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## **Senate Utilities Committee**

### **Testimony in Opposition to Senate Bill 209**

**By Darrin Lynch, General Manager, Western Cooperative Electric Association, Inc.**

**March 15, 2017**

Thank you for the opportunity to share Western's perspective of Senate Bill 209. The first 4 years of my adult career were spent working as a Certified Public Accountant performing mainly auditing and income tax work. From there, I moved on to Sunflower Electric Power Corporation where I spent 11 years working on financial reporting, budgeting, forecasting, and special projects until 2013, when I was hired as the General Manager at Western.

Since 2013, Western's member-owners have chosen to adopt the latest in metering and billing technology. Western recently completed the installation of automated metering infrastructure, or "AMI". AMI enables immediate, two-way communication between Western's control center and the member-owners' meters. This technology is the first step in moving towards distribution automation. AMI allows Western employees to be much more proactive in responding to member-owner needs, seeing problems often before the member even knows one exists. As experienced with the most recent ice storm, AMI enabled Western operations personnel to determine exactly where the problems were located and to much more efficiently dispatch crews to more timely restore power. Western has also launched a new online billing portal, "eBiz", taking information from the automated meters and providing it to the member-owners via a user-friendly web portal and tablet/smartphone app at no additional charge. Western's new bill format was recently reported in the monthly Kansas Country Living insert, further explaining it and the new resources available to Western's member-owners. Bottom line is that Western employees are responding to member-owners' needs and concerns. Western has made electric utility bill information readily available through a variety of technologies. In addition to the new tools available to member-owners, and certainly for those less comfortable with technology, a "real, live" Western member service representative can be reached to answer usage and other inquiries.

If the goal of SB209 is to enhance billing transparency, Western has met that goal. Moreover, the vast majority of Western's members are not asking for a more complex bill to decipher and decode. In fact, I have not personally had one single request from any member to break down the bill into greater detail than we already do.

Proponents of SB209 have indicated their desire to see retail wheeling, also referred to as retail choice, adopted in Kansas. As a CPA who understands wholesale and retail utility accounting and rate design strategies and techniques, I have valid concerns about the rate instability that would result from the implementation of retail choice in Kansas. Approximately \$80 of every \$100 Western member-owners pay to Western is for the recovery of fixed costs. When, for instance, larger members are allowed the choice to shop around for the best price, the remaining Western members are left to carry that larger member's share of fixed costs left behind. Those costs were incurred by Western with the intent to serve the load for an extended period of time. Planning lead times are rather lengthy for an electric utility. With those longer lead times, some level of certainty, with respect to the overall expectation of load to serve, is required to prevent the utility from both over- and under-building the required infrastructure. "Choice" in a free enterprise system sounds reasonable, in theory, but does not work for a utility recovering fixed costs from a relatively fixed member base. Additionally, new energy suppliers targeting the largest loads may find themselves out of business, pulling the rug out from under a large load. Then what? Who is obligated to serve the large member? Is it the local electric cooperative having reliably served the territory for the past 75 years? If so, in a retail choice environment, I would propose that an entrance

and exit fee would need to be assessed to the member jumping onto and off of the system to stabilize the recovery of fixed costs and resulting rates for the remaining ratepayers.

In conclusion, the traditional utility model provides a price and service hedge in times of fluctuating fuel and market prices. Kansas electric cooperatives, like Western, have chosen to take the long view in providing reliable service at an affordable price. As such, our member-owners have chosen to invest in a portfolio of assets that hedges the price of electricity. What that means is that there has been an investment of fixed cost in exchange for greater price certainty. In times when market prices are high, that hedge is a winner. In times when market prices are low, that hedge is a loser. Allowing members to leave when the hedge is unattractive and to return when the hedge is attractive would certainly introduce price volatility to the fixed income members who are the least equipped to withstand such swings. Additionally, it would be more difficult for Kansas to compete to attract economic development in an environment where utility prices are highly volatile. Our Kansas utility model has served Kansans well for decades, allowing utilities to take the long view in keeping rates as low as possible while providing reliable service. Please help Kansas ratepayers continue to realize the long-term benefits of certificated service territories. Say “no” to unbundling and Senate Bill 209. Say “no” to retail choice.