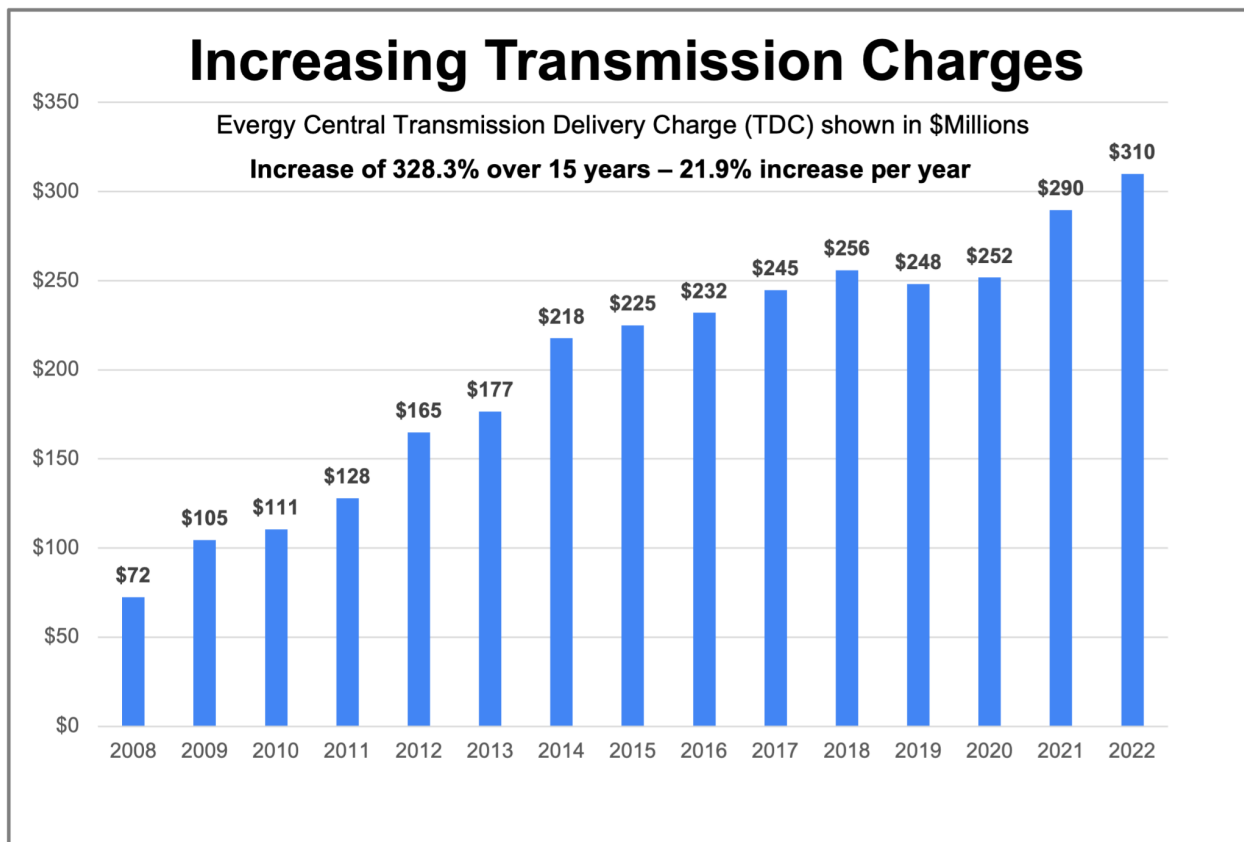


March 22, 2023
House Bill 2225 – TDC Compromise
Oral – In person
Proponent
Paul Snider – Kansans for Lower Electric Rates (KLER) & Kansas Industrial Consumers Group (KIC)

Transmission is a key cost driver of high electric rates in Kansas. A significant part of Evergy’s spending plan includes very sizable investments in transmission.

The key to this capital spending is the Transmission Delivery Charge (TDC – K.S.A 66-1237). The Legislature in 2003 provided then Westar Energy with this surcharge opportunity. At that time not much transmission was being built and I’m sure legislators didn’t imagine what the surcharge would become.

What’s followed is near-yearly increases, even during the vaunted Evergy “rate moratorium,” that can’t be reviewed by the KCC.



Investing in transmission is especially lucrative because the Federal Energy Regulatory Commission (FERC) provides returns on transmission that are higher than returns granted on investments in a power plant or local distribution wire. Plus Evergy gets annual recovery of costs through the TDC surcharge, all without KCC oversight.

The originally filed HB 2225, and the compromise amended bill before you, seeks to level the playing field on Evergy's "local" transmission investments.

The compromise bill:

- Lowers the return on equity (ROE) on Evergy's local projects (about 80% of the total transmission spend) from FERC's 10.3% ROE to the KCC's 9.3% ROE.
- Creates an oversight process for the KCC to review projects prior to TDC recovery.
- Requires Evergy to address regionally competitive rates in a rate case and assess the impact of higher rates on economic development in Kansas.

The compromise bill does not impact SPP-directed investments or Evergy's ability to adjust the TDC on an annual basis.

Overall, the compromise bill is a clear benefit to ratepayers in Kansas. It provides about \$11M/year in immediate savings from lowering the ROE on the existing rate base of existing projects, and reduces the cost of future projects due to the lower ROE, expected to be about \$2M/year.

We urge the committee to approve this compromise bill to help Kansas achieve regionally competitive electric rates.

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The Kansas Industrial Consumers Group (KIC) is a coalition of large-volume energy users in Kansas. The members collectively represent billions of dollars of investment in the State and employ thousands of Kansans. Kansans for Lower Electric Rates (KLER) is an advocacy project of KIC with members of all sizes. We believe high energy costs are negatively impacting residential consumers, schools, hospitals, and large and small businesses.