

Citizens' Utility Ratepayer Board

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SENATE ASSESSMENT AND TAXATION COMMITTEE S.B. 261

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
March 19, 2015

Chairman Donovan and members of the committee, thank you for this opportunity to offer testimony on S.B. 261. CURB is the statutory advocate for the residential and small commercial customers of the regulated investor owned electric and natural gas distribution utilities in Kansas. The Citizens' Utility Ratepayer Board (CURB) is opposed to this bill that increases the sales tax on utilities from 0% to 6.15%.

Passage of S.B. 261 will result in an immediate of 6.15% to residential electric and natural gas utility bills because the utility companies in Kansas are allowed to pass on sales tax increases directly to customers. Kansans are already facing a continuing series of increases in utility bills. Maintaining electricity and heat in a home is essential for residential customers and may make the difference between having a home and being homeless. Kansas has no comprehensive lifeline program to keep utility bills affordable for low income or fixed income customers. Kansas also does not have a comprehensive energy efficiency program that might help customers reduce energy usage as a way to manage bills.

Utility bills are increasing for many reasons. Customers demand a lot from our utility systems and Kansas utilities do a good job of providing safe and reliable service. However, our electric and natural gas infrastructure has become dated and Kansas utilities are increasing investment to modernize their systems. Environmental regulations and policies at both the state and federal level require additional investment in generation plant equipment upgrades to reduce emissions, to improve the ability of our transmission system to move power over long distances and to move towards high-tech digital smart grid and smart meter systems while also improving cyber security. Even simple essentials like tree trimming costs are increasing. Natural gas utilities need to replace hundreds of miles of aging pipe. Utilities have an aging workforce, which increases pension costs. Some of these cost increases are within a utility's control, but many are not.

In the past few years, the Kansas legislature has passed legislation to change CWIP laws to encourage utility investment and allow utilities to recover the cost of those investments from customers earlier than before. Line item surcharges for property tax collection, electric transmission costs, fuel costs, environmental upgrades, energy efficiency costs, and gas pipeline safety replacements allow rate increases to consumer bills multiple times per year.

To provide the Committee with additional information about what consumers are facing, I have compiled the following list of recent and expected rate increases for some of the Kansas investor owned utilities, along with information about the level of bill increases consumers have experienced. This list does not include the municipal utilities that provide many communities with electricity and water supply. Nor does it include the electric cooperates that serve much of Kansas. Of particular concern is the information about projected capital spending in the next few years. This spending will drive additional rate increases in the future.

Westar Energy

- 2009-2014: 22 rate increases totaling approx. \$536.9 million
- 2015:
 - \$152 million general increase requested (7.9% overall revenue increase, but proposed 12.1% residential increase.)
 - \$7.2 million transmission increase requested
 - \$17 million environmental increase projected, but not yet filed
 - Energy efficiency and property tax increases not yet filed
- 2008-current residential bill impact (with newly requested increases)
 - 1500 kWh Westar South: \$138-\$209 (51% increase)
 - 1500 kWh Westar North: \$123-\$209 (70% increase)
- Projected capital spending 2015-2019: \$3.467 billion

Kansas City Power and Light

- 2007-2014: 6 major rate case increases totaling approx. \$182.5 million
- 2015:
 - \$67.3 million general rate increase requested
 - Transmission, energy efficiency and property tax increases expected
- 2007-current residential bill impact (with newly requested increases)
 - 1500 kWh July bill: \$116-\$228 (96.78% increase)
- Projected (GPE) capital spending 2014-2018: \$3.2 billion

Empire District Electric Co.

- 2015: \$782,479 Asbury Environmental increase requested
 - Residential bill impact: \$3.34 per 1000 kWh's
- 2016: General rate case for Riverton plant expenditures.

Kansas Gas Service (natural gas distribution)

- 2104: \$28 million rate increase
 - Included \$18 million of property tax and GSRS surcharges

Black Hills Energy (natural gas distribution)

- 2014: \$5.2 million rate increase
 - Included \$4.47 million of property tax and GSRS surcharges

Atmos Energy (natural gas distribution)

- 2014: \$4.2 million
 - Included \$1.76 million of property tax and GSRS surcharges

Westar Energy Rate Increase Fact Sheet

Westar non-fuel rate increases 2009-current,

2009 \$130.0 million general (requested \$177 million, rates effective January 2009)
 \$ 31.8 million transmission line item
 \$ 32.4 million environmental line item

2010 \$17.1 million general (rates consolidated)
 \$ 6.0 million transmission line item
 \$13.5 million environmental line item
 \$ 5.8 million energy efficiency line item

2011 \$17.4 million transmission line item
 \$11.2 million environmental line item
 \$ 5.0 million energy efficiency line item

2012 \$50.0 million general (requested \$90 million, 12-WSEE-112-RTS)
 \$36.5 million transmission line item (12-WSEE-651-TAR)
 \$19.5 million environmental line item (09-WSEE-737-TAR)
 \$ 3.0 million energy efficiency line item (13-WSEE-033-TAR)
 \$21.8 million property tax surcharge (13-WSEEE-382-TAR)

2013 \$11.8 million transmission line item (13-WSEE-507-TAR)
 \$27.2 million environmental line item (09-WSEE-737-TAR)
 \$ -0.5 million energy efficiency line item (14-WSEE-030-TAR)
 \$30.7 million general rate case (13-WSEE-629-RTS)
 \$12.7 million property tax surcharge (14-WSEE-267-TAR)

2014 \$43.6 million transmission line item (14-WSEE-393-TAR)
 \$11.0 million environmental line item (09-WSEE-737-RTS)
 \$ -5.5 million energy efficiency line item (15-WSEE-021-TAR)
 \$ 4.9 million property tax surcharge (15-WSEE-227-TAR)

(2009-2014: 22 increases, 2 decreases, totaling approx. \$536.9 million)

2015
 \$152.0 general rate case (15-WSEE-115-RTS)(Pending)
 \$ 7.2 million transmission line item (15-WSEE-366-TAR)(Pending)
 \$ 17.0 million environmental line item (projected)

Westar's future capital expenditure projections 2015-2019 ¹

\$ 858.1 million Generation replacement and other
\$ 125.6 million Westar environmental plant upgrades
\$ 50.8 million La Cygne environmental plant upgrades
\$ 140.6 million Nuclear fuel
\$1,127.5 million Transmission
\$ 891.8 million Distribution
\$ 265.6 million "other"

****Total additional capital expenditures 2015-2018:\$3.46 billion**

Residential Bill Impacts Jan 2009-current²

	Westar South	Westar North
900 Kwh Summer bill 2008	\$ 83.00	\$ 74.00
900 Kwh Summer bill current	\$ 129.00	\$ 129.00
Percent Increase	55%	74%
1500 Kwh Summer bill 2008	\$ 138.00	\$ 123.00
1500 Kwh Summer bill current	\$ 209.00	\$ 209.00
Percent Increase	51%	70%

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¹ From Westar Investor Presentation, March 3, 2015:

² Shows residential bill increases beginning with the \$130 million increase in 2009, with assumed consistent 2 cent monthly fuel charge and assumed franchise fee and tax increases through current pending cases.

Kansas City Power & Light Rate Increase Fact Sheet

KCPL General Rate Increase Summary

KCPL Rate Increases	
KCC Docket No.	Increase
06-KCPE-828-RTS	\$29,000,000
07-KCPE-905-RTS	\$28,000,000
09-KCPE-246-RTS	\$59,000,000
10-KCPE-415-RTS	\$21,846,202
12-KCPE-764-RTS	\$33,156,017
14-KCPE-272-RTS	\$11,535,857
15-KCPE-116-RTS (Pending)	\$67,300,000
Total	\$249,838,076

KCPL Residential Base Rates 2007-2016 (not including fuel charge)

[illegible]

KCPL 1500 kWh (July) Residential Bill Impact

(Monthly impact will vary depending on Energy Cost Adjustment (fuel) and volume of use. Actual July fuel cost used in fuel calculation)

	2006 Rates	2007 Rates	2008-09 Rates	2010-11 Rates	2012 Rates	2013 Rates	2014-15 Rates	2016 proposed Rates
KWH's	1500	1500	1500	1500	1500	1500	1500	1500
CC	\$5.78	\$7.25	\$7.93	\$9.07	\$9.83	\$10.48	\$10.71	\$19.00
0-1000	\$73.60	\$79.10	\$77.79	\$88.99	\$94.69	\$101.10	\$103.31	\$111.10
1000+	\$36.80	\$39.55	\$38.90	\$44.50	\$47.35	\$50.55	\$51.66	\$55.55
Fuel	\$0.00	\$0.00	\$20.15	\$21.51	\$32.10	\$28.65	\$31.95	\$31.95
EE Rider					\$1.79	\$1.79	\$0.24	\$0.24
Prop. Tax					\$0.86	\$0.86	\$0.84	\$1.38
TDC								\$9.38
	\$116.18	\$125.90	\$144.76	\$164.07	\$186.61	\$193.42	\$198.71	\$228.60
Percent increase 2007-2016					96.76%			

KCPL July Actual Energy Cost Adjustment

(Energy Cost Adjustment includes fuel, purchased power and wind, and net revenues from off-system sales)

Kansas City Power & Light	7	2009	\$0.0134	kWh
Kansas City Power & Light	7	2010	\$0.0143	kWh
Kansas City Power & Light	7	2011	\$0.0185	kWh
Kansas City Power & Light	7	2012	\$0.0214	kWh
Kansas City Power & Light	7	2013	\$0.0191	kWh
Kansas City Power & Light	7	2014	\$0.0213	kWh

Projected (GPE) Capital Expenditures 2014-2018: \$3.2 billion³

\$1,080 million Generation facilities
 \$1,117 million Distribution and Transmission facilities
 \$ 349 million General facilities
 \$ 130 million Nuclear Fuel
 \$ 504 million Environmental

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³ Great Plains Energy (KCPL Parent), Earnings Call Presentation, February, 2015.