

CURB News

News from the Watchdog for Residential and Small Commercial Utility Consumers

THIRD QUARTER 2023



THE CITIZENS' UTILITY RATEPAYER BOARD OF KANSAS

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UPDATE: Settlement Reached in Evergy Rate Case

KCC Docket No. 23-EKCE-775-RTS

On April 25, 2023, Evergy filed an Application with the Kansas Corporation Commission ("Commission") to make changes in rates for electric service in its Kansas service territories ("Rate Case"). CURB provided an overview of Evergy's proposal in the Q2 2023 issue of CURB News. Prior issues of CURB News are available on our [website](#).

Settlement discussions in the combined Rate Case for Evergy Kansas Central ("EKC") and Evergy Kansas Metro ("EKM") began on September 21, 2023. The negotiations covered several contested issues and involved over 20 intervening parties. The process ultimately resulted in a Joint Motion for Approval of Unanimous Settlement Agreement ("Agreement"), filed on September 29, 2023. Through these efforts, CURB believes a fair settlement was reached, therefore CURB is one of the many signatories to the Agreement. While not all parties to the docket are signatories to the Agreement, no party is opposed.

Highlighting some of the most significant matters, the signatory parties to the Agreement have agreed to a total revenue requirement amount, revenue allocations, and rate design adjustments for EKC and EKM.

The agreed upon base rate revenue requirement increase for EKC is \$148.8 million (compared to EKC's original request of \$289.0 million), or 11.75% of base rates. Under the Agreement, EKC's residential customers are allocated an 11.99% base revenue increase and small commercial customers are allocated 11.28%. After adjustment for the base rate impacts of property taxes and other adjustments, the agreed upon net revenue requirement increase for EKC is \$74.0 million. This translates to an approximate average bill increase of \$4.64 per month (4.05%) for a residential customer with average usage.

The agreed upon base rate revenue requirement decrease for EKM is \$22.0 million (compared to EKM's originally requested \$25.2 million increase), or -3.89%. For EKM, parties agreed the 3.89% base revenue decrease should be allocated evenly across all customer groups. After adjustment for the base rate impacts of property taxes and other adjustments, the net decrease for EKM

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MAJOR CASES WE ARE CURRENTLY FOLLOWING:

- **23-EKCE-588-TAR**
Wholesale Demand Response Tariffs
- **23-EKCE-775-RTS**
Evergy Rate Case
- **23-KGSG-719-TAR**
Kansas Gas Transportation Tariff Revisions
- **24-GIME-102-GIE**
Line Siting Investigation

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is \$32.9 million. This translates to an approximate average bill reduction of \$6.07 per month (-4.75%) for a residential customer with average usage.

For both EKC and EKM, parties agreed the monthly customer charge for residential customers should be \$14.25 (compared to \$16.71, as Evergy initially proposed). This translates to no change to the current customer charge for EKM and a reduction of \$0.25 for EKC.

Both EKC and EKM will offer new voluntary (optional) time-of-use (“TOU”) and demand rates for residential customers. TOU and demand rates have the potential to lower energy costs for participating customers and hopefully lower the energy cost for all Evergy customers over time.

Given the fact that both EKM and EKC have not filed for any base rate increases for the last five years, CURB believes that the Agreement is a good result, as attested by the large number of signatories. Several parties, including CURB, filed testimony in support of the Agreement on October 3, 2023.

A hearing is scheduled for October 9, 2023, and a final Commission order on this matter is due December 21, 2023.

UPDATE: KCC Approves Settlement Agreement with Robust Energy Efficiency Program Portfolio for Evergy

KCC Docket No. 22-EKME-254-TAR

On September 1, 2023, the KCC approved an order that adopted the Initial Settlement Agreement (“Initial Agreement”) supported by CURB, Evergy, and several environmental groups. The set of programs in the Initial Agreement included a larger budget for programs beyond the second alternative agreement reached by KCC Staff, Evergy, and natural gas utility companies. The Commission recognized the potential for significant benefits of a robust foundation for energy efficiency programs associated with the Initial Agreement as a determining factor for its approval.

The nine programs comprising Evergy’s portfolio can be briefly summarized as follows:

- **Whole Home Efficiency Program:** This program provides rebates, discounts, and on-bill financing for HVAC and building measures in single and multifamily residences. It will also provide no cost energy assessments and discounted energy savings kits.
- **Home Energy Education Program:** This program helps rural and low-income customers use energy more efficiently through marketing, outreach, and education.
- **Home Demand Response Program:** This program helps customers reduce their energy use during peak demand periods. It also provides opportunities for customers to receive free thermostats and water heater controllers.
- **Hard-to-Reach Homes Program:** This program provides enhanced incentives, no-cost home upgrades, and no-cost energy assessments and savings kits for low income and rural customers.

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- **Whole Business Efficiency Program:** This program provides both variable and fixed incentives to help business customers install efficient equipment and building improvements.
- **Business Energy Education Program:** This program provides tools, resources, and guidance for businesses interested in saving money on energy. The program focuses on small businesses.
- **Business Demand Response Program:** This program helps business customers decrease their energy usage during periods of peak demand. Potential customers can sign up or be recruited by Evergy.
- **Hard-to-Reach Businesses Program:** This program offers enhanced incentives to small businesses and non-profits.
- **Pilot Incubator Program:** This program creates a pathway to identify and evaluate new program concepts to meet changing customer needs and integrate evolving technologies.

In addition to approving a portfolio and budget to kickstart energy efficiency programs in Kansas, the KCC made a number of modifications to the terms of the agreement which it believed to be in the public interest.

First, the KCC reduced Evergy's Earnings Opportunity calculation from 18% of net energy savings to 15%. The KCC took note of CURB's observation that Evergy's proposed level of incentives was among the highest in the nation. As a result, the KCC relied upon CURB witness testimony to support its selection of 15% of net savings as the appropriate incentive level.

Second, the KCC conditioned approval of the Initial Agreement upon submission and approval of a robust and modern Evaluation, Measurement, and Valuation (EM&V) methodology. Parties on both sides of the agreement touted the importance of vigorous measuring and accurate data for use in the calculation of savings and lost revenue associated with energy efficiency programs.

Third, as another condition to approval, the KCC prohibited the use of direct ratepayer funding under this program to go towards the switching to electric appliances from gas appliances for business customer programs, also known as "fuel switching." The Kansas Energy Efficiency Investment Act ("KEEIA") restricts the utility from incentivizing residential customers to switch one type of appliance for another appliance that uses a different energy source, such as replacing a gas-powered water heater with an electric one.

Fourth, in light of emerging details of federal funding for energy efficiency measures, the KCC added a condition to approval for Evergy to report on available federal funding that could supplement the KEEIA programs. Prior to implementation, Evergy and KCC Staff will discuss and report to the KCC any developments regarding federal funding opportunities and whether those developments require changes to this order. Through this condition, the KCC has indicated a strong preference that any utility-ran program should be a complement to available federal funding and programs.

Fifth, the KCC modified a provision relating to the implementation of the Pay As You Save® (PAYS) Program. While the KCC is eager to implement a system for ratepayers to access new energy-saving technology, it is hesitant to grant blanket approval without first seeing the details behind implementation. The KCC amended language in the agreement to require a review and approval process associated with a PAYS program prior to the Company offering it to customers.

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Sixth, in addition to the requirement for a detailed EM&V process, the KCC ordered Evergy to present a public workshop at least twelve months prior to any application to renew or extend their energy efficiency programs. This workshop should be designed to provide the KCC with information about the effectiveness of the programs and proposed changes. The update will include, at a minimum, revised savings calculations, bill impacts, participation levels, and lessons learned from this initial program period.

In regards to the timing of implementation, Evergy had previously set out a shorter timeframe from approval to filing tariffs. However, due to the increased approval requirements, the KCC ordered Evergy to work with Staff to file an updated timeline for implementation and tariff filing dates as soon as feasible.

Commissioner Keen issued a written dissent in the Order. In his dissent, Commission Keen indicated his preference for the smaller alternative agreement, citing its reduced budget and associated reduced customer bill impact. Further, the emphasis of Demand Response programs appealed more to Commissioner Keen, despite the significant reductions to rebates and energy efficiency programs for more customers.

The full Commission order can be found on the KCC's [website](#).

Overall, CURB is pleased that the KCC has adopted the more robust offering of programs supported by CURB. The additional requirements and conditions established by the Commission are reasonable to begin implementation of energy efficiency programs in Kansas. In terms of next steps, CURB will work with KCC Staff and Evergy on addressing the items highlighted by the Commission. CURB will keep you informed as progress is made and when customer can begin enrolling in specific programs.

KCC Approves Rate Update for Southern Pioneer

Docket No. 23-SPEE-792-RTS

On May 1, 2023, Southern Pioneer filed an Application for annual rate adjustment under its Consolidated Formula Based Ratemaking ("FBR") Plan.

On July 27, 2023, the Commission issued an Order setting Southern Pioneer's Net Operating Income Adjustment for its 34.5kV system at \$480,024, approving a Local Access Delivery Service charge of \$4.00 per kW, and updated distribution system net operating income increase of \$1,490,068.

For a residential customer with average usage, the result of this rate adjustment is an approximate average bill increase of \$5.00 per month.

Black Hills to Acquire City of Rozel Gas Distribution System

Docket No. 24-BHCG-053-ACQ

Black Hills has entered into an agreement with the City of Rozel (a municipally owned natural gas utility) to purchase all of its natural gas distribution properties and facilities for \$200,000. The City of Rozel approved the sale in a special election, 39-1. The system serves 93 customers: 88 residential, 3 commercial, and 2 irrigation.

The price paid does not exceed Black Hills' average embedded cost. The new customers will be served under Black Hills' existing rate structure, which, compared to the rate structure of Rozel, should decrease the average total bill for the average residential customer in that area by approximately \$6.28 per month.

KCC Staff and CURB were supportive of the proposal. A Commission Order approving the Application was issued September 28, 2023.

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ABOUT THE CITIZENS' UTILITY RATEPAYER BOARD

Established in 1988, the Citizens' Utility Ratepayer Board (CURB) is an agency focused on advocacy for residential and small commercial utility consumers in Kansas. The Board is composed of five (5) appointed volunteer members representing the four congressional districts in Kansas and one at-large member. CURB was initially founded by the Chairman of the Kansas Corporation Commission upon a perceived need for a stronger consumer advocate. CURB has evolved into an independent agency, currently employing a consumer counsel, two supporting attorneys, three analysts, and two administrative staff.

OUR MISSION: To zealously protect the interests of residential and small commercial utility ratepayers before the Kansas Corporation Commission and the Kansas legislature.

OUR VISION: To protect Kansas residential and small commercial utility ratepayers by promoting the delivery of optimal utility services—being safe, reliable and technically robust, environmentally sensible, cost-effective, and equitably provided to all Kansas utility consumers at just prices.

Struggling to pay your utility bills?

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<https://www.dcf.ks.gov/services/ees/Pages/HelpOrg.aspx>

(Search for your city to find local helping organizations.)



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