

**Testimony of Jim Zakoura, Kansas Industrial Consumers Group
In Support of SB 69
Before the Senate Utilities Committee
February 20, 2019**

The Kansas Industrial Consumers Group (KIC) is a coalition of large-volume energy users in Kansas. The seven companies that are part of KIC account for over 40 percent of Westar's industrial sales. 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.

Already this year committee members have heard plenty about high rates in Kansas. The KCC rate study confirmed that Kansas has the highest electric rates in the region. The KCC Study confirms something else we've long known – industrial energy use is critically important to all customers in Kansas. As noted by the KCC, in some surrounding states, greater industrial energy usage acts to reduce the per-unit price of electricity for all customers.

For the past few years, KIC has been warning the KCC that the State's electricity rates have become uncompetitive with the surrounding region. In these proceedings, KIC has simply asked utilities and the KCC to acknowledge the problem and come forward with a prospective plan to reduce rates over a reasonable period of time. Unfortunately, they have not done so.

At the Legislature and at the KCC, Westar and KCP&L are now acknowledging they have the highest rates in the region. In testimony filed at the KCC in KCP&L's most recent rate case, Brad Lutz of KCP&L said:

“The Company is aware of these rankings and although disagreement may persist as to why the rate are as they are, or the value received from all customers as a result of the cost increases leading to these rates, the fact the Company rates, at face value, do not compare well with other peer utilities is difficult to debate.”

Senate Bill 69 will explore reasons Kansas electric rates rose so rapidly compared to other states. But, more importantly for Kansas consumers, SB 69 will provide the Legislature with solutions to consider regarding the best ways to make Kansas electric rates competitive.

SB 69 looks at a number of very important issues, such as:

- How have regional utilities complied with environmental requirements?
- How does the regulatory model in Kansas compare to other states?
- Are assets in rate base being fully utilized and appropriately charged to customers?

There are a number of items that could be implemented today that would reduce rates for consumers. One is the modest change proposed in SB 24 regarding the transmission delivery charge. In the Westar and KCP&L merger case, KIC recommended moderating capital expenditures, limiting investment to match current levels of depreciation. This would allow sizable investments in the electric system without increasing rates. Another option is to extend depreciation schedules the way Iowa has. This too would lower rates.

We have many good solutions and answers, but we don't have all the answers. That's why SB 69 is critically important. We believe a majority of the Legislature is committed to making Kansas electric rates more competitive. SB 69 will provide thorough and independent options to achieve that goal.

The Legislature created the KCC in 1911 with substantive updates in 1933. And nearly every year, the Legislature passes or at least considers new statutes that impact the way the KCC regulates utilities. Last year, the Legislature passed SB 279, changing how the gas GSRS works. It is wholly in the purview of the Legislature to look at the operations of the KCC and update regulations. In fact, on behalf of consumers, it should be a requirement.

SB 69 makes some simple, commonsense requirements on the KCC. Section 2 tells the KCC to consider the rates charged in other states when exercising its policy-making discretion to set "just and reasonable" rates. This is a matter of commerce in the State. Kansas must have competitive rates. This section does not tell the KCC how to use the information, only that it must consider the issue.

Section 2 also requires the KCC, when approving rate increases, to include a statement on the impact on the economy. Again, the KCC is not required to set rates based on the economic impact, and the standards for setting lawful rates will not change. But this language would ensure the Kansas economy is considered during the rate-setting process.

Section 3 concerns transparency. Each year the KCC produces a thorough report for the Legislature regarding electric rates and other issues. Section 3 would require the report to include information on regional electric and natural gas rates.

In summary, Senate Bill 69 is a necessary piece of legislation that will provide the Legislature the information it needs to address the issue of high electric rates. KIC is ready to be part of the dialogue to find solutions to fix Kansas's energy problem.

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