

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC APPLICATION OF KENTUCKY
UTILITIES COMPANY FOR AN ADJUSTMENT
OF ITS ELECTRIC RATES**

CASE NO. 2018-00294

**RESPONSE OF SIERRA CLUB, ALICE HOWELL, AND CARL VOGEL TO
COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION**

Intervenors Sierra Club, Alice Howell, and Carl Vogel (collectively “Sierra Club”) hereby respond to Commission Staff’s Initial Request for Information, dated January 31, 2019, in connection with the pending application of Kentucky Utilities Company (“KU” or “the Company”; together with Louisville Gas & Electric Company (“LG&E”), the “Companies”) in the above-captioned matter.

Case No. 2018-00294
Sierra Club Response to Commission Staff Request No. 1
Respondent: Jeremy I. Fisher, Sierra Club

Commission Staff Request No. 1: “Refer to the Testimony of Jeremy I. Fisher, Ph.D. (Fisher Testimony), page 6, lines 16-17. Provide the impact the Ohio Valley Electric Corporation Inter-Company Power Agreement had on the current ratepayers in 2017 and 2018.”

Sierra Club Response to Commission Staff Request No. 1:

According to discovery responses from the Companies, provided as response to SC-1, Question 4, OVEC charges to the Companies were \$48.0 million in 2017 and \$40.4 million in the first 11 months of 2018. Proportionally, LG&E pays just under 70% of these charges, while KU pays just over 30%. These charges are passed through to ratepayers.

According to the Companies in response to AG-2, Question 26, OVEC charges amounted to \$60.41/MWh in 2017, while average market prices in 2017 were \$27.84/MWh. According to the Companies’ FERC filings (and as confirmed from the information above), the Companies received about 794,000 MWh of energy from OVEC in 2017. Relative to market purchase energy, ratepayers paid an excess \$25,860,580 in 2017.


The Companies also received a capacity benefit of 152 MW (net summer). At the high end, the capacity can be valued with PJM’s 2018 Net CONE as a proxy—about \$300/MW-yr¹—or \$16.6 million. At the lower end, the avoided cost of capacity in 2017 was approximately \$90/MW-yr²—or \$5 million. In other words, relative to market purchased energy and capacity, ratepayers paid between an excess of \$9.2 million and \$20.8 million due to the OVEC contract in 2017.

¹ See <https://www.pjm.com/~media/committees-groups/committees/mic/20180425-special/20180425-pjm-2018-cost-of-new-entry-study.ashx> at Table ES-3.

² See <https://www.pjm.com/~media/markets-ops/rpm/rpm-auction-info/2021-2022/2021-2022-base-residual-auction-report.ashx> at Figure 2. Blended 2016/2017, 2017/2018 price for Rest of RTO (“RTO”).

Dated: February 14, 2019

Respectfully submitted,



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CERTIFICATE OF SERVICE

This is to certify that the foregoing copy of RESPONSE OF SIERRA CLUB, ALICE HOWELL, AND CARL VOGEL TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on February 14, 2019; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being delivered to the Commission via express mail.



JOE F. CHILDERS