

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE COMMONWEALTH OF KENTUCKY

In the Matter of:

**THE ELECTRONIC FILING OF BIG RIVERS
ELECTRIC CORPORATION AND KENERGY
CORP. TO REVISE THE LARGE INDUSTRIAL
CUSTOMER STANDBY SERVICE TARIFF.**

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CASE NO. 2023-00312

**KIMBERLY-CLARK CORPORATION’S REQUEST FOR CLARIFICATION OF
COMMISSION’S JUNE 28, 2024 ORDER**

Pursuant to KRS 278.400, which authorizes the Public Service Commission of the Commonwealth of Kentucky (“PSC” or “the Commission”) to “change, modify, vacate, or affirm its former orders and make and enter such order as it deems necessary,” Kimberly-Clark Corporation respectfully requests clarification of three discrete aspects of the Commission’s Order dated June 28, 2024 in the above-captioned matter (“June 28 Order”).

INTRODUCTION

The Commission’s June 28 Order appropriately rejected the proposed Large Industrial Customer Standby Service (“LICSS”) tariff submitted by Big Rivers Electric Corporation (“BREC”) and Kenergy Corp. (“Kenergy”) (collectively, “BREC” or “Applicants”), on September 1, 2023 (“BREC’s Proposal”). The Commission’s well-reasoned order and accompanying opinion provides the necessary and fundamental components for a just, reasonable, and non-discriminatory LICSS tariff.

Kimberly-Clark seeks clarification of three ancillary items to ensure the Commission’s full intent is reflected in the compliance tariff to be submitted by BREC. The items for which Kimberly-Clark seeks clarification are limited to confirming that (1) the appropriate energy charge for Maintenance Power should be the applicable Mid Continent Independent System Operator

(“MISO”) locational marginal price (“LMP”); (2) the appropriate energy charge for Backup Power should be the standard LIC rate; and (3) a demand charge for Backup Power should not be read into the Commission’s June 28 Order where the order is otherwise silent on that issue.

I. Energy Charge: Maintenance Power

As the Commission noted in the June 28 Order, despite the Commission’s prior direction to do so, BREC’s Proposal did not distinguish Maintenance Power from Backup Power. As such, BREC proposed an energy charge applicable to all Backup Power. Thus, for purposes of Maintenance Power, BREC proposed that the energy charge be “the higher of the charges of [BREC’s standard LIC rate] or the actual locational marginal price for energy by MISO at the applicable load node during each hour of the date at the time of delivery, plus any transmission charges, MISO fees, or other costs.”¹

While the June 28 Order made clear that BREC’s proposed LICSS Tariff was rejected in no small part because it failed to separate Maintenance and Backup Power for purposes of setting rates,² the June 28 Order did not appear to explicitly state the appropriate rate for Maintenance Power energy charge. The June 28 Order recognized that there are cost savings that can be realized when a customer informs BREC in advance of outages, which is the case with Maintenance Outages. BREC’s witness at the hearing held in this matter on May 1, 2024, acknowledged this fact, noting “advanced notice is always good.”³ Accordingly, the June 28 Order establishes a requirement that customers provide notice of outages well in advance for Maintenance Power, stating this notice “is critical to allow for adequate planning and to ensure minimal disruption to

¹ BREC LICSS Proposal, Sheet 69.04.

² June 28 Order at 23.

³ Direct Testimony of Terry Wright, 2023-00312 Hearing Video at 10:17 a.m.

the [] Applicants and MISO's system."⁴ The June 28 Order explained that, without tariff language requiring advanced notice of maintenance outages:

BREC assumes the burden of trying to find energy to serve its Standby Customers at whatever the costs of energy on the MISO market, which could potentially result in costs that were imprudently incurred and could have been prevented. However, by requiring such notice BREC can properly plan for that outage and serve the Standby Customers load at an approximated known or estimated cost considering that energy would come from BREC's own generation rather than the MISO market.⁵

Consistent with the Commission's point here, and because maintenance outages are typically scheduled during shoulder seasons when the MISO LMP is lower, Kimberly-Clark presumes it was the Commission's intent to establish the MISO LMP as the energy charge for Maintenance Power, but respectfully requests that the Commission confirm this point.

II. Energy Charge: Backup Power

Regarding the appropriate energy charge for Backup Power, Kimberly-Clark likewise seeks clarification of the Commission's intent for the applicable rate. Consistent with the rationale outlined above in Section I, because there is *no* advanced notice of unplanned outages, Kimberly-Clark presumes the Commission intended, based on the logic of the Commission's order, the energy charge for Backup Power to be the standard LIC rate. Kimberly-Clark supports a clarification that the energy charge for Maintenance Power should be the standard LIC rate.

Kimberly-Clark notes that there are surcharges and fees associated with the LIC rate, and in that way, Kimberly-Clark and other LICSS customers would be making further contributions to BREC's system. Given the nature of Backup Power service, Kimberly-Clark respectfully requests

⁴ June 28 Order at 25.

⁵ June 28 Order at 25.

that the Commission confirm it intended the energy charge for Backup Power to be the standard LIC rate.

III. Backup Demand Charge

The June 28 Order does not direct any demand charge for Backup Power. Kimberly-Clark interprets the Commission's silence as intentionally omitting such a charge, particularly in light of other provisions that would make a Backup Power demand charge redundant. A demand charge for Backup Power would generally be imposed to encourage customers to avoid unplanned outages, incentivizing efficient and reliable operation of self-generation. In addition, a demand charge for Backup Power could be a mechanism to ensure customers are providing advanced notice to BREC of outages, whenever possible.

However, such incentives and, indeed, requirements are already in place under the Commission's Order. Specifically, the July 28 Order wisely incorporated a customer's forced outage rate into the tariff's monthly standby reservation charge. This outage rate is calculated based on unplanned outages, not maintenance outages. Thus, customers are sufficiently motivated to plan their outages, and to notify BREC in advance of known outages so they are categorized as maintenance in order to keep their forced outage rate and, in turn, their monthly standby reservation charge, as low as possible. Separately, the June 28 Order already makes clear that customers are *required* to notify BREC of maintenance outages well in advance. It is not necessary, therefore, to include a Backup Demand charge to motivate customers to provide notice of planned outages to BREC.

The Commission's presumed approach of implementing a reservation charge but not a backup demand charge is also consistent with accepted practice concerning reservation fees and backup demand charges being mutually exclusive. According to a recently-published report from the Department of Energy ("DOE"), the purpose of a reservation charge is "to compensate the

utility for the capacity that the utility must have available to serve a customer during an unscheduled outage of the customer's own generation unit.”⁶ Thus, pursuant to this rationale, a separate backup demand charge is unnecessary, and the Commission's decision not to include a Backup Demand charge is appropriate. Kimberly-Clark respectfully requests confirmation that this was the Commission's intent.

CONCLUSION

Kimberly-Clark appreciates the efforts the Commission has undertaken throughout these proceedings to arrive at the June 28 Order. The order establishes a just, reasonable, and non-discriminatory tariff. Consistent with the nature of the order, Kimberly-Clark respectfully requests the Commission clarify that the Commission intended that (1) the energy charge for Maintenance Power to be the LMP rate, (2) the energy charge for Backup Power to be the standard LIC rate, and (3) that the LICSS tariff not include a backup demand charge.

Dated July 18, 2024.

Respectfully Submitted,

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⁶ See Department of Energy, *Model Guidance to Address Barriers to Combined Heat and Power and Waste Heat to Power*, at p. xi. ORNL/TM-2024/3395 (June 2024) available at <https://info.ornl.gov/sites/publications/Files/Pub213643.pdf>.

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Certification

I hereby certify that a copy of this Request for Clarification has been served electronically on all parties of record through the use of the Commission's electronic filing system, and there are currently no parties that the Commission has excused from participation by electronic means. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, a paper copy of this filing has not been transmitted to the Commission.

/s/ Daniel E. Danford

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