

**Testimony of Kansans for Lower Electric Rates (KLER) and  
Kansas Industrial Consumers Group (KIC)  
Neutral on House Bill 2527  
Before the Senate Utilities Committee  
March 18, 2024**

House Bill 2527 has undergone a significant transformation from the bill that was first introduced and heard in the House Energy, Utilities & Telecommunications Committee. KIC & KLER were strongly opposed to HB 2527 as filed and testified as such. Thanks to a number of stakeholder discussions that added significant consumer protections and eliminated troublesome provisions that limited the Kansas Corporation Commission's (KCC) authority to fully set rates, KIC & KLER are now neutral on HB 2527.

More specifically, we are neutral on sections 1 and 2 of the bill, implementing "plant in service accounting" (PISA). Appropriate consumer protections were added to limit depreciation expense recovery, including:

- Limiting recovery to 90% (instead of 100%)
- Limiting recovery to distribution and IT investments
- Creating an annual rate increase cap of 1.5%

However, we remain unconvinced additional revenue generated from PISA will do anything more than benefit Evergy shareholders. That said, we need Evergy to be successful and need new and existing customers to be connected and served in a timely manner. Evergy and its supporters believe PISA will help in that regard so we will provide Evergy the benefit of the doubt on this issue.

KIC & KLER support sections 3 and 4 dealing with economic development rates and construction work in progress.

We supported the bill in 2020 allowing Evergy to establish economic development rates because we believe adding new, large electric customers is a key way to help address high electric rates.

HB 2527 as filed rightly deleted an existing provision that allows Evergy to “track” the cost of discounts for recovery during a rate case. A key part of this compromise bill is another subsection that prevents adding the cost of discounts to customer bills.

We do however have an amendment that would move up the effective date of that subsection to July 1, 2024. The amendment, attached to this testimony, has been agreed to by Evergy, the KCC, CURB and the Kansas Chamber.

The last section of the bill deals with construction work in progress (CWIP), a financing method that, in this case, charges customers for a new natural gas generating station while the plant is being built, versus the typical model of charging customers when an asset is placed into service and into rates during a rate case. Paying for the plant through CWIP is a more cost-effective (lower cost) way to pay for a large investment.

It’s also important to note a version of HB 2597 (requested by KIC & KLER), extending the regulatory timeline for pre-determination filings, was added to the compromise, providing another ratepayer benefit.

There’s also a non-statutory agreement between the stakeholders to have a KCC proceeding before next session to evaluate providing a time-of-use rate option for industrial consumers.

We thank Evergy, the KCC, CURB, Kansas Chamber, AARP and the Sierra Club for the productive approach to dealing with initial concerns with HB 2527. KIC & KLER will continue to work closely with stakeholders as HB 2527 moves through the process to ensure the core tenets of the compromise remain in place.

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*The Kansas Industrial Consumers Group (KIC) is a coalition of large-volume energy users in Kansas. The members collectively represent billions of dollars of investment in the State and employ thousands of Kansans. Kansans for Lower Electric Rates (KLER) is an advocacy project of KIC with members of all sizes. We believe high energy costs are negatively impacting residential consumers, schools, hospitals, and large and small businesses.*

1 (3) a peak demand that is reasonably projected to be at least ~~300~~  
 2 ~~kilowatts~~ *25 megawatts* within two years of the date the customer first  
 3 receives service under the discounted rate and is not the result of shifting  
 4 existing demand from other facilities of the customer in the electric public  
 5 utility's certified service territory and:

6 (A) An annual load factor that is reasonably projected to be at least  
 7 55% within two years of the date the customer first receives service under  
 8 the discounted rate; and

9 (B) the facility shall, once first achieved, maintain the peak demand  
 10 and load factor for the remaining duration of the discounted rate.

11 (c) The discount authorized by this section shall be determined by  
 12 reducing otherwise applicable charges associated with the rate schedule  
 13 applicable to the new or expanded existing facility by a fixed percentage  
 14 for each year of service under the discount for a period of up to:

15 (1) Five years to facilities that qualify pursuant to subsection (b)(1)  
 16 or **(b)(2)**; and

17 (2) 10 years to facilities that qualify pursuant to subsection ~~(b)(2)~~ **(b)**  
 18 **(3)**.

19 (d) (1) For discounts to facilities that qualify pursuant to subsection  
 20 (b)(1), the average of the annual discount percentages shall not:

21 (1) ~~exceed 20% for discounts that qualify pursuant to subsection (b)~~  
 22 ~~(1), but, except that such discounts may be between 5% to 30% in any~~  
 23 ~~year; and of such five-year period.~~

24 (2) **For discounts to facilities that qualify pursuant to subsection**  
 25 **(b)(2), the average of the annual discount percentages shall not exceed**  
 26 **40%, except that such discounts may be between 20% and 50% in any**  
 27 **year of such five-year period.**

28 (3) ~~For discounts to facilities that qualify pursuant to subsection (b)~~  
 29 ~~(2) (b)(3), the average of the annual discount percentages shall not~~  
 30 ~~exceed:~~

31 (A) ~~For the first five years of the discount period, 40% for discounts~~  
 32 ~~that qualify pursuant to subsection (b)(2), but, except that such discounts~~  
 33 ~~may be between 20% to 50% in any year of such five-year period; and~~

34 (B) ~~for the final five years of the discount period, 20%, except that~~  
 35 ~~such discounts may be between 10% and 30% in any year of such five-~~  
 36 ~~year period.~~

X 37 ~~(d)(e) In each general rate proceeding concluded after the effective~~  
 38 ~~date of this section, the commission shall allocate the reduced level of~~  
 39 ~~revenues arising from the discounted rates provided for in this section~~  
 40 ~~through the application of a uniform percentage adjustment to the revenue~~  
 41 ~~requirement responsibility for all customer classes of the electric public~~  
 42 ~~utility providing such discounted rate, including the classes with customers~~  
 43 ~~that qualify for discounts under this section, except for rates for service~~

1 ~~provided to customers under contract rates either approved by the~~  
 2 ~~commission pursuant to K.S.A. 2023 Supp. 66-101i, and amendments~~  
 3 ~~thereto, or the commission's general ratemaking authority July 1, 2024,~~  
 4 **the difference in revenues generated by applying the discounted rates**  
 5 **authorized pursuant to this section and the revenues that would have**  
 6 **been generated without such discounts shall not be imputed into the**  
 7 **electric public utility's revenue requirement.**

On and after

8 ~~(e) (1) The commission shall approve a tracking mechanism to track~~  
 9 ~~reductions in revenue experienced by the electric public utility serving the~~  
 10 ~~facility as a result of the discount rate from the date the discount rate~~  
 11 ~~becomes effective; and~~

Provided, however, that reductions in revenue resulting from discounts under this section tracked by the electric public utility for periods prior to July 1, 2024, shall be recoverable, in base rate proceedings initiated after that date, through the application of an equal percentage adjustment to the revenue requirement responsibility for all customer classes of the electric public utility, including the classes with customers that qualify for discounts under this section.

12 ~~(2) such reductions in revenue shall be deferred to a regulatory asset~~  
 13 ~~and shall accrue interest at the weighted average cost of capital used by the~~  
 14 ~~commission to set the electric public utility's rates in its most recently~~  
 15 ~~concluded general rate proceeding with the balance of such regulatory~~  
 16 ~~asset to be included in the rate base and revenue requirement of the electric~~  
 17 ~~public utility in each of the utility's general rate proceedings through an~~  
 18 ~~amortization of the balance over a reasonable period until fully collected~~  
 19 ~~from the utility's non-contract rate customers.~~

20 (f) The provisions of this section shall not apply to rates for service  
 21 provided to customers under contract rates approved by the commission  
 22 pursuant to K.S.A. 2023 Supp. 66-101i, and amendments thereto, or the  
 23 commission's general ratemaking authority according to custom and  
 24 practice of the commission in place prior to the effective date of this  
 25 section.

26 (g) Starting in January 2023, the commission shall biennially provide  
 27 a status report to the legislature about any discounts from tariffed rates  
 28 authorized pursuant to this section. Such report shall include the:

- 29 (1) Number of entities with such discounts;
- 30 (2) number of entities with increased load;
- 31 (3) number of entities with decreased load;
- 32 (4) aggregate load and change in aggregate load on an annual basis;
- 33 (5) total subsidy and the subsidy for each individual contract;
- 34 (6) annual and cumulative rate impact on non-contract rate  
 35 customers; and

36 (7) estimated economic development impact of entities with  
 37 discounted rates that occurred as a result of such discounts through an  
 38 evaluation of the annual: (A) Total employment for such entities; (B)  
 39 change in employment for such entities; and (C) tax revenue generated by  
 40 such entities.

41 (h) **An electric public utility shall be authorized to only**  
 42 **implement discounted rates for facilities that qualify for such**  
 43 **discounted rates pursuant to subsection (b)(3) until December 31,**