Leilani Grey, Chair
Carol Barta, Vice-Chair
Mary Treaster, Member
Rachel Jefferson, Member
Dr. Danya Burks, Member

Kansas
Citizens' Utility Ratepayer Board

1500 SW Arrowhead Road
Topeka, KS 66604-4027
Phone: (785) 271-3200
http://curb.kansas.gov

Joseph R. Astrab, Consumer Counsel

Laura Kelly, Governor

House Committee on Energy, Utilities, and Telecommunications
Testimony of Citizens' Utility Ratepayer Board
Written Only Testimony
Neutral Testimony on HB 2032
February 4, 2025

Chairman Delperdang and members of the House Committee on Energy, Utilities, and Telecommunications, thank you for this opportunity to testify regarding House Bill 2032. My name is Joseph Astrab. I am the Consumer Counsel for the Citizens' Utility Ratepayer Board (CURB). CURB is the advocate for residential and small commercial ratepayers before the Kansas Corporation Commission (Commission) and the Kansas Legislature. My testimony reflects the interests of these utility ratepayer classes regarding HB 2032.

HB 2032 creates new language to allow the Commission to adjust an electric public utility's return on equity (ROE) in the event that the utility's "all-in average retail rate" has or has not increased by 1% over a calendar year. This rate is defined by the bill as the total cost of electricity a retail customer pays per kilowatt-hour, including all fees, taxes and charges. Such changes are effective for one year after issuance of an order. If the Commission finds that a utility's all-in rates have not increased by more than 1% over a calendar year, the Commission has discretion to order an increase to the utility's ROE of up to 0.5%. Conversely, if the Commission finds that the rate has gone over that threshold, the Commission may order a decrease of up to 0.5%. Because ROE is inextricably linked to the rates customers pay, changes to this number ultimately impacts the amounts customers see on bills.

CURB is presenting neutral testimony on HB 2032 because it believes that finding ways to reduce customer bills and incentivizing desired utility efficiencies and operations are goals that benefit residential and small commercial ratepayers. One benefit to adjustments between rate cases is the potential to smooth out rate increases as expenses and costs change from year to year. CURB views HB 2032 as a step in meeting those goals, but the bill presents several concerns for CURB that should be evaluated before incorporating such a mechanism into practice.

First, the ability to adjust rates between general rate cases in this matter implicates consideration of the certainty of rates. HB 2032 allows the Commission to change the ROE, impacting rates, outside of a rate case. ROE is determined within a general rate case with competing experts providing complex analyses of market estimates and academic modeling. When the Commission determines the ROE for a case, it is based on that record of evidence and consideration of all factors. HB 2032 would necessarily add another dimension to this analysis to account for one or more continuous years of increases above rates established in a full rate case.

Customers taking service are paying rates set with that ROE, and those customers rely upon the rates reflected in the utility's tariffs. HB 2032 would introduce an element of uncertainty to this dynamic because rates could change at least once a year between rate cases. Increases to rates are likely to impact all customers. It is important to note that HB 2032 only looks at whether the

all-in rate has increased above 1%. Presumably, this would mean that the utility could request, and the Commission could approve, an increase to ROE even if the all-in rate does not change or even decreases. This runs the risk of offsetting savings from efficiency gains. Given the duration of these increases and decreases of 12 months, the structure provides incentive for utilities and stakeholders to review this issue every 12 months between rate cases.

Second, the definition of "all-in average retail rate" is vague in regard to the perspective to measure this value. Referring to "retail" customers as one group does not acknowledge the existence of different rate classes that make up the retail group of customers. It is unclear whether the measurement is done by all classes or consideration of each class separately. Inclusion of riders, fees, taxes, and other charges, especially ones dedicated to fuel and transmission costs, involves reviewing different riders applying to different class rates. As those costs may vary throughout the year, it is unclear how changes are evaluated amongst different customer classes, all with distinct contributions to costs incurred. The bill is silent on how to allocate changes to rates if there is an ROE change and further does not clarify whether changes to rates due to this mechanism are considered for subsequent review of rates.

Third, the bill presents a restrictive timeline to review and approve these types of rate changes. The preceding 12 calendar months are used to determine what kind of change is warranted after review by the Commission. This would likely require a new docket to address a request or motion to review the all-in rate. Dockets at the KCC typically range from 120 days to 300 days to issue orders. While the bill does not prescribe a timeline to resolve these reviews, if stakeholders and utilities are aiming to make these adjustments after review of each calendar year, these dockets may become routine. There is potential for these reviews to generate disagreements on how to evaluate claims of all-in rate changes and the appropriate amount to change ROE, leading to contentious proceedings.

While CURB anticipates that HB 2032 would have an impact on the residential and small commercial ratepayers it serves, CURB recognizes the goal of encouraging efficient utility operations and reducing customer bills. The potential of increasing the ROE by 0.5% could have significant impacts on customers and add to rates paid by them, considering the scale of rate base that utilities maintain. Having those changes occur after the analyses in a rate case has concluded could frustrate customers and stakeholders who must consider having a potential 0.5% variance between rate cases. Still, CURB recognizes the importance of policy dedicated to giving customers bill relief and creative avenues to accomplish that.

For the reasons stated above, CURB submits neutral testimony on HB 2032 for the Committee's consideration