

Kansas Senate Utilities Committee
Testimony of Citizens' Utility Ratepayer Board
Proponent's Testimony
SB 126
January 28, 2020

My name is David Nickel, Consumer Counsel for the Citizens' Utility Ratepayer Board (CURB). CURB supports Senate Bill (SB) 126. SB 126 is favorable to the residential and small commercial ratepayers that CURB represents.

SB 126 recognizes that ratepayers pay the income tax that is generated by sales of energy necessary to meet the revenue requirement of a utility in providing service to its customers. If that tax burden is reduced by a change in federal or state income tax rates, SB 126 requires an adjustment to utility rates so that utility customers are not paying for an expense that is not actually paid. Conversely, if there is an increase in federal or state income tax rates, utility rates are then adjusted so that utilities receive the additional payments from ratepayers to account for the increase in the utility's tax burden. Thus, SB 126 is fundamentally fair. Sections (1)(b) and (1)(c) do what the Commission essentially required when the Tax Cuts and Jobs Act was enacted: Require Kansas utilities to adjust their rates to accord with the tax actually paid by the utilities to the federal government.

Moreover, Section (2)(d) of SB 126 exempts for-profit utilities from Kansas income tax and provides that they cannot collect Kansas income tax expense from its ratepayers as a component of rates. Currently, Kansas for-profit utilities are not paying Kansas income tax even though, as part of the ratemaking process, utility rates are increased as if these income taxes were actually being paid. Yet, even if one were to overlook that fundamental unfairness, eliminating the state tax burden through a tax exemption for utilities would be beneficial to ratepayers, most particularly low income ratepayers. Low income ratepayers often struggle to meet their utility bills every month. Savings resulting from an income tax exemption would help to lower the utility bills of these ratepayers in need of help due to high Kansas utility rates.

Thank you for your favorable consideration of Senate Bill 126.

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