

Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE H.B. 2881

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 25, 2008

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2881. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

Current Kansas law, at K.S.A 66-1,184, regarding parallel generation services, represents the existing policy on payment to small 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, customers that also operate small generators do not avoid paying the fixed costs necessary for the utility to remain ready, willing and able to supply power to the customer when needed. The current law does allow the payment of 150% of fuel cost, which is a 50% subsidy on fuel. This subsidy has to be made up by other customers. However, after numerous debates the legislature, as set forth in the current law, has determined that a mechanism that compensates a small generator for the utility's fixed costs, costs that are not being avoided, is the wrong economic policy.

Net metering (as opposed to parallel generation), as commonly used, 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 backwards when energy is being delivered to the utility grid. Consider the example where a customer relies on and uses the utility system for a portion of the month and uses 1000 kilowatt-hours of energy. If the customer's generator runs for a portion of the month and puts 1000 kilowatt-hours of energy back on the utility system, netting the customer's usage against the customer's generation results in a utility bill for a net zero usage. The utility collects no revenue for any charge that is billed base on customer usage, but rather collects only the small monthly customer charge, which is not based on usage. The majority of a utility's fixed costs are recovered through charges based usage. The customer with the small generator in this example used the utility system for the month for free. Since the utility's fixed costs have not gone away, over time other customers are going to have to pay more in electric rates to offset the fact the utility is no longer receiving revenue from the small generator's use of the utility of the system.

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. 2881 provides a new net metering framework for an eligible customer generator, using *solar or wind power*, up to 10 kilowatts on a first come first serve basis, subject to a 1% of the retail electric supplier's overall peak limit on total availability. Retail electric suppliers that must offer this net metering tariff or contract include municipal electric utilities, electric cooperative utilities and electric public utilities. Section 1(b)(2) requires that net metering "shall" be accomplished using a single meter capable of registering the flow of electricity in two directions, although the customer-generator is responsible for all expenses involved in purchasing and installing the meter. Section 1(d) requires the utility offer a tariff or contract such that "all retail components and any monthly chargers" are identical to what the customer would be assigned if the customer is not a net metering customer, specifically prohibiting other standby type charges. Section 1(e) requires that the net metering calculation "shall" be made by measuring the difference in energy supplied by the customer-generator and the energy consumed by the customer-generator over a 12 month period. It is unclear whether the utility can even bill for any period less than 12 months under this section. Finally, Section 1(e)(3) requires that any net energy supplied by the customer-generator over what the customer-generator uses shall be compensated at 200% of the utility's avoided fuel cost.

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 wind and 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 2881.

However, CURB does acknowledge that, while the economic principles outlined above are true, the level of allowed net metering in HB 2881 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 small wind and photovoltaic 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.