

**Substitute for SENATE BILL No. 69**

By Committee on Utilities

3-12

1 AN ACT concerning electric utilities; requiring a study of electric rates;  
2 relating to the legislative coordinating council; state corporation  
3 commission.

4  
5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. (a) To provide information that may assist future legislative  
7 and regulatory efforts to craft forward-looking electric policy that leads to  
8 regionally competitive electric rates and reliable electric service, the  
9 legislative coordinating council shall authorize a study of the retail rates of  
10 Kansas electric public utilities. Such utilities shall include electric public  
11 utilities as defined in K.S.A. 66-101a, and amendments thereto, electric  
12 cooperative public utilities exempt from state corporation commission  
13 jurisdiction pursuant to K.S.A. 66-104d, and amendments thereto, and the  
14 three largest municipally owned or operated electric utilities by customer  
15 count.

16 (b) (1) To conduct the study, the legislative coordinating council shall  
17 select one or more independent organizations, by an affirmative vote of at  
18 least five members of the council including at least one affirmative vote  
19 from a member of the minority party, that have experience with evaluating  
20 electric utilities and include input from residential, commercial and  
21 industrial customers, electric utilities and other energy stakeholders.

22 (2) To facilitate this study, any organization selected by the legislative  
23 coordinating council may request data from any electric utility identified  
24 in subsection (a) and must allow at least 14 days for the utility to respond.  
25 Prior to making a request for information of any electric utility, any  
26 organization selected by the council shall enter into a confidentiality  
27 agreement with the electric utility to assure nondisclosure of confidential  
28 business information.

29 (3) The state corporation commission shall assist any organization hired  
30 by the legislative coordinating council by sharing subject matter  
31 knowledge regarding Kansas electric utilities and assisting with the  
32 procurement of any necessary information requested by such organization.  
33 Such requests shall be subject to the provisions of the Kansas open records  
34 act, the judicial review act, the Kansas administrative procedures act and  
35 any other law or regulations applicable to the state corporation  
36 commission. Any dispute regarding the provision of information, including

1 the establishment of reasonable protections for the treatment of  
2 confidential information, shall be decided by the commission.

3 (4) The study shall be completed and delivered to the state  
4 corporation commission in two parts. The first part of the study will be  
5 comprised of the issues identified in subsections (c)(1) and (2) and shall be  
6 completed by January 8, 2020, and the second part of the study will be  
7 comprised of the issues identified in subsection (c)(3) and shall be  
8 completed by July 1, 2020. The study shall be made available by the  
9 commission on its website.

10 (5) The costs of the study shall be paid by the state corporation  
11 commission from an assessment of expenses pursuant to K.S.A. 66-1502,  
12 and amendments thereto, upon the utilities that are subject to the study,  
13 regardless of whether such utilities are subject to the jurisdiction of the  
14 commission.

15 (c) The study authorized by the legislative coordinating council shall  
16 address:

17 (1) The effectiveness of current Kansas ratemaking practices,  
18 including whether:

19 (A) Current ratemaking adequately attracts needed utility capital  
20 investments and adequately discourages unnecessary capital investments  
21 in Kansas;

22 (B) current ratemaking appropriately balances utility profits with the  
23 public interest objectives of achieving competitive rates over time while  
24 providing the best practicable combination of price, quality and service;

25 (C) Kansas electric public utilities are currently recovering from  
26 Kansas retail electric ratepayers the full or partial cost, including a return  
27 on investment, of any investments that are no longer fully used or required  
28 to be used in service to the public within the state of Kansas, including, but  
29 not limited to, generation capacity investments;

30 (D) the investments that Kansas electric public utilities have made in  
31 electric transmission and renewable generation resources have contributed,  
32 and to what extent, to the obsolescence of all the other generation facility  
33 investments of such utilities;

34 (E) allowing Kansas investor-owned electric public utilities to  
35 recover costs through surcharges and riders, without a comprehensive  
36 ratemaking process, has unnecessarily contributed to rising wholesale and  
37 retail electricity prices;

38 (F) the current ratemaking processes for Kansas electric cooperatives  
39 and municipal utilities are in the public interest; and

40 (G) electricity providers in surrounding states are subject to similar  
41 state laws, regulations and oversight to such requirements in Kansas;

42 (2) options available to the state corporation commission and the  
43 Kansas legislature to affect Kansas retail electricity prices to become

1 regionally competitive while providing the best practicable combination of  
2 price, quality and service, including reviewing whether:

3 (A) Capital expenditures and operating expenses of Kansas electric  
4 public utilities can be managed to achieve and sustain competitive retail  
5 rates while maintaining adequate and reliable service;

6 (B) any performance-based regulation, economic development  
7 initiatives, price-cap regulation or other non-traditional ratemaking  
8 methods should be considered to reduce retail electric rates or the level of  
9 increase of any rate;

10 (C) competitive markets for retail electricity can benefit all Kansas  
11 consumers;

12 (D) further investments in energy efficiency and renewable energy,  
13 including revenue decoupling and renewable energy incentives, can  
14 benefit all Kansas consumers;

15 (E) securitized ratepayer-backed bonds can benefit utilities and  
16 ratepayers by reducing investment risk, facilitating the recovery of certain  
17 stranded costs from under-utilized or otherwise obsolete generating and  
18 other facilities and lowering retail electric rates, and assisting in the  
19 transition to new technologies, including a review of whether securitized  
20 bonds could be effectively utilized by Kansas utilities;

21 (F) Kansas sales tax, property taxes, assessment rates and other fees  
22 and taxes on utilities are comparable to other states in the region and how  
23 such taxes and fees impact the competitiveness of utility rates;

24 (G) Kansas electric utilities and the state corporation commission can  
25 reduce the cost impacts of decisions of the southwest power pool by  
26 advocating for certain positions through the southwest power pool's  
27 stakeholder and regional state committee processes, including an  
28 identification of current and future issues most likely to impact Kansas  
29 retail electric rates;

30 (H) any other regulatory actions are available to the state corporation  
31 commission to manage or reduce retail electric rates; and

32 (I) legislative enactments can address retail electric rate escalation in  
33 Kansas; and

34 (3) other consequential issues materially affecting Kansas electricity  
35 rates, including:

36 (A) Whether any costs incurred by Kansas electric public utilities to  
37 build and operate electric vehicle charging stations, including any  
38 necessary upgrades to distribution infrastructure, are recovered from  
39 ratepayers not using electric vehicle charging services;

40 (B) how rates for electric vehicle charging services should be  
41 designed to ensure such rates are just and reasonable and not subsidized by  
42 other utility customers;

43 (C) the potential effects of deregulating electric vehicle charging

1 services in Kansas, including whether deregulation would ensure that  
2 electric vehicle charging services are not subsidized by public utility  
3 ratepayers not using electric vehicle charging services;

4 (D) whether Kansas consumers could benefit from improved access  
5 to advanced energy solutions, including micro grids, electric vehicles,  
6 charging stations, customer generation, battery storage and transactive  
7 energy;

8 (E) the extent to which transmission investments by Kansas electric  
9 public utilities have impacted retail rates, including any incremental  
10 regional transmission costs incurred by Kansas ratepayers for transmission  
11 investments in other states, and whether such costs have been fully offset  
12 by financial benefits such as improved access to low-cost renewable  
13 energy and wholesale energy markets;

14 (F) the costs and benefits incurred by Kansas ratepayers for  
15 transmission investments in Kansas, used to export energy out of Kansas;

16 (G) how rate increases or the associated rising costs of Kansas  
17 investor-owned electric public utilities impact the retail electric rates of  
18 Kansas electric cooperatives and municipal utilities;

19 (H) whether retail electric rates in Kansas are a material barrier to  
20 economic development in Kansas;

21 (I) the impact of contract rates with commercial and industrial  
22 customers and economic development rates on other customer classes,  
23 including whether expanded utilization of such approaches can benefit all  
24 customers over time;

25 (J) whether Kansas electric public utilities recover their costs of  
26 serving customers from each customer class on the basis of cost causation;

27 (K) how cyber and physical security and grid stabilization efforts  
28 have affected, or are projected to affect, electric public utility rates;

29 (L) the value of a utility integrated resource planning process that  
30 requires state regulatory approval; and

31 (M) economic analysis of the price fluctuations of generation fuels on  
32 the cost of electricity.

33 Sec. 2. This act shall take effect and be in force from and after its  
34 publication in the Kansas register.