

Electric Rate Study; Sub. for SB 69

Sub. for SB 69 directs the Legislative Coordinating Council (LCC) to authorize a study of retail rates of Kansas electric public utilities.

Purpose and Scope

The bill specifies the purpose of the study is to provide information that may assist future legislative and regulatory efforts in developing electric policy that includes regionally competitive rates and reliable electric service. The utilities subject to the study include electric public utilities, as defined in Chapter 66 of the *Kansas Statutes Annotated*; electric cooperative public utilities exempt from Kansas Corporation Commission (KCC) jurisdiction; and the three largest municipally owned or operated electric utilities by customer count.

Selection, Rights, and Duties of Study Organizations

The bill requires the LCC to select, by an affirmative vote of at least five members (including at least one vote from a minority party member), one or more independent organizations that have experience evaluating electric utilities. The study also requires input from residential, commercial, and industrial customers, electric utilities, and other stakeholders.

Any organization selected by the LCC to conduct the study is authorized to request data for any electric utility as defined above; the utility has at least 14 days to respond. To ensure nondisclosure of confidential business information, the organization is required to enter into a confidentiality agreement with the utility prior to making a request for information.

Duties of the KCC

The bill requires the KCC to assist any organization selected to conduct the study by sharing any subject matter knowledge regarding electric utilities in Kansas or by facilitating the procurement of any necessary information requested by the organization for the study. Such information is subject to the Kansas Open Records Act, the Judicial Review Act, the Kansas Administrative Procedure Act, and any other applicable law or regulations applicable to the KCC.

Disputes regarding the provision of information are decided by the KCC. The KCC also is responsible for establishing reasonable protections for the treatment of confidential information.

The KCC is responsible for paying the costs of the study through assessments upon utilities that are subject to the study.

Issues to Be Studied

The bill requires the study to be completed in two parts. The first portion of the study, which the bill requires to be completed by January 8, 2020, and submitted to the House and Senate utilities committees by January 14, 2020, will examine the following issues:

- The effectiveness of current Kansas ratemaking practices, including whether:
 - Current ratemaking adequately attracts needed utility capital investments and adequately discourages unnecessary capital investments in Kansas;
 - Current ratemaking appropriately balances utility profits with the public interest objectives of achieving competitive rates over time while providing the best practicable combination of price, quality, and service;
 - Kansas electric public utilities are currently recovering from Kansas retail electric ratepayers the full or partial cost, including a return on investment, of any investments no longer fully used or required to be used in service to the public within Kansas, including, but not limited to, generation capacity investments;
 - The investments Kansas electric public utilities have made in electric transmission and renewable generation resources have contributed, and to what extent, to the obsolescence of all the other generation facility investments of such utilities;
 - Allowing Kansas investor-owned electric public utilities to recover costs through surcharges and riders, without a comprehensive ratemaking process, has unnecessarily contributed to rising wholesale and retail electricity prices;
 - Current ratemaking processes for Kansas electric cooperatives and municipal utilities are in the public interest; and
 - Electricity providers in surrounding states are subject to state laws, regulations, and oversight similar to such requirements in Kansas; and
- Options available to the KCC and the Kansas Legislature to affect Kansas retail electricity prices to become regionally competitive while providing the best practicable combination of price, quality, and service, including whether:
 - Capital expenditures and operating expenses of Kansas electric public utilities can be managed to achieve and sustain competitive retail rates while maintaining adequate and reliable service;
 - Any performance-based regulation, economic development initiatives, price-cap regulation, or other non-traditional ratemaking methods should be considered to reduce retail electric rates or the level of increase of any rates;
 - Competitive markets for retail electricity could benefit all Kansas consumers;

- Further investments in energy efficiency and renewable energy, including revenue decoupling and renewable energy incentives, could benefit all Kansas consumers;
- Securitized ratepayer-backed bonds could benefit utilities and ratepayers by reducing investment risk, facilitating the recovery of certain stranded costs from under-utilized or otherwise obsolete generating and other facilities and lowering retail electric rates, and assisting in the transition to new technologies, including a review of whether securitized bonds could be effectively utilized by Kansas utilities;
- Kansas sales tax, property taxes, assessment rates, and other fees and taxes on utilities are comparable to those of other states in the region and how such taxes and fees impact the competitiveness of utility rates;
- Kansas electric utilities and the KCC may reduce the cost impacts of decisions of the Southwest Power Pool (SPP) by advocating for certain positions through the SPP's stakeholder and regional state committee processes, including an identification of current and future issues most likely to impact Kansas retail electric rates;
- Any other regulatory actions are available to the KCC to manage or reduce retail electric rates; and
- Legislative enactments could address retail electric rate escalation in Kansas.

The second part of the study, which the bill requires to be completed by July 1, 2020, and submitted to the House and Senate utilities committees by January 12, 2021, will examine other consequential energy issues materially affecting Kansas electric rates, including:

- Whether any costs incurred by Kansas electric public utilities to build and operate electric vehicle charging stations, including any necessary upgrades to distribution infrastructure, are recovered from ratepayers not using electric vehicle charging services;
- How rates for electric vehicle charging services should be designed to ensure such rates are just and reasonable and not subsidized by other utility customers;
- The potential effects of deregulating electric vehicle charging services in Kansas, including whether deregulation would ensure electric vehicle charging services are not subsidized by public utility ratepayers not using electric vehicle charging services;
- Whether Kansas consumers could benefit from improved access to advanced energy solutions, including micro grids, electric vehicles, charging stations, customer generation, battery storage, and transactive energy;
- The extent to which transmission investments by Kansas electric public utilities have impacted retail rates, including any incremental regional transmission costs incurred by Kansas ratepayers for transmission investments in other states, and

whether such costs have been fully offset by financial benefits such as improved access to low cost renewable energy and wholesale energy markets;

- The costs and benefits incurred by Kansas ratepayers for transmission investments in Kansas used to export energy out of Kansas;
- How rate increases or the associated rising costs of Kansas investor-owned electric public utilities impact the retail electric rates of Kansas electric cooperatives and municipal utilities;
- Whether retail electric rates in Kansas are a material barrier to economic development in Kansas;
- The impact of contract rates with commercial and industrial customers and economic development rates on other customer classes, including whether expanded utilization of such approaches could benefit all customers over time;
- Whether Kansas electric public utilities recover their costs of serving customers from each customer class on the basis of cost causation;
- How cyber and physical security and grid stabilization efforts have affected, or are projected to affect, electric public utility rates;
- The value of a utility integrated resource planning process that requires state regulatory approval; and
- Economic analysis of the price fluctuations of generation fuels on the cost of electricity.

The bill requires the first and second parts of the study to be made available on the KCC's website by January 8, 2020, and July 1, 2020, respectively.