March 15, 2017
Senate Utilities Committee
Testimony in Opposition of SB209

Mr. Chairman and members of the committee, I am Phil Wages, Director of Member Services, Government Affairs, and Business Development for Kansas Electric Power Cooperative, Inc (KEPCo).

KEPCo is a not-for-profit generation and transmission electric cooperative utility serving the wholesale energy requirements of nineteen member not-for-profit rural electric cooperatives that serve the rural areas of the eastern two-thirds of Kansas.

The bill only applies to utilities that are retail electric suppliers. KEPCo is not a retail electric supplier. However, KEPCo's nineteen member cooperatives are retail electric suppliers. KEPCo's member cooperatives would be unable to itemize the electric bills to their respective memberships as required in SB209 without receiving such data from KEPCo. Therefore, if this bill, or a semblance thereof, were to become law, it would appear KEPCo would need to implement significant billing changes to enable our member distribution cooperatives to comply with the statute. KEPCo would need to receive additional information from its power suppliers, including in-state providers like Westar and Sunflower, as well as out-of-state providers like the federal hydropower administrations in the southwest and the west.

KEPCo, and its member cooperatives, are democratically controlled by their respective member-owners. Ten times per year, KEPCo holds a two-day board meeting, during which every aspect of KEPCo's operations is reviewed and reported on by KEPCo senior staff. This includes finance and accounting (sales, purchased power, income statement, cash flow statement, decommissioning, among others), power supply, engineering, rates and regulation, information technology, and government affairs and business development. In addition, each year an audit committee representative of the KEPCo Board of Trustees reviews and audits the expenses of KEPCo's CEO, as well as the expenses of each board member. KEPCo could not be any more transparent with our member-owners. This level of examination is similar to the examination the electric cooperatives undertake at their respective board meetings.

With the advice of management, KEPCo's Board establishes a sufficient margin in its budget each year to maintain adequate cash reserves and debt service, and to meet its loan covenants to satisfy its creditors. As variances from projected revenue or expenses occur from budget, due to abnormal or unforeseen circumstances, such as unusual weather or unanticipated cost variances, KEPCo's Margin Stabilization Adjustment (MSA) allows KEPCo to adjust the revenue it collects, while maintaining a sufficient margin. This rate feature has enabled KEPCo to reduce revenues authorized by its tariffs that would have otherwise exceeded the amount required to maintain a sufficient margin for the year. As a result, KEPCo has given back to its member's excess margin every year since 2011, the year the MSA was established, thereby reducing their power costs.

Imagine you and your neighbors having the ability to tell your local grocery store how much money the store can make in a year and how much money you are willing to pay for the items sold in the store. This is the ability and responsibility of KEPCo's member-owners, as well as the individual electric cooperatives across the state. Reflective of this responsibility was the decision made by the legislature in 2009 to allow electric cooperatives the option to exempt themselves from retail rate jurisdiction of the Kansas Corporation Commission (KCC). KEPCo's Board of Trustees unanimously elected to be exempt from the jurisdiction, regulation, supervision, and control of the KCC pursuant to K.S.A. 66-104d on September 17, 2009, which was affirmed by the KCC on October 21, 2009 in Docket No. 10-KEPE-225-DRC. Each of KEPCo's member cooperatives have also elected to be exempt from KCC retail rate jurisdiction. Since this law was enacted, to my knowledge, only one complaint has been brought before the KCC regarding the electric rate of an electric cooperative and the KCC ruled in favor of the cooperative.

Given the ownership and governance structure of electric cooperatives, a decision to unbundle electric bills, and to what degree, should be made by those that own and are served by the electric cooperative. That way, member-owners will be involved in the process and agree upon a bill structure that details the information the member-owner wants to receive, rather than a one-size-fits-all, granular, and onerous list to be enforced by the state. The legislature has entrusted the responsibility to electric cooperatives of setting retail rates without state approval. I believe the same responsibility can be entrusted to produce a bill that shows the information the owner of the electric cooperative wants to see.

Mr. Chairman, this concludes my testimony and I stand for questions.