Written Testimony in Opposition to HB 2227
Before the Kansas House Committee on Energy, Utilities and Telecommunications

Pioneer Electric Cooperative, Inc. and Southern Pioneer Electric Company
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Chairman Delperdang, Vice Chair Turner, Ranking Member Ohaebosim and members of the House Committee on Energy, Utilities & Telecommunications, thank you for the opportunity to submit comments in opposition to HB 2227 on behalf of Pioneer Electric Cooperative, Inc. ("Pioneer") and Southern Pioneer Electric Company ("Southern Pioneer"). My name is Lindsay Campbell, and I serve as the Executive VP - Assistant CEO & General Counsel for Pioneer and Southern Pioneer.

Pioneer is a member-owned Kansas electric cooperative with its principal place of business located in Ulysses, Kansas. Pioneer serves approximately 16,639 meters in ten southwest Kansas counties. It owns and operates approximately 128 miles of transmission line and 3,974 miles of distribution line and substation facilities. Pioneer is a certified electric public utility that is self-regulated under K.S.A. §66-104d. Southern Pioneer is a not-for-profit Kansas corporation with its principal place of business located in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, Kansas. Southern Pioneer serves approximately 17,013 meters, as well as provides wholesale transmission services in ten south central and southwest Kansas counties. Southern Pioneer owns and operates approximately 302 miles of sub-transmission facilities and approximately 818 miles of distribution line and substation facilities. Southern Pioneer is a certificated electric public utility and a wholly owned subsidiary of Pioneer. Southern Pioneer is fully regulated by the Kansas Corporation Commission ("KCC"). Combined, Pioneer and Southern Pioneer sell approximately 1.8 billion kilowatt hours of energy to their members and consumers annually. Pioneer and Southern Pioneer are member-owners of and receive wholesale power supply and transmission services from their generation and transmission cooperative, Sunflower Electric Power Corporation ("Sunflower Electric").

Pioneer and Southern Pioneer both operate on a not-for-profit basis. Our rates for the various classes of customers are set based upon the cost to serve. For Pioneer, any excess margins earned at the end of each year are allocated and ultimately returned to our members in the form of patronage. For Southern Pioneer, excess margins flow through our formula based ratemaking plan approved by the Kansas Corporation Commission to reduce revenue requirements and help manage customer rates.

HB 2227 would have a significant adverse impact on Pioneer and Southern Pioneer, including our ability to effectively manage electric rates to our members and consumers in southwest and south central Kansas. This legislation would allow a third party to install, own/lease/control, and operate a renewable generation facility on a retail customer's premise and sell the energy from the renewable generation facility to the customer at a fixed rate for a defined period of time under a power purchase agreement ("PPA").

Currently, the Kansas Retail Electric Supplier Act ("RESA") (K.S.A. 66-1, 170 *et. seq.*) prohibits the sale of electricity for retail purposes by any entity other than the certificated utility within its designated service territory. These third-party entities, termed "Renewable Energy Suppliers," would be carved out as an exception to the prohibitions of RESA and therefore such third parties would be allowed to sell energy to our retail customers in lieu of being fully served by Pioneer and Southern Pioneer. However, because these renewable generation facilities are intermittent (sun does not shine at night; wind may not blow) and, thus, are not dispatchable, Pioneer and Southern Pioneer must still plan for and stand ready to supplement energy to the customer when the renewable generation facility is not able to generate to serve the customer's needs. This requires us to continue to have facilities and power supply in reserve to serve the peak demand of our customers at certain times of the day, which can come at a substantial cost to the utility.

Customers consuming or purchasing their energy from behind-the-meter generation as in this case (also known as "distributed generation" or "DG") are able to avoid the fixed costs of the electric facilities and resources necessary to serve them as a majority of these costs are traditionally recovered through the volumetric energy charges. DG customers are allowed to offset energy delivered by the utility with energy produced by the DG resource and as a result, a DG customer can partially or fully avoid the energy charge component of their bill. Therefore, the utility is unable to collect from the DG customer the cost of providing service when the customer's intermittent DG resource is not producing. This results in an under recovery from customers with DG and an over recovery (cost shift) from all other customers of the fixed costs for the electric infrastructure utilities are statutorily obligated to have in place to serve DG customers.

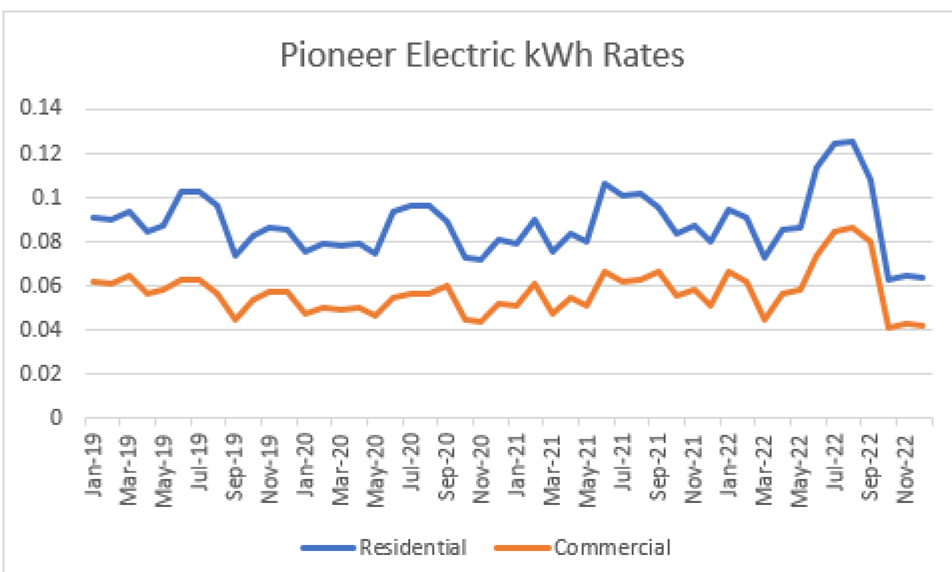
For utilities with load profiles like Pioneer and Southern Pioneer, this is extremely concerning and impactful. The majority of our load is commercial and industrial, at approximately 70% for both Pioneer and Southern Pioneer. Pioneer's residential load is only 9% of its total energy sales. Our commercial and industrial ("C&I") customers include several agricultural facilities, oil and gas field and midstream gas and helium processing facilities, beef feedyards, dairies, hog farms and beef packing plants. These customers have specific and unique service requirements. Because of their size, large C&I customers can and do require expensive transmission and distribution facilities or might trigger the next generation resource procurement due to the utility's obligation to serve the customer's power supply and delivery needs based upon their peak demand, regardless of whether they are served fully by Pioneer/Southern Pioneer or by a DG resource. Pioneer and Southern Pioneer have a significant amount of electric infrastructure invested to serve these large C&I customers. Additionally, Sunflower Electric has fixed costs associated with holding power supply in reserve for these large loads, which a DG customer could also avoid, thus resulting in increases to wholesale power costs for all retail customers in western KS served (indirectly) by Sunflower (not just Pioneer and Southern Pioneer retail customers). It would take just a few of these large C&I customers who choose to contract with a Renewable Energy Supplier under a third party PPA to result in "rate shock" to all other customers if Pioneer/Southern Pioneer cannot recover the cost to serve such customers.

In addition to the potential rate shock implications to all retail customers resulting from this legislation, Pioneer and Southern Pioneer are concerned that allowing third party entities to contract with our members and consumers for the sale of energy would generally not be in the best interest of our consumers. At the residential and small commercial level, Pioneer/Southern Pioneer are starting to see an increase in DG installations. At the commercial and industrial level, several of our customers are actively considering and/or pursuing renewable energy options in an effort to meet corporate sustainability goals or requirements. It has been our experience in many instances at the residential and C&I level that the renewable developers working with our consumers have not communicated accurate information regarding the economic benefit of installing a DG resource versus the rate paid to Pioneer/Southern Pioneer and the ultimate savings achieved with a renewable DG resource installation. These entities are also usually located out of state and therefore the revenues generated would not stay or benefit consumers in the State of Kansas. Additionally, DG resource installations at the C&I level for the purpose of selling excess energy back under a state or federal program could trigger material upgrades to electric infrastructure to facilitate interconnection of the DG resource to the distribution system, which upgrade costs are borne by the customer. Further, larger DG interconnections may be subject to review under the Southwest Power Pool (SPP) Generation Interconnection process. The SPP GI queue is currently so backlogged that approvals to allow the DG resource to interconnect and operate could take up to four years.

In an effort to facilitate our member and consumers' participation in renewable energy resources to achieve their individual goals, Pioneer/Southern Pioneer, in conjunction with Sunflower Electric and the other Sunflower Electric distribution cooperatives, are developing strategies and programs that result in a "win-win" scenario for the Sunflower Electric cooperatives and the consumer. We have developed and are actively promoting or are in discussions with many of our C&I customers regarding their participation in the

Sunflower Renewable Energy Program. This program has different participation levels and allows the customer to subscribe to a large-scale renewable energy resource (wind or solar) to serve its energy needs. Participation would allow the customer to receive the economic benefits associated with a large-scale utility renewable resource, which economic benefits we believe to be greater than compared to a standalone onsite DG resource option, and the customer would still also receive all of the green attributes associated with owning a renewable energy resource (receiving the Renewable Energy Certificates) in order to allow the customer to meet any corporate sustainability requirements it may have or desire to achieve. Additionally, Sunflower and the distribution member cooperatives are in the process of developing a community solar program for participation by residential and small commercial retail customers. In order to facilitate these programs, Sunflower Electric is moving forward with the development of large utility-scale solar projects for inclusion in the Sunflower generation portfolio, with the idea that portions of these projects could be carved out and reserved for retail customers' participation in these renewable energy programs. These Sunflower solar resource projects are projected to be online over the course of the next few years.

Because Pioneer and the Sunflower distribution members are cooperatives locally owned and controlled, we have the unique ability and no other motive than to innovate and adopt policies reflecting our members' priorities. We have implemented programs to make renewable resources accessible to our entire membership, at a competitive price and that allows for more flexibility in order to tailor to the customer's individual desires than if the customer were to contract with a third-party Renewable Energy Supplier. We believe the programs and options developed are in the best interest of our members and consumers desiring to participate in renewable energy projects, all while maintaining system reliability and ensuring stable and affordable rates to all customers. Pioneer has been heavily invested in our communities and members for the last 79 years and has been able to maintain low and stable residential electric rates over time, as shown in the graph below.



HB 2227 would result in significant disruption in our ability to continue to work with our members and consumers in partnership to design renewable energy programs and policies that meet our members' and consumers' needs and ensure continued stable electric rates for all consumers in western Kansas.

Thank you again for the opportunity to share our concerns with HB 2227. We respectfully request the committee refrain from advancing the bill. If the committee does act on HB 2227, we request cooperatives and Southern Pioneer (as a not-for-profit company) be excluded from the bill. If you have any questions regarding our testimony, please feel free to contact me.

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