



AARP Kansas
555 S. Kansas Avenue
Suite 201
Topeka, KS 66603
T 1-866-448-3619
F 785-232-8259
TTY 1-877-434-7598
www.aarp.org/ks

January 30, 2012

The Honorable Carl Holmes, Chair
House Energy and Utilities Committee

Reference: House Bill 2512—concerning natural gas public utilities; charging of interim rates legislation

Good morning Chairman Holmes and members of the House Energy and Utilities Committee. My name is David Wilson and I am a volunteer and the Past Volunteer State President for AARP Kansas. We represent more than 347,000 members in Kansas. Thank you for this opportunity to express our comments on HB 2512. AARP opposes HB 2512 because it allows changes in rate design that can prematurely have a significant impact on residential customers.

AARP believes that all consumers must be able to rely on the availability of safe, affordable, and high-quality utilities.

Home energy costs make up a considerable portion of household budgets. Exceedingly volatile natural gas, electricity, and fuel oil prices in recent years have significantly increased the energy burden facing many consumers. Older consumers are particularly vulnerable to rapid increases in energy prices. Although they consume approximately the same amount of energy as younger people do, older Americans devote a higher percentage of total spending to residential energy costs. This may be because older people spend a greater proportion of their income on home heating costs (even after adjusting for weather and home size). Low-income older households spend an average of 10 percent of their income on residential energy. However, about one of every four low-income older households spends 15 percent or more of their entire income on home energy bills. Too often, low-income older people risk their health or comfort by choosing between cutting back on energy expenditures and reducing spending for other necessities.

Indeed, for too many older people who live in low and moderate-income households, high and volatile home energy prices jeopardize the use of home heating and cooling and

HOUSE ENERGY AND UTILITIES

DATE: 1.30.2012

ATTACHMENT 4

increase the prospect of exposure to temperatures that are too hot in summer and too cold in winter. The potential consequences of exposure to such temperatures includes a host of adverse health outcomes, ranging from chronic health conditions made worse and food insecurity to premature death.

In an AARP 2011 survey, “Voices of 50+ Kansans: Dreams & Challenges,” 50 percent of those surveyed stated they had difficulty paying monthly utility costs. This survey sample demographics (n=400) reached across age, gender, ethnicity, party affiliation, member/non-member and income.

Regulators traditionally allow utilities to recover their costs only after a rate case review. Once set, the rates remain in place until a new rate case is filed and approved. A rate case ensures scrutiny of a utility’s costs. It gives regulators the opportunity to review any decreased costs that might at least partially offset the need for a rate increase and reduce the overall price to consumers. This process also provides strong motivation for a utility to minimize its costs between rate cases.

AARP opposes HB 2512, which would allow a gas utility to charge its customers “interim” rates 30 days after filing for a rate increase. The interim rates would cover the full amount of the requested rate increase, with the difference between the final rate increase and the interim rate increase subject to refund (with interest).

A rate case in Kansas takes up to 240 days, per the statute. That means that under this legislation, gas utility customers would pay higher rates for up to 210 days—or about 7 months—earlier than they otherwise would. Under current law, consumers don’t pay more until the rates have been reviewed and approved by the Kansas Corporation Commission (KCC). This is a big change in policy and in fairness for Kansas ratepayers. Current law is based on simple, fundamental fairness: a monopoly utility is not allowed to increase rates without first proving they are just and reasonable. HB 2512 appears to assume that any rate increase is fair before the review process even begins.

Kansans with low and fixed incomes and even middle class workers have been struggling to keep up with the costs of necessities such as heating their homes. Rather than make energy service more affordable, HB 2512 makes it less so, by turning Kansas law on its head and allowing immediate rate increases. Although this bill applies only to gas utilities, we fully expect electric utilities would ask for equal treatment. Why wouldn't they? It's money up front, without review by the KCC.

If this bill becomes law, Kansans will feel the full impact of utility rate requests almost immediately. They will know how much their family budgets are hurt, how much they have to suffer by cutting back on heat during cold winter days and nights. They will know just how bad their utility burden may get. If this bill becomes law, even more consumers can be expected to protest rate increases. AARP urges you to vote against this bill.

Overall, HB 2512 fails to provide a positive and meaningful benefit to consumers.

Therefore AARP believes that regulators should continue ensure that utility rate changes occur within the context of a full rate case review and only depart from this approach when a utility can demonstrate that extraordinary circumstances jeopardize its financial condition and require emergency or interim action. Therefore, we oppose HB 2512.

Thank you for the opportunity to offer comments. We respectfully request your opposition to HB 2512.

David Wilson