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Kansas
Corporation Commission

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Shari Feist Albrecht, Chair
Thomas E. Wright, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

To: Governor Sam Brownback
Chairman Apple and members of the Senate Utilities Committee
Chairman Hedke and members of the House Energy and Environment Committee
Chairman Seiwert and members of the House Utilities and Telecommunications Committee

Date: March 1, 2014

RE: Annual Statewide Retail Rate Impact Report

The attached report is provided pursuant to the requirements of K.S.A 66-1260 as amended by Senate Substitute for HB 2526, which was enacted by the 2012 Legislature.

The attached report provides the required data and analyses, including the following information regarding retail rate impact in Kansas:

- The Renewable Energy Standard rate impact information provided in an aggregated statewide basis;
- The formula for calculating rate impact; and,
- The rate impact of the Renewable Energy Standard and analyses.

Feel free to contact me directly with questions at (785) 271-3166 or k.christiansen@kcc.ks.gov.

Respectfully Submitted,

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Kansas

Corporation Commission

KANSAS CORPORATION COMMISSION

Retail Rate Impact Report

2014

Retail Rate Impact Report

Renewable Energy Standard Act

On May 22, 2009, Kansas Governor Mark Parkinson signed HB 2369 into law. Part of this bill contained the Renewable Energy Standards Act (RESA).[1] 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 RESA in the years 2011, 2016, and 2020, and in any other years the Commission allows.

In response to the RESA, 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.[2] 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 RESA.

[1] KSA 66-1256 through 66-1262

[2] 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).

Rate Impact Calculation

While much of the individual revenue requirement and related information provided in the RESA compliance filings is considered confidential, Staff is able to compile the rate impact information and provide it on an aggregated statewide basis. The rate impact is calculated by summing up the revenue requirement[3] associated with the RESA for all utilities and then dividing by the sum of their retail sales:

$$\frac{\sum Rev\ Req_{RES}}{\sum Retail\ kWh}$$

The rate impact of renewable resources is about 0.21 cents per kWh. That is, energy from renewable resources counts for about 0.21 cents of the about 9.55 cents per kWh retail electricity cost in 2013 across the state. Thus, renewable generation requires less than 2.2% of the revenue requirement of the utilities while renewable generation supplies about 15% of the peak demand in the state.[4]

[3] Revenue Requirement = (RB*ROR) + O&M + A&G + Depreciation + Taxes

[4] In terms of the RESA, renewable generation is slightly more than 16% of the State's three year average peak demand when the in-state adder is applied.