

CURB News

News from the Watchdog for Residential and Small Commercial Utility Consumers

FOURTH QUARTER 2023



THE CITIZENS' UTILITY RATEPAYER BOARD OF KANSAS

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Settlement Approved in Evergy Rate Case

KCC Docket No. 23-EKCE-775-RTS

On April 25, 2023, Evergy filed an Application with the Commission to make changes in rates for electric service in its Kansas service territories. Following a thorough review of the application and supporting evidence by KCC Staff, CURB, and several other parties, all parties negotiated a settlement, substantially reducing Evergy's rate requests. On September 29, 2023, the parties filed a Joint Motion seeking KCC approval of the Unanimous Settlement Agreement ("Agreement"). We provided an overview of Evergy's initial proposal in the Q2 2023 issue of CURB News, and an overview of the Agreement in the Q3 2023 issue of CURB News. Prior issues of CURB News are available on our [website](#).

On November 21, 2023, the Commission issued an order adopting all recommendations of the Agreement. The Commission found the Agreement was supported by substantial and competent evidence, would result in just and reasonable rates, and was in the public interest.

Evergy Kansas Service Areas



We're on the Web!

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Under the approved Agreement, Kansas Central will receive a net revenue increase of \$74 million (3.54% increase, compared to 9.77% initially requested), and Kansas Metro will receive a net revenue decrease of \$32.9 million (4.53% decrease, compared to 1.95% increase initially requested).

One notable outcome for residential customers is the approval of voluntary (i.e., optional) time-of-use (“TOU”) and demand rates. We will discuss TOU and demand rates in greater detail in the following article in this publication.

For residential Evergy Kansas Central customers, the average monthly bill will increase by \$4.64 per month. For residential Evergy Kansas Metro customers, the average monthly bill will decrease by \$6.07 per month.

The new rates went into effect based on the customer billing cycle date beginning December 21, 2023.

Evergy Implements Optional Time-of-Use and Demand Rates

Effective December 21, 2023, both Evergy Kansas Central and Evergy Kansas Metro will offer *optional* residential TOU and demand rates. In marketing materials, Evergy refers to its TOU rate plan as “Nights & Weekends” and its demand rate plan as “Even Use.”

Electric utilities across the country are proposing alternative rate structures, such as TOU and demand rates, to encourage customers to think not only about how much energy they use over an entire month, but about when they use energy (time of use) and how much energy they use at once (peak usage). TOU and demand rate structures shift consumer electricity bills from being simply determined on how much electricity is used by a customer per month to being determined on when the customer uses their electricity or their peak usage. Some customers can actualize personal rate savings through disciplined use of their electricity under these rate structures. Moreover, some believe that TOU and demand rates may cause a behavioral change in customers’ use of electricity, thereby leveling utility peak usage and allowing the utility to avoid or defer capital expenditures for generation facilities and fuel contracts. Some believe that successful implementation of these alternative rate structures can, in turn, lower energy costs for all consumers. (See the story below for further explanation.)

It is important to emphasize that Evergy’s residential TOU and demand rate schedules are not mandatory in Kansas. Customers may opt-in to a voluntary rate schedule and are allowed to opt-out of at any time. However, a customer who opts out of a TOU or demand rate schedule will not be allowed back to that same type of rate schedule for one year thereafter. In this regard, demand rates are separate from TOU rates, so a customer could opt-out of a demand rate to try a TOU rate, or vice versa, and still retain the ability to opt back to standard residential rates. All that said, we encourage customers to carefully consider whether these new rate structures can be successfully implemented by their households before selecting them. In order to lower a consumer’s utility bills, the consumer must be able to use electricity at non-peak times. In addition, CURB recommends patience when acclimating to a new rate schedule and working with Evergy. If your first bill isn’t

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as low as you expected after switching, you may want to reach out to Evergy for suggestions on changing your usage before you opt-out after only one bill cycle.

Time-of-Use (TOU) Rates — Nights & Weekends Plan

TOU rates fall under the broader category of time-variable pricing. Generally, under a TOU rate schedule, the per-kWh rate for electricity is lowest when both the cost of generating electricity and system-wide electricity demand are low (i.e., during the middle of the night). Meanwhile, when the cost of generation and demand for electricity are high (i.e., during the afternoon of a hot summer weekday), the per-kWh rate is much higher.

Evergy's initial residential TOU rate schedule features three time periods of rate differentiation. Starting April 1, 2024, Evergy will also offer 2-period Residential TOU rates.

For purposes of these tariffs, summer is the four monthly billing periods of June–September and winter is the eight monthly billing periods of October–May.

Residential TOU, 3-Period

On-Peak: 4pm–8pm M–F, excluding holidays

Super Off-Peak: midnight–6am, daily

Off-Peak: All other hours

Residential TOU, 2-Period

(available starting April 1)

Summer

On-Peak: 4pm–8pm M–F, excluding holidays

Off-Peak: All other hours

Winter

Super Off-Peak: midnight–6am, daily

Off-Peak: All other hours

Evergy has been promoting the slogan “Wait ‘til 8:00,” as a reminder that the On-Peak period ends at 8:00pm, to encourage TOU customers to hold off on energy-intensive chores such as laundry and dishes during the On-Peak period.

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Evergy Kansas Central TOU Rate Comparison

Standard Residential Plan	Residential TOU, 3-Period	Residential TOU, 2-Period
<u>Summer</u>	<u>Summer</u>	<u>Summer</u>
first 900 kWh: \$0.08288	On-Peak: \$0.23790	On-Peak: \$0.2418
per add'l.: \$0.09143	Off-Peak: \$0.06797	Off-Peak: \$0.0605
	Super Off-Peak: \$0.03399	
<u>Winter</u>	<u>Winter</u>	<u>Winter</u>
first 900 kWh: \$0.08288	On-Peak: \$0.21152	Off-Peak: \$0.0836
per add'l.: \$0.06775	Off-Peak: \$0.06043	
	Super Off-Peak: \$0.03022	Super Off-Peak: \$0.0418

Evergy Kansas Metro TOU Rate Comparison

Standard Residential Plan	Residential TOU, 3-Period	Residential TOU 2-Period
Summer: \$0.10021	<u>Summer</u>	<u>Summer</u>
	On-Peak: \$0.26838	On-Peak: \$0.2725
	Off-Peak: \$0.07668	Off-Peak: \$0.0681
	Super Off-Peak: \$0.03834	
Winter: \$0.07735	<u>Winter</u>	<u>Winter</u>
	On-Peak: \$0.20151	Off-Peak: \$0.0793
	Off-Peak: \$0.05758	
	Super Off-Peak: \$0.02879	Super Off-Peak: \$0.0397

As illustrated in the charts above, the On-Peak kWh rates are between two to three times the standard residential rates, meanwhile, the Super Off-Peak rates are between one-half to one-third of the standard rate. Under the three-period plan, the Off-Peak and Super Off-Peak rates are substantially less than the On-Peak prices, hence the “Wait ‘til 8:00” mantra. Under the simplified two-period TOU plan, there is no On-Peak period during winter and no Super Off-Peak period during summer.

To illustrate TOU pricing across the different periods, we’ll look at a breakdown of the cost to run appliances from among the highest usage categories. The top three biggest home energy use categories are: 1) air conditioning and heating, 2) water heating, and 3) appliances. Keep in mind: Evergy is an electric utility, so its TOU rate offerings may not be as impactful one way or the other, depending on how many natural gas-based appliances you have (eg. furnace, oven, water heater, laundry dryer, etc.). In the following price comparison, we focus on items customers can control. In order to simplify TOU rate analysis, we suggest ignoring items that are impractical to shift usage, such as refrigerators which need to be on all the time regardless of rate period. Further, because TOU rates are per kWh, we also suggest ignoring items such as microwaves and hair dryers that may have a high wattage but a short duration of use.

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All price comparisons below are based on one hour of usage during summer, under Evergy Kansas Central’s three-period TOU rate schedule.

Air Conditioner

On-Peak: \$0.43 Off-Peak: \$0.12 Super Off-Peak: \$0.06

Air conditioning and heating accounts for approx. 46% of average home energy usage. An average central HVAC unit uses approx. 3500 watts and runs two to three times an hour for around 10–15 minutes each time. So we estimated 1.82 kWh, on average.

Laundry

On-Peak: \$0.72 Off-Peak: \$0.21 Super Off-Peak: \$0.10

Collectively, washers and dryers account for approx. 5% of home energy usage. Together, the two appliances use 3.045 kW, on average. A couple general tips: wash with cold water and clear lint from the dryer after each load to reduce energy usage.

Oven

On-Peak: \$0.59 Off-Peak: \$0.17 Super Off-Peak: \$0.08

Stove

On-Peak: \$0.36 Off-Peak: \$0.10 Super Off-Peak: \$0.05

An oven operates at around 2.5 kW and the stovetop (medium-high heat) uses around 1.5 kW. Furthermore, using the oven/stove during the summer will make your home warmer, which may also increase the load on your AC.

Dishwasher

On-Peak: \$0.42 Off-Peak: \$0.12 Super Off-Peak: \$0.06

The average dishwasher uses approx. 1.8 kW per cycle.

Evergy plans to send and provide online access to personalized rate comparisons to show whether TOU or Demand rates will benefit each customer, based on their existing usage patterns.

Demand Rates — Even Use Plan

Under Evergy’s residential demand rates, there is an energy component and a demand component. The billed demand charge is calculated by multiplying the demand rate by the customer’s Monthly Maximum Demand during peak hours. The Maximum Monthly Demand is defined as the highest kW demand during a 60-minute interval during the peak period within the billing month. Same as with TOU rates, peak hours are 4pm–8pm M–F, excluding holidays. To offset the addition of the demand component, there is a substantial reduction to the winter energy rate.

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Evergy Kansas Central Demand Rate Comparison

Standard Residential Plan		Residential Demand	
<u>Summer</u>		<u>Summer</u>	
first 900 kWh:	\$0.08288	Energy:	\$0.1038
per additional:	\$0.09143	Demand (per kW of billing demand)	\$7.23
 <u>Winter</u>		 <u>Winter</u>	
first 900 kWh:	\$0.08288	Energy:	\$0.0365
per additional:	\$0.06775	Demand:	\$1.39

Evergy Kansas Metro Demand Rate Comparison

Standard Residential Plan		Residential Demand	
<u>Summer</u>		<u>Summer</u>	
Energy (per kWh):	\$0.10021	Energy:	\$0.09467
		Demand (per kW of billing demand)	\$7.823
 <u>Winter</u>		 <u>Winter</u>	
Energy:	\$0.07735	Energy:	\$0.04326
		Demand:	\$2.195

Demand rates more closely link energy usage with cost causation, as compared to standard residential service (also more closely than even TOU rates) because the utility must design its system around the peak needs and maximum usage of its customers.

Because the “Maximum Monthly Demand” period is a full hour, when evaluating your personal usage to determine whether demand rates are a good fit for you, we suggest ignoring items such as microwaves and hair dryers that may have a high wattage but a short duration of use.

It is certainly possible for customers to adjust their usage pattern to reduce their utility bill under demand rates, but it requires more discipline and consistency to do so with demand rates than with TOU rates. One peak hour from the entire billing cycle is used in the calculation of maximum billing demand, meaning one convergence of usage during peak hours will set your demand charge for the entire bill cycle, regardless of your behavior the rest of the cycle. So, for example, if you do laundry and dishes all during the same hour on a hot summer weekday at 6:00pm, it likely won’t benefit you to “wait ‘til 8:00” for remainder of that billing cycle.

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CURB is supportive of *voluntary* TOU and demand rates because these rate structures more closely link energy usage with cost causation. These alternative rate structures encourage customers to shift energy usage away from peak periods in order to lower their monthly bill and lower costs for the utility overall. However, we believe the voluntary nature is an important aspect, particularly while the majority of customers in Kansas are unaccustomed to such alternative rate plans. We recognize that not all customers are interested in actively monitoring and controlling their usage to the extent necessary to effectively benefit from TOU and demand rate pricing.

Southern Pioneer Proposes “Revenue Neutral” Changes to Rate Design

Docket No. 24-SPEE-415-TAR.

On November 30, 2023, Southern Pioneer Electric Company (“Southern Pioneer”) filed an Application to make certain revenue neutral changes to its rate design. While “revenue neutral” changes may positively or negatively affect individual customers’ monthly bills, they are designed to have a net neutral overall impact on total revenue for the utility.

Southern Pioneer is based out of Ulysses and serves approx. 17,000 customers in southcentral and southwest Kansas. Southern Pioneer is unique in that it is a not-for-profit corporate utility which is regulated by the KCC, yet it is owned by Pioneer Electric Cooperative (“Pioneer”) which is a Kansas member-owned electric cooperative that is not subject to Commission rate regulation.

Though not an exhaustive list, Southern Pioneer’s proposal includes the following changes:

- Change the approach of classifying service between Residential and General Service Small to classifying based upon single-phase and three-phase power supply. (Single-phase and three-phase power are technical, electrical engineering concepts. Residential homes are usually served by a single-phase power supply, while commercial and industrial facilities usually use a three-phase supply.)
- Increase the Customer Charge for Single-Phase Service to \$16.67 per consumer per month, from \$14.67.
- Include a Demand Charge of \$3.00 per kW for Single-Phase Service, with a corresponding reduction to Energy Charge. The kW demand will derive from the customer’s average kW load during the 15 minute period of maximum use during the month.

Southern Pioneer contends the change to phase classifications will remove some of the challenges it faces to equitably determine residential vs. non-residential service, since both residences and businesses can be co-located at the same premise. The vast majority of current residential customers would be converted to Single-Phase Service — less than 1% of residential customers would be moved to Three-Phase Service. However, nearly 24% of General Service Small customers would be moved to Single-Phase Service. The change reflects cost causation, as there are cost of service differences between single-phase and three-phase service. The proposed change is also consistent with how Southern Pioneer’s parent company, Pioneer, classifies its member-consumers.

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We discussed demand rates in an earlier article of this newsletter, within the context of Evergy's new Residential Demand Service options. Southern Pioneer's proposal differs from Evergy's demand rate plans in several ways. First and foremost, Southern Pioneer's demand charge is not optional or voluntary. If approved, all residential (Single-Phase Service) customers will become subject to a demand charge. Additionally, the demand period for Southern Pioneer is significantly different. Under Southern Pioneer's proposal, the demand charge is based on each customer's peak demand average from a 15 minute interval during the entire month. In other words, compared to Evergy, Southern Pioneer's demand period is shorter in duration and not limited to the overall system peak period. With a 15-minute interval, high wattage appliances with a short usage period (e.g., microwave, hair dryer, etc.) are much more impactful toward the demand charge. Because there is no peak or off-peak period differentiation, shifting a large amount of usage to a later time, without spreading the usage out, would appear not to reduce the demand impact.

CURB is currently evaluating Southern Pioneer's proposal and will provide updates as the docket progresses.

Kansas Gas Service Proposes Acquisition of American Energies Gas Service Public Utility Business

Docket No. 24-KGSG-284-ACQ

On September 23, 2023, Kansas Gas Service ("KGS") and American Energies Gas Service ("AEGS") and American Energies Pipeline (collectively, "American Energies") submitted an Application requesting authorization for the sale and transfer of public utility certification and certain assets from American Energies to KGS. AEGS is the only utility operations owned and operated by Trek Resources.

AEGS currently provides natural gas service to customers located in Harvey, Marion, and McPherson Counties. As a condition of the acquisition, AEGS will convert 5 of its existing natural gas service customers to propane service because the cost to replace the assets used to serve those customers is uneconomical. The approximate remaining customer count by type will be as follows: 150 residential, 10 oil wells, 19 commercial, 11 irrigation, and 1 wholesale transportation.

Under the proposal, the acquired customers would be served under KGS's existing rate structure, with a couple exceptions: 1) KGS proposes to implement a new tariff to supply service to AEGS's municipal wholesale transportation customer, the City of Hesston and 2) instead of being charged KGS's Winter Securitized Cost Recovery Rider (related to natural gas costs incurred during Winter Storm Uri 2021), the acquired customers would continue to pay the Winter Weather Event Rider that was calculated by AEGS.

Based on 2023 usage data, the projected approximate average monthly bill impact for the acquired customers is a \$13.36 (or 21%) increase compared to current AEGS rates. However, AEGS has concerns about its ability to continue to provide efficient sufficient natural gas utility service to its customers at a reasonable rate and has been pursuing an exit from the utility business. It should also be noted that AEGS has not brought a rate case before the Commission in nearly a decade.

CURB is currently evaluating KGS's proposal and will provide updates as the docket progresses.

Black Hills Approved to Acquire City of Rozel, Kansas Gas Distribution System

Docket No. 24-BHCG-053-ACQ

We provided an overview of Black Hills' proposal in the Q3 2023 edition of CURB News. On September 28, 2023, Black Hills received Commission approval to purchase all of the natural gas distribution properties and facilities of the City of Rozel (a municipally owned natural gas utility) in Pawnee County, Kansas. The system serves 93 customers: 88 residential, 3 commercial, and 2 irrigation.

The acquired customers will be served under Black Hills' existing rate structure, which, compared to the current rate structure of the Rozel municipal utility, should decrease the average total bill for the average residential customer in that area by approximately \$6.28 per month.

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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.

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