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Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: Case number 2019-00256

Dear Commissioners:

On behalf of Consumer Energy Alliance, we appreciate the opportunity to offer these comments on the new incentive structure and proposed changes for Kentucky's net metering program that were directed by the passage of SB 100 last session.

Consumer Energy Alliance (CEA) is a national non-partisan, non-profit association which has long advocated for national and state energy and environmental policies which focus on creating a diverse portfolio of energy supplies, from wind and solar, to biofuels, petroleum, nuclear, coal and clean natural gas for America's families, households, and small businesses. As a representative of energy consumers, families, small businesses and end-users across the nation, CEA strongly supports the increased use of solar and is proud to advocate for the utilization of solar energy resources that help meet energy demands, temper volatile energy prices, and ensure fair access to energy for all. In Kentucky, we have over 5,500 individual members and affiliate members across the Commonwealth.

As part of its national Solar Energy Future campaign, CEA advocates on behalf of policies that are pro-solar, pro-grid, and pro-consumer. We believe solar can and will provide long-term health, environmental, and cost-saving benefits for our communities and our economy. Solar continues to deploy across Kentucky (and the nation) at a significant rate, and with that growth it is imperative that the Commonwealth's incentive policies ensure this growth is responsible, equitable and that costs are fairly allocated to avoid an unfair price stigma being attached to solar. Residential rooftop solar has greatly expanded across the state in recent years due to falling costs of installation (down nearly 70 percent nationwide since 2009) as well as from programs like net metering and federal tax incentives.

CEA supported the passage of SB 100 as it provided common-sense steps to reexamine Kentucky's existing 15-year solar incentive structure, while grandfathering-in existing rooftop solar customers for 25 years and expanding the size of eligible systems that could participate in the program by 50 percent. The Public Service Commission was tasked with developing a new compensation rate for future private solar customers and under the new law that compensation will be subtracted from a customer's total bill.

It is important for the public to know that Kentucky's solar incentive program, like many across the country, were designed for a very different era with high costs of installation and low customer acceptance or usage. Kentucky's previous 15-year old statute remained largely unchanged while the state's solar program grew significantly, and the compensation credits for those participating in the private solar program were awarded at the full retail rate of electricity, which is roughly three times or 300 percent more than the competitive market-rate for wholesale electricity. Over time, as solar use increased, the structure used to incentivize private solar deployment at very generous levels leads to sustained losses to cover the costs of providing electricity 24 hours a day, seven days a week. Compensation at the full retail rate of electricity for private solar customers does not reflect the true fixed costs for maintaining the public electric grid infrastructure – the poles, wires, and meters- that all customers use. These fixed costs are typically factored into a family or small business' monthly power bill. Avoiding these costs creates gaps in proper grid maintenance funding and consequently those funds must be collected elsewhere. Further, without maintaining the public grid, private solar customers would not have the ability to net meter.

A key concern of CEA is that as more private solar is utilized, cost increases associated with current above-market incentive programs will raise rates, which is not only unfair for participating customers but could create a backlash and slow the growth in solar deployment. Developing a new compensation structure that continues to value the benefits that private solar can bring must also importantly ensure that proper grid management is maintained and that costs are fairly allocated to keep pace with the tremendous changes occurring in this dynamic industry.

In 2018, CEA released a study that describes and quantifies the amount of incentives that consumers have access to in various states across the country. The analysis covered 25 states and had a broad geographic sample to ensure a balance of different policy perspectives and priorities found in other regions of the country.

Among the report's key findings were that the existing national incentives for residential solar systems are significant, and on average provide 104 percent of the total cost of installation. The report also found that utility-scale solar installations are less expensive to install but are incentivized at lower rates per watt than rooftop solar systems, at roughly 45 percent of the total cost of installation. Perhaps the most significant finding was related to third-party owned solar systems (which are not allowed in Kentucky) are incentivized at an average of about 140 percent of the total cost of installation.

The major concerns with these findings is the sustainability of current net metering incentives which create a scenario where program recipients are receiving thousands of dollars in benefits while putting non-solar customers at risk of bearing increased costs.

CEA strongly supports the increased development of renewable energy projects, wants to ensure robust solar growth and distributed solar generation as well as the continued ability for customers to offset their energy use to lower power bills. However, as the market matures, we urge the Commission to set an incentive policy that ensures this expansion places a reliable, resilient electricity grid at the forefront and keeps overall electricity rates as low as possible for all households, families, small businesses and those on fixed incomes.

Sincerely,

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