

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION	)	CASE NO.
FOR APPROVAL OF MASTER POWER	)	2018-00050
PURCHASE AND SALE AGREEMENT AND	)	
TRANSACTIONS THEREUNDER	)	

ORDER

On January 31, 2018, South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) filed an application (“Application”) requesting approval of a long-term power purchase and sale agreement (“Agreement”) under KRS 278.300. The Agreement includes related energy and capacity transactions between South Kentucky and Morgan Stanley Capital Group Inc. (“Morgan Stanley Capital”). South Kentucky also requests, pursuant to 807 KAR 5:001, Section 22, a deviation from certain filing requirements in 807 KAR 5:001, Section 18.

Under the Agreement, South Kentucky will purchase 58 megawatts (“MW”) of firm energy from Morgan Stanley Capital for 20 years, beginning June 1, 2019, and a financial capacity hedge of 68 MW for 18 years, beginning June 1, 2021. South Kentucky requests that the Commission approve the Application on an expedited basis. The terms of the Agreement specify that a final, non-appealable Order approving the Agreement must be obtained from the Commission on or before May 31, 2018. For that reason, South Kentucky requests the Commission issue an Order on or before April 25,

2018, so that the Order is issued slightly more than 30 days prior to the contractual deadline set forth in the Agreement.

KRS 278.300 provides that the Commission must adjudicate an application for authority to issue evidences of indebtedness within 60 days of the date the application was filed, unless it is necessary for good cause to continue the application. The proposed Agreement requires South Kentucky to become a member of PJM Interconnection LLC (“PJM”) in order to take delivery of the power it purchases from Morgan Stanley Capital. Given the complexity of the proposed transaction, including the requirement that South Kentucky become a PJM Market Participant, the Commission does not expect to complete its investigation of South Kentucky’s Application within 60 days. Therefore, the Commission finds that good cause exists to continue the Application beyond the 60-day period specified in KRS 278.300(2). The Commission will use its best efforts to render a decision on or before April 25, 2018, but must conduct a thorough review of the proposed transaction, which may result in a decision after the date requested by South Kentucky.

South Kentucky requests to deviate from certain filing requirements in 807 KAR 5:001, Section 18. South Kentucky asserts that filing requirements relating to the issuance, assumption, of use of proceeds from stocks, bonds, or notes; the acquisition, construction, improvement, or extension of property; and the discharge or refund of obligations, are inapplicable to this Application given the nature of the proposed transaction. The Commission finds that, pursuant to 807 KAR 5:001, Section 22, South Kentucky has established good cause, and therefore a deviation should be granted from

807 KAR 5:001, Section 18(1)(c)–(g) and (2)(c). The Application is deemed filed as of the date of this Order.

Last, the Commission finds that a procedural schedule should be established to review the reasonableness of the Agreement. The procedural schedule is attached as an Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. South Kentucky’s request to deviate from the filing requirements in 807 KAR 5:001, Section 18(1)(c)–(g) and (2)(c) is granted, and the Application is deemed filed as of the date of this Order.

2. South Kentucky’s Application for approval of the Agreement with Morgan Stanley Capital is continued beyond the 60-day period specified in KRS 278.300(2).

3. The procedural schedule set forth in the Appendix to this Order shall be followed.

4. Any document filed with the Commission shall be served on all parties of record, with the original and ten copies in paper medium to the Commission.

5. a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to questions related to the information provided, with the original and ten copies in paper medium to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or an association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

f. Any party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that the personal information cannot be read.

6. Any motion to intervene filed after February 20, 2018, shall show a basis for intervention and good cause for being untimely, and must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

7. South Kentucky shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2)(b). In addition, the notice of hearing

shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov." At the time publication is requested, South Kentucky shall forward a duplicate of the notice and request to the Commission.

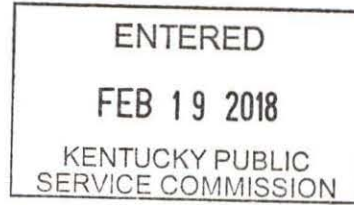
8. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

9. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

10. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

11. Nothing contained in this Order shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

  
Executive Director

Case No. 2018-00050

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00050 DATED **FEB 19 2018**

All requests for intervention shall be filed by.....02/23/18

All requests for information to South Kentucky shall  
be filed no later than .....02/28/18

South Kentucky shall file responses to requests for  
information no later than .....03/07/18

Supplemental requests for information to  
South Kentucky shall be filed no later than .....03/14/18

South Kentucky's response to supplemental  
requests for information shall be filed no later than .....03/21/18

Intervenor testimony, if any, in verified prepared  
form shall be filed no later than.....03/26/18

All requests for information to Intervenors shall  
be filed no later than .....03/30/18

Intervenors shall file responses to requests for  
information no later than .....04/06/18

South Kentucky shall file, in verified prepared form, its rebuttal  
testimony, if any, no later than .....04/12/18

Last day for South Kentucky to publish notice of hearing ..... To be scheduled

Public Hearing to be held in Hearing Room 1  
of the Commission's offices at 211 Sower Boulevard,  
Frankfort, Kentucky, for the purpose of cross-examination  
of witnesses of South Kentucky and Intervenors ..... To be scheduled

Simultaneous Briefs, if any ..... To be scheduled

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