

Electric Utility Cost Recovery through Transmission Delivery Charges; HB 2225

HB 2225 amends law authorizing a Kansas Corporation Commission (KCC)-regulated utility to recover costs associated with the transmission of electric power through a transmission delivery charge (TDC) and requires public utilities to evaluate the regional rate competitiveness and impact to economic development in rate proceedings.

[*Note:* The bill only applies to electric utility companies that are under KCC jurisdiction.]

Applications for Rate Changes

The bill amends law relating to applications for rate changes to include a new section that requires any general rate proceeding of electric public utilities serving more than 20,000 customers to evaluate and include assessments of the following for any application for a rate change:

- The regional rate competitiveness of the electric public utility's current and proposed rates; and
- The impact of the electric public utility's current and proposed rates upon economic development within the state.

Transmission Delivery Charges

The bill allows a for-profit, investor-owned electric utility serving more than 20,000 customers in the state that elects to recover transmission-related costs through a TDC to include as a component of the TDC the following:

- All transmission-related costs associated with transmission facilities that are constructed as a result of a notification or directive to construct from a regional transmission organization (RTO) or independent system operator (ISO) that is regulated by the Federal Energy Regulatory Commission (FERC) or its successor agency; and
- All fees and costs imposed on the electric utility in connection with the operation of wholesale power markets by a RTO, ISO, or other entity that is regulated by FERC, other federal agency, or any successor federal agency.

[*Note:* Kansas is a member of the Southwest Power Pool (SPP), which is a RTO.]

The bill also allows a for-profit, investor-owned electric utility serving more than 20,000 customers in the state to recover through a TDC the transmission-related costs associated with transmission facilities constructed as a result of such utility's internal or local planning processes absent a notification to construct or similar directive from an RTO or ISO that is regulated by FERC or any successor agency subject to such utility's compliance with the section.

Cost Recovery

The bill requires a utility, in order to recover costs as a component of a TDC and to facilitate KCC and KCC-authorized intervenor review, to make a compliance filing with the KCC prior to the time period provided for the KCC to adjust the return on equity relating to such costs. The annual compliance filing is required to include the following:

- For non-blanket work order transmission projects over \$15 million or other amount deemed necessary by the KCC staff in consultation with the filing utility, an itemized projection of transmission spending for the succeeding and second succeeding calendar years;
- For each transmission project:
 - A project identifier or name;
 - Anticipated in-service date;
 - The projected cost;
 - Specified location within the utility's system;
 - Whether the project is classified as a new build, rebuild, upgrade, or any other appropriate classification;
 - Narrative describing the reason for the project and anticipated reliability benefits;
 - Description of the original vintage of the replaced facilities if the project is classified as a rebuild or upgrade; and
 - Load additions or economic development accommodated by the project, if any;
- Proposed date and time, no later than 90 days after the utility filed the compliance filing, for representatives of the public utility to conduct a technical conference for discussing details of the compliance filing with KCC staff, Citizen's Utility Ratepayer Board (CURB), and other KCC-authorized intervenors; and
- Proposed date and time, no later than 120 days after the utility filed the compliance filing, for KCC to hold a public workshop in which representatives of the public utility must present the details associated with the transmission projects that are anticipated in the succeeding calendar year, which allows for questions and comments from the KCC, KCC staff, and other KCC-authorized intervenors.

Return on Equity

The bill requires, beginning January 1, 2024, and before April 1, 2024, for any utility electing to recover the costs described regarding a TDC, the KCC to adjust the return on equity (ROE) used to determine the revenue requirement of such costs from FERC's jurisdictional

ROE to the KCC's authorized ROE last used to set the utility's base rates in effect at the time of filing the TDC update.

If a ROE was not explicitly established during the utility's last general rate case, the KCC is required to determine an appropriate ROE from the record of the last general rate case to establish the revenue requirement for such costs.

The bill states the KCC's authorized ROE does not impact any project that was constructed as a result of a notification to construct or similar directive from a RTO or ISO that is regulated by FERC or any successor agency.

In any TDC update filing, a utility electing to recover the costs through a TDC is required to utilize the KCC's authorized ROE that was used to set the utility's base rates in effect at the time of the update filing or that was stipulated and approved by the KCC for use in the TDC if a ROE was not explicitly set during the last general rate case, to determine the utility's TDC update.