



HOUSE COMMITTEE ON ENERGY, UTILITIES & TELECOMMUNICATIONS

Opponent Testimony for HB 2227 – Power Purchase Agreements

Feb. 7, 2023

**Presented by:
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Chairman Delperdang, Vice Chair Turner, Ranking Member Ohaebosim, and members of the House Committee on Energy, Utilities & Telecommunications, thank you for the opportunity to submit comments in opposition to HB 2227. I am Mark Scheibe, the Chief Executive Officer of Heartland Rural Electric Cooperative, headquartered in Girard, KS. I am also a licensed professional engineer in the state.

Heartland serves 11,500 electric meters in the rural parts of eastern Kansas across 3,800 miles of power lines, which means we provide power to around 3 electric meters per mile of line.

Heartland focuses on providing for the electric needs of our members in a safe and reliable manner, and at a reasonable cost. Our governance structure and non-profit status allow us to stay dedicated on our mission of powering rural lifestyles. Each member of our Board of Directors is a locally elected member who represents other members in their district. Because we are owned by the members who purchase the power we provide, we can focus on responsibly meeting members' needs rather than maximizing profits.

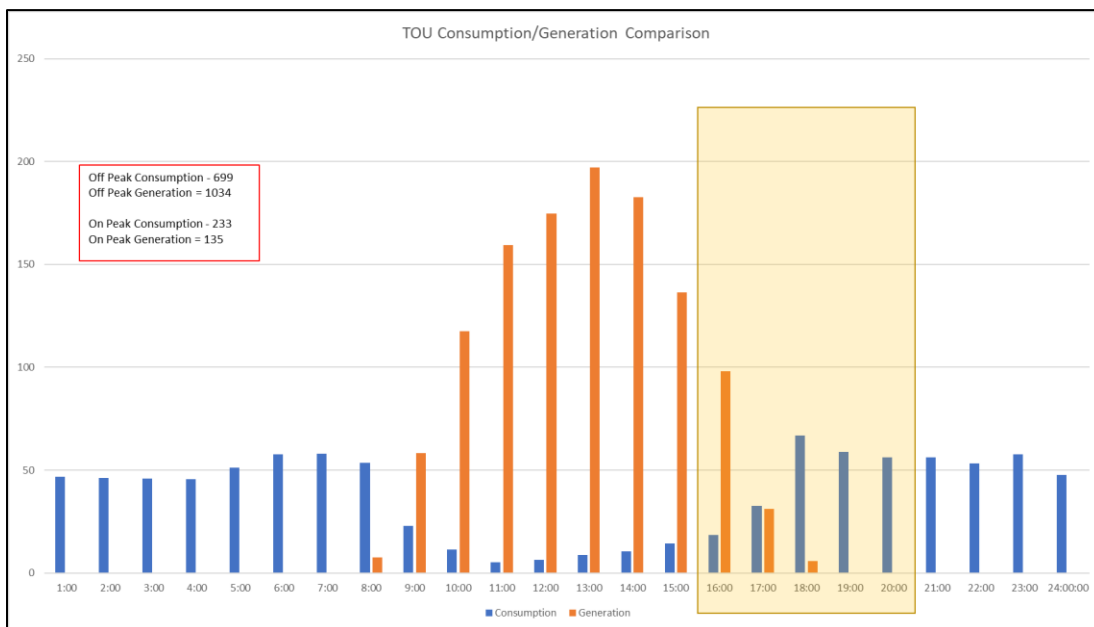
The proposals brought forward in HB 2227 are concerning for electric cooperatives for several reasons. First, there is the lack of accountability on the part of solar project developers. Second, there is the lack of safety and reliability standards for such projects, a problem made worse by our state's lack of a uniform electrical code. Finally, there is the potential for solar installers to install much larger systems than are appropriate, creating costly and unnecessary engineering challenges and potential for subsidization from other members who are not part of the solar project.

Let's first address the lack of accountability. The introduction of power purchase agreements brings a non-utility into the state that can sell energy directly to a consumer, but not be accountable to the Kansas Corporation Commission (KCC) or any other body with regulatory oversight. This would create an inconsistency of regulation for entities providing retail sales of electricity. Regulation that guarantees fair pricing and reliable service would be forgone. Oversight to ensure operating expenses are fairly recovered through the proposed third-party agreements would be non-existent. Power purchase agreements can be an affordable way to expand the adoption of renewable technologies, but without appropriate governance, there is no recourse to the customer if the developer goes out of business, customers could fall prey to predatory developer practices, and there is a general

lack of consumer protection that is otherwise afforded by the KCC (or the cooperative board in the case of a cooperative consumer-member).

Kansas is one of a handful of states that does not have a statewide adopted uniform electrical code, which adds additional concerns for renewable resources that are owned and operated by a third party that would be installed at a consumer's home or business. City codes might provide some protection for urban customers, but not for our rural membership. Indeed, a lack of electrical standards combined with a lack of oversight could prove deadly.

Heartland is also concerned about oversizing distributed generation due to the impacts that it will have on other consumer-members. In a perfect world, distributed generation systems would generate the most power during the peak window of 3 to 8 p.m. when electricity is in highest demand and is therefore most expensive. That electricity would then be used instantaneously with nothing being pushed back onto the grid. Unfortunately, solar production typically peaks at noon, which does not match well with when members are using the most electricity. This means that the majority of kilowatt-hours (kWh) produced are being pushed back onto the grid. The member with solar then receives credit on their bill for the full retail price, when in reality, Heartland would have been able to purchase those kWhs from other sources at a much lower cost during nearly all of that time. The average 7 kilowatt (kW) solar system installed by one of our consumer-members currently receives a subsidy of \$762 per year from those members who do not have solar generation installed.



Having three electric meters per line mile means that energy being produced locally but being exported back to the distribution electric grid has a greater impact in the rural parts of the state than it does in a more populated area. As more generation is added that is not being used by the installing end-consumer, this creates a reverse flow of energy, which impacts the protection systems to help provide safe operation. The cost to replace legacy equipment to support the reverse flow of energy is expensive. Our members who are not

part of any third-party power purchase agreements should not be forced to shoulder the costs incurred as a result of consumer-member installed solar projects.

Heartland Rural Electric Cooperative is not a stranger to the value of using Power Purchase Agreements (PPA). Heartland currently has two utility-scale solar projects installed in the communities we serve that utilize a PPA to purchase the energy being generated. We know firsthand how a properly designed and installed solar system can help save money for our consumer-members. Our experiences have taught us that a PPA can be beneficial, but it must be implemented much more carefully than the provisions outlined in HB 2227.

Thank you again for the opportunity to share our concerns with HB 2227. We respectfully request the committee to refrain from advancing the bill. If the committee does act on HB 2227, we request cooperatives be excluded from the bill.

If you have any questions regarding our testimony, please feel free to contact me.

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