



Testimony in Support of Substitute for SB 245
Darrin Ives, Regulatory Affairs
Senate Financial Institutions and Insurance Committee
March 17, 2021

Chairman Longbine and Members of the Committee,

Thank you for the opportunity to comment again in continuing support of securitization legislation. As you know from previous testimony, Evergy strongly supports securitization as a financial tool we could consider when it becomes necessary to retire generation assets that are nearing the end of their useful life.

Securitization is simply a financial tool to help reduce the costs of financing unrecovered assets - that is, power plants that still have costs to be recovered. It's a win-win tool that allows the utility to recover those costs and for customers to realize a savings. By refinancing the unrecovered portion of the asset, at a lower interest rate, customers save money. The utility gets back the money invested in the plant, but gives up any future return on investment in that plant. It can then redeploy the capital into other needs.

The last time this committee was hearing testimony on the concept of securitization, Kansas was in the throes of a winter weather event that has now made the concept of securitization even more relevant to utilities and the customers they serve. Although it has been several weeks, I'm sure all of us remember how the extreme cold that gripped this part of the U.S. impacted the energy industry and the price of various forms of generation fuel. It is something that will be talked about and analyzed for months to come. In fact, we will be working with the Kansas Corporation Commission (KCC) regarding options for easing the financial impact to customers related to fuel prices during the course of the extreme weather event. Securitization is one tool that can help mitigate that impact to customers.

Substitute for SB 245 would expand the scope of the original securitization legislation by giving the KCC the authority to approve securitized bonds as a way of financing qualifying extraordinary expenses, such as fuel costs incurred during extreme weather events. Although actual costs from the February weather event have not been finalized, we are confident enough in preliminary estimates that we believe use of securitization for these purposes would help reduce the billing impact to consumers, especially natural gas customers.

We were pleased to see the Legislature's expediency in passing House Substitute for SB 88, which brings relief to cities and their customers experiencing extraordinary costs for electric

and gas service from the extreme weather event. Substitute for SB 245 will provide similar relief to customers of investor-owned utilities by allowing us to pursue lower-cost financing of qualifying extraordinary costs.

Lastly, we would like to add that since we last appeared before you, our conversations have continued with other stakeholders interested in the concept of securitization, and we believe those discussions have resulted in improvements to the bill that further address and clarify the overall benefit of securitization to consumers. We believe this is good policy for Kansas that will provide a valuable financial tool for years to come as the energy industry gradually transitions to different forms of energy while being mindful that energy remain affordable and reliable for all Kansans. The allowance for securitization of costs incurred from extreme weather events further enhances this legislation.

Thank you for your timely attention to these recent developments with Substitute for SB 245.

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