

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:10 a.m. on February 16, 2010, in Room 783 of the Docking State Office Building.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Marla Morris, Committee Assistant

Conferees appearing before the Committee:

David Springe, Consumer Counsel, Citizens' Utility Ratepayer Board (CURB)
Wes Ashton, Black Hills Energy

Others attending:

See attached list.

There were no bill introductions to come before the Committee.

Chairman Carlson called to the attention of the Committee, a written response providing updated information from Kevin Carr, Kansas Technology Enterprise Corporation (KTEC) (Attachment 1), and Fiscal Notes for **HB 2621**, **HB 2520** and **HB 2519**.

Chairman Carlson opened the continued hearing on:

HB 2549 - **Imposition of sales tax on certain goods and services, elimination of certain sales tax exemptions and fund-raising sales.**

Eliminating exemption on residential utilities and local exemption on water for residential use, K.S.A. 79-3603(c), 79-3606(w), 12-189a

Opponents testifying on **HB 2549**:

David Springe, Consumer Counsel, Citizens' Utility Ratepayer Board (CURB), spoke in opposition to the portions of **HB 2549** that would seek to reinstate the state sales tax on residential electric and natural gas utility bills (Attachment 2). CURB is the statutory advocate for the residential and small commercial customers of regulated Kansas electrical and natural gas utilities. Mr. Springe stated passage of **HB 2549** would implement a 5.3 percent across the board increase in residential electric and natural gas utility bills, as the tax increase will pass directly to those customers. He presented a list of recent rate increases by energy companies approved by the Kansas Corporation Commission and stated the consumers would not be receptive to another increase. He stood for questions.

Chairman Carlson introduced his Legislative Pages, Jordan Carlson, Kasey DeDonder, Katelyn Hutley and Maria Moylan from St. Marys Junior Senior High School, and excused himself for photographs. Vice-Chairman King presided over the hearing in his absence.

Wes Ashton, Black Hills Energy, spoke in opposition to the section of **HB 2549** that would increase residential utility bills by the repeal of state sales tax exemptions (Attachment 3). Black Hills Energy believes the section of **HB 2549** that would increase residential utility bills is not a part of the appropriate solution to address the state's budget challenges and should be struck from the bill. Mr. Ashton stood for questions. Representative Hawk requested statistics on the percentage of the 100,000 Black Hills Energy customers utilizing the Cold Weather Rule and the recovery rate of those accounts.

Chairman Carlson directed the Committee to written only testimonies submitted on **HB 2549**:

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on February 16, 2010, in Room 783 of the Docking State Office Building.

Neutral:

Mark Schreiber, Westar Energy (Attachment 4).

Opponents:

Joe Dick, Kansas City Board of Public Utilities (Attachment 5); Jack Sossoman, Private Citizen (Attachment 6); Dave Holthaus, Kansas Electric Cooperatives, Inc. (Attachment 7); Ron Gaches, Atmos Energy, (Attachment 8); Colin Hansen, Kansas Municipal Utilities (Attachment 9); Scott Jones, Kansas City Power and Light (Attachment 10); and Elmer Ronnebaum, Kansas Rural Water (Attachment 11).

Chairman Carlson closed the hearing on **HB 2549**.

Discussion and action on:

HCR 5028 - A concurrent resolution establishing a three-year moratorium on the granting of new tax exemptions, tax credits or economic development incentive programs involving employer withholding taxes.

Representative Menghini moved passage of HCR 5028. The motion was seconded by Representative McCray-Miller to pass out HCR 5028 favorable. Representative Menghini moved passage of HCR 5028. The motion failed.

Discussion and possible action on **HB 2621**, **HB 2519**, and **HB 2520**, is scheduled for February 17, 2010.

Chairman Carlson instructed the Committee to refer amendments to **HB 2549** to Vice-Chairman King or Representative Menghini, Ranking Democrat, as a means to better organize action on the bill when scheduled.

The next meeting is scheduled for February 17, 2010.

The meeting was adjourned at 10:25 a.m.

HOUSE TAXATION COMMITTEE

DATE: February 16, 2010

NAME	REPRESENTING
Kent Eckles	Ks Chamber of Commerce
Paul Johnson	Ks Catholic Conf
Jim Ross	KCSL
Don Stanton	Northern Natural Gas Co
Matt Hickam	KCP+L
Mark Schreiber	Westar
Michelle Miller	Cap. Strategies
Steve Tolman	TFI Family Services
Jim BARTLING	Armas Energy
JUDITH GAIN	CAPITOL ADVANTAGE
PHIL WAGES	KEPCO
Doug Vance	KRPA
Dan Sprunge	Curb
SCOTT JONES	KCP&L
LARRY BIRG	MIDWEST ENERGY
WEJ ASHTON	BLACK HILLS
Joe Dick	KCBIO
Dave Hollman	KEL
Whitby Jansen	Kansas Gas Service



Written Response to Questions from House Committee on House Bill 2621

Submitted by Kevin Carr, Interim CEO of KTEC

**House Assessment and Taxation Committee
Friday, February 12, 2010**

Chairman Carlson and Committee Members:

Angel Tax Credit program caps currently in place

- Angel Tax Credits \$6MM cap each year
- Individual Investors Annual Cap \$50K per investment
- Total Individual Investors Annual Cap \$250K in tax credits allowed per year (no limit on number of transactions)

Angel Tax Credit results since the inception of the program:

From 2005 through 2009 (updated from previous testimony)

- Raised **\$168MM** in capital for small companies since 2005
- **\$9.3 of capital for every \$1 of tax credit issued**
- **578 jobs** added or saved (1,445 jobs with a 2.5 multiplier effect)
- **\$175MM** in revenue over the last 4 years

Companies relocated to Kansas (2009 annual data)

The following 2009 Tax Credit Survey data received from relocated companies reinforces the tax credit program's ability to bring together Kansas-based accredited angel investors with early stage Kansas-based technology companies.

Novita Therapeutics, LLC is a privately held biopharmaceutical and medical device company headquartered in Lenexa, Kansas.

OsteoGeneX located in Kansas City, KS develops novel therapeutics to modulate the growth of bone and cancer.

- \$1MM in capital raised
- \$181K in annual payroll
- \$1M in revenue
- 4 Jobs added or saved

Over the past three years, **\$8MM** of capital has been raised from out-of-state investors for Kansas companies.

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Attachment: # 1

Citizens' Utility Ratepayer Board

Board Members:

A.W.Dirks, Chair
Carol I. Faucher, Member
Nancy Scott Jackson, Member
Stephanie Kelton, Member



State of Kansas
Mark Parkinson, Governor

David Springe, Consumer Counsel
1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone: (785) 271-3200
Fax: (785) 271-3116
<http://curb.kansas.gov>

HOUSE TAXATION COMMITTEE H.B. 2549

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 16, 2010

Chairman Carlson and members of the committee, thank you for this opportunity to offer testimony on H.B. 2549. My testimony relates to those provisions in the bill reinstating the state sales tax on residential electric and natural gas utility bills.

The Citizens' Utility Ratepayer Board (CURB) is the statutory advocate for the residential and small commercial customers of regulated Kansas electric and natural gas utilities. CURB represents residential and small commercial customers in cases before the Kansas Corporation Commission, the Kansas courts and before the legislature on issues affecting utility rates. CURB is opposed to this bill and recommends removal of those portions of the bill that would reinstate the state sales tax on residential and small commercial utility customers

Passage of H.B. 2549 will mean an immediate 5.3% across the board increase in residential electric and natural gas utility bills. The utility companies in Kansas will simply pass this tax increase directly to customers. Kansans are already facing increasing utility rates and a challenging economy. Maintaining electricity and heat in a home is a lifeline for many residential customers and may be the difference between having a home and being homeless.

Utility customers in Kansas have faced a continuing series of rate increases over the last several years. In some cases, utility rates will be more than 40% above rates charged only a few years ago. I have included a list of some of the recent and currently pending major rate increases for the regulated Kansas utilities. Unfortunately, this trend of increasing utility rates is likely to continue into the future.

There are many reasons utility bills are increasing. Customers demand much of our utility system and utilities have an obligation to meet these needs. Some of our electric and natural gas infrastructure has become dated and Kansas utilities have increased investment to modernize resources. Fuel costs, like coal and natural gas, have been increasingly volatile and are often passed directly to customers on monthly bills. And environmental regulations and policies, at both the state and federal level, now require additional investment in power generation upgrades to produce power with reduced emissions, increase the amount of energy we produce from renewable sources, increase the ability of our transmission system to move power long distances, and to move towards high tech smart grid and smart meter systems.

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During this same period, the Kansas legislature has changed laws to encourage utility investment, added mandates the utility must meet and increased the speed at which utilities can recover investments from customers. The Kansas Corporation Commission has also reinstated monthly energy costs adjustments to flow fuel cost more directly to customers, allowed natural gas utilities to move bad debts directly into the monthly energy cost adjustment and on the Westar system, allowed an annual rate increase to pay for environmental improvements.

Utility customers are hurting, and anger is increasing. At a public hearing in Baxter Springs, Kansas, less than two weeks ago, related to Empire District Electric Company's current rate case, more than 150 of Empire's customers spent the evening learning about a proposed 40% rate increase. Many testified to the Kansas Corporation Commission about how devastating the proposed rate increase will be on families and local business. There was a general feeling that the Kansas Corporation Commission and elected officials are not being responsive to customer needs and the realities of our current economy.

There is an interesting parallel between today and 1979, when Governor Carlin made increasing electric utility rates a campaign issue. Utility rates were increasing and like today, Kansans did not feel that they had a voice in the process. Once elected, one measure that Governor Carlin used to help alleviate the rate pressure on customer bills was to remove the state sales tax from residential and small commercial utility bills. It was a measure to provide aid to customers in an otherwise challenging environment for utility customers. In an equally challenging economic environment today, H.B 2549 seeks to reinstate the sales tax Governor Carlin removed. CURB urges the committee to leave this valuable consumer protection in place.

Need for State Wide Energy Efficiency and Energy Conservation Program

If the Committee does not agree with this testimony, and does pass H.B. 2549, reinstating the state sales tax, CURB urges the Committee to take a portion of the tax revenues received and use the money to provide aid to Kansans that are struggling with increasing utility costs. Kansas should have a state wide energy efficiency and conservation program to help educate utility customers about using energy wisely and to help fund energy efficiency improvements to homes.

CURB has testified on numerous occasions that Kansas needs a state-wide energy efficiency and conservation program. CURB joined with AARP to sponsor legislation aimed at establishing this type of independent energy efficiency entity for the areas in Kansas that are serviced by regulated utilities. The bill (SB 284) is in the Senate Utilities Committee and was the subject of an interim hearing in the Joint Energy and Environment Committee.

After SB 284 was filed, Kansas received money under the federal stimulus bill with which the Kansas Corporation Commission established a state wide low interest loan program called Efficiency Kansas. Efficiency Kansas is intended to be available to all Kansas customers, in all areas of the state, but has a limited scope currently. This state-wide program should be expanded beyond just loans.

Energy affordability is becoming a crisis in Kansas. A state wide efficiency and conservation program should be incorporated into any increase in taxes.

Recent Rate Increases approved by the Kansas Corporation Commission.

(Does not include increase or decreases from changes in fuel costs, purchase power cost, wind generation contract costs, credits from capacity sales, off-system electric sales credits or other costs and credits which may be charged in the monthly Energy Cost Adjustment.)

Kansas City Power and Light

06-KCPE-828-RTS:

December 2006, \$29 million increase (8.95% residential increase)

07-KCPE-905-RTS:

November 2007, \$28 million increase. ECA adopted

09-KCPE-246-RTS

July 2009, \$59 million increase (14.5% residential increase)

10-KCPE-415-RTS (currently pending)

Late 2010, \$55.2 million increase requested (11.5% residential increase)

Westar Energy

08-WSEE-841-TAR

May 2008, ECRR Environmental, \$27.1 million increase

08-WSEE-1041-RTS

January 2009, \$130 million increase

09-WSEE-598-TAR

March 2009, TDC Transmission: \$32 million increase

09-WSEE-737-TAR

May 2009, ECRR Environmental: \$33.7 million increase

09-WSEE-925-RTS.

January 2010, \$17.1 million increase

10-WSEE-507-TAR (currently pending)

March 2010, TDC Transmission, \$6.4 million increase requested

Empire District Electric Company

04-EPDE-980-RTS

December 2005, \$2.15 million increase, ECA adopted, 17% increase

10-EPDE-314-RTS (currently pending)

August 2010, \$5.2 million increase requested (40% increase in base rates)

Mid Kansas Electric Company (Formerly WestPlains Electric)

09-MKEE-969-RTS

January 2010, \$12.7 million retail increase, \$6.5 million wholesale increase.

Kansas Electric Power Cooperative (No longer rate regulated)

08-KEPE-597-RTS

August 2008, \$5.6 million increase

Kansas Gas Service Company

06-KGSG-1209-RTS

November 2006, \$52 million increase. (28% residential base rate increase)

09-KGSG-199-TAR

December 2008, GSRS \$2.97 million increase

10-KGSG-155-TAR

December 2009, GSRS \$3.95 million increase

Atmos Energy

08-ATMG-280-RTS

May 2008, \$2.1 million increase

10-ATMG-133-TAR

December 2009, \$0.7 million

10-ATMG-495-RTS (currently pending)

September 2010, \$6.01 million requested (16% residential increase)

Black Hills (Formerly Aquila Natural Gas, subject to post merger rate moratorium)

07-AQLG-431-RTS

May 2007, \$5.1 million (7% residential increase)

09-BHCG-886-TAR

September 2009, GSRS \$0.5 million increase



Wes Ashton

Government Affairs for Kansas and Colorado
Wes.Ashton@BlackHillsCorp.com

**Legislative Testimony
Opposition to HB 2549
February 16, 2010**

Chairman Carlson, members of the committee, thank you for the opportunity to offer legislative testimony this morning in opposition to HB 2549, which would repeal the state sales tax exemption for residential utilities. Black Hills Energy provides natural gas service to nearly 100,000 residential customers across the state of Kansas. We want to offer our comments today as we believe this will have a negative impact on our customers in the form of higher costs on what is an essential service.

Black Hills Energy understands the current challenges before the Kansas Legislature and understands that difficult choices remain ahead this session with few popular options.

Over the past few years citizens have seen the costs of their energy increase. While we manage prudently, work efficiently and are constantly reviewing ways to limit cost increases, there is a constant struggle to keep up with the rising costs of providing safe, reliable service. Additionally, with the current economic climate, we have delayed a significant amount of our projects, reduced travel and reduced operations and maintenance expenses. The price we pay for natural gas can also be volatile, impacted by supply and demand, the national and global economies and weather. Making natural gas utility services taxable will only increase that cost.

Black Hills Energy has a company philosophy to advocate for our customers to ensure that the impact is heard during the legislative process. Last year, we took a firm position on the cap and trade legislation in Congress because of the cost impacts to our customers and other energy customers in the Midwest. While we support cost-effective integration of renewable energy and development of technologies to lower carbon emissions, the legislation would unfairly impact our customers with a significant increase in costs.

Black Hills Energy believes the section of HB 2549 that would increase residential utility bills is not a part of the appropriate solution to address the state's budget challenges and should be struck from the bill. This proposal places an inequitable burden on a segment of our customer base, on an increase in essential, basic, non-discretionary services like utilities that can not be afforded. The impact will be felt most by customers, who have limited or no discretionary income to see their costs increase. We believe this increase will impact some customers' ability to pay their utility bills, and those costs will then be passed along to the rest of the customer base.

We recognize there are no easy options before this Committee and the Legislature to solve this year's budget challenges, but we respectfully request that you resist adding a tax that would increase the cost of residential utilities. Thank you for your service to Kansas and your consideration of this important issue.

I will be happy to answer any questions you may have at the appropriate time.



MARK A. SCHREIBER
Director, Government Affairs

**Written testimony of Mark Schreiber
Before the House Taxation Committee
On HB 2549
February 16, 2010**

Chairman Carlson and members of the committee, thank you for the opportunity to present testimony on House Bill 2549. The bill reinstates the state sales tax on residential electric and gas utility bills. Westar Energy has a neutral position on this bill, but wants to put its effects on our customers in proper context for the committee members. Electric utilities all across the nation are experiencing rate increases, even as consumers are feeling the pinch of the global economic recession.

Bills for our electric customers contain various government-imposed fees or taxes. For instance, all of our incorporated cities have a franchise fee, which allows us to use the public right-of-way within the city limits. Over the last 10 years, most cities have raised their franchise fee to the rate of 5% of electric sales within the city limits. The franchise fee is paid by the customer through their electric bill. Additionally, many cities have a local sales tax, which also is paid by our customers. All of these fees/taxes are identified as separate line items on our bill. Unlike our residential customers, many non-residential customers are currently subject to the state sales tax, and we collect it from those customers. For state and local sales taxes and local franchise fees, Westar is, in essence, a tax collector. We turn over all the tax proceeds to the governing entities and are not paid a "collection fee."

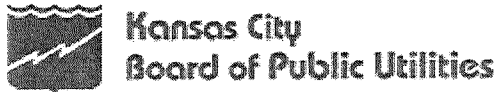
Westar Energy and most other electric utilities are in the midst of the largest major utility infrastructure expansion in three decades. A large portion of these increases is occurring as electric utilities invest to comply with such new laws as requirements for increasing amounts of renewable generation and stricter environmental regulation to protect air and water. These government mandates mean higher rates for our customers. Westar's electric rates have increased significantly in the past year, and will continue to increase in the future in order to cover the investments to comply with these mandates, and to keep up with consumer demand and maintain our system in good working condition. We are sensitive, as I'm sure you are, to any increases in our customers' bills. Though our rates are among the lowest in the state, continued investment in our power plants, transmission lines and distribution system will cause rates to increase over the next few years. If the sales tax was applied, Westar Energy customers

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would annually pay an additional \$27 million on their electric bills. We would urge caution in considering this increase.

In the current recession, some of our customers have difficulty paying their bills in full and on time, hence our arrearages are gradually creeping upward. We believe this tax is a public policy question, which is wrapped in the overall state budget challenge. Thus it requires a broader perspective than just our customer base.



**Testimony on House Bill 2549
Respectfully Submitted By
Joe Dick, Government Affairs Officer
February 16, 2010**

Chairman Carlson and members of the Committee,

Thank you for the opportunity to submit written testimony regarding HB 2549, relating to sales tax exemptions on residential utility and water service. The Board of Public Utilities is the largest municipally-owned utility in the state of Kansas. On behalf of our 65,000 electric and 51,000 water customers in Kansas City, Kansas and parts of Wyandotte County, we respectfully submit testimony in opposition to reinstating the sales tax on residential utility and water service.

BPU customers, like all utility customers in Kansas, are trying to make ends meet during this difficult financial crisis. Everything is going up except wages. Kansas unemployment is at an all time high. The prolonged cold weather is drawing utility bills higher further stressing Kansans. We recognize and appreciate the budget crisis the state is experiencing - our customers are experiencing their own financial challenges as well. Reinstating the sales tax on residential utilities will further stain our customers.

The BPU works diligently to provide safe and reliable utility service to our customers while maintain some of the most affordable utility rates in the state. We have integrated renewable energy, invested in energy efficiency and net metering programs and continue to invest in infrastructure to further improve the quality and safety of our power and water supplies and systems.

The BPU service territory serves many customers now struggling to pay their monthly utility bills. 16.5% of Wyandotte County's population is below the poverty line. BPU sees 12,500 walk-in transactions a month - 625 customers per day. Many of these individuals are in our lobby to make payment arrangements for bills already in arrears.

Please appreciate our customer's struggles and consider all other options to closing the state's budget gap before reinstating the sales tax exemption.

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February 15, 2010

TO: House Taxation Committee

FROM: John (Jack) Sossoman – Topeka, KS – Opponent

RE: HB 2549 – Concerning Sales Tax Exemptions

Chairman Carlson and members of the Committee: Thank you for the opportunity to submit testimony in regards to HB 2549 and the elimination of sales tax exemptions on residential utility customers.

My wife and I are senior citizens on fixed incomes and live in a residential area of Shawnee County. Even though I am sure that all aspects of this bill will hurt residents and charities of this state, I am particularly concerned about the raising of our taxes for usage on electricity, gas, water and telephone and the effect of this on seniors. Since our personal residential utilities run between \$350 and \$400 per month, this tax will increase our utility cost approximately \$30/month at the high end or \$360/year. This is a tremendous increase for anyone trying to balance their budget on a fixed income in a declining economy. **We can't levy taxes to raise our income to offset our expenses. We have to absorb the increase and cut spending on other (sometimes essential) areas.**

That brings me to my solution to the problem that the state has found itself by continuing to increase spending without the revenues to back up those expenditures. The Kansas legislature needs to look at cutting discretionary spending for non-essential items in the budget first. These are projects that we do not need to continue our existence, i.e., some Capitol renovations could possibly be cut, among other various statewide projects.

HB 2549 is a **tax bill** that will increase state revenues by approximately \$151 million in FY 2011, but how much will it cost the state in revenue from income taxes (both personal and business) and retail sales taxes? How many businesses or charities will cut jobs, cut expenditures for goods and services, or worse, go out of business?

From the recorded research of your Legislative Research department for the month of January, 2010, the component of SGF receipts from "taxes only"

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was \$36.5 million, or 1.2 percent, below the estimate (approximately - \$400,000). Of this decreased amount, individual income tax revenue was the greatest contributor. See the Legislative research figures below:

“The tax sources that **fell below** the estimate by more than \$1.0 million were individual income (\$24.9 million, or 1.7 percent), compensating use (\$5.3 million, or 4.1 percent), severance (\$5.0 million, or 11.3 percent), estate (\$3.5 million, or 47.0 percent), cigarette (\$2.3 million, or 3.7 percent), retail sales (\$2.2 million, or 0.2 percent), insurance premiums (\$2.2 million, or 4.8 percent), and financial institutions (\$1.6 million, or 16.8 percent).”

The federal budget increases due to increased spending has caused the federal problems. Kansas, without supporting revenue, has increased state spending and has caused our budget problems within Kansas. We need to cut spending, not raise taxes!

Finally, I have no doubts that increasing the taxes on all citizens of this state and especially seniors will have devastating consequences, and long term, will not help us solve our budget problems. That is why I join many other citizens and seniors opposed to HB 2549.

Respectively Submitted,



John Sossoman
6024 SW 40th Terrace
Topeka, KS 66610
785-478-3831



Written Testimony of Dave Holthaus

Kansas Electric Cooperatives, Inc.

Before the House Taxation Committee H.B. 2549

February 16, 2010

KEC represents the 29 electric distribution cooperatives in Kansas, serving 324,000 member/customers in 103 of the 105 counties in Kansas. We respectfully submit written testimony in opposition to the elimination of the sales tax exemption on residential utility bills as proposed in H.B. 2549

At this time our Cooperative residential electric members do not pay the 5.3% state sales tax on electric bills. H.B. 2549 proposes to end that exemption, leaving cooperative members subject to this additional tax. Electric Cooperatives serve Kansans in struggling rural & small communities. Given the current recession, the unstable Agriculture markets, rural population losses and the current job stagnation, paying electric bills is already challenging enough for our members.

We realize difficult decisions will need to be made to find revenues for this and future budgets, however we oppose this additional sales tax on the electric bills of rural Kansans.

Alfalfa Electric Cooperative, Inc.
Ark Valley Electric Cooperative Assn., Inc.
Bluestem Electric Cooperative, Inc.
Brown-Atchison Electric Cooperative Assn., Inc.
Butler Rural Electric Cooperative Assn., Inc.
Caney Valley Electric Cooperative Assn., Inc.
CMS Electric Cooperative, Inc.
Doniphan Electric Cooperative Assn., Inc.
DS&O Electric Cooperative, Inc.
Flint Hills Rural Electric Cooperative Assn., Inc.
Heartland Rural Electric Cooperative, Inc.
Kaw Valley Electric Cooperative, Inc.
Lane-Scott Electric Cooperative, Inc.
Leavenworth-Jefferson Electric Cooperative, Inc.
Lyon-Coffey Electric Cooperative, Inc.

Midwest Energy, Inc.
Nemaha-Marshall Electric Cooperative Assn., Inc.
Ninnescah Electric Cooperative Assn., Inc.
Pioneer Electric Cooperative, Inc.
Prairie Land Electric Cooperative, Inc.
Radiant Electric Cooperative, Inc.
Rolling Hills Electric Cooperative, Inc.
Sedgwick County Electric Cooperative Assn., Inc.
Sumner-Cowley Electric Cooperative, Inc.
Tri-County Electric Cooperative, Inc.
Twin Valley Electric Cooperative, Inc.
Victory Electric Cooperative Assn., Inc.
Western Cooperative Electric Assn., Inc.
Wheatland Electric Cooperative, Inc.



GACHES, BRADEN & ASSOCIATES
PUBLIC AFFAIRS & ASSOCIATION MANAGEMENT

825 S. Kansas Avenue, Suite 500 ♦ Topeka, Kansas 66612 ♦ Phone: (785) 233-4512 ♦ Fax: (785) 233-2206

House Taxation Committee
Hearing on HB 2549: Sales Tax on Residential Utility Bills
Written Testimony on behalf of Atmos Energy
Submitted by Ron Gaches
Tuesday, February 16, 2010

Atmos Energy opposes the elimination of the sales tax exemption on residential customers' utility bills.

This proposal represents a very regressive tax increase on low and moderate income Kansans. Unlike many other products and services that are currently sales tax exempt, consumers have little choice in purchasing energy for their home. Lower income consumers often reside in older homes that are relatively energy inefficient, thus driving the cost of energy higher. The addition of a sales tax will only exacerbate their problem in paying their monthly energy bills. With our state facing near record unemployment the number of residential consumers who would be adversely impacted by this proposal is significant, with little hope for new jobs in the near term.

Thank you for the opportunity to express our concerns and opposition to the section of HB 2549 that would eliminate the sales tax exemption on the purchase of residential energy products.

Atmos Energy supplies gas service to 117,000 residential customers in 32 counties across Kansas.

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kansas municipal utilities

Written Testimony Submitted to the

House Taxation Committee

February 16, 2010

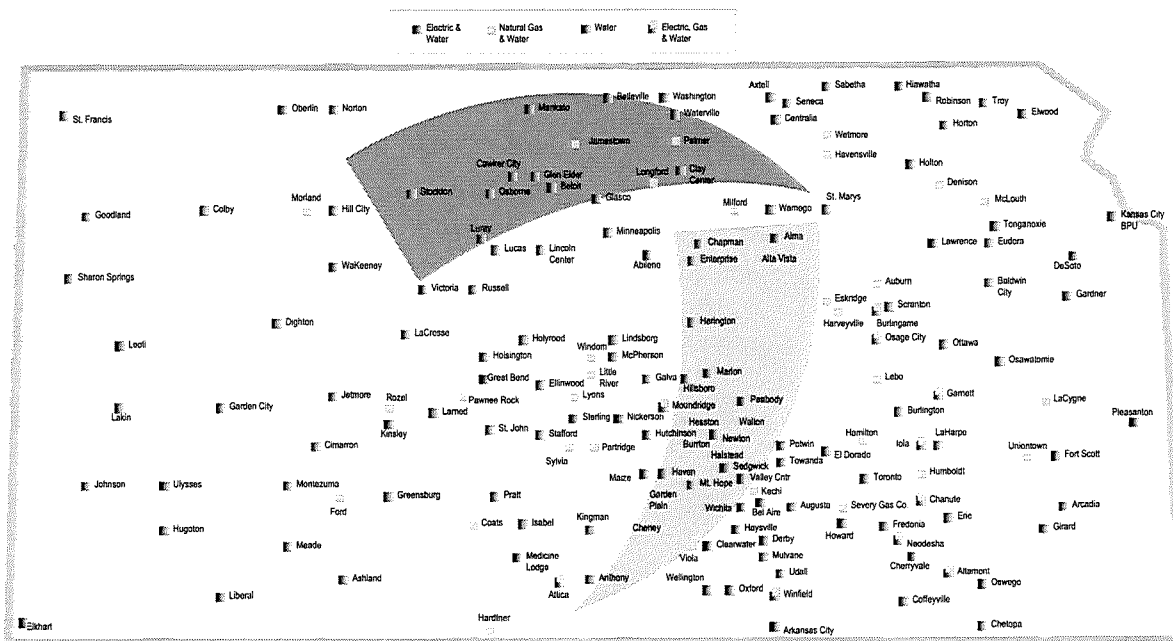
*Colin Hansen, Executive Director
Kansas Municipal Utilities*

House Bill 2549

Chairman Carlson and Members of the Committee:

On behalf of Kansas Municipal Utilities (KMU), I appreciate the opportunity to provide written testimony to the committee regarding House Bill 2549, particularly as it relates to the sales tax provisions on residential utility and water services.

Formed in 1928, Kansas Municipal Utilities (KMU) is the statewide association that represents the interests of 175 municipal electric, natural gas, water and wastewater utilities across the state. Our membership ranges in size from some of the largest utilities in the state, such as those operated by Kansas City BPU and the City of Wichita, down to some of the smallest systems in the state, some serving fewer than 100 customers.



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Attachment: # 9

KMU and its member utilities fully understand the financial difficulty currently being experienced by the State during this most recent economic downturn. However, those same difficulties are also being experienced at the local level directly impacting our residents and customers. We believe that given the current difficulties being experienced by residential utility customers, the Kansas Legislature needs to look at all other potential revenue sources before repealing the current sales tax exemption on residential utilities.

At a time when virtually all utilities - electric, natural gas, water and wastewater - are experiencing rapidly increasing costs that have to be passed on to residents and customers, we do not believe that it is appropriate to add the additional state sales tax burden on these essential utility services. Many municipal utilities are experiencing increasing delinquency rates and greater numbers of their customers are having to make extremely difficult decisions about which of their monthly bills will be paid. We want to do all that we can to help our residential customers control the costs associated with their utility bills. Any effort to apply state sales tax to utility services makes it that much more difficult for utilities to aid in that effort.

On behalf of the residential customers of municipal utility systems in Kansas, we would ask the Committee to retain the current sales tax exemption status on residential utility services.

Thank you for the opportunity to present this testimony and for your consideration.



**Written Testimony of Scott Jones
Before the House Taxation Committee
In Opposition of House Bill 2549
February 16, 2010**

Mr. Chairman, members of the committee, thank you for the opportunity to address this important issue for our customers. First, let us express our gratitude and understanding for the important work you're doing.

Without a doubt, these are challenging times and there are no easy answers. Kansas City Power & Light is involved today to express our concern about the prospect of adding a state sales tax to residential energy bills.

Energy costs are increasing—that's a reality. KCP&L is completing a five-year capital spending plan that has necessarily resulted in a series of rate increases for our customers. We currently have a rate increase proposal in front of the Kansas Corporation Commission.

On the horizon there are significant expenditures planned for a variety of air quality compliance issues, renewable energy investments, general system enhancements, and pending carbon regulation.

We diligently plan for these expenditures and look for ways to minimize impacts on our customers. With the current economic challenges, we've delayed a significant amount of our capital projects and aggressively cut operations and maintenance expenses.

In the end, we can't always prevent impacts to our customers' bills. But, when we have the opportunity, we try to advocate for our customers. For example, while we support the goal of reducing carbon we believed the plans and timelines contemplated for recent cap and trade bills in Congress would result in unnecessary costs for our customers. We worked with our federal delegation to express concerns and offer suggestions to limit the impact on customers.

We hesitantly come before you without an alternative plan to offer and appreciate you taking this concern into account as you look for solutions to this year's budget. We firmly believe you're working in the best interest of the state of Kansas and support your efforts.

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**Comments on HB 2549
Before the House Taxation Committee
February 16, 2010**

Mr. Chairman and Members of the Committee:

The Kansas Rural Water Association has membership of nearly 460 cities and 270 rural water districts and provides training and technical assistance to public water and wastewater utilities across Kansas.

The Association respectfully suggests that the removal of the exemption of connection fees and impact fees by public water systems will cause an undue financial burden on those who apply for water services.

Connection fees and reconnection fees are often major investments, sometimes exceeding \$10,000 or more, including line extensions. There is a wide variance in connection fees among public water systems in this regard, plus the issue of construction necessary for the extensions.

The Kansas Rural Water Association suggests retaining language that is strikened on page 12 from line 12 to 22 to maintain this exemption.

Respectfully,

Elmer Ronnebaum
General Manager
Kansas Rural Water Association

House Taxation
Date: 2-16-10
Attachment: #11