

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power)
Company For (1) A General Adjustment Of Its)
Rates For Electric Service; (2) An Order)
Approving Its 2017 Environmental Compliance)
Plan; (3) An Order Approving Its Tariffs And) Case No. 2017-00179
Riders; (4) An Order Approving Accounting)
Practices To Establish Regulatory Assets Or)
Liabilities; And (5) An Order Granting All Other)
Required Approvals And Relief)

Notice Of Filing Of Supporting Calculations For Allocating
PJM Interconnection LLC Costs Using 12-Coincident-Peak Methodology

Kentucky Power Company files KPCO_2022_12CP_Allocation_Analysis (“Allocation Analysis”) with the Public Service Commission of Kentucky in conformity with ordering paragraph 20 of the Commission’s January 18, 2018 order.

The Allocation Analysis provides the supporting calculations used to derive Kentucky Power’s 5.382 percent allocated share of PJM LSE OATT charges using a 12-coincident-peak methodology. Kentucky Power’s allocated share is derived by first calculating the average of Kentucky Power’s coincident peak load for each of the twelve months for the period November 2020 through October 2021 (868.521 MW). This average is then divided by the average of the sum of the coincident peaks (16,136.676 MW) for each of the six AEP-East operating companies (Ohio Power Company, Indiana Michigan Power Company, Wheeling Power Company, Appalachian Power Company, Kentucky Power Company, and Kingsport Power Company) to calculate Kentucky Power’s allocated share ($868.521 \text{ MW} \div 16,136.676 \text{ MW} = 5.382 \text{ percent}$).

The AEP-East operating companies utilize the 12-CP methodology for cost allocation of PJM LSE OATT charges to the operating companies to decrease annual volatility and potential rate shock. The PJM zonal 1-CP can occur (and has) in both summer and winter months which can cause large shifts in year to year cost allocation depending on whether or not an operating company is winter or summer peaking. The 12-CP methodology creates a less volatile cost allocation.

Kentucky Power previously proposed to file its 12 CP-allocation analyses contemporaneously with its annual filing of the Company's FRR-RPM election analysis. The Company's FRR-RPM election analysis is delayed due to the delay of PJM's Base Residual Auction as a result of the Federal Energy Regulatory Commission's February 22, 2022 order.¹ Kentucky Power nonetheless is filing its annual 12 CP-allocation analysis for 2022 on the date when its FRR-RPM election analysis would otherwise be submitted.

Respectfully submitted,



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COMPANY

¹ See Order, *In Re: P.J.M. Interconnection, L.L.C.*, 178 F.E.R.C. 61,122 (February 22, 2022) (attached).

178 FERC ¶ 61,122
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

February 22, 2022

In Reply Refer To:
PJM Interconnection, L.L.C.
Docket No. EL19-58-010

PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

Attention: Chenchao Lu

Dear Mr. Lu:

1. On January 21, 2022, PJM Interconnection, L.L.C. (PJM) submitted a filing¹ that proposes a revised schedule for the Base Residual Auctions (BRAs), incremental auctions, and associated pre-auction deadlines through the 2026/2027 delivery year, in compliance with the December 22, 2021 Order on Voluntary Remand.² PJM explains that the revised schedule will delay the BRAs by about four and a half months to accommodate the change back to using an historical energy and ancillary services offset (E&AS Offset), as directed by the Remand Order. PJM states that the next BRA, for the 2023/2024 delivery year, will take place on June 8, 2022, and the schedule will allow PJM to return to a three-year-forward BRA beginning with the May 2024 BRA for the 2027/2028 delivery year.³ Because the first revised pre-auction deadline associated with

¹ We note that PJM also submitted its compliance filing on January 21, 2022 in Docket No. EL19-58-009 and subsequently, on January 27, 2022, PJM submitted a request to withdraw the filing in Docket No. EL19-58-009. PJM explains that it re-submitted the compliance filing in Docket No. EL19-58-010 only to correct the margins and pagination to its filing. Because no comments opposing the withdrawal were submitted, pursuant to the Commission's regulations, 18 C.F.R. §35.17 (2021), PJM's filing in Docket No. EL19-58-009 was deemed withdrawn at the end of 15 days from the date of the withdrawal motion, i.e., February 11, 2022.

² PJM Transmittal at 1 (citing *PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,209 (2021) (Remand Order)).

³ *Id.* at 1-2.

the 2023/2024 BRA is February 1, 2022 (contingent on Commission acceptance), PJM requests expedited action to provide market certainty.⁴

2. PJM explains that, in particular, it proposes new deadlines for pre-auction activities for the 2023/2024 BRA that are impacted by the use of the historical E&AS Offset and the general delay of the BRA, which necessitates the use of an updated load forecast.⁵ PJM proposes to retain the deadlines for all other pre-auction activities, allowing for a condensed schedule.⁶ PJM claims that the revised pre-auction deadlines generally provide the same amount of time for capacity market sellers, PJM, and the Independent Market Monitor (IMM) to complete their respective tasks.⁷

3. PJM explains that because of the change to the E&AS Offset, PJM will repost the default Minimum Offer Floor Prices (MOPRs) and offer caps.⁸ PJM states that it also will revise both the deadlines for sellers to request unit-specific offers and the corresponding deadlines for PJM and the IMM to review the requests. PJM explains that because only the E&AS Offset portion of the MOPR and offer cap values are impacted, PJM will allow sellers that previously requested unit-specific offer caps to retain the gross cost values previously submitted and reviewed. In other words, sellers may choose to update only the E&AS Offset portion of their unit-specific requests. PJM argues that this approach will allow for administrative efficiencies by not requiring duplicative information to be resubmitted, potentially allowing PJM to avoid unnecessary delay.⁹

⁴ *Id.* at 2 & n.3, 6. PJM notes that it interprets the Remand Order as requiring the use of the historical E&AS Offset commencing with the 2023/2024 BRA, and thus PJM intends to conduct the third incremental auction for the 2022/2023 delivery year, scheduled to commence in February 2022, using the forward-looking E&AS Offset. PJM argues that using the historical E&AS Offset would be unreasonable since the BRA for the 2022/2023 delivery year was conducted using the forward-looking E&AS Offset. *Id.* at 6 n.10.

⁵ *Id.* at 2 (citing PJM Open Access Tariff (Tariff), attach. DD, section 5.10(d)). PJM explains that it intends to use the most recently updated load forecast in the planning parameters as required by the Tariff. *Id.* at 3. PJM states that attach. A to its filing shows the revised deadlines for pre-auction activities associated with the 2023/2024 BRA.

⁶ *Id.* at 5.

⁷ *Id.* at 4.

⁸ *Id.* at 3.

⁹ *Id.* at 3.

4. PJM states that the use of an updated load forecast will require the elimination of one additional energy efficiency installation period for a total of two periods eliminated for the 2023/2024 delivery year.¹⁰ PJM explains that these periods are already reflected in the updated load forecast because the time period of an energy efficiency installation and the date of the peak load forecast used to develop an auction's parameters determine whether an installation is eligible to participate in that auction.¹¹ In addition, PJM states, the updated load forecast will require Fixed Resource Requirement plans to be revised and resubmitted because of adjustments to the load requirements.

5. PJM states that, to accommodate new resources not previously qualified to participate in the 2023/2024 BRA, it proposes to reopen MOPR-related pre-auction activities.¹² PJM states that this will allow sellers that did not already certify whether they intend to exercise buyer-side market power or will receive state support will be able to do so in advance of the 2023/2024 BRA. Likewise, PJM proposes to revise the deadline for PJM and the IMM to notify sellers of further inquiry into the potential exercise of buyer-side market power.

6. PJM states that, to provide further certainty and avoid disputes, it proposes that the IMM post preliminary E&AS Offset values by January 27, 2022, while posting final E&AS Offset values by February 4, 2022.¹³ PJM also proposes to allow the IMM and sellers to use an updated unit-specific E&AS value upon mutual agreement so long as that update is prior to the existing Tariff deadline for the IMM to calculate PJM market revenues (i.e., 90 days prior to the auction).¹⁴

7. PJM also proposes to delay the 2024/2025, 2025/2026, and 2026/2027 BRAs.¹⁵ PJM explains that the delay in the BRAs requires delaying the corresponding incremental auction schedules, as well as eliminating certain additional incremental auctions, using

¹⁰ *Id.* at 3-4.

¹¹ *Id.* at 4.

¹² *Id.* at 4.

¹³ *Id.* at 7.

¹⁴ *Id.* at 7 (citing Tariff, attach. M-app., section I).

¹⁵ *Id.* at 7-8. PJM states that attach. B to its filing shows the revised schedule for the of subsequent BRAs and incremental auctions through the 2026/2027 delivery year. PJM proposes to move the 2024/2025 BRA from August 2022 to December 2022, the 2025/2026 BRA from February 2023 to June 2023, and the 2026/2027 BRA from August 2023 to November 2023.

the same guiding principles for elimination that PJM proposed in an earlier proceeding.¹⁶ PJM states that it is proposing only the month and year of the auctions to retain scheduling flexibility and avoid the need for potential waivers.¹⁷ PJM argues that this approach is consistent with the existing Tariff requirement that only specifies that the BRA must be held in May without mandating a specific date. PJM states that it will post the specific auction date and associated pre-auction timelines at least eight months before the commencement of the relevant auction, consistent with prior practice.

8. For auctions associated with the 2024/2025 and 2026/2027 delivery years, PJM proposes to generally retain the pre-auction timelines consistent with those the Commission previously accepted.¹⁸ PJM states that, to promote administrative efficiencies, it proposes to retain limited discretion of up to 10 business days to set the specific deadlines associated with pre-auction activities.

9. Notice of PJM's filing was published in the *Federal Register*, 87 Fed. Reg. 4884 (Jan. 31, 2022), with interventions and protests due on or before January 31, 2022.

10. On February 4, 2022, Constellation Energy Generation, LLC (Constellation) filed a motion to intervene out of time.¹⁹ Constellation represents that it recently was renamed from Exelon Generation Company, LLC, and spun off from its former parent company, Exelon, and will need to represent its interests independently in the proceeding.

¹⁶ *Id.* at 8 (citing PJM, Compliance Filing, Docket No. ER18-1314-003, at 88-89 (filed Mar. 18, 2020)). Under PJM's proposal, all first and second incremental auctions associated with delivery years 2023/2024 through 2026/2027 are canceled, except for the second incremental auction for the 2026/2027 delivery year. No third incremental auction is cancelled. *Id.* at 8-9, Table.

¹⁷ *Id.* at 9.

¹⁸ *Id.* at 9-10 (citing *PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,050 (2021)). PJM states that attach. C to its filing shows the pre-auction activities and associated timelines that PJM intends to follow for auctions through the 2026/2027 delivery year.

¹⁹ On January 21, 2022, Exelon Generation Company, LLC (ExGen) submitted a motion to intervene out of time. ExGen states that it is submitting the motion to intervene in its own right in light of an upcoming spinoff that will separate it from Exelon Corporation (Exelon). ExGen also notes that its name will change to Constellation after February 1, 2022.

Constellation represents that it will adopt the positions taken by Exelon in this proceeding and that its intervention will not prejudice any party or cause delay.²⁰

11. We find that Constellation has met the higher burden of justifying late intervention in this docket because (1) it has shown good cause for its late filing as it is a recent spin-off from its former parent company, Exelon, which was already a party in this proceeding; (2) the intervention will not disrupt the proceeding; (3) no other party adequately represents Constellation's interest now that Constellation has been spun off; and (4) the intervention will not burden or prejudice another party.²¹ Based on Constellation's commitment to adopt the positions taken by Exelon, we find that Constellation accepts the record in the same position as Exelon.

12. PJM Power Providers Group (P3) and the Public Utilities Commission of Ohio (PUCO) filed comments asking the Commission to accept PJM's filing.²² P3 and PUCO also express concerns about the delays and ongoing changes to PJM's auction schedule.²³

13. In the Remand Order, the Commission directed PJM to submit a compliance filing proposing a new schedule for the BRA for the 2023/2024 delivery year and subsequent BRAs.²⁴ We find that PJM has complied with this directive by filing a revised schedule for the BRAs, incremental auctions, and associated pre-auction deadlines through the 2026/2027 delivery year. We also find that PJM has included sufficient justification for the revised schedule.

14. PJM reasonably minimizes the delay of the 2023/2024 BRA by proposing to revise only pre-auction deadlines impacted by the E&AS Offset revision and the general delay of the auction, which necessitated the use of an updated load forecast. PJM also reasonably proposes to allow capacity market sellers to update only the E&AS Offset portion of their unit-specific requests. We agree with PJM that this approach will allow

²⁰ Constellation Motion to Intervene Out of Time at 3, Docket No. ER19-1486-000 et al. (filed Feb. 4, 2022).

²¹ 18 C.F.R. § 385.214(d) (2021). Rule 385.214(d)(3)(ii) of the Commission's Rules of Practice and Procedure provides that a late intervenor must accept the record as developed prior to its late intervention.

²² P3 Comments at 4; PUCO Comments at 6. P3 and PUCO were previously granted interventions in this proceeding. *See PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,153, at app. B (2020).

²³ P3 Comments at 2-5; PUCO Comments at 4-7.

²⁴ Remand Order, 177 FERC ¶ 61,209 at PP 1, 26, 48.

for administrative efficiencies by not requiring duplicative information to be resubmitted, potentially allowing PJM to avoid unnecessary delay.

15. We also find reasonable PJM's proposal to retain limited discretion of up to 10 business days to set the specific deadlines associated with any pre-auction activities. We agree with PJM that it would be cumbersome and administratively inefficient to seek further amendments to the auction timelines for minor adjustments to the deadlines. However, we recognize PJM's commitment to post the specific dates of pre-auction activities no later than eight months prior to the commencement of any associated BRA in order to ensure that all market participants are aware of the relevant deadlines. Finally, PJM reasonably proposes to eliminate certain additional incremental auctions, using the same guiding principles previously accepted by the Commission.²⁵

By direction of the Commission. Commissioner Danly is concurring with a separate statement attached.
Commissioner Phillips is not participating.

Kimberly D. Bose,
Secretary.

²⁵ *Calpine Corp. v. PJM Interconnection, L.L.C.*, 173 FERC ¶ 61,061, at P 358 (2020).

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket No. EL19-58-010

(Issued February 22, 2022)

DANLY, Commissioner, *concurring*:

1. I concur because in this order¹ we *finally* approve the deadlines in accordance with which PJM Interconnection, L.L.C. (PJM) is to hold its base residual auctions (BRA or auction),² which have been delayed for far too long. What once were three-year forward auctions have had their periodicity reduced to a year or less. The Public Utilities Commission of Ohio (PUCO) has explained that the delays have cascading consequences,³ and “the harm in continually moving the auctions is real; not theoretical.”⁴ The PUCO is correct—the uncertainty around timing disrupts the market forces upon which the Commission claims to rely, thwarting the development and internalization of the price signals required for orderly entry and exit and imperiling reliability.

2. While the Commission, as regulator, bears most of the blame for the sorry state of PJM’s auction schedule, it is by no means alone.⁵ PJM itself has played a role in these

¹ *PJM Interconnection, L.L.C.*, 178 FERC ¶ 61,122 (2022).

² While the months and years are identified, the specific auction deadlines are not. PJM Interconnection, L.L.C. January 21, 2022 Transmittal at 9 (“To avoid the need to seek potential future waivers for unforeseen circumstances that may necessitate slight changes to the auction dates in the future, PJM is proposing only the month and year of the impacted auctions and not the specific date of the auction in this filing. This will provide some flexibility for PJM to make minor adjustments to the actual auction date as necessary. In fact, this approach is consistent with the existing Tariff requirement that only specifies the BRA must be held in the month of May without mandating a specific date.”) (citing PJM Open Access Transmission Tariff, Attach. DD, § 5.4(a)).

³ See PUCO January 31, 2022 Comments at 5-6 (explaining that PUCO’s Standard Service Offer auctions cannot occur until after PJM’s BRA has been conducted, once the wholesale capacity price is known).

⁴ *Id.* at 6.

⁵ See, e.g., September 29, 2021 Notice of Filing Taking Effect by Operation of

delays, particularly given its filing to eviscerate its Minimum Offer Price Rule last summer and the auction delay it requested in September 2021.⁶ This last delay is particularly galling. Given its role in causing and requesting auction delays, PJM's call for the Commission to "expeditiously"⁷ and "promptly issue an order and provide much needed market certainty"⁸ is . . . brazen.

3. I note that some pre-auction deadlines referenced in PJM's filing already have passed.⁹ The Commission must ensure there are no further delays in PJM's auction schedule.

For these reasons, I respectfully concur.

James P. Danly
Commissioner

Law, Docket No. ER21-2582-000; *see also* Statement of Commissioner James P. Danly, Docket No. ER21-2582-000 (Oct. 27, 2021) (opposing the evisceration of the Minimum Offer Price Rule); *PJM Interconnection, L.L.C.*, 178 FERC ¶ 61,020 (2022) (Danly, Comm'r, dissenting) (opposing elimination of 10 percent adder in modeling energy market offers); *PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,209 (2021) (Danly, Comm'r, dissenting) (opposing reversal of recently approved reserve market reforms); *Indep. Mkt. Monitor for PJM v. PJM Interconnection, L.L.C.*, 176 FERC ¶ 61,137 (2021) (Danly, Comm'r, dissenting), *reh'g denied*, 178 FERC ¶ 61,121 (2022) (Danly, Comm'r, dissenting) (opposing unit-specific mitigation review of all seller capacity offers).

⁶ *See* PJM Interconnection, L.L.C. September 10, 2021 Transmittal, Docket No. EL19-47-000, et al.; PJM Interconnection, L.L.C. July 30, 2021 Transmittal, Docket No. ER21-2582-000.

⁷ PJM Interconnection, L.L.C. January 21, 2022 Transmittal at 6, 12.

⁸ *Id.* at 2.

⁹ *See id.*, Attach. A at 1.