COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF EAST KENTUCKY POWER COOPERATIVE, INC. TO IMPLEMENT A NEW GREEN ENERGY OPTION FOR NON-RESIDENTIAL RETAIL CUSTOMERS	))))	CASE NO. 2019-00378

O R D E R

On September 20, 2019, East Kentucky Power Cooperative, Inc. (EKPC) filed, via the Commission's Electronic Tariff Filing System, proposed tariff sheets modifying Rate H, Wholesale Renewable Energy Program,[1] to include a new green energy option for non-residential retail customers. EKPC proposed an effective date of November 1, 2019. By Order issued on October 29, 2019, the proposed effective date was suspended for five months, up to and including March 31, 2020, and a procedural schedule was established to process this matter. There are no intervenors in this proceeding. EKPC responded to two rounds of information requests from Commission Staff. On January 13, 2020, EKPC filed a motion to submit the case for a decision based upon the record and waived its right to a hearing. Finding good cause, the Commission will grant EKPC's request and decide this case based on the evidence of record without a hearing.

[1] EKPC's existing Renewable Energy Program is marketed as *Envirowatts*, which is also provided under Rate H.

BACKGROUND

EKPC's existing Wholesale Renewable Energy Program tariff is a rider available to all rate schedules.[2] Retail customers participate on a voluntary basis by contributing $2.50 increments on their monthly bills, which the member distribution cooperatives (Member Cooperatives) remit to EKPC, and designating a renewable energy resource from either landfill gas, solar, wind, or hydroelectric. EKPC will generate the renewable energy from an EKPC-owned renewable energy resource, purchase the renewable energy from a renewable energy resource that is not owned by EKPC, or purchase available resource-specific renewable energy credits (RECs) on behalf of the retail participant,[3] less $0.25 per increment retained to help offset administrative and advertising costs.

EKPC'S PROPOSAL

EKPC states that its existing renewable energy program does not satisfy the requirements of multiple large corporate entities in EKPC's service territory with sustainability goals that typically involve purchasing a certain percentage of the companies' energy requirements from physical renewable or sustainable resources.[4] EKPC has proposed to expand the Wholesale Renewable Energy Program to become

[2] See EKPC's Tariff, P.S.C. No. 35, Original Sheet No. 36, Rate H – Wholesale Renewable Energy Program.

[3] See EKPC's Tariff, P.S.C. No. 35, Original Sheet No. 37, Rate H – Wholesale Renewable Energy Program. For the participating retail member's contributions for renewable energy resources that EKPC does not own, EKPC will purchase the appropriate type of RECs equaling the total contribution amount and will retire the associated RECs. For the participating retail member's contributions for renewable energy resources that EKPC owns and operates, EKPC will allocate the appropriate generation and costs to the assigned retailed customer and retire the associated RECs.

[4] September 20, 2019 Cover Letter regarding Green Energy Tariff, unnumbered page 1.

the Green Energy Tariff by adding an Option B under the Availability of Service for Rate H[5] as a five-year pilot program. As an expansion of its Wholesale Renewable Energy Program, Option B will provide additional flexibility to its retail customers' efforts to achieve their own sustainability goals.

In developing Option B, EKPC designed the tariff to achieve the following goals:[6]

- Member Cooperatives and EKPC should be responsive to large retail customers' sustainability goals;
- EKPC and the Member Cooperatives will negotiate individual agreements among EKPC, the Member Cooperative, and the participating retail customer for at least 1 megawatt (MW) of renewable energy capacity; however, the purchase will not exceed the participant's average monthly consumption;
- Renewable assets necessary to support the program will be secured by EKPC either by constructing suitable generation facilities or purchasing the desired type of renewable energy;
- Participants do not shift costs to non-participants; and
- Participants will continue to pay for legacy assets.

Under Option B, participants must contract with the Member Cooperative and EKPC for at least 1 MW and not more than the average of the previous three years' consumption. Participants with multiple facilities can aggregate consumption and renewable energy totals into a single agreement to achieve the 1 MW threshold. Participants with insufficient usage history will have their maximum limit estimated. In addition, the Member Cooperative's monthly wholesale power bill will increase by the negotiated and contracted renewable energy rate and delivered renewable energy for

[5] Option A under the Green Energy Tariff reflects EKPC's existing *Envirowatts* program in which participating customers can voluntarily contribute $2.50 increments on their monthly bills.

[6] September 20, 2019 Cover Letter, at 2.

each participating agreement and applicable capacity credits. Participants will receive a monthly credit for the avoided cost of base fuel per megawatt-hour (MWh) and the Fuel Adjustment Clause (FAC) equal to the renewable energy delivered.[7] A credit will also be applied on the Member Cooperative's monthly wholesale power bill for the avoided cost of variable Environmental Surcharge (ES) equal to the delivered renewable energy for each participating agreement. Total credits cannot exceed the PJM Interconnection LLC (PJM) localized marginal cost of energy delivered.[8]

EKPC provided a sample contract under Option B as a part of its tariff filing. A provision of the contract sets forth the following types of renewable energy that may be purchased by the retail customer: solar, wind, hydro, landfill methane gas, or biomass. Although a participating customer could choose the type of renewable resource from which the renewable energy would be generated, the customer may not request or designate that the renewable energy be acquired from any particular generating facility. EKPC has the sole and exclusive right to select the resource from which the renewable energy are acquired. If EKPC is not able to generate the requested renewable energy, a Request for Proposals will be issued for the type and amount of energy to be delivered. EKPC's generation department may compete for the project in addition to any other prospective provider. If a provider other than EKPC is selected, EKPC will negotiate a bi-

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[7] Proposed Green Energy Tariff (tracked version), attached to the September 20, 2019 Cover Letter as Rate H – Wholesale Renewable Energy Program, P.S.C. No. 35, First Revised Sheet Nos. 36–38.

[8] *Id*., First Revised Sheet No. 38.

lateral contract for the energy. Preference will be given to resources within EKPC's PJM load zone.[9]

EKPC explained that to the extent that the renewable energy provided through Option B resulted in a reduction in fuel or variable environmental compliance costs, those savings would be reflected in EKPC's monthly FAC and ES filings.[10] For the FAC, the credits for base fuel and the FAC applied to Member Cooperatives' bills would be reflected in the over-/under-recovery calculation.[11] Renewable energy costs will be excluded from the fuel expense calculation because they will be billed directly to the Member Cooperatives and passed through to the participating retail customer.[12] For the ES, credits for reduced variable environmental costs would also be reflected in the over- /under-recovery calculation.[13] EKPC provided a billing summary and explanation to demonstrate the effect of service under Option B on four Members Cooperatives' bills for three months.[14]

Through discovery, it was determined that the Total Credits Section of the tariff was missing language regarding capacity credits. EKPC agreed to revise the first sentence of the Total Credits Section of the tariff to state the following: "The total credit on the owner-member's monthly wholesale power bill will be the total of the avoided costs

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[9] EKPC's response to Commission Staff's First Request for Information (Staff's First Request), Item 6(b).

[10] *Id*., Items 1(e) and 1(f).

[11] *Id*., Item 1(g).

[12] *Id*., Item 1(f).

[13] *Id*., Items 1(g).

[14] EKPC's response to Staff's First Request, Item 13, and EKPC's Response to Commission Staff's Second Request for Information, Item 3.

from base fuel, the fuel adjustment clause, capacity credits when applicable, and the variable environmental surcharge for the delivered renewable energy."[15] Additionally through review, it was discovered that there is no language in the proposed tariff specifying that Option B is a five-year pilot program.

DISCUSSION

Because the participating retail customers receiving charges and credits under Option B continue to be subject to all other fixed and variable charges, non-participants will not bear any undue burden from EKPC's proposal. Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that the Green Energy Tariff, as modified through discovery, should be approved. The Commission also finds that language should be added to the tariff specifying that Option B is a five-year pilot program.

IT IS THEREFORE ORDERD that:

1. EKPC's Green Energy Tariff, as modified through discovery and this Order, is approved on a pilot basis effective on and after the date of entry of this Order.

2. Within 20 days from the date of entry of this Order, EKPC shall file with this Commission, using the Commission's electronic Tariff Filing System, its revised tariff sheets as approved in this Order and reflecting that they were approved pursuant to this Order.

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

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[15] EKPC's response to Staff's First Request, Item 9(a).

By the Commission

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