



Testimony of Evergy
Chuck Caisley, Chief Customer Officer

For the House Energy, Utilities and Telecommunications

Neutral on SB126

March 10, 2020

Chairman Seiwert and members of the Committee:

Thank you for the opportunity to provide information on Senate Bill 126 (“SB126”), which would amend existing law concerning how utilities include income taxes in retail rates.

I just want to say a word about electric rates because some groups have made it a point to denigrate them. Kansas electric rates continue to be below the national average. It’s also important to note that Evergy is still in the middle of a 5-year base rate moratorium. While we are in this rate freeze, surrounding states are raising their rates as they make investments that Evergy has already made. Each year that goes by means that Kansas rates are trending toward those of our neighbors.

With respect to SB 126, the policy of how the state funds its government is best left up to the legislature and executive branch, and thus Evergy takes no position on that issue. What does matter to us is the impact any tax changes could have on our customers and our company.

When SB126 was introduced, Evergy was initially very concerned that passage of this bill would trigger a rate case, thus jeopardizing our commitment to Kansans and the KCC to not ask for a change in base rates for 5 years.

Secondly, we saw no guarantee that if a rate case were initiated that the outcome would be a rate decrease for customers. Evergy has made investments in the past several years and we would ask to recover those costs. A rate case could have the net impact of increasing rates even after the income tax is removed.

Third, not only Evergy, but other Kansas utilities knew there needed to be an appropriate period of amortization to refund state income taxes collected from ratepayers and previously recorded in accumulated deferred income taxes (ADIT) and a method for doing that needed to be addressed. And lastly, we wanted to avoid any credit downgrade in our Kansas Central jurisdiction that would be detrimental to customers and impact our ability to raise capital.

We indicated back in January that we were willing to sit down with the proponents of SB126 and share our concerns. That meeting took place a few weeks ago, and we were able to come to agreement on language that satisfied much of the utility industry's original concerns with SB126.

Committee, we appreciate the opportunity to offer our opinion on SB126, and to state that we no longer oppose the bill.