

Before the Senate Select Committee on Education Finance
May 19, 2017
Testimony in Opposition to Senate Bill 251

Testimony of:

*Atmos Energy | Black Hills Energy | Kansas Gas Service | The League of Kansas Municipalities
Johnson County Water One | Kansas Municipal Utilities | Kansas City Board of Public Utilities | Kansas Electric
Cooperative | Kansas Electric Power Cooperative, Inc. | Kansas Power Pool | Kansas Municipal Energy Agency
KCP&L | Midwest Energy | Sunflower Electric Power Corp. | Westar Energy | ITC | Empire District Electric*

Chairman Denning and members of the Committee:

I am Mick Urban, with Kansas Gas Service. I am appearing before you today on behalf of all the Kansas utilities listed on this testimony to share our concerns regarding Senate Bill 251. This bill focuses on education finance, which is a subject outside our purview. However, it contains a proposal that would require water, gas and electric utilities to collect a pass-through fee from Kansas consumers to pay for education.

I am confident you know that all of the utilities here today believe in and support education in Kansas. Beyond providing safe, reliable and affordable utility service to Kansans, we are committed to the communities we work and live in through our philanthropic support and educational outreach. We also support education through the fact that utilities pay property taxes at a 33% rate. We do not want our comments on Senate Bill 251 to be misconstrued as lack of support for education.

We have a number of concerns with this fee proposal:

The impact on our customers. Utilities are an essential, basic service for every Kansan, regardless of income. The costs of service for operations and maintenance increase over time. Further, our industries face ever-changing regulations to comply with, and those costs get passed on to the customer. Each of our utilities works diligently to manage costs while providing safe, reliable and affordable service. The proposed fee in SB 251 is unrelated to the cost of providing utility service. Regardless of the explanation of these fees, our customers will perceive it as a rate increase from the utility.

Implementation is problematic. There are many issues associated with attempting to capture this fee.

- The definitions in the bill do not provide clarity regarding customers impacted. For example, commercial customers are not mentioned.
- Each utility has its own billing system, which will have to be modified to capture the new fee. There is no provision for utilities to recover implementation and collection costs.
- There is no clarity around the ability of regulated utilities to begin collecting this fee without Kansas Corporation Commission approval.
- The language lacks clarity surrounding incomplete payments.
- The fee structure is inequitable across each service.

If the committee determines it is prudent to apply a fee to utility bills, we believe it should apply to all forms of energy. For example, propane is a competitor to both electricity and natural gas. If the legislation does not tax propane, it gives that industry a price advantage.

Water, gas and electric utilities in Kansas appreciate the hard work and dedication of all Kansas Legislators. We understand the difficult choices you are facing to balance the budget and fund education. This fee proposal, on paper, may seem like a simple fix; but we ask that you please consider the impact on Kansans, many of whom already struggle to pay their utility bills.

We appreciate the opportunity to share the industry's perspective on this important matter. I will be happy to stand for questions at the appropriate time.