

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

City of Falmouth, Kentucky )

Docket Nos. EL18-176-000

**REPLY COMMENTS OF PJM INTERCONNECTION, L.L.C.**

Pursuant to Rule 213 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure, PJM Interconnection, L.L.C. (“PJM”) respectfully submits Reply Comments in the above-captioned proceeding to the: (i) Comments of Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU”) (“LG&E/KU Comments”); (ii) Comments of the Public Service Commission of Kentucky (“PSCKY”) (“PSCKY Comments”); and (iii) Protest of East Kentucky Power Cooperative, Inc. (“EKPC”) (“EKPC Protest”)(collectively the “Kentucky Parties”).

In this proceeding, the Commission has been asked to determine whether the City of Falmouth, Kentucky (“Falmouth”) (or its new power provider Kentucky Municipal Energy Agency (“KyMEA”) is entitled to continue non-conforming Network Integration Transmission service (“NITS”) pursuant to the Stipulation entered into in 2012 when EKPC was joining PJM.<sup>1</sup> In its initial comments, PJM acknowledged that it was reluctant to offer a non-conforming Network Integration Transmission Service Agreement (“NITSA”) with the same terms and conditions as the non-conforming NITSA PJM entered into with LG&E/KU the (“LG&E/KU NITSA”) because an issue of interpretation existed as to whether the Stipulation applies to Falmouth’s current circumstances, which are very different as compared to when EKPC integrated into PJM.<sup>2</sup>

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<sup>1</sup> The Stipulation is between EKPC, PJM, the Attorney General’s Office, Rate Intervention Division, and Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU”) signed on November 2, 2012.

<sup>2</sup> *Id.* at 5 .

## I. REPLY COMMENTS

Upon review of the Kentucky Parties' comments, it is clear that the parties would be well served by having this matter set for hearing and settlement procedures. Given factors cutting a variety of directions such as the small size of Falmouth's load, the clear statement from the PSC KY as to its interpretation of the stipulation it approved and the precedential impact on remaining customers of PJM should Falmouth be deemed to be exempted from Regional Transmission Expansion Planning ("RTEP") and other costs under the PJM Open Access Transmission Tariff ("Tariff") going forward, PJM believes that settlement procedures rather than a ruling on Falmouth's Petition for Declaratory Order would be more productive at this point in time. Accordingly, PJM proposes that this matter be held in abeyance for 120 days to see if the parties can resolve their differences.

These fact-based issues suggest that this matter is better resolved through negotiations or ultimately a Section 206 proceeding to attempt to obtain such non-conforming service and not through a petition for declaratory order. Because Falmouth's new supply arrangement will apparently commence on May 1, 2019, there is sufficient time to pursue such a course. Accordingly, PJM suggests that an alternative dispute resolution process involving a Commission administrative law judge acting as a settlement judge would be a beneficial and appropriate path towards resolution.

***A. Absent Settlement the Commission Must Determine Whether the Stipulation and the Rate Benefits Thereunder Should Continue to Apply to Falmouth After It Is No Longer Served By KU.***

The Kentucky Parties have set forth their concerns with respect to the proposed interpretation of the Stipulation and have opined on the issue of whether the rights provided for

in the Stipulation continue to be retained by Falmouth after it is no longer served by KU.<sup>3</sup> It is clear that the Stipulation was intended to protect LG&E/KU from additional charges that KU might have incurred as a result of EKPC joining PJM during the pendency of KU's then-existing wholesale power contract to supply Falmouth.<sup>4</sup> The Kentucky Parties each asserts that the Stipulation was intended only to address potential adverse impacts to LG&E/KU as a result of the integration of EKPC into PJM, and not the impacts from any subsequent new wholesale supplier.<sup>5</sup> PJM respectfully submits that absent settlement, the Commission must ultimately determine whether, upon voluntarily entering a new wholesale supply arrangement, Falmouth is situated the same as it was when it was taking supply from KU before EKPC integrated into PJM.

***B. Falmouth Must Obtain Transmission Service under the PJM Tariff and Pay the Applicable Rates or Negotiate the Terms and Conditions for Nonconforming Service.***

LG&E/KU asserts that “(f)rom and operational standpoint a simpler alternative would be for Falmouth to be in the PJM BAA, rather than pseudo-tied into LG&E/KU's BAA.”<sup>6</sup> Falmouth's choice of BAA is not the issue in this proceeding, but Falmouth's decision to pseudo-tie load out of PJM determines the appropriate type of the transmission service that Falmouth will need under the PJM Tariff. Because Falmouth is contemplating being pseudo-tied out of PJM, Falmouth's load will not be PJM network load and the conforming PJM Tariff service would be Firm Point-to-Point Transmission Service under Part II of the Tariff. If Falmouth chooses to pseudo-tie its load out of PJM, any new non-conforming NITS for

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<sup>3</sup> See PSCKY Comments at 3, LG&E/KU Comments at 10 and EKPC Protest at 6.

<sup>4</sup> See *In Re: Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission facilities to PJM Interconnection, LLC*, Order Conditionally Approving Integration Into PJM, Case No. 2012-00169 at 10 (Dec.20, 2012)(“KPSC Order”).

<sup>5</sup> See PSCKY Comments at 3, LG&E/KU Comments at 10 and EKPC Protest at 6.

<sup>6</sup> *Id.* at 13.

transmission service over the EKPC facilities can only be accomplished through a negotiated non-conforming agreement whereby Falmouth agrees to be responsible for the current Tariff rate and its cost impacts on the PJM system.

## **II. CONCLUSION**

PJM respectfully requests the Commission accept and consider these reply comments.

Respectfully submitted,

*/s/ Steven R. Pincus*

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## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused to be served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

/s/ Steven R. Pincus  
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August 8, 2018