

**Before the Senate Utilities Committee
Comments by the
Staff of the Kansas Corporation Commission
February 13, 2012**

Senate Bill 383

Senators, thank you for hearing testimony today.

When the American Council for an Energy Efficient Economy (ACEEE) issued its 2011 State Energy Efficiency Scorecard it was disheartening to learn that Kansas was ranked 48 out of 51.

The Commission Staff was asked "What can Kansas do to improve this ranking?" A simple change would be to increase the net metering limit for commercial and industrial customers from 200 kW to 3 MW.

The ACEEE Scorecard report states:

"Limits on individual and aggregate system capacities can prevent system owners from installing the most efficient or cost-effective systems, and sometimes even prevent them from meeting on-site load requirements. Any size limits should be based only on objective engineering standards and facility load requirements. Other best practices for net metering include eligibility for all distributed generation technologies, including (Combined Heat and Power) CHP; eligibility for all customer classes; system size limits that exceed 2 MW; indefinite net excess generation carryover at the utility's retail rate; and prohibition of special fees for net metering."

While there are arguments for and against each of these best practices, increasing the net metering limit to 3 MW provides opportunities to more customers.

Net metering currently only applies to the IOU's in the state (KCP&L, Westar, and Empire). Net metering does not apply to the municipals and coops, yet, most of the coops have tariffs for net metering, indicating that they are supporting the States effort to install more renewable energy.

This change will open up broader opportunities for companies that sell wind turbines thereby increasing economic development. Today, these companies are limited to selling machines up to 200 kW. According to the 2012 Renewable Energy Handbook, Northern Power Systems manufactures a 100 kW unit, and Vergnet produces a 200 kW unit. Market opportunity is limited in Kansas at 200 kW. This change would allow machines up to 1000 kW to be marketable, and in some cases, machines as large as 2.3 or 2.7 MW could be marketed.

The 2012 Renewable Energy Handbook lists several Wind Turbine Vendors. Wind Turbines are available in the following sizes (kW):

100	200	225	275	333	600	750	800	850	900	1000
1250	1500	1600	1650	1800	2000	2050	2100	2300	2400	2500
2750	3000	3080	3400	3600	4500	5000	5075	6000	6015	7500

Approximately half of these sizes are what I would expect to see in the development of a utility grade wind farm (where the combined output is 100 MW or more). The other half are sizes that are available for smaller, community, and individual unit installations.

The proposed change allows a larger number of customers to participate in net metering. The 200 kW ceiling restricts the installation of renewable energy on facilities of medium and large commercial users. Customers whose peak demand is larger than 200 kW are limited by this value and in effect are not able to enjoy net metering to a point where they could net to zero their energy usage. For example, while the Capital Building, in which we sit and stand today, could participate, the turbine would be limited to 200 kW. While I don't know what the exact peak load of this building is, I am confident that it is over 1 MW.

Staff is aware of situations in Kansas where customers wanted to install turbines larger than 200 kW and were not able to pursue net metering as an option for their creative plans. These companies found other solutions.¹ An increased limit creates more economic development opportunity for Kansas when working with companies looking to relocate or expand their business in Kansas. It also supports those businesses who might be thinking about moving out of the State because of limited opportunity. If Kansas is planning to be a leader in renewable energy, then the State must have laws that support this action.

KSA 66-1265(a) requires utilities to accept customer generators who want to net meter until the sum of the combined capacity of all net metered systems is equal to 1% of their peak demand.

In 2011, Empire's peak demand was 53.5 MW for its Kansas load. This means Empire is required to accept net metered systems until they reach 535 kW of net metered capacity. KCP&L's peak load in 2011 was 1754 MW, equating to 17.5 MW of net metering opportunity for its customers. Likewise, Westar's peak was 5040 MW, giving their customers 50.4 MW of net metering opportunity.

Upping the limit simply gets the utility to this threshold quicker with fewer customer generators. The Legislature also gave the Corporation Commission the authority to up the limit to something higher than 1% under KSA 66-1265(a)). The Commission may consider this when and if that time ever comes.

Keep in mind that the utility is allowed to count net metered capacity towards their RES goal.

This past year the Commission Staff spoke with several customers wanting to net meter. While the first round of reporting from the utilities is due March 1, 2012, Staff hopes that the utilities testimony today will provide some hard data on the number of customers that they have connected under the existing statute, including the size of the generators.

¹ The developing MARS campus in Topeka and the City of Eldorado Water Treatment plant are examples of customers desiring to net meter with peak loads greater than 200 kW.

The existing Statute (KSA 66-1267) as written and as proposed states that customer generators shall appropriately size their generation to their expected load. For example, if a customer with a 1900 kW peak load wanted to net meter today, they could only install a 200 kW machine. Under the proposed legislation, this customer could install two, 1 MW machines and net meter. The utilities system can most certainly handle 2 MW (2000 kW) moving across its lines, because it is able to provide this customer with 2 MW of energy coming into the facility, there is no reason why the line won't handle 2 MW going out and 2 MW of energy will only go out to the system if the customer were to reduce their usage to a very low amount, such as on a weekend or holiday. In this example, the customer really doesn't need net metering laws, because their minimum usage is most likely over 200 kW, meaning that nothing they generate would be placed back on the utilities system with today's limit (and there are specific situations where something could be placed back and that is why protection equipment, specifically, automated disconnection devices, are required to protect the utilities system).

Finally, increasing the amount of renewable energy in the form of distributed generation also reduces the overall amount of energy that a utility must generate. Last Fall, the Coalition of Kansas Utilities, consisting of Westar, KCP&L, Sunflower, and the Kansas City Board of Public Utilities, raised an alarm about potential black outs this summer. They claimed that compliance deadlines included in the EPA's Cross State Air Pollution Rule were too restrictive and would result in rolling black outs during the summer of 2012 when the utilities ran out of allowances for SOx and NOx. During last Friday's Open Legislative meeting held at the Commissions offices, a question regarding "how can the states IOU's who are concerned about not being able to provide electrical service to their customers this summer be opposed to a program that allows these same customers to self generate?" Distributed renewable generation can only help to minimize the concern of rolling blackouts in the future.

Thank you for your time and attention today.

I will be available for questions at the appropriate time.