



Neutral Conferee with Proposed Amendment

SB 339 – Statutory framework for economic development electric rates.

**Senate Committee on Utilities
February 12, 2020**

**Presented by Leslie Kaufman, V.P. of Government Relations & Legal Counsel
Kansas Electric Cooperatives, Inc.**

Chairman Masterson and members of the Senate Committee on Utilities, thank you for the opportunity to appear today on behalf of Kansas Electric Cooperatives, Inc. (KEC) and our members to comment on SB 339. I am Leslie Kaufman and I serve as the V.P. of Government Relations & Legal Counsel for KEC.

KEC is the Kansas statewide service organization for 27 electric distribution cooperatives and three generation and transmission cooperatives. Formed on August 18, 1941, and headquartered in Topeka, KEC represents the interests of and provides needed services and programs to the electric co-ops that serve Kansans. Our major programming areas include advocacy, education, communications and safety/loss control.

As you know, SB 339 seeks to delineate a statutory framework for electric utilities to adjust rates in certain circumstances to advance economic development opportunities. As SB 339 stands before you now, we are neutral on the bill, but we do respectfully request a clarifying amendment.

Cooperatives are governed by the member-owners they serve. All our cooperative members have elected to remove themselves from rate jurisdiction under the Kansas Corporation Commission (KCC) pursuant to K.S.A. 66-104d in favor of self-regulation. This rate self-regulation is conducted under the auspices of the cooperative's member-elected board of trustees with the opportunity for input from members.

Over the years, cooperatives have collectively saved members hundreds of thousands of dollars by managing rate making processes locally as opposed to the costly procedure of bringing rate cases before the KCC. The cost savings, opportunities for member input, and return of excess margin to members are factors that make the cooperative model for ratemaking very member-centric. It is in the best interests of the co-op and the member-owners to keep the cost of providing reliable, dependable electric service as low as possible.

The KCC is still a backstop if members are aggrieved by a rate change. A petition process, outlined in K.S.A. 66-104d, is available to request KCC review of a cooperative's rates within one year of such change. The KCC will review the rates to determine if they were "unjust, unreasonable, unjustly discriminatory or unduly preferential" and order an adjustment in the rates if they are found to be unjust or unreasonable. K.S.A. 66-104d(g)(1). Since the self-regulation statute was enacted over 25 years ago, only one petition has been properly filed and ruled on by the KCC and the rates were determined to be just and reasonable. We believe this is a testament to the success of our cooperative business model.

Cooperatives and our members value the ability to manage the ratemaking process locally. The recent Sub. SB 69 Phase 1 Electric Rate Study performed by London Economics International (LEI) evaluated the cooperative process and validated what co-op members and leaders have known for years – the model works for members and is in the public interest.

Our co-op members, when it benefits the cooperative system, may also offer economic development rates. We are certainly not opposed to that and we are not opposed to this bill. We do want to protect our ability to self-regulate rates under K.S.A. 66-104d, including the continued opportunity for our own members to offer economic development rates. To ensure there are no unintended consequences that might hinder that, we suggest clarifying language be added to the definition of "electric utility" in both sections one and two. We have included a description of the proposed changes below.

We have communicated with Evergy, the sponsor of SB 339, regarding our concern. We appreciate the opportunity to share our thoughts with them and offer what we hope all will consider as a friendly amendment.

In closing, we appreciate the opportunity to share our thoughts on SB 339 and offer the proposed amendment. We do hope that the committee will act favorably on amendment, should you take action on SB 339. I will gladly stand for questions at the appropriate time.

Thank you.

KEC Proposed Amendment to SB 339

Modify the SB 339 definitions of "electric public utility" in two places, on page 3, line 8 and on page 5, line 10 to with the addition of language noted below in blue:

"Electric public utility" means the same as prescribed in K.S.A. 66-101a, and amendments thereto *but does not include the any corporation organized under the electric cooperative act, K.S.A. 17-4601 et seq., and amendments thereto, an entity as described in K.S.A. 66-104d, or any electric public utility that is owned by one or more cooperatives;*