

Senate Utilities Committee

Senator Clark, Chair

Senate Bill 522

February 20, 2004

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Chairman Clark, Members of the Committee:

I am appearing in support of S.B. 522, a bill of great interest to the school districts who are attempting to better manage scarce resources during difficult budgetary times. I have served as the Energy Manager for the Olathe School District for twelve years. One of my duties is the management of the transport gas service. In addition, the district is a member of the Greenbush Energy Group, a natural gas buying consortium, made up of fifty school districts and sponsored by the Southeast Kansas School Service Center at Greenbush.

Schools are changing how they do business. A prime example is the change in how schools view utilities. For many school districts the largest expense after salaries and benefits is utilities. Transporting natural gas is but one example of school districts following the admonition of the legislature and the public "to act more like a business".

Traditionally, transportation service primarily served large industry. In an effort to be good stewards of tax dollars and manage rising costs, schools have undertaken the efforts necessary to comply with this complex business practice. My experience has been while business tends to focus on the dollars and sometimes overlook the pennies, school districts focus on the pennies, which turn into dollars.

Cash Out charges are an example of the pennies turning into dollars. Cash Out adjustments are by nature punitive. In fact, representatives from several utilities have told me "cash out is a necessary deterrent to encourage transporters to have the amount of natural gas put in the system and their usage in balance". If out of balance, customers are either using someone else's natural gas or putting excess natural gas into the system.

If a punitive cash out is necessary and meant to encourage customers to be in balance, utilities need to provide transportation customers a system in which the customer, with reasonable effort, can stay in balance and avoid punitive charges.

Timely communication is essential to such a system. On February 9th, the Wichita School District received a communication from their utility representative informing them of their Required Daily Quantity amounts to be in effect November 1, 2003 through October 31, 2004. The date on the correspondence was February 5, 2004.

Nominations: Utilities have been casual about reading meters on the last working day of the month. If you don't know the number of days in the utilities' month, it's impossible to make nominations that match usage and avoid punitive penalties. To make matters worse, if the utility is early on the front month by a day or two, it makes the next month long by the same amount, or vice versa.

Changes of procedure or accounting practice may make things easier at the utility but, without advance notification, end users can find themselves out of balance and facing cash out charges. Advance notification is critical to customers being able to do their business in a proper fashion.

While timely invoice rectification is a convenience, the existing process is lengthy. Information must be exchanged from utility to pipeline to marketer making it common for billing invoices to lag usage by up to sixty days. When errors occur, it can take another sixty days to send the corrected information back through the system. Tracking these corrections is an expense in time and manpower. Olathe District Schools has been transporting gas since 1996. When we changed the number of school sites that were transporting gas as of July 1, 2003, the billing format for July showed state, county, and city taxes, unlike previous statements. It took until December 2003 to rectify all of the adjustments.

Without the necessary ingredients for a system which allows customers to avoid punitive cash out penalties, I suggest a system in which the utility finds another means as a deterrent. Perhaps, denying transportation service for a period of time to offenders of the system, similar to what is now in place to keep transporters from switching back and forth from general service to transportation service depending on market conditions.

The Greenbush Energy Group conducts annual training for clerks, business managers, and administrators who have the responsibility of managing the business of natural gas transportation service. The management of transportation service is not an easy business. It has many complexities and a significant amount of risk. Those who undertake to conduct this business in a proper fashion should get all the pennies for their efforts. They should not have to sacrifice because a punitive, cumbersome system is necessary to protect the utility and the pipeline.

I want to thank the committee for undertaking this issue. I realize there are often no simple answers to complex questions.

I will stand for any questions you may have.