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**Testimony of Karl R. Rábago, Rábago Energy LLC  
On Behalf of the Coalition for Community Solar Access  
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Thank you, Chair Camp and other members of the Committee, for convening this important effort to secure investment in the development and operation of Community Solar facilities and subscription programs in the State of Georgia. I am pleased and honored to be with you again, this time in person.

I am Karl R. Rábago, principle of Rábago Energy LLC, which is based in Denver, Colorado. I am appearing today on behalf of the Coalition for Community Solar Access, a national trade association for community solar developers and service providers. CCSA members want to do business in your state to provide citizens of Georgia with the opportunity to directly access the benefits of solar energy generation through a community subscription model that has proven highly successful in many other states. They, and the customers they would like to serve, need your help.

I want to visit with you a little bit on the topic of the rate impacts of community solar development and operations under community solar programs.

I use the term “rate impacts” very intentionally, because I have seen and expect to see a lot more misleading references to so-called “cost shifts” as the discussion about community solar proceeds. Sadly, some of the misleading remarks and statements will be intentionally so, and I urge you to follow President Reagan’s admonishment—“Trust, but Verify.”

A potential cost shift arises when the utility thought they would collect a certain amount of revenue each month from all customers, but for whatever reason, the amount falls below or is higher than the forecasted amount. As you can imagine, this happens all the time—nothing works out exactly as anyone expects. The utility bears these normal and expected impacts as part of the cost of doing business.

*If the change in sales and revenues is significant—“material”—and significantly outweighs offsetting changes, the utility has a right to go to the PSC and request a change in rates.*

*So the first thing to understand is that potential cost shifts arise all the time, and if the utility did a poor job of planning for or were honestly surprised by net large-scale changes in use, then they might have to go in and ask for a change in their rates.*

For example, if many customers buy LED lights and if new homes are much more efficient than older ones—and if the utility ignored these trends when it proposed its rates and kept spending as if those changes in use would not happen—the utility could



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see a permanent reduction in sales and would not make enough money to pay for all the spending they did.

If that happens, and the utility was prudent in its spending and in its forecasts, they have a right to go to the PSC and ask for new rates that will allow them to recover their costs. And if the commission approves new rates after considering all the changes that have arisen, the customers with LED lights and efficient homes will pay lower bills, and the less efficient customers will get stuck with the difference, if one remains, after the regulator evaluates the prudence of all the utility spending. In this example, costs have been shifted from the efficient customers to the inefficient ones, and this is fair, all else being equal, because the efficient customers don't cause as much cost as the inefficient ones. Likewise, if a commercial customer reduces their use during peak periods and lowers their demand charges and bills, then other customers who still cause the peak demand pay more—and a more fair share of the peak costs.

That is how it is supposed to happen. Rates are prices and should be designed to send price signals that encourage more efficient use of electric service.

*So, the second main thing to remember is that there is no potential cost shift unless the utility was prudent and responsible in its spending and accurate in its forecasts. Rate impacts follow if, and only if, the regulators agree that rate changes are just and reasonable. Potential cost shifts arise all the time for many reasons.*

This is where the misleading often occurs. Utilities tell regulators and policy makers like you that if they don't get to collect everything they expected from every customer, they will automatically get to charge other customers to make up any differences. That's not how rate making works. Of course, when they over-collect, they seldom apply for permission to process rebates. If the regulators think a utility is over-charging, they must haul the utility in for a rate case to set new lower rates. This doesn't happen often, but it does happen.

Of course, if the utility was reckless in that spending or foolish in their forecasts, it is the regulators job to act as a substitute for the forces of competition. In competitive markets when a business expands too fast or takes on too much inventory, ignoring changes and trends in the marketplace, it is on them. Irresponsible spending and unjustified sales assumptions don't create costs—bad spending and poor forecasting do that. So it should be with monopoly utilities.

*Utilities don't have any right to guaranteed revenue recovery or profits at the level they choose for themselves. That is a core principle of cost of service rate making.*

Fortunately, the process of cost of service regulation has been around for more than one hundred years. The basic principles of rate making have been almost universally accepted. And you can have confidence that if the Georgia Public Service Commission does its job then you can allow community solar in Georgia. And everyone—including the utilities—will be better off economically and in many other ways as well. The costs of community solar generation credits will be just and reasonable, and the utility will pass along savings created when the solar generation benefits reduce utility costs.



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Utilities are always raising rates for electric service, but in the states leading in community solar development, the rate increases are substantial slower and less severe.

*It is also important to remember that regulators regulate, but utilities are responsible for running their business. That means that utilities bear the burden of proving everything they say, the prudence of everything they spend, the justice and reasonableness in every rate and charge they propose. If they say that community solar raises rates in spite of the evidence to the contrary, they have to prove it with substantial evidence. You and the Commission have the job of holding utilities to that obligation.*

Again, even though the utilities in Georgia keep far more information under a cloak of secrecy than is necessary or reasonable, in my view, the regulators, at least, have a chance to review everything. And they must review what the utility says and proposes before ever adopting or changing any electric service rate or charge.

You will undoubtedly hear at least one person, if you haven't already, make the accusation that community solar and any non-utility distributed generation causes unfavorable rate impacts on non-community solar customers. This accusation cannot be true unless several other things are first proven or done. You should not accept the claim without verification.

Why can't you just accept the accusation? Because as W. Edward Demming once famously said, "In God We Trust. All Others Must Bring Data."

So how do we know if there are going to be negative rate impacts on customers who do not participate in the community solar programs that you will authorize?

**First**, a full and open evaluation of all the costs and all the benefits must be performed and critically reviewed to eliminate errors, misstatements, and bias. I am proud that Georgia Power borrowed from my Value of Solar work in Austin, Texas to create both its Advanced Solar Initiative and its RCB approach. But much more transparency and objectivity are necessary to enable you and the Commission to evaluate the full benefits and costs of community solar and distributed generation.

While Georgia Power has stepped up its investments in solar generation, it is my opinion that socializing all the spending on power plants through a single monopoly provider is not economic or consistent with a free-market economy. Competitive non-utility generation can play a vital role in setting the bar for competitive generation while diversifying the generation mix and relying, in part, on private, non-utility capital to help build and maintain the grid.

**Second**, regulators must review what the utility says. Regulators are supposed to ensure the proper and fair allocation of costs to the customers that cause those costs. Fairly allocating cost to what we call cost causers is key to the rate making principle of cost causation.

It also means fair and reasonable compensation for benefits that a customer brings to the system—like when community solar developers and customers bring valuable local generation to the grid, when large customers participate in demand response programs, or when any customer participates in a utility energy efficiency program. Fair compensation is essential to ensuring just, reasonable, and efficient rates.



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**Third**, any discussion about rate impacts should also account for the fact that all community solar customers are billed for and pay all the costs associated with their usage on their utility bills. Those charges ensure they pay for the fixed costs of infrastructure and the investments and spending the utility made on their behalf.

**Fourth**, community solar customers also earn credits reflecting the reductions in costs and the increased benefits that community solar facilities bring to all customers and the utility. Community solar credits don't create even the potential for cost shifts when these benefits are properly accounted for—they are the fair price Georgia Power should pay for customers creating valuable solar investment in the grid.

These cost-effective investments offset more expensive utility spending and can act as a hedge against frequent, large rate increases.

*Community solar customers are not just electricity users, they are investors in the system, just like Georgia Power's shareholder at Southern Company, and they should be entitled to a reasonable return on their investments as well. With fair compensation for community solar generation, more customer-investors will invest in more grid-wide savings in rates.*

We calibrate these credits against the benefits of distributed generation, a whole range of avoided costs, including some that Georgia Power ignores and some that Georgia Power has identified, but which they have yet to disclose in public.

The Commission's job is to ensure that the earned credit is just, reasonable, and fair to all customers and the utility as well, and that it performs its job as an efficient price signal. They can and should probe Georgia Power's RCB and demand that the utility show their work.

**Fifth**, while we might not have access to Georgia Power's secret data, the Commission does. We also have the benefit of many, many studies conducted across the United States that conclusively demonstrate that distributed generation and community solar creates benefits that exceed the costs, even when a fair credit is paid to community solar subscribers.

Objective and transparent valuation studies quantify the value that distributed generation brings as a hedge against runaway utility costs and rates associated with the business-as-usual approach of central station generation and transmission spending. And non-utility distributed generation resources save on line losses and can offset expensive distribution spending as well. These studies recognize the economic multiplier effects of created jobs and increased tax revenues. And yes, they also quantify environmental benefits.

With community solar programs designed to engage low- and moderate-income customers, there are benefits in reduced uncollectible bill charges, and increased energy security among Georgia's most vulnerable customers.

*Community solar creates an opportunity for residents in multi-family homes or heavily shaded homes, like mine, to also participate in solar generation investment.*

For example, the Local Solar for All studies conducted by Vibrant Clean Energy demonstrate that if, on a national basis, utilities coordinate and optimize distributed



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generation and other distributed resources along with their utility scale system investments, they could provide reliable, clean power at savings in the hundreds of billions of dollars over the next thirty years.

The Value of Community Solar Study in Virginia showed that benefits exceed utility costs by nearly 50% in Virginia.

Extensive analysis of the Minnesota Community Solar program also establishes that the benefits of the program exceed its costs. And while the Commission there has made changes to the program, Minnesota has more than 800 MW of cost-effective community solar in operation, and installed community solar generation is expected to double in size by 2032.

When you hear “benefits exceed costs,” you are hearing “potential for rate relief for all utility customers.”

At the same time, I have found no studies that find any appreciable adverse rate impacts from community solar programs. Except for California, I have seen no real empirical analysis that suggests adverse rate impacts even from retail net metering; those findings are strongly disputed.

*In sum, the published and public analysis shows that in addition to paying all their costs for electric service, community solar customers make valuable and cost-effective local generation investment happen. The Commission will do their job to ensure negative rate impacts are avoided. I encourage you to increase the amount of cost-effective electric generation in Georgia by approving a strong community solar program.*