

CURB News

News from the Watchdog for Residential and Small Commercial Utility Consumers

October 2019



THE CITIZENS' UTILITY RATEPAYER BOARD OF KANSAS

Southern Pioneer Electric Co. Files Rate Case Application

On October 9, 2019, Southern Pioneer Electric Company (Southern Pioneer) filed an Application seeking approval from the Kansas Corporation Commission (KCC) in Docket No. 20-SPEE-169-RTS to make changes to its charges for electric service. Southern Pioneer is a not-for-profit utility with approximately 17,000 customers in 34 communities throughout southcentral and southwestern Kansas.

Southern Pioneer is seeking approval of a revenue-neutral rate adjustment—it is requesting a realignment of rates between customer classes and rate design changes that will allow it to recover more of its fixed costs in the non-energy dependent customer charge. Such realignment would entail the monthly customer charge for residential customers being increased by \$1.20 annually for 3 years, for a total increase of \$3.60 from the current \$13.77 to the proposed \$17.37. The customer charge for other rate classes will be adjusted similarly.

Southern Pioneer is further requesting that it be allowed to close its street and security lighting tariffs for old lighting technologies, create a LED lighting tariff, and require any new service or replacement lighting requests to utilize LED lights. Although LED lighting is somewhat more expensive on the front-end to install, Southern Pioneer claims there is not a significant difference between the rates calculated for LED and the current lighting rates when factoring in the benefits of LED such as lower energy usage per lumen.

Southern Pioneer is also requesting approval of revisions to its Net Metering Rider, including a Grid Access Charge (GAC) for future customers who may wish to install distributed generation (DG) facilities. The stated goal of this new charge is to provide a price signal to customers who may be evaluating DG investment and to ensure that customer installations of DG do not unfairly affect the rates of customers without DG. For residential customers, the proposed GAC would be \$7.36 per kW of installed DG capacity up to a maximum of \$41.00 per month. Existing DG customers will be grandfathered, meaning the GAC will not apply to them until January 1, 2030, or to the extent permitted by law, which is consistent with the KCC's Order in Docket No. 16-GIME-403-GIE.

CURB staff is reviewing this Application, but has not yet made a determination as to how we shall proceed. We will keep you informed as things progress.

MAJOR CASES WE ARE FOLLOWING:

- **SENATE BILL 69** —
ELECTRIC RATE STUDY
- **19-ATMG-525-RTS** —
ATMOS RATE CASE
- **19-GIME-504-GIE** —
INVESTIGATION OF KCP&L
SCHOOL RATES
- **19-WSEE-355-TAR** —
WESTAR'S ACQUISITION OF
ADDITIONAL OWNERSHIP
IN JEFFREY ENERGY CENTER
- **20-KG&E-112-CON** —
WESTAR'S AGREEMENT
WITH SPIRIT AEROSYSTEMS
- **20-SPEE-169-RTS** —
SOUTHERN PIONEER RATE
CASE

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Evergy and Spirit AeroSystems Request Energy Supply Agreement

Evergy (formerly Westar) and Spirit AeroSystems have submitted an Energy Supply Agreement for the Commission's approval in KCC Docket No. 20-KCPE-122-CCN. Spirit, a manufacturer of commercial and defense aircraft components, is currently an Evergy customer and this Agreement would take the place of Spirit's current rate tariff (Industrial and Large Power Service) for a 10-year term. In essence, the Agreement would allow Evergy to provide discounted electric service to Spirit to encourage increased usage and economic development.

With more than 13,000 employees in Wichita, Spirit is the largest employer in Wichita and one of the largest employers in the State of Kansas. Spirit claims its Wichita location is currently at a price disadvantage for electric service compared to its locations in other states, so Spirit and Evergy have crafted this Agreement to address the risk that Spirit may otherwise relocate significant portions of its operations to areas outside of Kansas.

The Agreement includes an all-energy rate with a four-tiered declining block pricing structure. It includes a monthly minimum bill requirement and subjects Spirit to all riders and surcharges it would otherwise pay, except for the replacement of the Retail Energy Cost Adjustment with wind generation. The Agreement gives Evergy the ability to update Spirit's rates when rates for other customers are changed to reflect Spirit's pro rata share of the change. The Agreement also includes requirements for Spirit to make efforts to maintain stable or growing operations and workforce at its Wichita facilities and maintain a certain level of economic investment at those facilities.

CURB has not yet established a position on this matter, but is reviewing the data and terms of the Agreement to evaluate its effects upon residential and small commercial ratepayers.



"SPIRIT CLAIMS ITS WICHITA LOCATION IS CURRENTLY AT A PRICE DISADVANTAGE FOR ELECTRIC SERVICE COMPARED TO ITS LOCATIONS IN OTHER STATES..."

"...THE AGREEMENT WOULD ALLOW EVERGY TO PROVIDE DISCOUNTED ELECTRIC SERVICE TO SPIRIT TO ENCOURAGE INCREASED USAGE AND ECONOMIC DEVELOPMENT."

The Citizens' Utility Ratepayer Board



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curb.kansas.gov

Evergy Acquires Additional Ownership Interest in Jeffrey Energy Center



Jeffrey Energy Center in St. Mary's, KS.

UPDATE: On September 12, 2019, in KCC Docket No. 19-WSEE-355-TAR, the Kansas Corporation Commission issued an order that denied Evergy's (formerly Westar) request to collect from ratepayers the costs and expenses associated with the purchase and operation of an additional 8% interest in the Jeffrey Energy Center (JEC). Evergy is allowed to operate the additional 8% of JEC, but Evergy (not its ratepayers) will be responsible for the costs and can keep any wholesale revenue generated from that portion of the plant. The Commission found that Evergy had not acted prudently during its negotiations in purchasing the excess capacity. The Commission agreed with CURB that ratepayers should not be responsible for costs to produce energy that is not needed to meet current customer demands. Evergy filed a petition with the Commission to reconsider the decision and reopen the docket. CURB filed a response, urging the Commission to deny the request and to uphold the order.

On October 24, the Commission issued an order on Evergy's petition, denying the petition in its entirety. This decision saves ratepayers an estimated \$93 million in expenses through the remaining useful life of JEC to 2035.

CURB Members Attend Renewable Energy Conference

On October 3–4, members of CURB attended the 2019 Kansas Renewable Energy Conference held in Manhattan, Kansas. The conference is an annual event organized by the Kansas Department of Commerce.

There were several sessions held throughout the two-day event (with some sessions running concurrently) focusing on a myriad of energy topics including: wind energy, solar energy, energy storage, energy efficient construction, transmission, biofuels (ex. renewable natural gas and biodiesel), and transportation (ex. autonomous vehicles, electric vehicles, vehicle charging infrastructure, and radical possibilities such as Hyperloop). One session was focused on phone carrier T-Mobile's ambitious commitment to 100% renewable energy use by 2021.

During lunch on the first day of the event, guest speaker Governor Laura Kelly addressed the attendees. She spoke proudly of Kansas's prominence in the realm of wind energy and announced the development of a comprehensive statewide energy plan. Other speakers included representatives from Black & Veatch, Black Hills Energy, Climate + Energy Project, Enel, Engie, Evergy, Kansas Dept. of Transportation, Lilypad EV, Navigant, Southwest Power Pool, T-Mobile, and many more. In particular, Enel (HQ in Italy) and Engie (HQ in France) are both major multinational energy companies that individuals in the U.S. may not yet be familiar with.

One thing is for certain: because of concerns over climate/environment and other issues such as energy independence, along with rapid technological advances, it is an exciting time within the energy sector.



Gov. Laura Kelly speaks at the 2019 Kansas Renewable Energy Conference.

CURB Participates in Legislative Study of KCC Electric Rates

On April 10, 2019, Governor Kelly approved Substitute for Senate Bill 69, which directed the Legislative Coordinating Council to select one or more independent organizations that have experience with evaluating electric utilities to conduct a study of and report on electric utility rates in Kansas. The organization(s) were to include input from residential, commercial and industrial customers, electric utilities and other energy stakeholders. The study was divided into two parts: The study and report on phase one is due on January 8, 2020; the study and report on the phase two is due on July 1, 2020.

The Legislative Coordinating Council selected London Economics, Inc., to conduct phase one of the study outlined in Substitute for Senate Bill 69. The Legislative Coordinating Council has not selected any independent organization to conduct phase two of the study. London Economics, Inc. has begun the task of gathering information from various stakeholders relative to their knowledge and experience with Kansas electric utility rates.

Substitute for Senate Bill 69 outlines several topics to be studied in Phase one. Those topics include whether current ratemaking appropriately balances utility profits with the public interest objectives of achieving competitive rates and whether Kansas electric public utilities are currently recovering from Kansas retail electric ratepayers the full or partial cost, including a return on investment, of any investments that are no longer fully needed. At the center of these and other questions outlined in the study is to provide information that may assist future legislative and regulatory efforts in developing electric policy that includes regionally competitive electric rates and reliable electric service.

At the invitation of London Economics, Inc., CURB provided information on October 1, 2019, concerning the issues outlined for Phase one of the study. In addition to CURB, the Kansas Industrial Consumers Group, the Climate + Energy Project, Kansas Chamber of Commerce and others provided input to London Economics, Inc. CURB perceived some consensus that stakeholders feel that the ratemaking structure in Kansas could be improved.

CURB outlined two changes that could be instituted that may result in a positive change in utility regulation. First, CURB advocated for an energy plan to be attained through a collaborative process. CURB noted that the vast majority of states have an energy plan. (Kansas had an energy plan for a period in the 2000s, but it was eliminated.) Second, CURB advocated for an integrated resources plan (IRP) for major Kansas independently owned utilities. CURB noted that the KCC has recently approved an IRP for Evergy. There were other suggestions made by CURB to London Economics, Inc. These additional changes aside, CURB stated that by implementing a comprehensive energy plan while utilizing an IRP, Kansas can do a better job of planning for energy infrastructure efficiently.

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OWNED UTILITIES.”

CURB Members Tour Wolf Creek Nuclear Plant

On October 9, members of CURB were allowed to tour Wolf Creek Nuclear Plant, located in Burlington, Kansas. The majority owner of Wolf Creek is Evergy.



Wolf Creek Nuclear Plant in Burlington, KS.

Fortuitously, the tour occurred during a planned generation outage, timed to coincide with the plant's refueling cycle. These outages occur approximately every 500 days. The outage provided an opportunity to visit areas of the plant that are not normally accessible during operations. After meticulously donning multiple layers of protective apparel along with dosimeters (device that measures absorbed radiation), we were able to view the spent fuel storage pool, turbine, and containment facilities. Following the tour of the main plant, we were allowed to observe an in-progress operator training session which took place inside a replica control room.

After going through the rigorous security and safety protocols and observing the high-stress control room scenario, we left with a better understanding and appreciation of the work done at Wolf Creek.

CURB Members Attend The Basics: Practical Regulatory Training

Members of CURB staff and two board members recently attended The Basics Practical Regulatory Training program from October 14–18, 2019, in Albuquerque, New Mexico. This intensive five-day program exposed attendees to a wide variety of topics in the electric industry. Topics included:

- Introduction to the electric industry;
- Determining the cost of service and revenue requirements – participants engaged in groups to calculate a utility's cost of service from the unique perspectives of industry observers, legal, consumer advocates, and the utility;
- Class cost of service study – during this session participants were able to work through a hypothetical cost of service study;
- Rate design;
- Renewable energy and distributed generation;
- Energy Efficiency Mandates;
- Avoided Utility Costs; and
- Step-by-step rate case processes.

Instructors for each class were either members of the New Mexico State University Center for Public Utilities or professionals in the electric utility industry. Every attendee gained a wealth of knowledge from their instructors who shared their unique insights into this dynamic industry. Participants were able to enjoy excursions to Old Town Albuquerque and Santa Fe. This gave everyone an opportunity to explore the cultural heritage of these beautiful cities.



ABOUT THE CITIZENS' UTILITY RATEPAYER BOARD (CURB)

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, two 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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