



OPPONENT TESTIMONY

Senate Bill 69

Janet Buchanan
Director of Rates and Regulatory

Senate Committee on Utilities
February 19, 2019

Good afternoon Chairman Masterson and members of the committee. Thank you for the opportunity to present testimony in opposition to Senate Bill 69. My name is Janet Buchanan. I am the Director of Rates and Regulatory for Kansas Gas Service. Kansas Gas Service is the state's largest regulated natural gas utility serving more than 635,000 commercial, industrial and residential customers in 341 communities across Kansas.

Kansas Gas Service appreciates the opportunity to share its concerns raised by Senate Bill 69. Although the purported intent of the Bill is to create a study of electric utility rates and expanded review and reporting requirements for the Kansas Corporation Commission (Commission) to address electric rates, the Bill, in Sections 2 and 3 also imposes requirements for natural gas utilities.

As presented, Senate Bill 69 incorrectly attempts to regulate natural gas utilities under electric statutes. Beginning with Section 2b, the Bill improperly make references to "natural gas public utility."¹ The inclusion of natural gas utilities in this section is improper as 66-101(b) pertains to electric utilities only. Even if it were appropriate to include natural gas utilities in this section, the bill imposes upon the Commission a requirement to include findings of fact in its rate orders that describe the impact a gas utility's rate increase will have on the Kansas economy that is vague and creates uncertainty. We believe the legislative intent regarding the methodology for quantifying the economic impact should be made clear. For example, do the

¹ *Id.*, at line 23.

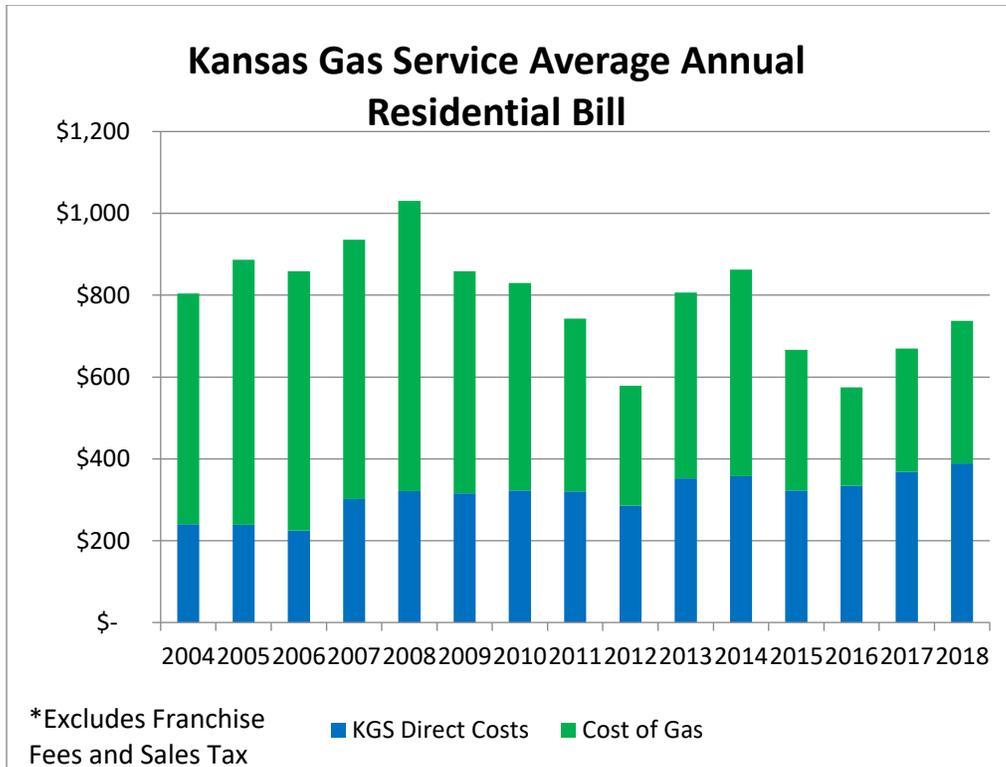
economic impact findings of fact include the direct, indirect and induced effects? Will this economic impact include jobs created directly and through contractors and suppliers? Will it include how the earnings of employees create induced earnings in the economy through retail activity?

As it relates to Section 3, Kansas Gas Service's primary concern is the direct result of the Bill's addition of requirements for the annual report the Commission files with the legislature. The Bill requires that the Commission provide an explanation of any approved rate increases which exceed the consumer price index.² This requirement serves to create a new *per se* standard of reasonableness that establishes the "consumer price index" as the reasonable measure and ceiling for a rate increase. This measurement criteria conflicts with the existing statutory standard that requires utilities to provide utility service at "just and reasonable rates, charges and exactions." See, K.S.A. 66-101b and 66-1,202 (Every electric/natural gas public utility... shall be required to furnish reasonably efficient and sufficient service and facilities for the use of any and all products or services rendered, furnished, supplied or produced by such electric/natural gas public utility, to establish just and reasonable rates.)

The use of the consumer price index as a measure of reasonableness does not address the legitimacy of the actual costs that may have been expended above consumer price index to provide safe and reliable service and to meet specific state and federal regulatory requirements. Additionally, it does not provide natural gas utilities with the ability to schedule safety sensitive work and/or general maintenance.

Finally, to the extent that it is the intent of this Bill to also study and address the legitimacy of natural gas utility rates in Kansas, Kansas Gas Service objects to the inclusion on the grounds that such inclusion is unnecessary. As shown in the following chart, the average bill paid by the residential customers of Kansas Gas Service have been consistently lower than the bill paid 10 years ago.

² Id, at page 5, lines 34-37.



Thank you for your time today. I am pleased to stand for questions at the appropriate time.