

Submitted Testimony Provided to the
Senate Utilities Committee
February 18, 2019

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Kansas City Board of Public Utilities
Senate Bill 145

Good afternoon. My name is Don Gray and I'm the General Manager of the Kansas City Board of Public Utilities (BPU) in Kansas City, Kansas.

I appear before you today on behalf of the BPU and its elected board members to testify in opposition to Senate Bill 145 which would remove local control of electric utility rate setting from BPU's elected board and place it under the authority of the Kansas Corporation Commission (KCC).

BPU Overview

The BPU, which celebrated its 100th anniversary in 2009, is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas. BPU's water department was originally created in 1909, and its electric utility was operational in 1912.

Today the publicly-owned utility serves approximately 65,000 electric and 51,000 water customers, primarily in Wyandotte County, Kansas. The utility employs approximately 535 associates, all whom are required to reside within the community they serve.

BPU's board consists of six elected board members, three of whom are elected at large, and three of whom are elected from districts. The elected board members serve staggered, four-year terms, representing the citizens and BPU customers who elect them.

BPU operates and maintains all aspects of utility delivery to its customers, from electric power production, to transmission and distribution, delivering highly reliable, safe and efficient electric service to its customers on demand, around the clock. BPU is currently one of the greenest electric utilities in the nation, with 45% of its energy coming from renewable energy sources. BPU provides similar quality water utility services with its state-of-the-art water treatment plant.

A Community Asset

As a not-for-profit publicly-owned utility, BPU's top priority is its customers and the community it serves. Today, BPU is recognized as one of the top municipal utilities in the country, one of only 83 of the more than 2,000 public utilities in the country to receive the Reliable Public Provider (RP3) award from the American Public Power Association (APPA).

BPU's purpose is simple, to provide dependable utility services at the lowest possible price *and* to improve the quality of life in the community it serves. As a result, the utility and its associates provide extensive volunteer, civic, financial, and philanthropic support

to the community, donating thousands of dollars and hours of community service every year.

In 2018 BPU and its associates raised and donated more than \$530,000 for the United Way Utility Assistance Program, Customer Hardship Program and numerous children's charities throughout our community.

The utility also supports local summer youth programs and works with non-profits, local business groups, and governmental entities to attract new retail, commercial, and industrial growth to the community.

The Importance of Local Control

As a not-for-profit municipal electric utility, BPU is controlled and governed by locally-elected officials. As a municipal governmental entity, BPU records are open to public review. Moreover, its board meetings and its rate hearings are also open to the public, where there are numerous opportunities for comment and input.

Elected BPU board members are citizens of the community, elected by the community they represent to make decisions about the management and operation of this community-owned utility. Local issues should be controlled at the local level, be it policy-making, management, or rate-making authority. BPU believes ratepayers and citizens are best served by continued local control.

Fiscal Responsibility and Accountability

Budget Controls

In order to provide quality services at the most affordable price, BPU remains focused on reducing costs and improving efficiencies. As a result, the 2019 BPU Budget proposed no electric rate increase for 2019. Moreover, the 2019 Budget was reduced by \$11 million than the previous year.

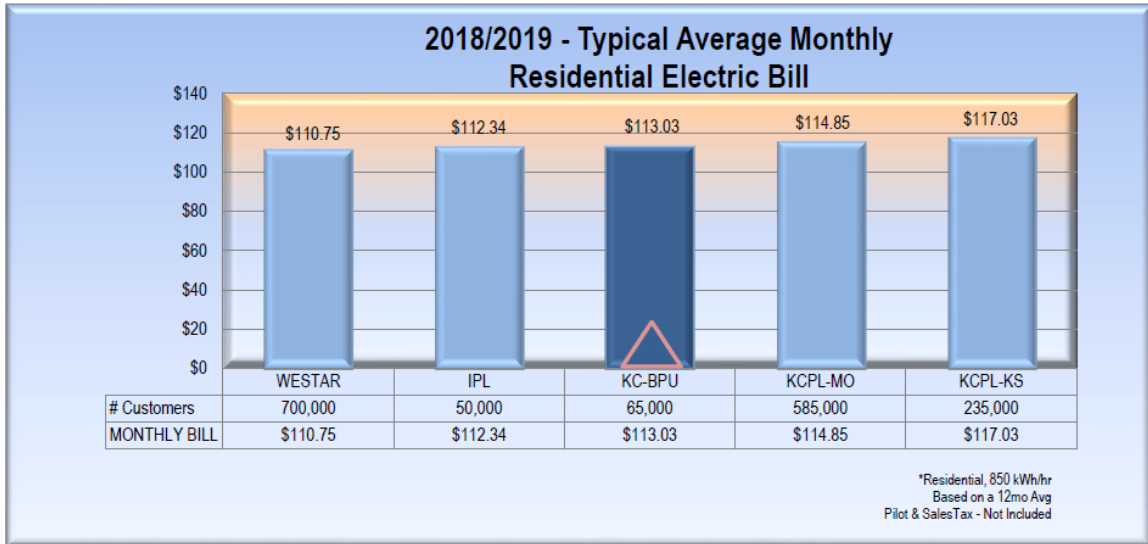
Financial Accountability

Over the past years, BPU management and the Board has identified and implemented a number of financial and management policies to tighten oversight and improve fiscal responsibility. This includes, among other things:

- An annual financial audit by the national accounting firm of BKD which performs an audit of financial transactions and ensures the compliance with regulatory requirements.
- New review procedures for expense invoices and services, including additional staff training.
- Over the years as technology has developed, there has been a reduction in the number of employees. We have reduced the number of employees by 100 since 2008, with average salary and benefits that is a \$10 million a year reduction.
- Hiring of Rubin Brown, an internal audit firm which focuses on processes, fraud and integrity of the utilities operational and management systems. Rubin Brown averages 5-6 audits a year.
- The BPU is also audited by federal regulators (NERC) to ensure compliance with electric operations and cyber activity.

Competitive Rate Structure

BPU's electric rates are comparable and even lower than most other local utilities and no electric rate increase is proposed for 2019.



Financial Ratings

In addition, BPU enjoys strong financial ratings from all three national credit rating agencies including: Standard and Poor (A+, Stable Outlook), Moody's (A2, Stable Outlook), FitchRating (A+, Stable Outlook). These ratings confirm BPU's financial solvency and ability to grow for the future, providing quality utility services to its customers and the community.

Customer Service

BPU offers a wide array of programs and services to better serve its customers including the following:

- Full-service lobby including extended hours twice a week.
 - 12,000 cashier window transactions a month and 3,400 customer walk-in's for services.
- Allowing payment arrangements over the phone
 - Currently 2,164 customers on payment arrangements/extensions
- Energy Engage Program where customers can access their accounts and track their energy and water usage.
- Online bill pay and 24/7 payment kiosks.
- FlexPay – Pre-pay program
- Hardship Utility Assistance Program
- Free energy efficiency workshops and Utility Efficiency Learning Center.

Closing Comment

Today KCBPU is recognized as one of the top public utilities in the country, receiving numerous awards and recognitions for its electric and water systems, as well as the professionalism and achievements of its associates. Over the past few years, the utility has implemented a number of business management practices to further oversight and tighten control over spending.

We have taken positive steps to decrease costs, improve efficiencies, increase customer satisfaction, improve oversight and accountability, and hold the line on rate increases. BPU has also worked to improve communications and transparency with the citizens it serves. To gauge customer's overall satisfaction with BPU and its services, a comprehensive biennial customer satisfaction survey is taken and new programs or processes are put in place as a result of the survey findings.

Recognize that BPU has and will continue working to direct improvements to BPU's business practices. We strive to ensure that BPU, just like any other organization in the public or private sector, establishes and maintains accountability, responsibility, and transparency of its operations and practices.

BPU will continue to implement new practices and procedures to ensure that this utility is the best it can be, while continuing to provide customers award-winning services at a competitive price, just as we have for over the past 110 years.

Attachment

- BPU's Rate Adjustment Process

BPU's Rate Adjustment Process

The procedures which govern the Board of Public Utilities ("BPU") electric and water rate adjustment hearings are set forth in the Unified Government Charter Ordinance governing the setting of BPU rates, which were modeled on the Kansas statutes providing for the setting of BPU rates, and in the BPU's Rules of Procedure on Rate Increases adopted by the Board.

Under the Charter Ordinance and procedures, BPU publishes notice of a public hearing at least ninety (90) days before the hearing commences. Any affected Utility customer wishing to intervene, appear at the public hearing, present testimony of witnesses under oath, conduct cross examination of employees and representatives of the BPU, present oral arguments and file written briefs in support of said customer's position can file a petition for intervention pursuant to the Rules of Procedure and participate in the public hearing process.

Customers can also appear at the public hearing and provide comments. At the public hearing, the staff and BPU consultants present staff's recommendation for adjustments to the rates and comments from the public are heard. In addition, technical testimony from the BPU staff and consultants, and from the intervenors if any party has filed a petition to intervene, is presented. During the technical portion of the hearing, parties will introduce testimony, offer exhibits, and may cross-examine each other's witnesses and offer any other evidence felt necessary by each party. A hearing officer presides over the hearing and handles the functions of an administrative law judge. A court reporting service records the proceedings and this record is kept as a part of the transcript of the hearing.

After completion of all public comment and technical evidence, the Hearing Officer turns the proceedings over to the Board for decision. The Board receives all the testimony and evidence presented in the hearing, as well as final recommendations from the BPU staff and intervenors. The Board does not make a decision on the proposed electric and/or water revenue changes until after the conclusion of the public hearing.

In connection with each public hearing, the BPU retains a consultant engineer to prepare a report on utility revenues, revenue requirements, cost of service (if the proposed rate adjustment includes a cost of service component) and rates. The engineering reports contain detailed information on the proposed revenue increases, including the proposed cost of service allocations to the various customer classes. The BPU has retained Black & Veatch as its consulting engineer for its electric and water rate matters for the past several years.

Not later than 30 days after the decision of the Board is rendered on a proposed rate adjustment, any party may apply to the Wyandotte County district court for a review of the decision. The district court is to review the transcript of the public hearing for the purpose of determining the lawfulness or reasonableness of the Board's decision. The court has the power to vacate or set aside the Board's decision if the court determines the findings of the Board do not substantiate the reasonableness of the proposed rate increase or that the findings are contrary to law.

These procedures were developed in consultation with BPU's large industrial customers, and have been in place for almost 40 years. Utility customers, including in particular large industrial customers, have intervened in all of the electric rate hearings and most of the water rate hearings since the rate hearing procedures were put in place. No one has ever applied to the Wyandotte County district court for a review of the Board's decision following the completion of a rate hearing.



The award-winning
utility for
**KANSAS CITY,
KANSAS**

American Business Awards

- Gold Stevie® for Best Website
- Silver Stevie® for Best Corporate Social Responsibility Program

American Public Power Association Excellence in Public Power Communications Award of Merit

- Social Media Category
- Print/Digital Category

American Public Power Association Reliable Public Power Provider Platinum Designation

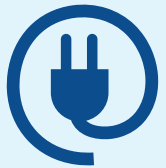
American Public Power Association Community Service Award

Association of Metropolitan Water Agencies Platinum Award for Utility Excellence

Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting
- 36 Consecutive Years

Partnership for Safe Water 5 Year Directors Award for Water Treatment Program Excellence

GENERAL UTILITY INFORMATION



- 100+ years of service to Wyandotte County, serving 65,000 electric and 51,000 water customers.
 - 161,000 residents
- Revenue Source
 - 85% electric
 - 15% water
- One of the top public utilities in the nation.
- BPU is a publicly owned administrative agency of the Unified Government of Wyandotte County/ Kansas City, Kansas (UG), and is self-governed by an elected six-member Board of Directors.
- As a municipal utility, BPU is non-profit, which means it answers to Main Street, not Wall Street.
- BPU's mission is to focus on the needs of its customers, to improve the quality of life in the community while promoting safe, reliable and sustainable utilities.
- The Utility serves 127.5 square miles of Wyandotte County. Electric services are provided within the Kansas City, Kansas (KCK), area and water is supplied to KCK, as well as portions of suburban Wyandotte, Leavenworth and Johnson counties.

AN ENVIRONMENTAL STEWARD

- BPU operations are managed in an environmentally efficient and responsible manner, working to comply with all applicable local, state, and federal regulations and laws.
- 45% of BPU's energy comes from renewable energy.
 - Wind Energy = 250 MW
 - Federal Hydro = 44 MW
 - Hydroelectric Energy = 7 MW from Bowersock Mills
 - Landfill Gas = 3.5 MW
 - Community Solar = 1 MW
- Conducts free energy efficiency workshops in the community.
- BPU maintains its own water testing lab to ensure water quality.



CORPORATE SOCIAL RESPONSIBILITY



- Summer Youth Program = BPU is helping nine area nonprofits assist hundreds of local youth in the community.
- Annual Golf Tournament = To date, raised over half a million dollars for children's charities in Wyandotte County.
- emPOWER Education Program in all three KCK school districts.
- BPU Employee Foundation
- Annual United Way Campaign
- Community Sponsorships

MEETING WYANDOTTE COUNTY'S UTILITY NEEDS

- Electric system includes two active power stations, 29 substations and 3,000 miles of electrical lines.
 - BPU responsible for county's 9,000 traffic signal heads, 6,000 fire hydrants, 19,000 streetlights and radio system for first responders: fire, police, ambulance and sheriff.
- State-of-the-art water treatment plant, three major pump stations and 1,000 miles of water pipes over 150 sq. mile area.
 - Water quality consistently exceeds all federal and state standards.
 - Two of the nation's largest horizontal collector wells, deep below the Missouri River, ensure safe and consistent BPU drinking water at all times.
- BPU purchased 17% ownership in Dogwood, a combined cycle natural gas plant.

