



Testimony of Evergy
Chuck Caisley, Sr. Vice President, Marketing & Public Affairs

For the Senate Utilities Committee

Opposed to SB126

January 28, 2020

Chairman Masterson and members of the Committee:

Thank you for the opportunity to provide information on Senate Bill 126 (“SB126”), which would amend existing law concerning how utilities include income taxes in retail rates.

I just want to say a word about electric rates because some groups have made it a point to denigrate them. Kansas electric rates continue to be below the national average. It’s also important to note that Evergy is still in the middle of a 5-year base rate moratorium. While we are in this rate freeze, surrounding states are raising their rates as they make investments that Evergy has already made. Each year that goes by means that Kansas rates are trending toward those of our neighbors.

With respect to SB 126, the policy of how the state funds its government is best left up to the legislature and executive branch, and thus Evergy takes no position on that issue. What does matter to us is the impact any tax changes could have on our customers and our company.

Evergy remains concerned that passage of this bill would trigger a rate case. We want this Committee to know two things. The first is that it would break our commitment to Kansans and the KCC to not ask for a change in rates for 5 years.

Secondly, there is no guarantee that if a rate case were initiated that the outcome would be a rate decrease for customers. We have made investments in the past several years and we would ask to recover those costs. A rate case could have the net impact of increasing rates even after the income tax is removed.

We are aware there is an amendment that seeks to remedy the concern about a rate case being triggered by this legislation. However, our opinion is that the language is not clear and concise enough to enable single-issue rate-making. Again, we are willing to work with proponents on this point to find mutually agreeable language.

Secondly, there will need to be an appropriate period of amortization to refund Kansas income taxes collected from ratepayers and previously recorded in accumulated deferred income taxes (ADIT). Whatever time period is determined will need to be long enough to avoid any significant rate increases for ratepayers at the end of the amortization. Again, we are willing to work with proponents to find mutually agreeable language.

Finally, this bill could cause a credit downgrade in our Kansas Central jurisdiction that would be detrimental to customers. Therefore, we want to be cautious with any approach to implementing a tax rate reduction. We will need to have a mechanism in the bill to remedy that credit downgrade, which could limit the immediate benefit to customers.

Committee, we appreciate the opportunity to offer our opinion on SB126, and respectfully urge caution when considering changes to the mechanism for collecting utility income tax.