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Before the Senate Utilities Committee

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Neutral Testimony on Senate Bill 348

Submitted by Justin Grady, *Director of the Utilities Division*
On Behalf of The Staff of the Kansas Corporation Commission

Chair Fagg, Vice Chair Petersen, Ranking Minority Member Francisco, and members of the Committee, thank you for the opportunity to provide testimony today on behalf of the Staff of the Kansas Corporation Commission (KCC or Commission).

The Staff of the Commission (Staff) is neutral towards the passage of SB 348. This bill would allow Southern Pioneer Electric Corporation (Southern Pioneer) to self-regulate, in a similar fashion as cooperative utilities in Kansas are allowed to today. Southern Pioneer is a unique utility in that it is a not-for-profit corporation, wholly-owned by a Cooperative, Pioneer Electric. Because of this, Southern Pioneer does not operate with a traditional profit motive in the same fashion as an Investor-Owned Utility (IOU). Accordingly, the Commission has regulated Southern Pioneer differently than a traditional IOU, affording Southern Pioneer more flexibility and deference in rate cases, formula rate proceedings, and other regulatory matters. However, there have been times when Southern Pioneer felt it was not receiving enough KCC deference to its managerial decisions, and this has caused friction and frustration at times. Additionally, Southern Pioneer has expressed frustration with the statutorily authorized time frames necessary for the Commission to fully develop an evidentiary record and render a decision on contested Southern Pioneer dockets.

We are neutral about the passage of this bill because this is a policy decision properly before the Kansas Legislature. Our view is that the bill is properly crafted and will accomplish its stated intention. Additionally, we worked with Southern Pioneer to add the language in Section 1(3)(e), which requires KCC approval of any dividend payment, stock repurchase, or direct cash payment from Southern Pioneer to Pioneer for the purpose of transferring Southern Pioneer's Equity to Pioneer. This properly protects the Equity in Southern Pioneer, which was the result of rates set by the KCC and paid for by the customers of Southern Pioneer.

Thank you for the opportunity to offer our perspective on the proposed bill and the opportunity to appear before your committee.