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MEMORANDUM

To: Senate Committee on Utilities
From: Nick Myers, Office of Revisor of Statutes
Date: March 18, 2024
Subject: Bill Brief – House Bill 2527 As Amended by House Committee

Authorizing Plant in Service Accounting

Section 1 of House Bill 2527 would enact a new section of law to authorize an electric public utility to elect to defer to a regulatory asset 90% of all depreciation expenses associated with all qualifying electric plant recorded to plant-in-service on the utility's books less retirements of the plants being replaced.

If an electric public utility elects to defer such depreciation expenses to a regulatory asset balance, such balance would be included in the public utility's rate base and recovered through rates without any offset, reduction or adjustment based upon consideration of any other factor, except that the commission may disallow any balances that are not determined to be prudent. Any such regulatory asset balances included in a utility's rate base shall be recovered through a 20-year amortization schedule in the utility's rates. The return and carrying costs for such deferred balances would be determined using the weighted average cost of capital plus any applicable taxes.

HB 2527 would authorize an electric public utility to make such deferrals until December 31, 2030, but would authorize the state corporation commission to extend such sunset date to December 31, 2036, upon application of a public utility. A public utility would be required to submit any such application on or before December 31, 2028. The commission would be required to hold a hearing on such application if a hearing is requested by any party or intervenor and issue an order on such application within 240 days.

Section 2 of HB 2527 would enact a new section of law to establish a revenue requirement impact cap upon the public utility's revenue requirement if such revenue requirement includes any regulatory asset balance consisting of the deferred depreciation expenses authorized pursuant to section 1. If inclusion of such deferred depreciation expense balances would cause the public utility

to exceed the revenue requirement impact cap, any part of the regulatory asset balance in excess of such cap shall not be included in the utility's rate base or recovered from customers.

Sections 1 and 2 would define the following key terms for this section: "Qualifying electric plant," "rate base cutoff date," "revenue requirement impact cap" and "weighted average cost of capital."

Authorizing Economic Development Rates for Large Customers

Current law authorizes public utilities to implement the following two economic development electric rate options. First, for any customer that has a projected peak demand of at least 200 kW within two years after the customer first receives such rate discount and meets certain other criteria, the customer may receive a 20% discount for up to five years. Second, for any customer that has a projected peak demand of at least 300 kW within two years after the customer first receives such rate discount and meets certain other criteria, such customer may receive a 40% discount for up to five years.

Section 3 of HB 2527 would amend K.S.A. 66-101j to authorize electric public utilities to implement economic development electric rates for up to ten years for any customer whose peak demand is projected to be 25 MW within two years after the customer first receives service under such rate and meets certain other criteria. Such economic development electric rate would authorize such a customer to receive up to a 40% discount for the first five years of the discounted rate and up to a 20% discount for the final five years of the discounted rate.

HB 2527 would authorize a utility to implement the new economic development rates for large customers until December 31, 2030, but would authorize the state corporation commission to extend such sunset date to December 31, 2036, upon application of a public utility. A public utility would be required to submit any such application on or before December 31, 2028. The commission would be required to hold a hearing on such application if such hearing is requested by any party or intervenor and issue an order on such application within 240 days.

Authorizing Construction Work in Progress Expense Recovery

Section 4 of HB 2527 would amend 66-1239 to authorize an electric public utility to implement a new rate adjustment mechanism that is designed to recover the return on 100% of the amount of construction work in progress relating to the construction of any new gas-fired electric generating facility at the utility's weighted average cost of capital. The rate adjustment mechanism would be authorized on customer bills until such costs are included in customer rates pursuant to

a general rate proceeding. Any unrecovered portion of such costs would include carrying costs at the utility's weighted average cost of capital.

No such rate adjustment mechanism shall take effect until 365 days after such construction commences but must take effect within 60 days after a utility files to establish such mechanism. If necessary, the rate adjustment mechanism may be periodically increased as construction progresses once per every six months. No such rate adjustment mechanism could remain in effect for more than six years.

HB 2527 would authorize a utility to implement the construction work in progress rate adjustment mechanism until December 31, 2030, but would authorize the state corporation commission to extend such sunset date to December 31, 2036, upon application of a public utility. A public utility would be required to submit any such application on or before December 31, 2028. The commission would be required to hold a hearing on such application if requested by any party or intervenor and issue an order on such application within 240 days.

Procedures Relating to KCC Determinations on Ratemaking Principles and Treatment

HB 2527 would increase the time that the commission has to issue an order in any proceeding for a determination of ratemaking principles and treatment from 180 days to 240 days but would also require the commission to issue an order in a shorter period if circumstances allow. To expedite the process, HB 2527 would establish certain procedural requirements including: That a utility shall provide prior notice to the commission not less than 30 days before the utility intends to file such an application; the commission must notify each person or entity that was a party to or an intervenor in the public utility's most recent rate case of the utility's intent to file; any petition for intervention in the matter must be submitted not later than 10 days after the proceeding commences; and that the commission must adopt a procedural schedule within 30 days after the proceeding commences.

HB 2527 would also increase the contractual threshold at which a utility may seek a determination of ratemaking principles and treatment. The contractual threshold would increase from \$5,000,000 to \$10,000,000.

If enacted, HB 2527 would take effect on July 1, 2024.

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