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 Practices To Establish Regulatory Assets And Liabilities; (4) Approval Of A Certificate Of Public Convenience And Necessity; And (5) All Other Required Approvals And Relief	) Case No. 2020-00174

POST-HEARING BRIEF OF JOINT INTERVENORS RELATING TO THE PROPOSED NET METERING II TARIFF OF KENTUCKY POWER COMPANY

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INTRODUCTION

In the Public Service Commission ("Commission") *Order* in this case dated January 13, 2021, the Commission deferred a decision on the Kentucky Power Company ("KPC") proposed Net Metering ("NMS II") tariff, recognizing that as the *first* case in which a jurisdictional electric utility had proposed to depart from the 1:1 net metering formula, a complete evidentiary record was necessary to support any such change.

> Given that this is the first proceeding to propose new net metering rates consistent with the Net Metering Act, the Commission finds that its decision regarding net metering rates should be deferred to allow Commission Staff to work with its consultant to ensure that there is sufficient evidence to support the conclusion that Kentucky Power's proposed Tariff NMS II rates are fair, just and reasonable.

January 13, 2021 *Order,* Case No. 2020-00174, p. 85.

The Commission noted, in reviewing the KPC NMS II tariff, that KPC had failed to account for any of the benefits of net-metered solar in their proposal to value fed-in solar at their "avoided cost" rate. "The proposed calculation did not include the societal cost of carbon, the value of the customer generators' renewable energy credits (RECs), nor other externalities as Kentucky Power contended that those items are not cost of service related." *Id.* at p. 83.

The Commission further noted the lack of data or analysis to support the NMS II rate proposal. "Relevant here, Kentucky Power did not conduct a cost of service study or provide any cost support for serving net metered customers. Instead, Kentucky Power proposed to use avoided cost as the basis for net metering rates. The Commission is not convinced by Kentucky Power's arguments that avoided cost should be the basis for establishing new net metering rates." *Id.,* p. 85.

The Commission issued an *Order* setting the NMS II Tariff issues for hearing beginning on April 6, 2021, *January 15, 2021 Order,* and at the conclusion of the April 7 hearing, established a briefing schedule with opening briefs due April 21, 2021. This post-hearing Brief of Joint Intervenors addresses the requirements of KRS 278.466 and demonstrates that, despite having been offered an additional opportunity to present evidence demonstrating that the proposed NMS II rates are fair, just, and reasonable, KPC has yet failed to satisfy the requirements of KRS 278.466 with respect to justifying the NMS II Tariff, and has produced a proposed rate that is unfair, unjust, and unreasonable.

The KPC failed to satisfy the requirements of the statute in proposing the NMS II tariff, for rather than basing the proposed tariff on a full study of costs of service, a study was performed *post hoc* which conveniently found the proposed rate to be justified using assumed rather than actual data. Whether determined on the basis of a benefit-cost assessment ("BCA") or through an avoided cost analysis, KPC has failed to demonstrate that the NMS II tariff is appropriate or justified.

Joint Intervenors have outlined the best available practice methodology for undertaking a benefit cost analysis to inform the determination of net costs and fair rate design, and has summarized what approach would produce an appropriate evaluation to justify a NMS II tariff. Yet the company has steadfastly refused to acknowledge or include any of the identified benefits provided by the introduction of distributed solar generation into the system in setting the appropriate rate, claiming mistakenly that consideration of such benefits is neither necessary nor appropriate when using a cost-based approach.

In failing to do so, KPC's proposal is an outlier, producing inflated costs that fail to offset benefits to arrive at true cost of service. For while the Federal Energy Regulatory Commission has acknowledged in FERC 2222 Order the many benefits and value of Distributed Energy Resources ("DERs"), of which rooftop solar is one, and while KPC's Mattison has publicly acknowledged that the incorporation of renewable energy into the portfolio of the utility's generating assets is an essential and valuable component of the AEP system's decarbonization strategy, when it comes time to determine the net costs of service, KPC ignores and dismisses the benefits while magnifying and isolating alleged costs based on faulty extrapolations from generalized data.

It has been implied that the non-utility parties to this proceeding bear the burden of proposing alternatives to the utilities' proposal in this proceeding. That is not the case. KPC has failed to propose a net metering tariff that meets the requirements of Kentucky law in determining the true cost of service based on valid data and fair analysis. There is no proposal before the Commission that does so, even though Joint Intervenors have proposed a process for getting the data needed for such an analysis and proposal

The burden of production of evidence and proof of a just, fair, and reasonable rate does not rest on or shift to intervenors such as the Joint Intervenors as a result of KPC's failure to meet their burden. The legal and regulatory status of this case is that the Commission does not have credible and substantial evidence to support a shift away from 1:1 net metering, whether expressed in kilowatt-hours or in dollar-denominated compensatory credit.

For the reasons stated below and as stated in the initial Post-Hearing Brief of Joint Intervenors, which is incorporated herein by reference as if fully set forth below with respect to the net metering issues, the NMS II proposal should be rejected and NMS I continued in effect unless and until a new NMS proposal is presented that both comports with the statute, and which provides compensatory credit rates consistent with the true cost of service after consideration of benefits and costs of such service.

ARGUMENT

I. The NMS II Rate Was Not Based On a Full Cost of Service Study, But Instead Was Supported *Post Hoc* With A Study Using Faulty Assumptions To Support The Predetermined Outcome

The KPC proposed NMS II tariff proposes to devalue excess generation of electricity from customers with rooftop solar who take service under the NMS II tariff, in two fashions: first, by devaluing the credit that is provided to a customer for electricity generated during a billing cycle that is in excess of that consumed by the customer and which is fed into the grid for use by other customers; and second, by limiting the times of day during which the customer may apply those credits against usage.

KRS 278.466 provides the basis upon which a jurisdictional utility such as KPC can propose a compensatory rate for fed-in solar electricity through net metering that departs from the traditional 1:1 kilowatt-hour denominated credit. Notably, KRS 278.466 places the burden on the utility proposing such a change:

> (5) Using the ratemaking process provided by this chapter, each retail electric supplier shall be entitled to implement rates to recover from its eligible customer-generators all costs necessary to serve its eligible customer-generators, including but not limited to fixed and demand-based costs, without regard for the rate structure for customers who are not eligible customer-generators.

In this case, as noted by the Commission in the January 31, 2021 *Order,* KPC produced no cost of service study with respect to the specific costs of serving net metering customers. It is apparent from the language of KRS 278.466(5) that a new structure for rates for net metering customers such as KPC has proposed here (both in terms of the compensatory rate and restrictions on when such credits can be utilized to offset usage) can be approved only where the utility has quantified what are the "costs necessary to serve its eligible customer-generators, including but not limited to fixed and demand-based costs, without regard for the rate structure for customers who are not eligible customer-generators."

Despite being given a second chance to do so and being forewarned that the lack of a valid empirical basis and an assumption that defaulting to avoided costs rather than providing a valid methodology for setting a fair compensatory rate, KPC has done neither.

The Commission's February 18, 2019 letter to Chairman Smith concerning Senate Bill 100 opposing the establishment of one case to set the appropriate rate for service of net-metering customers noted that individual rate cases for each utility was more appropriate since "Utilities and the territories they serve have quite distinct differences, and it is because of these variations that the ratemaking process should reflect a utility's unique characteristics and the specific cost of serving that utility's customers." KPC failed abjectly to provide any valid data supporting the "specific cost of serving that utility's" net metering customers so as to support a separate rate structure and cost.

The Supplemental Testimony of witness Karl Rábago summarizes well the flaws in the KPC proposal:

Do you know why the Company is proposing punitive and confiscatory rates for net metering customers?

A. Not fully, due to the lack of evidence in the record. The Company is clearly focused on collecting revenues from self-generation customers as if they did not reduce their use of Company-provided energy services in order to cover fixed costs the Company has accrued.[1] Of course, reduction in use should result in reductions in charges, and to single out customers that reduce use due to self-generation for punitive rates constitutes unjust discrimination unless the proposed rate is substantiated by competent evidence. The Company views customers who self-generate as causing a cost shift to non-generating customers,[2] but provides no evidence based on a cost of service study that self-generators cost more, or less, to serve. The many studies cited by JI witness Owen in his testimony establish that under a full, fair, and transparent assessment of costs and benefits, the net benefits of DG typically exceed the locally prevailing retail rate. The Company was selective in its assessment of costs that are avoided by DG in order to propose a sudden and dramatic reduction in the compensation rate for energy injections.[3] The Company's approach, however, is that the Commission should support a kind of piece-meal rate making for DG compensation that is economically inefficient and, again, discriminatory. The Company asserts that this confiscatory compensation rate is necessary to mitigate against a claimed subsidy to net metering customers that it did not substantiate.[4] In fact, the Company reports that it will address alleged subsidies for the very first time in supplemental testimony that it intends to file in this proceeding.[5] Again, however, the evidence in jurisdictions that have sponsored transparent and comprehensive assessments of the costs and benefits of DG is that customers that install and operate such systems are typically subsidizing both the utility and non-generating customers.

Supplemental Testimony of Karl R. Rábago On Behalf of Joint Intervenors at p 7, Line 10, through p. 8, Line 13.

II. A Fair Compensatory Credit Rate Should Rest On A Sound Methodology Without Predetermined Bias And Based On An Assessment Of Benefits And Costs Associated With Net Metering Customers

The KPC-proposed NMS II tariff is inconsistent with the provisions of SB 100 and fails to properly account for and incorporate into the rate of crediting of fed-in excess solar,

[1] KPC Post-Hearing Brief at 96.
[2] Id.
[3] *Id.* at 97.
[4] *Id.* at 98.
[5] Company response to JI-SDR-07.

the numerous benefits provided by distributed generation customers taking service under a net-metering arrangement. It is important, in viewing the inadequacy of the proposed NMS II tariff, to understand the changes effected to the prior net metering law by SB 100, which was adopted in 2019 and became effective on January 1, 2020. The KPC characterization of the changes effected by SB 100 as providing "for the end of, or at least a drastic reduction in, the subsidies to net metering customers that the previous net metering statute produced" is pure hyperbole and wishful thinking, since the changes to the existing statute do no such thing.

The changes effected to existing net metering law by SB 100 did change the basis upon which the value of the electricity consumed and generated by an eligible customer-generator would be credited, from a "kilowatt-hour" comparative measurement to one expressed as a "dollar value." Nothing in that change, however, presupposed that the dollar value ascribed to fed-in electricity would be higher or lower than a 1:1 ratio. Instead, the General Assembly directed that the Public Service Commission set that rate of compensatory credit "using the ratemaking processes under this chapter[.]" KRS 278.466(3).

Numerous studies, and the recent Order 2222 of the Federal Energy Regulatory Commission, acknowledge the values and benefits that distributed generation such as rooftop solar bring to the utilities on a micro- and macro-scale, and despite Kentucky's jurisdictional utilities having represented to this Commission the value of solar as being integral to *why* proposed utility-scale solar arrays should be approved, the same utilities doggedly and hypocritically discount such values as externalities when they are not tied to a ROE.

In his dissent to FERC Order 2222, Commissioner Christie noted that:

> Let me be clear: encouraging the development of DERs is a good thing; eviscerating the states' historic authority in the name of encouraging DER development is not. On the contrary, it is the states and other local authorities that are far better positioned than FERC to manage successfully the development and deployment of DERs in ways that serve reliability needs, that protect consumers from inflated costs, and that are far more sustainable in the long run.

Commissioner Mark C. Christie Statement March 18, 2021 FERC Docket No. RM18-9-002 Order No. 2222-A, Public Service Commission Exhibit 4, Supplemental KPC Hearing.

A fair compensatory rate based on actual data and properly quantifying the benefits of fed-in rooftop solar in determining rates to be charged participating customers, serves all of the interests identified by Commissioner Christie. It serves to encourage development of that category of DERs providing fed-in solar energy in the retail marketplace, by providing a fair compensatory credit for the electricity that is introduced into the local grid by a customer who has borne the capital costs and risks associated with construction of the facility and seeks no return on that investment other than fair credit for the generated power. It serves the interests of supporting reliability, since as has been argued by Joint Intervenors (and tacitly if begrudgingly acknowledged by KPC witnesses), introduction of such electricity can mitigate costs associated with transmission and delivery of electric service, and allow for cost savings as well as deferral of equipment replacement, while providing local grid resiliency. It serves to protect both participating and non-participating customers from "inflated costs" because by valuing the benefits, the actual costs can be determined and any alleged "íntra-class subsidy" flowing in either direction with the residential and commercial customer classes, can be minimized or eliminated.

a. The Methodology Outlined By Joint Intervenors Rests On Accepted Best Practices In Assessing Benefits And Costs of Net-Metering Customers In Determining What Is The Appropriate Rate For Service To Such Customers

Despite unwarranted criticism that the parties have not suggested am alternative methodology for determining the appropriate compensatory rate for net-metered electricity, the *Supplemental Testimony of Karl R. Rábago On Behalf of Joint Intervenors* provides in great detail the components of a Benefit/Cost Analysis that is the cornerstone of informing a fair, just, and reasonable compensatory rate design.

As noted by witness Rábago in response to questioning by Commission Staff, the KPC proposal falls far short of the mark.

> Q. Is it fair to say that in your supplemental testimony implies that Kentucky Power – Kentucky Power's proposed tariff NMS II fails to align with the best practices that are set forth in the [NSPM-DER] manual?
>
> A. That is fair to say in two reasons. Number one, it is not comprehensive, in assessing all of the impacts of benefits and costs. Second of all, it does not rest on a foundation of sound data, which as I pointed out, would have been in a true complete cost of service study…of the cost of serving generating and non-generating customers within a class.

Video Transcript of April 7, 2021 Hearing, at 9:37:50 – 9:38:47.

Witness Rábago further explained in response to Commission Staff's question, that there are benefits to the utility in avoided distribution costs associated with net metering (which were not considered by KPC), and that the locational benefits of DERs in assisting the utility in avoiding distribution costs, exist and at times provide very high value that could be captured in a proper cost-benefit analysis. Video Transcript of April 7, 2021 Hearing, at 9:45-9:49. This fully supports the observation by the Commission in the letter to Senator Smith that "[b]enefits of generation from net-metered systems vary for a number of reasons, including locational benefits, specific utility load factors, etc."

Letter from Public Service Commission to Senator Brandon Smith, February 18, 2019.

KPC has failed to advance a coherent, accepted methodology to support a new rate design for net-metering customers that considers costs and benefits in arriving at a fair, just, and reasonable rate.

b. The KPC NMS II Tariff Fails To Satisfy Either Approach To Determining The True Cost of Serving Net Metering Customers That Were Referenced in Appendix C To Commission Order 2019-00256

During deliberations in the supplemental two-day hearing in this case, Commission Staff questioned various witnesses concerning a journal article that was appended to the Commission Order in Case No. 2019-00256 (December 18, 2019) entitled *Quantifying Net Energy Metering Subsidies,* authored by Sanem Sergici, Yingxia Yang, Maria Castaner, and Ahmad Faruqui, and published in *The Electricity Journal* 32, Issue 8 (2019)("Brattle Group Article").

In that article, the authors described two approaches to determining the "subsidy" of non-participating to net-metering customers (*while presuming without evidence in the article that one exists)*. The first is the "cost of service" approach, which as described by the authors "compares the utility revenue collected from NEM customers to the utility's costs to serve NEM customers. The difference between revenue and cost represents the NEM subsidy." The second is the "cost/benefit approach ," under which "the NEM subsidy is represented by the difference between the utility's marginal costs and marginal benefits associated with serving NEM customers:

> The marginal costs include revenue reduction due to DG customers' reduced electricity consumption as well as other potential cost increases associated with serving DG customers, such as initial billing set up costs, interconnection costs, incremental metering costs, and DG integration costs. The

> marginal benefits consist of the utility's avoided cost due to lower consumption from DG customers, such as avoided energy cost, avoided generation, transmission, and distribution capacity costs. Under the cost/benefit approach, some avoided cost components, such as the avoided energy and ancillary service costs, do not require utility cost-of- service information and can be compiled relatively easily using publicly available data.

Brattle Group Article, pp. 2-3.

The KPC NMS II Tariff fails both tests for determining what is the appropriate compensatory credit for fed-in solar energy in determining the rates for customer service. The KPC NMS II Tariff fails the "cost-of-service" approach described by the *Brattle Group Article* in failing to utilize actual data derived from net-metered customers.

> While this approach is conceptually straightforward, it requires the availability of recent and reliable cost-of-service data, which may not be available for every utility and for those that have a recent cost-of-service paper, they may not have analyzed and isolated the cost to serve to NEM customers.

Brattle Group Article, supra, at p. 2.

KPC neither collected nor used "recent and reliable cost-of-service data" that "analyzed and isolated the cost to serve the NEM customers." Rather, KPC used surrogate data and, as noted by KYSEIA's witness Von Nostrand's supplemental testimony, distorted and inflated certain values in a manner that does not accurately portray the usage patterns and cost to serve NM customers.

Nor did the KPC NMS II Tariff derivation satisfy the "cost/benefit" approach described in the *Brattle Group Article*, since it rejected any consideration or, let along quantification of, benefits as described in that article and the testimony of witnesses Van Nostrum, Rábago, and Owen.

It is important to note that the *Brattle Group Article* presumes a subsidy is caused by net metering, without offering evidence, and without acknowledging that numerous

studies conducted across the United States and cited in the Joint Intervenors' Post-Hearing Brief, have found the value of distributed generation to be in excess of the retail rate (as documented in testimony by James Owen for the Joint Intervenors in 2020-00174). The *Brattle Group Article* notes the existence of the benefit/cost approach yet chooses to focus their study instead on the cost of service approach, which admittedly disregards the multiple benefits distributed generation provides. The *Brattle Group Article's* casual dismissal of the benefit/cost approach contrasts with the many value of solar studies performed throughout the United States, as documented by Owen; as well as the comprehensive approach detailed in the National Standard Practice Manual for Benefit-Cost Analysis of DERs, as presented in Karl Rábago's testimony in this proceeding.

The cost-of-service assumptions in the *Brattle Group Article* was itself subject to criticism by witness Rábago:

> Do you agree with the methodology and the conclusion that was reached in that paper?
>
> No, I don't. I think my major concern is the one I expressed in response to staff questions, which is that by choosing the cost of service approach, it essentially treats fixed costs as being sunk. Second of all, the paper itself starts - it builds on a previous paper that Dr. Faruqui in a previous journal – in a previous edition of the Electricity Journal in fact to which I also had an article, in which he put forward the idea and his assumption that there is always a subsidy to net metering customers so it just becomes a case of, you know, can we spot it and size it. Second of all, it makes a number of assumptions because it doesn't have data, and in trying to come up with a numerical thing it makes estimates about pre-net metering consumption levels by customers, it makes estimates that include scaling up of consumption levels by net metering customers on the assumption that all net metering customers use more than the average amount of electricity, and a couple of other areas.

Video Transcript of April 7, 2021 Hearing 10:00 – 10:01:50.

Witness Rábago did agree with his colleague Dr. Faruqui, in the essential need for sound data to drive a cost-of-service approach, and the fatal lack of such data in this case:

> The one thing I do want to iterate very strongly, though, and I believe that Vice-Chair – it was Vice Chair Chandler who addressed this yesterday toward the end of the day, the method makes it clear that doing a good job on assessing whether there is a subsidy and the magnitude of any subsidies and in which direction they flow, is critically dependent on data, and especially data of net metering and non-net metering customers within the class. And that was a focus of my testimony as well.

Video Transcript of April 7, 2021 Hearing at 10:01:59 – 10:02:36.

KPC has failed to meet either of the standards defined in the *Brattle Group Article* for conducting a legitimate and rational cost of service analysis.

c. The Benefits That Fed-In Net Metered Electricity Provides Are Capable Of Measurement And Must Be Calculated In Determining The True Cost Of Service

Often, one who is shopping for a product will find it on a grocery store shelf with a listed cost. Yet on that product one might occasionally find an "instant rebate," which is a coupon that can be used to lower the actual cost of the product when redeemed at the register.

So too, the cost of serving net metering customers must be offset against the benefits and value they bring, to determine the true cost of service. While KPC seeks to discount any consideration of benefits in setting an appropriate compensatory rate for fed-in solar power, this Commission has previously acknowledged that in determining what is the actual cost of service to the net-metering customer, as provided in KRS 278.466(5) the value of the electricity being fed in to the system in excess of consumption, and other values associated with the presence of that customer-generator in the utility system, must be calculated.

The Commission's February 18, 2019 letter concerning Senate Bill 100 noted that in setting the rates for net-metering customers, the rates "should reflect a utility's unique characteristics and the specific cost of serving that utility's customers. *The same holds true for examining the quantifiable benefits and costs of net-metered systems."* *Letter from Public Service Commission to Senator Brandon Smith,* February 18, 2019. (Emphasis added). ("Smith Letter").

Later in that same letter, the Commission objected to the proposed enumeration and limitation of benefits that could be considered by the Commission in such a calculation, noting that "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.*** (citations omitted). 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."

The failure of KPC to address the quantifiable benefits of net-metered systems makes the proposed NMS II tariff inherently unreasonable. Had the General Assembly intended to merely replace the 1:1 relationship of electricity fed-in and that consumed with the utility's "avoided cost," it would have enacted House Bill 227 as it was first introduced during the 2018 General Assembly Regular Session. That the Commission has represented to the General Assembly that examination of quantifiable benefits is a necessary consideration in determining whether the proposed rate is fair, just, and

reasonable, the absence of such consideration in the development of NMS II requires that the proposed tariff be rejected.

KPC has failed abjectly to provide any analysis regarding the quantifiable benefits derived to the utility or to other customers from the participation in that utility service area of net-metering customers. The uncontradicted testimony of witness Van Nostrand for Intervenor KYSEIA and the pre-filed Direct Testimony of James Owen on behalf of Joint Intervenors identified a number of quantifiable benefits that should have been evaluated by KPC but were not. In response to questioning from the Office of Attorney General, witness Van Nostrand noted, as suggested by the Commission to Senator Smith, that a fair rate must consider and offset costs and benefits:

> The grid receives substantial benefits from a net-metered customer: Capacity, energy, locational benefits that might reduce loads in a certain constrained area, environmental benefits to the extent they're displacing carbon-emitting resources, potential just load reduction in transmission distribution infrastructure to the extent the generation is being produced closer to the load, so you don't have to transmit it over longer distances. There's substantial benefits. There's also the resilience value to the grid, which I've written a couple articles about. There's no question that the distributed energy resources confer value to the grid.
>
> Q. Okay. Do you agree that under net metering that nonparticipants in solar generation are subsidizing those customers that are net-metering participants?
>
> A. I think that depends on whether the cost-of-service studies substantiate that. I know that's an allegation made by (indiscernible) utility industry, but that usually termed cost subsidization, but I think you need to determine what are the values that the DRs provide to the grid and compare that to the compensation they receive and see if there's a match. If they provide benefits that correspond to the level of contributions, no, there's no cost subsidization by definition.

Tr. Vol. VI pp. 1617-1618.

KPC has conducted no such analysis of quantifiable benefits that would allow the Commission to determine whether the benefits offset or outweigh the costs of serving the customer-generator; an analysis essential to determine the true cost of service.

The structure of the NMS II Tariff, as well as the rate proposed, should be rejected as being irrational and unreasonable. Under questioning from Commission Staff regarding a different experimental time-of-day rate, witness Joshua Bills testified that market prices vary by intra-day periods and seasonally, and that similarly solar generation can avoid different magnitudes of cost "depending on the season and the day." April 7, 2021 Hearing video transcript at 9:19-20. Yet, as noted in the follow-up question from Commission Staff, the KPC proposed export rate for NMS II does not "vary by season." *Id.* at 9:20, and the proposed netting periods in the KPC NMS II tariff do not reflect those changes in value intra-day. *Id.* at 9:21 – 9:22:22.

The line of questioning underscored that KPC's tariff design fails to account for this varying value and fails to credit a higher value to customer generation at peak times, even though KPC acknowledges generation at peak times has greater value. KPC's NMS II uses time blocks to *reduce* the overall value of a solar generator to the customer, while incentivizing the customer to shift consumption *into* peak time periods (contrary to legislative intent regarding energy use as reflected in energy conservation and DSM programs and contrary to prudent utility practice); while failing to provide credit for the increased value of solar generation during those peak time blocks. In short, the rate design is irrational and unreasonable.

d. Utilities have recognized the value of renewable solar energy

In Commission Case No. 2014-00002, the Chief Operating Officer of Louisville Gas & Electric Company testified under oath that construction a 10-mw solar array would "broaden and further diversify the Companies' fuel supply sources and reduce future greenhouse gas emissions." Later in that filing it was explained that "Given the

increasing likelihood of CO2 constraints and the ability to sell Renewable Energy Certificates ("RECs"), the Companies also recommend building a 10 MW solar facility at the existing E.W. Brown station. The solar facility is a prudent hedge against both GHG regulations and natural gas price risk, it will reduce GHG emissions, it affords the Companies the opportunity to gain operational experience with a solar PV resource, and it does not materially add to revenue requirements over the next 30 years."

Thus, LG&E and KU testified before the Commission that the addition of solar capacity to their systems would be of benefit because of *reductions* in Greenhouse Gas Emissions, as a *hedge* against the volatility of gas prices, and a *hedge* against the cost of future GHG regulation.

So too, the testimony of Mr. Mattison before the Federal Energy Regulatory Commission in FERC Docket No. AD20-17-00 underscores the value that solar and other renewable energy brings to the utility and all of its customers:

> Environmental impact is a priority to AEP and its subsidiaries, and reducing carbon dioxide emissions is an important step towards reducing our environmental footprint. Consistent with this priority, AEP's generation fleet has transformed significantly over the last two decades, resulting in a 65% reduction in carbon dioxide emissions from 2000-2019. AEP expects our 2050 goal to exceed an 80% reduction and achieve larger reductions – with an aspiration of zero emissions. AEP will add more than 8,000 MW of regulated wind and solar generation through 2030. Thus, AEP continues to move to transform the energy industry to provide for cleaner generation.

Opening Statement of Brett Mattison, President and Chief Operating Officer, Kentucky Power Company, FERC Docket No. AD20-17-00 at p. 1.

It is the height of hypocrisy that KPC would propose to ignore or to discount in this case as "externalities" the value of distributed rooftop solar in helping to achieve the utility and its parent to move to "cleaner generation" by providing carbon emission-free electricity, even as it touts those values elsewhere.

If the Commission were to approve the KPC NMS II tariff without requiring that it be supported by and *derived from* a competent and complete cost of service study that uses realistic data, reasonable assumptions, and incorporates both the costs of service and the benefits derived to other customers and to the utility in determining the *real* or *net* costs, it would send a clear message to the other jurisdictional utilities that they can disregard the benefits provided by distributed generation, choose a number first and develop the methodology to support the outcome *post hoc*, and single out this sub-class of residential and commercial customers for disparate treatment without rational basis.

III. Any Changes To Interconnection Guidelines Should Be Deferred Pending Resolution Of Commission Case No. 202-0302

Joint Intervenors request that the Commission deny any proposed changes to the Interconnection Guidelines for Net Metering adopted by KPC, including the proposed change in the application fee, pending the outcome of Commission Case 2020-0302.

IV. Clarification Is Needed Concerning Implementation Of NMS II

After review of the testimony of Mr. Crocker testimony in hearing, there is some confusion regarding *when* customers would begin taking service under an NMS II Tariff, should the Tariff be approved in some fashion by the Commission in this proceeding. Based on Letter of Counsel to the Commission January 13, 2021 order regarding NMS, *KPCO_Letter_of_Counsel_Tariff_NMS_II*, KPC notified the Commission that it would place Tariff NMS II into effect as of January 14, 2021. However, beginning at about 16:46 on the clock (about 7:17 into the recording) for the April 6 hearing videorecording (https://www.youtube.com/watch?v=JI-R3mfcBo8), Mr. Crocker states that all customers with applications submitted before Jan. 14, 2021 that then finished installs were taking service under NMS I. He also stated that customers with applications submitted after Jan.

14, 2021 that then completed installation, , were also taking service under NMS I. He later stated that no customers were taking service under NMS II (as of 04/06). To clear up this confusion, Joint Intervenors request and recommend that the Commission include in the final Order following this briefing clarification that any customer who has submitted a net metering service application prior to the date of the final Order be eligible to take service under NMS I.

PRAYER FOR RELIEF

For the reasons stated herein, Joint Intervenors respectfully request that the Commission:

1. Reject the proposed NMS II Tariff; and

2. For any and all other relief to which Joint Intervenors may appear entitled.

Respectfully submitted,

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Certificate of Service

This is to certify that the electronic version of the foregoing *Post-Hearing Brief of Joint Intervenors Relating To The Proposed Net Metering II Tariff Of Kentucky Power Company* is a true and accurate copy of the same document that will be filed in paper medium; that the electronic filing has been transmitted to the Commission on April 21, 2021; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that in accordance with the March 16, 2020 Commission Order in Case No. 2020-00085 an original and ten copies in paper medium of this filing will not be mailed until after the lifting of the current state of emergency.

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Tom FitzGerald