

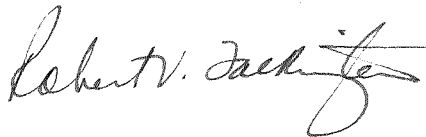
MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by SENATOR ROBERT V. TALKINGTON at
Chairperson

9:00 a.m. a.m./p.m. on Wednesday, February 23, 1983 in room 254-E of the Capitol.

All members were present except:

Senator Norvell



Committee staff present:

Fred Carman
Hank Avila
Rosalie Black

Conferees appearing before the committee:

SB 205 - Senator Jack Steineger	Sylvia Houglund, Secretary of Aging
Margaret Gebhardt, Bonner Springs	Al Bramble, AARP, KS Coalition on Aging
Pat Donahue, Kansas Legal Service, Inc.	Ed Friesen, KS Retired Teachers Assoc.
Ed Peterson, Attorney, KCC	Nadine Burch, KS Coalition on Aging
Don Willoughby, People's Natural Gas	
SB 222 - Senator Jack Steineger	Sylvia Houglund
Deb Miller, Governor's Office	Al Bramble
Ed Peterson, Attorney, KCC	Ed Friesen
Don Willoughby	

The meeting was called to order by Senator Talkington, Chairman, who introduced Senator Jack Steineger to discuss Senate Bill 205 and Senate Bill 222.

SENATE BILL 205 and SENATE BILL 222

Senator Steineger explained that SB 205 directs KCC to establish natural gas maximum rates for residential users before the onset of next winter, which is especially important to the disabled and low-income elderly who cannot pay their utility bills. Referring to deregulation of natural gas, he said that gas producers are the only people profiting from "take and pay" contracts. He added that low-income and elderly consumers struggling to pay their heating bills are tired of hearing about cheap gas sitting untapped in Kansas while higher costing gas is pumped into Kansas from other states.

Speaking in support of SB 222, Senator Steineger stated that the bill would allow KCC authority to establish a "conservation rate" for residential customers for the use of electricity and gas. Under a conservation rate structure, KCC would set a lower utility rate on a per mcf basis for minimal consumption of gas and electricity.

Margaret Gebhardt noted that senior citizens hope that their problems

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:00 a.m. a.m./p.m. on February 23, 19 83

SENATE BILL 205 and SENATE BILL 222 (continued)

involving payment of utilities can be looked at with a little heart.

Pat Donahue emphasized that the Kansas Legal Service has identified among its major priorities the high cost of energy. Federal money from the windfall profit tax is currently being used to help low-income elderly who in their working life were never below poverty guidelines. He told the Committee that he supported the bill because it would dedicate older, cheaper gas to senior citizens who cannot afford escalating heating costs.

Appearing in support of both bills, Al Bramble indicated concern for elderly citizens from all sections of the state who would like to live a life of dignity in not receiving charity to pay utility bills.

Ed Friesen said he favors both acts to help low-income elderly citizens who are making a desperate effort to pay something on their utility bills.

Sylvia Hougland noted the high cost of home energy as the single most important problem facing older Kansans. At the Governor's Conference on Aging last May, 83% (compared to 72% nationally) rated the high cost of energy as the major problem for older Kansans. The lowering of utility bills was ranked as the first priority for state action. She urged the Committee to pass both bills. (See Attachment 1.)

Nadine Burch said that like many other elderly citizens she thought she would never apply for welfare, but this year she had to receive assistance from SRS.

Speaking in behalf of the Governor's Office, Deb Miller, noted that SB 222 would accomplish two important goals. First, it would benefit a substantial number of low-income and elderly consumers by providing them with an opportunity to lower their utility bills. Secondly, it would reward residential consumers who conserve. (See Attachment 2.)

Ed Peterson pointed out that in KCC's opinion, SB 222 is not necessary but it would clarify the Commission's position in this area. The Commission prefers the conservation rate bill rather than selecting one class of customer that would encourage future consumers who would also want preferential treatment.

Don Willoughby spoke in opposition to both acts which he referred to as lifeline bills. He added that the bills fail to protect municipal services, fuel oil and propane users.

Senator Talkington requested that Bill Brown and Harold Shoaf return to present their testimony Friday at 9:30 a.m.

The meeting adjourned at 10:05 a.m.

Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

2-3-83

NAME	ADDRESS	ORGANIZATION	BILL NO.
John Jimmie SOB.		Transportation	—
DVD GORDON	TOPEKA	KACI	222
Jerry Leonard	TOPEKA	KGE	222
BILL PERDUE	TOPEKA	KPL	205 + 222
William E. Brown	TOPEKA	KPL	205 & 222
D. WAYNE ZIMMERMAN	TOPEKA	THE ELECT. CO. ASSOC OF KS	222
Harold Shrad	TOPEKA	KCC	222
Don Willoughby	TOPEKA	Peopls NAT Gas	205/222
BASIL COVEY	TOPEKA	KRTA	205/222
Elmer P. Burnett	TOPEKA	KRTA	205/222
Gene Kramer	TOPEKA	KPC	" "
Arden Duntroff	"	KYMCA	" "
Tom Whitaker	TOPEKA	K MOTOR CARRIERS ASSN	—
Paul Johnson	"	PACK	205/222
John L. Carter	"	AARP-#37	SB-222
Dorothy E. Carter	"	" "	" "
Patricia Smith	"	" "	" "
Sylvia Hayward		Secy, K. Dept on Aging	
Edward Fresen	Wichita	KRTA	205
Al Bramble		KCCA/KCOA	205/222
Pat Dondue	TOPEKA	KANSAS LEGAL SERVICES	205/222
NOVA Todd	"	KDOA-A.A.R.P. 2367	"
ALDA FIENHAGE		K. D. O. A.	
Nancy Zielke		KDOA	205-222
Ed Peterson		KCC	205 and 222

SB 222

Testimony of the Kansas Department on Aging

Bill Brief: Provides that nothing in existing law shall be construed as prohibiting the KCC from establishing conservation rates.

Bill Provisions:

1. Applies to residential customers.
2. Would allow KCC to designate conservation rates if based on quantity of natural gas or electricity used by the consumer.

Testimony:

KDOA supports SB 222 as one essential way to assist Older Kansans in reducing their utility bills. The high cost of home energy is the single most important problem facing Older Kansans. At the Governor's Conference on Aging last May, 83% (compared to 72% nationally) rated the high cost of energy as the major problem for Older Kansans. The lowering of utility bills was ranked as the #1 priority for state action, above all other issues.

Prices for the principal home heating fuels have increased twice as fast as the general inflation rate. Between 1976 and 1981, energy prices rose 123% while the CPI increased only 59%. Since 1973, the price of natural gas, which nationally is the heating fuel for over 1/2 of all older households, has more than quadrupled.

In Kansas, the price of natural gas from the Gas Service Company, the largest in Kansas, increased by 221% between August, 1978 and January, 1983. In August of 1978, the price of one mcf of gas was \$1.61. Today, it is \$5.17 per mcf.

The burden of home energy price increases is not borne equally. In 1980, during winter months in Kansas, the average coldest month home energy cost was \$105. The average social security check was \$371; the average SSI check was \$238; and 34% of all Older Kansans made less than \$400 per month. Low income elderly spend almost 4 times (between 15-19% of their income on home energy costs as do median income households who expend between 5-6%. This is true even though elderly and low-income households are typically low energy users. The Department of Energy Residential Energy Consumption survey showed that low income elderly households use 40% less natural gas than other consumers. The DoE study showed a positive correlation between income and home energy use.

- Average U.S. household expends 5-6% of their income on home energy.
- Low income elderly spend between 15-19% of their income on home energy.
- During the winter, 25% of the elderly spend more than 40% of their income on home energy.
- Fuel expenditures tend to rise with income for elderly and non-elderly.

- Fuel consumption is correlated to age with older people tending to use less.

(Gas)

<u>Age</u>	<u>BTU's</u>
65+	118 M
45-64	144 M
30-44	150 M

- Fuel consumption is correlated to family size.

(Gas)

<u>Family Size</u>	<u>BTU's</u>
1	89 M
2	119 M
4	148 M

In testimony presented before the House Energy and Natural Resources Committee, the Kansas Department on Aging proposed 5 methods of assisting elderly Kansans in meeting rising energy costs.

1. Direct assistance to those least able to bear the burden of rising utility costs.
2. Effective weatherization programs to act as a link between conservation and direct assistance.
3. Load management programs applicable to residential customers to reduce peak demand and slow down the need for new construction and capital.
4. Private utility initiatives to assist low and moderate income families.
5. Rate restructuring to include conservation rates or targeted lifeline rates similar to those included in SB 205.

KDOA believes conservation rates would benefit most older persons, but especially low-income elderly because of their consumption patterns; will be available to all consumers so will not be unduly discriminatory; can be designed to recover full costs and yet allow an essential block of energy for consumers.

According to the design, the issue of cost-based service can be addressed. Most Kansas utilities currently have a basically flat rate structure in which energy is sold at a uniform rate per unit. While this is an improvement from the past when declining block structures, in which successive blocks of energy were priced at a lower level, flat rates neither provide a specific incentive to conserve nor reflect the replacement cost of the energy used. Any pricing system acts as a signaling and incentive system as well as a revenue recovery mechanism. Conservation rates encourage and reward low usage.

It may be time we focused our attention on the desirability of charging high prices for large usage. If the relative cost of large usage goes up, the relative cost for small volume should go down. Low income high users can then be targeted with direct assistance and weatherization funds.

Often conservation and lifeline rates are viewed as discriminatory in that they involve price differentials which are not cost based. By applying the rates to all consumers, that objection is met.

In addition to being available to all residential customers and benefitting most low-income, elderly households, conservation rates have few administrative costs associated with them. The utility companies merely have to modify their billing systems to reflect the new rates. The KCC has the technical expertise to develop, in conjunction with the public and the utilities, appropriate conservation rate structures.

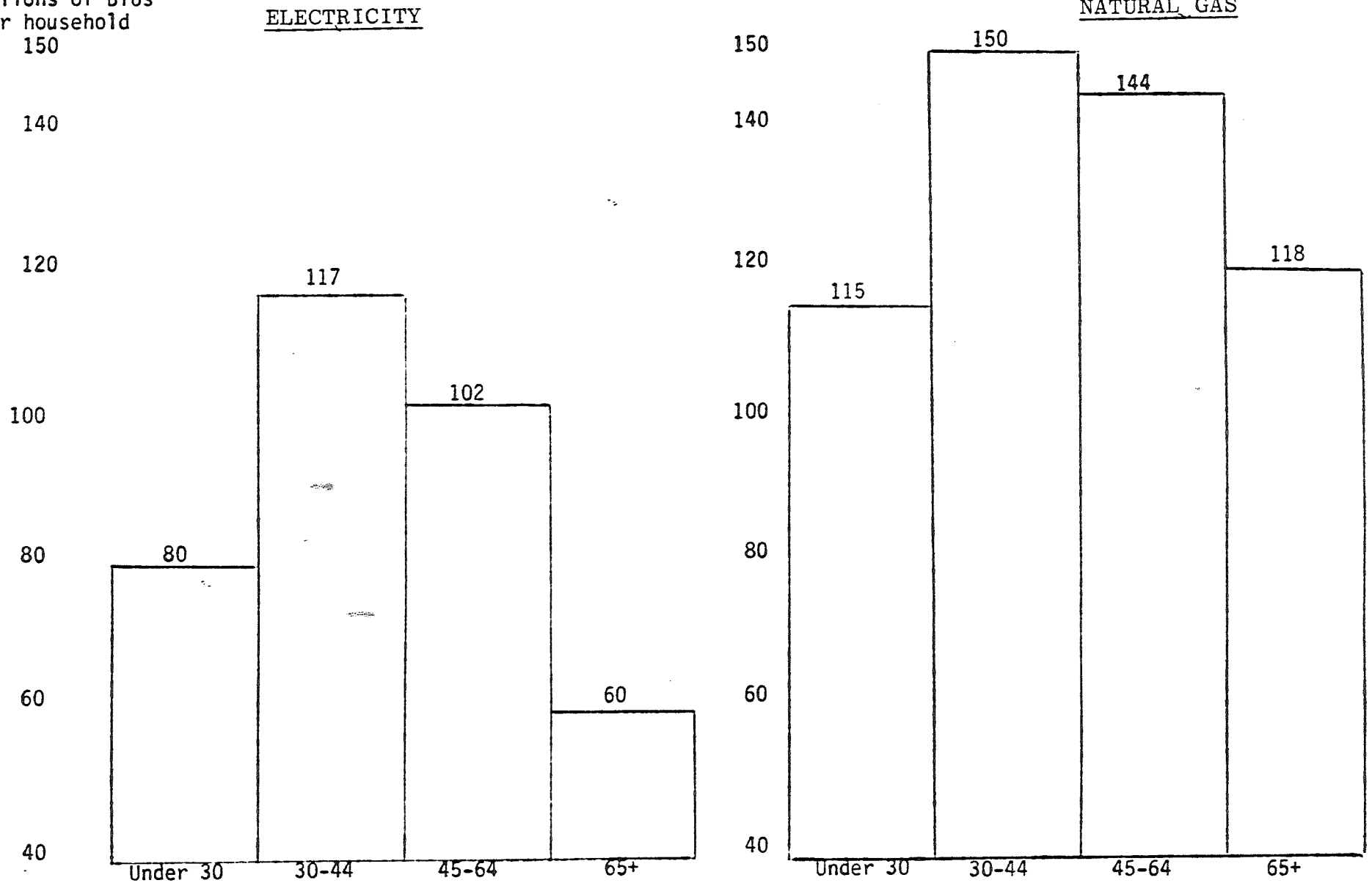
For its simplicity in administration, its availability to all consumers, and its ability to provide substantial benefit to those most in need of energy assistance, conservation rates deserve your support.

We believe the legislature needs to clearly state their intent and pass SB 222.

2-23-83

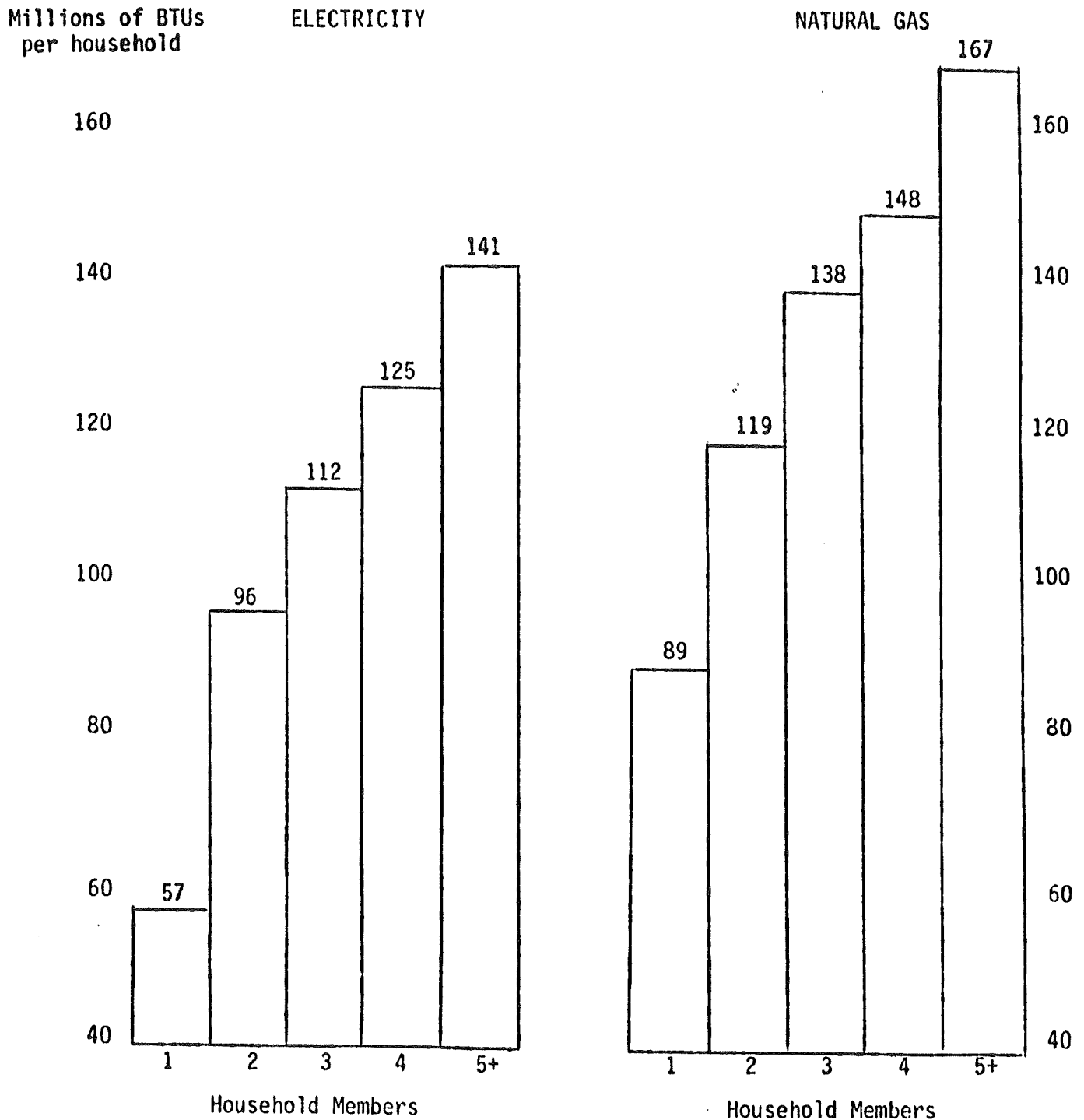
FIGURE 1
FUEL CONSUMPTION RISES AND FALLS WITH THE LIFE CYCLE

Millions of BTUs
per household



SOURCE: Unpublished tabulations from the 1974-75 National Residential Energy Consumption Survey of the U.S. Department of Energy.

FIGURE 2
FUEL CONSUMPTION RISES WITH HOUSEHOLD SIZE

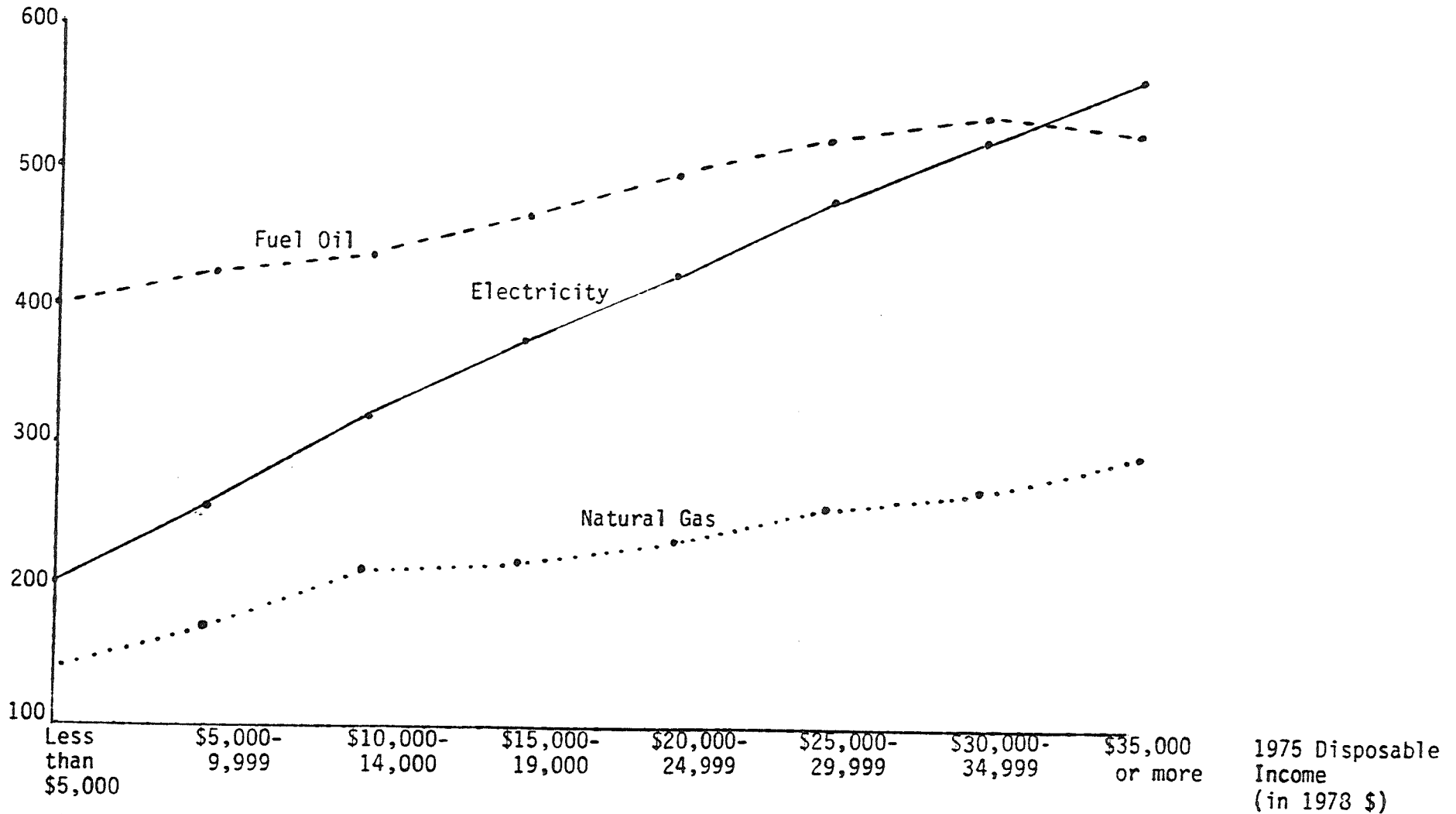


SOURCE: U.S. Department of Energy, Energy Information Administration, Residential Energy Consumption Survey: Consumption and Expenditures, April 1978 Through March 1979. July 1980. Tables 4 and 5.

FIGURE 3

FUEL EXPENDITURES TEND TO RISE WITH INCOME--NONELDERLY

Annual expenditures
per household

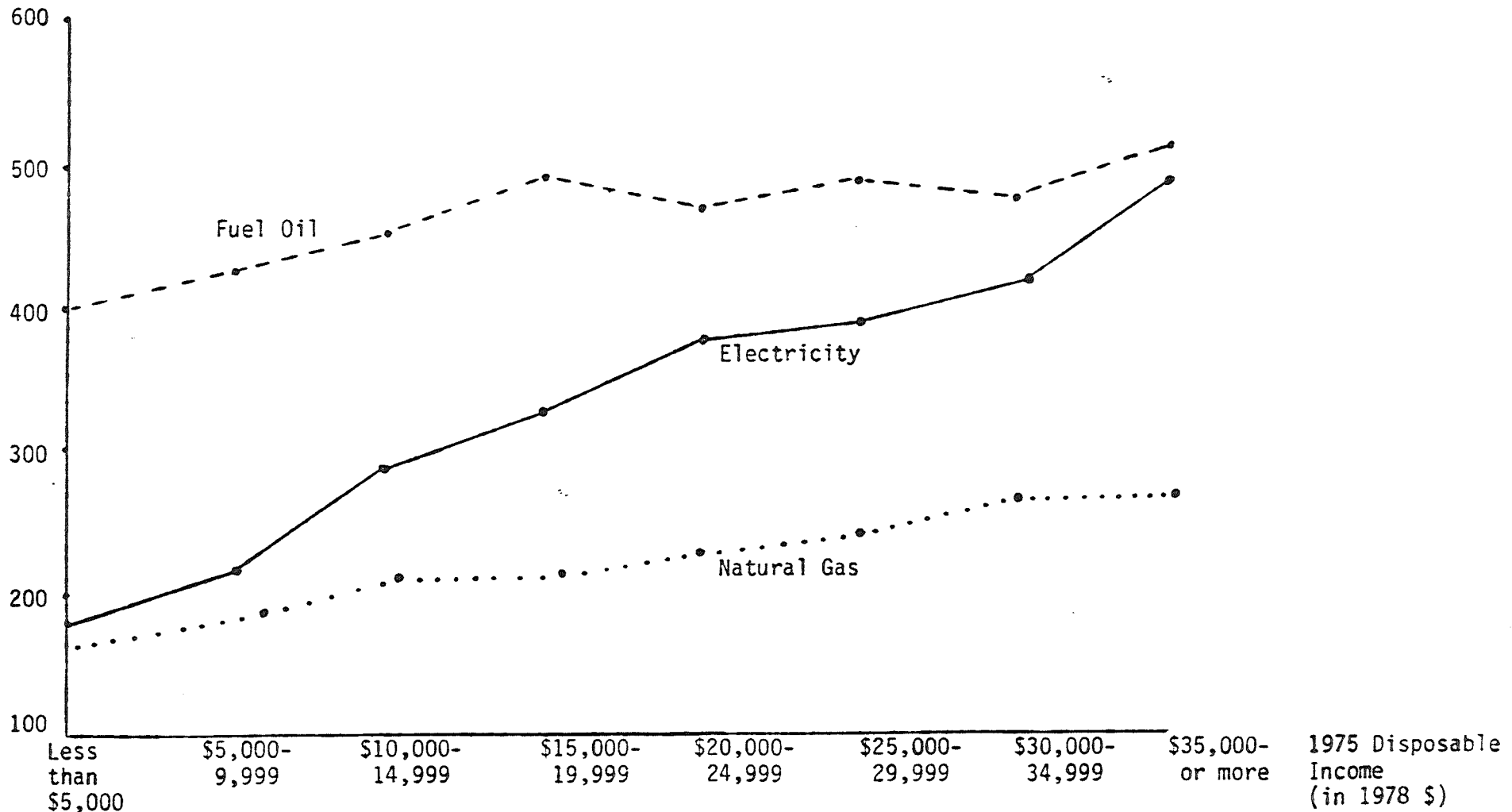


SOURCE: U.S. Department of Energy, Energy Information Administration. Analysis Report. A Comparison of Energy Expenditures by Elderly and Non Elderly Households - 1975 and 1985. May 1980. Table A-12.

FIGURE 4

FUEL EXPENDITURES OF ELDERLY HOUSEHOLDS ALSO
TEND TO RISE WITH INCOME

Annual expenditures
per household 1974-75



SOURCE: U.S. Department of Energy, Energy Information Administration. Analysis Report. A Comparison of Energy Expenditures by Elderly and Non Elderly Households - 1975 and 1985. May 1980. Table A-12.

FIGURE 5
INCOME AND ELECTRIC ENERGY
CONSUMPTION IN KANSAS

<u>ELECTRIC CONSUMPTION PER CUSTOMER</u>					
Income Group \$/yr.	Portion of Population in Income Group	<u>USE PER CUSTOMER</u>			
		Based Upon Battelle SHAPES Model		Based Upon DPRA Survey	
		kwh/yr	kwh/mo	kwh/yr	kwh/mo
\$0 - 6,499	5.44%	5162	430	5198	433
\$6,500 - 9,999	4.69%	5945	495	6168	514
\$10,000-14,999	8.24%	6534	545	7279	607
\$15,000-19,999	12.04%	8316	693	8702	725
Over \$20,000	69.59%	11077	923	12610	1051

SOURCE: "LIFELINE ELECTRIC RATES KANSAS RESIDENTIAL ENERGY CONSUMERS MINIMUM ELECTRICAL NEEDS AND CUSTOMER ELIGIBILITY CRITERIA," Development Planning & Research Associates, Inc., May 1981 — a research project commissioned by the Kansas Corporation Commission. The data shown reflects consolidation of Tables 8 and 14 pg 5-19 of source.

SUMMARYDATA ON ENERGY EXPENSE AS A PERCENT OF INCOME
AND \$ SUBSIDY TO CORRECT SHORT-FALL

1. REGRESSIVE IMPACT OF ENERGY EXPENSE ON INCOME-ENERGY EXPENSE AS % OF INCOME.

ANNUAL INCOME RANGE	1975		1985	
	ELDERLY	NOT ELDERLY	ELDERLY	NOT ELDERLY
Under \$5,000	17.4%	28.6%	20.9%	35.6%
\$5,000-\$9,999	11.5%	15.0%	13.1%	16.8%
\$10,000-\$14,999	9.6%	12.0%	10.7%	16.3%
\$15,000-\$19,999	8.2%	10.0%	8.9%	10.7%
\$20,000-\$24,999	7.3%	8.8%	7.6%	8.9%
\$25,000-\$29,999	6.9%	7.8%	7.4%	8.0%
\$30,000-\$34,999	6.3%	7.0%	5.9%	7.2%
\$35,000 and Over	3.2%	4.6%	4.3%	5.3%

2. U. S. AVERAGE ENERGY EXPENDITURE AS % OF INCOME FOR PERSONS ABOVE AND BELOW POVERTY.

INCOME CLASS	1975		1985	
	ELDERLY	NOT ELDERLY	ELDERLY	NOT ELDERLY
Poverty	21.2%	23.8%	25.9%	30.5%
Not Poverty	9.0%	9.9%	9.7%	9.2%

Source: "A COMPARISON OF ENERGY EXPENDITURE BY ELDERLY AND NON-ELDERLY HOUSEHOLDS 1975 and 1985" - U. S. Dept. of Energy (May 1980). Data is excerpted from Tables 2 and 6.

3. THE TOTAL \$ SUBSIDY REQUIRED TO KEEP LOW-INCOME (125% Poverty) KANSANS HOUSEHOLD ENERGY EXPENSES BELOW THE STATED % OF TOTAL HOUSEHOLD INCOME FOR 1981-82.*

IF SUBSIDY TO:	SUBSIDY REQUIRED IF ENERGY EXPENSE				% OF INCOME
	5%	10%	15%	20%	
Direct and in- direct energy bill payers	\$51.4M	\$27.1M	\$16.6M	\$12.7M	\$8.8M
Direct bill payers only	\$36.5%	\$19.2M	\$11.8M	\$ 9.0M	\$6.3M

*DoE indicates average household presently spends 5-6% of income on energy.

SOURCE: "THE COST OF SURVIVAL-SUBSIDIES REQUIRED TO HELP ELDERLY AND LOW-INCOME AMERICANS MEET HOME ENERGY BILLS," THE GRIER PARTNERSHIP, (Oct. 1981) - a report to the National Council of Senior Citizens, Inc. and the National Council of Churches. Data reflected in Table 5, p. 16 and Table 6, p. 14.

STATE OF KANSAS



OFFICE OF THE GOVERNOR
State Capitol
Topeka 66612

John Carlin Governor

Testimony To
Senate Transportation
By
Deb Miller
February 23, 1983

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify before you today on behalf of the Governor on Senate Bill No. 222.

SB 222 is a bill which clarifies that the Kansas Corporation Commission has the authority to establish a "conservation rate" for residential customers, for the use of both electricity and natural gas. Under a conservation rate structure the Corporation Commission would set a lower utility rate on a per mcf or per kilowatt hour basis for minimal consumption of gas and electricity.

Such a rate structure would accomplish two important goals. First, it would benefit a substantial number of low-income and elderly consumers by providing them with an opportunity to lower their utility bills. Secondly, it would reward residential consumers who conserve.

Mr. Chairman, let me say in closing that this bill will not dramatically lower utility bills, but it will help those who are willing to lower their thermostats, install weather stripping and take advantage of other measures. Since 1973 much has been said about the need for conservation. This bill would be one very positive way for you as the Legislature to signal Kansas citizens that conservation is an important goal and that there is a reward for those who achieve that goal. Thank you, Mr. Chairman.