

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)	CASE NO.
COMPANY FOR APPROVAL OF A SPECIAL)	2012-00184
CONTRACT)	

O R D E R

Kentucky Utilities Company ("KU") is a public utility, as defined in KRS 278.010(3)(a), which generates and purchases electricity and distributes and sells electricity at retail in Central, Northern, Southeastern, and Western Kentucky. On May 15, 2012, KU applied for approval of a special contract which is an Agreement for Net Metering Service by and between KU and Weisenberger Mill ("WM").

KU has provided service to WM for several decades under a General Service Contract for Electric Service and under the Small Capacity Cogeneration Qualifying Facilities Rider. Over the course of time, the turbine at the mill has become damaged resulting in reduced water flow through the turbine. As a result, the original 30-kilowatt generator only produces 14 kilowatts. WM wishes to replace the original generator with a 50-kilowatt generator and operate under KU's Net Meter Service as part of its "Demonstration of Variable Speed Permanent Magnet Generator at Small, Low-Head Hydro Site" five-year project.

KU is committed to support WM's project as this new technology could potentially facilitate development of small low-head hydro projects at additional sites in the

Commonwealth of Kentucky.¹ KU will install a recording meter on the line connected to the generator to collect output data both before and after the new generator is installed. This independently collected data will be supplied to the project during the term of the first five years of the demonstration project and will provide the basis for calculations of the increased efficiency associated with this new technology. The in-kind value of KU's contribution has an estimated value of \$2,000 which includes installation and removal of the metering equipment, use of the meter, and data retrieval and transmission.²

WM currently has a \$56,000 grant in place from the Federal Department of Energy (Award No. DE-EE0005429), under their Advanced Hydropower Development.³ In addition, WM has also applied for a \$30,000 grant from the Kentucky Department of Energy Development and Independence under the TVA Environmental Mitigation Settlement grant program.⁴

Allowing WM to be served based upon terms consistent with KU's Net Metering tariff will help to ensure that the value of the power generated by the new generator will meet the payback criteria calculated for the project.⁵ KU states that there is sufficient transmission capacity for this generation and no additional investment from KU will be required.⁶

¹ Application at Exhibit A, Letter from David E. Huff, Director, Customer Energy Efficiency and Smart Grid Strategy, Kentucky Utilities Company, to David Brown Kinloch, Shaker Landing Hydro Associates (June 6, 2011).

² *Id.*

³ Application at 3.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at 4.

KU's Net Metering tariff limits availability of net metering service to generation facilities with a maximum rated capacity of 30 kilowatts.⁷ Although the name plate capacity of the new generator at WM will be 50 kilowatts, KU notes that the proposed technology is experimental and is not expected to produce generation in excess of the 30-kilowatt limitation for the duration of the contract due to limitations in available water flow at the site.⁸

KU has requested Commission approval to enter into a special contract with WM for a five-year period to allow service based upon terms consistent with its Net Metering tariff. If, at the end of the five-year period, WM has met the conditions and limitations contained in the Net Metering tariff, including the 30-kilowatt limitation, WM will continue to be served under the terms of the then-existing Net Metering tariff. If, however, at the end of the five-year period, WM has not met the conditions and limitations contained in the then-existing Net Metering tariff, WM will be served under the appropriate rate schedule.⁹

Senate Bill 83 ("SB 83"), which was enacted by the Kentucky General Assembly during the 2008 Regular Session, amended the existing statutory requirements for the net metering¹⁰ of electricity, which are codified in KRS 278.465 to 278.468. The amendments were designed to increase the number of net metering customers by expanding the types and sizes of customer-owned electric generating facilities that

⁷ See Kentucky Utilities Company Tariff, P.S.C.KY. No. 15, Original Sheet No. 57.

⁸ Application at 3-4.

⁹ Letter from David E. Huff, Director of Customer Energy Efficiency & Smart Grid Strategy for Kentucky Utilities Company, to David Brown Kinloch, Shaker Landing Hydro Associates (June 6, 2011) at 1-2.

¹⁰ "Net metering" is defined as "measuring the difference between the electricity supplied by the electric grid and the electricity generated by an eligible customer-generator that is fed back to the electric grid over a billing period." KRS 278.465(4).

qualify. The Commission issued "Interconnection and Net Metering Guidelines-Kentucky" ("Guidelines"), pursuant to KRS 278.467(2),¹¹ which required that retail electric suppliers file net metering tariffs and application forms in compliance.¹²

Pursuant to the Guidelines, net metering is available to eligible customer-generators who are located in the utility's service territory.¹³ This availability is based upon request and is on a first-come, first-served basis, up to a cumulative generating capacity of one percent of the utility's single-hour peak load in Kentucky during the previous year. If this capacity is reached, a utility may seek Commission approval to limit its obligation to offer net metering to a new customer-generator. An eligible customer-generator shall mean a retail electric customer of the utility with a generating facility that:

- (1) Generates electricity using solar energy, wind energy, biomass or biogas energy, or hydro energy;
- (2) Has a rated capacity of not greater than thirty (30) kilowatts;
- (3) Is located on the customer's premises;
- (4) Is owned and operated by the customer; is connected in parallel with the utility's electric distribution system; and
- (5) Has the primary purpose of supplying all or part of the customer's own electricity requirements.

In addition to the specific provisions noted above, the Guidelines provide additional flexibility to the utilities through the following provision:

¹¹ Administrative Case No. 2008-00169 at 1, *Development of Guidelines for Interconnection and Net Metering For Certain Generators with Capacity Up to Thirty Kilowatts* (Ky. PSC Jan. 8, 2009).

¹² *Id.* at 5.

¹³ *Id.* at Appendix A.

At its sole discretion, the utility may provide Net Metering to other customer-generators not meeting all the conditions listed above on a case-by-case basis.

The term "Customer" hereinafter shall refer to any customer requesting or receiving Net Metering services under this tariff.¹⁴

KU's Net Metering Service tariff incorporates the flexibility included in the Guidelines by virtue of the following:

This Standard Rate Rider is intended to comply with all provisions of the Interconnection and Net Metering Guidelines approved by the Public Service Commission of Kentucky which can be found on line at www.psc.ky.gov, Appendix A to the January 8, 2009 Order in Administrative Case No. 2008-00169.¹⁵

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that KU's application to enter into a contract with WM for Net Metering service is supported by the Guidelines and by the provisions contained in its Net Metering tariff and should be granted.

IT IS THEREFORE ORDERED that the special contract between KU and WM, appended hereto as Appendix A, is approved for service effective on the date of this Order.

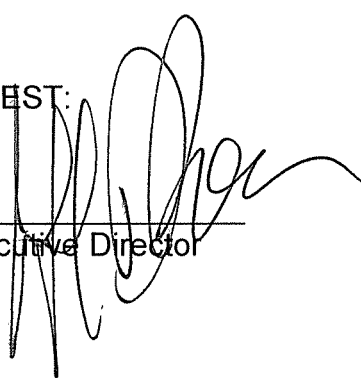
¹⁴ Administrative Case No. 2008-00169, *Development of Guidelines for Interconnection and Net Metering For Certain Generators with Capacity Up to Thirty Kilowatts* (Ky. PSC Jan. 8, 2009) at 1.

¹⁵ Kentucky Utilities Company Net Metering Service tariff No. 15, Original Sheet No. 57.

By the Commission

ENTERED *R*
JUL 23 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00184

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00184 DATED JUL 23 2012

Contract Account [REDACTED]

CONTRACT FOR ELECTRIC SERVICE

This contract made and entered into this 26 day of March, 2012 by
and between Kentucky Utilities Company ("Company")
and Weisenberger Mill Company ("Customer")

WITNESSETH:

Beginning See Comment, or as soon thereafter as connection is made,
Company will sell and deliver to Customer at 2545 Weisenberger Mill Road, Midway, KY
for the operation of mill

All electric capacity and energy taken under this contract will be delivered as
3 phase, 60 cycle, alternating current, at a nominal voltage at the point of
120/240 volts, metered and billed as Secondary service.
Secondary/Primary/Transmission

This point of delivery requires an estimated system capacity of
70 KW, or kVA as is appropriate, of Contract Capacity.

Each month Customer will pay to Company for all capacity and energy delivered to Customer in the
preceding billing period an amount determined in accordance with
GS Rate Schedule and, as is appropriate, the
NMS - Level 2 Rider, contract attached if required, the
Rider, contract attached if required, and the
Rider, contract attached if required.

Comments:

Effective date begins with approval from Kentucky
Public Service Commission.

TARIFF PROVISIONS:

It is mutually agreed that Company's general terms and conditions and applicable rate schedule, as from
time to time approved by and on file with the Public Service Commission of Kentucky, are made a part of
this contract as fully as if written here.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly
authorized representatives this day and year shown above.

KENTUCKY UTILITIES COMPANY

Weisenberger Mill Company

By [Signature]

By [Signature]

Manager Tariffs/Special Contract

Official Capacity

[Signature]
Attest

[Signature]
Official Capacity
Attest

Robert M Conroy
Director, Rates
Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40202