KEC
KANSAS ELECTRIC COOPERATIVES, INC.

A Touchstone Energy® Cooperative

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HOUSE COMMITTEE ON ENERGY, UTILITIES, AND TELECOMMUNICATIONS

Neutral, In-Person Testimony
HB 2032 – KCC Adjusting Utility Returns Per Rate Changes

February 4, 2025

Presented by:
Reagan McCloud, Director of Government Relations
Kansas Electric Cooperatives, Inc.

Chairman Delperdang, Vice Chair Wilborn, Ranking Member Ohaebosim, and members of the House Committee on Energy, Utilities, and Telecommunications, thank you for the opportunity to submit neutral testimony on behalf of Kansas Electric Cooperatives, Inc. (KEC) and our members concerning HB 2032. I am Reagan McCloud, and I serve as Director of Government Relations for KEC, the statewide service association for 29 member, not-for-profit cooperatives providing electric service in 103 of 105 Kansas counties

In its current form, this legislation allows the Kansas Corporation Commission (KCC) to adjust a rate regulated utility's return on equity (ROE) based on its retail rate performance.

KEC's neutral testimony on this legislation does not pertain to the intent of the bill. However, it does pertain to a potential unexpected consequence of the legislation and proposes a simple fix.

Electric cooperatives maintain the option to remove themselves from KCC retail rate regulation via K.S.A. 66-104(d). However, wholly-owned subsidiaries of Kansas' electric cooperatives do not have this ability.

Pioneer Electric Cooperative, Inc. (Pioneer), headquartered in in Ulysses, KS, has approximately 5,000 member-owners. Pioneer, as a not-for-profit cooperative, is self-regulated pursuant to K.S.A. 66-104(d). Pioneer is unique in that it owns a wholly owned subsidiary, Southern Pioneer Electric Company (Southern Pioneer). Southern Pioneer is a not-for-profit electric company headquartered in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, KS. Southern Pioneer provides retail and wholesale electric service to over 17,000 consumers in 34 communities located in Barber, Clarke, Comanche, Haskell, Kingman, Kiowa, Meade, Pratt, Reno and Seward counties. Like Pioneer, Southern Pioneer is a member-owner of and purchases all of its wholesale power supply and transmission services from Sunflower Electric Power Corporation.

Because Southern Pioneer is not a cooperative as defined by Kansas statute, it does not have the option to remove itself from KCC rate regulation via K.S.A. 66-104(d). However, as a not-for-profit organization and subsidiary of an electric cooperative, Southern Pioneer does not have any shareholders, and is operated like a cooperative, utilizing many hallmark cooperative governing principles. Southern Pioneer is therefore much more like a cooperative than it is a traditional rate regulated investor-owned utility (IOU).

KEC and Pioneer do not believe it was the intent of the bringers of HB 2032 to include Southern Pioneer within the legislation. As such, we offer the following amendment:

Section 1, adding section (e);

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“As used in this section, “Electric utility" does not mean any municipal utility, electric cooperative as defined in K.S.A. 66-104d, and amendments thereto, or any electric utility owned by one or more of such cooperatives.”

Thank you for your consideration.

Reagan McCloud

Director of Government Relations
Kansas Electric Cooperatives, Inc.