



February 14, 2023
HOUSE BILL 2154
Proponent testimony
Written testimony

From:
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On behalf of Spirit AeroSystems

Chairman Delperdang, Vice Chair Turner, Ranking Member Ohaebosim, and Members of the Committee:

Good afternoon. Thank you for providing us an opportunity to testify as a proponent of House Bill 2154 and reforms it proposes for the Kansas Corporation Commission (KCC) to help Kansas achieve regionally competitive electric rates for its citizens.

My name is Pete Loecke. I am Senior Director, Manufacturing Services, at Spirit AeroSystems with leadership responsibilities for tooling and global facilities management at our Wichita headquarters along with 10 other facilities around the world. My team manages about 20 million square feet of manufacturing space, and I also have responsibility for our company's utility infrastructure needs at each of our 11 sites.

As the largest private-sector employer in Kansas, Spirit is proud to employ more than 11,000 people in Wichita. These highly skilled employees engineer, design, and build complex aerostructures for both commercial and defense customers.

The Kansas Legislature, by statute, has granted authority to the KCC to set rates, fees, and energy taxes that comprise electric bills for industrial, commercial and residential ratepayers. As the Legislature and Governor have already acknowledged, Kansas has some of the highest electric rates in the region. As a result, Kansas is not able to compete in the same way as other states when it comes to the cost of electricity for its citizens.

On February 8, 2023, we provided testimony before the Senate Utilities Committee that Spirit AeroSystems' transmission delivery charges have increased by more than 375% since 2010. Despite electricity demand in Kansas remaining relatively flat for two decades, investments in transmission infrastructure have far outpaced the rate of inflation and have generated significant cost increases on electric bills.

Thanks to the 2017 Tax Cuts and Jobs Act passed by Congress, followed by the Kansas Legislature's 2020 elimination of state income taxes for utilities, these laws resulted in downward pressure on the overall electricity cost increases in Kansas. While we applaud the success of tax policies passed by federal and state elected representatives, we must at the same time acknowledge the failures of our current regulatory system and its inability, or unwillingness, to better manage rates.

When it comes to actions by the KCC to advocate at the federal, regional, and state levels for policies and regulations that will lead to regionally competitive electric rates, the KCC has repeatedly not delivered results on behalf of ratepayers.

Accountability to ratepayers does not exist in a meaningful way. Today's regulatory framework has proven to be ineffective in its ability to curb high energy costs for Kansas ratepayers.

Given the exclusive service territories in which electric utilities operate, the KCC is supposed to serve as a check, in the absence of a free and competitive market, to protect and balance the interests of ratepayers.

Instead, the KCC has taken numerous policy positions before federal regulators, regional power operators, and the Kansas legislature to advocate for policies aligned with interests of the utility monopolies they are supposed to be regulating. This has come at the expense of Kansas ratepayers in the form of higher utility bills.

We have witnessed the practice of KCC staff conferring, planning, strategizing, and coordinating with the investor-owned utility, as well as providing public policy opinions that are aligned with the interests of electric utilities while often neglecting public policy positions and advocacy opportunities that would benefit ratepayers.

House Bill 2154 would establish a new level of accountability within the KCC by making commissioners statewide elected positions. This bill proposes to establish more accountability between the commissioners who set rates and the Kansas citizens, businesses, and organizations who pay those rates.

The bill would move certain KCC staff positions to the Kansas Attorney General's office to better align consumer advocacy functions within an office where they can be fully exercised for the benefit of all Kansas ratepayers.

We respectfully urge members of this Committee to vigorously debate these reforms and support House Bill 2154 to bring needed changes to one of our state's most consequential regulators.

Again, thank you for giving me the opportunity to submit testimony.