

7/22/15

To: The Kansas Corporation Commission
Re: written comments, Westar rate case
Docket No 15-WSEE-115-RTS
From: Kansas Natural Resource Council,
Sharon Ashworth, Program Manager

The Kansas Natural Resource Council is a non-profit group whose mission is to promote the wise use of Kansas natural resources for current and future generations of Kansans.

KNRC opposes Westar's proposed rate structure on the grounds that it discourages energy conservation and renewable sources of energy.

- **Solar customers and efficient customers are not cheats**

Westar testimony suggests that the fewer than 300 solar homeowners in Kansas play a lead role in Westar's case to raise electricity rates on all its nearly 700,000 customers. These solar users apparently are responsible for inter-customer inequities that must be corrected if utility rates are to be fair. KNRC questions the use of such baiting language – why pit one group of users against another, why put the blame for higher costs on the backs of a handful of solar providers?

While the Westar testimony targets homeowners who install solar panels, their arguments in fact apply to anyone who seeks to reduce their energy usage for any reason, environmental or fiscal. By suggesting that those who seek to reduce their energy bills are somehow not paying their fair share, Westar includes all those customers who have installed energy efficient appliances, switched their incandescent bulbs to fluorescent or LED, and admonished their children to turn off the lights when they leave a room. Essentially, those customers that have conscientiously sought to save money on their energy bills will be penalized in Westar's new plan because those who do not need or wish to reduce their energy bills, those who leave the lights and TVs on, are paying more for the cost of energy production. The incentive structure of the new rate plan is backward from the consumer's point of view. Worst off will be those customers who cannot afford the LEDs and energy saving appliances. Those who have diligently invested in energy saving devices and strive to save money and energy in their daily habits will be penalized. Those who use energy with impunity and have not invested in energy savings are rewarded.

Infrastructure costs are built into all customers' bills by way of the fixed service charge, including those customers with solar panels. Westar does not provide solar panel users with a "free" backup battery as suggested in Dr. Overcast's and Dr. Faruqui's testimonies. Solar customers pay the fixed charge for that service, the same as all Westar customers, a rate that until this year Westar had determined was a fair charge for customer service.

- **Westar's rate plan raises electricity bills for low use customers and removes control of electricity costs from the consumer**

In his testimony, Dr. Faruqui states that "Redesigning rates to better reflect the split between fixed and variable costs in Westar's operations ensures that customers' changes in consumption will directly affect their energy bills." In fact a customer's ability to affect their energy bill is much reduced under any of the new plans. A greater portion of the customer's bill remains fixed under the proposed scenario leaving the customer fewer options to make a meaningful dent in their electricity payment.

We are assured, however, that variable costs for energy consumption will go down with the new plan as fixed rates go up. There are two problems with this proposal: 1) it is not true for all plans, and 2) it sends the wrong signal.

Under Westar's rate plan, both fixed and variable charges go up with the new standard service plan – there is no offsetting. According to the Residential Stability Plan (RSP), the variable rate is reduced only for the first 600 kWh; thereafter the variable rate is higher. The variable rate only goes down for the new Residential Demand Plan (RDP). While this may be the "offsetting" Dr. Faruqui mentions in his testimony, it clearly sends the wrong signal. This offsetting decreases the incentive to save in the future and penalizes those customers that have to date attempted to conserve energy and lower their bills. Why spend money on expensive light bulbs or tell the kids for the 20th time to turn off the lights when it won't have a great impact on your bill. The new demand charge, based on peak electricity use, might be an extra incentive to save on the electricity energy bill, but what customers have the ability to manage all their electrical appliances on a daily basis to prevent high spikes in energy use? A customer's electricity bill might be based on the fact that their refrigerator happened to cycle on while dinner's cooking on the electric stove, one kid plugs in her computer, the other turns on the TV, and someone else decides to run the vacuum cleaner. No one will be able to predict their peak use and cannot hope to manage those costs without a strict schedule of what appliances can be used at what times.

The Residential Rate Study for the Kansas Corporation Commission dated April 2012, reported on the effects of different rate structures. The Straight Fixed Variable Rate (SFV) examined in the study evaluates a proposed increase in the fixed charge while lowering the variable charge. The study found that while the SFV did reduce a utility's disincentive for promoting energy efficiency, the plan increased the customers' disincentive to save energy and actually led to large bill increases for low-use customers (these are energy efficient customers as solar customers were truly negligible in 2012). In fact anyone using under 1,000 kWh was to have an increase in their electricity bill (the average Kansas household uses 945 kWh) while those using more were to experience a decrease in their electric bill.

Westar's proposal discourages energy savings because most of bill is fixed. The new rate structures will in the end cost all Kansas residents more – more fuel, more water, more pollution, more money. There are other models that provide for the real costs of producing electricity while also imparting an incentive and reward for frugality.

- **The cost of providing electricity is high and Westar needs a fair return on investment**

Westar does need to recoup the costs of providing its customers with electricity, including those costs associated with the environmental upgrades at La Cynge and the updates at Wolf Creek. We have learned from Westar's testimony, the current fixed charge does not cover costs and as more and more people work to save money on their energy bills, the variable energy consumption charge does not currently make up for the gap between expenses and revenue. To remedy this very real and legitimate concern Westar has proposed to increase the fixed charge for providing electricity.

However, the 2012 Residential Rate Case study presented to the KCC found that revenue attrition is more pronounced with high fixed rates as compared to rate structure models that adjust variable charges.

De-coupling fixed and consumption charges is one potential rate mechanism that has been used successfully in other states. In these cases, utilities are guaranteed a rate of return and recoup expenses predominantly from the variable rate rather than the fixed rate. In a decoupled rate structure, the variable rate is annually or semi-annually adjusted up or down depending upon a guaranteed rate of return for the utility. The variable rate can be adjusted for increasing energy consumption in blocks of kWh, by seasonal use, or by time of use.

According to the 2012 Residential Rate Case study, any variable rate increase caused by increasing efficiencies is negligible when compared to the savings customers can generate through those efficiencies. Decoupling allows the utility to recover costs, removes the disincentive to promote consumer efficiency, and allows the consumer to better control their monthly bills.

- **Who controls the power of the sun?**

Westar knows that solar is part of our future and they are building demonstration projects and will in the near future give customers the option of purchasing solar from utility owned solar arrays. The Westar website thanks Kansans for supporting renewable energy. We applaud this effort, but do not want to see homeowners choices limited if they prefer to produce their own solar power. Westar's rate plan ensures that the utility will remain in control of solar power.

As an organization that promotes the wise use of our natural resources, KNRC opposes Westar's proposed rate structure on the grounds that it discourages energy conservation and renewable sources of energy.

Thank you for your time,

Sharon Ashworth
For the Kansas Natural Resource Council