

SESSION OF 2023

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2225

As Recommended by House Committee on
Energy, Utilities and Telecommunications

Brief*

HB 2225 would amend law authorizing a Kansas Corporation Commission (KCC)-regulated utility to cover costs associated with the transmission of electric power through a transmission delivery charge (TDC).

[*Note:* The bill would only apply to electrical utility companies that are under KCC jurisdiction.]

Approval Requirements

The bill would state that for-profit, investor-owned electric utilities serving more than 20,000 customers in the state may only recover transmission-related costs through TDCs when the transmission facility is constructed as a result of a notice or directive to construct from a regional transmission organization (RTO) or independent system operator that is regulated by the Federal Energy Regulatory Commission (FERC) or its successor agency.

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

Internal or Local Planning Processes

The bill would state that for-profit, investor-owned electric utilities could not recover costs through a TDC when

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

those costs are associated with construction performed as a result of the utility's internal or local planning processes without the notice or directive from a FERC-regulated entity, as stated above.

The bill would require, on July 1, 2023, that if a utility is recovering transmission-related costs associated with the utility's internal or local planning processes, the utility must file a revision to the utility's TDC with the KCC within 90 days to no longer include such costs. The KCC would have within 240 days of receipt of the utility's request for revision to remove the costs from the TDC and include such costs as a component of such utility's rate base.

Background

The bill was introduced by the House Committee on Energy, Utilities and Telecommunications at the request of a representative of the KCC.

House Committee on Energy, Utilities and Telecommunications

Proponent Testimony

In the House Committee hearing on February 14, 2023, representatives of Americans for Prosperity-Kansas, Kansas Chamber, KCC, and Kansans for Lower Electric Rates testified as **proponents**, stating the bill would allow the KCC more control and oversight of development in Kansas, which would help protect ratepayers and improve regional rate competitiveness.

Written-only proponent testimony was provided by a representative of the Kansas Agribusiness Retailers Association, Kansas Grain and Feed Association, and Renew Kansas Biofuels Association.

Neutral Testimony

Written-only neutral testimony was provided by a representative of the Citizens' Utility Ratepayer Board (CURB).

Opponent Testimony

Opponent testimony was provided by a representative of Evergy, stating the bill is regressive regulatory policy in its current form. Repealing the TDC would prevent Evergy from immediately passing on any savings or decreases from the charge until the next rate case and would cause an increase in rate cases that would negatively impact customers.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, CURB indicates that enactment of the bill would result in \$40,000 of additional expenditures from the agency fee fund in FY 2023 and all subsequent fiscal years. The expenditures would be made to retain expert consultants to evaluate the recoverability of transmission-related costs and analyze the impact of such costs on consumers' utility rates. This estimate assumes that the additional consulting fees would total \$60,000 per rate case and that the agency would intervene in one rate case every 18 months, on average.

According to the Kansas Corporation Commission, enactment of the bill would not have a fiscal effect on agency operations.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Transmission delivery charge; Kansas Corporation Commission; investor-owned electric utility; Federal Energy Regulatory Commission; regional transmission organization; Southwest Power Pool; cost of recovery of transmission-related costs; transmission facilities