

Substitute for SENATE BILL No. 69

By Committee on Utilities

3-12

1 AN ACT concerning electric utilities; requiring a study of electric rates;
2 relating to the legislative coordinating council; state corporation
3 commission.

4
5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. (a) To provide information that may assist future legislative
7 and regulatory efforts to craft forward-looking electric policy that leads to
8 regionally competitive electric rates and reliable electric service, the
9 legislative coordinating council shall authorize a study of the retail rates of
10 Kansas electric public utilities. Such utilities shall include electric public
11 utilities as defined in K.S.A. 66-101a, and amendments thereto, electric
12 cooperative public utilities exempt from state corporation commission
13 jurisdiction pursuant to K.S.A. 66-104d, and amendments thereto, and the
14 three largest municipally owned or operated electric utilities by customer
15 count.

16 (b) (1) To conduct the study, the legislative coordinating council shall
17 select one or more independent organizations, by an affirmative vote of at
18 least five members of the council including at least one affirmative vote
19 from a member of the minority party, that have experience with evaluating
20 electric utilities and include input from residential, commercial and
21 industrial customers, electric utilities and other energy stakeholders.

22 (2) To facilitate this study, any organization selected by the legislative
23 coordinating council may request data from any electric utility identified
24 in subsection (a) and must allow at least 14 days for the utility to respond.
25 Prior to making a request for information of any electric utility, any
26 organization selected by the council shall enter into a confidentiality
27 agreement with the electric utility to assure nondisclosure of confidential
28 business information.

29 (3) The state corporation commission shall assist any organization hired
30 by the legislative coordinating council by sharing subject matter
31 knowledge regarding Kansas electric utilities and assisting with the
32 procurement of any necessary information requested by such organization.
33 Such requests shall be subject to the provisions of the Kansas open records
34 act, the judicial review act, the Kansas administrative procedures act and
35 any other law or regulations applicable to the state corporation
36 commission. Any dispute regarding the provision of information, including

1 the establishment of reasonable protections for the treatment of
2 confidential information, shall be decided by the commission.

3 (4) The study shall be completed and delivered to the state
4 corporation commission in two parts. The first part of the study will be
5 comprised of the issues identified in subsections (c)(1) and (2) and shall be
6 completed by January 8, 2020, and the second part of the study will be
7 comprised of the issues identified in subsection (c)(3) and shall be
8 completed by July 1, 2020. The study shall be made available by the
9 commission on its website.

10 (5) The costs of the study shall be paid by the state corporation
11 commission from an assessment of expenses pursuant to K.S.A. 66-1502,
12 and amendments thereto, upon the utilities that are subject to the study,
13 regardless of whether such utilities are subject to the jurisdiction of the
14 commission.

15 (c) The study authorized by the legislative coordinating council shall
16 address:

17 (1) The effectiveness of current Kansas ratemaking practices,
18 including whether:

19 (A) Current ratemaking adequately attracts needed utility capital
20 investments and adequately discourages unnecessary capital investments
21 in Kansas;

22 (B) current ratemaking appropriately balances utility profits with the
23 public interest objectives of achieving competitive rates over time while
24 providing the best practicable combination of price, quality and service;

25 (C) Kansas electric public utilities are currently recovering from
26 Kansas retail electric ratepayers the full or partial cost, including a return
27 on investment, of any investments that are no longer fully used or required
28 to be used in service to the public within the state of Kansas, including, but
29 not limited to, generation capacity investments;

30 (D) the investments that Kansas electric public utilities have made in
31 electric transmission and renewable generation resources have contributed,
32 and to what extent, to the obsolescence of all the other generation facility
33 investments of such utilities;

34 (E) allowing Kansas investor-owned electric public utilities to
35 recover costs through surcharges and riders, without a comprehensive
36 ratemaking process, has unnecessarily contributed to rising wholesale and
37 retail electricity prices;

38 (F) the current ratemaking processes for Kansas electric cooperatives
39 and municipal utilities are in the public interest; and

40 (G) electricity providers in surrounding states are subject to similar
41 state laws, regulations and oversight to such requirements in Kansas;

42 (2) options available to the state corporation commission and the
43 Kansas legislature to affect Kansas retail electricity prices to become

1 regionally competitive while providing the best practicable combination of
2 price, quality and service, including reviewing whether:

3 (A) Capital expenditures and operating expenses of Kansas electric
4 public utilities can be managed to achieve and sustain competitive retail
5 rates while maintaining adequate and reliable service;

6 (B) any performance-based regulation, economic development
7 initiatives, price-cap regulation or other non-traditional ratemaking
8 methods should be considered to reduce retail electric rates or the level of
9 increase of any rate;

10 (C) competitive markets for retail electricity can benefit all Kansas
11 consumers;

12 (D) further investments in energy efficiency and renewable energy,
13 including revenue decoupling and renewable energy incentives, can
14 benefit all Kansas consumers;

15 (E) securitized ratepayer-backed bonds can benefit utilities and
16 ratepayers by reducing investment risk, facilitating the recovery of certain
17 stranded costs from under-utilized or otherwise obsolete generating and
18 other facilities and lowering retail electric rates, and assisting in the
19 transition to new technologies, including a review of whether securitized
20 bonds could be effectively utilized by Kansas utilities;

21 (F) Kansas sales tax, property taxes, assessment rates and other fees
22 and taxes on utilities are comparable to other states in the region and how
23 such taxes and fees impact the competitiveness of utility rates;

24 (G) Kansas electric utilities and the state corporation commission can
25 reduce the cost impacts of decisions of the southwest power pool by
26 advocating for certain positions through the southwest power pool's
27 stakeholder and regional state committee processes, including an
28 identification of current and future issues most likely to impact Kansas
29 retail electric rates;

30 (H) any other regulatory actions are available to the state corporation
31 commission to manage or reduce retail electric rates; and

32 (I) legislative enactments can address retail electric rate escalation in
33 Kansas; and

34 (3) other consequential issues materially affecting Kansas electricity
35 rates, including:

36 (A) Whether any costs incurred by Kansas electric public utilities to
37 build and operate electric vehicle charging stations, including any
38 necessary upgrades to distribution infrastructure, are recovered from
39 ratepayers not using electric vehicle charging services;

40 (B) how rates for electric vehicle charging services should be
41 designed to ensure such rates are just and reasonable and not subsidized by
42 other utility customers;

43 (C) the potential effects of deregulating electric vehicle charging

1 services in Kansas, including whether deregulation would ensure that
2 electric vehicle charging services are not subsidized by public utility
3 ratepayers not using electric vehicle charging services;

4 (D) whether Kansas consumers could benefit from improved access
5 to advanced energy solutions, including micro grids, electric vehicles,
6 charging stations, customer generation, battery storage and transactive
7 energy;

8 (E) the extent to which transmission investments by Kansas electric
9 public utilities have impacted retail rates, including any incremental
10 regional transmission costs incurred by Kansas ratepayers for transmission
11 investments in other states, and whether such costs have been fully offset
12 by financial benefits such as improved access to low-cost renewable
13 energy and wholesale energy markets;

14 (F) the costs and benefits incurred by Kansas ratepayers for
15 transmission investments in Kansas, used to export energy out of Kansas;

16 (G) how rate increases or the associated rising costs of Kansas
17 investor-owned electric public utilities impact the retail electric rates of
18 Kansas electric cooperatives and municipal utilities;

19 (H) whether retail electric rates in Kansas are a material barrier to
20 economic development in Kansas;

21 (I) the impact of contract rates with commercial and industrial
22 customers and economic development rates on other customer classes,
23 including whether expanded utilization of such approaches can benefit all
24 customers over time;

25 (J) whether Kansas electric public utilities recover their costs of
26 serving customers from each customer class on the basis of cost causation;

27 (K) how cyber and physical security and grid stabilization efforts
28 have affected, or are projected to affect, electric public utility rates;

29 (L) the value of a utility integrated resource planning process that
30 requires state regulatory approval; and

31 (M) economic analysis of the price fluctuations of generation fuels on
32 the cost of electricity.

33 Sec. 2. This act shall take effect and be in force from and after its
34 publication in the Kansas register.