

February 15, 2019

The Honorable Joe Seiwert, Chairperson
House Committee on Energy, Utilities and Telecommunications
Statehouse, Room 481-W
Topeka, Kansas 66612

Dear Representative Seiwert:

SUBJECT: Fiscal Note for HB 2231 by House Committee on Energy, Utilities and Telecommunications

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2231 is respectfully submitted to your committee.

HB 2231 would require the Legislative Coordinating Council (LCC) to authorize a study of retail rates of Kansas electric public utilities. To conduct the study, the LCC would be required to select one or more independent organizations that have experience with evaluating electric utilities and include input from residential, commercial and industrial customers, as well as advanced energy stakeholders. The bill would establish the issues the study must address and would require every Kansas electric public utility to provide relevant information when requested. Any disputes regarding provision of information would be decided by the Kansas Corporation Commission (KCC). The study would be paid for by the KCC from assessments on the utilities that are subject to the study. The study would be completed and delivered to the Legislature by December 31, 2019.

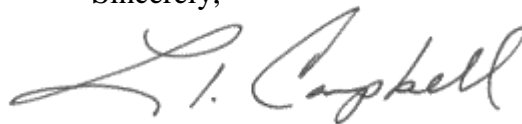
The bill would also amend existing law concerning requirements for electric public utilities to establish just and reasonable rates to require the KCC to evaluate competitiveness of any proposed electric rate with those of comparable public utilities in surrounding states. As part of its statutory annual report to the Legislature, the KCC would also be required to include an assessment of the regional competitiveness of electric and natural gas rates and to report the circumstances that led to the approval of any rate increase.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	--	\$1,150,000
Expenditure	--	--	\$12,475	\$1,162,475
FTE Pos.	--	--	--	2.00

According to the Legislative Coordinating Council, enactment of HB 2231 would result in additional expenditures for compensation, subsistence, mileage and tolls for LCC members to attend two to three meetings held to select the one or more independent organizations based on the requests for proposal. Assuming seven legislators attending three meetings and that salary and subsistence rates are the same on July 1, 2019 as during the 2019 Legislative Session, the LCC estimates expenditures for the agency would be approximately \$12,475 from the State General Fund. These costs consist of \$1,862 for legislator pay ($\$88.66 \times 3 \times 7$), \$3,129 for subsistence ($\$149 \times 3 \times 7$), \$3,124 for mileage ($\$.595 \times 250 \times 3 \times 7$), \$126 for tolls ($\$6 \times 3 \times 7$), \$3,129 for en route day ($\$149 \times 3 \times 7$) and \$1,105 for employer costs associated with salaries and wages. The LCC points out that the cost of rate studies of the magnitude and conducted within the short time frame of those required by this bill will easily exceed \$1.0 million.

The KCC estimates that enactment of HB 2231 would result in increased expenditures for the agency of \$1,150,000 in FY 2020 and approximately \$137,500 in out years. The FY 2020 costs are based on paying \$1.0 million for the study and filling 2.00 additional FTE positions, 1.00 at a cost of \$71,500 annually and 1.00 at a cost of \$58,500 annually. In addition, in order to comply with section 2 of the bill, the agency would need to obtain IMPLAN, which is an economic impact assessment modeling system, at a cost of \$20,000 the first year and not more than \$7,500 for each year after. The agency would pay for the study through assessments on the utilities that are subject to the study. Those assessments would be recouped by the utilities through assessments on utility users. Any fiscal effect associated with HB 2231 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget