

March 12, 2018

The Honorable Joe Seiwert, Chair  
House Energy, Utilities and Telecommunications Committee

Reference: SB 279 - Gas Safety and Reliability Surcharge

Good morning Chairman Seiwert and Committee Members. My name is Ernest Kutzley and I am the Advocacy Director for AARP Kansas. AARP is a nonprofit, nonpartisan organization with a more than 315,000 members living in Kansas. AARP is dedicated to enhancing the quality of life for all as we age. Thank you for this opportunity to provide testimony in opposition of SB279.

Utilities such as natural gas are crucial to one's health and well-being. People must be able to pay a reasonable rate for heat in winter. Older and low income American households spend an average of up to 15 percent of their income on residential energy. Too often older adults with low incomes must choose between cutting back on energy expenditures and reducing spending for other necessities and may thus end up risking their health or comfort. Such exposure can lead to a host of adverse health outcomes, ranging from the aggravation of chronic health conditions to premature death.

In the past, surcharges were only permitted in limited circumstances for costs that *were substantial, volatile and uncontrollable, and that could harm the utilities' financial health*. Examples of such traditional surcharges include fuel and purchased power adjustment mechanisms for electric utilities and gas cost recovery mechanisms for natural gas distribution utilities. In recent years, however, requests for surcharges and tracking mechanisms by utilities have significantly increased for many different types of costs, including capital investments, for specific operating and maintenance expenses, and even for revenue losses. In some instances, the use of special ratemaking mechanisms such as surcharges and other tracking mechanisms have

proliferated to the point of becoming excessive and burdensome for regulators to monitor. The use of surcharges is a deviation from traditional ratemaking and puts customers at risk for overpaying for safe and reliable utility service. The use of numerous alternative ratemaking mechanisms and surcharges can defeat some of the primary principles of the rate-setting and regulatory review process. Surcharges can also result in undesirable consequences, such as reducing utility incentives to control costs and shifting utility business risks away from investors and onto customers. Such automatic mechanisms can lead to excessive rates, an inappropriate shifting of risks from stockholders to ratepayers, and decreased incentives to operate efficiently. Therefore these rate mechanisms should be denied.

For many consumers, home utility bills are becoming more and more cluttered with new fees and surcharges to pay for everything from the investment in new gas pipelines to environmental compliance costs. The imposition of these surcharges are a departure from the traditional utility rate-setting process and regulators need to carefully evaluate utility requests for additional surcharges on a case-by-case basis to determine whether there is a proper balance of meeting utility needs and assuring ratepayer protections.

SB 279 expands the gas surcharge to include gas investments generally, safety expenditures, and more. AARP opposes special surcharges of this type even if they are already in effect. They more appropriately belong in base rates so the KCC can examine offsetting cost reductions.

AARP Kansas opposes SB 279. We request you not support this bill.

Respectfully,  
Ernest Kutzley