Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE
H.B. 2657

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
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Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2657. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

1. Energy Conservation and Efficency

CURB is neutral with regard to Section 1(a) and the requirement that the KCC shall authorize the electric and natural gas public utilities be allowed to recover their authorized rate of return on investments in Commission approved conservation and efficiency programs. However, CURB is concerned that as written, there is no requirement that the conservation and efficiency programs be "cost effective". CURB does not believe that the legislature would encourage conservation and efficiency programs that are not cost effective. As such, CURB believes it imperative that Section 1(a) be amended to include the requirement that the Commission only approve authorized rates of return on investment in "cost effective" Commission approved programs.

CURB is opposed to the language in Section 1(c). This language is similar to that in 1(a), except that the language in 1(c) applies only to commercial customers and does not contain any requirement that the Commission approves the energy conservation and efficiency programs or that the programs are cost effective. As written, the Commission will be forced to allow the authorized return to the utility on every dollar spent (as long as the commercial customer has an energy audit and is current on its bill), regardless of whether there are any energy savings. This is an irresponsible public policy. CURB would be more supportive of Commission approved, cost effective conservation programs, consistent with the suggested language in Section 1(a). CURB would recommend that Section 1(a) of the bill be amended to apply a consistent approach to all energy conservation and efficiency programs regardless of customer class.

2. Prepaid energy programs

CURB is strongly opposed to the language in Section 1(b) of the bill. While Section 1(b) purports to address energy efficiency and conservation programs, the Section requires that the Commission allow a utility's authorized rate of return on investment in programs designed to reduce uncollectible bills of only residential customers through prepaid energy cards or similar programs. Prepaid energy cards or similar programs are generally not considered to be energy conservation and efficiency programs. The bill goes on to state that these programs “place the responsibility for wise use of energy on customers at high risk of having uncollectible bills.” CURB knows of no evidence that would suggest that residential consumers that struggle and sometimes fail to pay their utility bill somehow fail to use energy wisely. Further the bill requires that before the Commission authorizes this recovery, the utility should be required to submit and receive approval for the utility’s policy for identifying such “high-risk” customers. The policies “shall” take into account previous failures to meet the terms of a payment plan agreement, and landlord preferences. CURB has no idea what “landlord preferences” means in this context, but would suggest that a customer’s failure to meet the terms of a previous payment plan may be more of a function of income level that the customers wise use of energy.

Uncollectible bills are a continuing problem, especially as customers are seeing record high natural gas prices on their bills. Many customers with inflexible incomes are struggling to pay their current bills. If a customer has a past due balance that they must also pay along with their current bill, this may simply be an impossible task. Given the high level of natural gas prices over the last few years, CURB believes more customers may be falling into this cycle, with no way to escape. Wise use of energy will not necessarily overcome the lack of income to make ends meet. CURB does not support what is proposed in Section 1(b) of the bill and recommends that the committee delete this language from the bill. We should not, as a policy, go down the path of deciding who shall receive heat in the winter though some policy of identifying who is “at risk” of not being able to pay. CURB believes we have more compassion as a state than is suggested by this policy.

Kansas as a state has a universal service fund to help provide affordable telephone service in high cost areas, and lifeline rates to allow low-income individuals access to the telephone network at reduced prices. We do these things because we believe it is important that everyone have access to the telephone network. We have no equivalent policy in Kansas when it comes to providing heat for homes in the winter. In fact the KCC has determined that it cannot offer a low income rate under the current law. The KCC did however recently change its policy regarding uncollectible accounts, allowing the gas utilities to flow the gas cost portion of uncollectible accounts (about 70% of the total) directly to consumer bills annually in the PGA, rather than though periodic rate cases. The effect of this change is that every year, the utilities will receive money, and be made whole, on the gas portion of all uncollectible accounts. The consumers who pay their bills provide the money that makes the gas utilities whole. In effect we have a universal service fund for gas utilities in this state, as they are protect from uncollectible bills and consumers provide this funding. The only people in the state that are not included in this program are the people that can’t pay their bills. It is possible that if these customers received an actual credit to their accounts for the money we pay the utilities for uncollectible costs, like they do though LIEAP credits, some of these customers could get back to being current on their bills, and be able to maintain that status going forward without the excess burden of past due balances and payment plans.