

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Staff’s Review of Commission)
Rules 4 CSR 240-20.060 (Cogeneration),)
4 CSR 240-3.155 (Filing Requirements for Electric) File No. EW-2018-0078
Utility Cogeneration Tariff Filing), and)
4 CSR 240-20.065 (Net Metering))

**RESPONSE OF KANSAS CITY POWER & LIGHT COMPANY AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY
TO COMMISSION QUESTIONS**

Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively, “KCP&L” or “the Company”) hereby submit comments to the issues contained in the Missouri Public Service Commission’s (“Commission”) *Order Opening a Working Case To Review The Commission’s Rules Related To Cogeneration* issued on September 27, 2017.

KCP&L welcomes the opportunity to participate in the discussion surrounding the topics of interest to both the Commission and Staff.

a. Please comment as to the effectiveness of the rules that are the subject of this motion;

In reflecting on the effectiveness of the rules identified within this proceeding, it is important to consider the genesis of these rules and the laws in which they support. The purpose of 4 CSR 240-20.060 as stated within the Code of State regulation is as follows:

This rule implements Sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978 with regard to small power production and cogeneration. The objective of Sections 201 and 210 of Public Utility Regulatory Policies Act is to provide a mechanism to set up a cogeneration program for Missouri for regulated utilities. Additional requirements regarding this subject matter are also found at 4 CSR 240-3.155.

The purpose of 4 CSR 240-20.065 as stated within the Code of State regulation is as follows:

This rule implements the Consumer Clean Energy Act (section 386.887, RSMo Supp. 2002) and establishes standards for interconnection of qualified net metering units (generating capacity of one hundred kilowatts (100 kW) or less) with retail electric power suppliers.

In 2007, the Missouri Legislature repealed the Consumer Clean Energy Act, Section 386.887 RSMo, and enacted the Net Metering and Easy Connection Act, Section 386.890, RSMo Supp. 2007, which was made effective on January 1, 2008. An additional rulemaking followed in 2008 to make the rule compliant with the Net Metering and Easy Connection Act.

The Company believes that the Commission's current rules are working as the Legislature intended when the respective Acts were passed. 4 CSR 240-20.060 and 4 CSR 240-3.155 establish standards defining how utilities purchase power from qualifying producers of electricity at nondiscriminatory rates. 4 CSR 240-20.065 establishes standards for interconnection of qualified net metering units (generating capacity of one hundred kilowatts (100 kW) or less) with distribution systems of electric utilities.

To provide some context to the current rules, one must consider two periods, the time before and the time after the passage of the Public Utility Regulatory Policies Act ("PURPA"). Prior to PURPA, customer generation was virtually non-existent and there was no obligation for the electric utility to interconnect and purchase customer generated energy. The passage of PURPA was designed to further three fundamental goals: conserve electric energy, increase utility efficiency, and achieve equitable rates for consumers.¹ Further, Section 210(b) of PURPA required electric utilities to offer to purchase electric energy from Qualifying Facilities ("QF") at rates that

¹ Frank Graves, Philip Hanser, Greg Basheda, PURPA: Making the Sequel Better than the Original ("EEI PURPA Report"), Prepared for the Edison Electric Institute, December 2006, page 5.

were just and reasonable to the electricity consumers and in the public interest, non-discriminatory with respect to QFs, and not in excess of the incremental cost to the electric utility of alternative electric energy.² It was under these conditions that the Missouri rules were established to encourage customer generation. To ensure balance, limits were placed on the amount and system sizes of customer generation a utility would be obligated to purchase and the price for the purchase was set at the utility's avoided cost. In 2005, the Energy Policy Act of 2005 became law, updating the PURPA requirements and introducing the concept of net metering. Moving beyond avoided cost, net metering provided for the offset of utility energy by customer generated energy, essentially providing for this to occur at the full retail rate. This concept was introduced to further expand customer generation. Again, the state law included limits with respect to allowed system sizes and utility obligations to purchase to provide for deployment of meaningful sized system while helping to protect non-generating customers.

The current rules are a product of this history and retain many of the features of the original laws. Some remain relevant, such as the concept of avoided cost while others such as net metering have been shown to be problematic. The net metering rules provide a means to ensure that the interconnection of customer systems is safe. In fact, both the cogeneration and net metering rules define prescriptive steps or processes that direct the interaction of the utility and the customer, helping to ensure consistent treatment and timely completion. However, the problematic issues arise within the area of pricing. Net meter pricing has been providing a subsidy to net metering customers at the expense of non-net metering customers and some jurisdictions are considering

² EEI PURPA Report, page 5.

alternatives.³ In a local example, the Kansas Corporation Commission issued an order in a recent general investigation, establishing that current net metering rate are providing subsidy to net metering customers and allowing electric utilities to propose alternate rate designs, such as demand rates, to alleviate the issue.⁴

The Company supports Commission consideration of rate design change. Further, rate design concerns must be addressed as part of any rule change to help ensure balances remain in effect for all customers. It would be simple to focus solely on promoting customer generation, but absent any rate design change, this will result in cost shifting to other customers.⁵ The Company urges the Commission to be cautious if considering changes to the rules simply to better promote customer generation as these changes will have impacts on non-participants. Customer generation does not necessarily result in a universal benefit.

- b. Please suggest proposed changes to the rules. These suggestions need not be in the form of a draft amendment, but should include citations to the language which would be amended if the proposed changes are effectuated;**

The Company does not have any specific suggestions to offer at this time, but reserves the right to respond to suggestions offered by other stakeholders or to introduce comments later as this Working Case continues.

- c. Please comment as to any issues which should be addressed in proposed amendments to these rules not presently included in the rules.**

The primary area that could be addressed is related to the impact on rates and recovery of costs due to increases in customer generation. This is of particular concern due to the current rate

³ According to Jim Lazar with the Regulatory Assistance Project, in a July 2016 presentation at an EUCI Net Metering workshop, jurisdictions are turning to Time of Use rates, modified net metering, increased fixed or demand charges, Value of Solar pricing, or grid supply pricing as alternatives to net metering.

⁴ Docket 16-GIME-403-GIE

⁵ National Association of Regulatory Commissioners, Distributed Energy Resources Rate Design and Compensation, A Manual Prepared by the NARUC Staff Subcommittee on Rate Design, November 2016, page 67.

design as related to net metering customers. As documented in other jurisdictions such as California, Hawaii, Nevada, and Arizona, the deployment of customer generation, particularly when implemented via a net metering mechanism, results in cost shifts between customer groups. Because residential and small commercial rates typically have most of the fixed costs incurred to serve them included in the per kWh energy rates, when a net metering customer offsets their annual usage, they also offset the revenue that was formerly used to contribute to the fixed costs of providing, maintaining, and enhancing the energy grid. These fixed costs do not disappear when a customer utilizes net metering, the costs remain and are first absorbed by the utility and ultimately recovered from non-net metering customers. As suggested by Company comments in EW-2017-0245, the Commission should remain alert to this situation and monitor rate design brought before it to ensure equity among all customers. The Commission could address these concerns within the rulemaking or within the ratemaking process and if necessary, alert the Legislature to the issue so that it may consider action within the statutes.

CONCLUSION

The Company appreciates the opportunity to provide comments and participate in this Working Case.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 16th day of October, 2017, to all counsel of record.

/s/ Roger W. Steiner

Roger W. Steiner

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