

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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

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

**REPLY COMMENTS OF BRIAN KALCIC ON DISTRIBUTED
GENERATION RATE DESIGN ALTERNATIVES
FOR THE CITIZENS' UTILITY RATEPAYER BOARD**

COMES NOW, the Citizens' Utility Ratepayer Board ("CURB"), and respectfully submits the following reply comments as requested by the Kansas Corporation Commission ("KCC" or "Commission") in its July 12, 2016 Order in the above-captioned docket:

I. Background

1. The Commission opened this investigation to examine issues related to the development of a just and reasonable rate structure for Distributed Generation ("DG") customers that is reflective of the quantifiable costs and quantifiable benefits of DG. On March 17, 2017, fourteen parties submitted initial comments.¹ CURB provided separate comments regarding (i) the potential cost and benefits of DG, sponsored by regulatory analyst Cary P. Catchpole, and (ii) DG rate design alternatives, sponsored by rate design consultant Brian Kalcic.

¹ Initial comments were filed by, or on behalf of, the following parties: 1) the Staff of the State Corporation Commission of the State of Kansas ("Staff"); 2) CURB; 3) Westar Energy, Inc. and Kansas Gas and Electric Company (collectively, "Westar"); 4) Kansas City Power & Light Company ("KCP&L"); 5) Sunflower Electric Power Corporation ("Sunflower"); 6) Mid-Kansas Electric Company, LLC ("Mid-Kansas"); 7) Southern Pioneer Electric Company ("Southern Pioneer"); 8) Kansas Electric Cooperatives, Inc. ("KEC"); 9) Midwest Energy, Inc. ("Midwest Energy"); 10) Empire District Electric Company ("Empire"); 11) Brightergy, LLC ("Brightergy"); 12) Climate + Energy Project ("CEP"); 13) Cromwell Environmental, Inc. ("Cromwell"); and 14) United Wind, Inc. ("UW").

2. In the reply comments that follow, CURB responds briefly to certain positions sponsored by Staff, KCP&L, Westar and Midwest Energy in their initial comments.

II. Three-Part Rate Design for DG

3. Staff, KCP&L and Westar request that the KCC adopt a three-part rate design for DG customers.² A three-part rate design includes a (i) customer charge (\$ per month), (ii) demand charge (\$ per kW of billed demand) and (iii) energy charge (\$ per kWh). The parties argue, in part, that a three-part rate properly recognizes the different types of costs incurred by utilities to serve DG customers, and would ensure that DG customers pay for the utility services that they use.

4. CURB agrees with Staff, KCP&L and Westar that (i) the KCC should establish cost-based rates for all rate classes, and (ii) DG customers should be served on a separate rate schedule. CURB also agrees that a three-part rate *may* be appropriate for DG customers. However, as discussed in CURB's initial comments, residential and small commercial DG customers have little or no previous experience with demand charges. Such customers may have difficulty understanding demand charges absent an extensive customer education program. And once educated, prospective residential DG customers may reject a three-part rate design as overly burdensome.

5. Perhaps for reasons such as the above, regulatory commissions have (to date) appeared reluctant to adopt demand charges when designing DG rates. According to the Edison Electric Institute, as of February 2016, in only one out of twelve instances has a regulatory

² See Staff's Initial Comments at p. 16, KCP&L's Initial Comments at p. 28 and Westar's Initial Comments at p. 32.

authority adopted a demand charge as part of its final DG rate design.³ In lieu of demand charges, regulators have instead adopted DG rate designs that include fixed charges, buy-sell arrangements, interconnection (or installed-capacity) fees, and minimum bill provisions.

6. As discussed in CURB’s initial rate design comments, the KCC has a number of DG rate design options available to address the problems that arise when DG customers are billed under existing residential or small commercial rate schedules. In CURB’s view, there is no clear-cut “winner” among the rate design alternatives available to the Commission – each option entails trade-offs with respect to traditional rate design principles. CURB respectfully suggests that the KCC give due weight to the types of DG rate designs formally adopted in other jurisdictions to help determine a just and reasonable rate structure for DG customers in Kansas.

III. Separate DG Rate Class

7. Midwest Energy states that DG customers should *not* be placed in a separate rate class.⁴ Midwest Energy avers that “existing rate schedules already accommodate a wide range of end users and load shapes.” In lieu of a separate DG rate schedule, Midwest Energy argues that all rate schedules should be designed to align more closely fixed charges with fixed costs and variable charges with variable costs. In Midwest Energy’s view, developing rate designs “that more efficiently recover fixed and variable costs from all customers and customer classes, not solely those utilizing DG technologies,” would permit residential and small commercial DG

³ See *A Primer on Rate Design for Residential Distributed Generation*, Edison Electric Institute, Feb. 2016, Table 1, as provided in the Appendix, page 26 of 139, to KCP&L’s Initial Comments.

⁴ See Midwest Energy’s Initial Comments at pp. 5-6.

customers to be served on their existing rate schedules, while eliminating the potential for cross-subsidization.

8. CURB respectfully disagrees with Midwest Energy on this point. The residential class is arguably the most homogeneous of all electric utility rate classes. As such, the standard two-part residential rate schedule does *not* already accommodate a wide range of end users and load shapes – nor is it designed to do so. Indeed, the perceived failures of the standard two-part residential rate schedule to adequately compensate an electric utility for the cost incurred to serve the DG customer is one of the primary reasons for opening this investigation.

9. The residential class would not remain homogeneous if DG customers were to be included within the class. Rather than include DG customers in the residential class, and subsequently attempt to modify the standard two-part residential rate schedule to eliminate intraclass subsidies, the KCC should develop a just and reasonable rate design for a separate class of DG customers.

10. In CURB's view, this generic investigation is not the appropriate forum to address perceived shortcomings in an electric utility's *non*-DG rate schedules. Instead, such concerns should be properly reserved for resolution in a base rate proceeding.

VERIFICATION

STATE OF MISSOURI)
) ss:
COUNTY OF ST. LOUIS)

I, Brian Kalcic, of lawful age and being first duly sworn upon my oath, state that I am a consultant for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



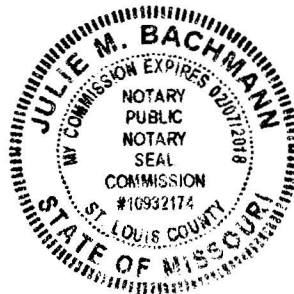
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 3rd day of May, 2017.



Notary Public

My Commission expires: 2/7/2018



CERTIFICATE OF SERVICE

16-GIME-403-GIE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 5th day of May, 2017, to the following parties:

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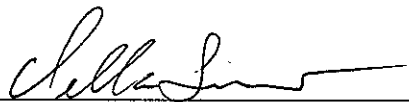
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