

**Testimony of Kansans for Lower Electric Rates (KLER) and
Kansas Industrial Consumers Group (KIC)
In Support of Senate Bill 349
Before the Senate Utilities Committee
February 15, 2022**

High electric rates have been a challenge for the state for many years. Where once most residents of Kansas had rates well below the regional average, Kansas is now one well *above* the regional average and *one of the highest overall*. These high electric rates restrict economic development and investment and create a burden for all Kansans as electric costs take up a greater portion of overall household and business costs.

Starting in 2018, the Legislature started paying attention. The Senate was first to make a statement, calling upon the KCC to work toward regionally competitive rates. In 2019 the rate study bill was passed. At the bill signing, Governor Kelly said: *“It’s no secret that our utility bills are rising at an alarming rate... This is an important step toward addressing the high cost of utilities.”*

In 2020 Senate Sub for HB 2585 was passed, eliminating the state income tax on utilities. This was an important cost reduction strategy. The bill also provided Energy with important economic development tools, allowing for discounted rates to attract and retain investment.

Last year, the securitization bill was passed, setting up potential lower-level savings.

Without question, there has been a lot of discussion about energy rates the last few years. The problem though remains and is poised to get worse. **None of the legislation passed has done anything to impact the core problem: excessive spending.**

SB 349 takes a different approach. Instead of searching for a way to reduce rates without harming utilities, compromise appears to be more attainable, especially in the face of looming increases.

SB 349 establishes a 1 percent cap on annual electric rate increases for 10 years. The bill is intended to apply only to Evergy. An attached amendment clarifies that. The bill is simple, understandable and flexible.

The 1 percent cap is for the total bill, compared to the previous calendar year, so individual parts of the bill may increase more than 1 percent. Items that are difficult for the Evergy to control, like fuel and taxes, are excluded from the cap.

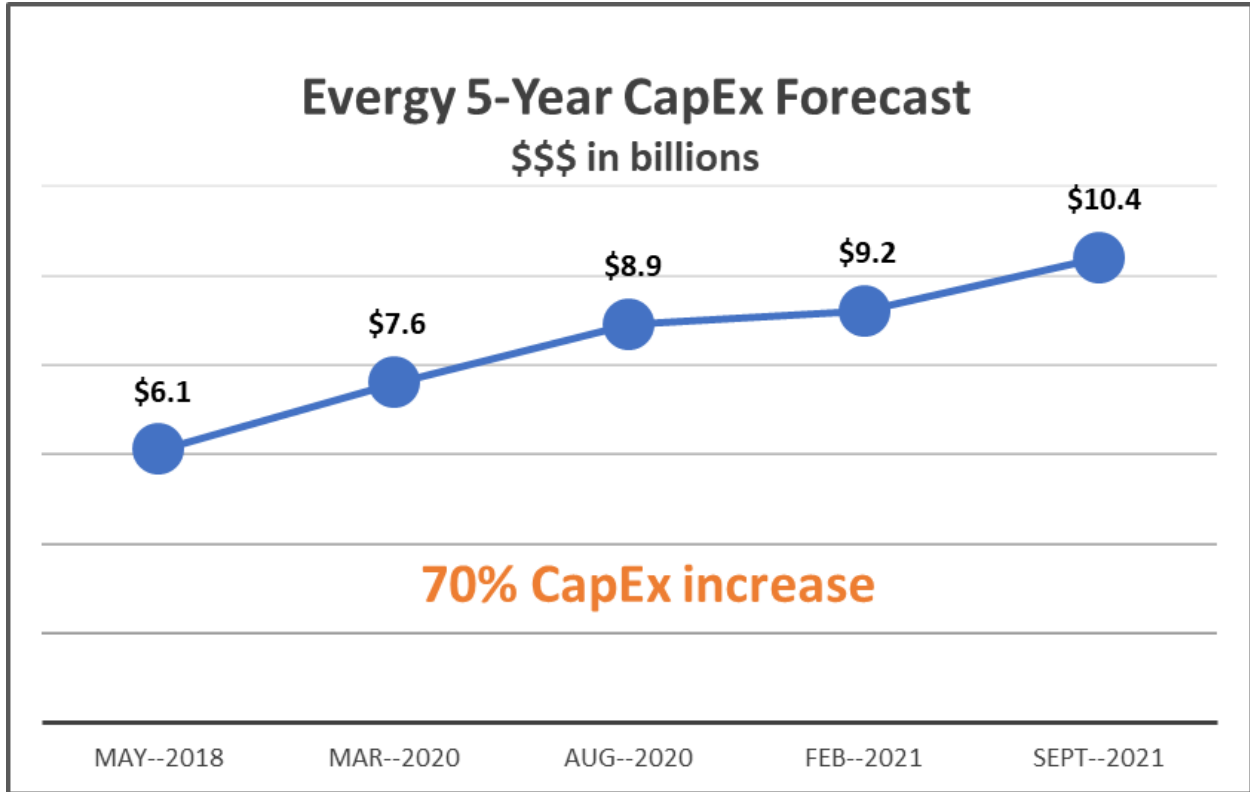
Any costs that are incurred above the 1 percent may be tracked, provided a carrying cost, and may be eligible for recovery in a year the cap hasn't been hit, or at the end of the sunset, at the KCC's discretion.

The KCC is provided the authority to write rules and regulations on how to implement the statute. And importantly, the KCC may go beyond the cap for a reliability issue. We have an amendment attached that clarifies the reliability exemption should be reserved for extraordinary events, such as an issue at Wolf Creek or a tornado destroying a transmission line.

Now is the time to address this issue. In spite of all the talk in this building about working toward regionally competitive electric rates, Evergy has its head down charging forward with record spending that will increase electric rates.

As a reminder, investor-owned utilities make money for shareholders by investing money. Selling energy is secondary. The real way to achieve increased earnings is by investing capital and generating a return, all paid by captive customers.

When the Evergy merger was approved, Evergy said the synergies of the merger would allow the company to reduce 5-year capital spending by \$1 billion, to \$6 billion. Shortly after the merger, Evergy reversed course and now has plans to spend \$10.4 billion over five years. A similar spending pattern is planned starting in 2025, setting Kansas on a path toward increasing rates for decades to come.



Something needs to change.

SB 349 is a flexible compromise approach to address an issue that impacts all of Kansas. Under this bill the Legislature and KCC are not telling Everbgy how to run its business but providing some guardrails on customer impacts. I urge the committee’s support of the attached amendments and overall bill.

Contact:

Paul Snider, on behalf of KLER & KIC | (913) 439-9723 | paul@sniderpa.com

The Kansas Industrial Consumers Group 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. Kansans for Lower Electric Rates is an advocacy project of KIC with members of all sizes. We believe high energy costs are negatively impacting residential consumers, schools, hospitals, and large and small businesses.

KIC/KLER Proposed Amendment to SB 349

SB 349

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1 (1) A rate increase of more than 1% is necessary to protect reliability
2 of such electric public utility's service; or

3 (2) there would be a material negative impact to such electric public
4 utility's credit rating if a rate increase exceeding 1% was not approved.

5 (c) The commission may promulgate any rules and regulations
6 necessary to administer this section.

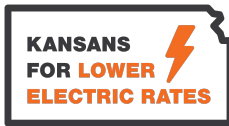
7 (d) For the purposes of this section, "electric public utility" means ~~the~~
8 ~~same as defined in K.S.A. 66-101a, and amendments thereto, but does not~~
9 ~~include any such utility that is a cooperative as defined in K.S.A. 66-104d,~~
10 ~~and amendments thereto, or owned by one or more such cooperatives.~~

11 (e) The provisions of this section shall expire on July 1, 2032.

12 Sec. 2. This act shall take effect and be in force from and after its
13 publication in the statute book.

in the case of an extraordinary event or occurrence
compromising reliability

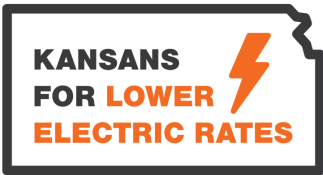
a for profit investor owned electric utility serving at
least 100,000 customers in the state.



Regional Electric Rate Comparison

2020/2021 -- Sorted by Residential

Municipal Utilities	State	Residential (¢/kWh)	Commercial (¢/kWh)	Industrial (¢/kWh)
McPherson BPU	KS	7.35	6.22	4.66
City of Russell	KS	10.17	9.42	7.25
Omaha Public Power District	NE	13.07	9.83	7.9
Kansas City BPU	KS	14.57	11.78	8.4
Independence Power & Light	MO	15.14	13.42	9.88
Investor Owned Utilities (IOU)				
OG&E Electric Services	OK	8.91	6.5	3.94
Public Service Company of OK	OK	9.33	5.94	3.83
Ameren Missouri	MO	10	7.71	5.76
Southwestern Electric Power	AR	10.35	7.82	5.61
MidAmerican Energy	IA	10.77	7.34	5.58
Public Service Company of CO	CO	11.41	10.11	6.22
Evergy Missouri West	MO	11.46	8.36	6.12
Evergy Kansas Central	KS	12.44	10.5	7.55
Evergy Kansas Metro	KS	12.86	10.74	8.19
Evergy Missouri Metro	MO	13.09	10.78	7.5
<u>Notes:</u>				
<i>Municipal rates include charges for the PILOT and are calculated using current rates and the same billing determinants as IOU rates</i>				
<i>IOU rates are weighted averages of 4 months summer and 8 months of winter Edison Electric Institute rates and does not include any special contract rates.</i>				



2022 Legislative Priority

Working toward regionally competitive rates

Limit annual electric rate increases

Every sector of the Kansas economy is challenged by high electric rates. The Legislature has made it clear the policy of the state is regionally competitive electric rates.



Senate Bill 349 is a reasonable way to control rates, providing relief to customers and helping Kansas improve its regional position.

SB 349:

- Applies only to electric investor-owned utilities
- Limits the KCC from approving total annual rate increases totaling more than **1 percent**
- Uncollected spending may be considered for collection in a future year when Kansas rates are more competitive
- Utilities aren't told what to do, but given guideposts that align with state policy
- Fuel costs and taxes are excluded from the cap
- The KCC has options to exceed rate cap for reliability reasons
- 10-year sunset

Kansas remains a high-cost state with more increases coming

Kansas has struggled with high electric rates for several years. From about 2007 through 2018, rates from KCP&L and Westar escalated over 70 percent. Now **Evergy is aggressively increasing capital spending through its Sustainability Transformation Plan—STP.** Despite merger pledges that capital spending would decrease, Evergy has increased spending more than 50%, to more than \$10B over 5 years. That will further increase rates for customers while greatly enhancing shareholder benefits.

The KCC recently said "The Commission is also concerned with new Evergy projections of future spending increases." Further, the KCC said **"it is important for Evergy and other Kansas utilities to achieve and maintain regionally competitive retail rates."**