

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

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

**REPLY COMMENTS OF  
KANSAS ELECTRIC COOPERATIVES, INC.**

COMES NOW the Kansas Electric Cooperatives, Inc. (hereinafter "KEC") and provides the following as their reply comments in this proceeding. In support of their comments and in accord with the procedural schedule issued in this docket, KEC submits the following reply comments:

**Abbreviated Procedural Summary**

1. On March 11, 2016, Commission Staff ("Staff") filed a motion requesting a Commission order opening a general investigation to examine various issues surrounding rate design for distributed generation ("DG") customers.
2. On July 12, 2016, the State Corporation Commission of the State of Kansas ("Commission") issued an Order Opening General Investigation, opening this general investigation docket to examine various issues surrounding rate structure for distributed generation customers.
3. On March 17, 2017, the parties filed initial comments and supporting affidavits in this docket. On March 30, 2017 and April 13, 2017, the parties held roundtable discussions regarding the substance of this docket. While interesting, those meetings did not reach consensus or any definitive conclusions.
4. KEC does not service individual customers, as either wholesale or retail our members do have an interest in DG for the benefit of their own members. KEC appreciate the input that has been provided in this docket by the interested parties. The parties have not come to unanimous agreement on the issues. The comments and roundtable discussions were not limited to a few simple issues nor were any overarching agreements and conclusions

## **Issue Discussion**

5. KEC represents thirty-one (31) distribution and generation and transmission electric cooperatives that hold wide and varied opinions on the best approach to distributive generation (hereinafter “DG”) policies and rate design.
6. Under K.S.A. 66-104d, electric cooperatives in Kansas, if the cooperative is a “corporation” organized under the electric cooperative act, K.S.A. 17-4601 et seq., and amendments thereto,” may “... elect to be exempt from the jurisdiction, regulation, supervision and control of the state corporation commission...” by complying with the provisions of that law.<sup>i</sup> KEC submits that, although Commission directives are not directly applicable to Kansas’ self-regulated electric cooperatives, Kansas’ electric cooperatives can and will benefit through the collective wisdom and analysis of a common problems addressed in this docket.
7. This docket’s stated purpose is to examine issues surrounding rate design for those customers or using DG to supply some portion of their own electricity requirements. Some will argue that distributive generation adoption rates are still very small, far less than imposed limits and not a burden on the utility or its other customers. This may be true, but these limits were put in place specifically for this purpose: to stop and examine the operational and financial effects DG has on the utility, including both DG customer and non-distributive generation customers.
8. KEC concurs with the following statement from Sunflower and Mid-Kansas’ Initial comments:
  - i. “Generally, a utility that serves a DG customer needs to reserve physical capacity to serve the DG customer during planned and unplanned outages of the DG customer. To do so, that utility must have sufficient generation or power supply in place to provide service, and additionally secure or provide for adequate transmission and distribution facilities to move the power from a generation resource to the DG customer load. Those facilities are still in existence even when the DG customer is not using them, and must be available for use whenever the customer generation facility cannot provide adequate supply. Further, they have costs, and an appropriate allocation of those costs must be determined.... As pointed out by Staff, most DG is renewable, and therefore, intermittent. That fact exacerbates the aforementioned issue because not only must a utility keep such facilities in place, it is much more costly and difficult for a utility to dispatch generation in response to the fluctuations in DG systems. The utility serving the DG customer has no control over those intermittent and unexpected demand fluctuations, but must be able to meet any DG customer demand....”<sup>ii</sup>

9. KEC submits that there may be benefits to a utility from having DG customers within a utility's service territory, but that many of the benefits, as noted by several of the parties to this docket, as difficult to quantify.<sup>iii</sup>
10. Several parties have commented that under current two-part rate designs, DG customers avoid paying for a portion of their properly allocated fixed costs which are shifted to all other non-distributive generation customers. Currently, from submitted initial comments, it appears that Midwest Energy has only 21 active "net-metered" members out of an approximate 50,250 meters, for an adoption rate of .0417%.<sup>iv</sup> Pioneer has only 3 active DG members out of an approximate 17,100 meters, for an adoption rate of 0.0175%.<sup>v</sup> At these current low adoption rates, the impact of the costs shifted by DG customers is negligible, but there is a tipping point when this cost shift begins to have a noticeable effect on all other rates. While no one can predict future adoption rates, KEC submits that this docket is timely and the discussion to begin to address DG adoption issues in Kansas is now, rather than later.
11. Kansas's electric cooperatives pride themselves on promoting efficiency and effective use of electricity. While cooperatives do not want to discourage customers wanting to install their own generation, and in many cases, we encourage such installations, the cooperatives feel strongly about protecting those who do not have the financial means, space or desire to own their own supplemental DG system.
12. KEC stresses that the Commission should allow each regulated utility to choose from various rate options for crafting rates that may apply to DG. All options have advantages and disadvantages. However, the business decisions of how to implement the rate to the individual customer should allow for consideration, in concert with a cost-of-service or rate design study, the ability to use options that fit best with that utility.
13. Perhaps the largest concern of the cooperatives is that this docket will attempt to prescribe a "one-size-fits-all" single solution for the regulated utilities in Kansas. Rates are a complex set of principles. Each utility has varying needs, different governance emphasis, different historical

rates, different business models, different cost drivers, different territory, etc. This is especially true in the cooperative model. Use of traditional “cost-of-service” approach and any analysis of rates including DG should be encouraged. We concur with Midwest Energy’s comments that most costs of providing utility service to DG customers are the same or very similar to costs incurred to serve non-DG customers of the utility. Designation as to costs being ‘fixed’ or ‘variable’ are also the same for DG and non-DG members.<sup>vi</sup> KEC would stress that any review of costs for DG customers should be consistent with traditional cost of service studies and practices. No matter what “title” is given to a rate or charge developed for a DG member in a cooperative, the cost-of-service approach is the best model.<sup>vii</sup> The cost of service review would provide an in-depth look at the costs that should be paid by the DG member to support the costs of the distribution, transmission and other fixed costs of providing that vital service of stand-by power to the member for those times when the wind isn’t blowing, the sun is shining or for some other reason the member’s DG system is not supplying sufficient electrical supply for the member’s needs.

14. These variances’ in rates may result in different rates structure in each electric service territory in the state, as comments from the DG industry at the roundtable held in this docket indicate. However, if the DG industry is aware of the basic parameters of applicable rates, those rate variances should not be an impediment to DG development. In the cooperative model, information on rate classes and structures is freely given. The DG industry should be able to thrive, despite variation in rates and rate classes.
15. Traditional rate design analysis and review is the best way to support new or revised rates. There is no need for a separate study, survey or even, perhaps, a separate class for DG customers if a rate study or cost-of-service study has been completed.<sup>viii</sup> In recent discussions, held in conjunction with this docket for and among those intervening, a great deal was said by some members of the DG industry about the need for a “study” that should be done under this docket’s auspices. There is no need for the study that was suggested. Rates in the cooperative world are affirmed from

extensive cost-of-services work. The cost-of-service approach will address DG without resorting to added costs of an undefined study under this docket.

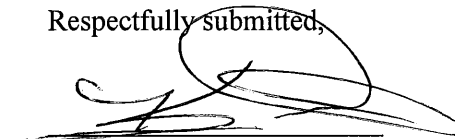
16. Ratemaking is not an exact science. Perhaps it is best to consider ratemaking as a goal that can never be achieved. There is no way to be “fair” to all ratepayers or classes, including those who chose to adopt DG. There will always be a class of grid users who believe that they are paying more than they should. No matter how many factors are considered, ratemaking can never adequately address all the needs nor can it ever address all the concerns of various customer classes. Ratemaking can never be viewed as completely “fair.” We believe that good ratemaking, whether today or as utilities address the new world of distributive generation, is not much different from other ratemaking analysis in the long run. Good ratemaking considers variables, balances needs and interests of both the utility and the customers served, and ultimately reaches conclusions on rates that strive to meet that balance of needs and interesting.
17. This general investigation docket should stay limited to a simple goal: it should provide guidance to the utilities for developing DG rates not create a single solution or a prescriptive mandate. In the July 12, 2016 Order Opening General Investigation, the Commission determined that this general investigation docket should be opened and should be designed to develop policy for DG rate design.<sup>ix</sup> KEC agrees with the simple and generic concept that the Commission adopted in setting the docket purpose. KEC urges that the Commission be true to that generic purpose in any resulting policy development. KEC would submit that the docket, and any findings therefrom, should remain just that: a generic review of DG issues that would provide guidance for developing rates.
18. It is vital that rates be developed on quantifiable costs and benefits of DG to the utility not speculative issues such as social benefits which are difficult to quantify. We concur with Southern Pioneer’s comments in this area..<sup>x</sup>
19. Because one size does not fit all, the Commission should refrain from imposing prescriptive mandates as it considers DG rate design policy. KEC concurs with the comments of Midwest

Energy that this docket should strive to provide a framework or simple guidance to the Kansas utilities for developing DG rate design, not result in prescriptive mandates. Ultimately, each utility should be permitted to propose company-specific tariffs based on the characteristics unique to its own system, but in accordance with the framework provided by the Commission in this docket.

### **Conclusion**

KEC submits that the best outcome for the subject docket is one where the Commission and staff, along with the utilities and the DG industry intervenors become familiar with and comfortable with the issues that arise in a developing DG environment. We urge the Commission, in its findings, to apply a broad stroke approach to creating rates for DG customers, much as for all other rate classes within that utility's territory. This docket's findings and any resulting Commission policy conclusions should allow a utility, upon completion of an appropriate cost-of service study, to consider a number of options for working with customers who use distributed generation and use the rate study information to set rates based on quantifiable costs. Such findings would provide the maximum flexibility for the utilities of Kansas.

Respectfully submitted,



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<sup>i</sup> See; K.S.A. 66-104d and K.S.A. 17-4601 for specific information.

<sup>ii</sup> Sunflower Electric Power Corporation and Mid-Kansas Electric Company, LLC; Initial Comments, paragraph 5 and paragraph 6, page 2.

<sup>iii</sup> See, *inter alia*; Sunflower and Mid-Kansas comments, Westar comments, Staff comments and Midwest energy's comments.

<sup>iv</sup> Midwest Energy's comment at April 13, 2017 open discussion held at the KCC within this docket. Meter information from KEC's Directory, members section, page B-2.

<sup>v</sup> Southern Pioneer's Initial Comments; Paragraph 7, page 2.

<sup>vi</sup> Midwest Energy's Initial Comments; paragraph 9, page 3.

<sup>vii</sup> See *also*; Sunflower and Mid-Kansas's Initial comments; paragraph 8, page 3 and 4.

<sup>viii</sup> KEC concurs with the analysis and comments of Midwest Energy. See; Midwest Energy's initial comments, paragraph 8, page 3.

<sup>ix</sup> KCC Commission; Order Opening General Investigation, paragraph 6, page 2.

<sup>x</sup> Southern Pioneer's Initial Comments; Paragraph 11, page 4-5.

**VERIFICATION**


STATE OF KANSAS       )  
                                  )  
COUNTY OF SHAWNEE   )

SS:

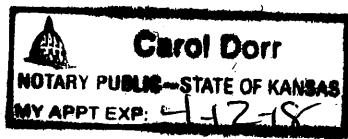
Kim Christiansen, of lawful age, being first duly sworn on oath, states:

That she is a member of the bar of the state of Kansas and the attorney for Kansas Electric Cooperatives, Inc.; that she has read the above and foregoing Reply Comments of Kansas Electric Cooperatives, Inc. and knows the contents thereof; and that the statements contained therein are true.

SUBSCRIBED AND SWORN to before me this 5<sup>th</sup> day of May, 2017.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 4-12-18





### CERTIFICATE OF SERVICE

I do hereby certify that on the 17th day of March, 2017, I electronically filed via the Kansas Corporation Commission's Electronic Filing System a true and correct copy of the above and foregoing Initial Comments with a copy e-mailed to:

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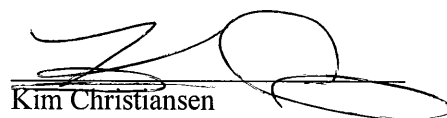
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