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Talina R. Mathews
Commissioner

July 19, 2017

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2017-00212

Enclosed is a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the content of this memorandum should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Chris Whelan at (502) 782-2644.

Sincerely,

A handwritten signature in blue ink, appearing to read "John S. Lyons".

John S. Lyons
Acting Executive Director

Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Chris Whelan^{nw}, Financial Analysis

DATE: July 19, 2017

RE: Case No. 2017-00212
Tariff Filing of East Kentucky Power Cooperative, Inc. and its Member Distribution Cooperatives for Approval of Proposed Changes to their Qualified Cogeneration and Small Power Production Facilities Tariffs and the Implementation of Separate Tariffs for Power Purchases from Solar Generation Qualifying Facilities

On July 17, 2017, Commission Staff ("Staff") held an informal conference ("IC") with East Kentucky Power Cooperative, Inc. ("East Kentucky"). Staff's notice of the IC was issued on July 13, 2017. Commission Staff requested the IC to continue discussions of East Kentucky's proposed changes to its cogeneration tariffs.¹

Staff requested additional information regarding the need for the PJM Interconnection, LLC ("PJM") Market Administration Fee, which is included in the proposed cogeneration tariffs. East Kentucky stated that it participates in PJM, and incurs costs to do so. These costs consists of fees paid to PJM and ACES,² and costs related to operating East Kentucky's market operations center. East Kentucky stated that the power it purchases under the cogeneration tariffs is sold into the PJM market and East Kentucky compensates the co-generator the amount the market provides. East Kentucky further stated that the Market Administration Fee is appropriate because there is an administrative burden to participating in PJM and that the qualifying facilities ("QFs") should pay their share of those costs. East Kentucky indicated that the Public Utility Regulatory Policies Act requires the payment of avoided costs to QFs and East Kentucky considers PJM market costs to be avoided costs.

In discussing the calculation of the proposed Market Administration Fee of \$.0008 per kWh, East Kentucky clarified that the amount labeled as "ACES expenses

¹ Each of East Kentucky's 16 distribution cooperatives are proposing the same changes to their cogeneration tariffs as East Kentucky. None of the distribution cooperatives were present at the IC and none participated by telephone.

² East Kentucky is a member-owner of ACES, a non-profit entity. ACES has the software to interface with PJM and therefore East Kentucky uses ACES to participate in PJM.

(budget center 066)" in the amount of \$6,680,074 included both fees paid to ACES and PJM. The fees paid to PJM are based on load. The other line item labeled as "Market Operation Center expenses (budget center 132)" in the amount of \$887,337 are costs related to operating East Kentucky's market operations center. According to East Kentucky, the Market Administration Fee will be credited to the PJM and ACES expense account. East Kentucky reiterated that the fee would be updated annually.

East Kentucky stated that it does not have a cogeneration tariff with the Federal Energy Regulatory Commission ("FERC") because it is not jurisdictional to FERC. East Kentucky further explained that in the event the Commission approves its tariff changes but FERC denies its application to be relieved of the obligation to purchase power from QFs that are larger than 20 megawatts, the Commission's approval would provide East Kentucky with security that the rates to be paid to any solar QFs would be based on the PJM market price.

There being nothing further to discuss, the meeting was adjourned.

Attachment: Sign-In Sheet

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF EAST KENTUCKY POWER)
COOPERATIVE, INC AND ITS MEMBER)
DISTRIBUTION COOPERATIVES FOR APPROVAL)
OF PROPOSED CHANGES TO THEIR QUALIFIED)
COGENERATION AND SMALL POWER)
PRODUCTION FACILITIES TARIFFS AND THE)
IMPLEMENTATION OF SEPARATE TARIFFS FOR)
POWER PURCHASES FROM SOLAR)
GENERATION QUALIFYING FACILITIES)

CASE NO.
2017-00212

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July 17, 2017 Informal Conference
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Please sign in:

NAME

REPRESENTING

Quang D. Nguyen

PSC

David Crews

EKPC

David Samford

Goss Samford-EKPC

Julia Tucker

EKPC

Isaac J. Scott

EKPC

Patrick Woods

EKPC

Kent Chandler

KY OAG

Sarah Jankowski

PSC FA

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