

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE	)	
APPLICATION OF THE FUEL ADJUSTMENT	)	CASE NO.
CLAUSE OF EAST KENTUCKY POWER	)	2019-00003
COOPERATIVE, INC. FROM NOVEMBER 1,	)	
2016 THROUGH OCTOBER 31, 2018	)	

ORDER

Pursuant to 807 KAR 5:056, the Commission, on February 11, 2019, established this case to review and evaluate the operation of the Fuel Adjustment Clause (FAC) of East Kentucky Power Cooperative, Inc. (EKPC) for the period from November 1, 2016, through October 31, 2018, and to determine the amount of fuel costs that should be included in its base rates.

In establishing this review, the Commission ordered EKPC to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. EKPC submitted this information on February 25, 2019, and filed responses to Commission Staff's second request for information on March 25, 2019. A public hearing was held on April 16, 2019. EKPC filed responses to Commission Staff's first and second post-hearing data requests (Staff's post-hearing data requests) on May 17, 2019, and July 19, 2019, respectively. There are no intervenors in this proceeding.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that during the period under review, EKPC has complied with the provisions of 807 KAR 5:056. The Commission further finds no evidence of improper

calculation or application of EKPC's FAC charges or improper fuel procurement practices for the last six months of the period under review, from May 1, 2018, to October 31, 2018.

### Base Fuel Cost

EKPC is proposing to decrease the amount of fuel costs included in base rates and proposes that the month of February 2018 and a base fuel cost of \$0.02624 per kilowatt-hour (kWh) be used as the base period for the purpose of arriving at the base fuel cost and the kWh sales components of its FAC<sup>1</sup>. Given that EKPC's current base fuel cost is \$.02776 per kWh, the proposal would result in a decrease of \$.00152 per kWh. EKPC states that February 2018 was selected as the proposed base period because, during the review period, the fuel cost for February 2018 is the closest actual cost incurred as compared to EKPC's projected fuel costs for the upcoming two-year period.

The Commission must determine whether the proposed base period cost per kWh is representative of the level of fuel cost currently being experienced by EKPC when establishing the appropriate level of base fuel cost to be included in EKPC's rates. An analysis of EKPC's monthly FAC filings shows that the fuel cost billed for the two-year review period ranged from a low of \$.02096 per kWh in June 2018 to a high of \$0.03294 per kWh in January 2018, with an average cost billed for the period of \$0.02506 per kWh. Based upon its review, the Commission finds that the proposed base period fuel cost of \$0.02624 per kWh should be approved.

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<sup>1</sup> EKPC last made a change to the fuel cost included in base rates in Case no. 2017-00002, *An Examination of The Application of The Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. From November 1, 2014 Through October 31, 2016* (KY. PSC Aug. 7, 2017).

## Budget Model

EKPC's budget and evaluation model used in determining the overall forecasted cost of fuel are part of an Excel spreadsheet and were addressed in Staff's post-hearing data requests. EKPC stated that it was unable to produce the requested Excel spreadsheet of its model as the modeling utilizes proprietary program platforms that reside on EKPC's internal corporate network<sup>2</sup>. In the alternative, EKPC proposed to demonstrate the workings of the model to the Commission and its Staff at either EKPC's office or the Commission's offices via remote log-in<sup>3</sup>. The Commission finds that such a demonstration should be provided during discovery for EKPC's 2019 Integrated Resource Plan in Case No. 2019-00096<sup>4</sup>.

## GreenHat Default

As a member of PJM Interconnection LLC, EKPC has been subjected to the costs associated with GreenHat Energy, LLC (GreenHat) upon its June 21, 2018 default in the PJM Financial Transmission Rights (FTR) auction market. At the time of the default, GreenHat had open FTR positions extending through the 2020/2021 Planning Year. Due to the size of the impact from the default, PJM began a liquidation protocol allocating costs associated with the default to its stakeholders, including EKPC. Concerns regarding the inclusion of the costs associated with the GreenHat default were addressed

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<sup>2</sup> EKPC's response the Staff's post-hearing data requests, Item 1.

<sup>3</sup> *Ibid*

<sup>4</sup> EKPC should be prepared to be requested to provide the demonstration in Commission Staff's Initial request for Information following the procedural schedule set forth in Case No. 2019-00096 *Electronic 2019 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.* (July 5, 2019).

and EKPC stated that it does not plan to pass the GreenHat default costs through its monthly FAC rate filing, as the PJM Billing Line Item code for the default was not one of the Billing Line Items approved for pass through of the FAC by the Commission.<sup>5</sup>

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the FAC for the period from November 1, 2016, through October 31, 2018, are approved.

2. EKPC's proposed base fuel cost of \$0.02624 per kWh is approved

3. EKPC shall reduce its base energy rates by \$0.00152 per kWh to reflect the reestablishment of base fuel costs.

4. The rates in the Appendix to this Order are approved effective with service rendered on and after February 1, 2020. The rates in the Appendix to this Order are designed to reflect the reduction of \$0.00152 per kWh to base energy rates, which is the differential between the old base fuel cost of \$0.02776 per kWh and the new base fuel cost of \$0.02624 per kWh.

5. Beginning with the expense month for February 2020, EKPC shall use an FAC rate based upon a base fuel cost of \$0.02624 per kWh.

6. Within 20 days of the date of this Order, EKPC shall file, using the Commission's electronic Tariff Filing System, its revised tariff sheets with the Commission setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

7. This case is closed and removed from the Commission's docket.

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<sup>5</sup> April 16, 2019 Hearing at 9:21 am.

By the Commission

ENTERED  
DEC 26 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00003

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00003 DATED **DEC 26 2019**

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

SCHEDULE A

Monthly Rate - Per Load Center:  
Energy Charge per kWh \$ 0.038982

SCHEDULE B

Energy Charge per kWh \$ 0.038982

SCHEDULE C

Energy Charge per kWh \$ 0.038982

SCHEDULE E

Monthly Rate - Per Load Center:  
Energy Charge per kWh  
Option 1: On-Peak \$ 0.041232  
Option 1: Off-Peak \$ 0.040654  
Option 2: On-Peak \$ 0.049379  
Option 2: Off-Peak \$ 0.040654

SCHEDULE G

Energy Charge per kWh \$ 0.036947

SPECIAL CONTRACT – GALLATIN

On-Peak Energy \$ 0.038905  
Off-Peak Energy \$ 0.035477

SPECIAL CONTRACT - INLAND STEAM

Energy Charge - MMBtu \$ 4.166

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