Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE
H.B. 2043

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
January 29, 2009

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2043. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

Current law, at K.S.A 66-1,184, regarding parallel generation services, represents the existing Kansas policy on payments to small scale generators for electricity placed on a utility grid. CURB supports the current law and the current economic framework for payments to small generators.

Under the current law, a utility customer that also operates a small scale generator does not avoid paying the fixed costs necessary for the utility to remain ready, willing and able to supply power to the customer whenever the customer needs the utility's services. The customer pays normal retail rates for any energy used, and is paid the equivalent of 150% of the utility's fuel cost, for any energy placed on the grid. This 50% fuel subsidy is a cost to the utility that ultimately must be paid by the utility's other customers. However, after numerous debates the legislature has determined that a mechanism that compensates a small scale generator based on the utility's fixed costs, costs that are not being avoided, is the wrong economic policy.

Net metering, as opposed to parallel generation, involves netting the energy delivered by the utility and used by the customer against the energy generated by the customer and delivered to the utility. In simple instances, the customer meter spins forward when the customer is using energy and spins backwards when energy is being delivered from the small scale generator to the utility grid. Consider an example where a customer works all day, but has a wind turbine or solar panel that generates 20 kilowatt hours of energy and places that energy on the grid, i.e., the meter spins backwards all day. Then the customer comes home for the evening, starts dinner, turns on the lights, turns on the television and uses 20 kilowatt hours of energy over the course of the night, i.e., the meter spins forward. At the end of the day, even though the customer relied on the utility for 20 kilowatt hours of service, the customers meter shows zero usage. If the customer does this every day for a month, the customer's monthly utility bill will show zero usage, and the customer will not pay for any service, other than a small customer charge, even though the customer used the utility service each and every day of the month.

To the extent that a proposed "net metering" law allows a person that has the financial means to afford a small wind turbine or photo-voltaic system to use the utility system but avoid paying the fixed costs of that utility system, then CURB does not believe this is fair or equitable to those that do not have the means to afford this same technology.

H.B. 2043 at New Section 3 (a) [page 2, line 12], makes this new net metering law available on a first come first serve basis, subject to some overall limits on total availability. New Section 3 (b), [page 2, line 26], requires the utility offer a tariff or contract "*identical in electric energy rates, rate structure and monthly charges*" as a normal customer and specifically precludes charging an additional "*standby, capacity, interconnection or other fee or charge that would not otherwise be charged if the customer was not an eligible customer-generator*". Finally, New Section 6 (b) [page 3, line 25] requires, in the situation where the electricity supplied by the utility is in excess of the electricity supplied by the customer-generator the utility must bill the customer for the "*net electricity supplied*". New Section 6 (c) [page 3, line 30] goes further to require that, where the customer-generator places more energy on the utility system than the customer uses, not only will the customer get a bill for only the small customer charge, but a credit to the customer's bill will be created "*in an amount at least equal to150% of the avoided fuel cost of the excess kilowatt-hours generated*", with this credit to be applied the following billing periods up to 12 months. Functionally, this means the utility now owes the customer.

When these sections are combined, a framework is created that allows a small customer-generator to avoid paying the fixed cost of utility service, other than a small monthly customer charge. These sections combined, if enacted, will clearly make small photovoltaic systems more economically attractive to those customers that can afford to purchase a system. These same sections also insure that some amount of the utility's fixed costs will be shifted to those customers that cannot afford this type of generation system.

The economic reality is that a person that uses the utility system creates the need for generation to be available, transmission to be available, distribution, transformers, meters and service personnel all to be available. Further, as long as the customer remains connected to the grid, the utility still has to plan for and incur costs in a manner to be able to serve that customer in the event the wind or photovoltaic generator ceases working at any time. A customer should not be able to avoid these fixed costs simply because the customer has the means to afford a small generation system.

For these reasons, CURB does not support HB 2043

However, CURB does acknowledge that, while the economic principles outlined above are true, the level of allowed net metering in HB 2043 is capped. By definition there will be cost shifting and explicit subsidies created by this legislation. The legislature can decide that these subsidies serve a valid purpose. If the Committee does make the policy decision to create this type of subsidy for those that can afford photo-voltaic generation systems, CURB again asks that the Committee consider creating a customer funded third party non-utility entity that can focus on providing low income utility assistance and weatherization, energy conservation and energy efficiency measures to all Kansas customers.