

Citizens' Utility Ratepayer Board

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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>

SENATE UTILITIES COMMITTEE SB 284

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
March 11, 2009

Chairman Apple and members of the committee:

The Citizens' Utility Ratepayer Board supports this bill for the following reasons:

Energy prices have been climbing in recent years and will continue to climb in the future. Utilities are spending billions of dollars to upgrade facilities to meet demand, meet environmental requirements, enhance the transmission system and make the distribution system more efficient. Add to this the cost of renewable energy and the potential cost of carbon regulation and it is clear that consumer bills will not go down in the future. Natural gas prices have also been volatile in the last few years affecting the many customers that use natural gas to heat their homes. Consumers are struggling to pay their bills and the current recession has only exacerbated this problem. Consumers need help.

SB 284 is a clear statement that the intent of the legislature to help consumers reduce energy use and reduce energy bills. To accomplish this goal, the bill mandates the creation and funding of an independent entity guided by an independent board with one singular purpose: *"to achieve reductions in energy use through increasing the level of cost effective energy efficiency, conservation and education available to Kansas citizens."*

CURB has been a strong advocate for energy efficiency and conservation, both in the legislature and at the Kansas Corporation Commission. Up to this point, the Kansas Corporation Commission appears content to let the regulated public utilities be the only source of energy efficiency and conservation programs for their customers.

Why an independent entity?

- An independent entity can offer consistent programs and a consistent message across different utility territories. This generates consumer focus on the entity and its purpose, and achieves economies of scale in administration and delivery of programs not possible with individual utility programs. Currently programs differ from utility to utility.
- Provides an independent source of information to consumers and avoids the incentive for electric utilities to promote electric products and for natural gas utilities to promote natural gas products. Consumer can make independent decisions.

- Independent model has been used successfully in other states¹: Vermont, Oregon, New York, Wisconsin, Maine, and New Jersey. Delaware just created an independent “sustainable energy utility”.
- Can leverage funds in the Federal Stimulus package intended for energy efficiency and conservation efforts.
- An independent entity with a single purpose is not conflicted about its objective. Investor owned utilities increase revenue and profit by building plant and selling units of energy. Promoting conservation will decrease a utility’s revenue and profit. This is a fundamental conflict. The board believes utilities will never take conservation seriously².
- Avoids having to create other regulatory mechanisms or laws to “incent” utilities to offer conservation, including decoupling mechanisms, lost revenue mechanisms, capitalization of expense mechanisms, shared savings mechanisms.

What the bill does.

- Provides a clear statement that it is the intent of the legislature to help consumers reduce energy use and reduce energy bills.
- Requires the KCC to create a non-profit entity to pursue the goals of the act.
- Requires the KCC to appoint an independent board to oversee the entity.
- Requires the KCC to establish a charge on consumer bills to fund the entity in an amount no less than ½ of 1% of utility retail revenues.
- Requires the KCC energy programs division to begin the process of develop guidelines for the entity including designing goals and objectives, setting program priorities, developing program infrastructure and recommending appropriate staffing and budgets until the board is able to take over these functions.
- Allows, but does not require customer owned cooperatives and municipal utilities to opt into the service.

¹ According to the American Council for an Energy Efficient Economy’s 2008 State Energy Efficiency Scorecard, five of the top ten states ranked for Utility and Public Benefits Efficiency Programs and Policies had independent entities like that created in SB 284.

² In response to CURB’s suggested rate design changes meant to encourage conservation in the current KCP&L rate case, a KCP&L Vice President of Regulatory Affairs filed testimony stating “Mr. Kalcic (CURB’s witness) indicated the Commission should implement policy that encourages conservation. I disagree, Commission policy should encourage the most efficient use of electricity, not conservation of electricity.” KCC Docket No. 09-KCPE-246-RTS, Rebuttal Testimony of Chris B. Giles, February 23, 2009.

- Requires the entity to maximize the cost effectiveness of delivered energy efficiency and conservation programs and maintain accountability to the utility and customer classes providing the funds that support the program.

What the bill does not do.

- Does not cut the KCC out of the process. The KCC is an integral part of the creation of the entity, appointing the board, beginning the process of establishing objectives and the verification of the entity's success. The bill is not prescriptive and allows KCC a level of discretion in carrying out the objectives stated in the bill.
- Does not cut the utilities out of the process. Utility participation is important to the overall success of the entity. Utilities can serve on the board of the entity. Utilities also still have very important roles to play in demand management programs and in investing in technologies and plant that allow the utility system to operate more efficiently. Utilities are free to do what utilities do best.

Funding in comparison to other initiatives.

- ½ of 1% of 2007 retail investor owned utility revenues equals about \$13 million for all investor owned utilities.
- By comparison.
 - Westar's 300 MW of wind is about \$45 million/year in consumer rates.
 - The Renewable Portfolio Standards passed by the Senate and House will require Westar alone to acquire an additional 600-800 MW's of wind, adding and additional \$80-\$130 million/year in rates.
 - Kansas Gas Service hedging program budget is \$14 million per year.

CURB believes that the most important thing this state can do for a consumer facing increasing energy bills is to give that consumer the tools and knowledge to manage and reduce energy use. This bill will create a customer funded, independent entity whose sole purpose is to help consumers reduce energy use. A consumer needs a simple, one stop, easy to access resource for energy efficiency and conservation information, programs, rebates and loans. A consumer needs the flexibility to access programs regardless of the utility territory in which the consumer lives. A consumer needs the independence to make decisions that are right for that consumer, not accept decisions that may further their serving utility's goals.

CURB believes that the consumer funded independent entity created in SB 284 is right answer for consumers and the right answer for Kansas. CURB strongly supports the passage of SB 284

Thank you for the opportunity to testify on this important bill.

2007 Retail Revenue

Utility	Residential Revenue	C&I Revenue	Lighting Revenue	Other Sales	Total
KCPL	218,510,763	221,947,952	5,073,619		445,532,334
Empire	10,639,257	9,864,084	147,000	375,479	21,025,820
Kansas Gas & Electric	235,918,879	361,276,330	4,428,219	0	601,623,428
Westar	255,243,884	351,908,328	5,428,292	0	612,580,504
Aquila (Blackhills)	80,551,997	28,845,948		15,157,152	124,555,097
Atmos	106,613,875	40,397,641	0	5,151,164	152,162,680
Kansas Gas Service	555,929,368	145,979,329	0	0	701,908,697

2,659,388,560

1/2 of 1% of retail sales:

13,296,943

Midwest Energy (Electric)	26,464,485	66,299,203	1,376,675	0	94,140,363
Midwest Energy (Gas)	27,425,639	13,273,162	0	0	40,698,801
Aquila	10,891,662	22,731,499	381,938	303,464	34,308,563

Source. 2007 FERC Form 2