

Before the House Energy, Utilities, and Telecommunications Committee

March 16, 2021

Neutral Testimony
On Senate Bill 24

Submitted by Jeff McClanahan, Director, Utilities Division
On Behalf of
The Staff of the Kansas Corporation Commission

Chair Seiwert, Vice Chair Schreiber, Ranking Minority Member Kuether, and members of the Committee, thank you for the opportunity to provide testimony today on behalf of the Staff of the Kansas Corporation Commission (Commission).

The Staff of the Commission (Staff) is neutral with respect to Senate Bill 24 (SB 24). SB 24 would prohibit any municipality from adopting an ordinance or other binding restriction on an end use customer's use of a public utility based on the source of energy to be delivered to the customer. SB 24 will apply to both natural gas and electric utilities as drafted.

The decision as to whether SB 24 should become law is a policy decision for the legislature. To aid the legislature in its decision making, Staff is providing information on how municipal natural gas bans might impact natural gas utilities.

The primary driver behind the intent of SB 24 appears to be due to municipalities banning or considering bans on nuclear, natural gas, coal, oil based, or any other forms of carbon-based energy production. Assuming any energy source ban is prospective, it would impact new residential, commercial, and industrial buildings. Should prospective municipal energy source bans occur in Kansas, the impact to a utility and its customers will be lower future customer growth prospects and potentially stranded assets. Limiting future growth prospects will have the effect of increasing rates to existing customers due to fewer customers paying for annual capital investments and increases in operating costs. The possibility of stranded assets might arise because of major investments that have recently occurred or are ongoing to replace older infrastructure that may be sized for growth. The degree to which existing customers rates might increase will vary depending on the actual growth rate of the municipality over time. Any municipal energy source bans that are based on significant carbon reduction goals, would impact existing customers and infrastructure and would increase rates much more significantly.