

January 30, 2024

The Honorable Leo Delperdang, Chairperson
House Committee on Energy, Utilities and Telecommunications
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Delperdang:

SUBJECT: Fiscal Note for HB 2527 by House Committee on Energy, Utilities and Telecommunications

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2527 is respectfully submitted to your committee.

HB 2527 would amend current laws regarding the Kansas Corporation Commission (KCC) practices for utility rate regulation. The bill would revise the determination of rate base, capital structure, and return on equity in utility rate proceedings; and revise the provision of economic development electric rates and make changes to cost recovery mechanisms for public utilities that construct certain electric generation facilities.

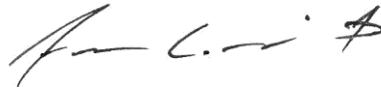
The bill would require the KCC to utilize the test year capital structure of a large public utility (a utility serving at least 20,000 retail customers), without reference to the capital structures or investments of entities affiliated with the large public utility, if the large public utility's parent company holds an investment-grade credit rating from one or more nationally recognized credit rating agency. Additionally, the bill would allow a large public utility to elect to base its return on equity upon the fully litigated case 12-month average from the most recent report issued in the Regulatory Research Associates Regulatory Focus publication (or successor publication) for the applicable utility type but would exclude observed rates of return for certain types of utilities cases. Additionally, the bill would alter the discounts that may be approved by the KCC under economic development rate schedules that provide discounts from otherwise applicable standard rates for electric service for new or expanded facilities of certain industrial or commercial customers.

The bill would eliminate tracking mechanisms associated with reductions in revenues with the discounted rates as well as the requirement that the revenue reductions be deferred to a regulatory asset and rate treatment of the same. Additionally, with respect to certain rate-making predeterminations under current law, the bill would make changes to the regulatory filings required

for the pertinent utility applications. Finally, with respect to a new gas-fired generating facility, the bill would allow public utilities to implement new rate adjustment mechanisms designed to recover the return on 100.0 percent of the amounts recorded for construction work in progress, unless the KCC has determined the stake acquired by the utility to be unreasonable.

The Kansas Corporation Commission indicates that the bill would not have a fiscal effect on their operations. The Citizens' Utility Ratepayer Board (CURB) indicates that the bill would not affect the agency's workload and would not have a fiscal effect its operations. CURB notes that the fiscal effect could change depending upon the number of filings and complexity of cases filed as a result of the enactment of HB 2527. Any fiscal effect associated with HB 2527 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Peter Barstad, Kansas Corporation Commission
Shonda Rabb, Citizens Utility Ratepayer Board