

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the General Investigation to)
Examine Issues Surrounding Rate Design for) Docket No. 16-GIME-403-GIE
Distributed Generation Customers)

AFFIDAVIT OF WILLIAM G. EICHMAN
SUPPORTING REPLY COMMENTS ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY

STATE OF MISSOURI, COUNTY OF JASPER, ss:

1. I am the same William G. Eichman who filed an Affidavit in the above-captioned docket on March 17, 2017, on behalf of The Empire District Electric Company ("Empire").

2. I participated in the two roundtable meetings, which were scheduled in the above-captioned matter and facilitated by the Staff of the Kansas Corporation Commission ("Staff" and "Commission") on March 30, 2017, and April 13, 2017. The roundtable meetings were successful in identifying the main differences of opinion among the various parties relating to the policy issue or issues raised in this case: "the appropriate rate structure for distributed generation ("DG") customers including the quantifiable costs and quantifiable benefits of DG."¹

3. Based upon the discussions that occurred during the roundtable meetings, it appeared the electric utilities, who participated in the meetings, the Staff and the Citizens Utility Ratepayers Board ("CURB"), on the one hand, supported a policy that would allow electric utilities to establish a separate rate structure for DG customers, which accounted for the cost incurred by the utility to provide stand-by service to the DG customers, and which addressed the subsidy currently being provided by non-DG customers to DG customers because a large portion of the utility's fixed costs

¹Docket No. 16-GIME-403-GIE ("403 Docket"), Order Opening General Investigation dated July 12, 2016, page 5, paragraph 10.

are currently recovered through the energy charge, which is avoided by the use of DG. The separate rate structure and rates for DG customers proposed by these parties would be based upon traditional class cost of service studies currently performed by the electric utilities as part of their general rate case filings. Societal benefits, such as environmental or health benefits, which have not been included in those traditional class cost of service studies, and which are already currently accounted for and monetized in the tax subsidies received by the DG customers, would not be included in the class cost of service studies to determine the costs assigned to the DG customers. The separate rate for DG customers would be based upon a rate design that either (1) increased the monthly customer charge paid by DG customers so that charge included all fixed costs incurred by the utility to provide stand-by service to DG customers, which are not currently included in the monthly customer charge, and a reduction in the energy charge; or (2) established a new monthly demand, stand-by, or access charge paid by the DG customers that included those fixed costs not currently included in the monthly customer charge, the monthly customer charge (which would be the same as the monthly customer charge paid by non-DG customers) and a reduction in the energy charge. This was referred to by the parties during the meetings as a "three-part rate." The parties who supported this policy did not believe further studies specific to the usage patterns of DG customers located in the different regions of Kansas, and which attempted to calculate the societal benefits, were necessary before the Commission established a policy regarding the rate structure for DG customers. The parties explained that such studies were very expensive and time-consuming to perform and questioned the usefulness of such studies since previous studies performed in other jurisdictions, depending upon how they accounted for societal benefits, produced a wide-range of results. Several of these parties commented during the meetings that the Commission has not previously considered societal benefits in

performing cost/benefit studies or in setting rates and the electric utilities commented that the general usage information they had on DG customers showed that under the current rate structure, non-DG customers were subsidizing DG customers by the non-DG customers paying for a disproportionate share of the utility's fixed cost because of (1) the stand-by nature of the service requested by the DG customers; and (2) the amount of the utility's fixed cost that is currently recovered through the energy rate and not paid by the DG customers because of the stand-by nature of the service being received by the DG customers.

4. On the other hand, Brightergy, CEP, Cromwell and United Wind, supported a policy that there should be no separate rate structure for DG customers, at least until cost/benefit studies can be performed, which looked at the specific usage patterns of DG customers in the different regions of Kansas, and which took into account societal benefits, such as environmental and health benefits provided by DG customers. These parties commented that the usage patterns of their DG customers did not necessarily indicate that they were being subsidized by the non-DG customers as suggested by the parties on the other side of the debate. They also argued that societal benefits, including intangible and unquantifiable benefits associated with DG, should be accounted for in establishing the rate charged to DG customers.

5. The roundtable meetings were useful and informative and Empire appreciated the opportunity to participate in those meetings. The Staff did an excellent job in facilitating the meetings. All parties were given the opportunity to fully participate in the discussions and did so. The parties are working on an agenda for an upcoming settlement conference and Empire plans to participate in that settlement conference.

6. As a result of the roundtable meetings, Empire has not changed its recommendation

regarding the policy issue raised in this docket, which was contained in my original affidavit. The Commission should adopt a policy that allows utilities to establish a separate rate tariff for DG customers. That rate should be based upon a traditional class cost of service filed in a general rate case. That rate should account for the cost incurred by the utility to provide stand-by or partial-requirements service to the DG customers. It should also address the subsidy currently being provided by non-DG customers to DG customers. This can be done as set forth in paragraph 3 of this affidavit and which is clearly supported by the initial comments filed by the electric utilities in this docket. Finally, the policy adopted by the Commission should not find that the subsidy currently provided by non-DG customers is justified by intangible or unquantifiable benefits associated with DG production. Rates should continue to be set using traditional cost of service methodologies based upon real and embedded costs of the utility.

7. This concludes Empire's reply written comments.

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AFFIDAVIT OF WILLIAM G. EICHMAN

STATE OF MISSOURI, COUNTY OF JASPER, ss:

William G. Eichman, being first duly sworn on his oath, states:

1. My name is William G. Eichman. I am employed by The Empire District Electric Company ("Empire"). My job title is Engineer-Business & Community Development.
2. Attached hereto and made a part hereof for all purposes is my Reply Affidavit on behalf of Empire having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that the information contained in my Reply Affidavit is true and accurate to the best of my knowledge, information and belief.

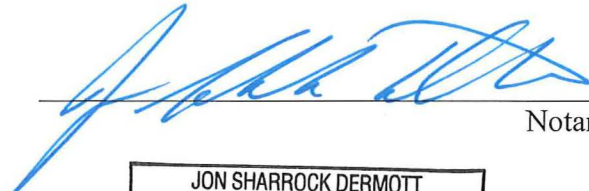


William G. Eichman

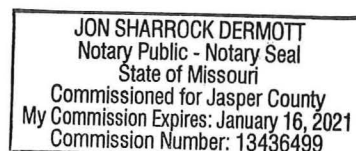
SUBSCRIBED AND SWORN to before me this 4th day of May, 2017.

Commission/Appointment Expires:

01/16/2021



Notary Public



CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via U.S. Mail, postage prepaid, hand-delivery, or electronically, this 5th day of May, 2017, addressed to:

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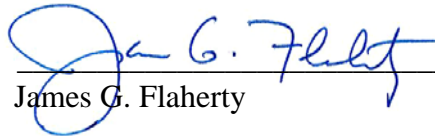
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