

Westar Energy Comments on NARUC Draft DER Compensation Manual

Westar would like to take this opportunity to thank the NARUC Subcommittee on Rate Design for undertaking development of the DER Compensation manual and allowing interested parties the opportunity to provide feedback. The complicated issues on rate design facing the electric industry need to be addressed. Driven by the introduction of new technologies and emerging businesses that are trying to provide energy solutions to customers, the underlining methodologies for utilities to recover their cost of service needs to be reviewed and adjusted accordingly. Below is a summary of Westar's comments noting some where we strongly agree and other areas of concerns. Additionally, we are attaching a redlined version of the draft manual to be clear where we believe the issues need to be addressed.

Areas of strong agreement:

- Recognition that DER causes cost shifting to other customers and the cost-subsidies should be a focus for regulators
- Rate design should be based on cost-causation principles
- The inclusion of a separate rate class as an option available to regulators to address cost recovery from DG customers
- Discussion of the difference in life spans of DG assets and utility assets – what happens if the customer does not replace DG at the end of life and reverts back to the utility for full requirements – the utility has an obligation to provide service on short notice.
- Section on on-going adoption rates – good illustration that a state with low penetration could be facing the same challenges as other states as the deployment of DG resources continues.

Concerns to be addressed:

- Demand charges – the tone is negative to some extent. Demand charges have traditionally been part of rate design and the discussion should have more of a balanced approach. Commercial and Industrial, and in some states, Residential customers have been on demand rates for decades.
- Discussion of short-term vs. long-term cost. The idea that fixed costs become variable over time is confusing. Fixed assets stay fixed.

- Threshold penetration levels. The idea that DG penetration must hit a certain point before being a problem misses the main point. States with low penetration want to deal with this issue now before the customer impact is larger and rate design changes are more contentious.
- Mention that utilities having more fixed charges reduces business risk and thus utilities should have lower returns should be removed. This is not a discussion on authorized ROEs based on this single issue.
- Value of Resources (VOR) – concern that trying to quantify benefits that are not in a utility's actual cost of service is problematic and would amount to creating a subsidy.
- In Section V, add a section on Value of the Grid to have a more balanced view with VOR and Value of Service.
- Stress throughout the manual that DG customers are partial requirements customers. These customers never leave the utility but want the capacity to serve all their requirements when needed.