

KENTUCKY MUNICIPAL ENERGY AGENCY

JOINT PURPA IMPLEMENTATION PLAN

I. Overview of Plan

This Joint PURPA Implementation Plan (“Plan”) sets forth the manner in which Kentucky Municipal Energy Agency (“KyMEA”) and its authorizing member municipal electric utilities (“authorizing Members”) plan to implement the requirements imposed upon them under Section 210 of the Public Utility Regulatory Policies Act of 1978, as amended (“PURPA”) and the rules adopted by the Federal Energy Regulatory Commission (“FERC”) thereunder.

KyMEA has drafted these rules to develop and coordinate implementation of a plan for meeting the obligations imposed on KyMEA and the authorizing Members under Section 210 of PURPA and FERC’s Regulations thereunder. Before these rules go into effect with regard to any Member, a Member must adopt these rules through written authorization. Appendix I to this Plan is a list of the authorizing Members. This list will be updated to include additional authorizing Members as necessary.

KyMEA and the authorizing Members are electric utilities subject to the purchase and sale obligations under PURPA. KyMEA is a joint public agency established pursuant to Section 65.210 to 65.300 of the Kentucky Revised Statutes, as amended, known as the “Interlocal Cooperation Act,” and was created by virtue of the Interlocal Cooperation Agreement Creating the Kentucky Municipal Energy Agency by and among municipal electric systems in the Commonwealth of Kentucky (the “Interlocal Cooperation Agreement”), which was filed with and approved by the Attorney General of the Commonwealth of Kentucky in accordance with law. KyMEA was created with the purpose of providing adequate, reliable, and economic sources of electric power and

energy to Kentucky municipalities operating municipal electric systems. KyMEA has contracts to become the all-requirements wholesale power supplier to eight of its members (the “All Requirements Members”), beginning on May 1, 2019. KyMEA expects to initially meet its power-supply obligations to the All Requirements Members primarily using electric power resources acquired through various power purchase agreements, through contractual entitlements to resources of some of its All Requirements Members, and through opportunity energy market transactions.

The Plan reflects the policy of KyMEA and the authorizing Members that will be jointly implemented to provide a program to facilitate cogeneration and small power production. The Plan is intended to advise the public of the basic approach and general guidelines for allowing Qualifying Facilities (“QFs”) to interconnect with the electric utility systems of KyMEA and the authorizing Members, to sell electric energy and capacity to KyMEA, and to purchase retail electric service from the authorizing Members.

Under the Plan,

- KyMEA will purchase all energy and capacity offered by QFs to KyMEA or any of the authorizing Members.
- The authorizing Members will sell, at retail, all energy and capacity required by QFs located in their retail service territories.

KyMEA will offer a standard purchase rate or a negotiated rate for energy and capacity (if avoided) produced by QFs interconnected with KyMEA¹ or an authorizing Member. This standard purchase rate will be determined by KyMEA based on its

¹ KyMEA does not currently own any transmission facilities. The authorizing Members will receive network transmission service under the Louisville Gas and Electric Co./Kentucky Utilities Co. Open Access Transmission Tariff (“OATT”), either directly as an OATT customer or indirectly through OATT service procured for them by KyMEA.

“avoided cost,” i.e., the costs to KyMEA of the electric energy that KyMEA would otherwise generate or purchase from another source if not purchased from the QF. The rate and methodology will be reviewed periodically, and will be subject to revision based on future changes to various factors, which may include KyMEA’s delivered cost of fuel, plant generation characteristics, capacity needs, cost of purchased power, transmission costs, operating experience with QFs, KyMEA’s ability to dispatch the QF, the expected or demonstrated reliability of the QF, the terms of any legally enforceable obligation, the extent to which the QF’s scheduled outages can be usefully coordinated with those of KyMEA, the usefulness of the QF’s energy and capacity during system emergencies and the QF’s ability to separate its load from its generation, the individual and aggregate value of energy and capacity from QFs, and the smaller capacity increments and shorter lead times available with additions of capacity from QFs. KyMEA reserves the right to analyze each QF’s cost impact and adjust rate provisions to reflect power supply characteristics.

Upon request by a QF located within an authorizing Member’s retail service territory, the Member shall offer supplemental, back-up, and maintenance power on a firm or interruptible basis. The authorizing Members will sell energy and capacity to QFs located within their retail service territories under their applicable retail tariffs or at rates equal to the rates to the authorizing Members’ other customers with similar load and other cost-related characteristics. Each authorizing Member has undertaken to sell energy and capacity at rates that are nondiscriminatory, just and reasonable, and in the public interest.

By implementing the purchase and sale requirements in this manner, the QFs will have a market for their power at rates comparable to the rates the authorizing Members

could offer and will meet the needs of QFs for supplementary, back-up, and maintenance power in a manner consistent with the retail functions of the authorizing Members.

KyMEA has not included a form of contract in the Plan since the purchases and sales rates will be calculated pursuant to the standard purchase rate, identified by tariff, or negotiated on a case-by-case basis. However, KyMEA and the authorizing Members intend to require that a contract be executed by each QF. The contract will provide detailed terms and conditions, including interconnection requirements, metering, rates, and those terms necessary to accommodate safety and reliability concerns.

KyMEA intends to file with FERC, on behalf of KyMEA and the authorizing Members, a petition seeking waiver of Sections 292.303(a) and 292.303(b) of FERC's Regulations² to permit the Plan to be placed in effect as proposed. If granted, the effect of the waiver will be to transfer the must-purchase obligation of the authorizing Members from them to KyMEA. Additionally, KyMEA intends to file with FERC one or more applications seeking waiver of KyMEA's must-purchase obligation for QFs greater than 20MW pursuant to Section 292.309(a) of FERC's Regulations,³ and waiver of KyMEA's obligation to make sales of retail power to QFs, in recognition of the fact that the QF interconnection would be with an authorizing Member's facilities and the commitment of the authorizing Members to make such sales within their retail service territories.

FERC has granted waivers under Section 292.303(a) and 292.303(b) in other similar situations.⁴ KyMEA and its authorizing Members are promulgating a Plan

² 18 CFR §§ 292.303(a) and (b) (2014).

³ 18 CFR § 292.309(a).

⁴ See *Oglethorpe Power Corp.*, 32 FERC ¶ 61,103 (1985), *reh'g granted in part and denied in part*, 35 FERC ¶ 61,069 (1986), *aff'd sub nom. Greensboro Lumber Co. v. FERC*, 825 F.2d 518 (D.C. Cir. 1987); *Seminole Electric Cooperative, Inc.*, 39 FERC ¶ 61,354 (1987); *Missouri Basin Municipal Power Agency*, 69 FERC ¶ 62,250 (1994); *Corn Belt Cooperative*, 68 FERC ¶ 62,249 (1994); *Southern Illinois Power Cooperative*, 66 FERC ¶ 62,010 (1994); *Northwest Iowa Power Cooperative*, 57 FERC ¶ 62,079 (1991); *Soyland Power Cooperative, Inc.*, 50 FERC ¶ 62,072

similar to those adopted by other cooperatives and joint action agencies and their members, with such additions as were deemed necessary to meet the PURPA requirements and FERC regulations. If the requested waiver is not granted, KyMEA and the authorizing Members will take such other actions, if any, as may be required to comply with PURPA and the rules adopted thereunder by FERC.

KyMEA and the authorizing Members believe that the integrated approach to PURPA implementation as described herein will not adversely affect QFs. Indeed, KyMEA and the authorizing Members believe the proposed approach will facilitate the development of QFs.

II. Introduction

A. Intent of Plan

The Plan is intended to set forth the basic approach and general guidelines for allowing QFs to interconnect with KyMEA and authorizing Members' electric utility systems in accordance with rules adopted by FERC implementing PURPA Section 210.

B. Utilities Subject to Plan

KyMEA and all Members that adopt the rules through written authorization, as listed in Appendix I, are subject to the Plan. The Plan addresses purchases from and sales to all QFs seeking to interconnect to transmission or distribution facilities owned by KyMEA or any authorizing Member.

III. Statement of Policy

A. The Joint Policy

It is the policy of KyMEA and the authorizing Members: (i) to permit any QF to interconnect with the electric systems of KyMEA or any authorizing Member; (ii) to

(1990); *Western Farmers Electric Cooperative*, 115 FERC ¶ 61,323 (2006); *Missouri Basin Municipal Power Agency*, Docket No. EL09-13-000, Letter Order (Feb. 6, 2009); *Arkansas Public Service Comm'n, et al.*, Docket No. EL09-37-000, Letter Order (April 30, 2009); *Missouri River Energy Servs.*, 145 FERC ¶ 62,022 (2013); *Oklahoma Municipal Power Authority*, 156 FERC ¶ 62,015 (2016), Docket No. EL16-67-000, Letter Order (July 7, 2016).

permit any QF to sell energy and capacity to KyMEA at rates equal to KyMEA's full avoided costs or at a negotiated rate; and (iii) to permit any QF to purchase supplemental, back-up and maintenance power from an authorizing Member on either a firm or interruptible basis, at rates that are nondiscriminatory, just and reasonable, and in the public interest. In order to effectuate this policy, KyMEA and the authorizing Members expressly undertake the following obligations as a condition to the joint policy: (a) KyMEA will be ready and willing to purchase power from any QF from which an authorizing Member would otherwise be required to purchase; (b) no QF will be subject to duplicative interconnection charges or duplicative charges for wheeling power to KyMEA across the lines of an authorizing Member; (c) no QF will be subject to duplicative charges or additional fees as a result of KyMEA's purchase of QF power that would otherwise be purchased by an authorizing Member; (d) no QF will be subject to duplicative interconnection charges or duplicative charges for wheeling of supplemental, back-up, or maintenance power from an authorizing Member; and (e) no QF interconnected directly with KyMEA and purchasing supplemental, back-up, or maintenance power from an authorizing Member will be charged for the cost of facilities required to receive such power other than the cost of such facilities had the QF purchased such power from KyMEA. KyMEA and the authorizing Members' undertakings expressed above are, in each case, subject to the other express and implied terms and conditions of the Plan and the other requirements imposed by law.

Because this Plan outlines the basic approach that KyMEA and the authorizing Members intend to use to fulfill their separate obligations under PURPA, KyMEA and/or a given authorizing Member may modify it to the extent authorized by law if such utility determines that the modification is reasonably necessary. In addition, this Plan shall be modified as necessary or appropriate to comply with requirements imposed by FERC or any other governmental entity having jurisdiction over KyMEA

and/or the authorizing Members, or any other entity with authority to establish reliability requirements applicable to, or impose such requirements on, KyMEA and/or the authorizing Members.

This Plan reflects an integrated approach to implementing KyMEA's and the authorizing Members' obligations under PURPA and the FERC Rules. This approach recognizes the function of KyMEA as wholesale supplier to the authorizing Members and the retail service function of the authorizing Members, while assuring each QF of both a market for its power and any necessary back-up, maintenance, and supplemental service, on either a firm or interruptible basis. Pursuant to Section 292.303 (a) of FERC's Regulations,⁵ an electric utility is obligated to purchase only the energy and capacity which is "made available" from a QF. Section 292.304(d) of FERC's Regulations⁶ clarifies that each QF shall have the option to determine the amount of energy or capacity "available" for purchase. Accordingly, the Plan does not require a QF to sell all of its energy and capacity to KyMEA, but rather just the amount the QF wishes to make "available" for such purchases.

No QF will be permitted to interconnect and operate in parallel with an authorizing Member without the prior knowledge and approval of such utility and without entering into a satisfactory written contract. A QF interconnecting with an authorizing Member and selling to KyMEA will not be subject to duplicative interconnections or wheeling charges. To the extent that additional costs of wheeling (*i.e.*, beyond the authorizing Member's facilities) are necessitated by KyMEA's purchases of the QF's power (rather than the authorizing Member's purchases), such costs will be borne by KyMEA (rather than the QF). The Plan does not require any

⁵ 18 CFR §292.303(a).

⁶ 18 CFR §292.304(d).

authorizing Member to transmit QF output in connection with sales to a purchaser other than KyMEA.

Where a QF is interconnected to transmission or distribution facilities owned by KyMEA or an authorizing Member and located within the retail service territory of an authorizing Member, the purchase of capacity and energy by the QF will be made pursuant to separate arrangements between the QF and the applicable authorizing Member and shall be in accordance with applicable law and the authorizing Member's applicable rates, rules, and regulations governing retail service. The terms of the arrangement between KyMEA, the authorizing Member, and the QF shall be consistent with the authorizing Member's tariff or consistent with rates to the authorizing Member's other customers with similar load or other cost-related characteristics.

If in the future KyMEA owns transmission facilities, and a QF seeks to interconnect with KyMEA-owned transmission facilities that are not located within the retail service territory of an authorizing Member, upon request KyMEA will assist the QF in locating a supplier of supplemental, backup, maintenance, and interruptible power. KyMEA makes no commitments regarding the availability of such suppliers, nor their rates and charges or terms of service.

B. Metering Requirements

KyMEA and the authorizing Members require as a condition to the purchase of capacity and energy from a QF the installation of proper metering equipment to permit inclusion of the quantities in KyMEA's monthly energy and capacity accounting. The amount of energy and capacity purchases from the QF by KyMEA shall not normally be netted against the energy and capacity purchased by the QF from the authorizing Members, unless required by applicable rules and regulations adopted by entities having jurisdiction over KyMEA and the authorizing Members.

KyMEA shall adopt nondiscriminatory policies and procedures concerning metering requirements applicable to QFs as required. KyMEA shall make such policies and procedures available to QFs for review.

C. Additional Interconnection Requirements

The following additional requirements shall apply to all purchases from QFs under the Plan:

- (i) The operator of the QF shall be responsible for all costs associated with electric interconnection of the QF to KyMEA's or the authorizing Member's system, including such automatic relaying and system protection which KyMEA or the authorizing Member believes necessary for safety reasons, electric wiring and apparatus, protective equipment and an interconnection switch. KyMEA and the authorizing Members have the right to refuse to interconnect or to discontinue the QF's connection if wiring and apparatus do not meet appropriate safety requirements and all applicable codes, including, but not limited to, the National Electrical Code, National Electrical Safety Codes, or other local, state, or national codes.
- (ii) KyMEA or the authorizing Members shall own, install and maintain the required metering equipment to integrate the input quantities into KyMEA's monthly source energy and power accounting. The operator of the QF shall be responsible for all reasonable costs for purchase, installation and maintenance of such metering equipment and shall provide adequate access to its premises so that KyMEA or the authorizing Members may install and maintain such metering equipment. KyMEA or the authorizing Members may assess interconnection costs against a QF on a nondiscriminatory basis with respect to other customers with similar

load characteristics and shall determine how such payments are to be made.

- (iii) Neither KyMEA nor any authorizing Member will permit interconnection between its system and a QF unless the QF meets the applicable standards and/or regulations, rules and policies for interconnection, safety, and operating reliability, as the same may be amended from time to time. Further, in order to remain interconnected, the QF must continue to satisfy appropriate safety and reliability standards.
- (iv) KyMEA and the authorizing Members reserve the right to adopt additional nondiscriminatory policies and procedures concerning interconnection requirements applicable to QFs. KyMEA shall make such policies and procedures available to QFs for review.

IV. Request for Waiver

The FERC Rules require each wholesale electric utility, such as KyMEA, and each retail electric utility, such as the authorizing Members, to buy energy and capacity from, and to sell energy and capacity to, QFs. As stated above, KyMEA and the authorizing Members will adopt an integrated approach to implementing their obligations under PURPA, and the FERC Rules, under which (1) KyMEA would purchase energy and capacity from QFs and the authorizing Members would provide retail service to QFs located within their retail service territories, (2) KyMEA will seek a waiver of the obligation to sell retail power to any QF, and (3) the authorizing Members will seek a waiver of their obligations to purchase from any QFs located within their retail service territories.

In order to adopt this integrated approach, KyMEA and the authorizing Members will request waivers of certain of the FERC Rules implementing PURPA in order to allow KyMEA and the authorizing Members to continue to operate, for wholesale

supply purposes, as a single integrated entity. KyMEA and the authorizing Members have concluded that, given the benefits of the proposed integrated approach to PURPA implementation, requiring the authorizing Members to purchase from QFs and KyMEA to sell to QFs is not necessary to facilitate cogeneration and small power production. KyMEA and the authorizing Members have determined that purchases by KyMEA on behalf of the authorizing Members will adequately facilitate cogeneration and small power production in part because each authorizing Member's avoided costs should be equal to KyMEA's avoided costs.

Therefore, by centralizing purchases from QFs, QFs will be afforded a greater market for their power while at the same time receiving the same price for their power as they would have by selling to an individual authorizing Member.

This Plan is written on the assumption that the waivers previously mentioned will be granted. Because this integrated approach will not adversely affect QFs and is intended to facilitate cogeneration and small power production, KyMEA and the authorizing Members intend to operate under this Plan during the pendency of the waiver requests. If FERC denies any of the requested waivers, this Plan will be revised or may be terminated. Any revision required as a result of a denial of a waiver request, or upon order of FERC as a condition to the waiver, will be made available as soon as practicable. KyMEA and the authorizing Members do not contemplate that an additional notice and comment period will be conducted prior to making such changes.

Persons desiring information about this Plan, including a copy of the waiver request filed by KyMEA and the authorizing Members with FERC, may contact:

Kentucky Municipal Energy Agency
c/o Rubin & Hays
Attn: Charles S. Musson
450 South Third Street
Louisville, KY 40202
Email: csmusson@rubinhays.com

IV. Additional Information

Persons requiring additional information concerning the interconnection of a QF with KyMEA or an authorizing Member, or the rates, terms and conditions of purchases from or sales to QFs, should contact:

Kentucky Municipal Energy Agency
c/o Rubin & Hays
Attn: Charles S. Musson
450 South Third Street
Louisville, KY 40202
Email: csmusson@rubinhays.com

APPENDIX I
AUTHORIZING MEMBERS

[TO BE ADDED AS MEMBERS AUTHORIZE THE PLAN]