

Before the Kansas Senate Committee on Utilities

March 15, 2017

Testimony of FreeState Electric Cooperative in Opposition to Senate Bill 209

FreeState is joined in this testimony by PIONEER ELECTRIC COOPERATIVE, INC., Ulysses, Kansas

Written Only

With more than 14,800 member-owners and more than 20,700 service points FreeState Electric Cooperative is the largest rural electric cooperative in Eastern Kansas and the fifth largest rural electric cooperative in the state of Kansas. FreeState Electric Cooperative is the result of a member vote to consolidate Leavenworth-Jefferson and Kaw Valley Electric Cooperatives on April 19, 2016. FreeState serves nine Kansas counties (Leavenworth, Jefferson, Shawnee, Douglas, Jackson, Osage, Pottawatomie, Wabaunsee, Atchison) and provides infrastructure to Fort Leavenworth. For more information visit www.freestate.coop.

Chairman Olson and esteemed members of the Senate Committee on Utilities:

I am Steve Foss, CEO FreeState Electric Cooperatives, Inc. I am writing to express our opposition to SB 209 by the employees, board of trustees, and members of FreeState Electric Cooperative. I am pleased to be joined in this testimony by Pioneer Electric Cooperative, Ulysses, Kansas.

SB 209 gives the impression of providing more information on a monthly electric bill. However, following a third-party survey which was done in 2016 our members have asked the cooperative to keep things simple. Our monthly bill provides adequate information that is easy to understand. As the industry has evolved, so has our billing and communication about our billing practices.

I would also like to point out that I feel the added information would only confuse many members. They are not asking for this information, nor do they particularly care. We have more than 2,000 members that choose paperless billing and automated bill pay, where they draft from a bank account each month. That means approximately 2,000 may not even read their bill; they just pay it.

We pride ourselves on customer service, and we have the numbers to prove we are exceeding expectations in member services, and that the trust between the cooperative and those we serve is paramount.

The ACSI markers allowed comparison as a uniform and independent measure of household consumption experience. As an economic indicator, the ACSI tracks trends in customer satisfaction and provides benchmarking insights of the consumer economy for companies, industry trade associations, and government agencies. It also includes an Energy Utilities Index which is an independent customer satisfaction measure of the U.S. Top-30 investor-owned gas, electric or combination utilities.

The survey results were outstanding. FreeState Electric Cooperative (scored as a combination of LJEC and Kaw Valley Electric) scored a 93 and puts FreeState Electric Cooperative in an elite class of customer service.

FreeState is not alone. As a member of the Touchtone Energy Cooperative group, we can compare ourselves to the national average of other Touchstone Energy Cooperatives. Those cooperatives scored an 81, while investor-owned utilities scored 75. The Touchstone Energy Cooperative scoring distribution shows only four other co-ops in the industry scored above 90. FreeState Electric Cooperative was the highest at 93.

This outstanding effort is attributed everyone at FreeState. All employees and board of trustees played some part in exceeding expectations of our membership.

I firmly believe that our excellence in customer service stems from the cooperative difference. The cooperative business model operates on representative democracy. Each member is a member-owner. We work for those we provide power. The member-owners voice their concerns, they choose their leadership and representation, and they have the option to be as involved as they wish. This bill would force regulation and control on issues that need to be under the supervision of the people – our member- owners.

Our member-owners recently voted to consolidate two well-established cooperatives to take a proactive move within the industry to combat the continued rising cost of doing business across the board. Members of FreeState Electric Cooperative have had a steady electric rate dating back to 2010 in the eastern district, and 2012 in the west district, respectively. The consolidation to FreeState Electric Cooperative is estimated to save our members \$25 million over the next 10 years and pushes any rate increases out another three to five years, and we've committed to that.

SB 209 would bring added costs. There is the initial cost of reconstructing the bill, an estimate of over \$10,000 for programming costs by our software operator. Also, the added costs would be on-going. We would also see additional expenses in the member service department to explain the details of the new billing configuration, and each month the need to explain changes in each specific cost and why we've added more information than is necessary. A cost at this level does not seem like a significant investment, but as a not-for-profit, those costs would need to be passed on to the members, and ultimately that would jeopardize our commitment to keeping rates low for an extended period.

The proposed bill brings an unbundling of electric bills. This is perceived as a step in the direction to urge the consideration of retail wheeling into Kansas. This concept of retail wheeling has not been successful in other states, and we have 20 years of data and information that can justify our opposition. With the advent of the South West Power Pool's integrated market, the electricity costs are starting to see benefit in the marketplace that was promised upon rollout in 2015.

The cooperative difference means minimal state regulation, and more local control and governance by a member-owner elected board of trustees. Our member-owners put their trust into a group to take responsibility for problems solving, fiduciary responsibility and making decisions that impact everyone – including the individuals making the decisions. The cooperative model is about the people, and this bill threatens that very principle of democratic control by the people for the people. This bill enacts state mandates and regulation that is just not necessary. We recommend, and ask, you not to pass SB 209.

Mr. Steve Foss
Chief Executive Office
FreeState Electric Cooperative
Topeka, Kansas



Touchstone Energy Cooperatives – Distribution of ACSI Scores, Q115

Compared to Q14+Q15 Investor-Owned Utilities Industry Average at 74

