



**Kansas Grain and Feed Association
Renew Kansas Association**

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To: Senate Committee on Utilities
From: Randy E. Stookey, Senior Vice President of Government Affairs
Date: January 28, 2020
Re: **Proponent, Joint Written Testimony on Senate Bill 126, exempting certain public utilities from income tax.**

Chairman Masterson and members of the committee, thank you for the opportunity to provide testimony in support of Senate Bill 126. This testimony is submitted jointly on behalf of the Kansas Grain and Feed Association (KGFA) and Renew Kansas Association. KGFA is the state association of the grain receiving, storage, processing and shipping industry in Kansas, whose membership represents 99% of the commercially licensed grain storage across Kansas. Renew Kansas Association is the trade association of the Kansas ethanol and biofuels industry.

The Kansas ethanol industry includes 10 fuel-grade ethanol processing plants in mostly rural areas across the state. By purchasing 44% of all corn grown in Kansas (179.2 mil bushels in 2016) the ethanol industry is an economic driver for Kansas agriculture. The demand for ethanol inputs serves as a price support for corn and sorghum for Kansas farmers. The Kansas ethanol industry produces 550 million gallons of ethanol annually worth approximately \$900 million. Each plant employs, on average, 45 workers at an average salary of over \$59,000. Collectively, the industry pays close to \$9.0 million annually in property taxes.

Grain elevators and ethanol plants are high industrial users of energy. They generally operate on tight margins, and profitability in any given year is highly dependent on the costs of inputs and fixed costs, such as energy.

Recent reports have shown that Kansas has the highest energy costs in the Midwest. Paying higher energy rates than similarly-situated energy users in neighboring states causes processing plants in our state to be less competitive. As our members operate continually, and are charged at peak use rates, those high costs have become unsustainable. This has forced some in the industry to turn to on-site generation of power as the only viable solution to the soaring cost of energy in Kansas - removing the facility as a rate payer.

Kansas must act to find a solution to high energy rates. If we are to allow Kansas industries to be competitive, we must find a way for industry to access energy at rates that are not cost prohibitive.

Our understanding is that Senate Bill 126 would exempt certain electric public utilities from paying income tax when that public utility includes income tax expenses as a component of its retail rates. The bill would also prohibit those utilities from collecting Kansas income tax expenses as a part of its retail rates. If this exemption from state income tax could provide savings that are passed through to rate payers, providing some measureable rate relief to our industries, then we would fully support this effort as good public policy.

Thank you for allowing us the opportunity to testify in support of Senate Bill 126.