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13 November 2019

Public Comments of Karl R. Rábago

Rábago Energy LLC

on behalf of

Kentuckians for the Commonwealth ("KFTC")

and

Mountain Association for Community Economic Development ("MACED")

Kentucky PSC Implementation of the Net Metering Act of 2019 – Kentucky Senate Bill 100
Case No. 2019-00256

I am Karl R. Rábago, principal of Rábago Energy LLC, a Colorado limited liability company. I appear on behalf of KFTC and MACED today. I have been active in the electric utility industry for thirty years, especially in advancing market opportunities for clean and distributed energy resources. My resume is appended to my formal comments, so I will not use additional time discussing me.

Opportunity to Engage in this Proceeding: Thank you for the opportunity to submit written and oral comments in this important proceeding.

While we believe it is vital and entirely appropriate that you have provided these opportunities in the proceeding thus far, the first and most important point I must make is how equally necessary it is that all subsequent stages of this proceeding provide a full and unfettered opportunity for citizens, advocates, and other interested parties to participate with rights equivalent to those of all other parties.

The subject matter at issue here is nothing more than the right of all of Kentucky's citizens to participate in the self-generation marketplace and to become at least in part free of monopoly domination over their electricity service needs and bills. Everyone in Kentucky, today and tomorrow, has a stake in the outcome of these proceedings, and all should enjoy the right to be full participants in the process.

In addition, it is critical that the Commission hold the utilities to their full legal burdens of production and proof regarding their proposals for net metering rates. Those rates must be supported by competent and substantial evidence, or they will not be just and reasonable.

KFTC and MACED Filed Comments: KFTC and MACED and I have prepared extensive written comments on the issues before the Commission. We ask your careful attention to those comments and would be glad to provide responses to questions or requests for further explanation in any format you choose. As a refresher, those comments made the following key points. The Commission should:

- Preserve the fundamentals of net metering, including monthly netting with a full retail rate credit.
- Conduct or adapt, and require utilities to use, a comprehensive Benefit Cost Analysis framework that evaluates all resources fairly and transparently. And use that to develop or adapt a fair cost-of-service-based methodology for all Kentucky utilities to use to determine their net metering rates.
- Prohibit utilities from unjustly discriminating against non-utility generation through net metering rates.
- Approach net metering in the broader context of distributed energy resources as a whole—a family of technologies and services that can create new, sustainable jobs; help keep valuable ratepayer dollars in state; and provide a more affordable path to reliable electric service for the Commonwealth. Again, what you do now will determine the future of electric service in Kentucky.
- Take the time and engage with the stakeholders and advisors necessary to do this right. The distributed generation market is tiny; any financial and operational impacts are almost too small to measure. There is not an adequate statistical foundation for sudden and dramatic change to net metering; action in the absence of such data is neither justified nor prudent.
- Be skeptical, especially of parties that assert the existence of cross-subsidies, cost-shifts, grid costs, and market distortions. Again, the data is simply not there.
- Do what's right for Kentucky, not just for the utilities. The many utility comments about solar market growth are based on the experience in other states, but that has not been Kentucky's experience. If net metering was adopted by the legislature in order to increase distributed generation markets, that work is far from done—and the legislature recognized that fact by retaining net metering in Kentucky law. The Commission should reject the calls from some parties to effectively repeal net metering through regulation—and in spite of legislative intent.
- Consult the experience of other states—for the flaws and the best practices they have to offer.
- Recognize that the hallmark of efficient markets is access to data—transparency. Today, the utilities have the data and control over its sources—it is a form of market power subject to abuse. Any changes to net metering should have a foundation in objectively verifiable, accurate, and representative data.

And finally, the Commission should continue to bear in mind that not using utility service does not, cannot, create costs. There is a potential for cost-shifts, which has nothing to do with cost-causation or cost-effectiveness. There are always cost-shifts in electric utility operations—things never happen exactly how we thought they would in the last general rate case. The important work of regulatory oversight is spending valuable time on the important things—the things with material economic and operational impact. Today in Kentucky, those issues are many—the need for fundamental utility business model reform and generation sector transformation; the need to reduce dependence on carbon-based fuels in order to ensure future electricity affordability; the need to empower all customers with access to distributed energy resources that enable and empower them to manage and reduce their electricity bills; and the need to ensure the maximum economic benefit from the valuable dollars spent on electricity services *in Kentucky*.

Because net metering encourages customer investment in clean distributed generation and reduces utility revenue requirements, it meets all those needs, so changes to net metering should only be undertaken after the most careful consideration and weighing of the facts.

Lastly, time does not allow me to say all the things that need to be said in rebuttal to comments filed by the utilities and the advocacy groups that they fund and ally with. I will leave with the Commission a written version of such comments, along with a written version of the comments that I just read.

Thank you. I would be pleased to answer your questions.

Rebuttal Addressing Comments of Other Parties

Karl R. Rábago, Rábago Energy LLC

on behalf of

Kentuckians for the Commonwealth ("KFTC")

and

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- References to the TVA study of DG value must be taken with a huge lump of salt. The study was biased against DG in many of its assumptions and estimations. Most notably, it was a study by a wholesaler and largely unaccountable monopoly generator that did not fully address all of the system-wide impacts of distributed generation operation.
- Characterizations of net metering as a subsidy program simply cannot be taken at face value in the absence of comprehensive, objective, and transparent assessment of costs and benefits. As a result, the utility and other anti-net metering comments that start with the false premise that net metering is a subsidy are without merit.
- Arguments that solar markets have grown significantly *somewhere* are not probative or relevant in assessing a cost-shift in Kentucky or in setting fair, just, and reasonable rates for net metering in Kentucky. That is because the data set in Kentucky is just too small to support definitive and reliable conclusions; because the markets in Kentucky are too immature to support any extrapolation of the limited experience into accurate rates; because net metering has not yet been given a chance to work and demonstrate its benefits; and because the evidence in other states strongly suggests that the benefits of net metering outweigh the costs, especially at low penetration.
- Proposals for a new rate class for net metering customers are misguided and inconsistent with well-established rate making principles. First, the population of customers on net metering arrangements is not sufficient to support a stand-alone rate class in which rates are based on metered and observable similarities in cost-causation and usage. There is no cost-of-service evidence before the Commission to support creation of a net metering rate class. And most importantly, the geographic dispersion and load diversity of net metering customers adds significant benefit to utility operations and the cost-of-service profile of all residential or small commercial customers in the parent classes that could be lost under a net metering rate class.
- The utilities and other anti-net metering parties have asserted that by reducing use, net metering customers are not paying a fair share of fixed costs. This assertion is unsupported by any fact except that net metering customers use less energy than they did before investing in net metered generation. Net metering customers, however, pay for what they use and no party has offered any evidence, much less substantial evidence, that the costs to serve net metering customers are actually different from the costs to serve

non-generating customers, on a gross or net basis. With the exception of the very small costs associated with connecting a customer to the grid, the driver of utility costs is usage. Customers that use less cause less cost.

- It has been proposed that net metering customers should be subjected to a demand charge, presumably based on non-coincident peaks for residential customers. This proposal is also unjustified as a matter of cost-of-service analysis, and would only extend the inefficiency and unfairness of non-coincident peak demand-based charges to more customers. In addition, the effort to move to demand charges is one of several proposals that seems based on the desired outcome of undermining net metering investments, and little more.
- The Commission should recognize proposals for changes in the netting period for what they are: proposals to reduce net metering compensation and to add complexity to ordinary customers' understanding of their bills under net metering rates. Such proposals are merely efforts to undermine the market for distributed self-generation. Fairness and economic efficiency countenance netting periods that align with the billing period for customers who generate for use (and not for sale). We therefore urge the Commission to maintain monthly netting for net metering customers.
- One utility argued that net metering customers are being subsidized through expensive interconnection expenses incurred by utilities. Even assuming there are incremental interconnection costs absorbed by the utility and not charged to the customer, no evidence has been presented showing that such costs outweigh the benefits of distributed generation. Such assertions must be backed by real data and evaluated within a comprehensive Benefit Cost Analysis.
- Comments that suggest that wholesale Qualified Facility ("QF") purchased power rates set under PURPA should dictate compensation rates for net metering production are founded on the logical fallacy known as the category error—the arguments are about apples versus oranges. Net metering customers generate electricity for their own use and incidentally export energy on the grid—energy that serves the nearest unserved load after passing through a revenue meter and earning the utility the full retail rate. QF rates are designed to address only wholesale market impacts, and only the must-buy purchase price for the utility procuring bulk power for re-transmission, re-distribution, and sale. QF rates ignore many of the important values created by distributed generation.
- It has been asserted that net metering customers are obtaining energy storage services from the utility at no cost, giving rise to subsidies. First, there is no evidence of incremental costs. Second, there is no storage happening; exported net metering production serves the nearest unserved load after passing through a revenue meter and resulting in a full retail charge collected by the utility.
- Several utility arguments tried to characterize a kWh from a net metered facility as fundamentally different from a kWh provided by utility. There is one element of truth in the assertion—the utility kWh is much more expensive. But in terms of energy and ability serve load, there is no difference in the work done based on the source of energy.