

Citizens' Utility Ratepayer Board

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HOUSE TAXATION COMMITTEE H.B. 2549

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 16, 2010

Chairman Carlson and members of the committee, thank you for this opportunity to offer testimony on H.B. 2549. My testimony relates to those provisions in the bill reinstating the state sales tax on residential electric and natural gas utility bills.

The Citizens' Utility Ratepayer Board (CURB) is the statutory advocate for the residential and small commercial customers of regulated Kansas electric and natural gas utilities. CURB represents residential and small commercial customers in cases before the Kansas Corporation Commission, the Kansas courts and before the legislature on issues affecting utility rates. CURB is opposed to this bill and recommends removal of those portions of the bill that would reinstate the state sales tax on residential and small commercial utility customers.

Passage of H.B. 2549 will mean an immediate 5.3% across the board increase in residential electric and natural gas utility bills. The utility companies in Kansas will simply pass this tax increase directly to customers. Kansans are already facing increasing utility rates and a challenging economy. Maintaining electricity and heat in a home is a lifeline for many residential customers and may be the difference between having a home and being homelessness.

Utility customers in Kansas have faced a continuing series of rate increases over the last several years. In some cases, utility rates will be more than 40% above rates charged only a few years ago. I have included a list of some of the recent and currently pending major rate increases for the regulated Kansas utilities. Unfortunately, this trend of increasing utility rates is likely to continue into the future.

There are many reasons utility bills are increasing. Customers demand much of our utility system and utilities have an obligation to meet these needs. Some of our electric and natural gas infrastructure has become dated and Kansas utilities have increased investment to modernize resources. Fuel costs, like coal and natural gas, have been increasingly volatile and are often passed directly to customers on monthly bills. And environmental regulations and policies, at both the state and federal level, now require additional investment in power generation upgrades to produce power with reduced emissions, increase the amount of energy we produce from renewable sources, increase the ability of our transmission system to move power long distances, and to move towards high tech smart grid and smart meter systems.

During this same period, the Kansas legislature has changed laws to encourage utility investment, added mandates the utility must meet and increased the speed at which utilities can recover investments from customers. The Kansas Corporation Commission has also reinstituted monthly energy costs adjustments to flow fuel cost more directly to customers, allowed natural gas utilities to move bad debts directly into the monthly energy cost adjustment and on the Westar system, allowed an annual rate increase to pay for environmental improvements.

Utility customers are hurting, and anger is increasing. At a public hearing in Baxter Springs, Kansas, less than two weeks ago, related to Empire District Electric Company's current rate case, more than 150 of Empire's customers spent the evening learning about a proposed 40% rate increase. Many testified to the Kansas Corporation Commission about how devastating the proposed rate increase will be on families and local business. There was a general feeling that the Kansas Corporation Commission and elected officials are not being responsive to customer needs and the realities of our current economy.

There is an interesting parallel between today and 1979, when Governor Carlin made increasing electric utility rates a campaign issue. Utility rates were increasing and like today, Kansans did not feel that they had a voice in the process. Once elected, one measure that Governor Carlin used to help alleviate the rate pressure on customer bills was to remove the state sales tax from residential and small commercial utility bills. It was a measure to provide aid to customers in an otherwise challenging environment for utility customers. In an equally challenging economic environment today, H.B 2549 seeks to reinstate the sales tax Governor Carlin removed. CURB urges the committee to leave this valuable consumer protection in place.

Need for State Wide Energy Efficiency and Energy Conservation Program

If the Committee does not agree with this testimony, and does pass H.B. 2549, reinstating the state sales tax, CURB urges the Committee to take a portion of the tax revenues received and use the money to provide aid to Kansans that are struggling with increasing utility costs. Kansas should have a state wide energy efficiency and conservation program to help educate utility customers about using energy wisely and to help fund energy efficiency improvements to homes.

CURB has testified on numerous occasions that Kansas needs a state-wide energy efficiency and conservation program. CURB joined with AARP to sponsor legislation aimed at establishing this type of independent energy efficiency entity for the areas in Kansas that are serviced by regulated utilities. The bill (SB 284) is in the Senate Utilities Committee and was the subject of an interim hearing in the Joint Energy and Environment Committee.

After SB 284 was filed, Kansas received money under the federal stimulus bill with which the Kansas Corporation Commission established a state wide low interest loan program called Efficiency Kansas. Efficiency Kansas is intended to be available to all Kansas customers, in all areas of the state, but has a limited scope currently. This state-wide program should be expanded beyond just loans.

Energy affordability is becoming a crisis in Kansas. A state wide efficiency and conservation program should be incorporated into any increase in taxes.

Recent Rate Increases approved by the Kansas Corporation Commission.

(Does not include increase or decreases from changes in fuel costs, purchase power cost, wind generation contract costs, credits from capacity sales, off-system electric sales credits or other costs and credits which may be charged in the monthly Energy Cost Adjustment.)

Kansas City Power and Light

06-KCPE-828-RTS:

December 2006, \$29 million increase (8.95% residential increase)

07-KCPE-905-RTS:

November 2007, \$28 million increase. ECA adopted

09-KCPE-246-RTS

July 2009, \$59 million increase (14.5% residential increase)

10-KCPE-415-RTS (currently pending)

Late 2010, \$55.2 million increase requested (11.5% residential increase)

Westar Energy

08-WSEE-841-TAR

May 2008, ECRR Environmental, \$27.1 million increase

08-WSEE-1041-RTS

January 2009, \$130 million increase

09-WSEE-598-TAR

March 2009, TDC Transmission: \$32 million increase

09-WSEE-737-TAR

May 2009, ECRR Environmental: \$33.7 million increase

09-WSEE-925-RTS.

January 2010, \$17.1 million increase

10-WSEE-507-TAR (currently pending)

March 2010, TDC Transmission, \$6.4 million increase requested

Empire District Electric Company

04-EPDE-980-RTS

December 2005, \$2.15 million increase, ECA adopted, 17% increase

10-EPDE-314-RTS (currently pending)

August 2010, \$5.2 million increase requested (40% increase in base rates)

Mid Kansas Electric Company (Formerly WestPlains Electric)

09-MKEE-969-RTS

January 2010, \$12.7 million retail increase, \$6.5 million wholesale increase.

Kansas Electric Power Cooperative (No longer rate regulated)

08-KEPE-597-RTS

August 2008, \$5.6 million increase

Kansas Gas Service Company

06-KGSG-1209-RTS

November 2006, \$52 million increase. (28% residential base rate increase)

09-KGSG-199-TAR

December 2008, GSRS \$2.97 million increase

10-KGSG-155-TAR

December 2009, GSRS \$3.95 million increase

Atmos Energy

08-ATMG-280-RTS

May 2008, \$2.1 million increase

10-ATMG-133-TAR

December 2009, \$0.7 million

10-ATMG-495-RTS (currently pending)

September 2010, \$6.01 million requested (16% residential increase)

Black Hills (Formerly Aquila Natural Gas, subject to post merger rate moratorium)

07-AQLG-431-RTS

May 2007, \$5.1 million (7% residential increase)

09-BHCG-886-TAR

September 2009, GSRS \$0.5 million increase