



The City of Lindsborg

Little Sweden, U.S.A.

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Testimony Provided to the

Senate Utilities Committee

January 25, 2018

Greg DuMars, City Administrator

Testimony in Support of SB 293

The City of Lindsborg established a municipal electric utility in 1904 to serve the power supply needs of the community. This municipal utility is governed by the Lindsborg City Council and is subject to the Kansas Open Meetings Act (KOMA) and the Kansas Open Records Act (KORA). In 1987, the City of Lindsborg joined the Kansas Municipal Energy Agency (KMEA). The purpose of becoming a member of KMEA was to have greater access to power supply and other agency programs and services. Joining together with other municipal electric utilities through joint action, the City's options for power supply at cost-based service is greater than acting singularly.

One example of the value of joint action is the opportunity to have an ownership position in the Dogwood Energy Facility. The Dogwood Energy Facility is a 650 megawatt (MW) natural gas fired combined cycle plant. A minimum purchase of 50 MWs is required to secure an ownership position in Dogwood. Lindsborg has a 9 MW load, so individually the City could not participate. But through KMEA and jointly with 4 other municipal electric utilities, Lindsborg is able to participate.

The decision by Lindsborg to participate in the Dogwood Project has come with extensive and thorough review that began approximately two years ago. All the reviews and approvals have been completed by the Board of Directors of KMEA, the KMEA Executive Committee and Lindsborg City Council, all of which operate with decision making in open meetings. Consulting engineers, financial advisors and legal counsel are involved in operational due diligence, economic analysis, financial analysis and legal review for an informed decision.

The Kansas Corporation Commission (KCC) order that municipal energy agencies (MEA) come under its full jurisdiction only adds time and costs to the projects. In addition, it is a duplicative review of agreements between MEA's and the member cities who govern them. The Dogwood Project has been in process for over two years. Requiring the KCC approval could add up to another 240 days before agreements could be effective. And that time could

be compounded if the agreement between the MEA and power supplier must be approved by the KCC, along with the individual agreements between the MEA and the individual municipal electric utility. For the Dogwood Project, this would be a total of 6 KCC proceedings to secure approval of a project which has already been openly reviewed and approved by the respective governing bodies of the cities and KMEA.

Additional costs would be incurred by both the MEA and the municipal electric utility for a rate case proceeding. These costs would include additional legal counsel, rate consultants and staff time in responding to data requests and presenting the case to the KCC. These costs would be for both the MEA and the municipals. As a not-for-profit and consumer-owned utility, any costs incurred to Lindsborg and KMEA in a KCC rate case would have to be recovered through higher rates to our citizens.

For the City of Lindsborg, time is of the essence in this matter. The Dogwood Project is scheduled to close by February 28, 2018. If this project does not close by the date, the cost increases and will have an additional \$300,000 impact that will be passed onto consumers through rates. This project necessitates the issuance of \$37.5 million in bonds. The uncertainty due to the KCC order has already caused the cancellation of the bond rating call with Standard & Poor and has the potential to increase the cost of capital.

The passing of this bill will remove a burdensome and costly third level of review and oversight by the KCC. As open and transparent organizations, the MEA's and municipal electric utilities both provide diligent and thorough review of all power supply agreements so that reliable and cost-effective electric energy can be delivered to member cities and the citizens they serve.

The City of Lindsborg appreciates your consideration of SB 293 urges your support for its adoption.