to around five minutes we would appreciate that, just for the sake of not just expediency but efficiency. And if you could state and spell your name for the record, we would...the transcribers very much appreciate that, then I get yelled at if we don't have it that way. So no vocal displays of support or opposition. I don't think these are going to cause any of that but also one of those things you never know. With that, the committee has been joined by Senator Colby Coash from Lincoln, and I think with that, Senator Lathrop's bill is first on the agenda and that's LB562. The committee has been joined by Senator Kent Rogert from Tekamah. []

SENATOR LATHROP: Good afternoon, Mr. Chair and fellow members of the Urban Affairs Committee, my name is Steve Lathrop, L-a-t-h-r-o-p. I'm the state senator from District 12 in Omaha and the Ralston area. I'm here today to introduce LB562 that has to do with the MUD board of directors and the vacancy procedures. LB562 makes a change to state statute 14-2102, the statute that provides direction on the election of the board of directors for the Metropolitan Utility District service area. Under the current statute, registered voters within the boundaries of the district are eligible for the office of

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director, subject to the special qualification of residents for the outside member. There are seven elected members on the board with one being an outside member. The outside member resides within the MUD district but is outside the corporate limits of the city of Omaha. LB562 is very simple. It provides and would amend statutes so that if the area which is outside is annexed, the outside member may continue to serve in that capacity until the completion of their term in office. As the city of Omaha extends its reach through annexation, the likelihood of this taking place is increased. There is nothing hidden about this and it is as simple as it appears. This was brought to me by a constituent who was actually running for this position and recognized that the statute actually, until it's amended, could actually allow the city of Omaha to annex somebody right out of one of these special seats on the MUD board. I think we've had a similar accommodation to the OPPD board and there's...it's not a vehicle for some amendment to undo something over at MUD. It really is as simple as it appears and I would encourage the committee to move LB562 to the floor for General File debate or to the consent calendar for a quick pass. [LB562]

SENATOR FRIEND: Okay. Are there questions from committee members for Senator Lathrop? I don't see any. [LB562]

SENATOR LATHROP: Thank you. [LB562]

SENATOR FRIEND: Thank you. How many proponents on this particular bill? Any? Are there any opponents? Anyone wishing to testify at all on this bill? In a neutral capacity? [LB562]

DOUG CLARK: Yes, sir. [LB562]

SENATOR FRIEND: Please step forward. Let the record show there were no proponents or opponents. This is neutral testimony. [LB562]

DOUG CLARK: Chairman Friend, members of the Urban Affairs Committee, my name is Doug Clark, D-o-u-g C-l-a-r-k, vice president of marketing and government affairs for the Metropolitan Utilities District. The bill is as simple as the senator described, does exactly what the senator described, and the board of the directors of the Metropolitan Utilities District took a neutral position on the bill because it does exactly as he says. And if he can pass it on consent calendar, I'll ask him to introduce a lot of bills for me next year. (Laughter) [LB562]

SENATOR FRIEND: Are there questions from committee members for Mr. Clark? Doug, you just said the board actually voted on this? I mean it was a split board, is that what you mean by neutral? [LB562]

DOUG CLARK: We take a number...early on we'll take a number of bills to the board

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that we were interested in or feel...the management feels has a direct impact on the company and we will make a state recommendation for support, oppose, and/or neutral. On this one, because the bill was pretty clear, they took a neutral position. [LB562]

SENATOR FRIEND: Well, what I mean, though, is did they...and this is just for my...out of my...for my curiosity, satisfy my curiosity, did they take a vote and it was like 3 to 3 to 1 or how...I mean or did they just say we don't really care, I mean? [LB562]

DOUG CLARK: Usually, it's a very...these are the recommendations and the support is for the entire package and it's usually unanimous. [LB562]

SENATOR FRIEND: Okay. [LB562]

DOUG CLARK: Rarely does one bill get singled out but because you are in a board meeting and because the board can pull things apart and look at them differently, they have that ability to do so. But in this case, they did not. [LB562]

SENATOR FRIEND: Okay. Are there any other questions from committee members? I don't see any. Thank you. [LB562]

DOUG CLARK: Thank you very much. [LB562]

SENATOR LATHROP: I'll waive. [LB562]

SENATOR FRIEND: And Senator Lathrop waives closing. That will close the hearing on LB562. And I have to open on LB658, so Senator McGill. [LB562]

SENATOR MCGILL: All right. We'll open the hearing on LB658. [LB562]

SENATOR FRIEND: Thank you, Madam Chair and members of the Urban Affairs Committee. My name is Mike Friend, F-r-i-e-n-d, representing northwest Omaha, District 10. The bill, LB658, represents an attempt to continue a dialogue that we began last year or last session, I should say, with our consideration of LB1102. The bill places on the table one of the central issues in natural gas regulation--the balancing of the legitimate revenue interests of the natural gas utility and the concern for fair pricing to the consumer--by trying to establish a mechanism to permit a quicker response to changing conditions between general rate reviews. Our regulatory system is based on periodic rate reviews which seek to recognize changing conditions since the last rate review and establish a fair rate. These reviews are generally fairly expensive and they occur only after a period of several years. The bill here seeks to extract one element which can be identified and quantified and establishes a means to recognize its impact on prices and rates between rate reviews. LB658 would create a process to finance the replacement of infrastructure by a natural gas utility without the necessity of pursuing a

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full-scale rate review. A natural gas public utility providing natural gas service would be allowed, under this bill, to file a petition with the Public Service Commission to establish an infrastructure system replacement mechanism rate schedule, and it would also allow for the adjustment of the utility's rates to enable it to recover the cost for eligible infrastructure replacement. There's some examples of this. A natural gas utility plant projects eligible for the program would include items like mains, valves, service lines, regulator stations, vaults, and other pipeline system components, installed to comply with federal guidelines, federal safety requirements, things like that. Other projects extending the useful life or enhancing the integrity of a pipeline would be included, maybe system components, facility relocations, things of that nature, many things that are forced by the state, the federal government or the United States, a political subdivision of this state. Commissions cannot approve an infrastructure system replacement mechanism rate schedule if it would produce replacement revenue below the lesser of \$1 million or one-half of the utilities base revenue level, nor could the revenue exceed 10 percent of base revenue. A utility company requesting such a proposed rate schedule must have pursued a full-scale rate case within the last 60 months, and a company cannot collect the special revenue for any period exceeding 60 months. The infrastructure system replacement mechanism rate would be charged as a fixed...a monthly fixed charge and cannot increase more than 50 cents per residential customer over the base rates in effect for the initial filing of the infrastructure system replacement mechanism rate schedule. Subsequent filing shall not increase the monthly charge more than 50 cents per residential customer. The adoption of this legislation would facilitate costly but necessary infrastructure improvement projects while hopefully minimizing regulatory costs by eliminating the need for more frequent and, as I mentioned earlier, sometimes expensive general rate reviews. Now, you know, and I remember last year, I'm sure there's plenty of folks that want to testify. There are issues here with legislation like this, issues that probably need to be addressed. I think last year we didn't because we didn't exactly know how to address them, maybe we will this year. I'm not really sure. And I think that there are legitimate concerns on...by the parties, both the proponents and if there are opponents in the room, but I think they're worth discussing and worth investigating right now. With that, I'd be happy to try to answer any questions. I know the green copy is very similar to LB1102 last year but some enhancements were made this summer, thanks to the work of Mr. Stadtwald and also the folks that were interested in the legislation. So with that, I guess I would just say that there are plenty of folks behind me that can speak to some of the specifics and the problems that they're running into. So that's it. [LB658]

SENATOR MCGILL: Thank you, Chairman Friend. Any questions? Doesn't look like it. Thank you very much. [LB658]

SENATOR FRIEND: You bet. [LB658]

SENATOR MCGILL: We will start taking proponents, those in favor of the bill. [LB658]

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DON NORDELL: (Exhibit 1) Good afternoon, Chairman and members of the Urban Affairs Committee. My name is Don Nordell, D-o-n N-o-r-d-e-l-l, current Lincoln resident and former Ralston Ram, so. I'm director of business operations for Black Hills Energy and I'm appearing on behalf of Black Hills Energy in support of LB658. Black Hills Energy provides natural gas distribution service to 197,000 Nebraska customers in more than 110 communities in the eastern third of Nebraska, and employs about 475 people in Nebraska. Black Hills Energy has provided safe, reliable natural gas for more than 75 years in eastern Nebraska. There has been a great deal of publicity surrounding the concern for roads in Nebraska and how the state will continue to maintain and improve the system of roads that serves Nebraskans. The same problem of continuous investment for system maintenance costs exists with natural gas systems, however, the funding solution for gas systems lies in the rate-making process. LB658 authorizes the Nebraska Public Service Commission to use a shorter, less complex process to approve rate adjustments to maintain existing systems and for cost incurred when required to move or replace the distribution system to accommodate changes in our communities. The bill allows a natural gas public utility to file a petition and proposed rate schedules with the commission to establish or change infrastructure system replacement mechanism rate schedules that will allow for adjustment of the natural gas public utility's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. Jumping around here a little bit to make it brief. Why the changes? Black Hills Energy believes this approach to return on investment will encourage investor-owned utilities to continue maintaining the natural gas infrastructure at a high level of integrity, avoiding the deferred maintenance problems being faced by some systems that have begun charging a surcharge to recover similar costs. How does this benefit ratepayers? This bill has the potential to actually save ratepayers money and ensure a more modern natural gas system. First, by potentially deferring general rate cases, which are costly, until a later date, we save the time and resources of the utility's and the commission. Secondly, maintenance projects tend to increase in cost with time. When projects are completed in a timely manner the investment costs are typically lower. This also aligns the state's interest in safe operation of the system, also evidenced by the efforts of the State Fire Marshal, with reimbursement of cost to maintain the system. Next, the customers are only paying for investments that have already been completed, rather than building a fund for future infrastructure projects. This bill will also provide a more efficient natural gas distribution system. The company uses a prioritization process for capital projects, which focuses on mandated projects and projects necessary to ensure safety and reliability. A capital tracker allows the costs of integrity-related projects, which do not add growth to the system, to be recovered the next year. Finally, the theory behind the bill is a simple risk/reward ratio. Investor-owned utilities are going to be more likely to continue to improve natural gas systems if there appears to be a reasonable belief that there will be a reward for the expended capitol. In conclusion, we encourage the Urban Affairs Committee to advance LB658 to the floor of the Legislature for consideration. This

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legislation has the potential to ensure that the natural gas infrastructure in Nebraska stays current and service remains safe and reliable. With that, I'd be happy to answer any questions the committee may have. [LB658]

SENATOR MCGILL: Any questions from the committee? Doesn't look like it. Thank you, Mr. Nordell. [LB658]

DON NORDELL: Okay. Thank you. [LB658]

SENATOR MCGILL: Are there any other proponents? Anyone else here in favor of it? All right. [LB658]

ANDY POLLOCK: Senator McGill and members of the Urban Affairs Committee, my name is Andy Pollock, P-o-l-l-o-c-k. I am here on behalf of NorthWestern Energy as their registered lobbyist. NorthWestern Energy serves the people and businesses in the communities of Alba, Grand Island, North Platte, and Kearney, and we are here to support LB658. We supported LB1102, which was the bill that Senator Friend referenced which he also introduced last year, a very similar bill. One of the things that we had expressed a concern about in supporting LB1102 last year was the confidentiality of documents that were discovered as part of negotiations between a city and a natural gas utility, like NorthWestern. The Natural Gas Regulation Act gives the utility the option to go attempt to negotiate with the cities that it serves, and if the cities consent to negotiation, they may negotiate a rate case which is then submitted to the commission. If negotiations are successful and there's a settlement, they submit that to the commission. The commission reviews it and, unless there's something very wrong with it, they approve it. There was some concern last year that LB1102 would allow the documents produced during those negotiations to be disclosed and made public, and it was our position that they should not. The changes that I believe Senator Friend's office had made this year address those concerns and, with that, we fully support the bill and the concept behind it, as well as how it practically comes about. So if you have any questions, I'd be happy to try to address them. [LB658]

SENATOR MCGILL: Any questions? No. Thank you very much. [LB658]

ANDY POLLOCK: Thank you. [LB658]

SENATOR MCGILL: Any other proponents? Anyone else? All right, we'll move on to the opposition? Anyone here testify opposed? Before we get started, I'll also read into the record one letter of opposition from DeMaris Johnson, who's representing the Industrial Energy Users of Nebraska (Exhibit 2). [LB658]

ROGER COX: (Exhibit 3) Madam Chair, Senator Friend, members of the committee, my name is Roger Cox, R-o-g-e-r C-o-x. I believe that many of you have suffered through

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my testimony before but, Senator Cook and Senator Coash, it's their first opportunity so let me for the (laughter)...for the record and also for you tell you who I am and what I do. I am an attorney in private practice here in Lincoln. Since 2003, my firm and I have served in the capacity of the public advocate under the State Natural Gas Regulation Act. Under the terms of that act, my statutory charge is to represent the interests of what we call jurisdictional ratepayers, which would include all of your residential constituents and many, if not most, of your commercial constituents other than those who qualify for what we call high-volume ratepayers. I appeared last year in opposition to LB1102, with all due respect to Senator Friend, and I appear here today in opposition to LB658. I have provided two handouts to you. There is the long version which is extensive testimony dealing with some of the details of the bill. There's also a bullet point sheet to sort of highlight some of the high points, or low points, if you will. LB1102 was not advanced last session and I think that's the same appropriate disposition of this bill, although we appreciate your consideration of it. The system is not broken and I think it's important for those of you who may not have dealt with rate-making issues before to understand that in the general rate case what we do is we look at, and the commission looks at, all of the costs and all of the revenues of a utility. As you can expect, there are a lot of them, there are a lot of categories. They change over time. Some go up; some go down. We've even had situations where entire classifications or categories of expenses have gone away completely because a utility changes the way that it does business. When the commission sets rates, it's determining what the revenue requirements are for the utility, what an appropriate rate of return is, and based upon that they design rates, what the customers and the ratepayers will wind up paying. Infrastructure replacements are already part of general rate cases. They've been that way for 100 years or more and the system has been working fine. There's been testimony here, with all due respect to Mr. Nordell, about railroad crossings and safety requirements. Let me make a few basic observations. Number one, the gas utilities today are already fully obligated to make those changes. And this may not have been what Mr. Nordell intended, but it sounded to me as if he's saying we're holding off on a bunch of those unless we get this legislation. That would be an absolute breach of the sacred trust that utilities owe to their ratepayers here in this state. They have an obligation right now under the act to provide safe, reliable, and efficient natural gas service. It's all taken care of in rates now and it's something that the utilities have already put forth as cost, and it's dealt with regulatory lag. The problem with this bill is what I call single-issue rate making. It may well be that there will be infrastructure improvements that a utility needs to put in that will go up over time between rate cases. However, other expenses may have gone down, the level of revenues the utility earns may have gone up. If we pick just a single issue out we're skewing the rate-making process. We do not believe that LB658 would result in any increase in safety or efficiency or reliability. That's supposed to be there right now today. And part of the problem is this: Although the discussion and the testimony has been we have to deal with federal and state and roads safety requirements, the language of this is so broad it would apply to virtually every capital addition I have ever seen a natural gas rate utility

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put before a regulatory body for a rate case. You could oversize your pipes massively in hopes that you'll build a new subdivision in the future. Right now, that's the sort of thing we would resist, having the ratepayers pay the entire cost of currently because the utility is doing that in contemplation of future services, yet under this bill all of that would be recovered from the ratepayers. In the last Aquila rate case there was a substantial amount, approximately \$13 million of capital additions, that the commission determined were not appropriately supported by the utility, so they were not included in the utility's rate base. If this bill had been in place, that utility would have been able to recover those costs from ratepayers for years before we got to a general rate case. We believe also that LB658 would gut the due process protections of the ratepayers because when we do this general rate case process, which is looking at everything, the entire pie rather than a single slice, we have a balancing, and that's what the State Natural Gas Regulation Act says we're supposed to do. We're supposed to balance the interest of ratepayers on the one hand against the interest of the stockholders of the utility, and that's what the commission does when it sets its rates. There's two further practical problems: one, I believe that that may give rise to a constitutional issue that would have to be tested if this were adopted. The other problem is for me, as the public advocate, I have no way of knowing what the utility's other costs and revenues are at any given point in time. If this were to be adopted in law and utilities were permitted to come in for the single issue of increase in rates it might well be my duty to say, well, I have to start a general rate case so we can look at all of the costs, and then we would be in a situation where we might be having rate cases even more frequently. Historically in the state, one utility went 13 years before it came in for a rate case. I would submit to you, if they were having problems with not being able to improve their system, if they were suffering financial losses because of that, they certainly would have filed rate cases and come in. Why don't they do that? Because the other thing is offset and they're not under water. It's unfair to ratepayers to say you'll pay just for an increase in this, just as it would be to say, well, our office rent has gone up, never mind that we have more revenue from more customers. Lastly, there are some very specific problems with the language of the bill. I addressed those in my detailed written testimony and I've already taken enough of your time, but I'll be happy to answer any questions that you might have. I would encourage you not to advance LB658. [LB658]

SENATOR MCGILL: Thank you, Mr. Cox. Any questions? Doesn't look like it. Thank you very much. [LB658]

ROGER COX: Thank you very much. Uh-huh. [LB658]

SENATOR MCGILL: Any other opposition? No opposition? No further? One more. [LB658]

CHRIS DIBBERN: Good afternoon, members of the committee. My name is Chris Dibbern, C-h-r-i-s D-i-b-b-e-r-n, and I'm the general counsel for the Nebraska Municipal

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Power Pool. I am here opposed to LB658. For the past five years the State Natural Gas Regulation Act has proceeded and, under this committee's jurisdiction and due to the hard work of many people on this committee and its staff and the Public Service Commission and the consumer advocate, it has saved customers millions of dollars and given a fair rate of return to the natural gas companies in Nebraska. The state act has accomplished many of the original goals of natural gas regulation and I want to thank Senator Friend for his leadership in natural gas and it's because of this committee that we have the Natural Gas Regulation Act. The Public Service Commission has thoughtfully interpreted the statutes. They've adjudicated cases, negotiated cases, settled cases, all within rate rules and regulations. Those rules were adopted, processed. There were workshops. There's opportunities to weigh in on the record. The Public Service Commission dockets are on the Web site. And there have been over a dozen large decisions that have come out of the PSC in the past five years, and you cannot evaluate LB658 without knowing what has occurred in the past. A proper rate case, timely filed, would handle all the concerns of a company and LB658 is just not needed. LB658 takes one portion of a rate case, the infrastructure requirements portion, and allows the company to bill it in advance of a rate case. LB658 is simply a \$6 tax without a justified case. It adds funds for one area without looking at the total picture. It's a shortcut, and I think you heard that in the proponents, that violates the rate of return principles in a regulated industry. There are four problems with LB658. It defines what eligible infrastructure is, and it's not well-defined and it's too wide. There's some odd language that allows speculation regarding what it is. On page 3, line 8, it starts with "eligible infrastructure" and it means: (a) it's utility plant that do not increase revenue by connecting to new customers, so it's saying this is not for new customers, that's the way I read (a); (b) it's for eligible utility plants that are in service and used and required to be used, so that tells me it's the old plant service. And it may be aging, I'll give them that, so they have the old plant in service that is used and may be required to be used. And then it tells you (c) that were not included in the natural gas public utility's base rate, so now that gets me confused because the old plant service is included in their base rates. So I think it's very wide what eligible systems replacement means. LB658 does not take into consideration if the company needs the revenue or if the plant is aging or if the building is speculative, something for the future, or if it's prudent. Mr. Cox mentioned that to you. It is automatic that if infrastructure put in place, they get to put this replacement mechanism revenue. The company may be overearning at the same time it puts on this surcharge. We just don't know. We also question, are they keeping a separate set of books that track this revenue and is it overbuilt and does the plant actually have to be in service in the future? Throughout the bill the word "mechanism," which is a really odd, ambiguous bill to be putting in statute, yet it is used in LB658 as just another word for a surcharge or for a tax. On page 12, there are upper limits of the lesser of \$1 million or one-half of the rate base revenue level approved by the commission. So you can imagine that at least our three largest companies would likely put in \$1 million surcharge a year. On page 19, the company filing for this change says it would not be deemed a rate increase and I know that 50 cents a month is certainly a

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rate increase. Infrastructure surcharges do exist in other states but I've not found a lot in natural gas. I found them in water systems, aging water systems, but not in natural gas, per se. Refunds are available under the bill but what happens to Grandma who passes away or that family who moves to a new location? Do they really ever get back their payments? On page 17, it is on a monthly fixed charge and it's not on a volumetric consumption, so that means that it hits the lower income harder, so everyone pays it. The 50 cents is \$6 a year, and with every filing it could increase another 50 cents, so I'm not sure if it could be \$6, \$12, \$18, \$24, or \$30 at the end of the five years. It's unclear whether the surcharge is reset to zero after a filing. And lastly, LB658 is not needed. If new companies acquire aging assets and they were not well maintained, that is partially our fault for not properly regulating gas companies for the last 50 years. But if the buying company has used due diligence and inspected the system and properly priced it, this bill should not be needed. The customer should not have to pay this surcharge on infrastructure that they have already paid for in the past rates. In summary, LB658 is a new tax on natural gas customers. It's unfair, it's ambiguous, and it's a shortcut that's not needed. Any questions? [LB658]

SENATOR MCGILL: All right, thank you. Questions? No. Thank you very much. There any other opponents here to testify? Anyone here in a neutral capacity? [LB658]

JERRY VAP: (Exhibit 4) Senator McGill, members of the committee, my name is Jerry Vap, that's spelled J-e-r-r-y V-a-p. I represent the 5th District of the Nebraska Public Service Commission. The commission is interested in ways to improve the efficiency of the rate-making process for utilities; however, it is also a responsibility to carefully examine the impact to customers. To that end, I'd like to highlight a few policy issues for the committee to consider. First, it's important to recognize that this bill represents a significant departure from current policy. It allows a utility to collect costs from the customer before the commission evaluates the prudence of those costs. Additionally, the costs we're talking about would otherwise be borne by the utility until the next rate case. This bill shifts those costs to customers, who will be paying higher rates sooner, with significantly less commission scrutiny than under the current system. Second, the new paradigm presented by the bill doesn't offer an opportunity to evaluate whether the ability to surcharge reduces risk to the utility such that the utility's rate of return should be reduced. Though the commission could examine this issue in a subsequent rate case, it could be up to five years later under the bill or whenever the utility files a rate case at some time in the future. The law parallels a Kansas statute that was adopted in 2006. The Kansas statute was adopted from an Iowa statute, so we're getting around to the full circle here, but there is one important difference--the cap on the amount of the surcharge. Kansas has a cap of 40 cents; this bill has a cap of 50 cents per month. That's 25 percent more than Kansas has. The cap is the amount that the surcharge may increase each year. As a result, after five years a utility could implement a rate increase of \$2.50 without full commission review. On a more technical note, factors in setting the surcharge are based on an average of certain numbers. The bill uses only the utility's

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side of the most recent rate case. It would make more sense and would be only fair to customers to average the recommendations of the utility and the public advocate. It is critical that this change be made in order for this part of the bill to be equitable. I have a few additional technical issues to point out, but I won't describe them at length. They are evidentiary concerns regarding the commission report described in the bill, applicable depreciation rates, and the use of a nondisclosure agreement. These issues are outlined in the attachment to my testimony. In summary, this proposal presents important considerations for the committee to evaluate and would at a minimum require addressing those issues before this bill is moved to the floor or moved out of committee. I would be happy to answer any questions if you have any. [LB658]

SENATOR MCGILL: Thank you. Are there any questions? Doesn't look like it. Thank you very much for coming down. [LB658]

JERRY VAP: Thank you for the opportunity to testify. [LB658]

SENATOR MCGILL: Any other neutral testimony? Okay, not seeing any, Senator Friend to close. [LB658]

SENATOR FRIEND: Thank you, Madam Chair and members of the committee. I only want to say that I'm certainly not perplexed or confused by the opposition. As a matter of fact, it's similar to what we dealt with in LB1102. I'd only say that the thought process, if there's any that perplexes me it's the idea that...and Commissioner Vap, I've known him and I think he made some decent points as well, but I think the intent here is not to subvert accountability, especially from the PSC. On the contrary, to receive the proposed rates, the utility is required to submit the proposed rate schedule and supporting documentation to the commission. I think what we're talking about is, in a...from a really high-level standpoint, is to try to bring investor owned utilities to the same table, to a certain degree as far as rates and rate changes are concerned, that...their counterparts in the public sector. I mean, it's my understanding, and I could be wrong about this, if MUD wants to change rates they quickly...I mean they can move with catlike quickness and it doesn't happen for the investor owns. That's the...these are the conversations I've been having for the last two years and the problems that they're running into. So I understand the opposition, I understand the neutral testimony. As I mentioned in my opening, there are issues here that I think we have to deal with but I think there's specific language issues that might allow us to get over that hurdle. I guess I'll...that's all I'd really have to say at this point and I'd be happy to answer any questions. [LB658]

SENATOR MCGILL: Yeah, any final questions? Doesn't look like it. Thank you, Senator Friend, and that ends the hearing on LB658 and our hearing for the day. [LB658]

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Disposition of Bills:

LB562 - Placed on General File.

LB658 - Placed on General File with amendments.

Chairperson

Committee Clerk