Kansas
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Corporation Commission

KANSAS CORPORATION COMMISSION

Retail Rate Impact Report

2015

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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, in 2014 across the state, is about 0.22 cents per kWh. That is, energy from renewable resources counts for about 0.22 cents of the about 9.95 cents per kWh retail electricity cost. Therefore, renewable generation provides 16%[4] of peak demand in the state and requires about 2% (.22/9.95 = 2.2%) of the revenue requirement of the utilities.

[3] Revenue Requirement = (RB*ROR) + O&M + A&G + Depreciation + Taxes. For the most part, transmission costs to transport the wind energy, generation costs to moderate the intermittency of wind, and production tax credits and other subsidies are not included in the calculation of the retail revenue requirement.

[4] Renewable Capacity = 1384, 3 Year Average Retail: Peak = 8681, 1384/8681 = 16%