



Liberty Utilities[®]
EMPIRE DISTRICT

TESTIMONY

Senate Committee on Utilities

SB 124 – An Act concerning the state corporation commission; relating to electric utilities

Whitney Damron
On behalf of Liberty Utilities – Empire District

February 25, 2019

Good afternoon Chairman Masterson and Members of the Committee:

On behalf of Liberty Utilities – Empire District, I respectfully offer these comments in opposition to SB 124 that proposes to turn the clock back on agreements memorialized in statute the investor-owned electric utilities negotiated and have relied upon with solar and renewable energy interests in 2014.

By way of history, the state's original net metering act was passed by the legislature in 2009 as part of a broader energy bill. In 2014, the three investor-owned electric utilities brought forth legislation to place certain limitations on net metering customers in effort to protect their traditional customers from unduly subsidizing net metering customers. SB 124 would effectively return the state's laws on net metering to 2009 standards.

Net metering customers do not detach themselves from the electric grid and remain dependent upon the ability to obtain firm electric service with the flick of a switch. Solar customers on Liberty's system require a connection to work at all. When the wind is not blowing, the sun is not shining, or alternative electric generation is out of service, net metering customers rely on the ability to obtain power the same as their neighbors who are not involved with net metering. A utility is required to build and maintain capacity to serve all their customers at all times. Providing for this firm service has a cost: Generation, transmission, delivery, etc.

Liberty believes net metering customers should be required to pay their fair share of these costs, as they benefit from the availability of electricity 24/7, 365 days a year regardless of their net metering capabilities. Legislation passed in 2014 allows the KCC to determine whether a monthly charge is appropriate for net metering customers, so this is not an arbitrary assessment from the utility.

In 2014 Empire and the other IOU electric companies had become concerned that evolving technologies, specifically the expansion of solar energy systems would lead to their traditional customers subsidizing net metering customers who received reimbursement for generation put back into the grid at a rate equal to the rate of service charged by the electric company. Changes made in 2014 grandfathered existing net metering customers in at that reimbursement rate. However, new net metering customers would be compensated at a rate of 100% of the utility's monthly system average cost of energy per kilowatt hour and the Kansas Corporation Commission would be empowered to consider whether net metering customers should pay a monthly charge for the availability of firm service. Those installing these systems knew the law then and so did those selling them.

As technology changes and the ability to self-generate electricity becomes more affordable, the financial implication for all customers must be considered. Although Liberty only has 20 such customers currently on its system and one in the application phase, as technology evolves, these numbers are likely to increase. Consumers of solar and other renewable energy sources receive a benefit from investing in alternative generation. However, it must be recognized that as long as customers remain attached to the electric grid, a utility is required to be able to provide for all of their electric needs at all times.

Remaining attached to the electric grid is like an insurance policy for net metering customers. They want and need access to firm power when their private systems cannot deliver the electricity they need and just like insurance, there is a cost – in this instance a cost for generation capacity, transmission and delivery.

Empire believes the compromise adopted in 2014 remains as an appropriate balance for all parties and SB 124 should be rejected as an inappropriate subsidy for those who seek to shift costs for firm service from themselves to traditional electric customers.

On behalf of Liberty Utilities Empire District, we appreciate the opportunity to provide this testimony to the Committee today.

WBD

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Liberty Utilities' Central Region is headquartered in Joplin, Missouri and provides electric, natural gas, water and wastewater service to nearly 320,000 customers across six states, including Missouri, Kansas, Oklahoma, Arkansas, Iowa and Illinois. The company has approximately electric 10,000 customers in Kansas in the southeast corner of the state.

In Kansas, Liberty Utilities – Empire District owns and operates a 286-megawatt natural gas power plant in Riverton, Kansas and has purchase power agreements with two Kansas windfarms: Elk River Wind Farm in Butler County and Meridian Way Wind Farm in Cloud County. In addition, the company has contracted with Apex Clean Energy to purchase an approximately 300-megawatt renewable wind energy project in Neosho County, Kansas, once the project is operational (scheduled for late 2020).