Kansas Industrial Consumers Group

Testimony of Kansas Industrial Consumers Group
Support of SB396
Before the Senate Utilities Committee
February 14, 2018

The Kansas Industrial Consumers Group (KICG) 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. We believe high energy costs are negatively impacting residential consumers, schools, hospitals, and large and small businesses.

The federal Tax Cuts and Jobs Act was passed by Congress, and signed into law by the President, on December 22, 2017. This Act reduced the corporate tax rate of most Kansas electric and gas utilities from 35% to 21%, a substantial 40% reduction.

Corporate income taxes, both federal and state, are normal and customary components of the cost to provide electric and gas service. Unlike investments in a power plant or distribution line, utilities do not earn a profit on the monies they collect from customers to pay these taxes. Rather, taxes are simply a pass-through expense. As mentioned, the federal pass-through tax rate is now 21%, meaning utilities are presently collecting far more money from Kansas retail utility customers than they will owe to the federal government.

On December 14, 2017, KICG was the first entity in Kansas to file a complaint with the Kansas Corporation Commission (KCC) asking the KCC to initiate proceedings to ensure Kansas ratepayers do not pay inflated rates due to the tax cut.

Unfortunately, not one cent of the reduced tax benefit of the Tax Cuts and Jobs Act has been passed through to retail ratepayers in Kansas. Despite public assurances to our new Governor, not one Kansas public utility has even filed revised tariffs to implement the federal tax reduction in retail utility rates.

Senator Masterson's bill, SB 396, would require overcollections of income tax expense be returned within 150 days of a tax change, and importantly, returned to customers, as opposed to offsetting future utility investments or retroactively supplementing shareholder returns.

I would propose one change to the bill: eliminate the phrase "*Unless the state corporation commission otherwise orders,*" starting on line 38, on page 3.

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The KCC has already issued an order requiring the utilities to begin accounting for overcollected income taxes. However, the KCC's order does not include the same firm protections and assurances for customers as those included in this bill. Specifically, the KCC's order does not clearly state that excess tax collections will be refunded to customers, rather than retroactively boosting shareholder returns. For these reasons, SB 396 improves on the KCC approach and ensures Kansas utility customers receive the refunds they are entitled to.

We appreciate the committee’s attention to this matter and urge you to pass SB 396.

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