

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:15 A.M. on January 31, 2008 in Room 783 of the Docking State Office Building.

All members were present except:

Dan Johnson- excused
Annie Kuether-excused

Committee staff present:

Mary Galligan, Kansas Legislative Research
Melissa Doeblin, Revisor's Office
Rena Hansen, Committee Administrative Assistant

Conferees appearing before the committee:

Trudy Aron, American Institute on Architects
Tom Thompson
Dave Springe

Others attending:

Twenty Three including the attached list.

The Chairman noted that we will be meeting in 313-S all week next week, and the meetings will start at 9 a.m. He clarified that both the House and Senate proponents on **SB 515** and **HB 2711** would be heard Monday and Tuesday, and opponents would be heard Wednesday and Thursday. The Chairman noted that it is his intent for the committee to work **HB 2711** on Friday.

Mary Galligan gave a synopsis to the committee on net metering and how that compares to what we currently have in the state of Kansas. She noted that other states that have net metering have varying means of payment for the electricity they put into the grid.

Hearing on:

HB 2682 - Net metering and easy connection act

Trudy Aron, the American Institute on Architects, (Attachment 1), presented testimony in favor of **HB 2682** noting that they would like the bill to include other sources of renewable energy added to the grid.

Tom Thompson, Sierra Club, (Attachment 2), offered testimony in favor of **HB 2682** recommending that wind energy be added to this bill.

Questions were asked and comments made by Representative: Vaughn Flora.

Written testimony from KCPL, (Attachment 3), was presented to the committee on **HB 2682**.

Opponents:

Dave Springe, CURB, (Attachment 4), presented testimony in opposition to **HB 2682** noting that the current parallel generation statute is the right mechanism for the state. They are concerned with the loss of fixed cost payments to the utility and then someone else has to make up the fixed cost difference. He notes however that the percentage cap is a possible positive part of this bill. He also asked that if the bill is implemented that a customer funded third party non-utility entity be created that can focus on providing low income utility assistance, and weatherization, energy conservation and energy efficiency measures to all Kansas customers.

Questions were asked and comments made by Representatives: Don Myers, Tom Hawk, Vaughn Flora, Josh Svaty, Tom Sloan, Carl Holmes, Terry McLachlan, Forrest Knox, and Richard Proehl.

CONTINUATION SHEET

MINUTES OF THE House Energy and Utilities Committee at 9:15 A.M. on January 31, 2008 in Room 783 of the Docking State Office Building.

Bill Smalley also contributed to the question and answer period. He noted that there is a report that was handed to Representative Kuether that he recommended the committee read.

Hearings on **HB 2682** were closed.

The next meeting is scheduled for February 1, 2008.

The meeting was adjourned at 10:10 a.m.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 31, 2008

NAME	REPRESENTING
Tom Thompson	Sierra Club
DAVE HOLTHAUS	KEC
PHIL WAGGS	KCPKO
Joe Dick	KCBPU
TOM DAY	KCC
JOHN C. BOTTENBERG	WESTAR
KARL WENZER	KBAKRY
Riston Moyer	Pinegar Smith
Fredy Gray	American Institute of Architects
Kimberly Gabeur Slaty	ITCGP
Karl Snider	KCPK
Bill Smalley	Smalley Heating & Cooling
David Spruige	Curb
STEVE JOHNSON	ONEOK
Mark Schwesber	Wester
Wes Ashton	Aquila
LARRY BERG	MIDWEST ENERGY

January 31, 2008



TO: House Committee on Energy and Natural Resources
FROM: Trudy Aron, Executive Director
RE: Support for HB 2682

Good Morning Chairman Holmes and Members of the Committee, I am Trudy Aron, the Executive Director of the American Institute of Architects in Kansas. I am here to testify in support of HB 2682.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. The rest of our members work in industry, government and education where many manage the facilities of their employers and hire private practice firms to design new buildings and to renovate or remodel existing buildings.

In the effort to encourage production of electricity from alternative energy sources, reduce carbon emissions and reduce the energy demands from the grid, we applaud the introduction of HB 2682. This bill provides net metering for electricity generated by solar energy. While we support this language, we hope you will amend it to include other alternative electric generation.

I listened yesterday to the discussion with Bill Smalley regarding wind generation. We believe that net metering must be fair to the customer-generator and to the utility. There must be some financial incentive for the customer-generator to encourage the use of alternative electric generation and reduce our carbon footprint. There was discussion that individuals wouldn't purchase alternative generation units unless there was a very short first cost payback. We believe more and more people are willing to spend monies to protect our environment for today and the future. A payback analysis is not always the driving factor in our economic decisions.

We support HB 2682. However, we hope you will consider wind and other alternative means of electric generation as eligible for net metering.

Thank you. I'll stand for questions.

President
C. Stan Peterson, FAIA
Topeka
President Elect
David S. Heit, AIA
Topeka
Secretary
J. Michael Vieux, AIA
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Nadia Zhiri, AIA
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Douglas R. Cook, AIA
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S. L. Ferguson-Bohm, AIA
Wichita
John Gaunt, FAIA
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David Livingood, AIA
Lawrence
Peter Magyar, Assoc AIA
Manhattan
Bruce E. McMillan, AIA
Manhattan
Hans Nettelblad, AIA
Overland Park
Gary Nevius, AIA
Overland Park
Wendy Ornelas, FAIA
Manhattan
Daniel Sabatini, AIA
Lawrence
Zachary Snethen, Assoc
AIA
Topeka
Daniel (Terry) Tevis, AIA
Lenexa
Jerry E. Volesky, AIA
Topeka
Eric Wittman, Associate
AIA
Wichita

Executive Director
Trudy Aron, Hon. AIA, CAE

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ENERGY AND HOUSE UTILITIES
DATE: 1/30/2008
ATTACHMENT 1

**Testimony before the House Energy and Utility Committee
January 31, 2008
Supporting H.B. 2682**

Chairperson Holmes and Honorable Members of the Committee:

My name is Tom Thompson and I represent the Kansas Chapter of the Sierra Club. I have come today to speak in support of H.B. 2682.

HB 2682 provides for a program where rate-payers are allowed to take advantage of net metering for solar energy units of not more than 100 kilowatts.

Last year in this committee I was asked what net metering was. Since then those in this committee have had a number of explanations about what net metering is though others in the legislature are still asking questions.

Net metering helps to encourage electric consumers to use their own generation to offset their consumption. This gives them a clean source of electricity allowing them to avoid using more polluting sources of electricity that also contribute to global warming. It further allows them to be more energy independent.

Net metering is offered in some form in over 35 states. The Sierra Club supports making net metering available for citizens throughout Kansas.

The Sierra Club would also like to see net metering for wind generation. It is concerned that this bill goes beyond not including net metering for wind. It hopes that whatever version passes does not prohibit utilities from going beyond this bill to offer customers net metering for wind. Both solar and wind will add a source of energy to the base load that decreases our production of greenhouse gasses.

As the cost of carbon increases, those who invest in solar energy will benefit more and more. In time the technology for using solar power will advance further. Those who invest today will help move all of us toward even better technology tomorrow.

The Sierra Club encourages the members of the committee to support H.B. 2682 but please make sure not to prohibit utilities from implementing their own wind net metering programs.

Thank you for this opportunity and your time.

Sincerely

Tom Thompson
Sierra Club

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ATTACHMENT 2

**Testimony of Paul Snider
Before the House Energy and Utilities Committee
In support of House Bill 2682
January 31, 2008**

Kansas City Power and Light supports renewable energy and believes House Bill 2682 is a reasonable way to help customers install renewable generation. Last year in Missouri KCP&L worked on and helped support Senate Bill 54, which is the foundation for this bill.

In September 2007, we filed a tariff with the Kansas Corporation Commission seeking to establish net metering in Kansas. That tariff is currently under consideration.

KCP&L does however suggest language in the bill that would preserve our right to pursue wind or other renewable net metering though a tariff at the KCC.

Thank you for the opportunity to voice our support.

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Paul Snider – KCP&L
Manager, Kansas Government Affairs
816-556-2111; paul.snider@kcpl.com

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DATE: 1/31/2008

ATTACHMENT 3

Citizens' Utility Ratepayer Board

Board Members:

Gene Merry, Chair
Randy Brown, Vice-Chair
Carol I. Faucher, Member
Laura L. McClure, Member
A.W. Dirks, Member



State of Kansas

Kathleen Sebelius, Governor

David Springe, Consumer Counsel
1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone: (785) 271-3200
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<http://curb.kansas.gov>

HOUSE UTILITIES COMMITTEE H.B. 2682

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
January 31, 2008

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2682. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

Current Kansas law, at K.S.A 66-1,184, regarding parallel generation services, represents the existing policy on payment to small generators for electricity placed on a utility grid. CURB supports the current law and the current economic framework for payments to small generators. Under the current law, customers that also operate small generators do not avoid paying the fixed costs necessary for the utility to remain ready, willing and able to supply power to the customer when needed. The current law does allow the payment of 150% of fuel cost, which is a 50% subsidy on fuel. This subsidy has to be made up by other customers. However, after numerous debates the legislature, as set forth in the current law, has determined that a mechanism that compensates a small generator for the utility's fixed costs, costs that are not being avoided, is the wrong economic policy.

Net metering (as opposed to parallel generation), as commonly used, involves netting the energy delivered by the utility and used by the customer against the energy generated by the customer and delivered to the utility. In simple instances, the customer meter spins backwards when energy is being delivered to the utility grid. Consider the example where a customer relies on and uses the utility system for a portion of the month and uses 1000 kilowatt-hours of energy. If the customer's generator runs for a portion of the month and puts 1000 kilowatt-hours of energy back on the utility system, netting the customer's usage against the customer's generation results in a utility bill for a net zero usage. The utility collects no revenue for any charge that is billed base on customer usage, but rather collects only the small monthly customer charge, which is not based on usage. The majority of a utility's fixed costs are recovered through charges based usage. The customer with the small generator in this example used the utility system for the month for free. Since the utility's fixed costs have not gone away, over time other customers are going to have to pay more in electric rates to offset the fact the utility is no longer receiving revenue from the small generator's use of the utility of the system.

To the extent that a proposed "net metering" law allows a person that has the financial means to afford a small wind turbine or photo-voltaic system to use the utility system but avoid

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ATTACHMENT 4-1

paying the fixed costs of that utility system, then CURB does not believe this is fair or equitable to those that do not have the means to afford this same technology.

H.B. 2682 at New Section 3 (a) [page 2, line 8], makes this new net metering law available on a first come first serve basis, subject to some overall limits on total availability. New Section 3 (b), [page 2, line 21], requires the utility offer a tariff or contract “*identical in electric energy rates, rate structure and monthly charges*” as a normal customer and specifically precludes charging an additional “*standby, capacity, interconnection or other fee or charge that would not otherwise be charged if the customer was not an eligible customer-generator*”. Finally, New Section 5 (b) [page 3, line 17] requires, in the situation where the electricity supplied by the utility is in excess of the electricity supplied by the customer-generator the utility must bill the customer for the “*net electricity supplied*”. New Section 5 (c) [page 3, line] goes further to require that, where the customer-generator places more energy on the utility system than the customer uses, not only will the customer get a bill for only the small customer charge, but a credit to the customer’s bill will be created “*in an amount at least equal to avoided fuel cost of the excess kilowatt-hours generated*”, with this credit to be applied the following billing periods up to 12 months. Functionally, this means the utility now owes the customer.

When these sections are combined, a framework is created that allows a small customer-generator to avoid paying the fixed cost of utility service, other than a small monthly customer charge. These sections combined, if enacted, will clearly make small photovoltaic systems more economically attractive to those customers that can afford to purchase a system. These same sections also insure that some amount of the utility’s fixed costs will be shifted to those customers that cannot afford this type of generation system.

The economic reality is that a person that uses the utility system creates the need for generation to be available, transmission to be available, distribution, transformers, meters and service personnel all to be available. Further, as long as the customer remains connected to the grid, the utility still has to plan for and incur costs in a manner to be able to serve that customer in the event the wind or photovoltaic generator ceases working at any time. A customer should not be able to avoid these fixed costs simply because the customer has the means to afford a small generation system.

For these reasons, CURB does not support HB 2682.

However, CURB does acknowledge that, while the economic principles outlined above are true, the level of allowed net metering in HB 2682 is capped. By definition there will be cost shifting and explicit subsidies created by this legislation. The legislature can decide that these subsidies serve a valid purpose. If the Committee does make the policy decision to create this type of subsidy for those that can afford photo-voltaic generation systems, CURB again asks that the Committee consider creating a customer funded third party non-utility entity that can focus on providing low income utility assistance and weatherization, energy conservation and energy efficiency measures to all Kansas customers.