

Citizens' Utility Ratepayer Board

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SENATE UTILITIES COMMITTEE **Sub. H.B. 2516**

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
March 9, 2004

Chairman Clark and members of the committee:

Thank you for this opportunity to appear before you today to offer testimony on H.B. 2516. The Citizens' Utility Ratepayer Board opposes several provisions in this bill.

CURB testified in opposition to H.B. 2516 before the House Utilities Committee, and we were pleased that several of CURB's concerns were addressed in the substitute version. However, we have a few remaining concerns that we would like to see addressed.

First of all, as a general matter, it may be a laudable policy goal to encourage upgrading our electric systems in Kansas by providing additional incentives for investment in such projects, but CURB is concerned about any legislation that may turn the customers of the regulated utilities in Kansas into the primary financiers of projects that don't directly benefit them, or that may require Kansas utility customers to subsidize projects that don't benefit Kansans at all.

For example, New Section 3 requires capital expenditures for transmission to be recovered over fifteen years, instead of spreading recovery over the life of the facility. This would require increasing consumer rates. If the new transmission will truly be of use to Kansas customers, there is no reason to accelerate recovery so dramatically. This Section should be removed from the bill.

Second, when customers are paying for a generation plant in rates, any excess revenue that is generated from off-system sales is normally used to defray consumer

costs. But New Section 7 would allow the utility to retain 10% of the net profits from sales of electricity to customers outside of the state. This means that Kansans will be subsidizing out-of-state customers of other utilities. Since the apparent intent of this bill is to improve electricity infrastructure for the benefit of Kansas, this Section should be removed from the bill.

Third, New Section 8 provides that “prudent” expenditures on research and development *shall* be included in rates. (See Page 3, Line 25). However, in circumstances where there is no direct benefit to Kansas consumers, the KCC may find it difficult to determine the “prudency” of certain expenditures. If the word “shall” were changed to “may,” the Commission would retain the discretion it needs to protect customers from paying for R & D measures that provide no direct benefit to Kansas consumers. We would not oppose this provision if so amended.