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MEMORANDUM

To: House Committee on Energy, Utilities and Telecommunications
From: Nick Myers, Office of Revisor of Statutes
Date: February 1, 2024
Subject: Bill Brief - House Bill 2588

House Bill 2588 would amend the net metering and easy connection act. The net metering and easy connection act generally requires investor-owned electric public utilities to interconnect customers' renewable energy generation systems to the utility's electric grid subject to certain limitations. The act also establishes requirements regarding interconnection requirements, system size limitations and how customers are billed with respect to the operation of a net metered facility.

Section 1

Section 1 of HB 2588 amends K.S.A. 66-1264 to revise definitions and establish new definitions that apply throughout the net metering and easy connection act. HB 2588 would include new definitions for the following terms: "Export," "supplied", "permission to operate" and "witness test." HB 2588 would also revise the definition of "customer-generator" to require that a customer generator's net metered facility shall include an underwriter laboratories listed mechanism that can disable the electricity flow between the facility and the electric grid when necessary.

Section 2

Section 2 of HB 2588 would amend K.S.A. 66-1265 to increase the total systemwide generating capacity limitation of net-metered facilities that are authorized to operate within the territory of an investor-owned electric public utility. Currently, the law caps the total systemwide capacity of net metering facilities at 1% of a utility's peak demand during the prior year.

HB 2588 would annually increase the total systemwide capacity of net metered systems as follows:

- July 1, 2024 = 2% of the utility's prior year peak demand.
- July 1, 2025 = 3% of the utility's prior year peak demand.
- July 1, 2026 = 4% of the utility's prior year peak demand.
- July 1, 2027, and each year thereafter = 5% of the utility's prior year peak demand.

Section 3

Section 3 of HB 2588 would amend K.S.A. 66-1266 which establishes how a customer-generators energy exports back to the grid are accounted for on customer accounts.

Generally, HB 2588 maintains the current statutory requirements for how a utility shall credit customers for energy exported back to the grid as follows:

- For net metering systems that began operating prior to July 1, 2014, customers are credited at a one-to-one ratio of electricity supplied versus electricity exported;
- For net metering systems that began operating after July 1, 2014, customers are credited at an amount that is equal to 100% of the utility's monthly system average cost of energy per kilowatt-hour (avoided cost); and
- For all net metering system operating on and after January 1, 2030, all customers are credited at an amount that is equal to 100% of the utility's monthly system average cost of energy per kilowatt-hour (avoided cost).

HB 2588 would establish new requirements for how a utility shall credit customers for excess exported energy back to customer accounts for those customers that begin operating a net metering facility on or after July 1, 2024, and that receive service on a time of use energy rate. For these customers, HB 2588 would require the electricity supplied by the public utility to be netted against the electricity exported by the customer-generator during each applicable time of use period and billed to the customer-generator as follows:

- If the electricity supplied by the utility exceeds the electricity exported to the grid, the utility shall bill the customer generator for such net electricity supplied and any other utility charges that are imposed on the customer's rate class.

- If the electricity exported to the grid exceeds the electricity supplied by the utility during any time of use period, the customer generator shall be credited at a rate of at least 100% of the utility's monthly system average cost of energy per kilowatt hour (avoided cost) and any such net credit, and net of all other charges that are applied to the same rate class, shall be applied to next billing period for such customer.

Section 4

Currently, K.S.A. 66-1267 imposes certain size limitations for net metering facilities depending on when the facility begins operating. If a facility began operating prior to July 1, 2014, the utility must allow a facility to generate up to 25 kW for residential customers or 150 kW for other customer classes. If a facility begins operating on or after July 1, 2014, the utility must allow a facility to generate up to 15 kW for residential customers or 100 kW for other customer class.

HB 2588 would amend K.S.A. 66-1267 to provide that, a utility must allow any net metering facility that begins operating on or after July 1, 2014, to generate up to 150 kW no matter the type of customer.

HB 2588 would maintain the requirement that any net metering facility be appropriately sized based on the customer-generator's expected load. HB 2588 would also establish a specific formula in statute to determine the appropriate size of a net metering facility based on the customer-generator's expected load.

Commencing January 1, 2026, HB 2588 would establish requirements for all customer-generators relating to a facility's generating capacity and export capacity, such that the generating capacity shall not exceed the export capacity by more than 50%. Any such sizing calculation would be required to exclude any energy storage capacity unless the energy storage device can increase export capacity and is not subject to an export limiting device.

HB 2588 would also require all customer-generators to own and maintain an export limiting device if a customer-generator operates a facility that is designed to export an amount of power that is different from the system's generating capacity. For any such system, the utility would be authorized to perform periodic witness testing of such export limiting device and to prohibit increases in export capacity without prior approval from the utility. If an export limiting device fails to properly limit energy exports for more than 15 minutes in a single event, HB 2588

would require the customer generator to shut down the net metering facility until the device functions correctly.

If enacted, HB 2588 would take effect on July 1, 2024.