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SENATE ASSESSMENT AND TAXATION COMMITTEE

S.B. 261

Testimony on Behalf Kansas Gas Service

By Mick Urban, Government Relations Manager

March 19, 2015

Good morning Chairman Donovan and members of the committee. My name is Mick Urban and I'm the manager of government relations for Kansas Gas Service. Thank you for the opportunity to provide testimony on S.B. 261. The purpose of our testimony is to demonstrate the impact this bill will have on our 578,000 residential customers. We respectfully oppose this legislation.

Kansas Gas Service is the state's largest regulated natural gas utility whose 900 employees provide natural gas service throughout 341 communities. A few of our larger communities include Wichita, Overland Park, Topeka, Kansas City, Kansas, Salina and Hutchinson.

As a regulated public utility, our rates are established by the Kansas Corporation Commission and the majority of our expenses, including taxes, are borne by our customers. Kansas Gas Service strives to provide safe reliable natural gas service at a reasonable cost.

If the state sales tax of 6.15 % were applied, we calculate that our customers will pay \$21 - \$32 million more on their natural gas bills each year, depending on weather. The tax would also apply to the gas cost on the bill, which generally is the largest part. This means that if natural gas prices go up, so would the amount of tax a customer pays. We would urge caution in considering repealing this exemption.

In closing, natural gas and electricity services are basic necessities of life. Repealing the sales tax exemption on utility bills is regressive and places a burden on a segment of the population who struggle to pay their utility bills. We currently have more than 20,000 low income customers receiving federal aid to help pay their utility bills; the loss of this exemption will be felt most by these customers.

Thank you again for the opportunity to be here today and I will stand for questions at the appropriate time.