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Evergy companies

Testimony of KCP&L/Westar (Evergy)

Chuck Caisley, Senior Vice President, Marketing & Public Affairs
Before the Senate Utilities Committee

Opposed to SB124

February 25, 2019

Chairman Masterson and members of the Committee:

Thank you for the opportunity to offer comments on Senate Bill 124. Evergy opposes SB 124 because it effectively returns the practice of cross-subsidizing energy and delivery costs from solar customers to non-solar customers. It removes the demand charge implemented just last year for distributed generation retail customers, which equitably allows them to self-generate their own electricity, sell excess generation back to the utility, and use the electric grid for back-up power.

Last year, after careful consideration and public scrutiny, the Kansas Corporation Commission (KCC) issued a decision that resulted in a non-discriminatory three-part rate plan for distributed generation (DG) customers who installed their own source of electric power generation after October 28, 2015. They found that under the previous two-part rate design for DG customers, DG customers were receiving an unduly preferential rate and were being subsidized by other residential customers because they were not paying the same proportion of fixed costs.

A demand charge of $3.00 in the winter and $9.00 in the summer was added to DG residential rates. The service charge remains the same, while the energy charge was reduced by 40%. KCC, in its ruling, indicated the new rates do not end the subsidy for DG customers but are a compromise that avoids rate shock for DG customers.

We've already seen customers save money on this new rate, while also helping Evergy reduce its peak demand. Customers continue to save money with solar installed, even without the level of subsidy from other customers that there once was. The new rates have had little to no impact on the number of new metered applications from DG customers.

Westar Energy and KCP&L have championed renewable energy for years. About a third of the energy we supply to all homes and businesses is produced by renewable sources. Kansas is now ranked third in wind generation and fifth in renewable energy production in the U.S.

To further support clean energy growth requires a more equitable rate foundation that works for all customers, with rates that reflect how customers access and use energy. Rate policy should balance the needs of all customers – those who choose private solar and those who don't or can't.

Private solar customers use less energy from the grid because they're generating their own power much of the time. Yet they continue to rely on the energy grid when sunshine isn't reaching their panels. They use it on cloudy days and at night, and also to sell excess energy to the utility, so it's important that DG customers help pay for the grid they continue to need. Without the DG revisions implemented last year, costs for maintaining the grid would continue to disproportionately shift to those who don't have private generation as more people add private generation sources, like solar panels, and therefore use less energy from the grid.

The new rate design approved by the KCC will help customers get the type of energy they want in a way that's fair for everyone and sustainable over time. Old rates were based on usage for everybody, which made sense when they consumed electricity the same way. Every new private solar customer meant higher energy bills for all other customers because private generation customers weren't sharing in grid costs. The new rate structure implemented by the KCC proactively addresses this issue and fairly spreads grid costs across all customers.

How the new rate works:

a) A demand component was added to bills, as established by the KCC, to better align charges with the utility's cost to serve private generation customers. However, DG customers are paying less for their actual energy consumption (per kWh) than they were previously. That means they can still receive notable energy savings including months where they would save more than being on a traditional net metering rate.

b) The new Demand Charge not only helps reflect costs to serve private generation customers, it also rewards them for shifting energy usage outside of 2 - 7 p.m. weekdays (excluding holidays): The less energy they use in that window, the lower their Demand Charge will be and the more they benefit from the lower energy rate.

c) That's because these "peak hours" are when utilities generate the most electricity to meet customer needs, and energy is more expensive to produce. When you shift energy usage away from peak hours, that uses the power grid more efficiently, which benefits everyone.

d) Demand is based on kilowatts (kW) of electricity used at any given time. Each month, we calculate a customer's Demand Charge based on their maximum average electric need in a 60-minute window during peak hours. To better understand the difference between Energy Charge and Demand Charge, think about energy usage the way you'd think about driving a car: Energy Charge is like the price you pay per gallon of gas, while Demand Charge is like being charged for how high you "top out" your speedometer.

Mr. Chairman, we ask you to consider all our customers by limiting cross-subsidization that the demand charge accomplishes and oppose this bill. Thank you.

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