

LEGISLATIVE SESSION Wrap-Up

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With school finance, taxes, and a budget passed, the Kansas Legislature adjourned Saturday, June 10, after a record-tying 113 days. Along the way, several bills and concepts affecting electric cooperatives and utilities were also considered. Here's a quick review:

School Finance/Education

Lawmakers approved a plan to phase in a \$293 million increase for Kansas schools. The move comes after a March ruling by the Kansas Supreme Court that the block grant program approved in 2015 was inadequate. The new K-12 bill raises \$194 million for schools in the 2018 fiscal year and another \$100 million in 2019. The bill was approved by Governor Brownback but the plan is still subject to review by the Kansas Supreme Court.

Budget

The basic bill allows approximately \$6.3 billion State General Fund spending in 2018 and about \$6.5 billion the following year which will fund K-12 education as noted above. It will also begin to restore state pay-

ments to the employee retirement fund (KPERS) and provide most state employees with the first raise in almost a decade.

Taxes

Tax plans were created and debated throughout the session. The Legislature, back in March, passed a tax package but it was vetoed by Governor Brownback and an attempt to override the veto failed. The final bill was approved with a successful veto override in June.

Key provisions of the state's new tax bill:

- ▶ Repeals the LLC tax break and stops the "march to zero income tax."
- ▶ Restores deductions and credits for medical expenses, child and dependent care, mortgage interest and property taxes, and enhances low income tax exclusions.

On behalf of Kansas electric cooperative members, KEC monitored a number of legislative and regulatory concepts that could impact electric cooperatives and their members. Their status at the end of the session is as follows:

Taxes and Fees on Residential Utility Bills

Many revenue ideas were considered during the session including the repeal of a broad list of current tax exemptions. Increases in existing fees and some new ideas were also considered—with two targeted at the utility bill. The first was to add sales tax to residential utility bills. Currently, residential customers do

not pay sales tax on their electric bill but many in the Legislature advocated adding the state sales tax of 6.5 percent to the bottom line. Another idea would add a meter fee to all existing utilities (electricity, natural gas, water). Utilities were concerned that they would receive the brunt of customer blame for such a significant boost in their bill and Legislators heard the objections from many constituents to these “hidden” taxes. These ideas, however, remain intriguing to many in the Statehouse.

Bill “Unbundling”

KEC and utilities across the state joined forces in opposition to Senate Bill 209. The proposed legislation sought to “unbundle” utility bills and require the listing of nearly a dozen new cost components. Although many co-ops already provide details such as the cus-

tomers access charge, power costs, taxes and more, advocates for this legislation made no secret that this is the first step in a move to retail choice in Kansas. Several legislators were impressed with the approximately 40 electric cooperative representatives present during the hearing to demonstrate concern.

Retail Choice

Retail choice, also called retail wheeling, would restructure the electric industry. This concept was considered in Kansas and many other states 20 years ago. Several states went through with restructuring but it has only seen arguable success in Texas. Under this idea, the current electric provider would most likely retain responsibility for poles, wires and other infrastructure necessary to deliver electricity—but every consumer would be forced to evaluate different rate plans from

another company to secure the actual kilowatts needed to keep their lights on.

Some large commercial or industrial customers appear to be pushing for this change because they might be able to aggregate power purchases and reduce their energy bills. Residential and small commercial customers are less attractive to energy marketers and won't have the same clout. And remember, a market price doesn't mean a lower price. While our strong concerns are being heard, we expect future consideration of this concept by the Kansas Legislature.

The January issue of *Kansas Country Living* forecast debate on two other topics: pole attachments and a Property Assessed Clean Energy (PACE) initiative. As it turned out, neither of these issues were considered in Kansas this session.

We Are Ready to Work with Elected Officials FROM LYON-COFFEY ELECTRIC

As the nation prepares to welcome a new Congress and Administration, America's electric cooperatives are ready to welcome back old friends and introduce ourselves to newcomers both in Washington, D.C., and Topeka.

The co-ops' message to elected officials, both old and new, Republican and Democrat, will be the same: We all need to work together to protect consumer access to safe, reliable and affordable electric service.

We have reason to believe this message will be well-received. After all, co-ops speak for more than 42 million electric consumers nationwide, a sizeable constituency by any measure.

Moreover, whatever you thought of the 2016 campaign, one message came through loud and clear: many, many people don't believe their concerns are being heard. For member-owned cooperatives, listening to people is at the heart of our business model. And we carry our members' concerns to public officials every day.

As co-ops reach out to engage with elected officials, they will build on the strength of Co-ops

Vote, the grassroots initiative to reverse declining voter turnout in rural areas.

Co-ops Vote did more than register voters. This initiative sent a strong message to the country's elected officials that rural electric consumers matter.

And co-ops will be reinforcing this message with a request that policymakers keep the needs of consumers front and center. Needs such as funding for infrastructure—especially transmission lines and access to natural gas. Increasing the efficiency of the electric system. Determining the future of hydropower and nuclear energy. Elected officials will be making decisions affecting every aspect of the electric system. Advocating for these issues is nothing new. In fact, we've been doing it for years. And we're ready to continue the fight on your behalf. The time is now to reach out to all elected officials, new and returning.

Here at Lyon-Coffey Electric, we will be reaching out to local, state and federal officials. In initial conversations with several newly elected Kansas Representatives, we explained the unique

member-owned, not-for-profit co-op business model. And we will be reminding long-time politicians of our co-op's commitment to its members.

In Washington, D.C., our national trade association, the National Rural Electric Cooperative Association, will be conducting similar introductions, speaking with key agencies and departments within the new Administration. It is likely many of these new policymakers will know little or nothing of the co-op model.

Forging an energy future that serves rural consumers, and protecting access to safe, reliable and affordable electric power will be a bipartisan effort. Electric co-ops are optimistic. As we work with our elected leaders, we hope to renew a spirit of cooperation in the nation's Capital and in statehouses across the country.

After all, cooperation is what co-ops do best!



Scott Whittington



Executive Order Calls Review of Clean Power Plan

FROM LYON-COFFEY ELECTRIC

Throughout the 2016 campaign, Donald Trump pledged to review burdensome federal regulations when he became president. On March 28, President Trump took an important step to follow through on that commitment by signing an executive order to promote energy independence and review of the Clean Power Plan (CPP).

Electric co-ops have two key missions: providing electricity and services to more than 42 million consumers and empowering the communities they serve. The CPP jeopardizes co-ops' ability to accomplish both.

If implemented, the plan would hit electric co-ops extremely hard by forcing them to prematurely shut down existing power plants. Those co-ops would in essence be charged twice for their electricity—once to continue paying down the loans on the closed power plants and again for the cost of purchasing replacement power.

Co-ops were so concerned about the economic impacts of the CPP that they petitioned the courts to review and reject the regulation. The Supreme Court sided with co-ops and imposed a stay of the rule—essentially freezing its implementation. This pause created the Trump administration's opportunity to review the rule.

Electric co-ops put the interests of their members first when deciding how to best meet their energy needs. The Trump executive order allows co-ops to continue reducing their carbon footprint while keeping traditional energy resources in the mix. This is critical as electric co-ops work to preserve reliable and affordable electricity.

It will take the Trump administration a long time to navigate the maze of administrative, regulatory and legal procedures necessary to review the CPP. In the meantime, we will keep doing what we do best—delivering a consumer-focused energy future that empowers our communities.

FreeState Hosts Legislators for Tour

FROM FREESTATE ELECTRIC



Above: Steve Foss took legislative visitors on a tour of the FreeState West District office, and facility. Below: Legislators tried on gloves and other protective equipment while at FreeState.

Local legislators joined key staff from FreeState Electric Cooperative and KEPCo on Sept. 19 as part of the Co-ops Vote Legislative Connections Tour.

"The Co-ops Vote Legislative Connections Tour is all about outreach and connections with our legislators," said Steve Foss, CEO. "It's crucial to constantly build relationships with our lawmakers and help them to understand why cooperatives are different."

Attending the event were: **REP. KEN CORBET**, District 54; **REP. WILLIE DOVE**, District 38; **REP. FRED PATTON**, District 50; **REP. VIC MILLER**, District 58; **REP. JIM GARTNER**, District 53; and **SEN. MARCI FRANCISCO**, District 2.

"We were delighted that these legislators were able to attend," said Foss.

As part of the event, the legislators were shown FreeState's new educational solar array at the Topeka office, toured the building, and learned more about the protective equipment the cooperative linemen must use.



From left: Marcus Harris, KEPCo CEO, Steve Foss, FEC CEO, Rep. Ken Corbet, Rep. Willie Dove, Rep. Fred Patton for Kansas, Rep. Jim Gartner, Sen. Marci Francisco, Rep. Vic Miller.

Rural Voices are Heard in Washington, D.C. FROM VICTORY ELECTRIC

Given the incessant news out of Washington highlighting partisan bickering and gridlock in Congress, it can be hard to tell whether our elected leaders are listening and being responsive to the concerns of rural Americans. That's why America's electric cooperatives urged members to get out and vote in the last election and are now focused on advancing the interests of rural communities in our nation's capital. We've asked for a seat at the table—a request that's been met with some success.

Early this year, the National Rural Electric Cooperative Association (NRECA), our national service organization in Washington, led a group of more than 40 organizations in sending a letter to President Trump asking him to make rural issues a top priority of his administration.

"As you witnessed first-hand during the campaign, the issues facing rural America are no less significant than those facing urban parts of the country, but can be more easily overlooked because America's small towns and rural areas make up just 15 percent of the nation's population," the groups wrote.

To address this concern, the organizations urged the president to designate a senior member of the White House staff

to take the lead on rural issues or establish an office of rural policy within the Executive Office of the President. In response to this and other electric cooperative outreach efforts, the president in late April signed an executive order establishing an interagency Rural America Task Force to examine the issues facing rural America and identify actions needed to address them.

NRECA CEO Jim Matheson called the creation of the task force "a key step as we seek to develop rural communities economically. That includes implementing new energy technologies to meet tomorrow's energy needs, while also deploying broadband and other services to enhance daily lives throughout rural America."

Electric cooperatives also have been weighing in on another big topic in Washington: the need to improve the nation's aging infrastructure. Co-ops have told policymakers that they must look beyond merely repairing roads and bridges if a federal infrastructure initiative is going to meet the needs of rural communities. High on coops' list of priorities is closing the rural-urban digital divide by expanding rural access to high-speed Internet service, which Matheson calls "a key ingredient for a healthy 21st century economy, particularly

in rural areas."

Given this imperative, co-ops were very pleased when the Federal Communications Commission (FCC) appointed Matheson to serve on a newly created Broadband Deployment Advisory Committee. The mission of the panel, which held its inaugural meeting in April, is to advise and make recommendations to the FCC on how to accelerate the deployment of broadband by reducing and removing regulatory barriers to infrastructure investment. Matheson will work to ensure that rural needs are addressed.

This isn't to say that everything in Washington will go co-ops' way. The federal government is a massive bureaucracy with many interests vying for attention. But there's one thing you can count on: Electric cooperatives will fight to make their voices heard on Capitol Hill and within the many federal agencies that impact the quality of life in rural communities. They'll always strive to get a seat at the table.



Shane Laws

Kansas Legislature Proposes Sales Tax on Utilities FROM BROWN-ATCHISON ELECTRIC



Jim Currie

It seems everyday we hear or read how broke we are in Kansas. The Legislature continues to look for ways to gain more tax revenue, and several ideas have been tossed around. By the time this issue of *Kansas Country Living* hits your mailbox, it will be old news or it will be something we will no-doubt face again.

The Legislature has discussed applying the state sales tax to residential utility bills, (electric, natural gas, and water) which is currently at zero percent. In addition, there are concepts

that would implement a monthly fee to each of the customer's utility meters at \$2.25 per residential meter. Additionally, commercial accounts could possibly see \$10 added to their accounts each month. Utility bills,

especially electric bills, have been increasing at the burden of federal regulations, transmission costs and other issues.

If the Legislature determines it is prudent to apply a sales tax and/or a fee to utility bills, we believe it should apply to all forms of energy and all meters. For example, propane is a competitor to both electricity and natural gas. If the Legislation does not tax propane, it gives that industry a significant price advantage.

We are dedicated to work with the Legislature to focus on a broader-based solution, rather than putting an extra burden on consumers of three basic services. If the passage is approved, the phones will be ringing. Members will be paying more each month and it will appear to be our fault. Brown-Atchison members haven't had a rate increase since 2011; I hope the Legislature doesn't make it appear like we just had one.

What is Retail Wheeling?

Retail Wheeling means a massive restructuring of the electric utility industry as we know it in Kansas. The concept would dismantle existing utilities and enable customers to choose their generator of electricity. This concept is also known as deregulation or customer choice.

Kansas Electric Co POLICY PRI

FROM CANEY VALLEY ELECTRIC

As a member of Caney Valley Electric, you know that providing safe, affordable and reliable electricity is our top priority 365 days a year. But it might surprise you to know how much of the work we perform can be affected by what lawmakers and regulators are doing in Topeka and in Washington, D.C. That's why co-ops all across the country join together in making sure our leaders know what's important to co-ops and their members.

We do this, in part, through membership in our statewide association Kansas Electric Cooperatives, Inc. (KEC) and the National Rural Electric Cooperative Association (NRECA). Both groups represent the interests of electric cooperatives before lawmakers and regulators—and they count on our participation to be most effective.

Electric cooperatives across the country were active in the recent Co-ops Vote initiative to encourage rural participation in grassroots political initiatives and increase voter turnout.

Electric cooperatives from Kansas led the nation in engagement in this initiative, and Caney Valley Electric was named a 5-Star Co-op for our participation in Co-ops Vote.

In April, more than 30 electric cooperative leaders from Kansas will join hundreds of other electric cooperative representatives at the NRECA Legislative Conference in Washington, D.C. Electric cooperatives use this opportunity to advocate for public policies that are driven by our member's interests and needs. Overreaching federal regulations have a significant negative impact on rural America, so co-ops are asking Washington policymakers to revisit a number of federal rules that have hurt rural communities and threatened co-ops' mission to provide affordable and reliable electricity.

We're also looking at policies such as the Endangered Species Act and Clean Power Plan to ensure that they carefully balance the nation's environmental and economic goals without imposing undue

Is it possible to save money?

That depends on the market price for electricity to you as a customer. Large commercial or industrial customers are pushing for this change because they can aggregate power purchases and potentially reduce their energy bills. Residential and small commercial customers are less attractive to energy marketers and won't have the same clout. We believe that unless all customer classes will benefit, retail wheeling should not be approved in Kansas.

What's wrong with this idea?

We are accustomed to choice in nearly all our retail transactions. However, choosing where to eat lunch is a much less complicated decision and has less adverse risk than choosing an energy provider. In states that have experimented with this concept, marketers offer rates that look attractive but when fuel prices spike, retail electric bills spike as well. Some companies offer low initial rates that rise after a trial period expires. Embracing the risk of retail wheeling brings the potential for volatile changes in your electric bill.

operatives' PRIORITIES

burdens on rural America.

We've got our hands full in Topeka as well. The Kansas Legislature currently has at least six different pieces of legislation that would bring disruptive change to the electric utility industry. We hope none of the bills will be considered seriously, but there is a movement underway to enact retail wheeling.

Advocates note that about a dozen states allow retail wheeling, or customer choice of their electricity provider, but that doesn't mean it has been good public policy. Several states rescinded the legislation before it was implemented. Several more wish they could return to the previous structure. But once this change is enacted, it is probably irreversible. Kansas considered this concept 20 years ago and determined it wasn't a good idea then. We believe it has even less merit today.

Retail wheeling would mean that consumers would have to deal with not one but several utility entities. Your current electric provider would still be responsible for maintaining the poles and wires to deliver electricity, but in addition, consumers would also have to carefully evaluate different rate plans and choose a new company or two to secure the actual kilowatts needed to keep your lights on. Those plans can be complex, misleading and fleeting. And in the end, a market price doesn't mean a lower price.

At Caney Valley Electric, providing safe, affordable and reliable electricity is our top priority 365 days a year. Your cooperative's employees and their representatives are dedicated to this mission, whether they work on a line crew, in engineering, customer service, accounting, administration, or management—and sometimes even in Topeka and Washington, D.C.

What's the risk in giving it a try?

Native utilities, including your co-op, will be forced to restructure in order to become energy marketers. In some states, utilities have been required to divest generation assets. No matter what the concept would look like, it would be nearly impossible to return to the current form of business if the decision proved unpopular or unworkable. The risk is especially high for rural electric cooperatives. Electric cooperatives serve smaller numbers of customers per mile of line. If electric cooperatives see large customers "cherry-picked" and they lose that electric sales revenue, the cost to run the cooperative will be paid by remaining customers through higher monthly charges for administration, transmission and delivery of your electric service.

Will this mean more power lines in my area?

Probably not. Your current utility will still be needed to arrange for transmission and delivery of the electricity to your meter. So approximately two-thirds of your bill is a fixed charge and would remain unaffected by restructuring. In fact, the only part of your electric decision that would likely be competitive is who produces your electricity.

How has it worked in other states?

Some customers win and some lose in a fluctuating energy market. There is no data that indicates long-term customer savings – except in states that started with very high rates. Fortunately, Kansas already enjoys moderate utility rates so savings are less likely. One thing is certain in every state – customers must make another complicated and important decision. There is less regulation and recourse if your electricity marketer goes out of business and your house no longer has access to electricity.