



Kansas Electric Power Cooperative, Inc.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE Substitute for SENATE BILL NO. 245

Neutral Testimony on behalf of Kansas Electric Power Cooperative, Inc.

March 17, 2021

Mr. Chairman and members of the Committee:

I am Susan Cunningham, Senior Vice President, Regulatory and Government Affairs, and General Counsel for Kansas Electric Power Cooperative, Inc. (KEPCo). KEPCo is a not-for-profit generation and transmission public utility, providing power and energy to 16 member rural electric cooperatives, who collectively serve more than 120,000 electric meters representing more than 300,000 customers in the eastern two-thirds of Kansas.

KEPCo is testifying as a neutral conferee on Senate Bill (SB) 245 with some concerns for the Committee's consideration. In testimony previously provided to this Committee, KEPCo expressed its concern with the limited amount of time to review the bill. As we stated, securitization is a complicated financing vehicle to allow investor-owned utilities to retire or abandon generating assets through the use of ratepayer-backed bonds. While KEPCo has had additional opportunity to review the bill as originally proposed, including helpful discussions with Evergy, I would note that as of the time this testimony was prepared, KEPCo received the substitute bill late the evening before this testimony was due to be submitted, thus, my testimony pertains only to the underlying bill. I would also note that as one of Evergy's largest wholesale customers, KEPCo would be impacted by the decision to and result of securitization by Evergy. Therefore, KEPCo respectfully requests that the Committee examine three areas within the base bill (prior to substitution) that KEPCo believes require further scrutiny.

The first is the use of the proceeds from the ratepayer-backed bonds. In its current form, the bill would allow an electric public utility unfettered use of the proceeds. New Section 14 on page 33 of the substitute bill states: "An electric public utility has sole discretion to determine the method in which it expends or invests the proceeds received from the issuance of securitized utility tariff bonds." KEPCo suggests that the bill should provide guidance on how the proceeds are to be reinvested, to include replacement generation, grid

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resiliency/dependability, and similar regulated resources. This is consistent with statements made by Mr. Jason Klindt, Evergy's Director of Government Affairs, in a February 18, 2021 article by Energy News Network that Evergy wants to reserve the right to direct money toward distribution, transmission, and direct customer programs.

Further, such guidance is also consistent with a securitization bill that was introduced this year in Missouri (Missouri SB 202), the other state in which Evergy does approximately half of its business. The Missouri bill differs from SB 245 in a couple of notable aspects. Missouri SB 202 allows the retirement or abandonment of only coal-fired generating facilities; SB 245 would allow any generating facility to be securitized. Additionally, per KEPCo's above concern, Missouri SB 202 establishes parameters for the use of the proceeds, defining and providing a listing of "replacement resources" for which the proceeds may be used. KEPCo submits similar parameters would be beneficial and provide appropriate protections in Kansas.

The second area of concern is the retroactive application of securitization, which allows a utility to securitize previously retired or abandoned assets. To insure against the possibility of double-recovery, the legislation should not allow recovery through securitization of previously retired plant. Additionally, application requirements should include requiring the utility to demonstrate that the costs recovered through securitization will not also be included in other retail rate mechanisms or wholesale rate mechanisms to prevent double recoveries. New Section 1(b)(9)(A) on page 2 of the bill and subsequent sections address retroactive application. KEPCo respectfully suggests that the portions of the bill allowing for previously retired or abandoned generating facilities be removed from the bill.

Finally, KEPCo proposes that an effective date of four years from now (that is, July 1, 2025) be added to the portion of the bill pertaining to the securitization of retired or abandoned generating facilities. Not only would this provide affected entities the time needed to fully evaluate all the implications of securitizing retired or abandoned generating facilities, it would also provide the time to consider such implications within the context of Evergy's upcoming Integrated Resource Plan (IRP) filing at the KCC and Evergy's investment plans related to grid resiliency as set out in its Sustainability Transformation Plan. Evergy's IRP, in particular, will shed significant light on the assets Evergy contemplates retiring or abandoning and, thus, potentially subject to securitization efforts; however, the IRP is not due to be filed until June 2021, well after hearing and decision on SB 245.

Requesting the addition of a future effective date will not interfere with Evergy's publicly stated plans regarding the securitization of selected assets. First, Evergy's witness at the initial hearing on SB 245 stated to this Committee that Evergy does not intend to utilize the opportunity to securitize generating facilities for four years. Additionally, on Evergy's February 26, 2021 publicly accessible earnings call, the Evergy representative emphasized that the company does not need securitization until the "second half of the

securitization, KEPCo suggests that a prospective effective date of on or about July 1, 2025 is appropriate and not burdensome.

Mr. Chairman and Committee Members, this concludes my testimony. Thank you for the opportunity to appear before you today.