

Citizens' Utility Ratepayer Board

Board Members:

Robert L. Harvey, Chair
Ellen K. Janoski, Vice-Chair
Brian Weber, Member
Bob Kovar, Member
James L. Mullin II, Member



State of Kansas

Sam Brownback, 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 S.B. 428

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
March 18, 2014

Chairman Apple and members of the committee:

Thank you for this opportunity to offer testimony on S.B. 428. The Citizens' Utility Ratepayer Board (CURB) supports the franchise fee cap contained in the bill.

S.B. 428 caps the franchise fee that a city can charge a utility at 5% of the gross receipts derived from service to utility customers within the city limits. As cities look for ways to maintain or even enhance services without having to increase taxes, fee increases, including franchise fee increases, may be seen as a ready source of increased revenues for the city. Ultimately, any increase in franchise fees required by a city is passed directly to utility customers as a utility bill increase. CURB supports this bill for the following reasons.

- The fee cap limits the amount of future bill increases utility customers will see as a result of franchise fee increases, at least on a percentage basis.
- Even though the cap is set at 5%, revenues to the city will likely continue to increase over time as utility rates increase. For example, electric utility rates have increased substantially over the last five years, and are likely to further increase in the future. Using a hypothetical Westar North Residential customer and actual rate changes 2009-2014, we can see that customer bills have increased and revenue under a 5% franchise fee has also increased. Franchise fee revenues increase 50% over the period.

Westar North (KPL)	<u>900 Kwh</u>	<u>5%</u>	<u>1500 Kwh</u>	<u>5%</u>
2009	\$ 69.75	\$ 3.49	\$115.92	\$ 5.80
2014	<u>\$105.4</u>	<u>\$ 5.27</u>	<u>\$174.45</u>	<u>\$ 8.72</u>
Increase		\$ 1.78		\$ 2.92
Percent revenue increase		51%		50%

- The cap is set at a level equal to the 5% gross receipts franchise cap on telecommunications local exchange service provides in existing law. (see p. 7, lines 6-12 of S.B. 428)

For these reasons, CURB supports capping the franchise fee at 5% as proposed in this bill and as equal to the 5% cap set forth in existing law for telecommunications local exchange service.

Thank you for this opportunity to testify on SB 428.