

Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE H.R. 5005

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
January 27, 2011

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.R. 5005. The Citizens' Utility Ratepayer Board is opposed to this resolution for the following reasons:

CURB appreciates the intent of HR 5005, which appears to set forth targets related to energy production and consumption in the state of Kansas. Discussions about energy policy in Kansas are always educational and beneficial. Of particular interest to CURB is how different policies may affect the utility bills that Kansas consumers pay.

The targets set forth in this resolution are not the result of public policy discussions and do not appear to be based on a consensus of relevant stakeholders. The targets are aggressive compared to current Kansas policy, and while most are technically achievable they are likely to be very expensive. The cost of meeting these targets will increase the utility rates and utility bills of Kansas consumers and Kansas businesses. Targets should not be set in the absence of information about the cost of meeting those targets.

Of concern to CURB is that the resolution states that "*we believe that Kansas' public, elected policymakers and executive agency personnel should have specific targets for energy development, consumption and cost containment*". While the resolution does set forth energy consumption and development targets, the resolution is silent on cost containment. If this resolution moves forward, some language must be included that modifies or excuses the need to meet a target if consumer impacts are too high. For example, a percentage increase cap in utility rates could be included.

In addition, by 2020, the resolution:

- Requires that at peak generation and consumption periods 20% of all electricity used by Kansas residential, commercial and industrial customers shall have been generated from renewable resources. The current Kansas Renewable Energy Standards Act requires 20% of "peak" load by 2020 be from renewable resources. Meeting the resolution target, which is based on energy, rather than the current

law, which is based on peak, will require far higher expenditures than currently required for renewable resources.

- Requires the KCC to coordinate with the Kansas Electric Utilities and the Southwest Power Pool to study and implement five energy storage projects to cost effectively address transmission line constraint relief, distributive generation reliability, electric distribution system reliability, and to firm renewable energy generation. While it may be technically feasible to use energy storage devices to accomplish some or all of these goals, requiring five be implemented when it is unclear whether any will be cost effective is an arbitrary requirement.
- Requires that growth in electric demand be cut to no more than a 10% increase without consumers experiencing a quality of life degradation. Kansas utilities currently have successful programs to reduce demand growth. While the 10% target is perhaps technically possible, further discussion would be needed to develop an economic profile for meeting this target. Further, the costs to achieve this reduction will likely increase rates to some customers. Higher rates will lead to higher bills for some consumers, making it difficult to say that the second requirement, that quality of life not be degraded for consumers, can be met with any certainty.
- Requires that 1000 miles of new and upgraded transmission be approved and constructed. There is no guidance regarding whether Kansas needs 1000 miles of transmission built or where the 1000 miles of transmission would be built. This is an arbitrary target with no technical or economic support. In addition, Kansas currently building transmission without this target.
- Requires that existing coal fired generation units shall reduce the rate of their carbon dioxide releases per BTU to equal or less than 125% natural gas generation plants constructed in 2009. CURB knows of no technology at this time that could be used to meet this target.

While CURB welcomes the opportunity to discuss Kansas energy policy, including how different energy policy initiatives will affect Kansas consumers and whether and how appropriate targets can be used to provide incentives to utilities, CURB opposes this resolution and the targets set forth therein.