COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	**)**	
LOUISVILLE GAS AND ELECTRIC	**)**	
COMPANY AND KENTUCKY UTILITIES	**)**	
COMPANY FOR APPROVAL OF A SOLAR	**)**	
POWER CONTRACT AND TWO	**)**	**CASE NO. 2020-00016**
RENEWABLE POWER AGREEMENTS TO	**)**	
SATISFY CUSTOMER REQUESTS FOR A	**)**	
RENEWABLE ENERGY SOURCE UNDER	**)**	
GREEN TARIFF OPTION #3	**)**	

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
DATED FEBRUARY 20, 2020

FILED: FEBRUARY 26, 2020

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of February 2020.

Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **David S. Sinclair**, being duly sworn, deposes and says that he is Vice President, Energy Supply and Analysis for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

David S. Sinclair

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of February 2020.

Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022

Louisville Gas and Electric Company and Kentucky Utilities Company
Response to Commission Staff's Second Request for Information
Dated February 20, 2020

Case No. 2020-00016

Question No. 1

Witness: Robert M. Conroy / David S. Sinclair / Counsel

Q-1. Refer to the application, paragraphs 17-21, and the Direct Testimony of Robert M. Conroy, page 3, line 14, through page 7, line 2, which address the legal standard for Commission review of a power purchase agreement (PPA) under KRS 278.020(1) and KRS 278.300 for the 75 percent of energy allocated to Toyota Motor Manufacturing Kentucky, Inc. (Toyota) and Dow Silicones Corporation (Dow), but not for the 25 percent of energy to be allocated to native load.

a. Explain in specific detail how the 25 percent of energy to be allocated to native load satisfies the legal standard under KRS 278.020(1) regarding need for additional generation and the absence of wasteful duplication.

b. Explain in specific detail how the 25 percent of energy to be allocated to native load satisfies the legal standard(s) under KRS 278.300, regarding whether the proposal is for some lawful object within the utility's corporate purpose and is necessary and appropriate.

c. Provide the calculation of the estimated fuel cost savings (net and gross) for the 25 percent of energy allocated to native load that LG&E/KU assert will displace higher-cost energy in the economic dispatch of LG&E/KU's fossil fuel generation units. The calculation should be in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible. In the discussion of the calculation results, include and highlight both the estimated fuel cost savings from displaced generation and the effects of any increased or reduced off system sales (OSS). All assumptions and parameters used in the cited economic dispatch should be fully explained in complete detail.

d. Provide a detailed comparison of the estimated fuel cost savings and the estimated cost to ratepayers of the 25 MW allocated to native load.

A-1. a. The Companies have a legal obligation to furnish adequate, efficient and reasonable service. KRS 278.030(2). This obligation includes the procurement of energy at the lowest reasonable costs. The Commission has interpreted its fuel adjustment clause regulation (807 KAR 5:056) as imposing upon electric utilities the obligation to engage in fuel procurement practices that result in reasonable fuel costs for its ratepayers.

One method by which electric utilities meet their obligations is through economy energy purchases. "Economy energy is 'energy produced and supplied from a more economical source in one system, substituted for that being produced or capable of being produced by a less economical source in another system. Economy energy sales occur when utilities purchase energy from other utilities that can generate the energy at lower cost." *East Kentucky Power Cooperative*, Case No. 2004-00430 (Ky. PSC Feb. 7, 2005) (citations omitted) (Nev. 1981)) at 4, fn. 2. Even though the utility has generation capacity to meet customer demand, it is more economical and more beneficial to its ratepayers if it purchases the energy rather than use its existing generation assets. The Commission has long recognized and approved the use of economy energy purchases. *See* 807 KAR 5:056, Section (1)(3).

The portion of the PPA energy allocated to native load customers is analogous to an economy energy purchase. The Companies expect, as evidenced by the direct testimony of Mr. Sinclair, the PPA is likely to result in lower energy costs (including the sale of RECs) on a present value basis over the term of the agreement than if the energy is generated from the Companies' existing generation facilities.

On the issue of wasteful duplication, the Commission has stated:

> "Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties." To demonstrate that a proposed facility does not result in wasteful duplication, we have held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed. Selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication. All relevant factors must be balanced. The Commission has long recognized that the principle of least-cost is one of the fundamental foundations utilized when setting rates that are fair, just, and reasonable and that this principle is embedded in KRS 278.020(1).

Kentucky Power Company, Case No. 2012-00578 (Ky. PSC Oct. 7, 2013) at 27.

As it relates to the portion of the PPA energy allocated to native load customers, the PPA does not result in wasteful duplication of facilities. As demonstrated in Mr. Sinclair's testimony, the Companies thoroughly evaluated the PPA against other alternatives, including the use of the Companies' existing fossil fuel generation facilities, and found the PPA's energy costs combined with the sale of RECs over the term of the PPA will likely result in ratepayers achieving lower energy costs. No excessive investment will result from the PPA as the Companies are merely purchasing lower cost energy instead of fossil fuels and are not constructing or otherwise adding any facilities. The PPA does not increase the Companies' capital assets and will not increase their rate base upon which a return on investment is required.

The PPA will also produce some important, but difficult to quantify, benefits for the Companies and their ratepayers. It will allow the Company to work with solar facilities on a larger scale and will provide useful information for integrating additional cost-effective renewable generation on the Companies' system in the future.

b. See the response to part a above.

c. See attached. This information is confidential and is being produced under seal pursuant to a Joint Petition for Confidential Protection.

Attachment 1 contains the Companies' calculations of energy cost savings by scenario. The first section in the "Calculations" worksheet shows annual energy, price, and the resulting calculation of energy costs for the Solar Power Contract. The next section shows the calculation of REC credits at varying REC prices, based on the annual energy from the Solar Power Contract. The following section contains the same data as was provided in Table 15 of Exhibit DSS-2 – the average annual energy cost savings for the Solar Power Contract by scenario. The annual energy cost savings from displaced generation are then calculated from the annual Solar Power Contract energy and the average annual energy cost savings. Finally, the net revenue requirements for the portion of the Solar Power Contract allocated to all customers are calculated by scenario for each REC price based on each of the components calculated above – Solar Power Contract energy costs, REC credits, and energy cost savings from displaced generation – scaled by 25% to represent the portion allocated to all customers. The "Summary" worksheet contains a summary of the NPVRR for the portion of the Solar Power Contract allocated to all customers by scenario and REC price – the same data as was provided in Table 12 of Exhibit DSS-2.

As explained in Section 6.3 of Exhibit DSS-2, the Companies projected hourly energy cost savings for the Solar Power Contract in each of the scenarios by ranking the decremental costs of each MW of each unit committed in each hour, and then summing the highest decremental costs representative of the expected solar generation in that hour. Because of the high volume of data utilized in these calculations, the Companies performed these calculations using SAS, a data processing software. Annual sums of the SAS results are shown in Attachment 1 as "Energy Cost Savings from Displaced Generation." As an example of their process, the Companies have included Attachment 2, which shows the detailed hourly calculation of energy cost savings from displaced generation for one scenario (low fuel prices, zero CO_2 emissions prices, and 55-year unit life) in one year (2022). Attachment 2 shows for each hour the displaced units, decremental generation costs, rank of the displaced MWh by generation cost, solar generation, decremental energy, and resulting displaced energy costs. For each hour, the sum of decremental energy is equal to solar generation per hour. The sum of hourly displaced energy costs in Attachment 2 (shown in cell J224,368) equals the annual energy cost savings from displaced generation for the low fuel prices, zero CO_2 emissions prices, 55-year life scenario in year 2022, shown in cell F37 of Attachment 1. The average energy cost savings calculated in cell K224,368 of Attachment 2 equals the average annual energy cost savings for the low fuel prices, zero CO_2 emissions

prices, 55-year life scenario in year 2022, shown in cell F21 of Attachment 1. The Companies repeated these calculations for each year and each scenario.

As explained in Sections 3.2 and 3.4 of Exhibit DSS-2, generation for off-system sales is very small compared to native load energy requirements and highly uncertain due to market factors that are beyond the Companies' control. Therefore, consistent with the Companies' prior practice for making resource-planning decisions, the potential impact to off-system sales was not considered in the analysis. Furthermore, given the intermittent nature of solar generation, it will be very difficult, except on the clearest of days, to assume that the generation will be available ahead of time in order to make off-system sales.

d. See Mr. Sinclair's testimony page 15, line 12 through page 18, line 3. Also see Section 3.4 and Section 4 in Exhibit DSS-2 to Mr. Sinclair's testimony. See also response to part c above.

The attachments are entirely Confidential and provided separately in an electronic format and under seal.

Louisville Gas and Electric Company and Kentucky Utilities Company
Response to Commission Staff's Second Request for Information
Dated February 20, 2020

Case No. 2020-00016

Question No. 2

Witness: David S. Sinclair

Q-2. Refer to LG&E/KU's response to Commission Staff's Initial Request for Information (Staff's First Request), Item 4(b).

a. Explain whether LG&E/KU plan to retain portions of all future Renewable Power Agreements (RPA) with potential cost savings to serve native load.

b. Confirm that if future RPAs are fully committed before LG&E/KU file an application for their approval, then potential participants would have no incentive to seek participation after the filing of the application.

c. Explain why LG&E/KU would issue a Request for Proposals (RFP) for an RPA without the confirmed interest of a customer. Include in the response an explanation of the control that potential customers have over the type of resources with which they will contract.

d. The premise of LG&E/KU's arguments in its response to Item 4(b) is not clear.

1. Explain whether LG&E/KU would have entered into the contractual arrangements with ibV, Dow, and Toyota without taking the 25 MW of energy to be allocated to native load.

2. Confirm that LG&E/KU only solicited bids for new renewable power after coming to an understanding with both Toyota and Dow. If not, explain at what stage in the process ibV became involved with the negotiations.

e. Green Tariff Option #3 notwithstanding, explain why a similar process could not be undertaken with other commercial and industrial customers whereby agreements and commitments could be made prior to soliciting a renewable developer.

A-2.

a. Assuming the RPA reference in the data request refers to the renewable purchase power agreement (”PPA”) that supports the RPAs with Dow and Toyota, then the response to the request for information is the following: as stated in Mr. Sinclair’s testimony on page 5, line 17 through page 6 line 5, the Companies issued the

Renewable RFP for a variety of reasons including the potential to "…reduce customers' energy costs…" Therefore, should the Companies be able to reduce customers' energy costs while at the same time satisfying the needs of Green Tariff Option #3 customers, then there is no reason why they would not seek approval to do so. However, if a PPA that supported a future Green Tariff Option #3 contract filing would not result in lower future energy costs, then the Companies would not seek to procure additional energy from such a PPA outside of the customer commitments under Green Tariff Option 3.

b. To the extent that customer RPAs "fully subscribe" a potential future renewable PPA, other customers would not be able to participate after filing of the application because there would be no energy available for other customers.

c. See Mr. Sinclair's testimony at pages 5-6 for an explanation of why the Companies issued the Renewable RFP. In considering the issuance of future renewable RFPs, the Companies would certainly consider customer interest in additional renewables as a key driver in determining timing of the RFP. However, even in the absence of customer interest, the Companies would still periodically check renewable market pricing via an RFP to determine whether or not all customers could benefit from potentially lower energy costs.

The RFP process provides a means of assessing the market for a wide range of potential renewable technologies. Generally, the Companies would not specify renewable technology types in the RFP and customers interested in specific technologies would be subject to the types of technologies offered in the RFP responses.

d. 1) The Companies' response to PSC 1-4(b) describes the timing disadvantages of allowing customers to contract for renewables <u>after</u> the Companies file an application with the Commission. The Companies did not pursue agreements with Toyota and Dow that contemplated a 75 MW PPA with ibV. Note that the Companies entered into the agreement with ibV without contracts with Dow and Toyota, and the ibV agreement contains no mention or conditions that refer to the potential contracts with Dow and Toyota. As is discussed in Section 3 of Exhibit DSS-2 to Mr. Sinclair's testimony, the analysis of the Renewable RFP responses did not depend on any energy being taken by potential Green Tariff Option #3 customers. It states on page 6, that "...because the level of Green Tariff Option #3 participation was unknown during most of the analysis, the revenue requirement impacts for each proposal in Section 3 was evaluated based on 100 percent of the proposal's energy being allocated to all customers." Given that the revenue requirements of the ibV agreement are scalable, the Companies would have filed for approval without any agreement with Dow and Toyota because there are expected savings for all customers.

2) As discussed in Mr. Sinclair's testimony, the Renewable RFP was issued before any discussions with potential customer participants. Mr. Sinclair's testimony at pages 5-12 discusses the details of the RFP evaluation, development of a short-list of attractive offers, and negotiations with ibV. ibV was never involved in negotiations with Toyota and Dow. Furthermore, the Companies executed the solar contract with ibV prior to the RPAs with Toyota and Dow. In fact, absent executing the agreement with ibV there would have been no reason or ability to execute the RPAs with Toyota and Dow.

e. Agreements were not reached with the Green Tariff Option #3 customers before the Renewable RFP was issued so a "similar process" is not possible. Second, it is the Companies' experience that customers are very interested knowing with certainty the price of green energy and the potential impact on their bill before negotiating an agreement so it would risk wasting time and resources trying to put in place an RPA should developers not be willing to provide what had been agreed to between the Companies and its customers.

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Question No. 3

Witness: Robert M. Conroy / David S. Sinclair

Q-3. Refer to LG&E/KU's response to Staff's First Request, Item 4(c).

a. Green Tariff Option #3 notwithstanding, explain whether any other commercial or industrial customers have approached LG&E/KU regarding the provision of intermittent renewable energy in amounts equal to or greater than 1 MW and, if so, provide the range of amounts of these inquiries over the last two years.

b. Explain whether LG&E/KU have considered allowing customers to aggregate their loads from multiple locations or with other customers to meet the minimum load requirements of Green Tariff Option #3.

A-3.

a. In the last two years, customers have approached the Companies, or the Companies have approached customers about the provision of intermittent renewable energy in amounts of one to five MWs.

b. The Companies proposed the Green Tariff Option #3 as an initial step in encouraging economic development in the Commonwealth by attracting or supporting large companies that have corporate sustainability goals and targets. The current tariff established 10 MW as the criteria to reflect utility scale renewable options. The Companies did not contemplate aggregation of multiple small customer loads for this option. As stated in response to AG 1-170 in the Companies' most recent rate cases,[1] for a customer that has multiple accounts, which in the aggregate exceed 10 MW, the renewable energy associated with Option #3 would be proportionally allocated to those specific accounts through the bilateral contract. The Companies have not considered allowing customers to aggregate loads with other customers to meet the minimum load requirements. However, if a customer or group of customers requested such arrangements, the Companies would evaluate the opportunity to determine how or if this could be accommodated cost effectively based on regulatory considerations.

[1] Case No. 2018-00294, *Application of Kentucky Utilities Company for an Adjustment of Its Rates* and Case No. 2018-00295, Response to Attorney General's Initial Data Requests for Information Dated November 13, 2018 Question No. 170. *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Response to Attorney General's Initial Data Requests for Information Dated November 13, 2018 Question No. 170.

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Question No. 4

Witness: Robert M. Conroy

Q-4. Refer to LG&E/KU's response to Staff's First Request, Items 6 and 10. Explain how KU's proposed ESM billing will not shift the fixed cost component to other customers through the over- and under-recovery mechanisms including in this mechanism. Explain how the base rate portions of the FAC/OSS and ESM will not be shifted to non-participants through the over- and under-recovery mechanisms including in these mechanisms.

A-4. This response assumes the reference to ESM in the data request is referring to the Companies' Environmental Cost Recovery Surcharge (ECR) mechanism.

As stated in response to Staff's First Request, Item 10, the Environmental Cost Recovery Surcharge will continue to be calculated in the same manner as it is approved today. The revenues received from Toyota and Dow that are subject to the ECR billing factor will be lower as a result of the Renewable Power Agreement. This change in revenue is factored into the ECR billing factor calculation and may result in a different ECR billing factor that will be applied to all customers.

To the extent that this results in customers paying a different level of fixed costs, it is no different than the impact of any customer who has self-generation, installed energy efficiency measures, reduced or increased their energy consumption, shifted demand to other periods, opened new facilities or closed operations.

With respect to the FAC/OSS mechanism, the base rate portion is not factored into the over- or under- recovery schedule of the Form A filing. The FAC mechanism recovers only the actual cost of fuel incurred to provide the energy consumed by customers on a per kWh basis. Therefore, there are no fuel costs to shift to non-participants.

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Question No. 5

Witness: David S. Sinclair

Q-5. Refer to LG&E/KU's response to Staff's First Request, Item 11 (a).

a. Provide a more detailed discussion of possible integration issues, including both likely generation unit ramping and any transmission issues (broadly and at the circuit level) from LG&E/KU's transmission studies that might arise.

b. Provide the ramping capabilities of LG&E/KU's coal-fired generation, in both percent of output and kW.

c. Explain how LG&E/KU incorporated intermittent renewables' effect on the operation of the transmission system both broadly and at the circuit level in the economic analysis.

d. Regarding LG&E/KU's Brown solar facility:

(1) Explain any integration issues and how those issues, if any, were mitigated or resolved.

(2) Provide the actual fuel savings from 2019, or an estimate if actuals are unknown. Provide supporting calculations, if any.

(3) Explain how any lessons learned from LG&E/KU's experience will be or have been incorporated into the proposed facility.

A-5.

a. See the response to PSC 1-11(b). The energy provided by the 100 MW solar PPA is less than one percent of the Companies' annual energy requirements. The generation system frequently responds to changes in load in excess of 100 MW over very short time intervals. The Companies do not expect any issues or additional integration costs associated with the generation response to the additional solar energy from this PPA. As noted in Exhibit DSS-2, the Companies did not model changes in unit commitment, nor do they anticipate changes in unit commitment, as a result of the solar PPA. The solar energy will only offset the cost of fuel and variable operating expenses that would otherwise have been required to produce that energy.

CONFIDENTIAL INFORMATION REDACTED

The transmission studies that will be performed by the ITO for the generator's interconnection request and the Companies' transmission service request to deliver the solar energy to customers will address any transmission circuit level impacts from the additional solar generation.

b. The table below contains the target ramp rate and summer capacity rating of each of the Companies' coal units. Ramp rates are typically expressed in units of MW/Minute. Certain information is confidential and is being produced under seal pursuant to a Joint Petition for Confidential Protection.

Coal Unit	Summer Net Rating (MW)	Target Ramp Rate (MW/Minute)
Brown 3	412	
Ghent 1	475	
Ghent 2	485	
Ghent 3	481	
Ghent 4	478	
Mill Creek 1	300	
Mill Creek 2	297	
Mill Creek 3	391	
Mill Creek 4	477	
Trimble County 1	370	
Trimble County 2	549	

c. See response in (a) above. Also, as noted in PSC 1-11 and in the response to PSC 2-6, due to the size in question relative to the size of the Companies' hourly and annual generated energy, the Companies expect that 100 MW of green power should be integrated into the Companies' system without material operational issues. Therefore, as noted on pages 8, 10, and 16 of Exhibit DSS-2, the Companies did not consider any effect on the operation of the transmission system in the economic analysis. For this reason, it was assumed that the load following capabilities of the Companies' existing resources could maintain reliability while supporting the intermittent nature of the renewable energy proposals and that no material transmission upgrades would be required.

d. 1) The 10 MW Brown solar facility did not result in integration issues requiring mitigation.

2) The Brown solar facility produced 17,366 MWh in 2019. Using the Companies' hourly avoided energy cost derived from the data provided in response to PSC 1-3, the Brown solar generation resulted in $422,923 of energy savings for customers or about $24.35/MWh. In addition, the $165,844 of revenue from selling the RECs associated

with Brown Solar's generation ($9.55 per REC) also resulted in savings to customers. In total, the average savings from Brown Solar's generation was $33.90/MWh. See attached. This information is confidential and is being produced under seal pursuant to a Joint Petition for Confidential Protection.

3) The Companies are not contractually responsible for specifying equipment or the construction processes for ibV's Rhudes Creek Solar project. The PPA is for as-available, non-firm energy. However, experience with Brown Solar's operation since 2016 enabled the Companies to specify irradiance monitoring and availability criteria in the PPA to ensure that the facility associated with the solar power contract is maintained in a prudent manner and aided in determining the evaluation process for the renewable RFP.

The attachment is Confidential and provided separately under seal.

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Question No. 6

Witness: David S. Sinclair

Q-6. Refer to LG&E/KU's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 4. Explain whether the identifiable costs of integration would be allocated to and recovered from RPA participants. If not, explain why not.

A-6. The Companies have not identified, nor do they expect to identify, any integration cost for the solar PPA, which is expected to provide less than one percent of the Companies' annual generated energy and a small percentage of generation at any given moment.

Since 2006, the Companies' Open Access Transmission Tariff ("OATT") has governed the process for interconnecting new generation to the transmission system and delivering the energy from those resources to load. This FERC-approved process is administered by the Independent Transmission Organization ("ITO") and is applicable to both LG&E and KU as well as any non-affiliated generators that request any type of transmission or generation interconnection service.

If new equipment is required to accommodate the transmission or generation interconnection service request, the allocation of equipment costs are determined and shared with the requestor during the process. Certain equipment is paid for by the requestor, while upgrades to the transmission network are considered a general benefit to all transmission customers and paid for by all users of the transmission system. The requestor is provided applicable cost information before determining to move forward with the transmission service request or the generation interconnection. Should the study associated with the Companies' request for network transmission service identify costs that would materially impact the revenue requirement analysis presented in Exhibit DSS-2, then the Companies would determine whether or not to terminate the Solar Power Contract and the RPAs consistent with its rights in Section 6.2 of the Solar Power Contract relating to its conditions precedent. Like network upgrades to the transmission system, O&M costs of the transmission system are reimbursed to the Company by all users of the transmission system and are not typically assigned to specific customers. Should in the future, the addition of renewable generation require the addition of assets like gas turbines to support reliable operations, then those costs would be included in the analysis and could impact rates for future RPAs.

The Rhudes Creek solar facility has submitted the generation interconnection request to the ITO. Similarly, the Companies will apply to the ITO for network transmission service to deliver the output of the solar facility to the Companies' customers. Both of these processes are contractual milestones as noted in Mr. Sinclair's testimony on page 22, lines 2-7.

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Question No. 7

Witness: Robert M. Conroy

Q-7. Refer to LG&E/KU's response to the Attorney General's First Request, Item 5. Explain whether any fixed costs are recovered through the energy charge of Toyota or Dow's current rate schedules.

A-7. KU serves the electric power requirements of Toyota and Dow under applicable approved standard rate schedules. These rate schedules consist of a three-part rate structure that includes a basic service charge, energy charge, and demand charges. The demand charges are designed to recover the fixed costs of providing service. The energy charge reflects the variable production costs of providing service. As such, fixed costs are not recovered through the energy charge.

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Question No. 8

Witness: Robert M. Conroy / David S. Sinclair / Counsel

Q-8. Refer to LG&E/KU's response to the Attorney General's First Request, Item 7. Explain LG&E/KU's process if a single customer requested to participate in Green Tariff Option #3 for a 10 MW project. Explain whether customers have the option to issue their own RFP for renewable energy resources and present their own RPA to LG&E/KU.

A-8. Under the existing regulatory structure in Kentucky, customers do not have the option to issue their own RFP for renewable energy resources, select the renewable energy generator and direct the Companies to purchase energy from the generator and delivery that energy to the customer.

Assuming that a customer wished to contract for a minimum monthly billing load of 10 MVA (or MW as is appropriate) for renewable energy from a new renewable energy generator, the Companies would review the request and seek to obtain other eligible current or potential customers. The Companies would request proposals from potential renewable generator sources to meet the combined customer interest in a manner that meets the requirements of the requesting parties as well as benefitting, or at least not imposing any detriment or cost upon the Companies or their other customers. If proposals meeting these criteria are presented, the Companies would negotiate with the prospective generators and requesting parties to obtain acceptable bilateral agreements, subject to Commission approval.

The existing or revised Green Tariff Option #3 do not allow a customer the option to issue its own request for proposals and then compel the Companies to accept the customer's selection and purchase the generator's output for the sole purpose of serving the requesting customer. Such arrangement would effectively permit a customer to select its own retail electric service provider and allow the selected generator to provide retail electric service within the Companies' certified territory.

Any arrangement that would afford a customer the sole right to select the renewable energy generator and direct the Companies to purchase energy from the generator and deliver that energy to the customer violates the Certified Territorial Act. KRS 278.016-.018.

The Certified Territory Act divides the Commonwealth into geographical areas within which each retail electric supplier holds the exclusive right to provide retail electric service. It provides that "no retail electric supplier shall furnish, make available, render or extend retail electric service to any electric consuming facility to which such service is being

lawfully furnished by another retail electric supplier." KRS 278.018(4). A retail electric supplier is "any person, firm, corporation, association, or cooperative corporation, excluding municipal corporations, engaged in the furnishing of retail electric service." KRS 278.010(4). Retail electric service is "electric service furnished to a consumer for ultimate consumption" but excludes wholesale electric energy furnished by an electric supplier to another electric supplier for resale. KRS 278.010(7).

Under an arrangement that grants a customer the right to select the renewable energy generator and direct the Companies to purchase and deliver that energy, the renewable energy generator could not be considered merely furnishing wholesale energy. The energy is being provided for a specific consumer for that consumer's ultimate consumption. The relationship between the generator and the ultimate consumer in this case differs significantly from that in other cases in which the Commission found that wholesale electric generators were not retail electric suppliers. *See, e.g., The Petition of Calvert City Power I, L.L.C. for Declaratory Order*, Case No. 99-058 (Ky. PSC July 6, 1999) (generator did not have a specific customer to supply but placing energy into wholesale market).

Any arrangement that grants a customer the right to select the renewable energy generator and to direct the Companies to purchase and deliver that energy would undermine the Companies' ability to protect the operational and financial integrity of their systems and to protect native load customers who lack the size or resources to procure energy directly from renewable energy generators. It would permit renewable generators to cherry-pick the Companies' customers, serving the Companies' customers of their own choosing, and thereby causing the Companies' other customers to pay higher costs and jeopardizing the existing regulatory scheme.

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Question No. 9

Witness: David S. Sinclair

Q-9. Provide a current bill for Toyota and a sample bill for the same period reflecting rates and credits had the RPA been in effect for that billing period.

A-9. Attachment #1 contains Toyota's actual bill for the 30-day period 7/30/19 through 8/29/19 and a simulation of Toyota's bill for a 31-day August 2019 period that estimates the line items primarily affected by the RPA. This is the most current simulation produced by the Company. Similar information was provided to Toyota to inform their decision to participate. This information is confidential and is being produced under seal pursuant to a Joint Petition for Confidential Protection.

The entire attachment is Confidential and provided separately under seal.

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Question No. 10

Witness: David S. Sinclair

Q-10. Provide a current bill for Dow and a sample bill for the same period reflecting rates and credits had the RPA been in effect for that billing period.

A-10. Attachment #1 contains Dow's actual bill for the 31-day period 5/31/19 through 7/1/19 and a simulation of Dow's bill for a 30-day June 2019 period that includes the line items primarily affected by the RPA. This is the most current simulation produced by the Company. Similar information was provided to Dow to inform their decision to participate. This information is confidential and is being produced under seal pursuant to a Joint Petition for Confidential Protection.

The entire attachment is Confidential and provided separately under seal.