

**Utilities Committee  
Kansas Senate  
Written Testimony of Bruce Snead  
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Manhattan, Kansas  
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**HB 2084**

Mr. Chair and members of the committee, thank you for the opportunity to speak on behalf of this bill, and while I support the bill, I believe it needs improvement through a proposed amendment. I would like to present background information first, then specifics of the bill and the proposed amendment.

My experience, research and knowledge of Kansas tells me that we have very significant untapped potential to use energy more efficiently, to conserve and extend the life of increasingly scarce energy resources, to reap economic and environmental benefits in the process, and provide better energy services to Kansas citizens. And that we can do so with very reasonable investments that return 2 or 3 or more dollars back in economic benefits for every program dollar spent.

Why should the utilities, or some other agency or entity conduct energy conservation and efficiency programs for customers? Why is this bill needed?

Because, there is demonstrated potential, as has been shown in many other states, to delay or avoid adding costly generation, to stabilize or reduce total utility bills for customers, to reduce demand for natural gas, to reduce pollution, and to enhance economic development.

Because, with a few exceptions, there are virtually no programs being offered by Kansas utilities that tap into this potential.

Because, there are numerous examples of successful and exemplary programs being conducted elsewhere, with key components and actual results identified.

Because, the general public and citizens, when asked, have consistently expressed understanding of the logic of energy efficiency and support for efforts to invest more resources to achieve cost effective results.

Where does Kansas rank in energy efficiency investments? Several sources provide a consistent picture of where we stand. At the bottom. The LIHEAP Clearinghouse [Summary of Supplements to](#)

[Energy Assistance and Energy Efficiency](#) is a continuously updated, state-by-state compilation of the resources that supplement LIHEAP and low-income energy efficiency programs. Kansas does not contribute any state funds to weatherization. A quick comparison shows the average contribution to weatherization from state's with public benefit funds (20 states not incl. CA) is \$3.97 million. A quick comparison shows that the average contribution to weatherization from utilities sources (17 states not incl. CA) is \$1.64 million.

Charts prepared by the National Association for State Community Services Program on state weatherization funding from PVE and Other sources for the years 1992 through 2002 show essentially no contributions by Kansas.

Several studies by the [American Council for an Energy-Efficient Economy \(ACEEE\)](#), a nonprofit organization dedicated to advancing energy efficiency as a means of promoting both economic prosperity and environmental protection, show how the states rank in terms of energy efficiency investments from utilities and state benefit funds, and also in energy efficiency policies. These studies are:

- [The Technical, Economic and Achievable Potential for Energy-Efficiency in the U.S. – A Meta-Analysis of Recent Studies](#), August 2004
- [Examining the Potential for Energy Efficiency to Help Address the Natural Gas Crisis in the Midwest](#), January 2005
- [Five Years In: An Examination of the First half-Decade of Public Benefits Energy Efficiency Policies](#), April 2004
- [Responding to the Natural gas Crisis: America's Best Natural Gas Energy Efficiency Programs](#), December 2003
- [Energy Efficiency's Next Generation: Innovation at the State Level](#), November 2003
- [State Scorecard on Utility and Public Benefits Energy Efficiency Programs: An Update Report](#), December 2002

The State Scorecard Update Report analyzed utility spending on energy efficiency programs in each state, which included scoring and ranking states based on the following parameters:

- Energy efficiency expenditures as a percentage of utility revenues;
- Energy efficiency expenditures per capita
- Electricity savings as a percentage of electricity sales

Reviewing Appendix A and Appendix B, Sections 1-3 from the State Scorecard Report, display Kansas at the bottom of the fifty states in these rankings and indicators.

How about energy efficiency policies? The ACEEE report, Energy Efficiency's Next Generation: Innovation at the State Level - 2003, describes the major categories of energy efficiency initiatives, summarizes the actions taken in the states, and provides guidance for further action. Table ES-2, A Quick Index of State Energy Efficiency Policies shows a blank line for Kansas in the seven policy categories of :

1. Appliance and Equipment Standards
2. Building Energy Codes
3. Combined Heat and Power
4. Facility Management
5. Tax Incentives
6. Transportation
7. Utility Programs

Kansas actually has taken some significant steps in the Building Energy Code area through Department of Energy Special Project funding, and the action of the KEC and the Legislature two years ago in updating building energy codes. That action is not reflected in this report.

Even though this is substantial evidence of where Kansas stands, I further researched and reviewed Kansas' utilities through world wide web searches and visits to their web sites, including IOU's, rural cooperatives and several municipal energy agencies. A search through the Federal Energy Management Program of the US Department of Energy found no public purpose energy or utility programs available in Kansas. The Residential Energy Efficiency Database maintained by the National Center for Appropriate Technology for the US Department of Health and Human Services is designed to display what energy efficiency programs your utility and/or state offers to help you save energy and money. The search for Kansas reveals 25 listings for programs in 11 REC's, Kansas City Board of Public Utilities, and Kansas City Power and Light. The programs are primarily rebates for electric water heaters, heat pumps or ground source heat pumps. A few offer in home energy audits. Midwest Energy has a fine program of home and business energy services, most for fees, which help customers identify energy efficiency opportunities. Kansas City Power and Light's only entry is for on-line home energy audits. Aquila's website for Kansas energy efficiency programs lists only scholarships for high school seniors whose parents are customers as its only effort. Kansas Gas

Service' web site simply lists some energy savings tips. WESTAR makes energy efficiency booklets, videos and DVDs available free to its customers upon request. You heard from WESTAR recently on its need for costly new generation. Was energy efficiency's role even mentioned?

What could Kansans save and how could they benefit from investments in energy efficiency?

The US DOE website on states with public benefits funds shows the following table (based on an ACEEE report), with annual amounts spent for energy efficiency and also cents/KWh. This gives some idea of the range of spending in 23 states as of the end of 2002.

State	Total Annual PBF Funds (millions)	Annual PBF Funds for EE (millions)	Cents/kWh spent for EE (millions)
Arizona	\$28	\$4	.014¢
California	\$525+	\$228	.13¢
Connecticut	\$118	\$87	.3¢
Delaware	\$3	\$1.5	.018¢
District of Columbia	\$8	TBD	TBD
Illinois	\$83	\$3	.003¢
Maine	\$23	\$17	.15¢
Maryland	\$34+	TBD	TBD
Massachusetts	\$147	\$117	.25¢
Michigan	\$50	TBD	TBD
Montana	\$14	\$9	.07¢
Nevada	TBD	TBD	TBD
New Hampshire	\$17	\$7	.08¢
New Jersey	\$129+	\$89.5	.135¢
New Mexico	\$5+	--	--
New York	\$150	\$83	.83¢
Ohio	\$115	\$15	.01¢
Oregon	\$60	\$32	.1¢
Pennsylvania	\$98	\$11	.01¢
Rhode Island	\$17	\$14	.21¢
Texas	\$237	\$80	.033¢
Vermont	TBD	\$13	.25¢
Wisconsin	\$11	\$62	.12¢

[http://www.eere.energy.gov/state\\_energy/policy\\_content.cfm?policyid=64](http://www.eere.energy.gov/state_energy/policy_content.cfm?policyid=64)

ACEEE's Five Years In: An Examination of the First half-Decade of Public Benefits Energy Efficiency Policies, indicates that for states with comprehensive statewide PBF energy efficiency programs, funding tends to be in the range of 1-3% of total utility revenues.

In dollar amounts, state evaluations and other studies have generated specific amounts that follow policy and goal recommendations. A study by the Southwest Energy Efficiency Project for six states (Arizona, Colorado, Nevada, New Mexico, Utah, Wyoming) in that region show a range from \$2 million to \$12 million per year in 2001-2002, with significant benefits obtainable with ramping up to nine times that amount through a surcharge of .02 cents per kWh.

The state governments of Idaho, Montana, Oregon and Washington, northwest electric utilities, public benefits fund administrators and the Bonneville Power Administration (BPA) have committed \$100 million over the next five years to continue regional energy efficiency efforts through their partnership with the Northwest Energy Efficiency Alliance. The money will be pooled and used to pay for market-based, energy efficiency programs throughout the region. Since the Alliance began in late 1996, its programs as well as related utility, public benefits, and state efforts have saved the region an estimated 130 average megawatts of electricity through 2003. The cost of the savings is about a penny per kilowatt-hour—one-quarter of the cost of generating electricity from a gas-fired power plant—and was valued at \$57 million in 2003 alone.

Iowa's utilities are presently spending about \$36 million per year on electric efficiency programs and \$12 million per year on natural gas programs. Wisconsin's program indicates about \$62 million from all sources.

ACEEE's report, Natural Gas Crisis in the Midwest, indicates there is considerable research from leading states that a broad group of energy efficiency programs can save electricity at a cost of 3 cents per kWh and natural gas at a cost of \$1.50 per Mcf. These costs of conserved energy are much cheaper than the corresponding costs to obtain supply side energy resources, thus they are cost effective just for the energy resource they provide.

A National Best Practices Study just completed for California has produced a comprehensive and comparative understanding of energy efficiency program efforts throughout the United States. It offers a database of energy efficiency (EE) best practices that can be used as a resource to enhance the design, implementation, and management of energy efficiency programs for Kansas.

States have several core decisions to make when designing their efficiency funding programs. First, what are the goals for the programs. Second, who will conduct and evaluate the programs. Third, how will performance be measured and evaluated. Fourth, what is a suitable time frame for the programs to start and achieve results, and fifth, what funding amounts should be invested from what sources.

Kansas can take advantage of the wealth of existing information and exemplary program evaluations to move quickly. This legislation, if we enhance it with the proposed amendment, is a starting point for establishing that energy efficiency in all sectors can extend the life of existing resources and help reduce demand. It is essential that we take advantage of the knowledge gained by other states and programs to appropriately ramp up a program that is tailored for Kansas and its conditions. This legislation, if amended, enables two paths to accomplish this. One through utilities based programs which must be approved by the KCC, and another through programs proposed for the utilities by the KCC. Both will have oversight by the KCC. I am ready to work with all parties in this effort.

What does the current version of the legislation do?

- Enables each public utility to invest in KCC approved energy efficiency and conservation programs and receive at least a rate of return that is currently approved.
- Enables each public utility with KCC approved energy efficiency and conservation programs to gain a return on investment based on their currently approved rate of return for programs that reduce uncollectible bills of residential customers through prepaid energy cards or similar programs.
- Enables the KCC to authorize recovery of 110% of any investments by such utility in energy efficiency and conservation programs for commercial customers who have an energy audit and are current in payment of their utility bills. ***I recommend we amend this to be consistent with the first section relative to rate of return and KCC approval.***

What does the amendment do?

- Adds three definitions to remove ambiguity and define what constitutes an energy audit and energy conservation improvement. This will improve the quality of what is proposed based on energy audits by the utility or its customers.

- Requires KCC approval for commercial energy efficiency programs and sets the rate of return to be the utility's currently approved rate of return. This would be consistent with the rest of the current bill and consistent for the KCC.
- Enables the KCC to establish a list of potential utility energy efficiency and conservation programs based on stakeholders input and existing research and information.
- Enables the KCC to propose specific utility investments in energy efficiency and conservation programs, potentially setting rates, prices and terms for the programs.
- Enables the KCC to require utilities to conduct energy efficiency and conservation programs if the KCC finds that the investment or improvement will result in energy savings at a total cost less than the utility's cost to produce or purchase an equal amount of new energy supply.
- Enables the KCC to change the programs to promote efficient and effective programs.
- Enables the KCC to contract for program review and evaluation services.
- Directs the KCC to consider factors of time, cost effectiveness, reliability, low income customer impacts, and audits of program performance in evaluation and approval of programs.

I believe this amendment is essential given the performance of the utilities I have described in my testimony. We need to enable the KCC to propose programs, because the utilities may not propose anything. We need to provide some guidance to the KCC in their approval process to enable effective programs to be established based on sound information and experience. We need to authorize the KCC to establish efficiency and conservation programs if and when it can be demonstrated that it would be cheaper than the corresponding costs to obtain supply side energy resources. And, this amendment will clarify legislative intent for the KCC in this arena. I believe this amendment would also be consistent with current KCC staff recommendations regarding low-income assistance rates issues and the possibilities for energy conservation programs to address needs of those groups. Thank you again for the opportunity to testify and I am ready to answer questions.

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