CONSUMER ENERGY ALLIANCE
THE VOICE OF THE ENERGY CONSUMER

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PUBLIC SERVICE
COMMISSION

Kent Chandler
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RE: Case No. 2020-00174

Dear Mr. Chandler:

On behalf of Consumer Energy Alliance, we appreciate the opportunity to offer these comments to the Kentucky Public Service Commission in support of the tenants of Kentucky Power Company's (KPC) proposal to modify its net energy metering (NEM) tariff under the framework and guidelines consistent with SB 100 that was enacted by the Legislature.

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 and the Commonwealth, 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.

CEA supports actions that thoughtfully advance our nation and states towards a cleaner, more environmentally responsible energy future. We believe that responsible policies should always consider the needs of consumers while leveraging and supporting the development of state-of-the-art technologies and modernized regulatory structures to improve our environmental stewardship, aiding in better air quality and the reduction of greenhouse gas emissions.

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. The cost of panels and installing solar systems continues to drop at precipitous rates. According to the U.S. Energy Information Administration, the price of solar panels alone (not including the installation cost) dropped nearly nine times over 2006 levels. In 2006, the price per peak watt was $3.50 and in 2019 the price per peak watt was $0.40 – truly a staggering decline. In addition to the dramatic drop in solar panel prices, the biggest driver in the growth of solar has been the federal investment tax credit (ITC) which provides a 26 percent tax credit for solar systems on residential (under Section 25D) and commercial (under Section 48) properties. Data from the Solar Energy Industry Association has found that since the ITC was implemented in 2006, the U.S. solar industry has grown by 10,000 percent with an average annual growth of 50% over the last decade alone.[1] Solar installers have noted that nearly a decade ago, an average 6 kilowatt hour residential solar system could cost more than $50,000. Now, they estimate the total cost of a typical home installation will range from $16,200 to $21,400, which is a 62% average annual decrease. These price declines are a very promising trend and are increasingly removing cost barriers for families that wanted systems but were too far out of reach for their budget.

But, as solar continues to deploy across Kentucky (and the nation), it is increasingly important that the Commonwealth's incentive policies ensure this growth is responsible, equitable and that costs are fairly allocated. CEA supported the passage of SB 100 because it provided common-sense steps to reexamine Kentucky's then 15-year solar incentive structure – which was set during a time of high prices and low customer interest. This compromise legislation grandfathered-in existing rooftop solar customers for 25 years and expanded the size of eligible systems that could participate in the program by 50 percent. Under the law, the PSC was tasked with developing a new compensation rate for future private solar customers and it directed that this compensation will be subtracted from a customer's total bill.

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. Kentucky's previous statute remained largely unchanged while the state's solar program grew significantly. 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 and as program use increased, the structure used to incentivize private solar deployment at these 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.

It is our understanding that Kentucky Power's new NEM tariff meets the statutory guidelines established by SB 100 and would create two time-of-use netting periods for billing purposes for new customers. Any usage that is netted by their system within the established netting periods would not be billed to the customer. New NEM customers would be compensated at the company's calculated avoided cost rate of $0.03659/kWh, which is similar to the rates it would

[1] https://www.seia.org/initiatives/solar-investment-tax-credit-itc

pay another power provider for electricity. These new mechanisms would ensure that customers without private solar on their homes are not paying any additional costs for those that do, while still allowing new NEM customers the ability to continue reducing their electricity use, save money on their bill and still be provided an incentive rate for the excess power they generate.

CEA strongly supports the increased development of renewable energy projects and solar growth as well as the continued option for consumers to offset their energy use. The proposal before the PSC keeps with those basic tenets and ensures that all customer costs are being treated fairly. We encourage adoption by the Commission and thank you for the opportunity to provide our perspective.

Sincerely,

Brydon Ross
VP of State Affairs
Consumer Energy Alliance