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Before the House Energy, Utilities, and Telecommunications Committee

March 19, 2019

Neutral Testimony
On Substitute for Senate Bill 69

Submitted by Jeff McClanahan, Director, Utilities Division
On Behalf of
The Staff of the Kansas Corporation Commission

Chair Seiwert, Vice Chair Schreiber, Ranking Minority Member Kuether, and members of the Committee, thank you for the opportunity to provide testimony to your Committee today on behalf of the Staff of the Kansas Corporation Commission (Commission).

The Staff of the Commission (Staff) is taking a neutral position on Substitute for Senate Bill 69 (SB 69). However, Staff would like to take this opportunity to explain and highlight some of the issues we see with the rate study.

Staff anticipates that the rate study envisioned in SB 69 could be very expensive due to the depth and breadth of the individual issues to be evaluated. Staff's fiscal note estimates the rate study as proposed under the bill will cost approximately \$1 million to complete. Per Section 1(b)(5) of the bill, the utilities subject to the rate study are to pay for the study through an assessment of expenses pursuant to K.S.A. 66-1502. However, the ratepayers of the utilities included in this study will ultimately pay the cost of the study. The primary reason the rate study could be expensive is due to the wide-ranging scope of subjects to be evaluated, some of which could justify their own discrete study. For example, the following subjects could justify their own discrete studies:

1. Whether the current ratemaking process for Kansas electric cooperatives and municipal utilities are in the public interest. [Section 1(c)(1)(F).] The ratemaking process for Kansas electric cooperatives and municipal utilities is different from that of investor-owned utilities and warrants a separate and distinct study.
2. Whether 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. [Section 1(c)(2)(B).] From Staff's perspective, performance-based regulation, price-cap regulation, or other non-

traditional ratemaking methods should be considered in a separate study. Due to the complexity of these methods and the number of variations under which they are implemented, a general overview could not provide much value or meaningful insight. More specifically, the concepts for alternative ratemaking methods are well-known, but any guidance from the study that would validate a transition will require a detailed analysis.

3. Whether competitive markets for retail electricity could benefit Kansas consumers. [Section 1(c)(2)(C).] Retail choice is a highly complex issue that has been implemented in many different ways. Again, a general overview could not provide any meaningful insight. The Kansas Industrial Consumers Group (KIC) states in its testimony that “KIC has not and is not pursuing any discussion to move Kansas towards deregulation.”¹ In addition, the Citizens’ Utility Ratepayers Board was even more narrowly focused when it stated, “To summarize, CURB’s recommendation is that Kansas needs further independent study regarding how, if at all, to revise or supplement the current utility regulatory scheme in Kansas.”²

Staff also notes that it could be difficult for the consultant(s) to provide a detailed and specific report on the issues included in SB 69 given the broad scope of the issues and the January 8, 2020 and July 1, 2020 report deadlines.

¹ Testimony of Jim Zakoura dated January 24, 2019, Regarding the KCC Rate Study, Before the Senate Utilities Committee, January 30, 2019.

² Citizens’ Utility Ratepayer Board, Testimony Regarding KCC Staff’s Rate Study, January 30, 2019.