

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC 2018 INTEGRATED RESOURCE) Case No.
PLAN OF DUKE ENERGY KENTUCKY, INC.) 2018-00195

ATTORNEY GENERAL’S COMMENTS

Comes now the Attorney General of the Commonwealth of Kentucky, Andy Beshear, by and through his Office of Rate Intervention (“Attorney General”) and tenders his comments in this matter. For his comments, the Attorney General states the following:

INTRODUCTION

As the statutorily designated consumer advocate,¹ the Attorney General often intervenes and participates in utilities’ Integrated Resource Plans (“IRPs”). This matter is no different. The Attorney General intervened and participated in two rounds of discovery, and for the benefit of Duke Energy Kentucky (“DEK” or “Company”) and staff of the Kentucky Public Service Commission (“Commission Staff”) he now provides his comments. As opposed to some of the Attorney General’s previous comments filed in other IRP proceedings, these comments are less of a critique of the current docket, and are tendered more so to provide direction as to what the Attorney General believes DEK should include in its next IRP and what the Commission Staff should and should not recommend. The Attorney General’s failure to address any particular portion of the IRP should not be construed as acceptance or agreement.

¹ See KRS 367.150(8).

DISCUSSION

1. The Commission Must Keep The IRP Iterations To The Short Periods Envisioned By Law

807 KAR 5:058 Section 1(2) requires that utilities “shall file triennially with the commission an integrated resource plan.” Section 2(3) provides that “[u]pon receipt of a utility’s integrated resource plan, the commission shall establish a review schedule which may include interrogatories, comments, informal conferences and staff reports.” The Commission set such a schedule in this matter. The Commission’s order dated July 16, 2018, issued approximately a month after DEK’s IRP was filed, set a procedural schedule with the first round of intervenor requests for information due no later than February 25, 2019.² The Commission’s procedural schedule is set to conclude on June 21, 2019, exactly one (1) year after DEK filed its IRP.³ Furthermore, DEK’s 2018 IRP was not *filed* three (3) years on from its last IRP, but rather, by Commission order, was filed approximately three years from the *conclusion* of DEK’s most-recent IRP.⁴ Given the pace of change of federal regulation and the costs of emerging resources, coupled with DEK’s primary reliance on such a small number of EGUs for its capacity, the Commission should ensure that DEK’s IRP schedule is consistent with the regulations. Although the Attorney General understands as well as any party the issues facing the Commission regarding resources and timing of matters pending before it, he nevertheless recommends that DEK’s IRP be *filed* three years

² Case No. 2018-00195 (2018 IRP), Order (Ky. PSC Jul. 16, 2018) Appendix.

³ *Id.*

⁴ *In Re. 2014 Integrated Resource Plan of Duke Energy Kentucky, Inc.*, Case No. 2014-00273 (2014 IRP), Order (Ky. PSC Sep. 23, 2015) at 1.

from the filing of its 2018 IRP, or no later than June 21, 2021, and that it be processed expeditiously.

2. Distributed Energy Resource Modeling Must Be As Disaggregated and Conspicuous As Practical

Distributed Energy Resources (“DERs”), are becoming more pervasive with each IRP iteration.⁵ DEK modeled customer generated supply, such as net metering customers, in the load forecast.⁶ Apparently, insofar as net metering serves to reduce customers’ usage and demand, it is reflected in historical data, and as such, DEK assumed it would be reflected in the load forecast moving forward. The IRP’s Appendix E, “Supply-Side Resources and Environmental Compliance” section states that Commission Staff recommended in DEK’s most-recent IRP, “Duke Kentucky should continue to provide a discussion of its efforts to promote cogeneration, and its consideration of various forms of renewable and distributed generation.”⁷ Commission Staff also recommended, “Duke Kentucky should continue to provide information related to customers’ net metering statistics and activities.”⁸ As noted, *supra*, DEK has chosen, perhaps rightfully, to model distributed solar as part of load reduction. Given DEK’s response to discovery, however, it is not readily apparent whether the load forecast or any model in this proceeding picked up or reviewed any wind or storage DERs.⁹

⁵ 2018 IRP at 96; 2014 IRP at 176.

⁶ DEK Response to AG DR 2-3.

⁷ 2018 IRP at 95.

⁸ 2018 IRP at 96.

⁹ DEK Response to AG DR 2-3.

The Attorney General believes that in its next IRP DEK should provide more granular data regarding the type, penetration and impact of DERs. This additional data should also explicitly include the probability that one or more large commercial or industrial customers decide to engage the use of DERs in DEK's territory. Given the FERC's interest in lowering the barriers to storage participation in wholesale markets, regardless of its location on the distribution system or whether it is a retail participant,¹⁰ more insight into DERs in each IRP will prove useful in determining the appropriate resources needed to meet DEK's customers' needs. Although as of now it appears that the FERC's interest in reducing barriers of retail DERs to wholesale participation is limited to storage, it would be prudent to provide additional disaggregated data regarding other types of DERs, such as wind and solar, for review in an IRP. Additionally, given the complications that may arise from treating certain DERs as demand side resources rather than supply side options, even though some of those resources ostensibly now have a "right" to participate in wholesale markets, the Attorney General requests that however DEK models DERs in its next IRP, it explain in detail its decision and reasoning, including the benefits and drawbacks of modeling them as resources, as opposed to reduction in load.

3. Carbon Regulation

Although the Company considers "it implausible that a price is imposed on carbon emissions" within the next three years,¹¹ and it assumes that the current regulatory environment will persist throughout the planning period,¹² DEK did assume

¹⁰ See 162 FERC ¶ 61,127 (2018).

¹¹ 2018 IRP at 11.

¹² *Id.* at 21.

the “potential for a future price on carbon emissions” and modeled such an impact.¹³ Although the Attorney General finds no fault in calculating and observing analyses regarding potential impacts of relevant regulatory risks, he is concerned about the manner in which DEK measure or identifies the risk. For instance, in response to Commission Staff discovery, DEK noted, “In the current legislative/regulatory environment it is very difficult to project what a carbon-constrained future will look like.”¹⁴ Alternatively, when asked about the cost-effectiveness of annual additions of solar and storage resources, DEK stated:

The company believes that the measured adoption of solar and storage is a prudent path to follow and is in keeping with low cost planning for customers. To the extent that carbon regulation becomes more or less likely or more or less strict, the company will [sic] change its plans accordingly.¹⁵

The Attorney General is concerned about the way DEK is approaching its significant planned annual investment in solar and storage resources, the support for which depends at least partly on some assumption(s) regarding carbon pricing. To the extent to which DEK actually anticipates there will be carbon pricing, or whether it believes it “becomes more or less likely or more or less strict,” the Company should indicate as much in its IRP. Speaking in wide platitudes regarding such important subjects, which plausibly may be a significant driver of costs, is little help in reviewing a 30-year planning horizon or in determining the cost-effectiveness of annual resource investments. Although the Attorney General appreciates the difficulty of planning with such a significant unknown at play, he nevertheless requests more detail in the

¹³ *Id.*

¹⁴ DEK Response to Staff 1-11.

¹⁵ DEK response to AG 1-20.

next IRP regarding the degree to which DEK believes carbon regulation will occur and how strict it will be, and the interplay of those factors with any sensitivity analyses employed or investment decisions anticipated.¹⁶

4. PDF Format

Finally, the Attorney General's last recommendation and request is non-substantive. The Attorney General seeks that in DEK's next IRP that the Company upload the IRP in native PDF format, if available. The format of the current IRP makes it difficult for readers to discern certain words and makes particular charts and figures nearly indecipherable.

Respectfully submitted,

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¹⁶ It may be helpful for DEK to include or discuss whether industry trade groups or DEK affiliates have conducted or do conduct such on-going analysis.

Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium with the Commission within two business days; that the electronic filing has been transmitted to the Commission on May 21, 2019; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 21st day of May, 2019.

A handwritten signature in blue ink, appearing to be the initials 'JL', is placed on a light blue rectangular background.

Assistant Attorney General