

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of the Application of Southern)
Pioneer Electric Company for Approval of the)
Demand Response Peak Time Rebate Pilot)
Program.) Docket No. 15-SPEE-357-TAR

ORDER GRANTING APPLICATION

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings and conclusions:

I. BACKGROUND

1. On February 16, 2015, Southern Pioneer Electric Company (Southern Pioneer) filed an Application with the Commission seeking approval of a Demand Response Peak Time Rebate Pilot Program (DR-PTRPP).¹

2. On February 19, 2015, the Citizens' Utility Ratepayer Board (CURB) filed its Petition to Intervene, citing its statutory authority to represent residential and small commercial ratepayers. CURB explained that the rates paid by and the services received by residential and small commercial customers may be substantially affected in this proceeding.²

3. On March 3, 2015, the Commission granted CURB's petition to intervene, and also issued a suspension, protective, and discovery order in this docket.³

¹ Application of Southern Pioneer Electric Company for Approval of the Demand Response Peak Time Rebate Pilot Program (Feb. 16, 2015) (Application).

² Petition to Intervene, ¶ 5 (Feb. 19, 2015).

³ See Order Granting Intervention, Suspension Order, Protective Order and Discovery Order (Mar. 3, 2015).

4. On April 16, 2015, Commission Staff (Staff) filed a Status Update indicating that due to other proceedings and scarcity of resources, additional time would be required to complete its investigation and prepare a Report and Recommendation (R&R).⁴

5. On June 10, 2015, Staff filed its R&R.⁵ Staff's R&R recommended that the Commission approve Southern Pioneer's DR-PTRPP with slight modifications to the proposed effective date, detailed below.⁶

6. On June 12, 2015, CURB submitted its response to Staff's R&R.⁷ CURB, though disagreeing with Staff's assessment of costs and benefits, agreed that useful information could be gathered from Southern Pioneer's DR-PTRPP.⁸ CURB recommended that Southern Pioneer and Mid-Kansas be required to submit a report in this docket upon the conclusion of Southern Pioneer's DR-PTRPP.⁹

II. DISCUSSION

a. **Previous Commission Action and Description of Program**

7. The Commission previously conducted general investigations in Docket No. 08-GIMX-441-GIV (441 Docket) to address cost-recovery methods for energy-efficiency programs and Docket No. 08-GIMX-442-GIV (442 Docket) to address cost benefit analysis of energy-efficiency programs. In the 442 Docket, the Commission adopted five benefit-cost tests from the California Standard Practice Manual for evaluating the cost effectiveness of a proposed demand response and demand side management program.¹⁰ The Commission later clarified positions

⁴ See Staff's Status Update (Apr. 16, 2015).

⁵ Staff's Report and Recommendation (Jun. 10, 2015) (R&R).

⁶ See *id.*, pp. 4-5.

⁷ CURB's Response to Staff's Report and Recommendation (Jun. 12, 2015) (CURB Response).

⁸ See *id.*, pp. 1-2.

⁹ See *id.*, p. 2.

¹⁰ See Order Setting Energy Efficiency Policy Goals, Determining A Benefit-Cost Test Framework, And Engaging A Collaborative Process To Develop Benefit-Cost Test Technical Matters And An Evaluation, Measurement, And Verification Scheme, Docket No. 08-GIMX-442-GIV, pp. 13-17 (Jun. 2, 2008).

taken within these dockets by explaining that: (1) generally, the Commission will not allow recovery for lost margins but would review applications for energy efficiency programs on a case-by case basis, and (2) utilities were to submit the results of four tests, Participant, Ratepayer Impact Measure (RIM), Utility/Program Administer Cost (PAT), and Total Resource Cost (TRC) with their applications for energy efficiency programs.¹¹

8. Southern Pioneer is a certificated electric public utility regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (Pioneer), a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for retail ratemaking purposes.¹²

9. Southern Pioneer's Generation and Transmission power supplier, Mid-Kansas Electric Company, LLC (Mid-Kansas), is projected to experience a generating capacity deficit starting in 2019 due to forecasted load growth and expiring power purchase agreements.¹³ Because of this, Mid-Kansas and its sister company, Sunflower Electric Power Corporation (Sunflower) are investigating demand response programs and their effectiveness as a least-cost resource to provide power supply capacity.¹⁴

10. Southern Pioneer's proposed DR-PTRPP is part of a larger initiative on the part of Mid-Kansas and Sunflower, who have requested that all of their cooperative distribution member utilities begin developing similar demand response programs.¹⁵ Because Southern Pioneer is a public utility subject to the Commission's jurisdiction, Southern Pioneer's participation in this larger program with its DR-PTRPP requires Commission approval.

¹¹ Order, Docket No. 12-GIMX-337-GIV, p. 7 (Mar. 6, 2013).

¹² Application, ¶¶ 1, 2.

¹³ *Id.*, ¶ 6.

¹⁴ *Id.*

¹⁵ See R&R, p. 2.

11. Southern Pioneer's proposed DR-PTRPP offers Southern Pioneer's residential customers a financial reward for reducing their electricity usage during specific peak event hours. Residential customers will be notified of peak event hours either through text messaging, e-mail or both.¹⁶ The participating customer's decision to curtail energy usage is entirely voluntary; it is up to the participating residential customer to decide whether, and how much, to react to a designated peak event.¹⁷ Non-participating residential customers will continue to be charged at their existing rates, and participating customers will not incur a penalty if they choose not to curtail electric usage.¹⁸ Thus, the participating customers cannot face higher bills, only lower ones, and non-participating customers will not be penalized or otherwise materially affected.¹⁹

12. Southern Pioneer's proposed DR-PTRPP is designed to be a voluntary program limited to the first 100 customers (from a pool of 1,000) with at least 5,000 kWh of usage in 2014.²⁰

13. As noted in Southern Pioneer's proposed DR-PTRPP tariff, if participants do reduce their electric usage then they will be credited with \$.75/kWh saved during the peak event.²¹ There is no penalty for failing to curtail usage during a peak event, and non-participants will have their bills calculated the same as before.²²

¹⁶ Application, ¶ 7.

¹⁷ *Id.*, ¶ 7.

¹⁸ *See id.*, ¶ 8.

¹⁹ *Id.*, ¶ 8.

²⁰ R&R, p. 1.

²¹ R&R, p. 2; Application, Exhibit 2.

²² R&R, p. 2; Application, ¶ 8.

14. Upon the expiration of the pilot program testing period (i.e. end of summer), the participants will be mailed a survey wherein after completion they will receive a rebate check based on their energy savings or for \$10.00, whichever is greater.²³

15. Mid-Kansas will sponsor the pilot program and pick up the costs of the pilot program.²⁴ The total estimated budget for the entire pilot program is \$112,500.²⁵ This budget includes expenses of the pilot program for Southern Pioneer and each of the other cooperatives participating in Mid-Kansas' and Sunflower's demand response programs.²⁶ The Mid-Kansas program costs will be recovered through Mid-Kansas' wholesale energy cost adjustment (ECA) based upon a member utility's kWh load-share ratio in relation to Mid-Kansas (Southern Pioneer's is currently averaging 34.3%).²⁷ Therefore, Southern Pioneer's allocated cost for Mid-Kansas' demand response initiative is \$38,587.50.²⁸ Regardless of whether Southern Pioneer's DR-PTRPP is approved, each of the remaining Mid-Kansas member cooperatives will implement their respective programs.²⁹ Presently, Southern Pioneer will incur a charge via its ECA regardless of whether it participates in Mid-Kansas' demand response initiative.³⁰ However, the marginal expense, i.e. the expense for Southern Pioneer's DR-PTRPP alone is only \$737.50, a rate impact of \$.00005 per kWh sold.³¹

²³ R&R, p. 2; Steven A. Fenrick, Direct Testimony, Docket No. 15-SPEE-357-TAR, p. 5 (unnumbered).

²⁴ Application, Exhibit 1 p. 4; *See* R&R, p. 2.

²⁵ R&R, p. 2; Response to CURB data request No. 6 (Apr. 8, 2015).

²⁶ *See* R&R, p. 2.

²⁷ *See* R&R p. 2; Application pp. 6-7; Response to CURB data request No. 9 (Apr. 8, 2015).

²⁸ R&R, p. 2.

²⁹ *See id.*, pp. 2-3.

³⁰ *See id.*, p. 2.

³¹ *See* R&R, p. 3; Response to Staff data request No. 1 (May 18, 2015).

b. Evaluation of Program's Costs and Benefits

16. As noted in the Commission's 12-GIMX-337-GIV order, Applicants are required to submit Participant, RIM, PAT and TRC tests with their applications for energy efficiency programs.³² The Commission however places emphasis on the RIM and TRC test.³³

17. Southern Pioneer provided each of the necessary tests.³⁴ The tests yielded the following results:

Test	Result
RIM	2.5
Utility/PAT	2.5
TRC	6.8
Participant	Unlimited ³⁵

18. Power Systems Engineering assumes a reduction in peak demand that is valued at \$180 per kW, annually.³⁶ Due to the low cost nature of the program, Staff notes that the benefit-cost ratios will remain above 1.0 even if the actual value of the peak demand reduction was substantially lower than the \$180 estimate.³⁷ A cost benefit ratio above 1.0 indicates that a particular energy efficiency program provides more benefits than costs.³⁸

³² Order, Docket No. 12-GIMX-337-GIV, p. 7 (Mar. 6, 2013).

³³ See Order Following Collaborative On Benefit-Cost Testing And Evaluation, Measurement, And Verification, Docket No. 08-GIMX-442-GIV, pp. 7-8 (Apr. 13, 2009).

³⁴ R&R, p. 3.

³⁵ This is due to the participants in the program being subject to only benefits (i.e. rebates) and not being subject to any direct costs or penalties. See R&R, p. 4.

³⁶ R&R, p. 3.

³⁷ *Id.*; R&R, n. 8.

³⁸ See, generally, R&R, pp. 3-4.

19. As Staff notes, one primary intangible benefit of Southern Pioneer's DR-PTRPP is the information that will be gathered from the program.³⁹ In addition to data, and assuming the program is fully subscribed, Staff notes that Southern Pioneer would provide Mid-Kansas with a reduction in peak demand of 30 kW.⁴⁰ This reduced demand is valued at an estimated \$1,852, annually.⁴¹

20. Costs to enable the pilot program include rebates, rebate and measurement & verification calculation costs, and various communication costs. However, as detailed above, the total marginal cost attributable to Southern Pioneer's participation with its DR-PTRPP is only \$737.50.⁴² Staff notes that even if the dollar value of a kW reduction in peak load were to be cut in half, the estimated benefits of Southern Pioneer's DR-PTRPP would continue to outweigh its attributable marginal costs.⁴³

21. Evaluation, measurement and verification of Mid-Kansas' pilot program for which Southern Pioneer is seeking approval to participate in will be conducted by Power Systems Engineering.⁴⁴ Power Systems Engineering has developed numerous methods to statistically evaluate the proposed pilot program.⁴⁵ Staff has previously worked with Power Systems Engineering, and is comfortable with its ability to perform the requisite sophisticated evaluation, measurement and verification.⁴⁶

³⁹ *Id.*, p. 3.

⁴⁰ *See id.*

⁴¹ *Id.*

⁴² *See id.*, ¶ 15.

⁴³ *See* R&R, p. 4.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

c. Staff's Recommendation

22. In its R&R, Staff recommended the approval of Southern Pioneer's DR-PTRPP to be effective immediately following a Commission order, and to run through August 31, 2015.⁴⁷

23. Staff further requested that Southern Pioneer resubmit its proposed tariff with a start date consistent with the effective date of a Commission order.⁴⁸

d. CURB's Recommendation

24. CURB recommended that the Commission require Mid-Kansas and Southern Pioneer to submit a report upon the expiration of Southern Pioneer's DR-PTRPP.⁴⁹ Specifically, CURB requested the report contain the following information:

- a. the Measurement and Verification (M&V) completed by Power Systems Engineering;
- b. a breakdown of all actual costs associated with the program, including program administrative fees, rebates provided, mailing and communication expenses, internal labor costs, and any other costs related to the program incurred by Southern Pioneer and Mid-Kansas;
- c. a detailed description of the number of program participants for each of Mid-Kansas' participating utilities;
- d. the actual costs of the program incurred by Mid-Kansas and the amounts passed on to each of Mid-Kansas' participating utilities through the energy cost adjustment;
- e. a report summarizing the results of the end-of-pilot survey provided by the participants in the program; and
- f. a post-pilot benefit-cost analysis.⁵⁰

⁴⁷ See *id.*, pp. 4-5.

⁴⁸ See *id.*, p. 4.

⁴⁹ CURB Response, pp. 1-2.

III. FINDINGS AND CONCLUSIONS

25. Pursuant to K.S.A. 66-101 *et seq.*, the Commission is given full power, authority and jurisdiction to supervise and control electric public utilities doing business in Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction.

26. Pursuant to K.S.A. 66-117, a public utility over which the Commission has jurisdiction cannot make effective any changed rate, joint rate, toll, charge or classification or schedule of charges, or any rule or regulation or practice pertaining to the service of a public utility except by filing with the Commission.

27. Southern Pioneer is a certificated electric public utility regulated by the Commission and is a wholly owned subsidiary of Pioneer, a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for retail ratemaking purposes pursuant to K.S.A. 66-104d.⁵¹

28. The Commission finds that Southern Pioneer's Application for its proposed DR-PTRPP meets the minimum requirements articulated in Docket Nos. 08-GIMX-441-GIV, 08-GIMX-442-GIV, and 12-GIMX-337-GIV. The Commission recognizes that Southern Pioneer's request is limited to a one-time pilot program to be tested this year. As such, the Commission reserves the right to fully review and reconsider all aspects of any subsequent demand response proposals put forth by Southern Pioneer or any other jurisdictional public utility that may rely on any data gathered from this pilot program.

⁵⁰ *Id.*, p. 2.

⁵¹ Application, ¶ 1.

29. The Commission adopts and hereby incorporates Staff's R&R with its findings into this order.

30. The Commission further finds that approval of Southern Pioneer's DR-PTRPP is just and reasonable, is in the public interest, and should be approved. To ensure Southern Pioneer may gather as much useful data as possible from the DR-PTRPP, the Commission finds that Southern Pioneer's DR-PTRPP should be approved effective upon the date of this order.

31. The Commission finds that data gathered from Southern Pioneer's DR-PTRPP could provide useful information to the Commission and any interested parties. The Commission therefore finds that Southern Pioneer shall be required to submit a report containing the information requested by CURB found in paragraph 24 of this order; provided Southern Pioneer shall not be required to submit specific program participation and cost information for the other self-regulated Mid-Kansas member utilities other than total number of participants at each utility, for purposes of examining the appropriate allocation of program costs. Southern Pioneer shall submit this report no later than December 31, 2015. If Southern Pioneer is unable to submit this report within the allotted time, Southern Pioneer shall submit an update as to when the report will become available.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

(A) Southern Pioneer's Application to implement its Demand Response Peak Time Rebate Pilot Program is hereby approved effective upon the date of this order.

(B) Southern Pioneer shall resubmit the tariff for the proposed Demand Response Peak Time Rebate Pilot Program amending the programs proposed start date in a manner consistent with this order.

(C) Southern Pioneer shall submit a report upon the conclusion of its Demand Response Peak Time Rebate Pilot Program in accordance with the terms and conditions outlined in paragraph 31, above.

(D) The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein.⁵²

(E) The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner.

Dated: **JUN 25 2015**

Amy L. Gilbert
ORDER MAILED JUN 26 2015
Amy L. Gilbert
Secretary

REV

⁵² See K.S.A. 66-118b; K.S.A. 2014 Supp. 77-529(a)(1).

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
NIKI CHRISTOPHER, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DELLA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
SHONDA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
JAY VAN BLARICUM, ASSISTANT GENERAL COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
ROBERT VINCENT, LITIGATION ATTORNEY KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
RANDY MAGNISON, EXEC VP & ASST CEO SOUTHERN PIONEER ELECTRIC COMPANY 1850 W OKLAHOMA PO BOX 430 ULYSSES, KS 67880-0430		

ORDER MAILED JUN 26 2015

The Docket Room hereby certified that on this _____ day of _____, 20____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
LINDSAY SHEPARD, EXECUTIVE VP - GENERAL COUNSEL SOUTHERN PIONEER ELECTRIC COMPANY 1850 W OKLAHOMA PO BOX 430 ULYSSES, KS 67880-0430		

ORDER MAILED JUN 26 2015

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.