

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
Randy Brown, Vice-Chair
Carol I. Faucher, Member
Laura L. McClure, Member
A.W. Dirks, Member



State of Kansas

Kathleen Sebelius, Governor

David Springe, Consumer Counsel
1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone: (785) 271-3200
Fax: (785) 271-3116
<http://curb.kansas.gov>

HOUSE UTILITIES COMMITTEE H.B. 2013

Testimony on Behalf of the Citizens' Utility Ratepayer Board

By David Springe, Consumer Counsel

January 21, 2009

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2013. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

CURB is supportive of the efforts of Kansas utilities to increase the level of renewable electric generation resources in their generation portfolios. Each Kansas utility, to varying degrees, has added wind resources to its resource portfolio in the last few years.

However, CURB does not support a prescriptive mandate as to (1) the level of renewable resources required, or (2) the timing of adding renewable resources to a utility's system. Each utility system is different from a resource perspective and from a finance perspective. Arbitrarily dictating the level and timing of adding resources, regardless of cost or other considerations, is not in the interest of consumers. HB 2013 is a prescriptive mandate that disregards what may be in the best interest of consumers. CURB does not believe that this bill should be passed.

It is possible that each Kansas utility will meet the requirement in this bill regardless of these proposed mandates. However, there may be a legitimate reason why a utility cannot, or perhaps should not, be constrained by these deadlines. For example, if a wind developer knows that a utility must meet a statutorily imposed deadline for acquiring wind power, the utility loses bargaining power. It could also be the case that a utility does not have the necessary natural gas fired generation available to back additional wind at the deadline. It should not be Kansas policy that consumer interests or consumer utility rates are secondary to political expediency.

If the Committee passes the state level renewable electric generation standard in HB 2013, CURB requests that the Committee also include an amendment to K.S.A. 66-117(e)(1) to eliminate the language that allows a utility to collect an incentive rate of return for adding renewable resources to its system. Ratepayers should not have to pay the cost of mandated renewable generation resources and at the same time pay utility shareholders additional money as an incentive for meeting a mandate. A mandate should eliminate the need for incentive payments which only serve to increase consumer rates.

Thank you.

Proposed amendment:

K.S.A. 66-117(e) Upon a showing by a public utility before the state corporation commission at a public hearing and a finding by the commission that such utility has invested in projects or systems that can be reasonably expected ~~(1) to produce energy from and renewable resource other than nuclear for the use of its customers, (2)~~ to cause the conservation of energy used by its customers, or (3) to bring about the more efficient use of energy by its customers, the commission may allow a return on such investment equal to the increment of from ½% to 2% plus an amount equal to the rate of return fixed for the utility's other investment in property found by the commission to be used or required to be used in its services to the public.