

March 15, 2017

The Honorable Robert Olsen, Chairman  
Senate Utilities Committee

Good afternoon Chairman Olsen and members of the Senate Utilities Committee. My name is Ernest Kutzley and I am the Advocacy Director for AARP Kansas. AARP is a nonprofit, nonpartisan organization with a more than 320,000 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 our written concerns with SB 209.

Utilities—including telecommunications, electricity, natural gas, water, and sewer services—are all crucial to health and personal welfare. Older consumers tend to devote a higher percentage of their total spending towards residential energy costs than other age groups, and they often have special safety concerns with regard to their continued access to utility services. Energy affordability is a serious and pressing concern for our members

This legislation, SB 209, appears on its face to be a truth-in-billing law, but it may also contain more mischievous items for utility consumers lurking in sections (15), (17) and (18).

Section (15) addresses a flat meter service charge that covers the administrative costs, including billing, postage, software and any other overhead costs. What is included in “overhead costs”? While we might agree with other items on this point that should be included in the fixed monthly charge, we disagree with recovering a large part of distribution costs in this way.

Section (17) discusses a decommissioning fee charged to cover the costs of removing generation from service. Is this an attempt to create a new way to accelerate depreciation and raise utility rates through a surcharge?

Section (18) explains a demand charge based on the rate of electricity used at a specific point in time during the billing period. This provision appears to mandate demand charges on each Kansas utility bill. We have serious concerns with a mandatory shift of all residential consumers to "demand charges." This proposal is a radical change in how every residential consumer pays for energy, making bills confusing and rendering customers less able to manage their energy costs. It is another excuse for utilities to increase the fixed part of the bill, reducing the extent to which your utility bill is subject to usage.

Across the county, utilities are increasingly proposing higher mandatory fees and demand rates in an attempt to boost revenue. Demand rates are often sold as a way to more accurately account for the costs imposed on our energy system during the times of greatest overall demand, but individual consumer peaks do not correlate with system peaks. Demand Rates are confusing to consumers and can cause large increases in consumer bills. Traditionally, a residential customer's bill reflects primarily how much energy is used over a month. The more a customer consumes over a month, the higher his or her bill will be. This is simple to understand and encourages energy efficiency.

Demand charges measure the maximum kilowatt of use (or demand) during a period of time, usually 15, 30, or 60 minute intervals. A demand charge means customers must monitor their usage in smaller intervals, such as every 30 minutes. Turning on a dryer, a toaster, or a hair dryer at the wrong time can make your bill significantly higher. Because demand charges are complicated and hard to understand, they act in a similar fashion to a fixed charge, which a customer cannot reduce. No recent studies exist to determine how customers' behavior may change with a demand charge.

No state legislature has ever approved a demand charge on all residential customers, nor has a public utility commission approved demand charges on all residential

customers for any investor owned utility. The Kansas Corporation Commission should consider what is included as part of consumers' bills.

Energy efficiency is a serious concern to our members. On demand charges will increase bills for consumers and eliminate homeowner's ability to control and manage energy bills. For low-income individuals, one expensive and unexpected utility bill can quickly turn into a financial crisis. Therefore, we oppose a mandatory shift of residential consumers to a demand charge that would change the way all residential consumers are charged for electricity.

Respectfully,  
Ernest Kutzley

