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PUBLIC SERVICE COMMISSION

November 16, 2020

Lindsey Flora, Deputy Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0615

RE: ACLC comment on Kentucky Power Company, Case No. 2020-174

Dear Ms. Flora,

Please accept these comments from the Appalachian Citizens Law Center, Inc.

Net Metering

As Deputy Director of Appalachian Citizens' Law Center, Inc., I write on behalf of our organization in opposition to Kentucky Power Company's net metering proposal. The proposed tariff changes, if approved, will make it less likely that ACLC will install solar both because it undervalues, without sufficient justification, the credit value of the energy a future solar installation may produce, and because it relies on an unnecessarily convoluted time of use forced netting period.

We support the Joint Intervenors' recommendation that rather than grant KPC's proposed tariff changes, the Commission should instead proceed with a separate docket to study net metering and conduct a full, independent cost-benefit analysis of distributed solar, using the expert the Commission is hiring through the current RFP.

ACLC owns our office building in Whitesburg. We are a general service customer of KPC. We have been considering installing solar panels on our building and have recently gotten an initial estimate of the costs of the project. As a small non-profit, we operate on a tight margin and any such investment in our facilities must be considered carefully and weighed against our non-discretionary expenses, like payroll and benefits. Such careful consideration requires that we be able to calculate the annual cost savings from a solar installation to determine if it is affordable for our organization. Because of the forced netting period in the KPC proposed tariff, such a calculation is all but impossible, making it less likely that we will be able to financially justify solar installation.

Further, the credit value for solar proposed by KPC significantly devalues the potential savings benefit of a solar installation by as much as two-thirds. As testimony provided by Josh Bills and

James Owen demonstrate, KPC has not provided sufficient evidence to substantiate such a low credit value. In fact, as James Owen's review of multiple Value of Solar studies conducted throughout the country shows, of all of the studies cited, only one valued solar at less per kWh than does KPC. (Owen testimony, at 34-35.)

Affordability

I also write on behalf of the community that ACLC serves and urge the Commission to disallow any rate increase, particularly during this pandemic, by taking affordability into account when determining the appropriateness of KPC's proposed rate increase and proposed return on common equity (ROE).

Most of ACLC's direct service clients and the communities that we represent are within KPC's service area. We know first-hand the financial hardships these families are already facing. Of the twenty counties in KPC's service area, nine already have average energy burdens above 6%., KPC indicates that its proposal would increase the average residential service bill by more than $23, bringing the average bill to $167.65. Many in KPC's service area simply cannot afford that increase.

In addition, for many, this increase would be contemporaneous with an increase in water and sewer bills, further exacerbating the affordability issues. For example, the Letcher County Water and Sewer District has announced that it will seek a 45% increase in its water and sewer rates. Likewise, the Martin County Water District still carries more than $1 million in accounts payable and reported a monthly deficit of nearly $70,000 for September 2020. It therefore seems likely that Martin County residents may soon be faced with the possibility of another significant water rate increase, in addition to any rate increase that KPC is granted.

Further, because KPC seeks to increase the customers' base rate by 25%, the proposed tariff change lessens customers' abilities to modify their usage to reduce their rates. As such, it disincentivizes important resiliency measures like energy efficiency and weatherization. This is exactly the opposite of the types of rate structures that are needed for an area with such significant affordability concerns. Any changes to KPC's rate design should ensure that customers are able to lower their bills by modifying their energy consumption.

Further, as James Owen's testimony demonstrates, COVID's impacts have only exacerbated the declining financial conditions in KPC's service area. As James Owen states, "[p]opulations which have the least ability to respond to the economic catastrophe caused by COVID-19 are the same populations that are being hardest hit with the public health and economic consequences." (Owen testimony, at 13.) Of particular concern are the high numbers of termination notices issued to KPC customers during the shut off moratorium. Now that the utility shut off moratorium has expired, many customers are multiple months in arrears for both water/sewer and electricity. While the Healthy at Home relief funding is now available for the most vulnerable of these customers, in addition to LIHEAP and HEA funding, no one can say for sure whether those funds will be sufficient to prevent utility shut offs as COVID continues to devastate so many lives this winter.

As Mr. Owen's testimony further demonstrates, KPC's rate increase is sought to ensure the utility an unreasonable return on common equity (ROE). The ROE sought by KPC, 10.3% must be considered in light of the harm the rate increase will do for KPC's customers. KPC's current rates are already unaffordable for many of its customers and the requested increase will only further exacerbate the financial difficulties of those customers.

Conclusion

This is a particularly important case because it could set the new standards for net metering going forward and because KPC seeks a significant rate increase in the midst of this pandemic. For both of these reasons, we urge the Commission not to allow KPC's proposed changes. Rather than allow this one utility to determine the future of net metering in Kentucky, we join the intervenors in urging the Commission to open a separate docket to fairly and impartially determine the proper value of distributed solar. In addition, we strongly urge the Commission not to allow any rate increase at this time. The people in KPC's service area simply cannot afford it.

Respectfully submitted,

Mary Varson Cromer

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