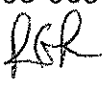


INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2005-00341
FROM: Richard G. Raff 
DATE: March 6, 2006
SUBJECT: *Ex Parte* Communications

This memo is written to give notice to all parties that a member of the Commission's Staff assigned to this case had an *ex parte* conversation with a non-party to the case regarding the Economic Response Program offered by PJM. Copies of e-mails documenting the conversations are attached hereto.

cc: Parties of Record

Raff, Richard G (PSC)

From: Valladares, Jorge (PSC)
Sent: Thursday, March 02, 2006 2:10 PM
To: Raff, Richard G (PSC); Scott, Isaac S (PSC)

Richard and Isaac,

I had a couple questions from the meeting yesterday and previous conversations regarding this case. I forwarded them to Kerry Stroup at PJM to see if they could be answered by him or if he could let me know where to find the answer. I did not use the names of any of the parties in the case and kept the questions as vague as I could in case there would be a problem privacy wise. I hope this was okay.

Here are the answers I got from Kerry through Sue Covino and Jeff Bladen from PJM. I know Sue is an atty. Jeff I believe is the DSM guy.

Jorge,

The following email chain provides, I hope, an answer to your questions as I understand them.

I will be calling you on another matter this afternoon.

Regards,

Kerry

-----Original Message-----

From: Covino, Susan T.
Sent: Thursday, March 02, 2006 12:28 PM
To: Stroup, Kerry M.; Bladen, Jeffrey M.
Subject: RE: PJM Files Amendment in RTEP Docket No. ER06-456

Kerry,

A customer with distributed generation can periodically decide how to deploy the resource: either behind the meter or not. My understanding is that if the distributed generation is behind the meter than it may be used to support a load reduction. The settlement for a load reduction supported by the distributed generation cannot exceed the customer's load. In other words, if the customer has a 5 MW load and a 10 MW generator that is behind the meter, the load reduction cannot exceed 5 MWs.

Subject to check I believe that the customer could designate 5 MWs of the distributed generation as behind the meter and the other 5 MWs of the distributed generation as a generation resource that is not behind the meter. Regardless of the allocation, however, the total cannot exceed the 10 MW capability of the distributed generation and only the MWs of distributed generation behind the meter could be used to support a load reduction. John Reynolds is on of our Behind the Meter Generation rules experts.

Susan

P.S. I hope you are feeling better after your surgery early last week.

-----Original Message-----

From: Stroup, Kerry M.

Sent: Thursday, March 02, 2006 12:11 PM

To: Covino, Susan T.; Bladen, Jeffrey M.

Subject: RE: PJM Files Amendment in RTEP Docket No. ER06-456

Thanks Susan. I had taken Jorge's second question to propose that a customer would curtail its load and that it's CSP would receive payment as you suggest. In addition, however, I believe Jorge is asking whether such customer could simultaneously sell into the market with behind the meter generation. Does this wrinkle complicate the answer?

-----Original Message-----

From: Covino, Susan T.

Sent: Thursday, March 02, 2006 12:06 PM

To: Stroup, Kerry M.; Bladen, Jeffrey M.

Subject: RE: PJM Files Amendment in RTEP Docket No. ER06-456

Kerry,

Yes, you are correct in saying that in both the day ahead and real time markets, a Curtailment Service Provider (CSP) may submit a standing offer to curtail when a specified threshold is set. The CSP may include shut-down costs, minimum down time and the strike price in the load reduction offer provided to PJM. Load reduction when dispatched by PJM in real time is voluntary. If, however, the load reduction that cleared the day ahead market is deficient, then PJM will bill the CSP for the MWs of deficiency at the real time LMP.

Assuming that I understand the second question correctly, the CSP may also self-schedule a load reduction in real time by providing PJM with a timely Notification. Leaving aside the incentive, payment to the CSP for this load reduction comes from the end-user's LSE. The load reduction means that the customer's LSE is long in the market. PJM bills the LSE for the difference between the LMP and the retail rate (Generation + Transmission) in order to make the payment to the customer's CSP. The sale of the extra supply (not used because of the load reduction) by the customer's LSE in the real time market provides the LSE with the dollars to pay the amount billed by PJM.

Hope this helps.

Susan

-----Original Message-----

From: Stroup, Kerry M.

Sent: Thursday, March 02, 2006 11:30 AM

To: Covino, Susan T.; Bladen, Jeffrey M.

Subject: FW: PJM Files Amendment in RTEP Docket No. ER06-456

Importance: High

Susan and Jeff,

Please confirm that the correct answers to the first question posed by Jorge is:

Yes, in both the day ahead market and the real time market, a member may submit a standing offer to curtail when a specified threshold is set.

As for the second question, I believe the answer is that a customer may curtail and sell into the market. Please advise if I am wrong, or if there are nuances of this hypothetical that should be communicated.

Thanks,

Kerry

-----Original Message-----

From: Valladares, Jorge (PSC) [<mailto:jorge.valladares@ky.gov>]

Sent: Thursday, March 02, 2006 11:04 AM

To: strouk@pjm.com

Subject: RE: PJM Files Amendment in RTEP Docket No. ER06-456

Kerry, I hope things are going well with you. I had a meeting yesterday regarding a settlement case and a couple questions came up. Regarding the Economic Demand Response Program: Can a member set a threshold and have a standing offer to curtail when this threshold is met? Is it possible for a member to curtail and then turn around and sell into the market? The answers may be obvious but offhand I am not certain so I thought I would ask. Thanks, Jorge

Raff, Richard G (PSC)

From: Valladares, Jorge (PSC)
Sent: Thursday, March 02, 2006 3:48 PM
To: Raff, Richard G (PSC); Scott, Isaac S (PSC)
Subject: FW: PJM Files Amendment in RTEP Docket No. ER06-456

From: strouk@pjm.com [mailto:skou@pjm.com]
Sent: Thursday, March 02, 2006 3:28 PM
To: Valladares, Jorge (PSC)
Subject: RE: PJM Files Amendment in RTEP Docket No. ER06-456

Jorge, as I suspected the answer to your second question is less straight-forward than either of us might wish. Here is a follow-up clarification of Susan's answer from Jeff Bladen:

BTM generation CAN SELL EXCESS energy to the wholesale market without interconnecting. They may schedule a load reduction based on output of the unit for the volume of their load, then may sell any remaining output to the market. BTM generation must first be used to offset any recorded consumption at the site before any excess may be sold to the market. They MAY NOT take energy under a separate wholesale or retail contract at the same site in order to sell the full output of a BTM unit to the market.

If you would like me to arrange a telephone discussion for you with Jeff/Susan, I would be happy to do so.

Kerry

-----Original Message-----

From: Valladares, Jorge (PSC) [mailto:jorge.valladares@ky.gov]
Sent: Thursday, March 02, 2006 11:04 AM
To: strouk@pjm.com
Subject: RE: PJM Files Amendment in RTEP Docket No. ER06-456

Kerry,

I hope things are going well with you.

I had a meeting yesterday regarding a settlement case and a couple questions came up.

Regarding the Economic Demand Response Program:

Can a member set a threshold and have a standing offer to curtail when this threshold is met?

Is it possible for a member to curtail and then turn around and sell into the market?

The answers may be obvious but offhand I am not certain so I thought I would ask.

Thanks,

Jorge

From: snydev@pjm.com [mailto:snydev@pjm.com] **On Behalf Of** strouk@pjm.com
Sent: Wednesday, March 01, 2006 9:03 PM
To: MFletcher@psc.state.wv.us; jkozak@psc.state.wv.us; dellis@psc.state.wv.us; rlieberm@icc.state.il.us; eoconnel@icc.state.il.us; kwright@icc.state.il.us; LFord@icc.state.il.us; bvanderl@icc.state.il.us; ciannell@icc.state.il.us; cericson@icc.state.il.us; gbeyer@icc.state.il.us;

hstoller@icc.state.il.us; mstephen@icc.state.il.us; mmishoe@icc.state.il.us; RRISMILL@icc.state.il.us; lmontaqu@icc.illinois.gov; llandis@urc.state.in.us; dhadley@urc.state.in.us; dziegner@urc.state.in.us; gserver@urc.state.in.us; bpauley@urc.state.in.us; bborum@urc.state.in.us; Hill, Teresa (PSC); Goss, Mark David (PSC); Coker, Greg (PSC); Mathews, Talina (Energy Policy); Scott, Isaac S (PSC); Cave, Phillip S (PSC); Raff, Richard G (PSC); Valladares, Jorge (PSC); Turner, AW (PSC); Stith, Brenda H (PSC); Johnson, Jeff A (PSC); martinezm1@michigan.gov; jplark@michigan.gov; kkfeldp@michigan.gov; lchapp@michigan.gov; scdevon@michigan.gov; aebutth@michigan.gov; wkbokra@michigan.gov; grwhite@michigan.gov; kmroth@michigan.gov; lhpappa@michigan.gov; mlhiser@michigan.gov; wcjones@michigan.gov; Ronnie.fergus@puc.state.oh.us; Alan.Schriber@puc.state.oh.us; Clarence.rogers@puc.state.oh.us; don.mason@puc.state.oh.us; Judy.jones@puc.state.oh.us; Vic.Gallina@puc.state.oh.us; Arla.cahill@puc.state.oh.us; Chris.pirik@puc.state.oh.us; dan.johnson@puc.state.oh.us; Daniel.Shields@puc.state.oh.us; David.Wang@puc.state.oh.us; Don.howard@puc.state.oh.us; Ed.hess@puc.state.oh.us; Janice.karlak@puc.state.oh.us; Jill.kocher@puc.state.oh.us; Jon.Whitis@puc.state.oh.us; Judy.gaines@puc.state.oh.us; Kevin.Holtsberry@puc.state.oh.us; Kim.wissman@puc.state.oh.us; klaus.lambeck@puc.state.oh.us; raman.ravisankar@puc.state.oh.us; thomas.lindgren@puc.state.oh.us; jason.cross@puc.state.oh.us; jeff.hecker@puc.state.oh.us; steven.nourse@puc.state.oh.us; tammy.turkenton@puc.state.oh.us; Sara.kyle@state.tn.us; pat.miller1@state.tn.us; Ron.Jones@state.tn.us; Shirley.frierson@state.tn.us; Betty.Bailey@state.tn.us; darlene.standley@state.tn.us; lisa.cooper@state.tn.us; Stacy.Balthrop@state.tn.us; carlos.black@state.tn.us; ginger.collier@state.tn.us; hollyrachel.smith@state.tn.us; jerry.kettles@state.tn.us; mshaw@psc.state.wv.us; estaats@psc.state.wv.us; jmckinney@psc.state.wv.us
Cc: wilhej@pjmexch01.pjm.com; cartacki@pjmexch01.pjm.com; hinkelr@pjmexch01.pjm.com; mathir@pjmexch01.pjm.com; snydev@pjmexch01.pjm.com; strouk@pjmexch01.pjm.com; welcht@pjmexch01.pjm.com

Subject: PJM Files Amendment in RTEP Docket No. ER06-456

On March 1, 2006, PJM filed an amendment to its January 5, 2006 filing in Docket No. ER06-456-000 to submit cost allocations for additional RTEP upgrades approved by the PJM Board in 2004 and to revise certain allocations submitted in the January filing. The amendment also included revised tariff sheets to identify the relevant upgrades and associated cost allocations in Schedule 12-Appendix of the PJM Tariff. PJM proposed to make these tariff sheets effective on May 30, 2006.

<http://www.pjm.com/documents/ferc/documents/2006/20060301-er06-456-000.pdf>

Kerry Stroup
Manager, Legislative and Regulatory Relations
PJM Western Region
610-635-3440 (office)
484-919-5554 (mobile)

If any problem with this e-mail, contact:

Virginia J. Snyder (Ginny)
Paralegal
PJM Interconnection
Phone: 610-635-3430
Email: snydev@pjm.com

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

Honorable Joe F. Childers
Attorney at Law
201 West Short Street
Suite 310
Lexington, KY 40507

Honorable Frank F. Chuppe
Attorney
Wyatt, Tarrant & Combs, LLP
250 West Main Street
Suite 1600
Lexington, KY 40507-1746

Honorable Kevin F. Duffy
Attorney at Law
American Electric Power
Service Corporation
1 Riverside Plaza, 29th Floor
Post Office Box 16631
Columbus, OH 43216

Timothy C. Mosher
President, KY Power
American Electric Power
101A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

Honorable Mark R. Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KY 40602-0634