



Neutral Conferee
SB 339 – Statutory framework for economic development electric rates.

House Committee on Energy, Utilities and Telecommunications
March 10, 2020

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Kansas Electric Cooperatives, Inc.

Chairman Seiwert, Vice Chairman Schreiber, Ranking Member Kuether and members of the House Committee on Energy, Utilities and Telecommunications, thank you for the opportunity to appear today on behalf of Kansas Electric Cooperatives, Inc. (KEC) and our members to comment on SB 339. I am Leslie Kaufman and I serve as the V.P. of Government Relations & Legal Counsel for KEC.

KEC is the Kansas statewide service organization for 27 electric distribution cooperatives and three generation and transmission cooperatives. Formed on August 18, 1941, and headquartered in Topeka, KEC represents the interests of and provides needed services and programs to the electric co-ops that serve Kansans. Our major programming areas include advocacy, education, communications and safety/loss control.

As you know, SB 339 seeks to delineate a statutory framework for electric utilities to adjust rates in certain circumstances to advance economic development opportunities. As SB 339 stands before you now, we are neutral on the overall bill, but supportive of an amendment that we requested and was previously added to SB 339.

Cooperatives are governed by the member-owners they serve. All our cooperative members have elected to remove themselves from rate jurisdiction under the Kansas Corporation Commission (KCC) pursuant to K.S.A. 66-104d in favor of self-regulation. This rate self-regulation is conducted under the auspices of the cooperative's member-elected board of trustees with the opportunity for input from members.

Over the years, cooperatives have collectively saved members hundreds of thousands of dollars by managing rate making processes locally as opposed to the costly procedure of bringing rate cases before the KCC. The cost savings, opportunities for member input, and return of excess margin to members are factors that make the cooperative model for ratemaking very member-centric. It is in the best interests of the co-op and the member-owners to keep the cost of providing reliable, dependable electric service as low as possible.

The KCC is still a backstop if members are aggrieved by a rate change. A petition process, outlined in K.S.A. 66-104d, is available to request KCC review of a cooperative's rates within one year of such change. The KCC will review the rates to determine if they were "unjust, unreasonable, unjustly discriminatory or unduly preferential" and order an adjustment in the rates if they are found to be unjust or unreasonable. K.S.A. 66-104d(g)(1). Since the self-regulation statute was enacted over 25 years ago, only one petition has been properly filed and ruled on by the KCC and the rates were determined to be just and reasonable. We believe this is a testament to the success of our cooperative business model.

Cooperatives and our members value the ability to manage the ratemaking process locally. The recent Sub. SB 69 Phase 1 Electric Rate Study performed by London Economics International (LEI) evaluated the cooperative process and validated what co-op members and leaders have known for years – the model works for members and is in the public interest.

Our co-op members, when it benefits the cooperative system, may also offer economic development rates. We are certainly not opposed to that and we are not opposed to this bill. We do want to protect our ability to self-regulate rates under K.S.A. 66-104d, including the continued opportunity for our own members to offer economic development rates. To ensure there are no unintended consequences that might hinder our ratemaking abilities, we suggested clarifying language which was added to the definition of "electric utility" in both section one (page 3, lines 27-30) and section two (page 6, lines 5-8). We appreciate how Evergy, the sponsor of SB 339, worked with us to address our concerns and the willingness of lawmakers to include our suggested language in Senate amendments. We do believe the addition of our requested language alleviates our concerns.

In closing, we appreciate the opportunity to share our thoughts on SB 339. I will gladly stand for questions at the appropriate time.

Thank you.