

Testimony of  
Bob Glass, Chief of Economics and Rates  
Kansas Corporation Commission

Before the House Energy and Environment Committee  
Regarding Rate Impacts and Change in Calculation  
February 5, 2013

Chairman Hedke and Committee Members:

My name is Bob Glass and I am the Kansas Corporation Commission's Chief of Economics and Rates. Thank you for allowing me to appear before you this morning on behalf of Commission Staff. I am appearing today to discuss the retail rate impact (and change in calculation) of the Renewable Energy Standards Act (RES)

**Renewable Energy Standard (RES)**

On May 22, 2009, Kansas Governor Mark Parkinson signed HB 2369 into law. Part of this bill contained the Renewable Energy Standards Act (RES) (KSA 66-1256 through 66-1262). KSA 66-1258, requires cooperatively-owned (coops) and investor-owned utilities (IOUs) to meet a portion of the average of their three previous annual peak demands with renewable generation capacity or renewable energy credits (RECs).

Affected utilities are required to have at least 10% of their peak demand come from renewable resources for calendar years 2011 through 2015, at least 15% of their peak demand come from renewable resources for calendar years 2016 through 2019, and at least 20% of their peak demand come from renewable resources for calendar years 2020 onward. Capacity built in Kansas after January 1, 2000, is given an extra 10% capacity rating toward compliance. RECs may be used to comply with the RES in the years 2011, 2016, and 2020, and in any other years the Commission allows.

In response to the RES, the Commission promulgated KAR 82-16-1 through 82-16-6. KAR 82-16-2 requires each utility to submit a report to the Commission detailing compliance with the portfolio standards established in KSA 66-1258 and containing, among other things, a retail revenue requirement calculation pursuant to K.A.R. 82-16-4.<sup>1</sup> During the 2012 legislative session, KSA 66-1260 was amended to require, in part, the Commission to provide a report to the legislature each year on the statewide retail rate impact related to the RES.

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<sup>1</sup> K.A.R. 82-16-4 Retail Revenue Requirement (Specifying the methodology for calculating the retail revenue requirement attributable to compliance with the renewable energy standards requirement).

Because the utilities were already required to report retail revenue requirement, the only additional information required to calculate a retail rate is the volumetric sales data. On December 13, 2012, the Commission ordered the utilities<sup>2</sup> to file updated versions of their 2012 RES reports to include this data. While much of the individual revenue requirement and related information provided in the RES compliance filings is considered confidential, Staff is able to compile the rate impact information and provide it on an aggregated statewide basis.

### **Rate Impact Calculation**

The rate impact is calculated by summing up the revenue requirement associated with the RES for all utilities and then dividing by the sum of their retail sales:

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The rate impact of wind is about 0.72 cents per kWh. That is wind energy counts for about 0.72 cents kWh of the about 9.2 cents per kWh retail electricity cost in 2012 across the state. Thus, wind requires less than 8% of the revenue requirement of the utilities while wind supplies more than 10% (closer to 14%) of the generation capacity in the state.

### **Conclusion**

Thank you for your consideration of these comments. I am available for questions at the appropriate time.

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<sup>2</sup> Kansas City Power and Light Company; Westar Energy, Inc. and Kansas Gas & Electric Co., d/b/a Westar Energy; Empire District Electric Company; Midwest Energy, Inc.; Sunflower Electric Cooperative, Inc.; and Kansas Electric Power Cooperative, Inc. were ordered to file an updated version of the August 2012 RES report by January 16, 2013 and to provide retail rate impact calculations as part of their annual RES report going forward. In addition, the Kansas City, Kansas Board of Public Utilities was requested to do the same. (Docket No. 13-GIME-391-GIE, Order Nunc Pro Tunc, January 2, 2013)