



Testimony offered to the House Committee on Taxation

In Support of House Bill 2609

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Good afternoon. Chairman Smith and members of the Committee, thank you for the opportunity to testify today. I'm Mike Morley, Director of Corporate Communications and Government Affairs at Midwest Energy. Based in Hays, Midwest is a member-owned electric and natural gas cooperative, with 50,000 electric and 43,000 natural gas meter customers in central and western Kansas. We are a vertically-integrated co-op, meaning we have generation assets, operate a transmission network, and serve retail customers. That structure gives us insight into all corners of the utility space.

Midwest Energy is seeking this bill because, Kansas needs more firm electrical generation capacity. The Southwest Power Pool, which operates the generation and transmission network for a 14-state region which includes all of Kansas, forecasts that by 2028, peak demand will increase by nearly 4,000 megawatts, while total capacity is forecast to decline by 1,400 megawatts over the same period¹. What that means is that utilities in Kansas will be building firm, dispatchable generation; either base-load generation units capable of running 24/7, or "peaking units," usually natural gas-fueled plants, which can be called upon to quickly ramp up during periods of peak demand.

The problem is how current statute treats electric generation plants unequally regarding property taxes. Current law has the property tax exemptions for utilities in several places, divided by the types of utilities, as defined in KSA 66-104(e) and KSA 66-128(b). The type of entity determines whether KSA 79-257 or KSA 79-258 applies, and I would note here that 79-257 and 79-258 apply only to conventional generation; tax treatment of renewable energy facilities like solar or wind farms is contained in KSA 79-201 and stands at a 10-year exemption. The current law then further divides the tax exemption by type of property. Historically the Department of Revenue has divided tax exempt utility property into 3 groups: New construction equipment; Peaking load equipment; and Pollution control devices. (See Section 1 of HB 2609 amending KSA 79-257). Current law then designates the number of years of tax exemption by type of property and varies from 6-12 years.

¹ From Southwest Power Pool's "2023 SPP Resource Adequacy Report," Table 1: SPP 2023 to 2028 Summer Season Outlook, available at [2023 spp june resource adequacy report.pdf](https://www.spp.org/2023-spp-june-resource-adequacy-report.pdf).

HB 2609, as drafted, sought to have each category of property with the same number of years of exemption. After we introduced our bill, Representative Schrieber introduced HB 2768 which amended the same provisions as HB 2609 and made all categories of property exempt for 10 years. (See Section 1, HB 2768) His bill significantly simplifies this area of law.

Since HB 2768 includes substantive provisions dealing with nuclear energy, the bill has been referred to the House Energy Utilities, and Telecommunications committee. We worked with Representative Schrieber to craft an amendment that focuses on the tax exemption provisions only and includes tax exemptions for equipment used in electric generation from nuclear energy.

We believe this amendment simplifies the law, and achieves the goal of having all electric generation equipment at a 10-year tax exemption.

In summary, HB 2609 when amended, will ensure firm, dispatchable generation is not at a disadvantage, at a critical time when Kansas utilities are weighing investments our grid urgently needs. And since a utility's recovery of property-tax related costs is passed directly through to customers, a standardized exemption does not go to the utility's bottom line – rather, it keeps money in our customers' pockets at a time when many are struggling with inflationary pressures. We thank the Committee for its consideration, and respectfully request the bill be advanced favorably. Mr. Chairman, thank you again for the opportunity to testify, and I would be happy to stand for questions at the appropriate time.