



Testimony Provided to the

Senate Utilities Committee

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Testimony in Support of S.B. 293

Kansas Municipal Utilities (KMU) is the statewide association of community owned and operated electric, natural gas, water, wastewater, stormwater and telecommunications utilities across Kansas. As a not-for-profit association established by its member utilities in 1928, KMU is dedicated to serving the training needs and legislative & regulatory interests of our 180 consumer-owned utilities and the citizens, businesses and industries that they serve.

KMU strongly supports Senate Bill 293 as a means of restoring appropriate state regulation over municipal energy agencies (MEAs).

The purpose and mission of municipal energy agencies is to provide services to member municipal utilities that would be impossible, impractical or infeasible on an individual basis. It is through this joint action that small communities have the opportunity to participate in projects that lower the electric bills and provide reliable service to their residential, commercial and industrial customers.

There are 118 municipal electric utilities in Kansas, the fourth most of any state in the United States. While our members provide electricity to 16% of the state's consumers, the median size of a municipal electric utility in Kansas is one that serves only 832 customers. Without the ability to work together through MEAs, electric customers in these communities would face higher cost and decreased reliability.

There are two municipal energy agencies in Kansas, the Kansas Municipal Energy Agency (KMEA) and the Kansas Power Pool (KPP). While similar in organization and structure, these two agencies offer municipal utilities in Kansas a distinct choice in how to handle power supply. Cities also have the obvious choice of not joining either MEA.

KMEA is a "project-based" agency that allows its members to pick and choose those projects in which to participate. Its 82 members may opt to be a part of an energy management pool or to invest in generation such as the Dogwood natural gas combined cycle power plant or wind energy in western Kansas. For each of these projects, KMEA must secure city council or local governing body approval for each participant.

KPP is a “full requirements” agency that provides electricity through a combination of purchased generating assets, power supply contracts, and generation owned and operated by the members themselves. The 24 members of KPP all have an equal voice in approving budgets, setting rates, and selecting power supply and transmission opportunities. This pooling approach is ideal for cities that wish to be held in parity with its fellow members, achieve efficiency through economies of scale and utilize KPP staff to forecast loads and secure power supply.

MEAs are closely governed and regulated by the communities that they serve. Subject to open meeting and open records requirements, they provide transparency in their activities. KMU believes that full Kansas Corporation Commission (KCC) regulation over MEAs is unnecessary, over-reaching and an extremely inefficient use of limited state resources.

As an example, the smallest participant in the proposed KMEA Buckeye Wind Energy project is the City of Pomona with 535 electric customers. Under the new KCC expectations, Pomona’s 200 kW share of the wind project and its contract with KMEA could be treated similarly to regulation of Westar Energy or Kansas City Power & Light. KPP’s smallest member is the City of Luray with 151 electric meters. Each of these cities has a loud and clear voice in their MEA and their projects, activities, and rates.

Since the formation of KMEA in 1980 and KPP in 2005, the KCC has never asserted jurisdiction over municipal energy agencies. The January 9 KCC order that claims full jurisdiction will create extreme hardship for KMEA and KPP and significantly harm the member cities and Kansas citizens that they serve. It is conservatively estimated that the cost of compliance could be as high as \$900,000 in year one and \$400,000 per year thereafter. These costs are passed along to ratepayers.

SB 293 is seeking clarification and requesting that regulation over municipal energy agencies be done in a manner as is currently exercised by the KCC over generation & transmission electric cooperatives. In Kansas, this means KMEA and KPP would be treated the same as KEPCo and MKEC.

KMU greatly appreciates the expediency in which the Chairman and the committee are considering this legislation. Without clarity, there is concern that KMEA’s important Dogwood Energy Facility project will face considerable price increases or possible unraveling. The cities involved in this 2+ year project need to know the status of the project in the coming weeks in order to secure necessary capacity for the coming summer season.

KMU strongly supports SB 293 and thanks the committee for the opportunity to testify.