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Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: Public Comments on Implementation of SB100. Case No. 2019-00256

Dear Ms. Pinson:

The Edison Electric Institute (EEI), on behalf of its member companies, respectfully submits these comments to the Kentucky Public Service Commission as a part of Case No. 2019-00256. EEI appreciates the opportunity to comment on the Commission's implementation of net metering reform, as determined by the Kentucky General Assembly in Senate Bill 100. EEI applauds the Commission's effort to establish net metering rules that ensure equity and efficiency for all of Kentucky's electric customers.

EEI is the association that represents all U.S. investor-owned electric companies. Our members, including Louisville Gas & Electric and Kentucky Power, provide electricity for more than 220 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. Our members in all parts of the country provide Americans with reliable, affordable, and sustainable electricity, and are committed to giving all customers the electricity services they desire at rates that are reasonable and equitable.

The Kentucky Assembly passed Senate Bill 100 with the understanding that it is time for the state to reform net metering. The bill, however, provides only a roadmap of how to do so. The Public Service Commission now has the important task to determine just and reasonable rates, as well as compensation, for customer-generators.

We would like to focus our comments on Section 5 of the legislation, which speaks to the specific means by which rates will be determined for customer-generators. As the Commission undertakes this review, we feel it is important to underscore the legislation's clear directive to ensure that those rates reflect the full suite of costs that customer-generators create – both the fixed costs and the demand-related costs.

It is worth briefly reviewing how traditional net metering creates inequities and inefficiencies. Typically, as has been the case in Kentucky, an electric company's costs (e.g., generation capacity, poles, wires, metering, billing, call centers, borrowing costs, certain taxes and fees) are recovered primarily from customers through retail rates that vary by the customer's electricity use, as well as a customer charge.

In today's world, there are ample opportunities for customers to generate some portion of their own electricity. Net metering allows customer-generators to be compensated for their self-generated electricity at the full retail rate, thereby overcompensating them and also under collecting the fixed costs of maintaining and operating the energy grid that customer-generators rely upon 24-hours a day, every day of the year. The costs of this subsidy then must be recovered and are shifted from customer-generators to those customers who do not have, do not want, or in some cases cannot afford or install private generation.

Considering the realities of retail net metering, the language in Section 5 of the bill, which entitles electric companies to implement rates that recover all costs of serving customer-generators, will be important for the Commission to keep in consideration. The bill goes on to specify the ability of companies to recover both fixed and demand-related costs "without regard for the rate structure for customers who are not eligible customer-generators." This is important because customer-generators create unique demands (both fixed and demand-related) that must be accounted for in rates and compensation. Customer-generators are not only distinct from traditional customers in demanding two-way power flow, but these customers also present operational challenges in that the return of their generated electricity to the energy grid is intermittent and unpredictable. As a result, it is imperative that electric companies be allowed to recover the true costs of serving customer-generators.

The issue before the Commission is to determine the most appropriate rate design and compensation for customer-generators that adheres to the law. EEI would like to note that many states, not just Kentucky, have taken steps to reform net metering. Some states have removed net metering entirely in place of more market-based compensation for electricity. As the Commission undertakes this effort, EEI encourages exploration of net metering reform in other states as a way to evaluate the most viable options for Kentucky.

In particular, we wish to call the Commission's attention to Kansas, where that state's Commission last year approved the creation of a separate rate class for customer-generators. The rate includes a demand component to appropriately capture the demand-based costs of serving customers with private generation. Kansas is not alone in this solution, as other states, including Idaho and Montana, are also moving forward with establishing separate rate classes for customer-generators. This is certainly not the only pathway that could be taken, but it presents an interesting option for ensuring that customer-generators are treated and compensated appropriately while not negatively impacting those that do not have the means or desire to become customer-generators.

Thank you again for this opportunity to provide public comment. EEI is also available moving forward to work with the Commission as it builds on the foundation of Senate Bill 100. As we have done in many other states, we appreciate the opportunity to offer a national perspective on the evolution of net metering and rate design and we look forward to working with the Commission and all parties as you set a pathway forward for distributed generation that will benefit all of Kentucky's citizens.

Respectfully submitted,

Phil Moeller

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