

Before the Kansas Senate Committee on Utilities

March 15, 2017

Testimony in Opposition to Senate Bill 209

Victory Electric Cooperative Assn., Inc. serves more than 13,200 member-owners, The Victory Electric Cooperative Assn., Inc., is headquartered in Dodge City, has 72 employees and provides service to 19,688 meters with 2,798 miles of transmission and distribution line in southwest Kansas. The majority of Victory Electric's service area is within the three counties of Ford, Gray and Hodgeman. The other counties partially served are Clark, Edwards, Finney, Haskell, Kiowa and Meade. Victory Electric is dedicated to helping our communities grow and prosper by ensuring a safe, reliable energy supply at a reasonable cost.

Chairman Olson and respected members of the Senate Committee on Utilities:

My name is Shane Laws and I am the CEO of Victory Electric Cooperative Assn., Inc. On behalf of our 13,200 members, we are opposed to SB 209. At first it appears that SB 209 seems innocent but it is important to note that SB 209 is the companion bill to SB 183, which would create the Retail Choice Act. Although the hearing today is on SB 209, it is impossible to not talk about SB 183, which is fundamentally related to the hearing today. The proponents of this legislation are using "transparency" in utility billing as a distraction to their ultimate end goal, retail choice.

SB 209 at the surface seems like an honorable idea, but below there are many problems and unintended costs such as; billing software upgrades, new cost of service study and rate design study to align our cost structure and staff time to train and implement. Victory operates under the cooperative business model— an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. We are governed by our board of directors who are democratically elected by our member owners. The consumers who receive the bill are the ones who direct policy and operations for the cooperative through the board of directors. SB 209 presupposes that there is no way for consumers to dictate what their costs are on their bill, which is entirely false.

Most of the Kansas electric cooperatives already provide some of the 21 required items on the customer's electric bill. Proponents of this bill believe that adding a few more items on the bill will have little impact to utilities, while at the same time provide customers with information they want, this is also entirely false.

The real reason for SB209 is not to provide additional information that our customers want, but to act as a precursor for "retail choice" whereby large commercial and industrial loads can bypass local utilities and their respective power suppliers, in favor of power marketers, seeking profit, and offering lower rates by means of shifting the large commercial and industrial load's cost of service to the remaining customers. Victory works diligently and methodically with our large commercial and industrial members to ensure safe, reliable and affordable electricity. They are part of the community and one of the cooperative principles is concern for community. We here at Victory do everything we can to ensure

every member of our community is treated on an even playing field.

As you consider this bill, please keep in mind that proponents of “retail choice” press for unbundled bills as the first step in a movement to push retail choice, a concept that has not, over the past twenty years, proven to be successful. ¹ Often times, those proponents are special interest groups with no Kansas connection that haven’t invested in facilities to serve electric customers. Those that reside out of state won’t pay Kansas taxes or employ Kansas workers. If large loads are allowed to leave the system, their costs stay behind for the remaining customers to pay, and — rates will go up!

Kansas electric cooperatives are “not for profit” and customers already receive service at cost with a small margin that is allocated back to the customer. Why insert other players who seek profit and are allowed to by-pass their fair share of the costs? As the Southwest Power Pool’s (SPP) integrated market has been implemented, true market rates for all power suppliers in the power pool have been realized. The cost of energy, in and of itself, is starting to see the benefit of that marketplace as promised when the market was rolled out March 1, 2014.

In the de-regulated cooperative world, local control and governance has a long history of addressing problems, issues and concerns as they arise. SB 209 imposes a state mandate where none is needed. We urge you not to pass SB 209.

Shane Laws, CEO

¹ See the following study: Christensen and Associates, Retail Choice in Electricity: What Have We Learned in 20 Years?