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**Senate Committee on Assessment & Taxation
SB 261 – Oppose – March 19, 2015**

Thank you Chairman Donovan and members of the committee for the opportunity to provide comments today on Senate Bill 261, which eliminates a state sales tax exemption for residential and agriculture utility customers. On behalf of Black Hills Energy, a natural gas utility serving nearly 100,000 residential customers, we are here today to advocate for our customers who would be negatively impacted by this proposal.

Sales tax is paid by the final consumer of taxable goods or service. As a Kansas retailer, we act as an agent or partner with Kansas Department of Revenue (KDOR). Our role is to collect the tax from our customers and timely remit those funds to KDOR. As a retailer, we will not be “out-of-pocket” for the tax - our customers will pay this cost.

We ask that you be mindful of what an additional tax burden would be placed on our valued customers should the existing exemption in the statute be eliminated. In 2014, the sales tax exemption for residential utility bills saved our customers \$4,644,000.

Utilities are an essential, basic, non-discretionary service for every Kansan, regardless of income. At Black Hills Energy, we are committed to controlling costs and making responsible investments to deliver safe, reliable natural gas at a good value. We utilize technology advancements and embrace process improvements to hold down costs and work more efficiently. However, the costs of service for operations and maintenance can and do increase over time.

Most of a natural gas bill includes market-based commodity costs. Those costs are passed through to customers without markup. Black Hills Energy seeks to limit those costs and provide stability for its customers in ways that include purchasing natural gas for storage when lower demand means lower prices, and locking in lower rates by entering into advantageous purchasing contracts. These costs can fluctuate due to market forces and variable changes in the weather.

We understand there are many decisions to make impacting the future of the state and its tax policy. Black Hills Energy believes the current residential and agricultural utility state sales tax exemption is in the best interests of our customers.

Thank you for your time and I will be happy to answer any questions.