

***BROWN-ATCHISON ELECTRIC COOPERATIVE ASSOCIATION  
DONIPHAN ELECTRIC COOPERATIVE ASSOCIATION***

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

**Opponent Testimony for HB 2228 – Net Metering**

**Feb. 7, 2023**

**Presented by:  
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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 Michael Volker and I serve as General Manager at both Brown-Atchison Electric and Doniphan Electric cooperatives.

Good morning. As a way of background, I have an advanced degree in Economics and have testified many times before state and federal regulatory bodies and the Kansas legislature on a variety of utility issues. My background includes being an adjunct professor of Economics and Finance at Fort Hays State University in Hays, KS and as the Academic Energy Economist on the Kansas Energy Council, where I was nominated by Republican Governor Bill Graves and renominated for that position by Democratic Governor Kathleen Sebelius.

In addition, I have extensive experience in behind the meter energy services and served three terms on the board of the Association of Energy Service Professionals (AESP). In my third term I served as board chair for AESP. AESP is a preeminent organization of professionals working in the energy services industry.

Currently, I am the General Manager at Doniphan Electric Cooperative and Brown-Atchison Electric Cooperative located in Troy and Horton, KS, respectively. My background provides me the unique ability to give perspective on the value of this bill as policy and of its impact on members of electric cooperatives. Please note that I am not anti-solar. In fact, I have recently signed a contract to purchase utility-scale solar generation to the benefit of all members of Brown-Atchison Electric Cooperative.

I have a three-fold purpose for today's testimony: first, I want to articulate what HB 2228 is not. Second, I want to discuss the value of this bill from the perspective of economists. Third, I want to discuss the impact on members of cooperatives, and indeed, all utilities.

First, what this bill is not: this bill is not renewable energy policy. It is distributed generation policy. In other words, this bill isn't necessarily advocacy for renewable energy. It is instead, policy supporting where that generation occurs: specifically, behind the meter. If it were policy supporting renewable generation, it would be policy oriented towards increasing the total amount of renewable generation whether behind the meter or at utility scale generation facilities. It does not do that. This is policy supporting behind the meter generation, and therefore, the value provided is essentially limited to the relatively small number of individuals or entities that can access behind the meter generation.

Second, economists evaluate the benefits of policy to the public based on two parameters: does it lead to better efficiency, and does it lead to more equitable distribution of wealth, i.e. "equity". Regarding efficiency, this means one thing: does the policy lead to lower prices for the service impacted by the policy? The answer for HB 2228 is "no". This is because the cost to everyone except the individual benefitting from behind the meter generation increases with the cost of the power purchased on a net-metered basis.

For example, the cost of solar power purchased from a utility scale solar farm is approximately \$0.04-0.05 per kilowatt hour, whereas kilowatt hours purchased on a net-metered basis cost the full retail rate of electricity, say \$0.14 per kilowatt hour. Who makes up for the higher cost of power purchased from the net metered generator? All other customers of the distribution utility. This means higher prices to all other members. This is in direct contrast to economic efficiency.

As mentioned above, the second way economists evaluate policy is in terms of equity. Does expanded net metering policy lead to a better distribution of wealth in society? The answer is again no. To understand why this is true, one needs to understand who benefits from policy which encourages behind the meter generation. It is more times than not those who have access to capital or own property. To illustrate: homeowners or corporations that own their buildings have more ability to install solar panels on those buildings than tenants who do not own buildings and often don't have access to capital to make such investments in behind the meter generation. By way of example, I am showing how HB 2228 is regressive in nature—it shifts wealth from those with less to those with more. There have been a number of published articles discussing income levels and who receives the benefits of net-metering subsidies. For example a POLITICO article from March 31, 2021 titled "California's Rooftop Solar Program Collides With Equity Concerns" amongst many others. In fact, California – up to now the most aggressive state regarding distributed generation policy and not surprisingly with some of the some of the highest (if not THE highest) utility rates in the country – has dramatically lowered energy incentives for the installation of new rooftop solar panels (see [cnbc.com – 2022/12/15 "California Lowers Solar Energy Incentives for Homeowners"](https://www.cnbc.com/2022/12/15/california-lowers-solar-energy-incentives-for-homeowners.html)).

The third purpose for my testimony is a discussion of the impact of the bill on the members of cooperatives that I manage. Brown-Atchison Electric and Doniphan

Electric are small, rural, and spread out over a relatively large geographic area with higher costs on average as one would expect for a spread-out rural utility. At Brown-Atchison and Doniphan, the costs of a distribution system are relatively fixed. When behind the meter generation is installed, that reduces sales volumes without lowering the fixed cost of the distribution system. Since the majority of the distribution system costs at both cooperatives are recovered through volumetric energy charges, simple math says that prices must go up in order to recover the full cost of the distribution system. The result is higher prices to lower income individuals that do not have the ability to install distributed generation, and overall higher prices because the distribution utility is being forced to purchase higher cost distributed generation compared to utility-scale generation. Again, one of my points is that HB 2228 is about encouraging inefficient and regressive distributed generation, not renewable energy.

Thank you again for the opportunity to share our concerns with HB 2228. We respectfully request the committee to refrain from advancing the bill. If the committee does act on HB 2228, we request cooperatives be excluded from the bill. If you have any questions regarding our testimony, please feel free to contact me.

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