COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF A SPECIAL CONTRACT BETWEEN EKPC, OWEN ELECTRIC COOPERATIVE, AND GALLATIN STEEL COMPANY	)))))	CASE NO. 2013-00174

ORDER

On April 30, 2013, East Kentucky Power Cooperative, Inc. ("EKPC") filed an application for approval of a new special service contract ("New Contract") with Owen Electric Cooperative, Inc. ("Owen") and Gallatin Steel Company ("Gallatin Steel") to be effective June 1, 2013. The New Contract sets forth rates, terms, and conditions for service to Gallatin Steel and was required to be filed with the Commission pursuant to KRS 278.160, and 807 KAR 5:011, Section 13. EKPC stated that it would fully integrate into PJM Interconnection, L.L.C. ("PJM") on June 1, 2013; that the integration would affect EKPC's and Owen's electric service obligations under the terms of their existing service contract with Gallatin Steel; and that the New Contract was needed to address the changes resulting from integration into PJM. The New Contract sets forth rates, charges, or conditions that are not currently provided in Owen's general tariffs and addresses Firm and Interruptible Demand and Buy Through; PJM Limited Demand Response, Emergency – Capacity Only Program ("Demand Response Program"); and Economic Load Response Program.

EKPC initially requested Commission approval of the New Contract by May 15, 2013, to enable it to bid Gallatin Steel's interruptible load into PJM's annual Demand Response Program. However, on May 9, 2013, EKPC filed a motion to amend its application to extend the date for Commission approval to May 30, 2013. On May 30, 2013, the Commission found that further proceedings were necessary to determine the reasonableness of the New Contract and suspended it for one day, making it effective on June 2, 2013, subject to change prospectively.

EKPC fully integrated into PJM on June 1, 2013. On June 7, 2013, Gallatin Steel was granted intervention and an informal conference ("IC") was held on June 11, 2013. Also on June 11, 2013, Owen filed a motion for full intervention. The Commission finds that Owen's intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Accordingly, the Commission finds that Owen should be granted full rights of a party in this proceeding.

EKPC, Owen, and Gallatin Steel originally entered into an agreement for electric service which was approved by the Commission on May 12, 2005, and went into effect on June 1, 2005. The original agreement has subsequently been amended or changed on six occasions with the following effective dates: April 1, 2009; August 1, 2009; September 1, 2009; June 1, 2010; September 1, 2010; and December 1, 2010. The last amendment, effective December 1, 2010, provided that its terms would expire effective December 1, 2015. The term of the New Contract also extends to December 1, 2015, and will continue from year to year thereafter, but can be cancelled upon one year's notice after December 1, 2015.

New Contract

EKPC states in its application that, as in prior agreements with Gallatin Steel, 15 megawatts ("MW") of demand will be designated as firm power demand, and all demand exceeding firm power demand, up to a total demand of 180 MW, will be designated as interruptible demand. Gallatin Steel has the right to increase its demand above 180 MW upon 30 days' notice, but any increase greater than 15 MW must be agreed to in writing. Under the New Contract, interruptible service to Gallatin Steel will consist of three primary notice periods: 10 Minute, 90 Minute, and 110 Minute. The 10 Minute and 90 Minute interruptible demand service are essentially unchanged from the prior contract. However, a 110 Minute interruptible demand service has been added and can be exercised only when PJM calls for a physical interruption pursuant to its Demand Response Program. Gallatin Steel has the right to buy-through for the 10 Minute and 90 Minute interruptions. The buy-through option allows Gallatin Steel to obtain energy in the event it needs that energy to continue operating during the 10-minute or 90-minute interruption periods. No buy-through option is available for 110 Minute interruptions.

EKPC's application states that for the 10 Minute and 90 Minute interruptible demand service, it may interrupt Gallatin Steel to avoid purchasing energy from the day-ahead or real-time PJM market. In those instances, should Gallatin Steel decide to buy-through, EKPC will procure the interruptible buy-through energy for Gallatin Steel either through a day-ahead market purchase or through a real-time market purchase. The cost to be billed to Gallatin Steel will be the cost of energy at the AD Hub in the PJM market, plus Owen's distribution charge; however, the buy-through cost will not include the base energy charge, a fuel adjustment charge, or environmental surcharge.

As previously stated, as a participant in PJM's Demand Response Program, EKPC has the right to require a physical interruption of Gallatin Steel's interruptible demand. PJM also offers Day Ahead and Real-Time Economic Load Response Programs. The Economic Load Response Programs enable demand resources, such as Gallatin Steel, to reduce consumption and receive a payment for the reduction. To enable Gallatin Steel's participation if it chooses to do so, EKPC will act as the Curtailment Service Provider and will be entitled to charge an administrative fee.

Based on a review of the record and being otherwise sufficiently advised, the Commission finds that EKPC's and Owen's New Contract with Gallatin Steel is reasonable and should be approved as filed. The Commission further finds that EKPC should file with the Commission an annual report setting forth detailed information of Gallatin Steel's participation in the Demand Response Program and the Load Response Program under the New Contract. The report should include the following information for each program: the date and type of interruption or change in load; the start and end times of each interruption or change in load; the estimated cost savings, if any, to EKPC during each interruption or change in load; and whether Gallatin Steel exercised the buy-through option during each interruption. This report of Gallatin Steel's interruptions should be filed by March 31 of each calendar year.

IT IS THEREFORE ORDERED that:

1. The New Contract for electric service among EKPC, Owen, and Gallatin Steel as filed in the application is approved.

2. Owen's petition to intervene is granted.

3. EKPC shall file by March 31 of each year, beginning in 2014, a report detailing the prior calendar year's interruptions or changes in load of Gallatin Steel as described in the findings above.

4. Any documents filed pursuant to ordering paragraph No. 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

5 The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon EKPC's showing of good cause for such extension.

By the Commission

ENTERED
FEB 27 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

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