



## **HOUSE COMMITTEE ON ENERGY, UTILITIES & TELECOMMUNICATIONS**

### **Opponent Testimony for HB 2227 – Power Purchase Agreement and Parallel Generation (Written Only)**

**Feb. 7, 2023**

**Presented by: Bruce W. Mueller, CEO/General Manager of Wheatland Electric Cooperative, Inc.**

Chairman Delperdang, Vice Chair Turner and Ranking Member Ohaebosim and members of the House Committee on Energy, Utilities & Telecommunications, thank you for the opportunity to submit comments in opposition to HB 2228. I am Bruce W. Mueller and I serve as CEO/General Manager for Wheatland Electric Cooperative, Inc.

My name is Bruce W. Mueller. I am the CEO/General Manager of Wheatland Electric Cooperative, Inc. (Wheatland), a member-owned Kansas electric cooperative serving more than 23,400 customers located throughout nine western Kansas, six central Kansas, and two eastern Colorado counties. Pursuant to state law, our customers are referred to as members and I will refer to them as members in my testimony. Wheatland's corporate office is located in Scott City, Kansas.

As the CEO/General Manager, I direct the overall operations of Wheatland. I am entrusted by the membership to lead the cooperative to achieve its mission of Delivering Energy for Life and its vision of improving the quality of life of its members and the communities it serves by providing reliable and competitively priced electricity and other essential services. For an example of other services, Wheatland also owns a water utility serving western Kansas.

In my opinion House Bill 2227 will have the effect of shifting electric utility costs away from the members that can afford behind the meter generation and places that cost onto Wheatland's other members. In essence, those that can afford to purchase this kind of behind the meter generation would cause the rates of Wheatland's other members to go up.

Let's use the example of a school district. Currently, Wheatland serves several school districts throughout Wheatland's assigned service territory. If a school district installs a behind the meter renewable generation facility, that school district will still be a member of Wheatland. Wheatland would have already made significant investment in distribution assets

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to serve the school district's load demand. And remember, a utility must invest in facilities to meet the peak load demand of the member. These facilities include substations, transformers, circuits, conductors and utility poles. All of these have ongoing annual operation and maintenance expenses. Those facilities would primarily be stranded and not receiving revenue for services.

Again, without exception those school district members would want to remain on Wheatland's system. They know that the sun does not always shine, and the wind does not always blow. Those assets would have to remain in place to continue to serve the possible peak load demand of the school district. Wheatland will have the ongoing debt for assets and maintenance costs, all the while not generating revenue up to the capable service of the "eligible generation facility," as it is defined in the proposed bill. All of those costs, in investment, administration and operations and maintenance, that are now stranded, would be socialized in Wheatland's rate design process and passed on to the other members of Wheatland.

This proposed bill also adds new classification of members that would be able to install behind the meter generation and increase the required take up to 1.5 megawatts. This would be difficult for rural cooperatives. The explanation starts with the whole reason Kansas has electric cooperatives in the first place. Cooperatives operate in areas where investor-owned utilities do not want to serve. These areas lack customer density. For example, my cooperative, even being one of the larger co-ops in the state, only has approximately five (5) members on a mile of line. In essence, electric cooperatives have the real problem with density. Yet, cooperatives still have to invest in facilities up the coincident peak of the system. This proposed bill not only includes some of the best members a cooperative has for purposes of density, but it also allows the behind the meter generator to produce up to 1.5 megawatts. This just further exacerbates the density problem that cooperatives have and increases the amount of cost shift to other members.

In the past, the proponents of behind the meter generation have argued that it will benefit peak demand cost issues and preserves the longevity of distribution assets. I disagree on both points. First, the peak demand argument assumes something that is not necessarily true -- the peak output of solar panels matches our peak demand of electric utilities. I do not believe that is correct. For an illustration of how solar peak production is a mismatch with co-op peak demand, please see testimony from Mark Scheibe, Heartland Rural Electric Cooperative in opposition to HB 2228. Also, on the issue of preserving distribution assets through non-use, the only evidence I know of on this issue would be the longevity of distribution assess is more dependent upon proper engineering design. Cooperatives must design their facilities to the correct load demand. It is my understanding that overloading and overheating distribution facilities are what cause problems with the service life of these assets.

Thank you again for the opportunity to share our concerns with HB 2227.

*Bruce W. Mueller*

Name in type

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