

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE ELECTRONIC APPLICATION OF |) | |
| FLEMING MASON ENERGY COOPERATIVE, |) | |
| INC. FOR PASS-THROUGH OF EAST |) | CASE NO. |
| KENTUCKY POWER COOPERATIVE, INC. |) | 2021-00109 |
| WHOLESALE RATE ADJUSTMENT |) | |
| |) | |
| |) | |

**APPHARVEST MOREHEAD FARM, LLC'S RESPONSES TO COMMISSION STAFF'S
REQUESTS FOR INFORMATION NOS. 1-5**

REQUEST NO. 1:

1. Refer to the Direct Testimony of Suedeem G. Kelly (Kelly Testimony), page 3, lines 62–64. Ms. Kelly notes that the addition of AppHarvest as a new large customer for Fleming-Mason Energy Cooperative, Inc. (Fleming-Mason Energy) necessitates changes to Fleming-Mason’s cost allocation. Explain whether a pro forma adjustment for the additional revenues received from AppHarvest should be applied to Fleming-Mason Energy’s 2019 test-year revenues.

RESPONSE TO REQUEST NO. 1:

A pro forma adjustment likely will not lead to a fair, just, and reasonable allocation of the pass through costs to AppHarvest because AppHarvest’s Morehead Farm did not begin consuming power until after the expiration of the test year. Any pro forma adjustment that treats AppHarvest like customers with load data for the test year is unlikely to accurately allocate costs.

Witness: Suedeem G. Kelly

REQUEST NO. 2:

2. Refer to the Kelly Testimony, page 5, line 89. Ms. Kelly states that AppHarvest is already contributing to the revenue increase. Confirm that the rates currently paid by AppHarvest are based upon the current cost of the wholesale power to Fleming-Mason Energy, not the proposed increase in wholesale power. If this cannot be confirmed, explain what wholesale costs the rates are based upon.

RESPONSE TO REQUEST NO. 2:

Confirm: EKPC provides wholesale electricity to Fleming Mason according to EKPC Rate Section B, which is based on the current cost of the wholesale power. However, EKPC proposes to achieve a \$43.0 million increase in its annual revenues “in order to build equity, maintain its materially improved financial condition, satisfy current and future loan covenants, account for a decade of inflationary pressures and sustain its ability to provide safe, adequate and efficient service at rates that are fair, just and reasonable.” Since the AppHarvest Morehead Farm began consuming power in 2020, AppHarvest has provided new revenue to EKPC that has, for example, helped contribute towards alleviating “a decade of inflationary pressures.” This contribution does not appear to be accounted for in determining AppHarvest Morehead Farm’s share of the pass through increase.

Witness: Suedeen G. Kelly

REQUEST NO. 3:

3. Refer to the Kelly Testimony, page 6, lines 106–107. Ms. Kelly states that AppHarvest will be contributing more than its fair share of the desired revenue increase. Explain why the other rate classes will not actually be contributing more of their fair share of the pass through increase and subsidizing AppHarvest.

RESPONSE TO REQUEST NO. 3:

It is possible that the proportional cost allocation approach leads to over-allocation to other customers as well — in particular, to any other large customer whose load was newly served by Fleming Mason after the expiration of the test year used to allocate the pass through increase. Because such customers did not have load during the test year, but have contributed significant load and revenue during the following year, they are likely experiencing the most significant over-allocation.

Witness: Suedeen G. Kelly

REQUEST NO. 4:

4. Refer to the Kelly Testimony, page 7, lines 144–148.
 - a. Provide support for the statement that AppHarvest’s load may be off-peak.
 - b. Provide support for the statement that AppHarvest’s daily load can be near-zero load from the end of July through the middle of September.

RESPONSE TO REQUEST NO. 4:

- a. **With limited load data, it is not yet clear when AppHarvest Morehead Farm’s daily load will be off-peak or on-peak. As Ms. Kelly noted in her direct testimony, AppHarvest’s daily load *can* be off-peak, such as on weekends (Kelly Dir. at 7:146–47). Additionally, as Ms. Kelly noted in her direct testimony, variations in AppHarvest’s demand can occur each year, based on the particular crops grown in a given growing season (Kelly Dir. at 7:147–48).**
- b. **For six to eight weeks between July and September, AppHarvest’s Morehead Farm engages in a cleaning and sanitizing process. During those weeks, the facility’s load is diminished, and at times, at or near zero.**

Witness: **Sudeen G. Kelly**

REQUEST NO. 5:

5. Explain whether AppHarvest supports a rate design filing pursuant to the amended “streamlined procedure” established in Case No. 2018-00407 for Fleming-Mason in response to the pass through increase.

RESPONSE TO REQUEST NO. 5:

AppHarvest does not at this time take a position on whether or not Fleming Mason should use a rate design filing pursuant to the Commission’s amended “streamlined procedure.”

Witness: Jackie Roberts