



102 W. 7th Street • P.O. Box 1629 • (620) 252-6163
Coffeyville, Kansas 67337-0949

February 13, 2012

Re: Opposition to HB 2661

Chairman Holmes and Members of the Committee on Energy and Utilities:

After attempts to establish electric service with a private enterprise all through the 1890's failed, the citizens of the City of Coffeyville took matters into their own hands by overwhelmingly passing a bond issue in 1900 to construct an electric light and power plant. Construction was completed in 1901.

Since that time, the citizens have operated the municipal business to the benefit of the citizens, much as an Investor-Owned Utility (IOU) operates to the benefit of its customers and shareholders. The majority of the revenue is reinvested in the utility to continue providing reliable service at the lowest possible cost.

Just as an IOU pays property taxes to the entities in which they operate, the City of Coffeyville makes a Payment In Lieu of Taxes (PILOT) to the City's General Fund. The PILOT is used to fund City projects and services the same as property taxes paid to cities by an IOU are used.

Projects and services within the corporate city limits funded by a municipal utility PILOT do benefit rural residents. For example, rural residents drive on city streets to access doctors, hospitals, grocery and retail stores, etc. In Coffeyville, the citizen owners are using profits from their electric utility to help pay for school building improvements, which is a direct benefit to rural utility customers.

Finally, implementation of this proposed legislation would require a complete overhaul of the current rate structures, requiring an expensive cost of service study in order to remove the PILOT for rural customers.

In summary, the City of Coffeyville opposes HB 2661 and encourages you to vote against its passage.

Respectfully,

Jeffrey D. Morris
City Manager

HOUSE ENERGY AND UTILITIES

DATE: 2/13/2012

ATTACHMENT 8