

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF KENTUCKY)	
POWER COMPANY OF A)	CASE NO.
COGENERATION/SMALL POWER)	2020-00422
PRODUCTION AGREEMENT WITH INEZ)	
POWER, LLC)	

ORDER

On December 16, 2020, Kentucky Power Company (Kentucky Power) petitioned the Commission to approve its Cogeneration/Small Power Production Agreement (Agreement) with Inez Power, LLC (Inez Power). According to the terms of the Agreement, it becomes effective “when executed by both Parties.”¹ However, both Kentucky Power and Inez Power acknowledge that the Agreement is subject to the Commission’s jurisdiction and approval.² As the Agreement was filed through the Commission’s electronic Tariff Filing System on December 16, 2020, the earliest possible effective date for the Agreement was January 15, 2021.

After considering the proposed Agreement and being otherwise sufficiently advised, the Commission found that an investigation was necessary to determine the reasonableness of the Agreement. An Order was issued on January 14, 2021, formally initiating this matter to determine the reasonableness of the Agreement and, pursuant to KRS 278.190, the effective date of the Amendment was suspended until June 14, 2021.

¹ Interconnection Agreement, paragraph 9.

² *Id.*, paragraph 13.

2021/2022
2022/2023

\$ 8.09
\$ 7.89

The January 13, 2021 Order in Case No. 2020-00174 also stated that the minimum contract term for Tariff COGEN/SPP II would be five years.⁵

While the January 13, 2021 Order did not distinguish between the capacity credits for standard energy meters and Time-of-Day energy meters, the Commission allowed those distinctions to remain in the tariff after Kentucky Power argued that the Commission did not reject its proposed rate design, which included a breakdown of the capacity credits by type of meter. By allowing Kentucky Power to include the breakdown of the capacity credits by type of meter, the Commission acknowledges that there is a discrepancy between the capacity credits in Amended Exhibit C and the capacity credits in the Commission's January 13, 2021 Order.

Kentucky Power and Inez Power have agreed in principle to Inez Power's installation and operation of a generation system (i.e., equipment, controls, and protective relays and equipment) and the interconnection of Inez Power's generation system to Kentucky Power's electric system based on the rates and tariffs approved by the Commission in Case No. 2020-00174.⁶

The terms of the Agreement between Kentucky Power and Inez Power indicate that Inez Power's generation system must comply with the National Electrical Code and the National Electrical Safety Code; Kentucky Power's rules and regulations, including its Tariff COGEN/SPP II and Terms and Conditions of Service, contained in Kentucky

⁵ *Id.* at 100.

⁶ Interconnection Agreement, paragraph 2.

Power's Retail Electric Tariff; the rules and regulations of the Commission; and all other applicable local, state, and federal codes and laws.⁷

The amended Exhibit C of the Agreement outlines the terms of Kentucky Power's Tariff COGEN/SPP II, indicates that the total rated generating capacity of Inez Power's generator to be used and billed under Tariff COGEN/SPP II is 7,500 kW,⁸ and establishes that Inez Power will sell to Kentucky Power the energy and average on-peak capacity produced by its qualifying COGEN/SPP facilities in excess of Inez Power's total load, and will purchase from Kentucky Power its net load requirements, as determined by appropriate meters located at one delivery point.⁹ Consistent with the above-included Tariff approved by the Commission in Case No. 2020-00174, Inez Power will receive an energy credit per kWh based on the variable locational marginal price at time of delivery and a monthly capacity credit per kW. From 2020 to 2021, the capacity credit is \$2.81. From 2021 to 2022, the capacity credit is \$3.37. From 2022 through the end of the term, the capacity credit is \$3.29.¹⁰

IT IS THEREFORE ORDERED that:

1. The amended Agreement is approved as filed as of the date of this Order.

⁷ *Id.*

⁸ Amended Exhibit C (filed Feb. 15, 2021). The Agreement between Kentucky Power and Inez Power, as originally filed, contained a discrepancy concerning the amount to be billed under Tariff COGEN/SPP II. Specifically, the original Exhibit C of the Agreement established that the generating capacity to be used and billed under Tariff COGEN/SPP II is up to 500 kW, while Inez Power's actual generator size is 6,800 kW. In response to discovery, Kentucky Power clarified that Inez Power "inadvertently provided the amount '500 kW' instead of the intended '7,500 kW'..." See the Commission's January 14, 2021 Order and Kentucky Power's Response to Commission Staff's First Request for Information (filed Jan. 26, 2021), Item 2.

⁹ Amended Exhibit C.

¹⁰ *Id.*

2. Within 20 days of the date of entry of this Order, Kentucky Power shall file with the Commission, using the Commission's electronic Tariff Filing System, the amended Agreement.

3. This case is closed and removed from the Commission's docket.

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By the Commission



ATTEST:


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