

**SB 209 Testimony by Michael Matheson, P.E.,
Director of Americans For Electricity Choice
Presented to the Kansas Senate Utilities Committee
March 15, 2017**

The following is testimony in support of SB 209. Since Kansas ratepayers are required to purchase electricity from only one electricity provider, ratepayers are entitled to the transparency needed for them to know what they are being charged for when they receive their electric bill. Fundamentally, SB 209 is about transparency for the Kansas electric customer.

According to the U.S. Energy Information Administration, since 2005, Kansans have experienced numerous rate increases of nearly 60 percent. Without unbundled billing, there is no way of knowing what caused these increases, and there are no grounds for a consumer to question it.

It is important to understand the fundamental issue being addressed by SB 209: Does the consumer have the right to see what they are paying for? This right is no different than other labeling of products which shows the breakdown of ingredients or pricing. Most agree that having itemized labeling is good for the consumer.

Right now most utilities only show their ratepayers the amount of electricity consumed, the rate being charged, and how much is owed. However, there are many separate, distinct and unique charges that make up the total electric bill. See the attachment to my testimony for a sample of an residential unbundled electricity bill that already is being provided to customers in another state.

For nearly every other commercial transaction, a detailed breakdown of charges is provided so consumers know why they are being charged what they are being charged. Itemized bills are already provided by companies for natural gas, hospitals, food, and almost everything else. When a car is repaired, the bill doesn't just show, "Fixed car," and "Pay this amount."

When you go to the grocery store or a restaurant, the bill doesn't simply show a total amount due, it shows clear line items that add up to create a total amount due. How long would consumers go to a grocery store if there were no prices on the shelves and then at the check-out the clerk said, "That will be \$274.87 please"? Probably not very long. To continue with the grocery store comparison, the price of a bar of soap has nothing in common with the price of a gallon of milk, which is similar to the cost of energy being completely unrelated to the cost of

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distribution with electricity. Now have the government force you to go to that grocery store. That is the situation Kansans are in with their electricity providers who do not provide unbundled billing.

How many times at a restaurant does something get rung up twice, or something is added onto your bill that you didn't order or receive? With an itemized electricity bill, consumers would be able to look at the bill to verify the accuracy, just like in a restaurant. Without unbundled electricity bills, the utilities are basically saying customers don't need to know the costs and to simply "trust the utility" without question.

From a fundamental consumer protection standpoint, it is imperative that ratepayers' bills are unbundled so they are able to understand whether their electricity provider is charging a reasonable amount for electricity and services.

Opponents may claim that their customers haven't asked for this information on their bills, or that their customers won't understand it. Electricity customers are captive to their one monopoly in Kansas and typically only receive information about electricity issues and rates from their electricity utility. Because of this, most customers do not realize their bill could be itemized to show what they are paying for. Essentially, "Customers do not know what they do not know." But informed customers will be able to ask more questions of their elected board members in the case of co-ops, and they will be able to compare bills that other electric companies provide their customers. This leads to a more informed consumer and more accountability in the industry.

Requiring electric entities – public or privately owned – to provide unbundled bills as proposed in SB 209 would not place an undue burden on electricity providers. Utilities already have the information to provide unbundled bills. Requiring Kansas electric utilities to provide unbundled bills would be no different than in other parts of the country where electric companies already provide unbundled bills to their customers. In fact, some utilities in Kansas already provide unbundled bills for their customers. If some Kansas electricity providers can do it, all of the Kansas retail electricity providers should be able to do it. And if some Kansas electric ratepayers enjoy the benefit of unbundled bills, why shouldn't all Kansas ratepayers enjoy that same benefit and knowledge? The real question to ask is why some Kansans are treated

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differently than others? Even among the members of this Senate Utilities Committee, your constituents may be receiving different treatment from their electricity providers than another Senator's constituents.

The individual charges identified in SB 209 are independent, unique specific costs unrelated to each other. The electricity comes from the SPP market; transmission is its own separate cost; distribution to the home or business is another separate cost unique to the local lines and wires entity; and, the demand charge is yet another unique charge. All of these should be separated out and unbundled. SB 209 should be implemented so consumers may be informed about their electricity costs. As legislators, it is your duty to provide consumer protection with full transparency to hold the retail electricity providers accountable to their customers. Customers must no longer be left in the dark when it comes to their electric bills.

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See this box for important information from your co-op each month.

1 Service Information

| | |
|-------------------|---------------------|
| Account Number: | 12345678901 |
| Name: | JOHN O SAMPLE |
| Service Type: | Electric |
| Location: | 1234567 |
| Service Address: | 123 COOPERATIVE WAY |
| Rate Code: | 145 |
| Meter Number: | 9999999 |
| Read Type: | Estimated |
| Previous Reading: | 2289 04/30/15 |
| Multiplier: | 1939 03/31/15 |

2 Total Energy (kWh): 780
3 Demand (kW): 0

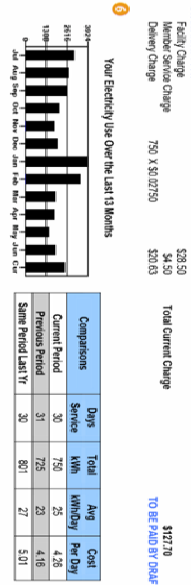
4 Purchased Energy Costs

| | | |
|-----------------------|----------------|---------|
| Energy Charge | 759 X \$0.0289 | \$21.22 |
| Generation Charge | 759 X \$0.0429 | \$32.56 |
| Transmission Charge | 0 X \$0.0180 | \$0.00 |
| Power Cost Adjustment | 759 X \$0.0079 | \$6.05 |
| Distribution Costs | | \$28.50 |
| Facility Charge | | \$4.50 |
| Member Service Charge | | \$20.63 |
| Delivery Charge | | \$20.63 |

Total Current Charge: \$177.70
TO BE PAID BY CASH/FT

5 Other Charges/Credits

| | |
|-----------------------------|--------|
| Energy Assistance Care Fund | \$0.20 |
| L. Renewable Energy Charge | \$3.05 |
| L. Tax | \$2.40 |
| Municipal Franchise Tax | \$2.66 |



PLEASE DETACH AND RETURN THIS PORTION WITH PAYMENT.
RETAIN THIS COPY FOR YOUR RECORDS.

| | | | |
|----------------------|--|------------------|----------|
| Account Number | 12345678901 | Billing Date | 04/30/15 |
| Telephone Number | (959) 999-9999 | Previous Balance | \$123.45 |
| Due Date | 05/15/15 | Current Charges | \$177.70 |
| After Due Date Fee | \$15.00 | Total Amount Due | \$177.70 |
| Payment Instructions | Please make checks payable to: Jo-Carroll Energy | | |

JOHN O SAMPLE
C/O JANE C SAMPLE
123 COOPERATIVE WAY
APARTMENT 1839
ELIZABETH, IL 61028

JO-CARROLL ENERGY
PO BOX 390
ELIZABETH, IL 61028-0390

Understanding Your Jo-Carroll Energy Bill

- Service Information**
This section includes information about your service location, address, rate, whether this was an actual meter reading or an estimated reading, meter reading, kilowatt usage and your meter multiplier*. The difference between the two reading dates is your kilowatt hour usage.
*A multiplier varies by meter and is used to determine how many kilowatt hours are recorded per revolution. Most residential meters use a 1 multiplier.
- Account Summary**
This section includes information about your account balance, payments received and due date.
- Purchased Energy Costs**
This section details the various charges for the actual cost of energy, including purchased energy, generation and transmission. These are pass-through costs from generation and transmission providers.
Energy Charge: The cost to produce your energy. A per kWh or therm charge for the energy used during the service period and is a pass-through charge from Jo-Carroll Energy's energy suppliers.
Generation Charge: Based on your kWh use, this cost covers the physical infrastructure needed to produce energy from Jo-Carroll Energy's energy suppliers.
Transmission Charge: A per kWh charge which covers the cost to transmit energy from the generation facilities to Jo-Carroll Energy distribution substations. This is a direct pass-through from transmission suppliers.
Power Cost Adjustment (PCA): A monthly adjustment on a per-kWh basis that fluctuates depending on the total cost each month from our generation suppliers. The PCA is determined by how much the monthly power cost per kWh is above or below the base power cost.
- Distribution Costs**
This section includes information about charges related to the distribution, or delivery of energy. This is the portion of the charges that stay with the cooperative.
Facility Charge: The basic cost to provide energy. It covers expenses such as power lines, pipelines, trucks, labor and other expenses the Cooperative incurs ensuring energy is available when you need it; no matter how much energy is sold.
Member Service Charge: A flat service fee covering administrative costs including billing, postage, facilities, software systems and other overheads.
Delivery Charge: A per kWh or therm charge that covers the costs of delivering energy to your home and maintaining the equipment that carries the electricity and/or natural gas. This charge covers the rest of the fixed costs not recovered through the facility charge, and stays with your cooperative.
- Other Charges/Credits**
This section includes miscellaneous charges such as the Energy Assistance Care Fund and the Illinois Renewable Energy Charge. Also included are Illinois taxes and any applicable municipal taxes.
- Usage Information**
This section includes a summary of your energy use over the last 13 months as well as information on the number of days between readings, kilowatt use, and the cost per kilowatt hour.
- General Information**
Information about services, events and updates about your Cooperative will appear in this area.