



February 20, 2019

Adam Beren, President, Berexco LLC, an energy company located in Wichita.

BACKGROUND, CONCERN AND PERSPECTIVE

1. *I am a supporter of KLER*
 - a. Kansans for Lower Electric Rates (KLER) is a consumer advocacy group made up of small, medium and large electric users who are concerned about high electricity costs in Kansas.
2. *My Background*
 - a. I have been working in our family energy business in Wichita for the last 28 years, and involved in electric issues in Kansas over these many years.
 - b. I am a fourth generation President of our Company.
3. *Electricity is an extremely important issue to spend time to understand and improve*
 - a. Improving the economic living and business conditions through competitive electric rates is critical for the viability of Kansas.
 - b. Millions of tax dollars are at stake for the cities, counties and state pending improvements which can be made to the current electric system.
 - c. Electricity is the largest single operating expense in our Company and its cost is critical to the profitability of the oil industry in Kansas.
4. *I believe I can offer a unique perspective on the issues related to electricity in Kansas.*
 - a. Our company operates in areas served by 52 different electric utilities in 8 states including Arkansas, Colorado, Kansas, Montana, Nebraska, Oklahoma, Texas, and Wyoming.
 - b. I participated on a task force with the KEC over the last 2.5 years representing the Kansas Oil Producers. I was very involved 25 years ago as well in similar discussions.
 - c. I have held numerous meetings over the last 3 years with utility managers and staff, utility boards, the KCC staff, KEC, Sunflower and Kepco staff, legislators and governors.
 - d. I have spent hours over the years analyzing the 990's, Form 7's, and annual reports of our Kansas utilities to better understand their financial and operating conditions.
 - e. I have made many presentations to various bodies about electric rates in Kansas.
 - f. I have gone through the process of studying how to file for a rate review of one of the deregulated utilities under the new statutes, including meeting with the KCC, but ultimately did not file a petition. The process was arduous, time-consuming, and would have been very expensive especially for a small group of consumers.

RATES AND COMPARISONS

1. *Kansas experienced the 6th largest increase in rates in the country from 2005-2017 at 62%. See Exhibit 1.*
2. *We are now the 18th most expensive state for electricity in the country. We used to be the 15th cheapest. See Exhibit 2.*
3. *In 2017, Kansas had the highest electric rates in all EIA tracked categories compared to our neighboring states, Arkansas, Colorado, Iowa, Missouri, Nebraska, Oklahoma and Texas*
 - a. Overall rates in Kansas were \$.1060/kwh compared to the lowest rates in Oklahoma at \$.0820. See Exhibit 1.
 - b. Residential rates were \$.1331/kwh in Kansas, compared to the lowest in Arkansas at \$.1028/kwh. See Exhibit 3.
 - c. Business rates were \$.1059/kwh in Kansas, compared to \$.0811/kwh in Oklahoma. See Exhibit 3.
4. *In our business, Kansas utilities do not compare well to those in other states.*
 - a. We pay more than \$50,000/ year to 29 utilities, 15 of which are in Kansas.
 - b. Of these 29 utilities, 7 of the top 10 highest rates, 12 of the top 15 and 15 of the top 20 are in Kansas.
 - c. The lowest 10 rates are not in Kansas. \$.0523 in Oklahoma, \$.0595 in Texas, and \$.0708 in Wyoming are among the lowest. (Before any Trump tax rebates).
 - d. The average rate of the 5 Kepeco utilities that serve us is approximately \$.12/kwh with the highest utility at \$.17/kwh.
 - e. The average rate of the 6 Sunflower utilities that serve us is approximately \$.095/kwh with the highest utility charging approximately \$.10/kwh.
 - f. The only municipal serving us charges approximately \$.11/kwh.
5. *We are not experts on Westar, but have this data to share:*
 - a. The rates for our office in Wichita and a few leases have increased nearly 70% over the last 10 years.
 - b. We pay approximately \$.10/kwh on average.
 - c. My home bill with Westar has experienced a similar increase.
 - d. After the Trump tax reduction, we experienced a 12% reduction in Oklahoma, 17% in Arkansas, 6% in Texas, and 0.3% from Westar.
6. *We do not have any accounts within the service area of the McPherson KS Board of Public Utilities but their rates are among the lowest in the country:*
 - a. The average commercial electricity rate in McPherson is \$.0705/kwh or 67% of the average commercial rate in Kansas
 - b. The average residential rate is \$.0622/kwh or 47% of the average rate in Kansas
 - c. The average industrial electricity rate is \$.0455/kwh

CHALLENGES AND OPPORTUNITIES

1. *The Southwest Power pool has changed the marketplace dramatically and created opportunities for the Kansas Consumer that have not been fully realized.*
 - a. The average day ahead price for wholesale power over the last 4 years has been about \$.025/kwh.
 - b. The average price for wholesale power imbedded in the rates charged to customers in Western Kansas is between \$.045 to \$.055/kwh.
 - c. Many Kansas utilities are locked into all power requirements contracts and are required to pay for significant debt payments and overhead, including pension and other benefit plans on under-utilized generating facilities in Kansas.
2. *The situation in Western Kansas needs particular attention and perspective.*
 - a. The debt on the books for 27 utilities in Western Kansas (including Kepco, Sunflower, and Mid Kansas) is over \$1.8 billion. *See Exhibit 4.*
 - b. In a study we did of 8 large utilities in Western Kansas from 2011 to 2015, we discovered sales were flat to down, revenues were up 8% and operating expenses were up 17%.
3. *Flat sales and increased expenses result in rate increases.*
 - a. We experienced 11 separate rate increases in Western Kansas in the last 3 years.
 - b. These increases were required for various reasons, including the shutdown of many oil wells during the low oil price period of 2015-2017.
 - c. The utilities increased rates higher than necessary to the remaining customers by not attempting to keep existing load operational or giving incentives for new load.
 - d. Our industry advanced win-win solutions to the utilities that were not implemented.
 - e. It would be next to impossible for the average consumer to advocate their concerns.
4. *Just assuming a \$.02/kwh rate reduction could be achieved in Western Kansas, over \$160mm annually could be reinjected back into the Kansas economy instead of going out of the state to the debt holders.*
5. *Rate payers are at an unfair advantage due to other facets of the current system.*
 - a. Utilities appear to have an unlimited budget from customer dollars to lobby and publically advocate their interest.
 - b. Certain customers are not allowed to run to become board members of the utilities that service them.
 - c. The artificial map of utility boundaries in rural Kansas disincentivizes certain customers from hooking up electricity.

INDEPENDENT REVIEW REQUIRED

1. *We can argue and analyze what went wrong, but the question is what do we do now?*
 - a. \$billions wasted complying with the Clean Power Act
 - b. \$billions spent paying for transmission transporting wind out of the state and some in state.
 - c. Low gas prices compared to coal.
 - d. High generating costs for Kansas assets.

2. *It is time to take a step back and analyze how to improve the electric marketplace in Kansas. We want to be the best state in the country, not average.*
 - a. It is time for a review given the results in our state over the last 13 years.
 - b. We have good and committed people at the utilities and the KCC, but an analysis would be better served by an independent party.
 - c. We should review the rate making processes and standards.
 - d. We should have more market based incentives for the utilities.
 - e. We should place a moratorium on utility lobbying and public advertising during the rate study period.

EXHIBIT 1

EIA Average Price (Cents/kilowatthour) by State by Provider

State	Dereg	Industry Sector Category	2005 Total	2017 Total	Diff	% Change
TX	X	Total Electric Industry	9.14	8.38	-0.76	-8.32%
LA		Total Electric Industry	8.03	7.79	-0.24	-2.99%
NV		Total Electric Industry	9.02	8.76	-0.26	-2.88%
NY	X	Total Electric Industry	13.95	14.74	0.79	5.66%
FL		Total Electric Industry	8.76	10.42	1.66	18.95%
OK		Total Electric Industry	6.85	8.20	1.35	19.71%
MS		Total Electric Industry	7.54	9.09	1.55	20.56%
NJ	X	Total Electric Industry	10.89	13.32	2.43	22.31%
PA	X	Total Electric Industry	8.27	10.13	1.86	22.49%
ME	X	Total Electric Industry	10.57	13.02	2.45	23.18%
NC		Total Electric Industry	7.19	9.04	1.85	25.73%
NM		Total Electric Industry	7.51	9.59	2.08	27.70%
DC	X	Total Electric Industry	9.18	11.80	2.62	28.54%
US		Total Electric Industry	8.14	10.48	2.34	28.75%
NH	X	Total Electric Industry	12.53	16.17	3.64	29.05%
IA		Total Electric Industry	6.69	8.73	2.04	30.49%
CO		Total Electric Industry	7.64	9.99	2.35	30.76%
AR		Total Electric Industry	6.30	8.26	1.96	31.11%
GA		Total Electric Industry	7.43	9.83	2.40	32.30%
MT		Total Electric Industry	6.72	8.92	2.20	32.74%
VT		Total Electric Industry	10.95	14.60	3.65	33.33%
WA		Total Electric Industry	5.87	7.94	2.07	35.26%
IL	X	Total Electric Industry	6.95	9.49	2.54	36.55%
AZ		Total Electric Industry	7.79	10.64	2.85	36.59%
RI	X	Total Electric Industry	11.97	16.42	4.45	37.18%
CA		Total Electric Industry	11.63	16.06	4.43	38.09%
VA	X	Total Electric Industry	6.64	9.18	2.54	38.25%
OR	X	Total Electric Industry	6.34	8.81	2.47	38.96%
OH	X	Total Electric Industry	7.08	9.84	2.76	38.98%
MA	X	Total Electric Industry	12.18	17.12	4.94	40.56%
DE	X	Total Electric Industry	7.76	10.91	3.15	40.59%
HI		Total Electric Industry	18.33	26.05	7.72	42.12%
WI		Total Electric Industry	7.48	10.76	3.28	43.85%
UT		Total Electric Industry	5.92	8.60	2.68	45.27%
CT	X	Total Electric Industry	12.06	17.55	5.49	45.52%
MD	X	Total Electric Industry	8.13	11.98	3.85	47.36%
ND		Total Electric Industry	5.92	8.78	2.86	48.31%
SC		Total Electric Industry	6.72	9.97	3.25	48.36%
TN		Total Electric Industry	6.31	9.45	3.14	49.76%
AL		Total Electric Industry	6.46	9.83	3.37	52.17%
SD		Total Electric Industry	6.60	10.05	3.45	52.27%
NE		Total Electric Industry	5.87	9.08	3.21	54.68%
MN		Total Electric Industry	6.61	10.27	3.66	55.37%
MI	X	Total Electric Industry	7.23	11.28	4.05	56.02%
WY		Total Electric Industry	5.16	8.28	3.12	60.47%
ID		Total Electric Industry	5.12	8.26	3.14	61.33%
KS		Total Electric Industry	6.55	10.60	4.05	61.83%
AK		Total Electric Industry	11.72	19.10	7.38	62.97%
MO		Total Electric Industry	6.13	10.03	3.90	63.62%
IN		Total Electric Industry	5.88	9.77	3.89	66.16%
KY		Total Electric Industry	5.01	8.57	3.56	71.06%
WV		Total Electric Industry	5.15	9.00	3.85	74.76%

Neighboring states

EXHIBIT 2

EIA Average Price (Cents/kilowatthour) by State by Provider

State	Dereg	2005 Total
KY		5.01
ID		5.12
WV		5.15
WY		5.16
WA		5.87
NE		5.87
IN		5.88
UT		5.92
ND		5.92
MO		6.13
AR		6.30
TN		6.31
OR	X	6.34
AL		6.46
KS		6.55
SD		6.60
MN		6.61
VA	X	6.64
IA		6.69
MT		6.72
SC		6.72
OK		6.85
IL	X	6.95
OH	X	7.08
NC		7.19
MI	X	7.23
GA		7.43
WI		7.48
NM		7.51
MS		7.54
CO		7.64
DE	X	7.76
AZ		7.79
LA		8.03
MD	X	8.13
US		8.14
PA	X	8.27
FL		8.76
NV		9.02
TX	X	9.14
DC	X	9.18
ME	X	10.57
NJ	X	10.89
VT		10.95
CA		11.63
AK		11.72
RI	X	11.97
CT	X	12.06
MA	X	12.18
NH	X	12.53
NY	X	13.95
HI		18.33

State	Dereg	2017 Total
LA		7.79
WA		7.94
OK		8.20
AR		8.26
ID		8.26
WY		8.28
TX	X	8.38
KY		8.57
UT		8.60
IA		8.73
NV		8.76
ND		8.78
OR	X	8.81
MT		8.92
WV		9.00
NC		9.04
NE		9.08
MS		9.09
VA	X	9.18
TN		9.45
IL	X	9.49
NM		9.59
IN		9.77
GA		9.83
AL		9.83
OH	X	9.84
SC		9.97
CO		9.99
MO		10.03
SD		10.05
PA	X	10.13
MN		10.27
FL		10.42
US		10.48
KS		10.60
AZ		10.64
WI		10.76
DE	X	10.91
MI	X	11.28
DC	X	11.80
MD	X	11.98
ME	X	13.02
NJ	X	13.32
VT		14.60
NY	X	14.74
CA		16.06
NH	X	16.17
RI	X	16.42
MA	X	17.12
CT	X	17.55
AK		19.10
HI		26.05

Neighboring states

EXHIBIT 3

Average Price (Cents/kilowatthour) by State by Provider, 2017

State	Industry Sector Category	Residential	Commercial
AK	Total Electric Industry	21.27	18.89
AL	Total Electric Industry	12.55	11.60
AR	Total Electric Industry	10.28	8.51
AZ	Total Electric Industry	12.44	10.50
CA	Total Electric Industry	18.31	15.76
CO	Total Electric Industry	12.17	9.89
CT	Total Electric Industry	20.29	16.06
DC	Total Electric Industry	12.94	11.66
DE	Total Electric Industry	13.35	9.89
FL	Total Electric Industry	11.61	9.35
GA	Total Electric Industry	11.90	10.09
HI	Total Electric Industry	29.50	26.77
IA	Total Electric Industry	12.34	9.46
ID	Total Electric Industry	10.04	7.98
IL	Total Electric Industry	12.95	9.09
IN	Total Electric Industry	12.29	10.54
KS	Total Electric Industry	13.31	10.59
KY	Total Electric Industry	10.85	9.85
LA	Total Electric Industry	9.74	8.95
MA	Total Electric Industry	20.06	15.94
MD	Total Electric Industry	13.96	10.75
ME	Total Electric Industry	15.97	12.12
MI	Total Electric Industry	15.40	11.00
MN	Total Electric Industry	13.04	10.48
MO	Total Electric Industry	11.63	9.47
MS	Total Electric Industry	11.08	10.17
MT	Total Electric Industry	10.95	10.12
NC	Total Electric Industry	10.94	8.44
ND	Total Electric Industry	10.29	9.19
NE	Total Electric Industry	10.97	8.85
NH	Total Electric Industry	19.20	14.81
NJ	Total Electric Industry	15.65	12.28
NM	Total Electric Industry	12.88	10.19
NV	Total Electric Industry	11.99	7.96
NY	Total Electric Industry	18.03	14.75
OH	Total Electric Industry	12.63	10.05
OK	Total Electric Industry	10.61	8.11
OR	Total Electric Industry	10.66	8.86
PA	Total Electric Industry	14.23	8.98
RI	Total Electric Industry	18.32	15.20
SC	Total Electric Industry	13.02	10.57
SD	Total Electric Industry	11.77	9.74
TN	Total Electric Industry	10.72	10.55
TX	Total Electric Industry	11.01	8.26
UT	Total Electric Industry	10.95	8.65
VA	Total Electric Industry	11.55	8.01
VT	Total Electric Industry	17.68	14.61
WA	Total Electric Industry	9.66	8.57
WI	Total Electric Industry	14.35	10.87
WV	Total Electric Industry	11.63	9.58
WY	Total Electric Industry	11.37	9.70
US	Total Electric Industry	12.89	10.66

Exhibit 4

LONG TERM DEBT

<u>Utility Name</u>	<u>Source</u>	<u>Long Term Debt</u>
Ark Valley Electric Cooperative Assn., Inc.	2016 Form 990	\$ 17,506,323.00
Bluestem Electric Cooperative, Inc.	2016 Form 990	\$ 23,084,615.00
Brown-Atchison Electric Cooperative Assn., Inc.	2015 Form 990	\$ 7,621,168.00
Caney Valley Electric Cooperative Assn., Inc.	2016 Form 990	\$ 14,947,643.00
CMS Electric Cooperative, Inc.	2015 Form 990	\$ 43,006,903.00
Doniphan Electric Cooperative Assn., Inc.	2016 Form 990	\$ 845,505.00
D S & O Electric	2016 Form 990	\$ 51,331,873.00
Flint Hills Rural Electric Cooperative Assn., Inc.	2016 Form 990	\$ 17,358,128.00
Heartland Rural Electric Cooperative, Inc.	2016 Form 990	\$ 28,230,420.00
Kansas Electric Rower Cooperative, Inc.	2017 Consolidated Balance Sheet	\$ 152,297,209.00
Lane Scott Electric Cooperative, Inc.	2016 Form 990	\$ 33,092,948.00
Lyon-Coffey Electric Cooperative, Inc.	2016 Form 990	\$ 22,732,238.00
Mid-Kansas Electric Company, LLC and Subsidiaries	2016 Consolidated Balance Sheet	\$ 300,414,993.00
Midwest Energy, Inc.	2017 Annual Report	\$ 314,124,144.00
Nemaha-Marshall Electric Cooperative Assn., Inc.	2017 Form 990	\$ 4,215,020.00
Ninnescah Electric Cooperative Assn., Inc.	2015 Form 990	\$ 14,889,158.00
Pioneer Electric Cooperative, Inc.	2016 Form 990	\$ 72,964,120.00
Prairie Land Electric Cooperative, Inc.	2016 Form 990	\$ 94,722,858.00
Radiant Electric Cooperative, Inc.	2016 Form 990	\$ 12,153,780.00
Rolling Hills Electric Cooperative, Inc.	2016 Form 990	\$ 48,577,605.00
Sedgwick County Electric Cooperative Assn., Inc.	2016 Form 990	\$ 14,446,245.00
Sumner-Cowley Electric Cooperative, Inc.	2016 Form 990	\$ 11,213,376.00
Sunflower Electric Power Corporation	2017 Combined Balance Sheet	\$ 132,043,645.00
Victory Electric Cooperative Assn., Inc.	2016 Form 990	\$ 104,817,207.00
Twin Valley Electric Cooperative, Inc.	2016 Form 990	\$ 19,611,970.00
Western Cooperative Electric Assn., Inc.	2015 Form 990	\$ 41,493,971.51
Wheatland Electric Cooperative, Inc.	2016 Form 990	\$ 247,276,534.00
TOTAL		\$ 1,845,019,599.51

Total does not include:

Alfalfa Electric Cooperative, Inc. (OK)
 Butler Electric Cooperative Assn, Inc
 FreeState Electric Cooperative, Inc
 KAMO Electric Cooperative, Inc (OK)
 Tri-County Electric Cooperative, Inc (OK)