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Energy and Environment Cabinet



Commonwealth of Kentucky  
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Daniel E. Logsdon Jr.  
Commissioner

March 9, 2017

PARTIES OF RECORD

Re: Case No. 2017-00099

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter.

If you have any questions, please contact Quang Nguyen, Commission Staff Attorney, at 502-782-2586.

Sincerely,

A handwritten signature in blue ink that reads "Talina R. Mathews".

Talina R. Mathews  
Executive Director


QN/ph

Attachments

**INTRA-AGENCY MEMORANDUM**

**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File

**FROM:** Quang D. Nguyen, Assistant General Counsel 

**DATE:** March 9, 2017

**RE:** Case No. 2017-00099  
Application of Kentucky Power Company for (1) Authority to Amend Temporarily Tariff C.S. – I.R.P. and Tariff E.D.R.; (2) to Establish Temporarily Tariff C.S. – Coal; (3) for Leave to Deviate from the Notice Requirements of 807 KAR 5:011, Section 8; (4) for Related Accounting Relief; and (5) for all Other Required Approvals and Relief

Pursuant to a Commission Staff Notice issued on March 3, 2017, an informal conference was held on March 8, 2017, at the Commission's offices in Frankfort, Kentucky. The purpose of the informal conference was to discuss outstanding issues related to the application of Kentucky Power Company ("Kentucky Power"). A list of the attendees is attached hereto.

Staff referenced page 10 of the application and inquired about the proposed amendment to the existing Tariff C.S. – I.R.P. relating to early termination and what charges would be incurred by a qualifying customer engaged in coal extraction or processing during the time that such operations have permanently ceased. Kentucky Power indicated that the customer would be charged the minimum charge attached to the tariff under which the customer is billed. These charges could include the demand charge and any ratchet.

Staff referenced page 14 of the application and inquired about the proposed amendments to the existing Tariff E.D.R. Kentucky Power stated that upon expiration of the 1- or 2-year term, a qualifying customer engaged in coal extraction or processing would have the option of being classified under the relevant tariffed rate, taking service under the existing Tariff E.D.R., or entering into a special contract.

Kentucky Power also stated that the reasons for the temporary nature of the proposed amendments to Tariffs C.S. - I.R.P. and E.D.R. and the termination date of December 31, 2017, were based on it wanting to have some measures in place to be able to provide economic incentives to assist the ailing coal industry yet retain some flexibility in offering those incentives and to have a specific end date for such incentives. Kentucky Power indicated that its customer service representatives for each of its districts will contact those coal operations that have ceased or reduced operations and provide those customers with information on these proposed incentives if they are

approved by the Commission. Kentucky Power stated that any contracts entered into under Tariffs C.S. – I.R.P. and E.D.R. would be submitted to the Commission for approval.

Staff referenced page 19 of the application and inquired about the incremental impact to Tariff P.P.A. due to the proposed amendment to Tariff C.S. – I.R.P. Kentucky Power confirmed that the maximum monthly incremental impact would be the product of the outstanding interruptible load subject to Tariff C.S. – I.R.P., or 43,100 kW, multiplied by the \$3.68 per kW/month credit payable under Tariff C.S. – I.R.P. Kentucky Power stated that there are only two customers on Tariff C.S. – I.R.P. and that PJM Interconnection, LLC (“PJM”), its regional transmission operator, has rarely called an emergency condition in recent years that would require Kentucky Power to shed load. Kentucky Power also stated that the two interruptible customers receive a monthly credit under Tariff C.S. – I.R.P. regardless of whether they are required to be interrupted. Staff referenced Kentucky Power’s February 20, 2017 P.P.A. monthly filing and asked Kentucky Power to reconcile why the credit shown for January 2017 reflected only \$728. Kentucky Power stated that it would provide a response to Staff’s request within the next day or two. A discussion was also had regarding Kentucky Power’s ability to monetize any interruptible load as a Fixed Resource Requirement entity within PJM’s capacity market construct.

The parties engaged in a discussion regarding the clarification of the term “financial loss” as used in the application in connection with Kentucky Power’s request for authority to accumulate and defer for review and recovery in its next base rate case any financial loss incurred related to the proposed amendments to Tariff C.S. – I.R.P. and Tariff E.D.R. and the establishment of Tariff C.S. – Coal. KIUC stated its belief that “financial losses” should be offset by the “financial gains” or profits Kentucky Power might realize under the temporary tariff changes or temporary tariffs it was proposing. Kentucky Power indicated that it disagreed with including such an offset as a part of its proposed accounting relief. Staff stated that, if Kentucky Power’s application was approved, the reasonableness of any regulatory asset related to financial losses would be determined in a future case in which Kentucky Power requested recovery.

In response to Staff inquiry regarding the proposed Tariff C.S. – Coal, Kentucky Power stated that the intent of the tariff is that the expansion load would take service under a discounted rate but left it open for the possibility of also including the full load of a qualifying customer depending on the facts of that situation. Kentucky Power noted that the special contract will be subject to Commission review and approval. Kentucky Power lastly noted that the number of coal operation customers it serves declined from 325 to 279 in 2016.

KIUC indicated its approval of the application in general and that it would not need additional discovery on Kentucky Power's application. The Attorney General stated that it will need to have further internal discussions and will provide its position regarding whether it will need further discovery as soon as possible.

There being no further discussions, the informal conference was adjourned.

Attachment



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY (1) )  
FOR AUTHORITY TO AMEND TEMPORARILY TARIFF )  
C.S. - I.R.P. AND TARIFF E.D.R., ; (2) TO ESTABLISH )  
TEMPORARILY TARIFF C.S. - COAL; (3) FOR LEAVE TO )  
DEVIATE FROM THE NOTICE REQUIREMENTS OF 807 )  
KAR 5:011, SECTION 8; (4) FOR RELATED )  
ACCOUNTING RELIEF; AND (5) FOR ALL OTHER )  
REQUIRED APPROVALS AND RELIEF )

CASE NO.  
2017-00099

March 8, 2017

Please sign in:

NAME

REPRESENTING

Quang Nguyen PSC

David Hinton PSC

Jennifer Fell PSC

JEFF SHAW PSC STAFF

John Rogness KPCO.

MARK R. OVERSTREET STAFF REPRESENTATIVE FOR KPCO.

Ronie Wohnhas KPCO.

Matt Satterwhite KPCO

Chris Whelan PSC - FA

Quang Nguyen PSC

Mike Kurtz KUUC

Jody Kyler Colson KUUC

Angella Goad ACE

} via  
teleconference

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