

March 31, 2020

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**PUBLIC SERVICE
COMMISSION**

Mr. Kent A. Chandler
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case Nos. 2014-00034 and 2016-00316 – Economic Development
Rate Contract Reports

Dear Mr. Chandler:

Pursuant to the Commission's June 20, 2014 Order in Case No. 2014-00034 and its November 21, 2016 Order in Case No. 2016-00316, please find enclosed for filing the 2019 Economic Development Rate Contract Reports for East Kentucky Power Cooperative, Inc. ("EKPC").

In Case No. 2016-00316, the Commission approved EKPC's first special contract incorporating the Economic Development Rider ("EDR") since the approval of that Rider in Case No. 2014-00034. The Commission clarified that two annual reports would be required and both would be due by March 31 of each year. This contract is between EKPC, South Kentucky RECC, and Kroger and became effective December 1, 2016. The enclosed report for the Kroger contract reflects 12 months of operations.

Also included in this report is information for a second special contract between EKPC, Owen Electric Cooperative, Inc. and Wayfair LLC. The Wayfair contract became effective March 1, 2017. The enclosed report for the Wayfair contract reflects 12 months of operations.

EKPC would note that on June 25, 2019 the Commission accepted a special contract between EKPC, Fleming-Mason Energy Cooperative, and AppHarvest Morehead Farm, LLC. This special contract is the third EDR contract EKPC has entered into since the adoption of the EDR tariff. The special contract is effective July 1, 2019; however, AppHarvest is currently constructing its facilities and expects to be in operation sometime during 2020. The EDR will begin with the first billing under the terms of the special

contract at that time. As AppHarvest had not started operations during 2019, it is not reflected in the enclosed report.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'D.S. Samford', with a long, sweeping flourish extending to the right.

David S. Samford

Enclosure

ECONOMIC DEVELOPMENT RIDER

2019 Report of Revenues Received and Marginal Costs Associated with Serving the
Customer

Member Distribution Cooperative: South Kentucky RECC
EDR Customer: Kroger
EKPC Rate Schedule: Rate B

Revenues

| | |
|-------------------------------|------------------|
| Demand Charge Revenues Billed | \$33,681 |
| Energy Charge Revenues Billed | <u>\$127,187</u> |
| Total Revenues | <u>\$160,868</u> |

Marginal Costs

Demand:

| | | |
|---------------------------------------------------------------------|-------|----------|
| Billed demand (kW) | 6,460 | |
| Marginal Demand Cost (See attached spreadsheet for calculations) | | \$24,731 |

Energy:

| | | |
|---------------------------------------------------------------------|-----------|-----------------|
| Billed Energy (kWh) | 3,510,026 | |
| Marginal Energy Cost (See attached spreadsheet for calculations) | | <u>\$85,194</u> |

| | | |
|----------------------|--|------------------|
| Total Marginal Costs | | <u>\$109,925</u> |
|----------------------|--|------------------|

ECONOMIC DEVELOPMENT RIDER

2019 Report of Revenues Received and Marginal Costs Associated with Serving the
Customer

Member Distribution Cooperative: Owen Electric Cooperative, Inc.
EDR Customer: Wayfair LLC
EKPC Rate Schedule: Rate B

Revenues

| | |
|-------------------------------|------------------|
| Demand Charge Revenues Billed | \$32,344 |
| Energy Charge Revenues Billed | <u>\$112,544</u> |
| Total Revenues | <u>\$144,888</u> |

Marginal Costs

Demand:

| | | |
|---------------------------------------------|-------|----------|
| Billed demand (kW) | 6,600 | |
| Marginal Demand Cost | | \$25,526 |
| (See attached spreadsheet for calculations) | | |

Energy:

| | | |
|---------------------------------------------|-----------|-----------------|
| Billed Energy (kWh) | 3,118,402 | |
| Marginal Energy Cost | | <u>\$76,448</u> |
| (See attached spreadsheet for calculations) | | |

| | |
|----------------------|------------------|
| Total Marginal Costs | <u>\$101,974</u> |
|----------------------|------------------|

ECONOMIC DEVELOPMENT RATE CONTRACT REPORT

UTILITY: East Kentucky Power Cooperative, Inc.

YEAR: 2019

| | <u>Current Reporting Period</u> | <u>Cumulative</u> |
|-----------------------------------|-----------------------------------------|-------------------|
| 1) Number of EDR Contracts – | | |
| Total: | 0 | 2 |
| Existing Customers: | 0 | 0 |
| New Customers: | 0 | 2 |
| 2) Number of Jobs Created – | | |
| Total: | 0 | 500 |
| Existing Customers: | 0 | 0 |
| New Customers: | 0 | 500 |
| 3) Amount of Capital Investment – | | |
| Total: | \$0 | \$38.7M |
| Existing Customers: | \$0 | \$0 |
| New Customers: | \$0 | \$38.7M |
| 4) Consumption – | | |
| | <u>Current Reporting Period</u> | <u>Cumulative</u> |
| (A) DEMAND | | |
| Total: | 13,060 kW | 55,024 kW |
| Existing Customers: | 0 kW | 0 kW |
| New Customers: | 13,060 kW | 55,024 kW |
| (B) ENERGY/CONSUMPTION | | |
| Total: | 6,628,428 kWh | 27,854,994 kWh |
| Existing Customers: | 0 kWh | 0 kWh |
| New Customers: | 6,628,428 kWh | 27,854,994 kWh |

1 EDR Analysis CY 2019.xlsx
 2 Analysis of EDR Customers' Billings for Calendar Year 2019
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 5 **Cooperative:** South Kentucky RECC
 6 **Customer:** Kroger Limited Partnership
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| Month | Billed Units | | Billed Revenues | | | Marginal Cost - Demand | | | Marginal Cost - Energy | | |
|------------------|--------------|--------------|-----------------|-----------|------------|------------------------|--------------|------------|------------------------|--------------|------------|
| | Demand (kW) | Energy (kWh) | Demand | Energy | FAC | \$/ kW-month | Monthly Cost | Difference | Purchase Cost | Monthly Cost | Difference |
| 12 January 2019 | 500 | 247,947 | \$2,509 | \$10,042 | (\$1,148) | \$5.01 | \$2,505 | \$4 | \$0.028260 | \$7,007 | \$1,887 |
| 13 February | 500 | 231,378 | \$2,509 | \$9,371 | (\$615) | \$5.01 | \$2,505 | \$4 | \$0.025290 | \$5,852 | \$2,904 |
| 14 March | 500 | 255,062 | \$2,509 | \$10,331 | (\$1,125) | \$5.01 | \$2,505 | \$4 | \$0.028250 | \$7,206 | \$2,000 |
| 15 April | 500 | 274,069 | \$2,509 | \$11,100 | (\$458) | \$5.01 | \$2,505 | \$4 | \$0.025590 | \$7,013 | \$3,629 |
| 16 May | 565 | 316,625 | \$2,963 | \$12,824 | (\$1,191) | \$5.01 | \$2,831 | \$132 | \$0.024240 | \$7,675 | \$3,958 |
| 17 June | 605 | 335,004 | \$3,243 | \$13,568 | (\$1,169) | \$3.05 | \$1,845 | \$1,398 | \$0.022570 | \$7,561 | \$4,838 |
| 18 July | 595 | 368,777 | \$3,173 | \$14,936 | (\$1,781) | \$3.05 | \$1,815 | \$1,358 | \$0.023490 | \$8,663 | \$4,492 |
| 19 August | 597 | 355,210 | \$3,187 | \$14,387 | (\$1,858) | \$3.05 | \$1,821 | \$1,366 | \$0.022810 | \$8,102 | \$4,427 |
| 20 September | 562 | 337,238 | \$2,942 | \$13,659 | (\$2,064) | \$3.05 | \$1,714 | \$1,228 | \$0.022900 | \$7,723 | \$3,872 |
| 21 October | 536 | 294,959 | \$2,760 | \$11,946 | (\$1,664) | \$3.05 | \$1,635 | \$1,125 | \$0.021660 | \$6,389 | \$3,893 |
| 22 November | 500 | 243,374 | \$2,509 | \$9,857 | (\$1,604) | \$3.05 | \$1,525 | \$984 | \$0.025840 | \$6,289 | \$1,964 |
| 23 December 2019 | 500 | 250,383 | \$2,868 | \$10,141 | (\$298) | \$3.05 | \$1,525 | \$1,343 | \$0.022820 | \$5,714 | \$4,129 |
| 24 | | | | | | | | | | | |
| 25 Totals | 6,460 | 3,510,026 | \$33,681 | \$142,162 | (\$14,975) | | \$24,731 | \$8,950 | | \$85,194 | \$41,993 |
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Net Billed Revenues - Energy \$127,187

Notes: Contract demand revised in June 2018 to address load factor concerns; billed demand in May through October was greater than contract demand; excess demand billed at \$9.98 per kW times 30% discount. Contract started in December 2016; from December 2016 to November 2017 a 50% discount factor; from December 2017 to November 2018 a 40% discount factor; from December 2018 to November 2019 a 30% discount factor; December 2019 a 20% discount factor.

34 **Cooperative:** Owen Electric
 35 **Customer:** Wayfair LLC
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| Month | Billed Units | | Billed Revenues | | | Marginal Cost - Demand | | | Marginal Cost - Energy | | |
|------------------|--------------|--------------|-----------------|-----------|------------|------------------------|--------------|------------|------------------------|--------------|------------|
| | Demand (kW) | Energy (kWh) | Demand | Energy | FAC | \$/ kW-month | Monthly Cost | Difference | Purchase Cost | Monthly Cost | Difference |
| 41 January 2019 | 550 | 278,487 | \$2,367 | \$11,279 | (\$1,289) | \$5.01 | \$2,756 | (\$389) | \$0.028260 | \$7,870 | \$2,120 |
| 42 February | 550 | 259,618 | \$2,367 | \$10,515 | (\$691) | \$5.01 | \$2,756 | (\$389) | \$0.025290 | \$6,566 | \$3,258 |
| 43 March | 550 | 282,356 | \$2,761 | \$11,436 | (\$1,245) | \$5.01 | \$2,756 | \$5 | \$0.028250 | \$7,977 | \$2,214 |
| 44 April | 550 | 265,995 | \$2,761 | \$10,773 | (\$444) | \$5.01 | \$2,756 | \$5 | \$0.025590 | \$6,807 | \$3,522 |
| 45 May | 550 | 242,538 | \$2,761 | \$9,823 | (\$912) | \$5.01 | \$2,756 | \$5 | \$0.024240 | \$5,879 | \$3,032 |
| 46 June | 550 | 234,135 | \$2,761 | \$9,483 | (\$817) | \$3.05 | \$1,678 | \$1,083 | \$0.022570 | \$5,284 | \$3,382 |
| 47 July | 550 | 279,042 | \$2,761 | \$11,302 | (\$1,348) | \$3.05 | \$1,678 | \$1,083 | \$0.023490 | \$6,555 | \$3,399 |
| 48 August | 550 | 293,297 | \$2,761 | \$11,879 | (\$1,534) | \$3.05 | \$1,678 | \$1,083 | \$0.022810 | \$6,690 | \$3,655 |
| 49 September | 550 | 286,913 | \$2,761 | \$11,621 | (\$1,756) | \$3.05 | \$1,678 | \$1,083 | \$0.022900 | \$6,570 | \$3,295 |
| 50 October | 550 | 256,021 | \$2,761 | \$10,369 | (\$1,444) | \$3.05 | \$1,678 | \$1,083 | \$0.021660 | \$5,545 | \$3,380 |
| 51 November | 550 | 220,000 | \$2,761 | \$8,820 | (\$1,428) | \$3.05 | \$1,678 | \$1,083 | \$0.025840 | \$5,685 | \$1,707 |
| 52 December 2019 | 550 | 220,000 | \$2,761 | \$8,392 | (\$240) | \$3.05 | \$1,678 | \$1,083 | \$0.022820 | \$5,020 | \$3,132 |
| 53 | | | | | | | | | | | |
| 54 Totals | 6,600 | 3,118,402 | \$32,344 | \$125,692 | (\$13,148) | | \$25,526 | \$6,818 | | \$76,448 | \$36,096 |
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Net Billed Revenues - Energy \$112,544

Notes: Contract demand revised in July 2018 in anticipation of load factor concerns; billed demand was never greater than contract demand. Contract started in March 2017; from March 2017 to February 2018 a 50% discount factor; from March 2018 to February 2019 a 40% discount factor; from March 2019 to December 2019 a 30% discount factor.

61 Margin Cost:
 62 Demand -
 63 PJM BRA Results 2018-2019 Delivery Year - Conversion to \$ / kW-month:
 64 \$164.77 / MW-day x 365 days ÷ 1,000 ÷ 12 = \$5.01 / kW-month
 65 PJM BRA Results 2019-2020 Delivery Year - Conversion to \$ / kW-month:
 66 \$100.00 / MW-day x 366 days ÷ 1,000 ÷ 12 = \$3.05 / kW-month
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68 Energy - Purchase Cost is the Cost of Market Purchases taken from the applicable EKPC FAC monthly reports. The Difference compares the billed Energy and FAC revenues with the monthly marginal energy cost.
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