

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| 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 |) | |

RESPONSES TO REQUESTS FOR INFORMATION TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY, BY AND THROUGH HIS OFFICE OF RATE INTERVENTION, AND KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. FROM KENTUCKY SOLAR INDUSTRIES ASSOCIATION, INC.

The Office of the Attorney General, Office of Rate Intervention and KIUC provide the following responses to the data requests filed by the Kentucky Solar Industries Association.

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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 2nd day of November, 2020, 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.

CERTIFICATE OF SERVICE

Undersigned counsel certifies that it has transmitted on this 2nd day of November, 2020, via electronic mail messages, these Requests for Information and the accompanying Read1st file for the electronic filing to the parties of record at the electronic mail addresses listed below. The Commission has not excused any party from electronic filing procedures for this case.

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**KENTUCKY SOLAR ENERGY INDUSTRY ASSOCIATION, INC.
REQUESTS FOR INFORMATION TO OAG/KIUC**

1. Refer to the Direct Testimony of Stephen J. Baron (“Baron Direct”) Exhibit SJB-1.
 - a. Please identify all pieces of testimony sponsored by Witness Baron which address issues related to customer-sited generation, including net metering policy and rate design for customers with distributed generation.
 - b. Please identify all pieces of testimony sponsored by Witness Baron which address rate design for residential and/or small commercial customers.
 - c. Please provide copies or links to all pieces of testimony identified in subparts (a) and (b) of this request.

Response:

- a. Mr. Baron has not previously sponsored such testimony.
 - b. Please see Exhibit SJB-1. This testimony is available from various regulatory commissions and comprises testimony in approximately 400 cases over 40 years. Mr. Baron has not reviewed this testimony to determine whether such issues have been addressed as part of his testimony.
 - c. Please see the response to part (b) above.
2. Refer to Baron Direct at p. 23, line 1 stating “Ideally, a solar customer should have a 100% buy/sell rate.”
 - a. Is it Witness Baron’s opinion that Kentucky’s net metering law permits the Commission to establish a 100% buy/sell rate as the only option available to solar or other distributed generation customers? Explain the basis for the position.
 - b. Is it Witness Baron’s opinion that Kentucky’s administrative regulations implementing the Public Utility Regulatory Policies Act (“PURPA”) permit the Commission to establish a 100% buy/sell rate as the only option available to solar or other distributed generation customers? Explain the basis for the position.
 - c. Is it Witness Baron’s opinion that PURPA regulations developed by the Federal Energy Regulatory Commission (“FERC”) permit a 100% buy/sell rate to be adopted as the only option available to solar or other distributed generation customers? Explain the basis for the position.
 - d. Is it Witness Baron’s position that a large industrial customer that installs a cogeneration unit should not be permitted to use that unit to service on-site load but should instead be subject to a 100% buy/sell rate? Explain the basis for the position.
 - e. Is it Witness Baron’s position that a reduction in a customer’s contribution to peak demands (i.e., reducing metered demand during peak periods) affects the electric system differently depending on whether that demand reduction is accomplished using on-site solar, or some other mechanism (e.g., demand management tools, more efficient equipment)? Explain the basis for the position.
 - f. Kentucky Power’s current Schedule L.G.S. charges an energy rate of 6.853 cents/kWh for Primary Voltage Service. Would it be more “ideal” for a Schedule

L.G.S. customer that reduces its monthly energy needs by 1 kWh receive monetary savings for this usage reduction at the L.G.S. energy rate (6.853 cents/kWh) or Kentucky Power's avoided cost rate? Identify the "ideal" option under this scenario and explain the basis for the position.

Response:

Objection, to the extent the question(s) calls for a legal conclusion, Mr. Baron is not an attorney and has not held himself out as one.

a. Mr. Baron is not offering a legal interpretation of the statute and therefore cannot provide an answer to this question. It should be noted that Mr. Baron is not recommending a 100% buy/sell arrangement for customer generation in this case.

b. Mr. Baron is not offering a legal interpretation of the statute and therefore cannot provide an answer to this question.

c. Mr. Baron is not offering a legal interpretation of the statute and therefore cannot provide an answer to this question.

d. It is Mr. Baron's experience that industrial cogeneration is typically used by the customer to serve the customer's own load. However, in all of the cases that Mr. Baron can recall, such a customer would be required to purchase standby power and maintenance power, which generally include monthly reservation charges consisting of kW demand charges that are paid regardless of whether the customer uses any standby power.

e. Yes, to the extent that the source of the reduction (e.g., solar, energy efficiency, etc.) have different risk profiles. For example, solar demand reductions are a function of solar radiance, which implies a different risk profile than energy efficiency.

f. KPCo's electric rates are based on embedded cost, not marginal cost. Therefore, a reduction of 1 kWh should be based on the tariff rate, which is an average cost rate, not a marginal cost rate. Idealism does not generally play a role in traditional rate design.

3. Witness Baron uses the term "subsidy" at ten different points throughout his testimony (e.g., p. 10, lines 7-8, Table 1 at p. 8).

a. Please provide an explicit definition of the term "subsidy" as used by Witness Baron.

b. Is it Witness Baron's position that the existence of a "subsidy" should be determined by the results of the Company's class cost of service study, as implied in Table 1 at p. 8 of Baron Direct? Explain the basis for the position.

Response:

a. The terms "subsidy" or "cross-subsidization" in the context of ratemaking and cost allocation mean that one or more rate classes is providing dollar payments to one or more other rate classes by paying rates that exceed the cost of providing service to those "subsidy-paying" rate classes. The amount of a subsidy paid or received by a rate class depends upon the methodology used to determine the cost of serving each rate class. However, the amount of such a subsidy can readily be

calculated by multiplying the difference between the rate class's rate of return and the retail average rate of return times the class's rate base and then grossing up the product for income taxes using the revenue conversion factor. Thus computed, the subsidy represents the difference in revenues paid by customers in a rate class compared to the revenues that would be paid if such customers' rates were set at cost of service.

- b. Yes. See response to part(a) above and Mr. Baron's testimony in this case for further clarification.
4. Refer to Baron Direct at p. 24 discussing the reasonableness of the Company's proposed excess energy payment for the N.M.S. II Tariff, and lines 7-10 stating "While there certainly could be more detailed and comprehensive methodologies used to develop an excess energy avoided cost rate, I believe that the Company's calculation is reasonable and provides solar customers a fair compensation for their excess energy."
 - a. Please identify and describe the other "more detailed and comprehensive methodologies" that Witness Baron reviewed in his analysis of the reasonableness of the Company's proposed methodology.
 - b. Please provide all such studies and any analysis that Witness Baron performed in order to reach the conclusion that the Company's proposed methodology is reasonable.
 - c. Please provide any studies that Witness Baron has himself performed for the purpose of establishing the value of energy generated and exported by distributed generation customers.

Response:

- a. Mr. Baron bases his testimony on this issue on his previous experience in evaluating net metering export power rates. In particular, he is familiar with analyses that use production cost analysis to measure the avoided energy cost associated with a specific rooftop solar load shape.
 - b. Mr. Baron based his conclusion on his review of Mr. Vaughan's testimony, exhibits and workpapers. Mr. Baron performed no independent analysis beyond such a review.
 - c. Mr. Baron has not performed any such independent calculation of the value of avoided energy associated with a solar load profile, though he has been extensively involved in the evaluation of an export credit rate in a recent proceeding in Utah. Mr. Baron did not file testimony in that proceeding.
5. Did Witness Baron perform an analysis of the Company's costs to serve net metering customers to determine if the costs exceed what those same net metering customers pay towards their cost of service? If so, please provide the results of Witness Baron's cost of service analysis and all associated workpapers in executable spreadsheet format with all formulas and file linkages intact. If not, please explain why Witness Baron did not perform such an analysis as part of his evaluation of the Company's N.M.S. II tariff proposal.

Response:

No. Mr. Baron's scope of work in this case did not include such an analysis.

6. Refer to Baron Direct at p. 7 discussing the factors the Commission should consider in establishing rates. Starting at p. 7, line 7 Witness Baron states: “While it [the class cost of service study] is an important factor, it is not the only factor. First, there can be legitimate disagreements on the appropriate methodology that should be used to allocate costs to rate classes. Moreover, such factors as gradualism, economic impact and hardship, rate shock, the impact on competitiveness of industry and other policy considerations should also be considered by the Commission. In particular, the Company is proposing a substantial increase during a period of unprecedented economic disruption in Kentucky and throughout the country. AG KIUC witness Lane Kollen addresses the Company’s overall requested revenue increase; however, notwithstanding the AG-KIUC adjustments to the Company’s request, the likely increase in this case will still be significant. As such, as I will discuss subsequently, this case presents a situation wherein subsidy reductions that would otherwise be entirely appropriate can be temporarily suspended.”

Witness Baron goes on to state at p. 10, line 18 through p. 11, line 2 “Given the unique, and unprecedented economic environment in Kentucky, and the fact that any base rate increase may be suspended, the AG-KIUC propose that the Commission adopt the Company’s proposed revenue allocation, which maintains current subsidies at proposed rates.”

- a. Are the “current subsidies” that Mr. Baron proposes to “maintain” at the current rates the amounts identified in Table 1 at p. 8? If not, identify the amounts.
- b. Identify Mr. Baron’s estimate of the annual subsidy that exists from non-participants to net metered solar customers and explain how this amount compares to the “subsidies” identified in Table 1?
- c. Is it correct that Witness Baron recommends that all existing purported rate subsidies be maintained unchanged *except* the subsidy he believes is being provided by the current net metering structure? If yes, it is correct, please explain why the result would not be arbitrary and discriminatory.
- d. It is Witness Baron’s position that the Company’s N.M.S. II Tariff proposal will not negatively affect the future economic prospects of the distributed solar industry in Kentucky Power’s territory? Explain the basis for the position.
- e. Is it Witness Baron’s position that the distributed solar industry is not already being affected by the “unprecedented economic disruption in Kentucky and throughout the country.” associated with COVID-19? Explain the basis for the position.
- f. Please explain Witness Baron’s position on how the principle of “gradualism” should affect Commission consideration of the current N.M.S. II tariff proposal and any changes to the N.M.S. II tariff that Kentucky Power may propose in subsequent applications for a change in rates.

Response:

- a. Yes.
- b. Mr. Baron has not performed such a calculation.
- c. Mr. Baron is not making any recommendation regarding subsidies that may exist in the Company’s NMS tariff. Mr. Baron is supporting the Company’s proposed calculation of a net export energy rate, as discussed in his testimony.

d. Mr. Baron has not performed any analysis of this issue and is not offering an opinion on this issue.

e. Mr. Baron has not performed any analysis of this issue and is not offering an opinion on this issue.

f. Mr. Baron does believe that it is reasonable to consider “gradualism” in the development of rates and tariffs of KPCo.