

March 23, 2018

RECEIVED

MAR 23 2018

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

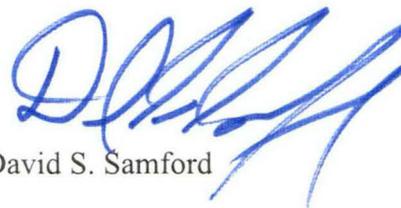
Re: RIVERSIDE GENERATING COMPANY, L.L.C. v. KENTUCKY POWER COMPANY
Case No. 2017-00472 – Direct Testimony on behalf of Riverside Generating Company

Executive Director Pinson:

Consistent with the Commission's Order entered in the above-styled matter on February 27, 2018, please find enclosed and accept for filing an original and ten (10) copies of the Direct Testimony of Anthony Hammond on behalf of Riverside Generating Company, L.L.C.

Please return a file-stamped copy of this filing to my office. I appreciate your assistance with this matter, and please do not hesitate to contact me with any questions or concerns.

Respectfully submitted,



David S. Samford

Enclosures

cc: (see following page)

Executive Director Pinson
KPSC Case No. 2017-00472
March 23, 2018
Page 2 of 2

CERTIFICATE OF SERVICE

Pursuant to 807 KAR 5:001 Section 6, the undersigned certifies that, consistent with 807 KAR 5:001 Section 4(8)(d)(3), copies of this letter and its enclosure have been electronically served this 23rd day of March, 2018, upon the following:

Mark R. Overstreet
Katie M. Glass
Kenneth J. Gish, Jr.
STITES & HARBISON PLLC
moverstreet@stites.com
kglass@stites.com
kgish@stites.com



David S. Samford
Counsel for Riverside Generating Company, L.L.C.

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A. My name is Anthony Hammond and my business address is 1700 N. Broadway,
3 35th Floor, New York, New York 10019. I serve as Vice President of Riverside
4 Generating Company, L.L.C. (“Riverside”).

5 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
6 **EXPERIENCE.**

7 A. I am a graduate of Johns Hopkins University with a Bachelor’s Degree in
8 Mechanical Engineering and a graduate of The University of Baltimore with a
9 Masters of Business Administration. I have worked in the power industry for 20
10 years in various positions covering most of the technical and commercial aspects of
11 the industry. For the last five years, I have been employed with LS Power as Vice
12 President of Asset Management responsible for up to 10,000 megawatts of installed
13 capacity in markets across the United States.

14 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT**
15 **RIVERSIDE.**

16 A. My responsibilities at Riverside include oversight of the operations and commercial
17 strategy for the site including regulatory, environmental compliance, site contracts,
18 budgets, revenue, and profit and loss statements.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
20 **PROCEEDING?**

21 A. The purpose of my testimony is first to generally describe the business of Riverside
22 and its generation portfolio in Kentucky. I will discuss in detail the Riverside
23 generation sites located within the service territory of Kentucky Power Company

1 (“Kentucky Power”), and I will describe the manner in which Riverside has
2 historically obtained the electrical energy and capacity necessary to power the
3 auxiliary loads (“Station Power”) at those sites. Finally, I will explain Riverside’s
4 desire and intention to self-supply its Station Power, consistent with applicable
5 tariff provisions, and Kentucky Power’s unreasonable position with respect thereto.

6 **Q. DID YOU EXECUTE A VERIFICATION IN SUPPORT OF RIVERSIDE’S**
7 **COMPLAINT FILED IN THIS MATTER?**

8 **A.** Yes, I did.

9 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

10 **A.** No, I am not sponsoring any exhibits as part of my testimony.

11 **Q. PLEASE GENERALLY DESCRIBE THE BUSINESS OF RIVERSIDE.**

12 **A.** Riverside is a merchant power generator with its principal office in East Brunswick,
13 New Jersey. Riverside owns and operates generation assets at sites in Kentucky,
14 and it is a member of a portfolio of generation companies located in various states
15 owned by LS Power. Riverside sells the output of its generation facilities at
16 wholesale into the marketplace of PJM Interconnection, LLC (“PJM”), consistent
17 with PJM’s Open Access Transmission Tariff (“OATT”).

18 **Q. PLEASE DESCRIBE RIVERSIDE’S GENERATION ASSETS IN**
19 **KENTUCKY.**

20 **A.** Riverside owns and operates two (2) adjacent generation sites in Lawrence County,
21 Kentucky, within the certified retail electric territory of Kentucky Power. The first
22 site, which is identified and classified by PJM as the “Zelda” site, is located on real
23 estate originally acquired in the year 2000 and includes three (3) natural gas-fired

1 generating units. The second site, which is identified and classified by PJM as the
2 “Foothills” site, is located on real estate originally acquired in the year 2001 and
3 includes two (2) natural gas-fired generating units. The total combined output of
4 Riverside’s Kentucky facilities is approximately 836 MW.

5 **Q. ARE THE ZELDA AND FOOTHILL SITES INTERCONNECTED WITH**
6 **THE KENTUCKY POWER TRANSMISSION SYSTEM?**

7 A. Yes. The Zelda site and the Foothills site each has its own interconnection with
8 Kentucky Power at the utility’s nearby Baker Switchyard.

9 **A. ON WHAT TERMS DOES KENTUCKY POWER PROVIDE SERVICE TO**
10 **RIVERSIDE?**

11 A. Riverside has historically received (and presently receives) retail electric service
12 from Kentucky Power under the utility’s Tariff N.U.G. (Non-Utility Generator).
13 Although an important exception exists, the terms of Kentucky Power’s Tariff
14 N.U.G. generally require a generator customer seeking Station Power to accept
15 service “under the generally available demand-metered tariff appropriate for the
16 customer’s Station Power requirements.” As a result, the rates paid by Riverside
17 are those currently prescribed in Kentucky Power’s Tariff I.G.S. (Industrial General
18 Service).

19 **Q. HOW MUCH ELECTRIC ENERGY IS CONSUMED BY RIVERSIDE TO**
20 **SATISFY THE STATION POWER NEEDS OF THE ZELDA AND**
21 **FOOTHILL SITES?**

22 A. Approximately 800 megawatt hours per month.

1 **Q. DO THE ZELDA AND FOOTHILL SITES EACH PRODUCE MORE**
2 **ENERGY THAN CONSUMED FOR THEIR OPERATION?**

3 A. Yes, each site consistently produces significantly more energy than consumed for
4 its operation. Despite this fact, historically Riverside has sold all of its output from
5 the Zelda and Foothill sites into the PJM marketplace, and satisfied its operational
6 power needs (Station Power) with purchases from Kentucky Power. Of course,
7 because the retail electric service provided by Kentucky Power is significantly more
8 expensive than the wholesale electric power Riverside sells into PJM, Riverside has
9 examined with particularity its ability to self-supply (or “net”) its Station Power in
10 accordance with the terms of PJM’s OATT.

11 **Q. PLEASE BRIEFLY SUMMARIZE PJM’S TREATMENT OF STATION**
12 **POWER SETTLEMENTS WITH RESPECT TO MERCHANT**
13 **GENERATORS.**

14 Q. PJM’s OATT recognizes that Station Power may be self-supplied (and remotely
15 self-supplied) by member generators, and its OATT provides for netting of output
16 and consumption as part of the PJM Station Power settlement process. In Single
17 PJM generators are permitted to net energy usage during periods of non-generation
18 against periods of generation on a monthly basis under section 1.7.10 of the OATT.
19 For plants that are dispatched in the month and generate more energy than they
20 have consumed the usage for the month would be netted and deemed zero. This is
21 the case for other LS Power facilities in PJM located in states outside Kentucky and
22 does not require multiple facilities.

1 **Q. DO THE TERMS OF KENTUCKY POWER’S TARIFF N.U.G. ALLOW A**
2 **MERCHANT GENERATOR TO SUPPLY ITS OWN STATION POWER?**

3 A. Yes, but conditionally. Pursuant to the language of the “Special Terms and
4 Conditions” portion of Kentucky Power’s Tariff N.U.G., a generator in the utility’s
5 service territory may satisfy its Station Power needs utilizing power it produces at
6 facilities it owns; however, only those supplying generation facilities “that are not
7 located on the site of the customer’s generator (remote self-supply)” appear to be
8 eligible to supply the necessary Station Power.

9 **Q. HAS RIVERSIDE ATTEMPTED TO DISCUSS ITS ABILITY TO**
10 **PROVIDE ITS OWN STATION POWER WITH KENTUCKY POWER?**

11 A. Yes. In or around February, 2017, Riverside approached Kentucky Power to
12 discuss the existing service provided by the utility and to request confirmation of
13 Riverside’s ability to self-supply its Station Power at the Zelda and Foothill sites.
14 Kentucky Power rejected Riverside’s request and concluded that Riverside must
15 continue to satisfy its Station Power requirements with purchases from Kentucky
16 Power at retail under Tariff N.U.G. Additional attempts by Riverside to resolve the
17 matter were unsuccessful.

18 **Q. ON WHAT GROUNDS DID KENTUCKY POWER REJECT RIVERSIDE’S**
19 **ATTEMPT TO SELF-SUPPLY ITS STATION POWER UNDER PJM’S**
20 **OATT?**

21 A. Kentucky Power’s position is ostensibly based on its erroneous belief that
22 Riverside’s Zelda and Foothills generation facilities in Kentucky are located on the
23 same site. As a result, according to Kentucky Power, Riverside cannot qualify for

1 Tariff N.U.G.’s special term that permits a customer to self-supply Station Power
2 only so long as the generation facilities providing the power “are not located on the
3 site of the customer’s generator (remote self-supply).” Besides noting the sites’
4 physical proximity and that Riverside has been historically served under a single
5 customer account, Kentucky Power has not provided justification for its conclusion.

6 **Q. WHY DOES RIVERSIDE BELIEVE IT IS ENTITLED TO SELF-SUPPLY**
7 **ITS STATION POWER?**

8 A. Riverside desires to provide Station Power to its Zelda site from other generation
9 facilities it owns that are not located on the Zelda site, and Riverside desires to
10 provide Station Power to its Foothills site from other generation facilities it owns
11 that are not located on the Foothills site; therefore, under the terms of Tariff N.U.G.,
12 Riverside “shall take service under the terms and conditions contained within the
13 applicable Open Access Transmission tariff as filed with and accepted by the
14 Federal Energy Regulatory Commission.” Moreover, Riverside is entitled to self-
15 supply Station Power under PJM’s OATT, and Kentucky Power’s contrary position
16 is unreasonable.

17 **Q. EXPLAIN WHY THE ZELDA SITE AND THE FOOTHILLS SITE ARE**
18 **NOT ONE SITE.**

19 A. Riverside’s Zelda site and Foothills site sit upon unique parcels of real estate that
20 were acquired at different times. The facilities at each site were developed and
21 built separately by two (2) different contractors. While the two (2) sites share a
22 common property line, that same border is marked by fencing and other barriers
23 that provide apparent and actual partitioning. Moreover, each site is individually

1 identified by PJM for various purposes and is uniquely reported to PJM. Each site
2 is uniquely metered and has its own infrastructure and connections to Kentucky
3 Power's nearby Baker Switchyard. There is no cross feed/tie-breaker between the
4 sites, no parasitic load, and no need for the respective units to operate in unison.
5 Even the local taxing authority has recognized the individual nature of the facilities,
6 as evidenced by the unique Payment in Lieu of Taxes Agreement in place for each
7 site. Indeed, for every relevant intent and purpose, the Zelda site and the Foothills
8 site, as well as the generators each houses, are distinct.

9 **Q. PLEASE SUMMARIZE THE RELIEF SOUGHT BY RIVERSIDE IN THIS**
10 **PROCEEDING.**

11 A. Riverside seeks a determination from this Commission that Kentucky Power must
12 observe and implement the language of its Tariff N.U.G. in a fair, just, and
13 reasonable manner. As a result, Riverside should be permitted to self-supply its
14 Station Power in accordance with the PJM OATT, and thus cease satisfying all of
15 its electric needs with retail purchases from Kentucky Power. Kentucky Power's
16 refusal to appropriately interpret and effectuate the language of its tariff is
17 unreasonable and should be rejected by the Commission.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.

