

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR)	CASE NO.
APPROVAL OF AN INDUSTRIAL)	2016-00316
POWER AGREEMENT WITH)	
ECONOMIC DEVELOPMENT RIDER)	

ORDER

On August 30, 2016, East Kentucky Power Cooperative, Inc. (“East Kentucky”) filed an application requesting approval of a special contract between East Kentucky, South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”), and Kroger Limited Partnership I (“Kroger”) pursuant to East Kentucky’s Economic Development Rider (“EDR”) tariff, which the Commission authorized on June 20, 2014,¹ and South Kentucky’s EDR tariff. East Kentucky also requested clarification regarding whether future EDR special contracts should be submitted to the Commission as a formal case or through the Commission’s electronic tariff filing system. East Kentucky responded to one round of requests for information issued by Commission Staff. There are no intervenors in this proceeding. The matter is now submitted to the Commission for a decision based upon the evidentiary record.

DISCUSSION

East Kentucky’s EDR tariff was approved in Case No. 2014-00034. In that case, the Commission found that East Kentucky’s proposed EDR tariff was consistent with our

¹ Case No. 2014-00034, *Application of East Kentucky Power Cooperative, Inc. for Approval of an Economic Development Rider* (Ky. PSC June 20, 2014).

final Order in Administrative Case No. 327 (“Admin. 327”), which set forth certain guidelines for the establishment of EDR tariffs, including reporting requirements.² According to the application, Kroger has constructed a new superstore in Somerset, Kentucky, and Kroger’s decision to locate the superstore within South Kentucky’s service territory was driven in part by the availability of the EDR. The new Kroger facility, which is being served by South Kentucky,³ represents an incremental load of approximately 600 kilowatts. Kroger estimates the capital investment associated with the new superstore to be approximately \$23.7 million, and that approximately 250 new jobs will be created.⁴

East Kentucky states that the special contract is in accordance with its EDR tariff, and provides for a 50 percent discount of the demand charge in the first year and a discount that declines by 10 percent in each of the subsequent four discount years.⁵ The term of the special contract is ten years, with the contract term extending twice the length of the discount period. In addition, East Kentucky maintains that it has sufficient capacity to serve the incremental load associated with the new Kroger superstore,⁶ and that it does not anticipate needing to make any market purchases to serve that load.

² Administrative Case No. 327, *An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities* (Ky. PSC Sept. 24, 1990). The Commission found that EDRs would provide important incentives to large commercial and industrial customers to either locate or expand their facilities in Kentucky, bringing jobs and capital investment to the Commonwealth. The Commission also found that utilities should have the flexibility to design EDRs according to the needs of their customers and service areas and to offer them to new and existing customers who require an incentive to locate or expand facilities.

³ South Kentucky is the distribution cooperative serving the Kroger facility. South Kentucky purchases its power requirements from its wholesale provider, East Kentucky.

⁴ Application at 5.

⁵ *Id.*

⁶ *Id.* at 6–7.

East Kentucky states that it does not anticipate incurring any fixed costs or any additional annual expense in order to accommodate the increased load.

Based on our review of the application, including the proposed EDR special contract and East Kentucky's response to Commission Staff's discovery requests, and being otherwise sufficiently advised, the Commission finds that the proposed EDR special contract between East Kentucky, South Kentucky, and Kroger is reasonable under the particular facts presented and meets the requirements of East Kentucky and South Kentucky's EDR tariffs and should be approved. The Commission further finds that East Kentucky may file future proposed EDR special contracts by means of an application, as in the instant proceeding, or through the Commission's electronic tariff filing system. For the latter, if the Commission finds that further investigation is needed to determine the reasonableness of that proposed special contract, the Commission will establish a formal proceeding to conduct the inquiry.

IT IS THEREFORE ORDERED that:

1. The EDR special contract between East Kentucky, South Kentucky, and Kroger is approved effective December 1, 2016.⁷
2. By March 31 of each year, East Kentucky shall file an annual report with the Commission detailing, for the prior calendar year, revenues received from Kroger and the marginal costs associated with serving Kroger throughout the term of the proposed contract.
3. During any rate proceedings by East Kentucky filed subsequent to the effective date of the proposed EDR contract with Kroger, and during a period when East

⁷ EKPC requested the approved effective date of the special contract be the first of the month in the month after it is approved.

Kentucky still has an active EDR contract, East Kentucky shall demonstrate through detailed cost-of-service analysis that its member distribution cooperative non-EDR ratepayers are not adversely affected by the EDR rate to Kroger and any other EDR customers that may be on the East Kentucky system at that time.

4. So long as it is providing wholesale service to one of its distribution cooperatives with an active EDR contract, East Kentucky shall file by March 31 of each year an annual report with the Commission providing, for the prior calendar year, the information shown in the Appendix to this Order.

5. Any documents filed pursuant to ordering paragraphs 2 and 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

6. The Executive Director is designated authority to grant reasonable extension of time for the filing of any documents required by this Order upon East Kentucky's showing of good cause for such extension.

7. East Kentucky's request to file future EDR special contracts through the Commission's electronic tariff filing system is approved.

8. Within 20 days of the date of this Order, East Kentucky shall file with this Commission, using the Commission's electronic Tariff Filing System, its EDR Special Contract as approved herein.

By the Commission

ENTERED
NOV 21 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2016-00316

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00316 DATED **NOV 21 2016**

ECONOMIC DEVELOPMENT RATE CONTRACT REPORT

UTILITY: _____

YEAR: _____

	<u>Current Reporting PERIOD</u>	<u>CUMULATIVE</u>
1) Number of EDR Contracts -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____
2) Number of Jobs Created -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____
3) Amount of Capital Investment -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____

4) Consumption -

Current Reporting Period Cumulative

(A) DEMAND

Total:	_____ kW	_____ kW
Existing Customers:	_____ kW	_____ kW
New Customers:	_____ kW	_____ kW

(B) ENERGY/CONSUMPTION

Total:	_____ kWh	_____ kWh
Existing Customers:	_____ kWh	_____ kWh
New Customers:	_____ kWh	_____ kWh

*David S Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707