

Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE H.B. 2419

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
February 4, 2010

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2419. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

H.B. 2419 provides that a public utility may enter into a contract with a customer to install a renewable energy generation unit, an energy storage device, or both, on the customer premises. The bill sets forth certain necessary contract provisions including "payment of compensation to the customer's account in monetary form or by free or reduced rates or service". Ten percent of the utility's total units shall be installed on the property of "customers with low income", defined as gross household income less than or equal to 150% of the federal poverty guidelines. Finally, utilities may "capitalize the reasonable cost incurred in the installation of any unit or device including the cost of equipment, financing and earnings on investment.

The bill as written is unnecessary. Any utility, whether regulated or deregulated, has the option of pursuing a contract with a customer to install a renewable energy generation unit, an energy storage device, or both, on consumer customer premises. There is no need for a law authorizing this activity. This bill adds nothing to the current legal and regulatory framework.

However, CURB is concerned that this bill appears to encourage Kansas utilities to acquire and own small renewable energy generation units and energy storage devices, and further, pay compensation to the customer on whose premises these units are installed. Small renewable energy generation units and energy storage devices are very expensive on a per kilowatt hour produced basis when compared to other renewable generation sources. Utilities can acquire far more cost effective renewable energy from industrial sized wind farms.

Since utility expenditures are ultimately collected from utility customers, as is also indicated by the bill, CURB does not believe it should be the policy of the state to encourage the acquisition of the most expensive form of renewable energy by utilities when other cheaper sources of renewable energy are available. This bill encourages a poor economic decision.

The bill does require customers with low income to receive 10% of the units contracted for by the utility. Conversely low income customers will pay higher utility rates to pay for the cost

of the 90 percent of renewable generation and storage units that are not installed at low income households. Low income households have been hardest hit by the current increasing utility cost environment in Kansas. If the legislature is going to mandate utility expenditures on high priced generation and storage units as represented by this bill, CURB suggest that better state policy would be to require 100% of the units be installed on low income households.

In a broader text, it is possible that the cost incurred in pursuing a policy of having a utility acquire and own small renewable generation and storage units would be better spent purchasing efficiency and conservation products. For the \$20,000-\$40,000 a solar or wind generation and storage unit may cost, you might get far more demand or energy reduction purchasing insulation, high efficiency heating and air systems and efficient lighting and appliances.

While CURB always welcomes the opportunity to discuss Kansas energy policy, including how different energy policy initiatives will affect Kansas consumers, and recognizing that this bill does not, at this time, contain specific mandates, CURB is concerned about the policy direction this bill indicates and CURB therefore opposes passage of this bill.