

Before the Kansas Senate Committee on Utilities
March 15, 2017

Testimony in Opposition to Senate Bill 209

Nemaha- Marshal Electric Cooperative Association, Inc. is headquartered in Axtell Kansas. We serve five counties in Kansas, and 3,500 meters using 1,546 miles of line. This averages 2.2 meters per mile of line.

I am Kathleen O'Brien, Manager of Nemaha-Marshall Electric Cooperative Assn., Inc. I also am proud to serve as the President of the Kansas Electric Cooperatives Board of Directors. I appear today in opposition to Senate Bill 209.

Senate Bill 209, at first blush, appears to be innocent. Proponents will say all they wish is for utilities to provide additional billing information. However, this legislation is the first attempt to move to retail choice in Kansas. The proponents will agree that statement is true, as the fiscal note on the bill mentions that relationship.

Retail choice – which also is called a variety of other names – was discussed extensively in Kansas during the 1990's. Since that time, other states have shown that experiment to be a failure.. Retail choice has not been proven effective in lowering rates for residential or small commercial customers. It has, frankly, given better rates to large industrial and commercial businesses, but at what costs?

This legislation ignores the simple, yet vital concepts of an electric cooperative – to provide safe, reliable electricity to our member-owners at a reasonable and affordable cost. This legislation would cause many issues in small cooperatives, such as Nemaha-Marshall; however, I will address only two in this testimony: **increased costs** and **self-governance**.

First, this bill would create an unnecessary financial burden on our cooperative and our member-owners. Unlike municipal areas, many electric cooperatives have very low density. We often serve large areas with low population. Nemaha-Marshall serves an average of only 2.2 meters per mile of line. Our member-owners would be forced to support costs to unbundle their bills. Our estimate just to modify our billing program is a minimum of \$15,000. To fully explain each of the additional items listed in the bill, we would need to have an engineer conduct a cost of service study to help us put a cost with each of those items. The study would cost an estimated \$30,000, which would be an additional burden on our membership.

These figures do not include costs to address the confusion our members will experience by a new bill format for which they did not ask and will likely not understand. Prior to 2012, Nemaha-Marshall was a self-read/self-calculate system where our members read their own meters and used a rate chart to calculate their bills. The rate charts used to figure the bills included the availability charge. When we moved to automated meter reading the availability charge was shown on a separate line. Our office was inundated with member calls complaining about having to pay an availability charge. I can't imagine the calls our office staff would have if our members had to navigate multiple additional items on their electric bill.



(Kathleen O'Brien testimony, continued)

Second, the bill is just another form of big government. This bill ignores the foundation of the cooperative model. In cooperatives, members serve members. We do not have customers at Nemaha-Marshall, we serve member-owners. In the electric cooperative world, revenues in excess of costs are returned in the form of capital credits to the member-owner's benefit. Decisions at the electric cooperative are made by a representative board. My cooperative is served by a duly elected, 9-member board of directors. Each of those directors is a member of the local community and answers to our members. As our member voice a concern or need for more information, our board, over the years, has provided just that, either in the form of changes to the bills, in bill stuffers or by individual, personal contact.

Another hallmark of the electric cooperative world is the annual meeting. All members are able to attend the annual meeting, receive updates about issues involving their cooperatives, and voice any ideas or concerns they may have. Nemaha-Marshall held its 2017 Annual meeting on February 28. More than 150 members attended and heard fiscal updates and other information pertinent to their electric cooperative. I have surveyed our board and employees. No one has heard any member request the type of information that SB 209 would require Nemaha-Marshall to provide.

This bill is an attempt to gain a foothold for retail choice in Kansas by a very few at the expense of our members. It is also an attempt, veiled in what the proponents call "transparency," to further expand government and interfere in our local control of our cooperative.

I urge you not to support SB 209. I will be happy to stand for questions at the appropriate time.

Respectfully submitted,

Kathleen O'Brien

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Nemaha-Marshall Cooperative Association, Inc.

President of the Board

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