

KyMEA

SEPA Update

March 23, 2017



ECONOMICS

STRATEGY

STAKEHOLDERS

SUSTAINABILITY

www.newgenstrategies.net

Purpose

- To explore alternative arrangements that will result in additional value from SEPA power allocations
 - Energy value
 - Capacity value

AR Members – SEPA Allocation

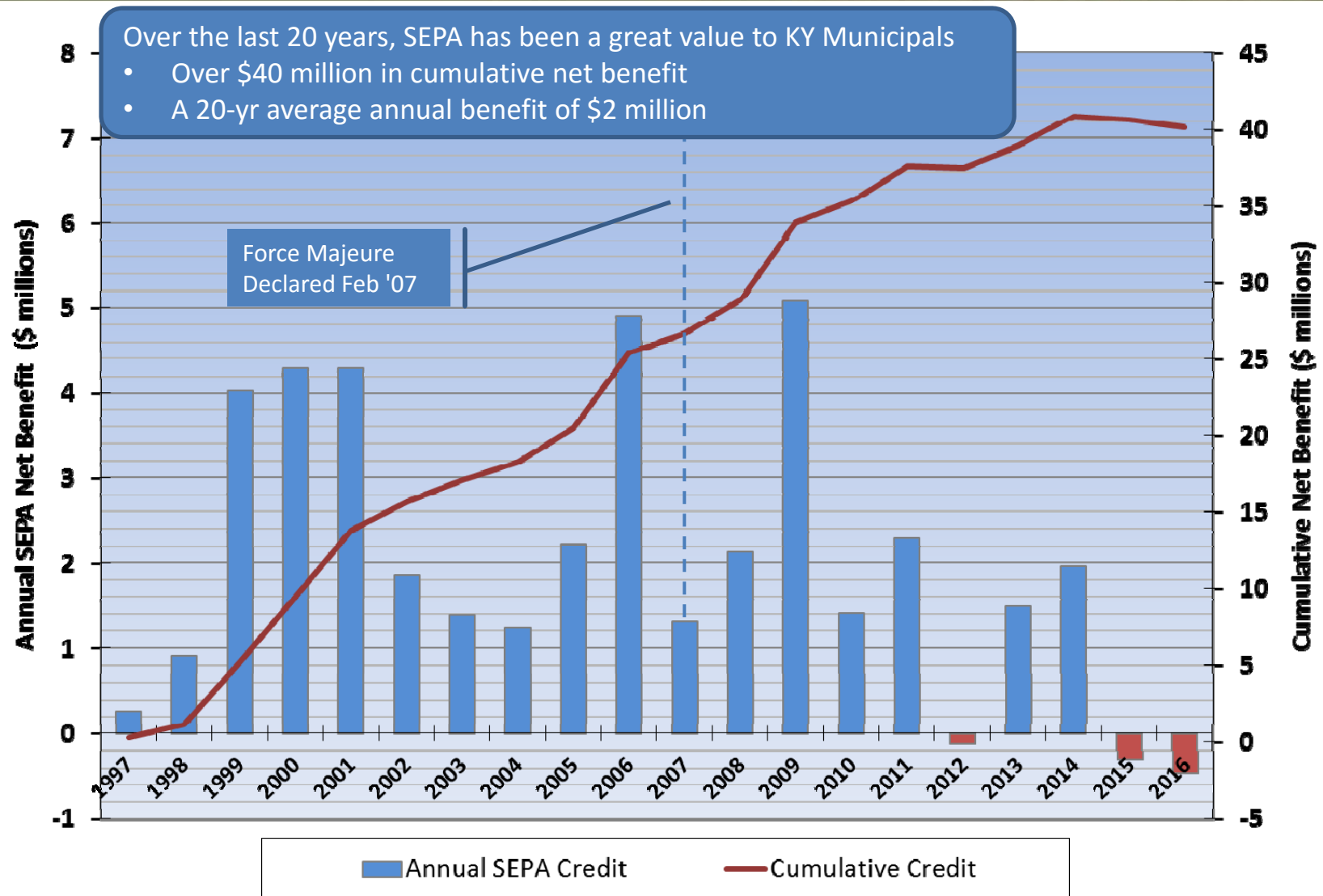
(under normal conditions)

Member	(kW)	(%)
Barbourville	2,200	7%
Bardwell	542	2%
Corbin	2,598	8%
Falmouth	590	2%
Frankfort	15,621	49%
Madisonville	7,803	24%
Paris	1,364	4%
Providence	1,231	4%
Total	31,949	100%

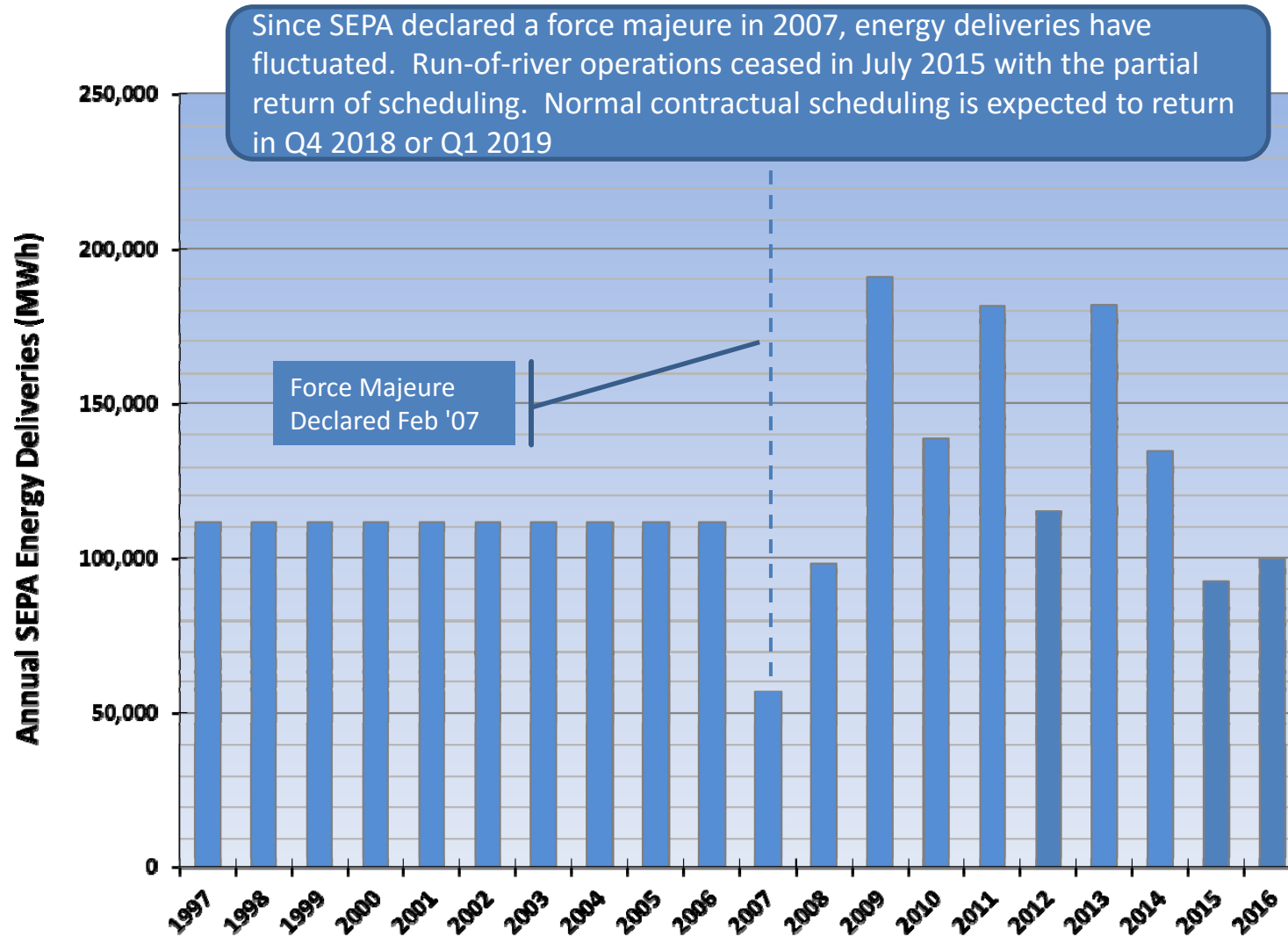
SEPA Credit Summary (1997-2016)

Annual and Cumulative Amounts

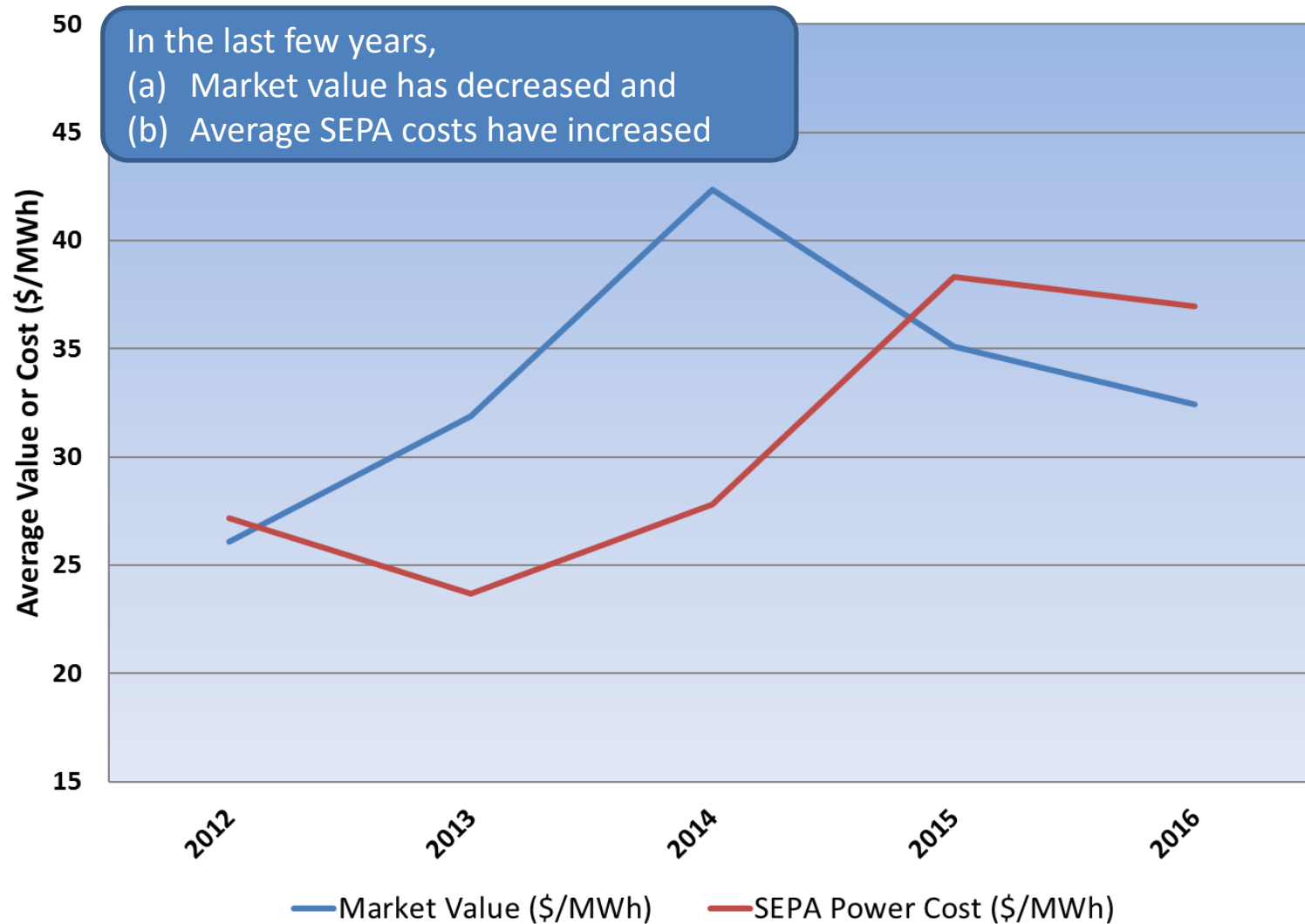
Net SEPA Benefit to Kentucky Municipals



SEPA Energy Deliveries (1997-2016)



5-Year Historical Market Value and SEPA Power Cost (2012-16)



SEPA Delivery Arrangements

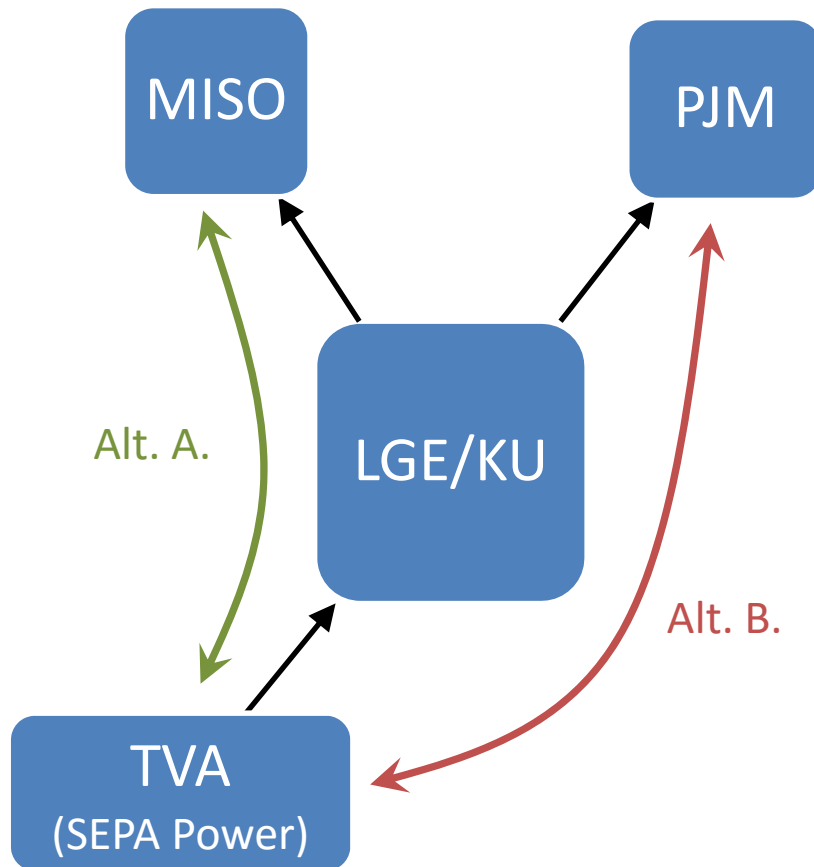
Current Arrangement

- SEPA power is delivered from TVA into LGE/KU
- OMU then markets an equivalent amount of energy into MISO or, if prices are higher and transmission is available, into PJM

Alternatives Examined

- A. Direct sale of capacity and energy into MISO market
- B. Direct sale of capacity and energy into PJM market
- C. Potential opportunity with existing BREC transmission arrangements to carve out additional capacity value

Access to MISO and PJM Capacity Markets



- LGE/KU point-to-point transmission service is required to bring power in from TVA and deliver to the MISO or PJM interface
- Additional transmission service is needed to deliver power from LGE/KU into MISO
- Capacity pricing is determined from annual auctions in MISO (1-yr out) and PJM (3-yr out)

Findings

- A review of alternative SEPA arrangements indicate a low probability that capacity prices in the MISO auction would be high enough to offset the combined cost of
 - (a) obtaining necessary transmission services, and
 - (b) realizing a lower energy value associated with MISO's less-than-optimum energy dispatch
- Committing to purchase PTP transmission service ahead of capacity auctions represents additional risk
- A PJM transaction, although having slightly different transmission arrangements, would be similarly situated relative to total transaction cost/risk and relative benefit
- None of the alternative SEPA arrangements examined are expected to generate a near-term benefit over the current energy sales approach facilitated by OMU

Discussion / Questions