Citizens' Utility Ratepayer Board

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SENATE UTILITIES COMMITTEE
SB 265

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
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Chairman Apple and members of the committee:

Thank you for this opportunity to offer testimony on SB 265. SB 265 has covers multiple subjects. The Citizens' Utility Ratepayer Board has concerns about two specific sections and is therefore opposed to this bill:

New Section 6 of SB 265 [Page 2, line 42] mandates that each electric public utility, except municipal utilities, acquire set levels of renewable energy by set dates in the future. CURB is supportive of the efforts made by Kansas electric utilities to increase the level of renewable electric generation resources in their generation portfolios. Each Kansas utility, to varying degrees, has added wind resources to its resource portfolio in the last few years.

However, CURB does not support a prescriptive mandate as to (1) the level of renewable resources required, or (2) the timing of adding renewable resources to a utility's system. Each utility system is different from a resource perspective and from a finance perspective. Arbitrarily dictating the level and timing of adding resources, regardless of cost, deliverability, financing or other considerations that will affect rates, is not in the interest of consumers. SB 265 is a prescriptive mandate that disregards what may be in the best interest of consumers. CURB has not supported other bills setting rigid renewable portfolio standards and does not believe that this bill offers anything to alleviate the agency's concerns.

New Section 7 through New Section 23 of the bill establishes the "net metering and easy connection act", mandating that each retail electric utility make net metering available to all customer generators. Customer generators are defined as solar thermal or photovoltaic cells with a generation capacity of 100 kilowatts or less.

Under the current law at K.S.A 66-1,184, 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. After numerous debates the legislature has determined that a mechanism that compensates a small scale generator based on the utility's fixed costs 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.

New Section 9(a) [page 4, line 29], makes this new net metering law available on a first come first serve basis, subject to some overall limits on total availability. New Section 9 (b), [page 4, line 43], 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 12(b) [page 5, line 42] 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 12(c) [page 6, line] 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 energy cost of the excess kilowatt-hours generated*", with this credit to be applied the following billing periods and any excess credits allowed to be carried for 12 months.

When these sections are combined, a framework is created that allows a small customer-generator to avoid paying the fixed cost of utility service, and will clearly make small photovoltaic systems more economically attractive. 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 SB 265