



A Touchstone Energy® Cooperative 

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Before the Senate Assessment and Taxation Committee

Thursday, March 19, 2015

Testimony of

David Holthaus,

Vice President, Governmental Relations

Kansas Electric Cooperatives, Inc.

In Opposition to Senate Bill 261

On behalf of KEC, Inc.'s members, including KEPCo, Sunflower and Midwest Energy

KEC, Inc., is the statewide service organization providing services for the rural electric cooperatives in Kansas. Formed in 1941 and headquartered in Topeka, KEC represents the interests of and provides services and programs to the electric co-ops that serve in Kansas. Services include lobbying for cooperative interests, rate and tax expertise, safety programming, communications and some engineering services.

Chairman Donovan and Members of the Committee:

Thank you for providing this opportunity to speak in opposition to Senate Bill 261, which would require multiple utilities to collect state sales tax on necessary utility services to Kansas residences and the agricultural community.

Most Kansans would agree that utilities such as gas and electricity are now basic needs. SB 261 would increase residential and agricultural electric costs by proscribing a sales tax of 6.15% on sales of electricity in the state. We believe that Kansans should not have to add sales tax costs onto electric bills that are already increasing from federal environmental regulatory mandates.

Cooperatives provide electric service in 103 of Kansas' 105 counties and are unique utilities, as our customers are member owners. Electric cooperatives continually seek opportunities to control costs for our members. Co-ops serve rural areas, including some of the least affluent, and serve few member-owners per mile of line than most investor-owned utilities.

The cost to generate, transmit, and distribute electricity has been steadily increasing, and Kansas citizens have been feeling that strain. Costs are increasing for a number of reasons, including transmission expansion, rising input costs, and expanding regulatory compliance costs. Unfortunately, this cost trend is not likely to change anytime soon.

Perhaps the biggest source of cost increases has come from federal regulatory compliance. Billions of dollars have been spent by Kansas utilities in meeting environmental initiatives. The electric utility industry is facing several federal regulatory challenges, including the proposed EPA regulation the Clean Power Plan (CPP). The CPP is estimated by the Kansas Corporation Commission to cost Kansas electric utilities, and ultimately Kansas rate payers, between \$5 billion and \$15 billion. Compliance to the plan, as currently proposed, begins in 2020 and culminates in 2030. The challenges of keeping electric costs reasonable, in light of these costly federal requirements, should be considered before adding a sales tax to further increase utility costs to most, if not all, Kansans.

Many of our members have both residential and agricultural service, so our concern extends to the impact on our members with agricultural related electricity use that is also proposed to be taxed. However, we leave it to other conferees to delineate those concerns.

Thank you for this opportunity to address the concerns the Kansas electric cooperative community sees in increasing electric bills by taxing sales of residential and agricultural electricity in Kansas.