

Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE H.B. 2116

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 2, 2009

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2116. The Citizens' Utility Ratepayer Board is neutral on this bill but has the following concerns:

This bill requires electric utilities to develop and implement energy efficiency and load management programs which shall provide information, technical assistance and incentives to each type of customer and customer class.

CURB supports increasing energy efficiency and conservation in Kansas. However, there may be other ways to increase this type of service in Kansas that do not rely on the electric utilities. While electric utilities may be the obvious choice for certain load management type programs that require a centralized control function, (cycling of thermostats during peak periods) many states have found that the incentive the electric utility has to sell more power overrides the incentive the utility has to encourage its customers to use less energy. Therefore, these states use an independent third party provider of energy efficiency programs. Independent third party providers overcome the inherent conflict a utility may have when asked to sell less of its product, can operate across utility territories providing a consistency of programs and message to all customers and avoid the duplication in labor and expenses it takes for each utility to develop its own programs. Given that utilities often require regulatory mechanisms that reward shareholders for providing this service, independent providers may be a more economically efficient way to deliver programs

While this bill does not preclude other methods of providing energy efficiency and conservation services in Kansas, it creates a strong presumption in favor of having Kansas utilities provide energy efficiency and conservation services to Kansas customers. CURB does not believe that utilities should have this presumption.

The bill also requires the consideration of PAYS (Pay As You Save) programs. PAYS programs loan customers money for energy efficiency upgrades and then the customer pays the loan back on the utility bill. If the program works correctly, and the analysis is done correctly, the customer will only borrow money where the savings on utility bill from the efficiency upgrades is larger than the loan payment for the efficiency equipment. Midwest Energy currently

operates a program like using these principles. CURB supported Midwest's efforts to start this program and worked closely with Midwest to add processes and protections that benefited both the customer and Midwest Energy. The program is extremely labor intensive to administer and may not be cost effective from a utility standpoint. However, Midwest is a customer owned cooperative and offers this program as a service to its customers. That does not mean the program would stand on its own otherwise, and should not be required without a thorough investigation of the costs, and benefits of operating the program.

CURB's main concern about the PAYS type program is that it turns the electric utility into a bank with a large profit incentive to make loans to customers. Utilities can make money loaning money and have a collection mechanism that no other entity in Kansas has if the customer cannot pay the loan. The utility is allowed to simply shut off the customer's utility service until payment is made. CURB is concerned about this potential for abuse in allowing our electric utilities to become banks and unregulated collections agencies.

To the extent the bill only requires consideration of the program, CURB is neutral. CURB would oppose the bill if the program becomes required and would certainly recommend protections be included in any law requiring this type of program.

Thank you.