



TESTIMONY

SB 347

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Kansas Gas Service

Senate Committee on Utilities
February 7, 2018

OPPONENT

Good afternoon, Chairman Olson and Members of the Committee. Thank you for the opportunity to provide testimony on behalf of Kansas Gas Service in opposition to Senate Bill 347.

I am Janet Buchanan, Director of Rates and Regulatory Reporting for Kansas Gas Service, which is the state's largest investor-owned, regulated natural gas utility. Kansas Gas Service is headquartered in Overland Park and serves approximately 635,000 customers in Kansas.

Kansas Gas Service is supportive of energy efficiency and demand-side programs. Our regulated utility divisions operating in Texas and Oklahoma both offer energy efficiency programs developed and approved in conjunction with their respective regulatory bodies. We know they are of value to our customers in those areas helping them save money and creating environmental efficiencies.

Our programs in these states prove we are supportive of policies that encourage the development of energy efficiency programs, but we have several concerns with SB 347. Today, we are highlighting the two most pressing issues.

First, SB 347 would create an annual energy savings mandate to be achieved by utilities. This mandate appears to have been developed without consideration of the types of cost-effective programs currently available to natural gas utilities. Experience in Oklahoma and Texas has shown that the current methods of evaluation for efficiency programs in Kansas would result in approval of only a few demand-side programs for natural gas utilities.

The bill establishes the use of the *National Standard Practice Manual* in determining cost-effectiveness, which includes standard tests currently used by the Kansas Corporation Commission (KCC). The manual allows for deviation from standard cost-benefit tests when the standard tests do not align with policy goals. From our standpoint, without knowing whether the KCC will utilize non-traditional tests to measure cost-effectiveness or, if adopted, what those

non-traditional measures might be, it is difficult to comment on the reasonableness of the proposed savings goals. Assuming the KCC continues to use its current cost-benefit analysis, Kansas Gas Service believes it will be impossible for us to meet the mandated yearly energy savings requirement.

Our second key concern with SB 347 is that it eliminates language in the existing statute that prevents a utility from offering programs, under the guise of energy efficiency, which provide financial incentives for residential customers to replace existing natural gas heating systems with electric heating systems.

Demand-side programs should not be used to incent uneconomic fuel-switching for residential heating systems. Unless the bill is amended to explicitly support the use of the full-fuel cycle evaluation¹ in the cost-benefit analysis of demand-side programs, this language should be restored.

Energy efficiency programs should promote the use (among feasible alternatives) of the most efficient and lowest emitting energy sources in particular applications. However, without specifying that the full-fuel cycle should be considered, the stricken language does not support the purported purpose of the legislation (reductions in net energy usage) and does not result in the most efficient outcome.

Data support that when considering the full-fuel cycle, natural gas is more efficient when compared to electricity. Natural gas systems deliver approximately 92 percent of the source energy produced to the consumer as usable energy, compared with only 32 percent of electricity. Thus, it is arguably inefficient to provide incentives to replace natural gas heating systems with electric systems, which is a potential outcome of the stricken language.

In conclusion, Kansas Gas Service supports energy efficiency programs that address our customers' needs. Energy efficiency is a complicated subject and policy should be developed with input from all interested parties. If the bill moves forward, Kansas Gas Service would be eager to work with other interested parties to develop language that addresses our concerns and promotes the efficient use of energy, regardless of the type of energy.

Thank you for your time and attention. I am pleased to stand for questions at the appropriate time.

Attachment

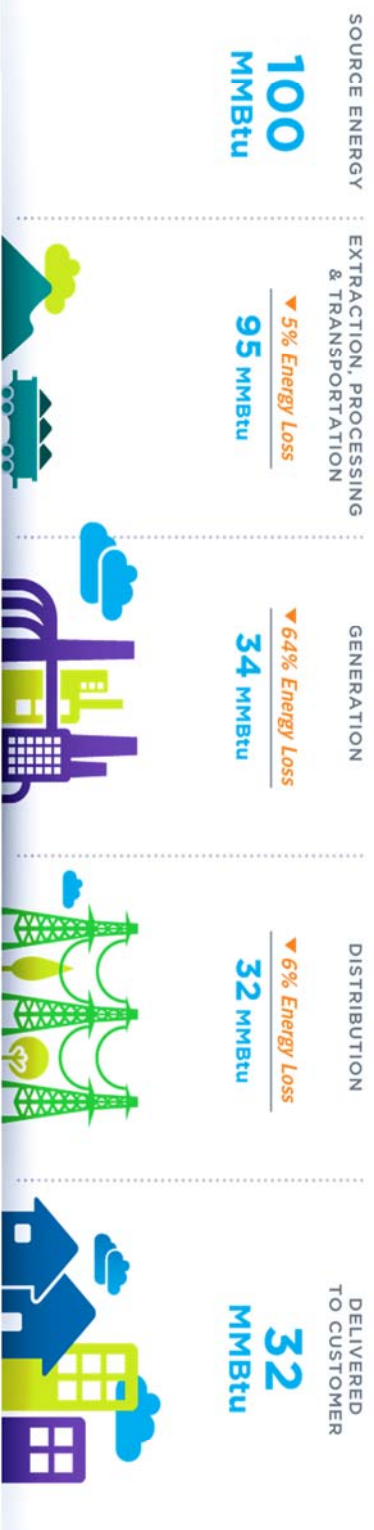
¹ The full-fuel cycle measure of energy use refers to the energy consumed in the extraction, production, processing and transportation of the fuel to its point of use. Analyzing energy consumption in this way enables a more comprehensive calculation of the total energy use.

Full Fuel Cycle

Natural Gas



Electricity



*Based on 2009 actual generation mix of all energy sources