

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
POWER COMPANY FOR (1) A GENERAL)	
ADJUSTMENT OF ITS RATES FOR ELECTRIC)	
SERVICE; (2) APPROVAL OF TARIFFS AND)	
RIDERS; (3) APPROVAL OF ACCOUNTING)	CASE NO.
PRACTICES TO ESTABLISH REGULATORY)	2020-00174
ASSETS AND LIABILITIES; (4) APPROVAL OF)	
A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY; AND (5) ALL OTHER)	
REQUIRED APPROVALS AND RELIEF)	

**KENTUCKY SOLAR INDUSTRIES ASSOCIATION, INC.
RESPONSE TO KENTUCKY POWER COMPANY'S
SUPPLEMENTAL DATA REQUESTS**

Comes now the Kentucky Solar Industries Association, Inc. (KYSEIA), by and through counsel, and submits its response to Kentucky Power Company's Supplemental Data Requests.

Respectfully submitted,

/s/David E. Spenard
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Counsel for KYSEIA

NOTICE AND CERTIFICATION FOR FILING

Undersigned counsel provides notice that the electronic version of the paper has been submitted to the Commission by uploading it using the Commission’s E-Filing System on this 16th day of March 2021, and further certifies that the electronic version of the paper is a true and accurate copy of each paper filed in paper medium. Pursuant to the Commission’s March 16, 2020, and March 24, 2020, Orders in Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus Covid-19*, the paper, in paper medium, will be filed at the Commission’s offices within 30 days of the lifting of the state of emergency.

/s/ David E. Spenard
David E. Spenard

NOTICE REGARDING SERVICE

The Commission has not yet excused any party from electronic filing procedures for this case.

/s/ David. E. Spenard
David E. Spenard

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witnesses Responsible:

Benjamin D. Inskeep

Request No. 1

Provide all schedules, tables, and charts included in the testimony and exhibits to the supplemental testimony of Benjamin Inskeep in electronic format, with formulas intact and visible, and no pasted values.

Response:

See Attachment BDI-1

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep

Request No. 2

Provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Inskeep. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

Response:

KYSEIA objects to this request because it is overly broad, burdensome to the respondent, and unlikely to lead to the discovery of evidence relevant to this proceeding. Without waiving that objection, KYSEIA responds with the following.

There are no associated workpapers or electronic spreadsheets. Source documents have been cited and linked in the supplemental testimony, are public documents available through the Kentucky Public Service Commission website, are Kentucky statutes that are publicly available, or are provided below. Source documents for Witness Inskeep's direct testimony have been previously provided to the Company in response to a previous information request No. 12 (filed November 2, 2020).

Attachments:

- 2021.03.16 kyseia inskeep 2 footnote 14
- 2021.03.16 kyseia inskeep 2 table 1 footnote 15
- 2021.03.16 kyseia inskeep 2 table 1 footnote 16
- 2021.03.16 kyseia inskeep 2 table 1 footnote 17
- 2021.03.16 kyseia inskeep 2 table 1 footnote 18
- 2021.03.16 kyseia inskeep 2 table 1 footnote 19
- 2021.03.16 kyseia inskeep 2 table 1 footnote 20
- 2021.03.16 kyseia inskeep 2 table 1 footnote 21
- 2021.03.16 kyseia inskeep 2 table 1 footnote 22
- 2021.03.16 kyseia inskeep 2 table 1 footnote 23
- 2021.03.16 kyseia inskeep 2 table 1 footnote 24
- 2021.03.16 kyseia inskeep 2 table 1 footnote 25
- 2021.03.16 kyseia inskeep 2 table 1 footnote 26
- 2021.03.16 kyseia inskeep 2 table 1 footnote 27
- 2021.03.16 kyseia inskeep 2 table 1 footnote 28
- 2021.03.16 kyseia inskeep 2 table 1 footnote 29
- 2021.03.16 kyseia inskeep 2 table 1 footnote 30

2021.03.16 kyseia inskeep 2 table 2 arizona aps
2021.03.16 kyseia inskeep 2 table 2 arizona aps 2
2021.03.16 kyseia inskeep 2 table 2 arizona aps 3
2021.03.16 kyseia inskeep 2 table 2 arizona aps 4
2021.03.16 kyseia inskeep 2 table 2 arizona tep
2021.03.16 kyseia inskeep 2 table 2 california 1
2021.03.16 kyseia inskeep 2 table 2 california 2
2021.03.16 kyseia inskeep 2 table 2 california 3
2021.03.16 kyseia inskeep 2 table 2 california 4
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2021.03.16 kyseia inskeep 2 table 2 connecticut
2021.03.16 kyseia inskeep 2 table 2 hawaii
2021.03.16 kyseia inskeep 2 table 2 new hampshire
2021.03.16 kyseia inskeep 2 table 2 new york
2021.03.16 kyseia inskeep 2 table 2 nevada
2021.03.16 kyseia inskeep 2 table 2 south carolina
2021.03.16 kyseia inskeep 2 table 2 texas
2021.03.16 kyseia inskeep 2 table 2 vermont

Links:

Hawaii:

<https://www.hawaiianelectric.com/products-and-services/customer-renewable-programs/private-rooftop-solar>

Massachusetts:

<https://www.eversource.com/content/ema-c/about/about-us/doing-business-with-us/builders-contractors/interconnections/massachusetts/net-metering>

https://www9.nationalgridus.com/masselectric/home/energyeff/3_faq.asp

Nevada:

<https://www.nvenergy.com/account-services/energy-pricing-plans/net-metering>

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:
Richard McCann

Request No. 3

Provide all schedules, tables, and charts included in the testimony and exhibits to the supplemental testimony of Richard McCann in electronic format, with formulas intact and visible, and no pasted values.

Response:

KYSEIA objects to this request because it is overly broad, burdensome to the respondent, and unlikely to lead to the discovery of evidence relevant to this proceeding. Without waiving that objection, KYSEIA responds with the following.

Please see attached compressed file “McCann Exhibits and WPs.zip” which contains the referenced documents as available. Note that the electronic filings by AEP at the Federal Energy Regulatory Commission are not included due to the massive size of the files and the ready access by KPC to its own regulatory filings.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Richard McCann

Request No. 4

Provide all workpapers, source documents, and electronic spreadsheets used in the development of the supplemental testimony of Dr. McCann. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

Response:

KYSEIA objects to this request because it is overly broad, burdensome to the respondent, and unlikely to lead to the discovery of evidence relevant to this proceeding. Without waiving that objection, KYSEIA responds with the following.

Please see attached compressed file “McCann Exhibits and WPs.zip” which contains the referenced documents as available. Note that the electronic filings by AEP at the Federal Energy Regulatory Commission are not included due to the massive size of the files and the ready access by KPC to its own regulatory filings. The dockets are referenced in the workpapers.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:
Benjamin D. Inskeep

Request No. 5

Confirm that the Company's net metering cost of service study supports the rates proposed in the NMS II tariff. If your answer is anything other than an unqualified confirmation, state in detail the basis for the same and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Not confirmed. The Company has provided insufficient information in its testimony, exhibits, and workpapers to make such a determination. KYSEIA has issued information requests to the Company to seek clarification on various aspects of the cost of service study that have not been disclosed or described by the Company to ascertain what, if any, connection there is between the new net metering customer cost of service study and the specific net metering rates proposed by the Company. Furthermore, it is unclear how the NMS II tariff proposed in the Company's June 2020 application and testimony could be based on a cost of service study that was apparently not conducted until February 2021, or how the specific rates and two-period netting design proposed in the NMS II tariff follow from the results of the cost of service study. Finally, specific net metering rates should be based on the long-term accounting of costs and benefits, not a cost of service study, as described by KYSEIA Witness Justin Barnes's Direct Testimony, p. 12, lines 7-11.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep and Richard McCann

Request No. 6

Confirm that neither Mr. Inskeep nor Dr. McCann has performed a full class cost of service study for Kentucky Power that includes separate classes for net metering customers. If your answer is anything other than an unqualified confirmation provide the study in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Confirmed.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep

Request No. 7

Confirm that the Company's net metering cost of service study evidences that net metering customers are subsidized by all other customers, including non-net metering residential customers. If your answer is anything other than an unqualified confirmation, state in detail the basis for the same and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Not confirmed. The Company has provided insufficient information in its testimony, exhibits, and workpapers to make such a determination. KYSEIA has issued information requests to the Company to seek clarification on various aspects of the cost of service study that have not been disclosed or described by the Company so that it can better ascertain the quality of the data and the reliability of the methods and assumptions used by the Company. Furthermore, the Company's net metering cost of service analysis takes a short-term outlook, whereas a long-term outlook used in a cost-benefit analysis is more consistent with long-term ratepayer indifference and utility planning that would be more appropriate to use as a basis for drawing conclusions on issues of subsidization related to net metering.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep and Richard McCann

Request No. 8

Refer to page 5, lines 6-12 of the Inskeep Supplemental Testimony: Identify all record evidence relied upon in making assertions that new installations would decline to "near zero in the future if Tariff NMS II is adopted" and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

There is no "line 6-12" on page 5 of the Inskeep Supplemental Testimony. Under the assumption that the reference is to "line 6-12" on page 7 of the Inskeep Supplemental Testimony:

The reference is based on the Witness's experience and expertise, as well as the Witness's understanding of basic microeconomic fundamentals. The Company's current number of net metering installations is very small, with only a very small number of new customers taking service under NMS each year. Significantly reducing the compensation rate under net metering will significantly reduce the financial viability of installing a net metering system, and likely result in fewer customers taking net metering service than otherwise had the existing net metering tariff remained in place. In other words, this is the fundamental microeconomic principle upon which much of the regulatory approach adopted by the Commission is being implemented in this case that as price increases, quantity demanded declines, holding other variables constant.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep

Request No. 9

Refer to page 9, lines 3-11 of the Inskeep Supplemental Testimony: Confirm that the Company's cost of service study now submitted provides "evidence on the costs necessary to serve its net metering customers in Kentucky." If your answer is anything other than an unqualified confirmation, state in detail the basis for the same and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Not confirmed. The Company has provided insufficient information in its testimony, exhibits, and workpapers to make such a determination.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep and Richard McCann

Request No. 10

Refer to page 11, lines 1-7 of the Inskeep Supplemental Testimony:

(a) Confirm that the Company's proposed Tariff NMS II compensates customers for avoided energy, distribution losses, ancillary services, generation capacity, and RTO transmission costs;

(i) If the answer to subpart (a) is anything other than an unqualified confirmation please provide in detail the facts supporting the failure to confirm the statement unequivocally.

(b) Identify all record evidence relied upon to support Mr. Inskeep's assertion that the Company "consider[s] costs while ignoring the benefits provided by net metering systems when determining a compensation rate...," including, without limitation, each individual benefit ignored and its corresponding monetary value.

Response:

(a) Not confirmed. The Company's proposed Tariff NMS II compensates customers for a portion of these cost categories based on a methodology that only captures short-term value, which is not reflective of their full value. In addition, the proposed tariff does not account for other benefits such as, but not limited to, displaced and deferred distribution and transmission investments and reduced environmental damages and liabilities. It does not compensate net metering customers for the long-term value provided by their investments over the life of the system related to these and other cost categories.

(b) As is clear from reading the question and response referenced in their entirety, the quoted portion of Mr. Inskeep's supplemental testimony was not making such an assertion specific to the Company.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:
Benjamin D. Inskeep

Request No. 11

Refer to page 19, lines 1-5 of the Inskeep Supplemental Testimony: Identify the specific record evidence relied upon to make the allegation that "policymakers have determined that maintaining the overall structure of net metering continues to be in the interest of customers."

Response:

Inskeep Direct Testimony, Figure 1, shows that policymakers in 39 states have maintained the overall structure of net metering for residential and small commercial customers. Exhibits BDI-2, as well as Tables 1 and 2 of Inskeep Supplemental Testimony, show that policymakers have in some cases made modifications to net metering, but that in most cases have retained the overall structure of net metering.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:
Benjamin D. Inskeep

Request No. 12

Refer to page 21, lines 4-7 of the Inskeep Supplemental Testimony. Identify all record evidence supporting your assertion that each of the bullet-point statements (on pages 21-23) represent the "best practices...for policymakers to consider when evaluating modifications to net metering policies" and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Refer to page 21, line 4.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:
Benjamin D. Inskip

Request No. 13

Refer to page 25, lines 17-20 of the Inskip Supplemental Testimony: Identify all record evidence relied upon in making assertions that "failure to provide clear and sufficient Legacy Rights to new net metering customers... in this proceeding would immediately chill the market for new net metering systems" and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Mr. Inskip's statement is based upon his experience and expertise and is further explained in the remainder of his response.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:
Benjamin D. Inskeep

Request No. 14

Refer to page 26, lines 5-7 of the Inskeep Supplemental Testimony: Identify all record evidence relied upon in making assertions that "[i]t is highly unlikely that a customer would undertake a 30-year investment that could benefit the grid by providing excess solar generation if the customer only has two years of certainty with respect to the export credit rate" and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values.

Response:

Mr. Inskeep's statement is based upon his experience and expertise and is further explained in the remainder of his response.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Benjamin D. Inskeep

Request No. 15

Provide all source material relied upon to generate Table 2 in the Inskeep Supplemental Testimony.

Response:

Refer to KYSEIA's response to question 2 above.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Richard McCann

Request No. 16

Refer to page 5, lines 15-19 and page 5, lines 1-3 of the McCann Supplemental Testimony:
(a) Identify all record evidence relied upon to support the bullet-point "principles" that KYSEIA asserts should be used by the Commission in setting net metering rates. (b) Identify where in the Net Metering Act those bullet-point "principles" can be found.

Response:

(a) This statement is an assertion that as generators transacting with KPC, net metering customers are entitled to the same consideration as any other generator signing a long-term agreement with KPC on the basis of equity. In support of this type of pricing for generation assets, Alfred Kahn in *The Economics of Regulation* (cited in my testimony) at p. 84 states:

But since short term AVC [average variable cost] (in contrast with SRMC [short run marginal cost]) are never as large as average total cost (see Figure 1), universal adoption of this type of pricing is infeasible if sellers are to cover total costs, including (as always) a minimum required return on investment. This in turn produces a strong tendency in industry to price on a "full cost" basis—usually computed at AVC (really average AVCE over some period of time) plus some percentage mark-up judged sufficient to cover total costs on the average over some time period—a far cry, indeed, from marginal cost pricing.¹

Further, in my professional experience of reviewing utility power purchase agreements (PPAs) signed by Pacific Gas and Electric, Southern California Edison and San Diego Gas and Electric Companies, the California Department of Water Resources and the Sacramento Municipal Utility District over a 30 year period, the price for a multi-year contract generally has several pricing components, of which one is set at a constant annual payment amount based on the parties' assessment of the going market value as of the date of the signing. The other components may or may not be tied to short run market prices such as tolling on fuel costs or to a recognized organized market benchmark such as one run by an independent system operator similar to PJM.

(b) The Public Service Commission itself asserted in a letter to Senator Brandon Smith on February 18, 2019 that it has the authority to consider factors beyond those enumerated in the Net Metering Act:

¹ Alfred E. Kahn, 1988, *The Economics of Regulation: Principles and Institutions*, Cambridge, Massachusetts; London, England: MIT Press, p. 84.

Second, the Commission has concerns regarding the language describing what the Commission shall consider in reviewing a net metering tariff. The Commission has broad authority to consider all relevant factors presented during a rate proceeding, which would include evidence of the quantifiable benefits and costs of a net-metered system. See Kentucky Public Service Com'n v. Commonwealth ex rel. Conway, 324 S.W.3d 373, 383 (Ky. 2010) (The Commission has “plenary authority to regulate and investigate utilities and to ensure that rates charged are fair, just, and reasonable under KRS 278.030 and KRS 278.040.”). Benefits of generation from net-metered systems vary for a number of reasons, including locational benefits, specific utility load factors, etc. Statutory language explicitly dictating only what the Commission is to consider in a rate proceeding (as HFA 1 does in Section 2, paragraph 5) is antithetical to standard principles of utility ratemaking.²

² Kentucky Public Service Commission, Letter to Senator Brandon Smith, “Re: Senate Bill 100, House Floor Amendment 1,” https://psc.ky.gov/pscecf/2019-00256/fitzkr%40aol.com/10152019103613/Attachment_1_to_KRC_Preliminary_Comments.pdf, February 18, 2019.

Kentucky Solar Industries Association, Inc.
KY PSC Case No. 2020-00174
Response to Supplemental Data Requests of Kentucky Power Company

Witness Responsible:

Richard McCann

Request No. 17

Refer to page 6, lines 10-12 of the McCann Supplemental Testimony: (a) Provide all record evidence supporting Dr. McCann's assertion that net metering customers' investment(s) will "benefit all ratepayers over the long term" and provide all supporting analyses in an electronic format, with formulas intact and visible, and no pasted values; and (b) Identify where in the Net Metering Act support can be found for Dr. McCann's assertion that "[i]nvestments made by ratepayers that will benefit all ratepayers over the long term should be offered tariffs, as with contracts, that provide a reason to recover those investments."

Response:

(a) Joint Intervenor witnesses Owen and Rabago testified about the benefits found in well-done value of solar studies and incorporated in various utilities' tariffs around the country.³

(b) See the answer to 16(b) for the authority of the Commission to consider these issues.

My statement on page 6 is a policy recommendation based on my professional experience as an energy economist based on the principle of equity in market access that generators, whether as utility-scale bulk power plants or as rooftop solar panels, should be offered similar provisions in agreements including a set price with agreed upon reopeners over a set period. These types of provisions are one necessary component to encouraging consistent investment in infrastructure that benefits the economy.

³ Direct Testimony of James Owen on Behalf of Joint Intervenors Mountain Association, Kentuckians for the Commonwealth, and the Kentucky Solar Energy Society (filed October 7, 2020); and Supplemental Testimony of Karl R. Rábago on Behalf of Joint Intervenors (filed February 25, 2021).