

Before the House Committee on Energy, Utilities, and Telecommunications

February 20, 2020

Response to London Economics International's Rate Study

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).

Staff has reviewed London Economics International's (London) Rate Study (Study) and we have both general and specific comments regarding the Study. Staff's general comments are as follows:

- Substitute for Senate Bill 69 (SB 69) was separated into two phases due to the magnitude of the issues to address. Phase 1, which London addresses in this Study, covers an expansive list of complicated issues that could easily take a year or more to research, analyze, and provide recommendations. London had approximately three months.
- Based on the limited amount of time London had to address such a wide-range of issues, London did an admirable job. However, the limited amount of time did cause data errors and inconsistencies in the Study. In Staff's opinion, the limited time also created a situation in which London did not have enough time to fully explain the nuances in many of its Rate Study recommendations. As the Committee is aware, public utility regulation is complicated and providing complete and detailed explanations are critical so that decision makers are not inadvertently misled.

- Both Staff and Evergy provided separate lists of data errors and inconsistent or incorrect conclusions to London and will be addressed in Staff's specific comments. Staff also notes that London indicated in its Senate Utilities presentation that it plans on providing a revised Rate Study with its corrections.
- Staff agrees with London's conclusion that "Ultimately, there is no single easy fix that would reduce electricity rates. Kansas needs to adopt a portfolio approach that would gradually achieve regionally competitive electric rates over time."¹ London recommends near-term steps that include; (1) a state energy plan, (2) integrated resource planning, (3) performance-based regulation, and (4) retirement and securitization of uneconomic assets. Staff notes that an integrated resource plan for Evergy was approved by the Commission on February 6 and that Evergy is currently under performance-based regulation. So two of the four near-term recommendations are currently in place. Staff is also generally supportive of the other two near-term recommendations.
- Staff notes that London's recommendations are consistent with both long-standing and current national dialogue on regulating electric utilities. Staff will address London's recommendations in more detail in our specific comments.
- London refers to Staff's Rate Study from December of 2018 numerous times. Based on the references, it appears London agrees with Staff's conclusions regarding the underlying reasons for the increases in Kansas City Power & Light and Westar's rates.

Due to the length of the Study, Staff cannot address every issue or recommendation. However, in the attached PowerPoint presentation, Staff does address the majority of the recommendations as well as the errors and clarifications list that Staff provided to London.

¹ Study at p. 257.