COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matters of:

ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT	)	CASE NO. 2020-00349
ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT	)	CASE NO. 2020-00350

KENTUCKY SOLAR INDUSTRIES ASSOCIATION, INC.
RESPONSE TO KENTUCKY PUBLIC SERVICE COMMISSION STAFF'S DATA REQUESTS

Comes now the Kentucky Solar Industries Association, Inc. (KYSEIA), by and through counsel, and submits its response to Kentucky Public Service Commission Staff's Data Requests.

Respectfully submitted,

/s/David E. Spenard
Randal A. Strobo
Clay A. Barkley
David E. Spenard
STROBO BARKLEY PLLC

239 S. Fifth Street, Suite 917
Louisville, Kentucky 40202
Phone: 502-290-9751
Facsimile: 502-378-5395
Email: rstrobo@strobobarkley.com
Email: cbarkley@strobobarkley.com
Email: dspenard@strobobarkley.com
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 1st day of April 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

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Witnesses Responsible:
Justin R. Barnes

1. Refer to the Direct Testimony of Justin R. Barnes (Barnes Testimony), page 9, lines 1–20, which discusses States incorporating a hedging benefit into their avoided energy costs pricing model. Identify any other States that incorporate a hedging benefit into their avoided energy cost pricing model.

Response:

As described in Mr. Barnes' direct testimony, North Carolina incorporates a specific $/kWh hedging benefit in its avoided cost pricing model. The value is derived using the Black-Scholes options pricing model based on the difference in pricing under a call (i.e., purchase) and put (i.e., sell) option. In addition, Michigan (described further below) has determined that a hedging benefit can be included in avoided energy cost pricing, but has not adopted a specific value or pricing methodology.

In this area, it should be appreciated that depending on how a state calculates rates for fixed energy pricing, a hedging value may be implicitly included in the rate rather than being identified as a specific additional component. By way of explanation, a fixed energy price that is based on the price of applicable fuel futures contracts incorporates a hedging value by pricing the energy cost according to a risk-free forward contract. In other words, assuming the fuel input price for a marginal unit according to futures pricing results in an avoided energy cost that reflects a "guaranteed" fuel price for that unit. Using projected fuel prices for this purpose does not implicitly incorporate a hedging benefit because projections do not reflect "guaranteed" fuel prices. Mr. Barnes has not fully reviewed the avoided energy pricing assumptions in all states that offer fixed price energy rate contracts and therefore cannot say which of these states use a methodology that incorporates an implied hedging value. Some states may use a combination of futures pricing and forecasts, such that prices for early years in a contract a based on futures pricing while the out years are based on projections because futures contracts become more thinly traded over longer time horizons.

Michigan: In the Detroit Edison ("DTE") 2016 biennial avoided cost review the Michigan PSC ("MPSC"), in a July 2017 Order, declined to adopt specific rates associated with hedging value to be included in DTE's avoided cost rates on the basis of insufficient information in the case record. However, it found that such additional avoided costs could be negotiated between QFs and the utility, and directed that the subsequent PURPA proceedings include such analyses. (see Order link below at p. 22.)

MPSC DTE Order: https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t0000001UTLiAAO

See 2021.04.01 kyseia response staff 1 attachment 1

The MPSC made a similar finding in a November 2017 Order in a proceeding governing QF rates for Consumer Energy. (see Order link below at p. 3).

MPSC Consumers Energy Order: https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t0000001UTIc

See 2021.04.01 kyseia response staff 1 attachment 2

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Witnesses Responsible:
Justin R. Barnes

2. Refer to the Barnes Testimony, page 13, lines 3–9, which discusses Kentucky Utilities Company's (KU) and Louisville Gas and Electric Company's (LG&E) (jointly KU/LG&E) proposal to exclude from actual fuel expenses those expenses that it determines to be fixed and non-variable. Absent the open-endedness of the term fixed and non-variable, indicate whether natural gas transportation fees, fixed rail transportation costs, rail car leasing, and barge fleeting should be excluded from the calculation of KU/LG&E's avoided energy costs. If not, explain why not.

<u>Response</u>:

Mr. Barnes disagrees that these and other so-called "fixed" fuel-related costs should be excluded from the Companies' avoided energy costs for several reasons. First, over a long time horizon, all costs are variable. A QF that avoids incremental energy generation from utility units, or avoids the construction of an additional unit would avoid these costs at some point in the future. For instance, if a generating unit operates less frequently and burns less fuel, the Company would presumably modify its fuel transportation regime to reflect a lower need (e.g., lease fewer rail cars). Likewise, avoiding the construction of a new unit would avoid the incurrence of costs to supply that unit with fuel. Both cases represent avoidance of future costs.

Second, these costs were presumably incurred as part of a least-cost strategy to ensure fuel availability for the Companies' generating units. If these costs were not encumbered by fixed price arrangements, they would still be incurred on a more variable basis and still be related to a need to supply fuel. For instance, rail cars might have been leased for shorter terms at a higher rate. Competitive market prices, such as locational marginal prices, would reflect these supposed "fixed" costs in one way or another. An independent generator would still need to make fuel supply arrangements, incur the applicable costs, and recover those costs via power sales. If the Company bought power from that an independent generator, it would do so at rates sufficient for that generator to recover those same costs. In other words, the Company already considers its full set of generation costs in signing long-term power purchase agreements with other generators who are similarly situated. Equitable treatment requires that the Company consider long-term avoided costs in both situations.

Finally, performing a segregation of fixed from variable costs raises considerable complications, such as how one defines the nature of a fixed cost. For instance, if leases of equipment or access rights to fuel transportation have optionality with respect to term, what term is used to differentiate a fixed cost from a variable cost? How are contract extensions treated? What termination options exist? Can the Company generate outside revenue with the resource (e.g., lease a barge to another entity)? In order to properly accomplish such a differentiation, it would be necessary to conduct a recurring and thorough review of agreements, contracts, renewal options, termination provisions, fee structures, etc., and there are likely to be cases where the cost in question defies an easy judgment due to case-specific nuances. The result would be a complex and difficult to implement system that could require considerable resources from both the Commission and intervenors to oversee effectively.

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Witnesses Responsible:
Justin R. Barnes

3. Refer to the Barnes Testimony, page 18, lines 3–16, which discusses KU's and LG&E's impending need for capacity, and page 20, lines 1–5, which discuss Mr. Barnes' recommendation for LQF capacity compensation when KU/LG&E is resource sufficient. Since KU and LG&E have indicated a need for capacity as early as 2025, explain whether KU and LG&E would be considered resource sufficient until 2025. If not, explain.

Response:

As a general matter, yes, the Companies would be considered resource sufficient through 2024 given this set of facts. However, if the Companies were to seek to procure resources that have a capacity value with an intention that those resources be placed in service prior to that date, the period of resource sufficiency should be adjusted accordingly. For instance, a utility might choose to seek additional resources along a different timeline for reasons beyond filling a specific capacity need (e.g., take advantage of federal tax credits, meet customer green energy preferences, etc.). The addition of those resources, to the extent they have capacity value, could have the effect of pushing the period of resource sufficiency forward in a manner that disadvantages qualifying facilities that could serve as a substitute for that procurement. This is not to suggest that the Companies necessarily have plans of this type. It is only an illustrative example of how case-by-case circumstances could indicate that a resource "need" exists even during periods of capacity sufficiency.

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Witnesses Responsible:
Justin R. Barnes

4. Refer to the Barnes Testimony, page 21, lines 20–22 and page 22, lines 1– 2. Provide a proposed contract length for a QF.

Response:

In Docket No. 2020-00174 Mr. Barnes recommended that QFs be offered fixed rate contracts with terms of at least 10 years. This continues to be his recommendation for the minimum term of a QF contract, though as noted in his testimony in Docket No. 2020-00174, there are a number of regulatory jurisdictions that authorize fixed rate contracts with terms that range from 10 – 25 years and longer duration contracts are methodologically more consistent with an IRP-based avoided capacity cost framework. The available contract terms could be structured so that a QF has multiple options (e.g., fully variable, 5-year, 10-year, 20-year) where at least one option has a term of 10 years or more.

While Mr. Barnes recommends a fully fixed rate be offered for both energy and capacity components for a minimum of 10 years, the capacity and energy rate components do not necessarily have to have equivalent terms. For instance, if the Commission determined that capacity compensation should be fixed for 20 years, it could still elect to reset energy compensation rates at 10 years.

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Witnesses Responsible:
Justin R. Barnes

5. Refer to the Barnes Testimony, page 23, lines 15–22, which reflects the recommendations regarding KU's and LG&E's avoided capacity cost calculations. Provide example tariff language that would reflect the recommendations regarding the avoided capacity cost calculation.

Response:

In jurisdictions where fixed rate contract options are offered to QFs, the applicable rates are typically expressly included in the tariff either in table form if a QF has the option for numerous contract terms (e.g., ranging from 1 – 20 years) or as singular values if the contract options are narrower. Duke Energy Progress South Carolina ("DEP-SC") Rate Schedule PPL-3 (PURCHASED POWER SCHEDULE FOR LARGE QUALIFYING FACILITIES PPL-3) provides a good template for this type of structure. A link to that tariff is provided immediately below followed by excerpts of applicable language (*in italicized text*).

LINK - DEP-SC Schedule PPL-3: https://www.duke-energy.com/_/media/pdfs/rates/c4scscheduleppl.pdf?la=en

See 2021.04.01 kyseia response staff 5 attachment 1

The text below sets a standard for how a QF gains access to a long-term contract and protocols under which rates are updated. Note that it includes instructions on how a legally enforceable obligation is established, a "tether" to the utility's integrated resource plan ("IRP"), and reference to inclusion of the "most up to date inputs" in order to address potential changes in capacity needs that could occur in between filed resource plans (e.g., additional plant retirements). The bracketed portions identify where customization would be required for the Companies' QF tariffs.

"The Fixed Long-Term Credits offered in this Schedule are available only to Eligible Sellers that establish a legally enforceable obligation to sell and deliver power to Company through (i) negotiation and execution of a mutually-binding LQF PPA (or alternative form of Power Purchase Agreement acceptable to Company, in its sole discretion); or (ii) through Eligible Seller's execution and delivery of a Notice of Commitment Form, as approved by the Commission, which is accepted by Company to be complete and to establish the Eligible Seller's legally enforceable obligation date pursuant to the terms of the Notice of Commitment Form. Prior to an Eligible Seller establishing a legally enforceable obligation, the Long-Term Credits under this Schedule shall be indicative of Company's current avoided cost of energy and capacity but shall not be binding on either Company or the Eligible Seller and shall be subject to adjustment through

updates to this Schedule unless and until the Eligible Seller establishes a legally enforceable obligation as set forth herein.

To obtain an LQF PPA or Notice of Commitment Form, an Eligible Seller may contact the Company at: [insert necessary information]"

"Pursuant to Order [insert Order reference] the Company will continue to incorporate the most up-to-date inputs to avoided energy and avoided capacity costs for purposes of calculating avoided cost rates offered under this Schedule consistent with the methodology approved by the Commission and Company's most recent integrated resource plan. The Fixed Long-Term Credits identified in the Rate section of this Schedule shall only be available to Eligible Sellers that establish a legally enforceable obligation on or before the date that the Company submits updated Fixed Long-Term Credits under this Schedule to the Commission."

The methodology reference noting the applicable Commission order could be supplemented with a tariff statement providing further detail on the methodology employed for determining avoided costs. Dominion Energy South Carolina ("DESC") provides such a statement for its Partial Requirements ("PR") rates, which can be accessed at the link below. The inclusion of a similar statement in the Companies' QF tariffs could provide useful clarification and insights for prospective QF generators into the basis for the stated avoided cost rates.

LINK - DESC Rate PR Avoided Cost Methodology: https://cdn-dominionenergy-prd-001.azureedge.net/-/media/pdfs/south-carolina/rates-and-tariffs/pr-1-avoided-costs-methodology.pdf?la=en&rev=7297e796d9074970bf4c1addeb5b2b62&hash=86BBF389A0FBF19B82D313B56E9EC702

See 2021.04.01 kyseia response staff 5 attachment 2

The text below (from DEP-SC Schedule PPL-3) precedes the statement of specific rates, stating the contract term, in this case ten years.

"<u>Energy and Capacity Credits</u>:
Eligible Sellers shall be paid based upon the Eligible Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credit provided herein is based on a contract term of ten (10) years."

The snapshot pasted below provides the specific capacity rates being offered, differentiated by the voltage level at which a project is interconnected in order to reflected avoided line losses associated with projects that do not utilize the transmission system and therefore do not incur transmission-level losses. As shown below, the capacity credit is translated from a $/kW rate to a $/kWh value for energy delivered during defined on-peak periods. The on-peak periods, including seasonal differentiation if applicable, would also need to be defined.

Capacity Credits (¢/kWh)[3]:

On-peak kWh:

a. Summer	0.24	0.23
b. Winter		
1. Morning Hours	11.23	11.03
2. Evening Hours	4.88	4.79

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Witnesses Responsible:
Benjamin D. Inskeep

6. Refer to the Direct Testimony of Benjamin D. Inskeep (Inskeep Testimony), page 9, lines 1–5. Mr. Inskeep states that a factor the Commission should be considered as part of the revision to DG rates is consistency across all utilities.

a. Explain whether Mr. Inskeep agrees that rate structures among utilities can differ, especially between rural cooperatives and investor owned utilities.

b. If Mr. Inskeep agrees with (a) above, explain if the rate structure should still remain consistent among all utilities.

<u>Response:</u>

a. Mr. Inskeep agrees that rate structures among utilities can and do differ, including sometimes between rural cooperatives and investor-owned utilities.

b. While there can be variation across utilities in the specific rates and rate designs used, generally speaking consumers benefit from having some level of consistency in rate structure across utilities. Critical issues in determining rate structure include fairness to consumers, as well as practical attributes such as simplicity, certainty, understandability, public acceptability, and feasibility of application. As a state policy to encourage beneficial economic activity, consistent rate structures across utilities ease businesses' management decisions and processes and reduces the potential for destructive interregional competition that hurts the state's economy and ratepayers. It is logical that similarly situated customers located in different, but similarly situated, utility jurisdictions should therefore have similar rate structures.

   Notwithstanding the goal of having some level of consistency across utilities in rate structures, Mr. Inskeep recognizes that each utility is unique and that there are a number of important principles involved in establishing rate structures that can be considered, so it follows that there will be some variation across utilities and that the Commission has discretion to weigh these factors on an individual utility basis when setting rates.

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Witnesses Responsible:
Benjamin D. Inskeep

7. Refer to the Inskeep Testimony, page 22, lines 7–10. Mr. Inskeep states that the avoided cost rate fails to account for all of the benefits provided by net metering systems. Provide a list of these benefits and how each benefit should be valued.

Response:

Such an analysis is a significant undertaking that must be based on robust data collection and vetted methodologies. The Companies, who have the burden of proof to demonstrate their proposed changes to net metering result in fair, just and reasonable rates, have failed to undertake the requisite data collection and use of such methodologies to identify specific values for specific benefits categories.

Mr. Inskeep recommends the use of the National Energy Screening Project's National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources (NSPM-DER) as a reference and guide that can be considered when conducting such an analysis.[1] The NSPM-DER is a comprehensive document that includes guiding principles, recommended process steps, impact category lists, definitions, and specific guidance on a wide range of issues associated with developing benefit-costs analyses (BCAs) and conducting cost effectiveness analyses that could be used to develop the list of benefits and how each benefit should be valued in the Kentucky net metering context. In addition, there have been many states and jurisdictions that have developed BCAs in the context of solar net metering that could provide valuable examples of categories of benefits to consider and how they can be quantified in practice.[2] One such example is the Minnesota Value of Solar, developed by Clean Power Research.[3]

There are many potential benefits and costs that can be considered, including, but not necessarily limited to the following categories:[4]

1. Generation: Energy generation
2. Generation: Generation capacity

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[1] Available at: https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/08/NSPM-DERs_08-24-2020.pdf

[2] *See, e.g.,* ICF International, "Review of Recent Cost-Benefit Studies Related to Net Metering and Distributed Solar" (May 2018), available at: https://www.energy.gov/sites/prod/files/2020/06/f75/ICF%20NEM%20Meta%20Analysis_Formatted%20FINAL_Revised%208-27-18.pdf

[3] Available at: https://www.cleanpower.com/wp-content/uploads/MN-VOS-Methodology-2014-01-30-FINAL.pdf

[4] *See* NSPM-DER, Table 8-1.

3. Generation: Environmental compliance
4. Generation: Market price response
5. Generation: Renewable portfolio standard/clean energy standard compliance
6. Generation: Ancillary services
7. Transmission: Transmission capacity
8. Transmission: Transmission system losses
9. Distribution: Distribution capacity
10. Distribution: Distribution system losses
11. Distribution: Distribution operations and maintenance
12. Distribution: Distribution voltage
13. General: Program administration costs
14. General: Credit and collection costs
15. General: Risk
16. General: Reliability
17. General: Resilience

In addition, societal-level benefits can also be explicitly considered and analyzed, and may have important public policy implications that can be factored into the Commission's consideration of whether and to what extent changes to net metering compensation or program design are warranted given a larger context. These benefits include, but are not necessarily limited to, the following:

1. Resilience (impacts beyond those experienced by the utility or host customer)
2. Greenhouse gas emissions
3. Other environmental emissions
4. Local economic development
5. Local job creation
6. Public health
7. Low income (e.g., poverty alleviation, environmental justice, and reduced home foreclosures; dependent on participation and siting)
8. Energy security

Given that typical solar net metering systems are designed to operate for at least 25 years, Mr. Inskeep recommends that the cost and benefit categories be considered over a forward-looking timeframe of at least 25 years.

The benefit of maintaining retail rate net metering under modest levels of solar adoption (i.e., at least through Kentucky's 1% net metering cap) is that it provides a simple approximation of all of these long-term benefits in a manner easily understood and accepted by consumers and the solar industry and without the need for a time-intensive, data-intensive, and expensive cost-benefit analysis to quantify all of the above cost and benefit categories in a transparent, robust, and reliable manner.

See 2020.04.01 kyseia response staff 7 footnote 1 attachment
See 2020.04.01 kyseia response staff 7 footnote 2 attachment
For footnote 3 - See 2020.04.01 kyseia response staff 13 d attachment 2

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Witnesses Responsible:
Benjamin D. Inskeep

8. Refer to the Inskeep Testimony, page 23, lines 11–13. Provide supporting calculations for the estimated 45 percent reduction in customer bill savings. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

Response:

See the following two workpapers, attached in their native formats:

2021.04.01 kyseia response staff 8 Inskeep Workpaper 1
2021.04.01 kyseia response staff 8 Inskeep Workpaper 2

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Witnesses Responsible:
Benjamin D. Inskeep

9. Refer to the Inskeep Testimony, page 26, line 10, regarding a cost of service study (COSS).

a. There are several NARUC approved approaches to a COSS, including but not limited to the 6-CP, 12 CP, BIP, and Peak and Excess. If Mr. Inskeep were to do a COSS, explain what NARUC approved approach he would use and why.

b. Explain if the estimated cost to serve net metering customers could change based upon the COSS approach utilized.

Response:

a. Mr. Inskeep does not have a position on which approach is best suited in this circumstance. Mr. Inskeep's direct testimony is focused on the policy and process to determine whether net metering changes are needed and warranted in this proceeding, rather than the specific methodology to be used in a cost of service study. An embedded COSS, regardless of the approach used, is not necessarily determinative of whether changes are warranted to the current net metering policy. A forward-looking analysis of the long-term costs and benefits of DG deployment should be conducted when assessing the value provided by DG and whether and to what degree any changes are warranted to current policies.

b. Yes, the estimated cost to serve net metering customers would change based upon the COSS approach used. The cost to serve a net metering customer identified in a cost of service study will necessarily depend on the methods used by the cost of service study with respect to how costs are allocated.

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Witnesses Responsible:
Benjamin D. Inskeep

10. Refer to the Inskeep Testimony, page 30, lines 1–15, which explains that KU's and LG&E's Tariff NMS-2 language does not align with KU's and LG&E's interpretation of the tariff. Provide revised tariff language that would correct this issue.

Response:

Mr. Inskeep is not an attorney and is therefore not making a legal interpretation of the Company's tariff. Mr. Inskeep is also recommending the Commission deny the proposed changes and not adopt either the Company's tariff language, or revised language that would align with the Company's interpretation of the tariff. Notwithstanding those caveats, Mr. Inskeep believes that the following changes would make clear that the Company can only bill the Customer for electricity provided by the Company (and not electricity generated by the Customer and consumed behind-the-meter) and would compensate the customer for electricity provided by the Customer to the Company (and not total generation, which includes electricity that is consumed by the Customer behind the meter):

> For each billing period, Company will (a) bill Customer for all energy <u>provided by the Company and</u> consumed in accordance with Customer's standard rate and (b) Company will provide a dollar denominated bill credit for each kWh of production <u>provided by the Customer to the Company</u>. The dollar denominated bill credit will be calculated by multiplying the total kWh of production <u>provided by the Customer to the Company</u> within the billing period by the Non-Time-Differentiated SQF rate within tariff Sheet No. 55.

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Witnesses Responsible:
Benjamin D. Inskeep

11. Refer to the Inskeep Testimony, page 31, lines 9–10. Mr. Inskeep notes that support of an under-recovery of demand-related costs nor a justification for a rate design with demand charges has been filed.

a. Explain whether Mr. Inskeep has conducted a study that supports the inclusion or exclusion of demand charges.

b. Explain whether Mr. Inskeep believes that a study supporting the inclusion of demand charges should be included in the instant application if a residential net metering demand charge is not requested.

Response:

a. Mr. Inskeep has not conducted such a study.

b. The burden of proof is on the Company to justify its requests. If the Company is not making an applicable request seeking Commission approval, it would not have to make a related demonstration. Mr. Inskeep's testimony discussing demand charges was intended to be responsive to the Companies' extended discussion on demand charges included in the Direct Testimony of William Seelye.

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Witnesses Responsible:
Benjamin D. Inskeep

12. Refer to the Inskeep Testimony, page 45, lines 1–9.

a. Explain if there should be a limit to the number of modifications to a net metering system.

b. Provide proposed tariff language for modification or additions to a net metering system legacy rights.

c. Explain whether the proposed legacy rights of 25 years will reset with each modification or if it is 25 years from the initial installation.

Response:

a. Absent a showing of a clear and compelling reason to limit the number of modifications, Mr. Inskeep believes artificially limiting the number modifications that a customer may make to their net metering system would be inappropriate overreach that would serve no legitimate purpose. Indeed, such a limitation could impose a material harm on net metering customers. For example, such a limitation could harm less affluent customers who are unable to purchase a net metering system designed to fully offset their annual electricity consumption except through an initial small system combined with incremental additions over time. A limitation on the number of modifications could prevent these customers from installing over time a system designed to offset their full annual electricity consumption. The Net Metering Act provided specific limitations on net metering systems (e.g., limiting them to 45 kW in size, capping the overall size of the net metering program at 1%, specifying a limited set of eligible technologies, etc.), but notably did not set a limit on system modifications or provide that modifying a net metering system would forfeit a net metering customer's associated legacy rights.

b. Suggested tariff language:

After interconnecting a generating facility, a customer-generator may subsequently modify at any time their generating facility, including by increasing or decreasing the size of the generating facility, subject to the terms and conditions of this tariff. Such a modification shall have no impact on the customer-generator's eligibility for service under this tariff under the same terms and conditions as the customer-generator received prior to modification.

c. No, the proposed legacy rights will not reset with each modification. The proposed legacy rights would last for a period of 25 years from the initial installation with no “reset.” This ensures a net metering customer cannot “game” the rules by having their legacy period reset in the future right before it would otherwise expire, while still allowing the net metering customer the flexibility and right to modify or expand an existing net metering system in the future without losing their legacy rights status.

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Witnesses Responsible:
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13. Refer to the Inskeep Testimony, pages 59–60, Table 1, Comparison of Attributes of Modified Net Metering Policies in Selected States. For each state with a legacy rights term, explain what is covered by the legacy rights and indicate whether the legacy rights term is required by law or whether it was imposed by the applicable regulatory agency. Refer to the Inskeep Testimony, page 61, lines 12–14 which states that quantitative analysis is key, specifically cost of service studies, cost-benefit analysis, and value of solar studies.

a. Explain whether Mr. Inskeep conducted any of these studies.

b. If not, explain why none of these studies were conducted.

c. Explain whether the data necessary to conduct any of these studies are available.

d. Explain how one or more of the above listed analysis would quantify reliability.

<u>Response:</u>

See Attachment BDI-PSC-IR-1

Please note that BDI-PSC-IR-1 contains a correction of information for Texas (EPE) previously provided in Mr. Inskeep Direct Testimony (filed March 5, 2021) at page 60 [PDF 60 of 130]. The correct period is 20 years.

a. No, Mr. Inskeep did not conduct any of these studies.

b. The burden of proof for a change in rates in this proceeding is squarely and exclusively on the Companies, not Mr. Inskeep or KYSEIA. As the Company has failed to provide adequate evidence to support its proposed changes to net metering, Mr. Inskeep's direct testimony argued that no change in net metering rates is justified, as the Company has not demonstrated its proposed rates are fair, just, and reasonable. Mr. Inskeep is under no obligation to conduct the Company's analysis for them using data that only the Company possesses or could possess but has not yet collected. Therefore, Mr. Inskeep recommended that the Commission should simply reject the proposed changes to the net metering tariff in the instant proceedings. Mr. Inskeep is <u>not</u> proposing that the Commission adopt a new net metering compensation rate in this proceeding based on a cost-benefit analysis in this proceeding.

c. No, all of the data necessary to conduct any of these studies have not been made available by the Company. For example, the Company has failed to conduct the most basic load research on its net metering customers.

d. This response assumes reliability is in reference to ability to serve load at peak times, although other reliability benefits could also be valued as well. Distributed generation can help lower loads and increase generation on the grid, thereby reducing the probability and duration of interruptions to service. The reliability contribution of distributed generation resources can be valued through an analysis of the Effective Load Carrying Capability (ELCC). ELCC provides a way to assess the capacity value (or reliability contribution) of a resource like DG. For examples on how this has been incorporated into analyses of DG, please see the following illustrative examples:

   Maine Public Utilities Commission, "Maine Distributed Solar Valuation Study," March 2015, pp. 24-25, available at: http://www.nrcm.org/wp-content/uploads/2015/03/MPUCValueofSolarReport.pdf

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   Minnesota Department of Commerce, Division of Energy Resources, "Minnesota Value of Solar: Methodology," January 2014, pp. 17-18, available at: https://www.cleanpower.com/wp-content/uploads/MN-VOS-Methodology-2014-01-30-FINAL.pdf

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