From: Melnykovych, Andrew (PSC)
To: [redacted]
Subject: Your comments in case 2016-00274 - KU-LG&E solar share facility
Date: Monday, September 19, 2016 4:10:00 PM

Dear Mr. Morris –

The Kentucky Public Service Commission has received your comments in the above-referenced case. They will be placed into the case file for the commission's consideration as it deliberates in this matter.

The case file may be viewed here: http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?case=2016-00274

Thank you for your interest.

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By Kentucky PSC at 4:19 pm, Sep 19, 2016

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From: Jack Morris [[redacted]
Sent: Friday, September 09, 2016 5:14 PM
To: PSC - Public Information Officer
Subject: Additional comments and questions on Case 2016-00274

These are additional comments and questions on case 2016-00274

We all seem to agree that a customer who takes part in this proposal will pay an effective rate/kWh about twice ($0.17x/kWh, Q&A-13 of Responses) what a nominal customer pays ($0.8y/kWh). This seems to be mainly driven by the monthly carrying charges, not the paltry credit being offered. So why is this? These comments are mainly based on the provided spreadsheet of carrying charge detail (http://psc.ky.gov/pscecf/2016-00274/rick.lovekamp%40lge-ku.com/09062016102346/4-Attach_to_Q36_-_WSS-2_Carrying_Charge-Final_Numbers-.xlsx).

It's not the cost of the facility. They are paying about $1.65/w installed capacity. I have seen large commercial costs that range from about $1.54/w to about $2.50/w, so they are on the lower end of this. Good job.

Lines labeled 10-15 in the spreadsheet show where the problem is. Their hurdle rate for investment of money appears to be about 7%/year. This expectation returns the investment in a little less than ten years. As a private company with stockholders who expect a return on their investment, I can understand this line, although it is a big part of the problem. Next, they seem to want to recover income tax owed. Maybe this is really part of their hurdle rate and they want to keep that as low as possible for PR or other reasons. I don't know but the commission should understand why this line (12) is not zero. Likewise, the line labeled ‘Depreciation Expenses’ (14) generates enough income so that at the end of the 25 year life of the facility, they have a pile of money equal to their initial investment (will we see this sum in the next facility to be built?). While these are valid accounting expenses and should be included on balance sheets, I think it is inappropriate to include them here. You can argue about the amount of the O&M line, but I suppose grass trimming, minor snow removal, etc. adds up. My personal maintenance expense of a 7kW array gets lost in normal tasks. But, whatever. The other lines do not appear substantial.

If you exclude income tax and depreciation recovery, you get about $3.50/mo for a share carrying charge. I’m too lazy to see what this works out to as an effective rate for electricity used (or generated), but I’m sure it is substantially higher than the nominal KU/LGE rate. Perhaps this is proper given private ownership and the substantial deferred costs that coal enjoys. As long as utilities must return investment performance and we don’t burden utilities with real but ignorable costs (>$0.05/kWh ‘social costs’), coal generated electricity will always be relatively cheap. There is some irony in knowing there is a socialistic aspect to the transfer of expense from the general populace (especially those at the lower end of the income ladder that cannot stand a utility cost increase) to those that finance (if that happens) this facility.

I hope the excessive cost recovery proposed by KU/LGE will not be allowed.

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Sincerely,
Jack W. Morris

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