

As Amended by House Committee

Session of 2024

HOUSE BILL No. 2527

By Committee on Energy, Utilities and Telecommunications

Requested by Laura Lutz, on behalf of Every

1-18

1 AN ACT concerning public utilities; relating to the state corporation  
2 commission; authorizing cost recovery mechanisms for certain rate-  
3 base additions; requiring the commission to evaluate the capital  
4 structure of certain public utilities without regard for entities affiliated  
5 with such utility; authorizing certain public utilities to elect a specific  
6 return on equity in rate proceedings; increasing the peak demand  
7 threshold and discount term for public utilities to defer to a  
8 regulatory asset and recover depreciation expenses relating to  
9 certain rate base additions; establishing a cap on such cost  
10 recovery and limiting the time that such cost recovery may be  
11 implemented by a public utility; authorizing new economic  
12 development electric rates for large facilities; removing requirements  
13 for tracking and deferral to a regulatory asset of revenue reductions  
14 caused by economic development rates limiting the time that such  
15 economic development rates for large facilities may be  
16 implemented by a public utility; prohibiting any revenue lost  
17 through the implementation of economic development rates from  
18 being imputed into the electric public utility's revenue  
19 requirement; authorizing a rate adjustment mechanism for the  
20 construction of new gas-fired electric generating facilities; limiting the  
21 time that such rate adjustment mechanism may be implemented by  
22 a public utility; extending the timeline for the commission to make  
23 a determination of ratemaking principles and treatment prior to a  
24 public utility constructing or acquiring a stake in an electric  
25 generation or transmission facility; establishing procedural  
26 requirements to support the timely completion of such proceedings;  
27 amending K.S.A. 2023 Supp. 66-101j and 66-1239 and repealing the  
28 existing sections.

29  
30 *Be it enacted by the Legislature of the State of Kansas:*

31 New Section 1. (a) As used in this section:

- 32 (1) "Commission" means the state corporation commission.  
33 (2) "Public utility" means the same as defined in K.S.A. 66-104, and  
34 amendments thereto.  
35 (3) "Qualifying electric plant" means all rate base additions by an

Proposed Amendment to House Bill No. 2527  
Senate Committee on Utilities  
Prepared by: Nick Myers  
Office of Revisor of Statutes

1 ~~(3)~~ a peak demand that is reasonably projected to be at least ~~300-~~  
2 ~~kilowatts~~ 25 megawatts within two years of the date the customer first  
3 receives service under the discounted rate and is not the result of shifting  
4 existing demand from other facilities of the customer in the electric public  
5 utility's certified service territory and:

6 (A) An annual load factor that is reasonably projected to be at least  
7 55% within two years of the date the customer first receives service under  
8 the discounted rate; and  
9 (B) the facility shall, once first achieved, maintain the peak demand  
10 and load factor for the remaining duration of the discounted rate.

11 (c) The discount authorized by this section shall be determined by  
12 reducing otherwise applicable charges associated with the rate schedule  
13 applicable to the new or expanded existing facility by a fixed percentage  
14 for each year of service under the discount for a period of up to:

15 (1) Five years to facilities that qualify pursuant to subsection (b)(1)  
16 or (b)(2); and  
17 (2) 10 years to facilities that qualify pursuant to subsection ~~(b)(2)~~ (b)  
18 (3).

19 (d) (1) For discounts to facilities that qualify pursuant to subsection  
20 (b)(1), the average of the annual discount percentages shall not:

21 ~~(A)~~ exceed 20% for discounts that qualify pursuant to subsection (b)  
22 ~~(A)~~, but, except that such discounts may be between 5% to 30% in any  
23 year and of such five-year period.

24 (2) For discounts to facilities that qualify pursuant to subsection  
25 (b)(2), the average of the annual discount percentages shall not exceed  
26 40%, except that such discounts may be between 20% and 50% in any  
27 year of such five-year period.

28 (3) For discounts to facilities that qualify pursuant to subsection ~~(b)~~  
29 ~~(2)~~ (b)(3), the average of the annual discount percentages shall not  
30 exceed:

31 (A) For the first five years of the discount period, 40% for discounts  
32 that qualify pursuant to subsection (b)(2), but, except that such discounts  
33 may be between 20% to 50% in any year of such five-year period; and

34 (B) for the final five years of the discount period, 20%, except that  
35 such discounts may be between 10% and 30% in any year of such five-  
36 year period.

37 ~~(d)(e)~~ In each general rate proceeding concluded after the effective  
38 date of this section, the commission shall allocate the reduced level of  
39 revenues arising from the discounted rates provided for in this section  
40 through the application of a uniform percentage adjustment to the revenue  
41 requirement responsibility for all customer classes of the electric public  
42 utility providing such discounted rate, including the classes with customers  
43 that qualify for discounts under this section, except for rates for service

1 provided to customers under contract rates either approved by the  
 2 commission pursuant to K.S.A. 2023 Supp. 66-101i, and amendments  
 3 ~~thereof or the commission's general ratemaking authority July 1, 2024,~~  
 4 the difference in revenues generated by applying the discounted rates  
 5 authorized pursuant to this section and the revenues that would have  
 6 been generated without such discounts shall not be imputed into the  
 7 electric public utility's revenue requirement.

8 ~~(c)(1) The commission shall approve a tracking mechanism to track~~  
 9 ~~reductions in revenue experienced by the electric public utility serving the~~  
 10 ~~facility as a result of the discount rate from the date the discount rate~~  
 11 ~~becomes effective; and~~

12 ~~(2) such reductions in revenue shall be deferred to a regulatory asset~~  
 13 ~~and shall accrue interest at the weighted average cost of capital used by the~~  
 14 ~~commission to set the electric public utility's rates in its most recently~~  
 15 ~~computed general rate proceeding with the balance of such regulatory~~  
 16 ~~asset to be included in the rate base and revenue requirement of the electric~~  
 17 ~~public utility in each of the utility's general rate proceedings through an~~  
 18 ~~amortization of the balance over a reasonable period until fully collected~~  
 19 ~~from the utility's non-contract rate customers.~~

20 (f) The provisions of this section shall not apply to rates for service  
 21 provided to customers under contract rates approved by the commission  
 22 pursuant to K.S.A. 2023 Supp. 66-101j, and amendments thereto, or the  
 23 commission's general ratemaking authority according to custom and  
 24 practice of the commission in place prior to the effective date of this  
 25 section.

26 (g) Starting in January 2023, the commission shall biennially provide  
 27 a status report to the legislature about any discounts from tariffed rates  
 28 authorized pursuant to this section. Such report shall include the:

- 29 (1) Number of entities with such discounts;
- 30 (2) number of entities with increased load;
- 31 (3) number of entities with decreased load;
- 32 (4) aggregate load and change in aggregate load on an annual basis;
- 33 (5) total subsidy and the subsidy for each individual contract;
- 34 (6) annual and cumulative rate impact on non-contract rate  
 35 customers; and

36 (7) estimated economic development impact of entities with  
 37 discounted rates that occurred as a result of such discounts through an  
 38 evaluation of the annual: (A) Total employment for such entities; (B)  
 39 change in employment for such entities; and (C) tax revenue generated by  
 40 such entities.

41 (h) An electric public utility shall be authorized to only  
 42 implement discounted rates for facilities that qualify for such  
 43 discounted rates pursuant to subsection (b)(3) until December 31,

(1) Except as provided in paragraph (2), on and after

(2) Any reduction in revenue resulting from any discount provided pursuant to this section that was tracked by the public utility and deferred to a regulatory asset prior to July 1, 2024, shall be recoverable in any general rate proceeding initiated on or after July 1, 2024, through an equal percentage adjustment to the revenue requirement responsibility for all customer classes of the public utility, including the customer classes that include customers that qualify for discounts pursuant to this section.