Kansas Industrial Consumers Group

Testimony of Kansas Industrial Consumers Group
Support of HB 2640
Before the House Water & Environment Committee
February 15, 2018

The Kansas Industrial Consumers Group (KICG) 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. We believe high energy costs are negatively impacting residential consumers, schools, hospitals, and large and small Businesses.

One of the primary factors driving utility investments, and costs to consumers, is continued expansion of the transmission network in Kansas. In the mid-2000s, the Kansas Legislature enacted a number of provisions that encouraged investment in transmission, including the now dissolved Kansas Electric Transmission Authority.

Another key incentive is the Transmission Delivery Charge (TDC), authorized in 2003 and found in KSA 66-1237. The TDC allows Westar and KCP&L to quickly and seamlessly recover any transmission costs, including their own investments, through a surcharge on customers. These significant costs are further inflated by generous federal ratemaking treatments – all paid by Kansas retail customers with no state oversight due to the provisions of the TDC statute. Escalation of the TDC has been very apparent on the Westar system. In 2008, the Westar TDC charge was about $4.50 per month for the average residential customer. Today, the TDC charge is $16.40 per month, making up over 10 percent of an average customer's bill.

Naturally, the charge is much higher for large-volume customers and has increased by a similar proportion over the last decade. A typical high load factor customer with 50,000 KW demand would have had a monthly TDC charge of approximately $70,000 per month in 2008 and today that charge would be $205,000 per month.

In addition to the beneficial cost recovery mechanism, transmission investments are planned and approved by the Southwest Power Pool (SPP), the regional transmission authority made up of transmission-owning utilities. After that, the Federal Energy Regulatory Commission (FERC) sets rates for these investments using a "formula rate," meaning it's not a traditional rate case like the KCC would conduct. And the return on equity, or profit to the utility, authorized by FERC is much higher than the returns for other retail rates authorized by the KCC. And, since FERC-approved transmission charges are automatically deemed prudent and are collected through the TDC, the KCC has little to no control of the FERC approved charges.

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With unnecessarily generous returns, and easy recovery of costs through a shareholder-friendly surcharge, it's no wonder that utilities are aggressively investing their capital in transmission projects. Combined, Westar and Great Plains Energy plan to invest more than $3 billion over the next five years in transmission and delivery projects.

Because of the process with FERC, SPP, and the TDC charge, consumers have little input into the utilities' plans. The SPP membership, which plays a significant role in planning and approving the investments, is mainly comprised of transmission-owning utilities. A majority of the SPP board is former utility and SPP executives. The KCC has an advisory role through a seat on the Regional State Committee (RSC), comprised of regulatory commissioners. KCC Commissioner Shari Feist Albrecht is currently chair of the RSC.

HB 2640 is a simple bill that asks the KCC to conduct quarterly, or more frequent, meetings to gather input on transmission issues impacting Kansas consumers. This would allow a diverse range of consumers to express a position on transmission issues prior to the quarterly RSC and SPP Board meetings. It is KICG's hope that this process will add a missing consumer voice to the process, which the Kansas RSC delegate can utilize when considering the State's interests in transmission matters at SPP.

I urge your support of HB 2640.

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