



Neutral Conferee – Written Only

SB 245 - Securitization

Senate Committee on Financial Institutions & Insurance

Feb. 18, 2021

**Presented by Leslie Kaufman, V.P. of Government Relations & Legal Counsel
Kansas Electric Cooperatives, Inc.**

Chairman Longbine and members of the Senate Committee on Financial Institutions & Insurance, thank you for the opportunity to submit comments on behalf of Kansas Electric Cooperatives, Inc. (KEC) and our members. I am Leslie Kaufman and I serve as the V.P. of Government Relations & Legal Counsel for KEC.

KEC is the Kansas statewide service organization for 27 electric distribution cooperatives and three generation and transmission cooperatives. Formed on August 18, 1941, and headquartered in Topeka, KEC represents the interests of and provides needed services and programs to the electric co-ops that serve Kansans. Our major programming areas include advocacy, education, communications and safety/loss control.

KEC is offering testimony today as a neutral conferee. Senate Bill 245, a 25-page proposal, appeared in print just days ago. It differed from a previously circulated draft. Review of this legislation by KEC and many cooperatives has been further complicated with the state of disaster emergency declared due to extreme cold coupled with energy supply issues. We will continue to review the measure in the coming days and may be refining our position as we gain further insight into the various ways this legislation might impact cooperatives.

Many cooperatives, either directly or through their generation and transmission cooperative, receive wholesale power from Evergy. We appreciate that SB 245 provides a tool for utilities and does not require specific actions, but a key concern is what securitization might do to wholesale rates. That can be a complicated analysis and the late filing of this bill has not allowed for full examination.

For the past few sessions, there has been a significant amount of media and legislative attention on Kansas electric rates. Securitization bills have been offered by some as an option to try and help reduce electric rates in certain circumstance. As with other proposals, securitization under SB 245 is an option for utilities and not forced on all utilities. This is a key concept, and we believe any plan to advance securitization must be voluntary as we do not believe securitization will guarantee an overall rate reduction in all cases.

Securitization, in its most general and simplest terms, is a re-amortization mechanism. Through the process, even if rates are reduced in the short-term, securitization extends the life of a debt obligation. This certainly has the potential to increase the overall total cost of financing, thus increasing the overall costs passed on to ratepayers.

Historically, utilities and their regulators have factored cost-causation into rates. That means there is a tie between those benefiting from a service, upgrade, or investment and the burden of paying for those services and investments. Securitization throws that model out of balance by shifting costs from current ratepayers, on whose behalf the investment was made, onto future generations of customers. Even the recent electric rate study released by London Economics International (LEI), noted the intergenerational concerns with securitization.

Thank you for the opportunity to share these thoughts. We appreciate the dialogue on this important concept and welcome the opportunity to continue participating in the discussion on behalf of our respective members. Thank you.