COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF KENTUCKY UTILITIES COMPANY FOR APPROVAL OF AN ECONOMIC DEVELOPMENT RIDER SPECIAL CONTRACT WITH BITIKI-KY, LLC	))))	CASE NO. 2022-00371

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company (KU), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on December 7, 2022. The Commission directs KU to the Commission's July 22, 2021 Order in Case No. 2020-00085[1] regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the

[1] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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

KU shall make timely amendment to any prior response if KU obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KU fails or refuses to furnish all or part of the requested information, KU shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, KU shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Attachment 2, Special Contract Economic Development Rider, unnumbered page 2, unnumbered paragraph 5. This paragraph describes the amounts of discounted demand amounts that the customer must reimburse KU in the event of a Customer Termination Event (CTE).

a. Explain why the customer is not responsible for reimbursing KU the full amount of all demand discounts received prior to the CTE.

b. Assuming that the customer is mining cryptocurrencies, those currencies and the associated markets for those currencies are highly volatile and risky.

Explain whether KU performs any sort of risk assessment regarding contract fulfillment and potential nonpayment of amounts owed on potential new customers and, if so, provide a copy of the assessment.

c. Explain whether KU has required any up-front guarantee such as a bond or letter of credit to backstop the risk of nonpayment of any potential future amounts owed.

d. Explain the repercussions for both KU and its ratepayers in the event that in year six of the contract, the cryptocurrencies and their associated markets crash and dissolve and, consequently, Bitiki-KY, LLC declares bankruptcy and walks away from its facilities and contract. Include in the response whether KU becomes one of possibly many other creditors standing in line for payment of debts.

2. Refer to the Application, Attachment 4, Marginal Cost of Service Study (Marginal Cost Study), pages 2 and 7. KU's 2021 Integrated Resource Plan (IRP)[2] did not indicate that a natural gas combined cycle (NGCC) combustion turbine would be installed and online in 2028. The 2021 IRP called for simple cycle combustion turbines, not NGCC units. In addition, the analyses explicitly excluded the impact of the anticipated 320 MW load from the Ford battery plant.

a. Provide an updated integrated resource Base Case demand and supply analysis incorporating the most current load forecast including the Ford battery plant, any cryptocurrency mining, and any other known or anticipated load additions or subtractions; an explanation of what generation technologies are made available to the

[2] Case No. 2021-00393, *Electronic 2021 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company* (filed Oct. 19, 2021).

production cost model; a description of all demand-side management (DSM) current and anticipated programs in its next DSM filing, including demand response programs which are being factored into the analysis to offset load; and a presentation and discussion of the results, including the amounts of excess capacity and reserve margins, as was presented in the 2021 IRP. KU should allow the model to select which generation technology is added or retired (given unit age, cost or environmental constraints), if any, in each year of the 15-year forecast period. The model should be allowed to select the timing of new generation technology additions or retirements in order to implement any overarching corporate carbon emission or other environmental goals. If the Corporate environmental goals necessitate differences in the timing of generation additions or retirements from the initial model results, then a subsequent model run should be conducted with a comparison of the differences in modeling results. The response should also include an explanation of the Company's most current preferred plan.

b. There is no certificate of public convenience and necessity proceeding with the attendant rationale and cost support before the Commission for KU to construct a NGCC. Explain the marginal production cost of a NGCC being advanced from 2028 to 2027 and the reasons for moving the hypothetical NGCC unit from 2028 to 2027. If KU relies on the overnight capital construction costs, explain the source of the cost estimates.

3. Refer to the Application, Attachment 4, Marginal Cost Study, page 3. Explain why the marginal transmission cost should not be evaluated on a system peak basis. Include in the response whether the customer will be interrupted when the system

reaches a noncoincident peak demand level or when its specific transmission circuit becomes constrained and, if so, under what circumstances.

4. Refer to the Application, Attachment 4, Marginal Cost Study, pages 3 and 11.

a. Explain what KU distribution facilities are or were already present at the customers production site prior to the customer receiving service such that KU expended no effort or incurred no cost in order to provide service to the customer. Include in the response whether the customer is incurring all of the necessary costs for KU to provide service and, if so, provide a detailed explanation of those specific costs.

b. On page 11 of the Marginal Cost Study, KU indicates that because of the Line Extension Plan tariff, the need for calculating and including a marginal cost of distribution is moot "because any individual facility addition, and its particular costs, will be considered on an actual-cost and specific-customer basis." The fact that any specific-customer actual-costs are incurred with the addition of this particular customer represents an actual incremental distribution cost and should be included in the analysis. Explain and calculate the incremental distribution cost of adding this customer to the system.

5. Refer to the Application, Attachment 4, Marginal Cost Study, page 3. In its Order dated November 4, 2021 in Case No. 2020-00349,[3] the Commission set incremental system cost savings associated with net metering. In the instance of this new customer placing additional demands on the electric system, there would be

[3] Case No. 2020-00349, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, A Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC Nov. 4, 2021), Appendix.

incremental costs incurred. Reconcile the costs derived in the Marginal Cost Study with the incremental cost based rates set in Case No. 2020-00349 and explain why the incremental net metering cost based rates are not applicable for this analysis.

6. Refer to the Application, Attachment 4, Marginal Cost Study, Figure 1, page 3. From the Figure, it appears that as output increases, the marginal cost becomes smaller and smaller. Explain this counter intuitive result both in theory and in KU's actual experience.

7. Refer to Administrative Case No. 327,[4] finding paragraph 12, which states in relevant part, "For new industrial customers, an EDR should apply only to load which exceeds a minimum base level." Explain whether the proposed contract complies with this requirement. If not, explain why not.

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DATED NOV 17 2022

cc: Parties of Record

[4] Administrative Case No. 327 (Docket No. 19000327), *An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities* (Ky. PSC Sept. 24, 1990), Order at 26–27, finding paragraph 12.

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