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PROPONENT TESTIMONY

Senate Committee on Utilities

HB 2527

AN ACT concerning public utilities; relating to the state corporation commission; authorizing cost recovery mechanisms for certain rate base additions; requiring the commission to evaluate the capital structure of certain public utilities without regard for entities affiliated with such utility; authorizing certain public utilities to elect a specific return on equity in rate proceedings; increasing the peak demand threshold and discount term for economic development electric rates for large facilities; removing requirements for tracking and deferral to a regulatory asset of revenue reductions caused by economic development rates; authorizing a rate adjustment mechanism for the construction of new gas-fired electric generating facilities.

**Whitney Damron
On Behalf Of
The Empire District Electric Company d/b/a Liberty**

March 18, 2024

Good Afternoon Chairman Fagg and Members of the Committee:

For the Committee, Liberty's Central Region has over 175,000 electric customers across four states, with approximately 10,000 of those customers located in the southeast corner of Kansas. Liberty's sister utilities also provide gas, water, and wastewater services across the 6-state Liberty Central Region.

Liberty would like to provide our support to portions of HB 2527 that address cost recovery and return on equity for new electric generation units and increases the opportunity for a public utility to offer discounted electric rates for certain economic development purposes.

Under current regulatory process, a public utility incurs costs of construction for generation facilities, for example, during planning, construction, and leading up to the facility being placed in service. And then, recovery is further delayed until a rate case proceeding. This delay in recovering costs is referred to as "regulatory lag" and some argue this delay incentivizes a utility to accelerate construction and ultimately bring a rate case for recovery that is beneficial to the customer.

Constructing new generation is a long-term process when considering regulatory requirements, integrated resource planning, project financing, securing generation machinery, siting and so forth. Regulatory lag built into the cost recovery process does generate costs borne by both the utility and the customer.

The Committee has been told in other hearings that it is unlikely we will see additional coal plants constructed in the U.S. and any large-scale nuclear power plant would have a long development runway. Furthermore, due to its load-following capabilities compared to coal and nuclear plants, natural gas is looked upon as the favored baseload generation needed to complement commercial wind and solar.

The bill also increases options for facilities eligible for a discounted electric rate for economic development purposes, which can help provide greater efficiencies to an electric utility by increasing load.

Liberty has a mix of coal, natural gas, and wind and the company has made significant investments in wind resources over the past several years to meet the present and future demands of our customers. It is unknown whether Liberty would take advantage of this legislation, but we support why it is before you and would ask for your favorable consideration.

Finally, the parties of interest are to be commended with how they worked together from introduction of HB 2527 to find agreement with most of the parties at the negotiating table, which results in a bill with mostly proponent or neutral positions and a House vote to move the bill to the Senate of 111-8

On behalf of Liberty, we respectfully offer these remarks in support of HB 2527.

WBD

Liberty Central Region serves more than 320,000 customers in a six-state area composed of Kansas, Missouri, Arkansas, Iowa, Illinois, and Oklahoma including more than 175,000 electric customers in a four-state area with approximately 10,000 of those located in the southeast corner of Kansas. Liberty serves over 1 million customers in North America, Bermuda, and Chile.

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