

October 4, 2016

VIA KPSC ELECTRONIC TARIFF FILING SYSTEM

Ms. Talina Matthews
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: Special Contract between Jackson Purchase Energy Corporation and American Municipal Power, Inc.

Dear Ms. Matthews:

Please find enclosed and accept for filing that certain Special Contract for Back-Up Electric Service and Retail Electric Transmission Service (“Special Contract”) by and between Jackson Purchase Energy Corporation (“JPEC”) and American Municipal Power, Inc. (“AMP”), dated September 26, 2016, as well as a relevant transmittal letter concerning the Special Contract from Dennis Cannon, President and CEO of JPEC. The Special Contract provides for the terms and conditions under which JPEC will provide back-up electric service and retail electric service to AMP’s hydroelectric generating facility located near Smithland, Kentucky (“AMP Smithland”).¹

AMP Smithland is a run-of-the-river hydroelectric generating station located in JPEC’s retail electric service territory approximately sixty-two (62) river miles upstream of the confluence of the Ohio and Mississippi rivers, in Livingston County, Kentucky. JPEC is currently providing electric service to AMP Smithland under its standard tariff rates (specifically, Rate Schedule D (Commercial and Industrial Demand Less Than 3,000 kW)) while AMP is constructing AMP Smithland. The construction phase of AMP Smithland is expected to conclude in the near term, at which point AMP Smithland will enter its testing-and-commissioning phase. Upon completion of the testing-and-commissioning phase, AMP Smithland will synchronize with the grid and begin commercial operation.

¹ The provision of electric service to a different AMP hydroelectric facility, namely the AMP Meldahl Hydroelectric Generating Station in or near Foster, Kentucky, was the subject of an agreement filed with the Commission by Kentucky Utilities Company on or about September 12, 2014. See Filing No. TFS2014-00554. That agreement, which is similar to the Special Contract, was accepted by the Commission’s Tariff Branch on or about October 6, 2014, and bears an effective date of October 13, 2014.

AMP Smithland interconnects with the Midcontinent Independent System Operator, Inc. ("MISO"), via a portion of the MISO transmission system owned by Big Rivers Electric Corporation ("BREC") (the "Transmission Facilities"). Beginning with the testing-and-commissioning phase and continuing for the life of the facility, AMP Smithland will from time to time draw power across the Transmission Facilities to serve its on-site generator/powerhouse. All such power, referred to in the Special Contract as the "Station Power," will be supplied by entities other than JPEC according to the applicable rules, policies, and practices of MISO. Pursuant to the Special Contract, AMP will pay JPEC a fixed monthly Facilities Charge and applicable taxes, charges, and/or assessments for this Retail Electric Transmission Service.

Further pursuant to the Special Contract, and in the event AMP Smithland's Station Power needs cannot be satisfied by self-supply, power drawn across the Transmission Facilities, or other back-up systems/arrangements, JPEC has agreed to provide Back-Up Electric Service to serve AMP Smithland's Station Power. The applicable charge for this Back-Up Electric Service will be generally determined in accordance with JPEC's Rate Schedule D, except that the parties have agreed to a revised monthly Facilities Charge in light of the intermittent and unpredictable nature of the Back-Up Electric Service to be provided.

Finally, the Special Contract makes clear that JPEC will provide Retail Electric Distribution Service to any and all AMP facilities in JPEC's retail electric service territory, exclusive of Station Power, at standard, applicable tariff rates, terms, and conditions.

JPEC and AMP have entered into the Special Contract to address and provide for the unique situation presented by AMP Smithland. Both parties agree that their arrangement respects JPEC's exclusive retail service rights under Kentucky Revised Statutes 278.018 and other applicable law for the territory where AMP Smithland is located, as well as acknowledges that it would be economically impracticable for JPEC to actually provide the Station Power for AMP Smithland.

Due to the parties' desire to have the Special Contract in effect at or before the time AMP Smithland enters its testing-and-commissioning phase, JPEC requests that review by the Commission and its Staff proceed as expeditiously as possible.

Please do not hesitate to contact me with any questions or concerns.

Very truly yours,



M. Evan Buckley

Enclosure