

Date: March 12, 2019

From: AARP Kansas

Ref: Opposition to Senate Bill 198 –Securitization
Senate Utilities Committee

Chairman Masterson and Committee Members:

My name is Ernest Kutzley and I am the Advocacy Director for AARP Kansas. Thank you for this opportunity to provide comments. We fight for affordable utility rates to make sure that people are able to remain in their homes and communities.

We strongly oppose SB 198. We believe that it is harmful to Kanas Ratepayers. We support full regulatory review of utility expenditures.

AARP Kansas has more than 318,000 members across the state. Many of these member households, especially those with low-incomes and those with residents over 50, will be adversely impacted by yet another significant rate increase effort in their utility bills. Older Americans devote a higher percentage of their total spending to residential energy costs than the average consumer.

In 2015, AARP commissioned a survey of voting Kansans 45+ to determine their views on issues related to utilities. Significant findings were that 79% oppose utilities increasing the fixed month charge that is imposed on consumers prior to using electricity and over 80% say an increase in utility bills would be a problem for them.

The move across the nation to shift more cost burdens to residential customers is alarming and unfair, and we see it in this effort. This new proposal includes long term bonds, backed by ratepayers, which would be used in place of rate base return. Some funds would help communities impacted by plant closures. Currently plants remain in rate base as long as used and useful.

SB198 creates a new long-term cost for ratepayers that cannot be changed nor reviewed by the KCC. (See page 9 of the proposed legislation) That cost would continue for 30 years with a final legal maturity date that is not later than 32 years from the issue date.

SB 198 inappropriately puts ratepayers on the hook for new costs for which they should not be held responsible (transition assistance – see page 11 of the proposed legislation).

These costs are appropriate for taxpayers and should be administered by the workforce and economic development agencies. Currently, ratepayers do not pay to retrain workers when plants close, nor are they responsible for economic development of affected communities. Kansas taxpayers – not utility ratepayers – are the appropriate source of employee transition assistance payments.

KEBRA bond money would also be used to acquire alternative replacement power, energy efficiency, grid modernization, and other things. Use of bond money for such expenditures is inappropriate as it bypasses normal regulatory review. This too could raise rates.

While ratepayer-backed bonds may be cheaper than regular bonds, not issuing bonds is cheaper still. There is no need to issue bonds in the first place. In fact, no states are currently using securitization to retire power plants early, nor are any states using bond proceeds to make ratepayers fund community redevelopment due to the closure of such plants.

In summary, SB 198:

- requires ratepayers to assume a long-term investment risk that shareholders typically should bear;
- provides no incentive to mitigate costs, because once a financing order is issued it cannot be adjusted;
- guarantees a payment stream that, in the future, may be entirely inappropriate;
- does not necessarily guarantee the utility will use the money wisely or for its intended purpose;
- could reduce market competition by making a large sum of cash available to the utility but not to its competitors; and
- forces ratepayers to take on market risk that investors should bear due to stranded costs.

Therefore, we oppose SB 198. It will be harmful for Kansas ratepayers. We believe that utility expenditures should have full regulatory review and useful power plants should not be incentivized to retire prematurely. Kansas cannot afford it.

The creation of a new long-term 30-year bond surcharge that cannot be bypassed is not a way to save money – especially since it cannot be reviewed or changed by the KCC.

We respectfully urge you to vote no on SB 198.

Ernest Kutzley