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PUBLIC SERVICE
COMMISSION

Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602-0615

RE: Comment on Case No. 2020-000174

Dear Commission Members,

Part 1 of 2. The KPC Net Metering Tariff Proposal:

I support the previous recommendations of Andrew McDonald and James Owen. (Footnote #1) I strongly recommend that the Commission deny the KPC application to replace its Net Metering Service (NMS) tariff, modified time-of-use, and increased application fees because I do not believe that the proposed changes will serve the goal that the Applicant claims to pursue; namely, to end or drastically reduce intra-class subsidies caused by net metering, ie, that NMS customers are being unfairly subsidized by other rate payers because they are not paying their fair share of fixed and demand based costs (ie, "cross-subsidization").

In setting these rates, this case and all other cases, the Commission should ensure that it is accounting for all costs and benefits associated with customer owned solar energy systems. In particular, the applicant should show their assessment of system-wide benefits or savings due to reduced transmission and distribution points along the grid, peak load reductions or shifts, reduced costs along the fuel supply line, reduced environmental liabilities and/or environmental compliance costs, avoided generation capacity investments, reduced grid support services, improved grid resiliency and others.

Beyond that and as Mr McDonald documents on page 5 of his testimony, the Company has not met its burden of proving that its proposed rate of \$0.03659/kWh is the equitable figure for compensating customer generators. McDonald observes, "While rhetorical arguments which are unsupported by evidence have been persuasive with legislators, the Commission has an obligation to ensure that rates are just, fair, reasonable, and based on the evidence."

The net impact of these proposed rate reductions will disincentivize solar installation generally and thus impair if not curtail free market competitive pricing and business growth. Statewide, the potential economic impact transitioning to a clean energy future was estimated in the KFTC, Empower Kentucky Plan economic analysis. The state has the potential to invest \$11 billion to make homes and businesses more efficient and create 46,000 more jobs in the state over 15 years while lowering home energy bills and reducing pollution. We could lower home electricity bills by 10 percent and retain cost-savings dollars in the local economy. (#2) Maintaining current pricing of solar net metering is a critical part of reaching a clean energy future.

The Commission should carefully consider whether cost impacts outside of utilities' cost of electric service should be factored in as a matter of public policy (eg, the value of local job creation, customer autonomy, reduced environmental impacts, etc.). I support Mr Owens proposal in his written testimony that the Commission convene a Workshop or Administrative Case to which all regulated and interested stakeholders would be party, to develop a fair, just, reasonable, and consistent methodology in analyzing the value of distributed generation and net metering using a comprehensive benefit-cost analysis framework.

Part 2 of 2. The Big Picture:

Equally important, the Applicant should be required to develop a proposed transition plan to the new energy economy. Overall, this Application seems to be a collection of makeshift actions to shore up a faded rate structure. As testified in a previous application, the termination of its efficiency programs was driven by the Company's "significant excess capacity position" and "lack of an immediate and near term need for capacity and energy" (#3).

Instead, the first order of business ought to maximize energy conservation thus minimizing the need for more energy sources in the first place. Clinging to the current rate structure will not abate declining demand as winters continue trending warmer. (#4) Thus the demand for energy will continue to decline and utilities will keep coming back for ever more rate increases (ie, about 53% of Ky households used electricity for home heating in 2019 [#5]). Albeit there are other reasons for the flattening load.

Responding to new market conditions of distributed energy will initially require a transition to new rate design and compensation (#6) and ultimately, a new business model where presumably there will be a significant role for utilities to build, maintain, and manage distributed energy systems. (#7) Alternately, the state may wish to take a comprehensive approach and revisit its previous LRC study recommendation in 2000 that there was no compelling reason to restructure Ky's electric utility industry at that time. (#8)

Likewise, KPC should in any event easily accommodate just, fair, and reasonable net metering rates because as KPC witness Alex Vaughan states on page 26 of his direct testimony, KPC only has 44 net-metered solar customers at the end of the test year. It is important to emphasize how small and insignificant this amount of power is in relation to the entire KPC system, especially considering how each of these 44 solar systems are geographically distributed and that the risk of "cross subsidization" is infinitesimally small for the foreseeable future.

Admittedly, responding to these changing market conditions is tough medicine for the heart of coal country. But as the first-in on SB 100, the Commission ruling will set a precedent for the balance of state regulated net metering and thus impact all such rate-payers across the Commonwealth.

Footnotes:

(1) Owens (Renew Missouri Advocates) and McDonald (APOGEE-Climate & Energy Transitions) testimonies Oct 7, 2020

(2) Kentuckians for the Commonwealth, *Empower Ky Plan: Building a Brighter Future Together*, 2017. This is a community-driven plan that creates a proposed framework for Ky to transition to a clean energy future. Its economic forecast is based on the plan's combined clean energy future of energy efficiency, solar, wind, and hydro power investment. <https://kftc.org/press/releases/new-local-jobs-better-community-health-just-transition-workers>

(3) PSC Case No. 2017-00097

(4) NOAA National Centers for Environmental Information, State Summaries: "Recent (Kentucky) winters have been characterized by a below average number of extreme cold events. None of the top 10 coldest winters have occurred in the last three decades. Also, the number of very cold nights (minimum temperature below 0°F) has been below average since 1990. Mean winter temperatures have been near to above the long-term average during that same time."

Source: <http://www.kyclimate.org/doc/NCEI%20Kentucky%20State%20Climate%20Summary.pdf> (Page 3)

(5) US Energy Information Administration: <https://www.eia.gov/state/print.php?sid=KY>

(6) *Distributed Energy Resources Rate Design and Compensation: A Manual Prepared by the NARUC Staff Subcommittee on Rate Design, November 2016*: <https://pubs.naruc.org/pub.cfm?id=19FDF48B-AA57-5160-DBA1-BE2E9C2F7EA0>

(7) New energy economy utility business models are a complicated and evolving field. I'm by no means any sort of an expert in this area but in my research I've identified a possibly valuable information resource, the Advanced Energy Economy Utility Advisory Committee. Its mission on their website says it engages leaders from utilities and independent system operators in conversations with company executives on issues challenging utilities and regulators in a changing electric power system in coordination with their "21st Century Electric System Initiative." Source: <https://www.aee.net/utility-advisory-committee>

(8) Legislative Research Commission, *Restructuring Ky's Electric Utility Industry: An Assessment & Recommendation*, Sept 2000: <https://apps.legislature.ky.gov/lrc/publications/ResearchReports/RR299.pdf>

Thank you for consideration of my comments,


Henry Jackson