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GREATER LOUISVILLE INC.
The Metro Chamber of Commerce



**Chamber of
Commerce**

October 14, 2019

Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: 2019-00256

Dear Commissioners:

The Kentucky Chamber of Commerce, Greater Louisville Inc., Commerce Lexington Inc., and the Northern Kentucky Chamber of Commerce (collectively, the “Chambers”), appreciate the opportunity to submit comments in response to net metering statute changes adopted by the Kentucky General Assembly in 2019. The Chambers supported the legislation (SB 100) that brought about the statute changes and called on the Ky. Public Service Commission (PSC) to set the compensation rates for net metering credit through specific utility rate making proceedings. The Chambers represent all types and sizes of businesses across the state. The Chambers are the business voice of the Commonwealth.

About the Chambers

The Kentucky Chamber of Commerce is the major catalyst, consensus builder, and advocate for a thriving economic climate in the Commonwealth of Kentucky. The Kentucky Chamber of Commerce supports a prosperous business climate in the state and works to advance Kentucky through advocacy, information, program management, and customer service to promote business retention and recruitment. Representing the interests more than 68,000 employers across the commonwealth and a membership base with more than 470,000 employees, the Kentucky Chamber advocates for growth-oriented policies, infrastructure investment, workforce solutions, and sensible regulations to spur economic growth and opportunity in Kentucky.

As the Greater Louisville region’s largest convener of business leadership, representing nearly 1,700 employers across the region with more than 270,000 employees, GLI leads economic and global outreach strategies focused on business attraction; nurtures the entrepreneurial ecosystem; and champions the development of the community’s talent base. As the voice of Greater Louisville’s business community, GLI advocates for a pro-business environment and facilitates businesses engagement on issues that impact regional competitiveness, such as sensible regulatory standards and compliance.

The NKY Chamber represents nearly 1,500 employers in northern Kentucky and the surrounding region. We enjoy a diverse economy, with broad representation of employment in all sectors of the economy, including manufacturing, distribution, agriculture, finance, and services. Our region is situated centrally to the majority of the population in the eastern United States, and is traversed by major interstates, rail lines and navigable rivers. While the region has enjoyed and is positioned for future growth, we are committed to protecting human health and the environment and at the same time preserving an economic climate for business.

Commerce Lexington Inc., the greater Lexington area chamber of commerce, represents more than 1,800 employers. This organization seeks to promote economic development, job creation, and overall business growth in Lexington and its neighboring communities, while strengthening its existing businesses through its many programs and services. Commerce Lexington Inc.'s economic focus centers on promoting entrepreneurial start-ups, business expansion and retention, and new job creation; workforce development; connecting people and businesses; advocacy; community, minority, and small business development; and the cultivation of local and regional leadership. Commerce Lexington Inc. serves as a regional voice for public policy advocacy, championing issues that promote economic growth and improve Kentucky's competitiveness for jobs, including protecting the region's low-cost energy rates.

The Chambers believe now is the appropriate time to reevaluate how utilities should value excess power generated by net metering customers. Nearly two decades ago, the net metering statute was adopted to help the emerging solar industry in Kentucky. Solar was an expensive option, and customers would generate excess power they couldn't use, which created a need to export electricity to the utility's grid. The net metering law in Kentucky was established to provide a mechanism for dealing with excess power, while also subsidizing the expensive investment.

Today, solar is a more affordable option that is quickly growing in popularity. According to the Solar Energy Industries Association, the industry saw record growth during the first quarter of 2019, and the association expects solar photovoltaic capacity to double over the next five years. However, a policy adopted to spur investment has now created a cost shift that increases each day with new solar installations. Without new tariffs, utilities must credit the exported power at the retail rate, which equates to a 300% premium relative to other sources of power. Utilities collect this premium from customers such as businesses. However, according to the Solar Energy Industry Association, the price of solar in Kentucky has fallen 34 percent just in the past five years.

Every dollar a business spends on utility bills is a dollar not spent on payroll, business expansion, or philanthropic activities. While energy costs are a part of doing business in any state, outdated energy policy should not force companies to pay more than they have to.

Further, Kentucky's economy is very much dependent on low-cost electricity which is predominately generated by coal. Kentucky is a manufacturing state with more than 250,000 people working in a Kentucky manufacturing facility, some of which operate energy-intensive processes. Kentucky is the top-producing state per capita for automobiles and attributes billions

in state GDP to aluminum, steel, and iron production. Not surprisingly Kentucky has set records for exports with aerospace and automotive sectors supercharging the growth. While other states that are more reliant on service-based economies can withstand policies that cause higher electricity prices, Kentucky cannot. Additionally, Kentucky has seen significant coal production declines over the past several years resulting in the loss of more than 12,000 jobs. While there are complex reasons for the change in demand for coal, one reason has been policies adopted in some states and at the federal level that have shifted demand to other sources of electricity disadvantaging coal. Therefore, Kentucky's economy, heavily dependent on manufacturing and coal, is greatly impacted by energy policy.

The Chambers are not opposed to the use of solar power or net metering to account for excess power generated. The legislation adopted was never drafted or considered in such a way to do away with net metering, which is especially important for residential customers. The Chambers want to ensure that net metering customers pay their fair share of using the grid. The PSC is best suited to determine the costs associated with serving customers so that such costs can be factored into the credit value for net-metered systems.

The Chambers believe any effort to increase the credit and exacerbate the subsidization of net metering customers is misguided. The PSC should carefully evaluate any suggested benefits from net-metered systems to determine not only if benefits accrue and what their value is, but also if the indicated value can be monetized by the utility in a way that prevents a cost shift to non-net metered customers. Should the PSC determine benefits accrue that can be monetized, the Chambers would expect the PSC to question the cost-effectiveness of generating those benefits as it does for any program administered by a regulated utility.

According to the Energy Information Administration, Kentucky's average industrial electric power costs ranked sixth lowest in the nation in 2018 while the average retail price for all sectors was eight lowest. Kentucky cannot afford to lose its low-cost power advantage, and the role of the PSC in protecting Kentucky's low rates has never been more crucial. Kentucky has seen record economic growth based on new and expanding investment, jobs, and exports due to pro-growth policies adopted by the General Assembly and Governor Matt Bevin and supported by the Chambers over the past few years. The Commonwealth has never been better suited to take advantage of the economic growth and to continue to achieve the Governor's goal of Kentucky being the center for manufacturing excellence and engineering. This can happen in concert with sustainable growth in net-metered systems by setting a tariff that is fair and appropriately recovers the cost of serving net-metered customers without awarding value for benefits that cannot be monetized or are not cost-effective.

Sincerely,

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