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Senate Utilities Committee
SB 347 - OPPOSED
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Thank you Chairman Olson and members of the committee for the opportunity to provide comments today on SB 374 which makes revisions to the Kansas Energy Efficiency Investment Act (KEEIA). On behalf of Black Hills Energy, a natural gas utility proudly serving approximately 113,000 customers in 65 Kansas communities, we are opposed to this bill.

In 2014, Black Hills ultimately supported the passage of KEEIA as the final version was a fair compromise after a series of discussions amongst stakeholders. The enacted measure provided natural gas utilities a voluntary-based approach to submit plans for energy efficiency programs before regulators and set parameters for utilities to propose plans. This law was a step forward for state policy to advance energy efficiency programs.

Black Hills has experience managing natural gas and electric energy efficiency programs in Arkansas, Colorado, Iowa, South Dakota and Wyoming. We have previously submitted energy efficiency proposals to the Kansas Corporation Commission (KCC) and been active participants in dockets on this topic over the last decade.

Additionally, Black Hills provides many energy saving tips and recommendations for our natural gas customers in Kansas so they can take actions to conserve energy in their home or business. It should also be noted that the national trend of declining usage amongst residential customers over time due to increased appliance efficiency, newer building codes and methods, and consumer behavior is a trend our customers have exhibited as well.

While we always welcome a conversation about the best means for a utility to offer energy efficiency programs, the proposals in SB 347 have not been previously shared with Black Hills. Given the timeframe we have reviewed the legislation at a high level and a few concerns stand out, including but not limited to:

- Deleting the statute which prohibits incentivizing fuel switching is a step in the wrong direction for state policy. This provision was the outcome of stakeholder negotiations and should remain in statute. During a recent docket on an electric utility's proposal for energy efficiency programs, an expert for the three investor-owned natural gas utilities noted the following:
    - "In those cases where appliances can be powered by an alternative fuel, the payment of an energy efficiency incentive for the purpose of encouraging the installation of a high efficiency appliance will distort the fuel selection decision for that appliance. Distortions of the fuel selection decision will universally result in increased usage of

electricity, energy and natural gas, in direct conflict with the State's goal and policy as stated in the KEEIA and the Commission's energy efficiency objectives."

- The setting of goals to begin the measuring stick for effectiveness in 2019 is unrealistic. It takes a considerable amount of time to plan an energy efficiency program, gain approval by regulators, and begin implementing the program. For example, in Iowa where our natural gas utility has five-year energy efficiency program cycles, we begin the planning process for a new five-year program about 18 months in advance. The 2019 goal is simply impractical. Further, the goal should be compared to the time previous to the utility offering an energy efficiency program, not a single year picked at random.

- Provisions allowing third-party administration of energy efficiency programs should be eliminated. Utilities are uniquely positioned in their relationship with customers and trade allies to deliver these programs cost-effectively and administratively streamlined.

- The provisions in the proposed 66-1283 (c) (1) (B) are problematic. Should the utility determine the energy efficiency program parameters set by regulators are not suitable or adequate, it will take a series of time and further effort to evaluate the next steps, if any, that the utility should take. Directing utilities to submit new plans of equal energy savings is unduly necessary, if achievable, and could result in less desirable outcomes for the utility, its customers, and the general public. Black Hills believes the current voluntary-based structures of KEEIA is sufficient.

It should be noted that the proponents do offer a decent idea which Black Hills has supported before, notably a performance incentive. The adoption of financial incentives serve to substantially reduce or eliminate the disincentive that utilities have toward encouraging the efficient use of their product. The energy efficiency programs Black Hills administers in Arkansas, Colorado and Wyoming have bonus incentives. However, there is no more certainty for this policy in SB 347 than previously existed in the current construct of energy efficiency programs in Kansas.

The energy efficiency policy in the state has evolved over the last decade-plus through a series of conversations with regulators and policy makers. The adoption of KEEIA in 2014 was a step in the right direction. The changes to those statutes proposed in SB 347, however, are unfortunately not the steps necessary to advance and evolve the policy constructs in the state at this time. We look forward to future deliberations on this topic.

Thank you.