COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION FOR A DECLARATORY) CASE NO. ORDER OF EAST KENTUCKY POWER COOPERATIVE, INC.) 2023-00253

VERIFIED APPLICATION

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through the undersigned counsel, pursuant to KRS 278.020(1)(a)(2), 807 KAR 5:001 Sections 15(3) and 19 and other applicable law, and does hereby submit its Application for the Commission to declare that a 500 kW solar project for an industrial customer, Star Hill Farms d/b/a Maker's Mark ("Star Hill Farms"), may be properly considered an extension of an existing facility in the ordinary course of business which does not require a separate Certificate of Public Convenience and Necessity ("CPCN"). Pursuant to Commission Staff's July 21, 2023 response to EKPC's request for Staff Opinion, EKPC is requesting a date for the Order to be entered. EKPC respectfully requests the Commission issue its **decision by August 22, 2023.** EKPC requests the Order by this date due to the contracts for options to purchase materials required for the construction that will expire. As grounds for this Application, EKPC respectfully states as follows:

Introduction and Filing Requirements

1. EKPC is a not-for-profit, rural electric cooperative corporation established under KRS Chapter 279 with its headquarters in Winchester, Kentucky. Pursuant to various agreements, EKPC provides electric generation capacity and electric energy to its sixteen (16) Owner-Member Cooperatives ("owner-members"), which in turn serve approximately 560,000 Kentucky homes, farms and commercial and industrial establishments in eighty-nine (89) Kentucky counties.

EKPC's Board has stated its strategic objective is to maintain a generation fleet that prudently diversifies its fuel sources while optimizing its capital investments and minimizing stranded assets.

- 2. EKPC is a "utility" as that term is defined in KRS 278.010(3)(a) and a "generation and transmission cooperative" as that term is defined in KRS 278.010(9). Each of EKPC's sixteen (16) owner-members is a "utility" under KRS 278.010(3)(a), as well as a "distribution cooperative" under KRS 278.010(10) and a "retail electric supplier" under KRS 278.010(4), and is therefore subject to the jurisdiction of the Commission.
- 3. Pursuant to 807 KAR 5:001 Section 14(1), EKPC's business address is 4775 Lexington Road, Winchester, Kentucky 40391 and its mailing address is P.O. Box 707, Winchester, Kentucky 40392-0707. EKPC's email address is psc@ekpc.coop and its web address is www.ekpc.coop. EKPC requests that the following individuals be included on the service list: Chris Adams, EKPC's Director of Regulatory and Compliance Services: chris.adams@ekpc.coop and its retained counsel, L. Allyson Honaker at allyson@hloky.com and Brittany Koenig at brittany@hloky.com.
- 4. In total, EKPC owns and operates approximately 3,100 MW of net summer generating capability and 3,400 MW of net winter generating capability. EKPC owns and operates coal-fired generation at the Cooper Station (341 MW) and the Spurlock Station (1,346 MW). EKPC also owns and operates natural gas-fired generation at the J. K. Smith Station in Clark County, Kentucky (753 MW (summer)/989 MW (winter)) and the Bluegrass Generating Station in Oldham County, Kentucky (501 MW (summer)/567 MW (winter)), landfill gas-to-energy facilities in Boone County, Laurel County, Greenup County, Hardin County, Pendleton County and Barren County (16 MW total), and a Community Solar facility (8 MW) in Clark County, Kentucky. Finally, EKPC purchases hydropower from the Southeastern Power Administration at

Laurel Dam in Laurel County, Kentucky (70 MW), and the Cumberland River system of dams in Kentucky and Tennessee (100 MW). EKPC also has 158 MWs of interruptible load and approximately 28 MWs in peak reduction mechanisms. EKPC's record peak demand of 3,747 MW occurred on December 23, 2022.

- EKPC owns approximately 3,000 circuit miles of high voltage transmission lines in various voltages, mainly 69kV and greater. EKPC also owns the substations necessary to support this transmission line infrastructure. Currently, EKPC has seventy-seven (77) free-flowing interconnections with its neighboring utilities. EKPC's transmission system is operated by PJM Interconnection, LLC ("PJM"), of which EKPC has been a fully integrated member since June 1, 2013. PJM is a regional electric grid and market operator with operational control of over 180,000 MW of regional electric generation. It operates the largest capacity and energy market in North America.
- 6. EKPC originally submitted this matter as a request for a staff opinion on July 5, 2023, since the Commission had previously found that similar facilities proposed by Big Rivers Electric Corporation ("Big Rivers") were projects commenced in the ordinary course of business. Similarly, in its January 13, 2016 Order, the Commission found that EKPC should seek a Staff Opinion preferably over a declaratory order in cases where future landfill gas to energy projects were similar to the projects the Commission had found to be extensions of existing systems in the

¹ Please see the Request for Staff Opinion and Staff's response attached as Exhibit A.

² Case No. 2016-00409, Application of Big Rivers Electric Corporation for an Order Declaring the Construction of Seven Solar Power Facilities to be Ordinary Extensions of Existing Systems in the Usual Course of Business, Order (Ky. P.S.C. Mar. 30, 2017).

³ Case No. 2015-00284, Application of East Kentucky Power Cooperative, Inc. for an Order Declaring the Expansion of the Bavarian Landfill Gas to Energy Project to be an Ordinary Extension of Existing Systems in the Usual Course of Business, Order (Ky. P.S.C. Jan. 13, 2016).

ordinary course of business. Although the Commission's January 13, 2016 Order examined the issue in terms of landfill gas-to-energy facilities, the projects are comparable to the solar facilities discussed as EKPC believes that the projects are relatively small in size and capacity, and extensions to existing facilities that will be financed by means that will not materially impact EKPC's financial condition or customer rates. EKPC received a response on July 21, 2023, stating that Commission Staff advised EKPC file for a declaratory order for certainty and cited Case Nos. 2020-00385⁴ and 2017-00155⁵, in which the Commission found that solar facilities between 2 and 3 MW, which are much larger than the one at issue, herein, were ordinary extension of existing systems in the usual course of business, and did not require a CPCN.

Request for Declaratory Relief

- 7. The project at issue involves the construction of a 500 kW Solar Farm on Star Hill Farms property on land leased to EKPC. The project will be interconnected to the Owner-Member, Inter-County Energy's, Distribution system and will only serve the Maker's Mark facility.
- 8. The solar farm will be designed to offset the hospitality load (including the visitor center, restaurant, gift shop, tasting room by the lake, and the toll house) in the ordinary course of business. The solar farm will be owned, operated, and maintained by EKPC for the twenty-five (25) year contract period.
- 9. Initially, EKPC will finance all project expenditures through funds available from normal operations or funds available through its unsecured Credit Facility. Furthermore, EKPC

⁴ Case No. 2020-00385, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC Mar.1, 2021).

⁵ Case No. 2017-00155, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC July 10, 2017).

intends to seek additional credits and anticipated grant funding available from the Inflation Reduction Act to reduce the total cost of the project.

- 10. Once completed, any short-term debt associated with the project will be refinanced using long-term debt available under EKPC's Trust Indenture from the Rural Utilities Service or other lenders. The total estimated cost is projected to be \$2,250,000.
 - 11. A general arrangement drawing is attached as Exhibit B.
- 12. The cost of the project is minimal in comparison to EKPC's overall capitalization. EKPC believes the Star Hill Farms solar project to be an ordinary course extension of its existing system under both KRS 278.020 and 807 KAR 5:001, Section 15(3).
- 13. The project will not create wasteful duplication of plant, equipment, property or facilities. Neither will it conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the Commission that are in the general or contiguous area in which EKPC renders service.
- 14. The project will not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved. EKPC will seek cost recovery for the project through funds obtained through the Inflation Reduction Act, the project would not result in an increased charges to its customers.
- 15. EKPC's proposed project is much smaller in comparison to the projects involved in the above-mentioned Case Nos. 2020-00385⁶ and 2017-00155,⁷ in which the Commission found that solar facilities between 2 and 3 MW were ordinary extensions of existing systems in the usual

⁶ Case No. 2020-00385, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC Mar.1, 2021).

⁷ Case No. 2017-00155, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC July 10, 2017).

course of business and did not require a CPCN. EKPC's proposed project is similar to those projects, 8 because the Star Hill Farms solar project at issue does not create wasteful duplication of plant equipment, property or facilities by serving to offset the hospitality load for the Maker's Mark facility, and it does not conflict with existing certificates of service or require a significant capital outlay to materially affect the financial condition of EKPC.

Conclusion

16. EKPC believes that a separate CPCN is not needed for the Star Hill Farms solar project and seeks the Commission's Order declaring the same.

| VERIFICATION |
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| STATE OF KENTUCKY |) |
|-------------------|---|
| |) |
| COUNTY OF CLARK |) |

Comes now Brad Young, P.E., Vice-President Engineering & Construction, East Kentucky Power Cooperative, Inc. and, after being duly sworn, does hereby verify, swear and affirm that the averments set forth in this Application are true and correct based upon my personal knowledge and belief, formed after reasonable inquiry, as of this 26th day of July, 2023.

Brad Young P.E./

Vice-President Engineering & Construction East Kentucky Power Cooperative, Inc.

The foregoing Verification was verified, sworn to and affirmed before me, a NOTARY PUBLIC, by Brad Young, P.E., Vice-President Engineering & Construction, East Kentucky Power Cooperative, Inc. on this 26th day of July 2023.

TERRI K. COMBS **Notary Public** Commonwealth of Kentucky Commission Number KYNP17358 Commission Expires Dec 20, 2024 NOTARY PUBLIC
My Commission Expires: 12/20/2024

⁸ See Case No. 2020-00385, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC Mar.1, 2021); and Case No. 2017-00155, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC July 10, 2017).

Dated this 25th day of July, 2023.

Respectfully submitted,

L. Allyson Honaker

Brittany Hayes Koenig

HONAKER LAW OFFICE, PLLC

1795 Alysheba Way, Suite 6202

Lexington, Kentucky 40509

(859) 368-8803

allyson@hloky.com

brittany@hloky.com

Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that foregoing electronic filing was transmitted to the Commission on July

25, 2023; that there are currently no parties that the Commission has excused from participation

by electronic means in this proceeding; and that pursuant to the Commission's July 22, 2021 Order

in Case No. 2020-00085, no paper copies of the filing will be made.

Counsel for East Kentucky Power Cooperative, Inc.

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Andy Beshear Governor

Rebecca W. Goodman Secretary Energy and Environment Cabinet



Commonwealth of Kentucky

Public Service Commission
211 Sower Blvd.
P.O. Box 615

Frankfort, Kentucky 40602-0615

Telephone: (502) 564-3940
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psc.ky.gov

Kent A. Chandler Chairman

Angie Hatton Vice Chairman

Mary Pat Regan Commissioner

July 21, 2023

Staff Opinion 2023-003

Sent electronically to brittany@hloky.com

Brittany Hayes Koenig Honaker Law Office 1795 Alysheba Way Ste. 6202 Lexington KY 40509

Ms. Hayes Koenig,

Commission Staff acknowledges receipt on July 5, 2023, of your letter in which you request an opinion on behalf of East Kentucky Power Cooperative, Inc. (EKPC) whether the development of a 500 kilowatt (kW) solar project for an industrial customer is an extension of an existing facility in the ordinary course of business that does not require a Certificate of Public Convenience and Necessity (CPCN).

The facts, as you present them, are as follows. You stated that the project involves the construction of a 500 kW solar farm on Star Hill Farms d/b/a Maker's Mark (Star Hills Farm) property on land leased to EKPC. You stated that the project will be interconnected to EKPC's Owner-Member, Inter-County Energy's, distribution system and will serve the Star Hills Farm facility only. You stated that the solar farm will be designed to offset Star Hills Farm's hospitality load, including a visitor center, restaurant, gift shop, tasting room by the lake, and a toll house, in the ordinary course of business. You stated that the solar farm will be owned, operated, and maintained by EKPC for a 25-year contract period. You stated that, initially, EKPC will finance all project expenditures through funds available from normal operations or funds available through its unsecured credit facility. You stated that EKPC intends to seek additional credits and anticipated grant funding available from the Inflation Reduction Act to reduce the total cost of the project. You stated that, once completed, any short-term debt associated with the project will be refinanced using longterm debt available under EKPC's Trust Indenture from the Rural Utilities Service or other lenders. You stated that the total estimated cost is projected to be \$2,250,000 and provided a general arrangement drawing.

You stated that the cost of the project is minimal in comparison to EKPC's overall capitalization. You stated that EKPC concluded that the Star Hill Farms solar project is an ordinary course extension of EKPC's existing system under both KRS 278.020 and 807 KAR 5:001, Section 15(3). You stated that the project will not create wasteful duplication of plant, equipment, property, or facilities, and will it conflict with existing jurisdictional utilities.

You stated that the project will not involve sufficient capital outlay to materially affect the existing financial condition of EKPC. You stated that EKPC will seek cost recovery for the project through funds obtained through the Inflation Reduction Act, and that the project would not result in an increased charges to its customers.

You provided information regarding other solar projects that the Commission determined to be extensions in the ordinary course of business.

You referenced a January 13, 2016 Order in Case No. 2015-00284¹ in which the Commission found that EKPC should seek a Staff Opinion and not a declaratory order in cases where projects were similar to projects that the Commission determined were extensions in the ordinary course of business. You stated that, out of an abundance of caution, EKPC requested a Staff Opinion instead of a declaratory order in this issue.

Your question is whether the project, as described in your letter, is an ordinary extension in the usual course of business under KRS 278.020 and 807 KAR 5:001, Section 15(3).

KRS 278.020(1)(a) requires a utility to obtain a CPCN from the Commission prior to beginning the construction of any plant, equipment, property, or facility for furnishing utility service to the public. KRS 278.020(1)(a)(2) provides that ordinary extensions of existing systems in the usual course of business are exempt from the requirement to obtain a CPCN from the Commission prior to beginning construction of utility plant for furnishing utility service to the public. Commission regulation 807 KAR 5:001, Section 15(3) provides that a CPCN is not required for extensions in the ordinary course of business that: (1) do not create a wasteful duplication of plant or facilities, or conflict with existing certificates or service provided by jurisdictional utilities; and (2) do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

Commission Staff acknowledges that, in an Order issued seven years ago, the Commission stated that:

[F]iling an application for a declaratory order that no CPCN is required pursuant to KRS 278.020(1) can sometimes be a lengthy and resource intense process, and EKPC's filing of

¹ Case No. 2015-00284, Application of East Kentucky Power Cooperative, Inc. for an Order Declaring the Expansion of the Bavarian Landfill Gas to Energy Project to be an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. P.S.C. Jan. 13, 2016).



previous [Landfill Gas to Energy (LFGTE)] projects has allowed us to sharpen our focus on specific issues relevant to those projects. Thus, for future LFGTE projects, the Commission encourages EKPC to file a request for a Staff legal opinion rather than filing an application for a declaratory order.

Commission Staff notes that the solar farm is not an LFGTE project. Based upon the facts presented, EKPC's proposed solar farm appears to be more similar to facts presented in Case Nos. 2017-00155 and 2020-00385, in which the Commission found that solar facilities between 2 and 3 MW were ordinary extensions of existing systems in the usual course of business, and thus did not require a CPCN. ² In those cases, the Commission found that the size and cost of the solar facilities would not result in a capital outlay that would materially affect the utility's financial condition or result in a rate increase. Because the solar facilities would be used to serve the utility's current customer or service territory, the Commission found that the solar facilities would not conflict with existing certificates or service of other utilities.

Commission Staff further notes that a Staff Advisory Opinion is not binding upon the Commission and cannot be cited as precedent in any future matters. Consistent with Kentucky Bar Association Ethics Opinion KBA E-445 (issued March 16, 2018), Commission Staff may provide generalized information regarding the Commission's procedures, rules, and regulations, and cannot provide legal advice or legal conclusions. Finally, the Commission speaks through its Orders after weighing the evidence of record. For these reasons, and because your request is for statutory interpretation, Commission Staff is of the opinion that a Staff Advisory Opinion is not the appropriate forum to obtain binding confirmation regarding the Commission's interpretation of the meaning and scope of KRS 278.020 and 807 KAR 5:001, Section 15(3) as applied to the proposed project.

Commission Staff is of the opinion that, to obtain a binding decision regarding the proposed project by the Commission, EKPC should file an application for a declaratory order in accordance with 807 KAR 5:001, Section 19, regarding the statutory interpretation and application of KRS 278.020 and 807 KAR 5:001, Section 15(3) to the proposed project. Commission Staff encourages applicants for a declaratory order to state in a prominent place in the application, in bold text, if there is a date by which applicants request an Order to be issued.

² Case No. 2020-00385, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC Mar. 1, 2021); Case No. 2017-00155, Electronic Application of Duke Energy Kentucky, Inc. for an Order Declaring the Construction of Solar Facilities is an Ordinary Extension of Existing Systems in the Usual Course of Business (Ky. PSC July 10, 2017).



July 21, 2023 Page 4

This opinion is advisory in nature and not binding on the Commission should the issues addressed in this Staff Advisory Opinion be formally presented for Commission resolution. Questions concerning this opinion should be directed to Nancy J. Vinsel, General Counsel, at 502-782-2582, or nancy.vinsel@ky.gov.

Sincerely,

Linda Bridwell, PE Executive Director

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Attachment: Request for Staff Advisory Opinion





Brittany Hayes Koenig (859) 368-8803 brittany@hloky.com

July 5, 2023

VIA Email to PSCED@ky.gov

Ms. Linda C. Bridwell, P.E. Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED
JUL 05 2023

PUBLIC SERVICE COMMISSION

Re: Request for Staff Advisory Opinion

Dear Ms. Bridwell:

On behalf of East Kentucky Power Cooperative, Inc. ("EKPC"), please accept this letter as a request for a formal written staff advisory opinion as to whether the development of a 500 kW solar project for an industrial customer, Star Hill Farms d/b/a Maker's Mark (Star Hill Farms), may be properly considered an extension of an existing facility in the ordinary course of business which does not require a separate Certificate of Public Convenience and Necessity ("CPCN").

As background for this request, EKPC is a not-for-profit generation and transmission rural electric cooperative corporation, formed under KRS Chapter 279, with its headquarters in Winchester, Kentucky. EKPC provides wholesale electricity to its sixteen Owner-Member Cooperatives, which in turn serve approximately 525,000 Kentucky homes, farms, and commercial and industrial customers in eighty-seven (87) Kentucky counties.

The project at issue involves the construction of a 500 kW Solar Farm on Star Hill Farms property on land leased to EKPC. The project will be interconnected to the Owner-Member, Inter-County Energy's, Distribution system and will only serve the Maker's Mark facility. The solar farm will be designed to offset the hospitality load (including the visitor center, restaurant, gift shop, tasting room by the lake, and the toll house) in the ordinary course of business. The solar farm will be owned, operated, and maintained by EKPC for the twenty-five (25) year contract period. Initially, EKPC will finance all project expenditures through funds available from normal operations or funds available through its unsecured Credit Facility. Furthermore, EKPC intends to seek additional credits and anticipated grant funding available from the Inflation Reduction Act to reduce the total cost of the project. Once completed, any short-term debt associated with the project will be refinanced using long-term debt available under EKPC's Trust Indenture from the Rural

Utilities Service or other lenders. The total estimated cost is projected to be \$2,250,000. A general arrangement drawing is attached.

The cost of the project is minimal in comparison to EKPC's overall capitalization. EKPC believes the Star Hill Farms solar project to be an ordinary course extension of its existing system under both KRS 278.020 and 807 KAR 5:001, Section 15(3). The project will not create wasteful duplication of plant, equipment, property or facilities. Neither will it conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the Commission that are in the general or contiguous area in which EKPC renders service. The project will not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved. EKPC will seek cost recovery for the project through funds obtained through the Inflation Reduction Act, the project would not result in an increased charges to its customers.

In its March 30, 2017 Order, the Commission found that seven similar solar projects proposed by Big Rivers Electric Corporation ("Big Rivers") were projects commenced in the ordinary course of business. 1 Similarly, in its January 13, 2016 Order, 2 the Commission found that that EKPC should seek a Staff Opinion preferably over a declaratory order in cases where projects were similar to those found to be extensions of existing systems in the ordinary course of business. The Commission's January 13, 2016 Order examined the issue in terms of land fill gas-to-energy facilities, however the projects are comparable to the solar facilities discussed as EKPC believes that the projects are relatively small in size and capacity, and extensions to existing facilities that will be financed by means that will not materially impact EKPC's financial condition or customer rates. Out of an abundance of caution, EKPC seeks confirmation that the Commission's policy with regard to construction of low-capacity solar facilities has not changed and that the interpretation of Kentucky law evidenced by both EKPC's course of conduct and the Commission's Order in Case No. 2016-0409 is correct. EKPC believes that a separate CPCN is not needed for the Star Hill Farms solar project. If Staff could confirm or clarify EKPC's understanding and interpretation of the applicable authorities, it would be much appreciated.

Should you have any questions or require additional information, please do not hesitate to contact me.

Very truly yours.

Brittany H. Krenia Brittany Hayes Koenig

Enclosure

¹ Application of Big Rivers Electric Corporation for an Order Declaring the Construction of Seven Solar Power Facilities to be Ordinary Extensions of Existing Systems in the Usual Course of Business, Order, Case No. 2016-00409 (Ky. P.S.C. Mar. 30, 2017).

² Application of East Kentucky Power Cooperative, Inc. for an Order Declaring the Expansion of the Bavarian Landfill Gas to Energy Project to be an Ordinary Extension of Existing Systems in the Usual Course of Business, Order, Case No. 2015-00284 (Ky. P.S.C. Jan. 13, 2016).

