



## **OPPOSITION TESTIMONY**

**Senate Committee on Utilities  
SB 198**

**An Act concerning electric utilities; relating to the state corporation commission;  
Authorizing the approval and issuance of K-EBRA bonds;  
financing costs of electric generation facilities.**

**Chuck Caisley  
On behalf of Westar Energy and KCP&L**

**March 12, 2019**

Good afternoon Chairman Masterson and Members of the Committee:

SB 198 would fundamentally alter the regulatory compact and manner through which investor-owned utilities finance operations in Kansas. Nowhere in the United States is securitization as defined in SB 198 used or mandated. SB 198 will have a negative impact on Kansas customers, investor-owned utilities and investors who have provided the capital to build electrical infrastructure to serve Kansans. We oppose SB 198.

Outside of states that have restructured, securitization has been used very sparingly by electric utilities. In most cases, outside of restructuring, utilities that employed securitization were either under significant financial duress or used it for a very defined and limited purpose. Nowhere in the United States has a regulatory body been given the authority to mandate securitization.

Around the United States securitization is used infrequently and in very defined situations:

- The most common application of securitization is industry restructuring (deregulation, or the introduction of customer choice of electricity suppliers and the associated spin-off of formerly regulated electric generating units). It has been used, or utilities have been given authorization for use, in approximately 14 states.
- The second-most common application of securitization is catastrophic storms. After hurricanes, securitization has been used, or utilities have been given authorization for use, in five states.
- In two states, securitization has been used to fund some level of environmental upgrades.
- In two states, utilities have been given the ability to use securitization for recovery of unrecovered plant balance due to reasons other than re-structuring.

SB 198 proposes to use securitization for three specific purposes: (1) the retirement of coal generating facilities; (2) re-training and workforce development for employees displaced by retirement of coal generating facilities; and (3) construction of renewable generation facilities. These are not common uses of securitization, and workforce re-training and renewable generation are unprecedented applications of securitization in the U.S.

(more on back)

SB 198 is not warranted by current practices of Kansas utilities:

- Westar and KCP&L have recently retired more than 10 fossil-fueled generating units without securitization. The notion that retirement of coal generating facilities will not occur without securitization is not warranted by the facts.
- Both Westar and KCP&L rely heavily on renewable generating resources. In fact, on a combined basis, the Evergy utilities rank #3 in the U.S. in wind energy generation. This has occurred without securitization, so the notion that development of renewable generating resources will not occur in Kansas without securitization is not warranted by the facts.

Investors have provided capital to Kansas utilities based on the reasonable expectation that the utilities will receive both a return on, and a return of, that capital consistent with historical practices. SB 198 would deprive investors of the return on the unrecovered balance of plants retired on a securitized basis. This would alter fundamental elements of the regulatory compact. If securitization is to be an option, it must preserve the utility's ability to receive a return on those generating facilities while still providing net benefits to customers.

In conclusion, securitization as proposed in SB 198 is not warranted by the facts in Kansas and would fundamentally alter the regulatory compact upon which utilities and their customers have relied for over a century. SB 198 is a drastic change to regulatory law in Kansas and could very well negatively impact investor-owned utilities' ability to cost-effectively attract capital needed to fund current and future investments in generation and the electrical grid. It might be appropriate with substantial modifications in some limited circumstance in the future, but SB 198 is way too broad in application where there is no current need in Kansas.

Westar and KCP&L have participated in stakeholder discussions over SB 69, and we support the revised study legislation. As such, we do not believe the Legislature should work to pass substantive legislation dealing with utility ratemaking and the regulatory process in Kansas prior to completing the study under SB 69. To pass SB 198 would undermine the study by presupposing any conclusions the study might offer once completed.

We ask the Committee to reject this legislation and give the study proposed in SB 69 a fair opportunity to succeed.

Thank you. I would be pleased to stand for questions at the appropriate time.

Chuck Caisley

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