

Goss • Samford PLLC



February 11, 2013

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

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FEB 11 2013

PUBLIC SERVICE
COMMISSION

Re: Case No. 2012-00149

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of East Kentucky Power Cooperative, Inc.'s ("EKPC") Response to Comments of Intervenor Sierra Club on the 2012 Integrated Resource Plan of EKPC.

Please contact me if you have any questions.

Very truly yours,

Mark David Goss
Counsel

Enclosures

Cc: Parties of Record

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FEB 11 2013

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

2012 INTEGRATED RESOURCE PLAN OF) 2012-00149
EAST KENTUCKY POWER COOPERATIVE, INC.)

**EAST KENTUCKY POWER COOPERATIVE, INC.'S
RESPONSE TO COMMENTS OF INTERVENOR SIERRA CLUB ON THE
2012 INTEGRATED RESOURCE PLAN**

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, and responds to the comments of intervenor Sierra Club on its 2012 Integrated Resource Plan ("IRP"). EKPC has addressed each broad category outlined in the Sierra Club's comments.

**EKPC's response to Sierra Club Comment Part II: "EKPC Could
Achieve Far Higher Levels of DSM Savings than are Established as Goals
in the IRP" and subsections A, B, C, D, and F**

The Sierra Club assumes that if EKPC offers the maximum level of DSM programs, all the modeled savings will occur. The Sierra Club fails to take into consideration the willingness or the ability of the retail customers to participate in DSM and energy efficiency programs. As the PSC acknowledged in the October 6, 2011 Order in Case No. 2008-00408 "The Commission also recognizes that the predominantly rural service territories of the cooperatives may not lend themselves to the deployment of DSM and energy efficiency programs as well as the service territories of the IOUs." The PSC further noted in the July 24, 2012 rehearing Order in that same case "It further appears that the menu of DSM programs offered by EKPC and its member cooperatives may approach that of the IOUs. The Commission recognizes that the participation of each member cooperative in DSM programs is based on a consideration of the needs of its

own members. Consequently, some of the EKPC member cooperatives offer a full array of DSM programs, while others do not.”

A factor impacting the ability of the retail customer to participate will be the customer’s income level. Most DSM and energy efficiency programs require financial commitments from the customer. Several of the EKPC members have significant levels of their customer bases that are at and below the poverty line. These customers simply cannot afford to participate. In its comments the Sierra Club conveniently avoids acknowledging how customer income levels impact participation in DSM programs.

All 16 of EKPC’s owner-members serve areas with income per capita less than the national average of \$26,409, and 12 owner-members serve areas with income per capita that is less than the state average of \$21,941. Overall, income per capita in the area served by EKPC and its 16 owner-members is \$19,779, which is 9.9 percent less than the state average, 25.1 percent less than the national average, and comparable to that of the nation’s poorest state, Mississippi, which has income per capita of \$19,477. Clearly, EKPC’s members’ service territory includes some of the poorest areas in the state. The table below reflects the per capita income areas served by EKPC’s member distribution cooperatives.

ESRI Population and Income Estimates, 2012

Cooperative Service Area or Other Area	Population	Income	Income per Capita
Owen Electric Cooperative	136,045	\$3,403,165,675	\$25,015
Blue Grass Energy Cooperative	104,510	\$2,563,839,320	\$24,532
Shelby Energy Cooperative	29,582	\$718,842,600	\$24,300
Nolin RECC	75,966	\$1,669,884,612	\$21,982
Salt River Electric Cooperative	104,084	\$2,272,570,056	\$21,834
Inter-County Energy Cooperative	54,927	\$1,056,740,553	\$19,239
Fleming-Mason Energy Cooperative	55,773	\$1,038,660,579	\$18,623
Clark Energy Cooperative	48,215	\$888,939,955	\$18,437
Farmers RECC	52,264	\$931,187,688	\$17,817
Grayson RECC	25,712	\$432,090,160	\$16,805
South Kentucky RECC	113,636	\$1,896,130,296	\$16,686
Taylor County RECC	51,586	\$854,212,574	\$16,559
Jackson Energy Cooperative	110,111	\$1,772,016,323	\$16,093
Cumberland Valley Electric	44,124	\$687,540,168	\$15,582
Big Sandy RECC	28,205	\$422,962,180	\$14,996
Licking Valley RECC	28,210	\$414,799,840	\$14,704
East Kentucky Power Cooperative	1,062,950	\$21,023,582,579	\$19,779
Kentucky	4,390,111	\$96,323,425,451	\$21,941
United States	313,129,017	\$8,269,424,209,953	\$26,409

Source: Environmental Systems Research Institute (ESRI) Business Analyst Online

The Sierra Club has previously expressed concern for ratepayers in “impoverished communities in Kentucky.” The Sierra Club acknowledged the financial condition of the customers served by the Kentucky Power Company in its post-hearing brief in Case No. 2011-00401.¹ In stressing the need for EKPC to be more aggressive in its DSM and energy efficiency program offerings, the Sierra Club should take into consideration the financial condition of customers in the EKPC member service territories as it did in the Kentucky Power case.

A McKinsey&Company study reported that “lack of awareness, or low attention, on the part of the end-users and decision-makers...regarding details of current energy consumption

¹ Case No. 2011-00401, Application of Kentucky Power Company for Approval of its Environmental Compliance Plan, Approval of its Amended Environmental Cost Recovery Surcharge Tariffs, and for the Grant of Certificates of Public Convenience and Necessity for the Construction and Acquisition of Related Facilities.

patterns, potential savings, and measures to capture those savings.”² Per square foot, low-income homes have a higher energy consumption level than other homes.³ The only effective solution is to increase the customer incentive or provide another subsidy such that the low income ratepayer has zero cost of participating; however, this either disassociates the benefits (savings) from those who pay (rates or surcharge) resulting in cross-customer-class subsidies, or requires funding at levels that make the programs no longer cost-effective.

Throughout its comments, the Sierra Club references the success of “aggressive” DSM and energy efficiency program offerings in other states and assumes the same levels of success are possible in Kentucky. As indicated in a presentation at the NARUC Winter Meeting on February 10, 2010, it is difficult to compare reported savings across states as there is no standardization of savings.⁴

Another factor that the Sierra Club overlooks in its comments is the cost of electricity to residential customers in those other states compared to Kentucky. Based on 2011 data for the average retail price for bundled and unbundled customers prepared by the EIA⁵, the average residential retail price in those states mentioned in the Sierra Club comments compared to Kentucky is:

- Michigan - 13.27 cents per kWh
- Indiana - 10.06 cents per kWh
- Ohio - 11.42 cents per kWh
- Illinois – 11.78 cents per kWh
- Massachusetts – 14.67 cents per kWh
- California – 14.78 cents per kWh
- U.S. Total – 11.72 cents per kWh

² See McKinsey Global Energy and Materials—Unlocking Energy Efficiency in the U.S. Economy, page 25.

³ Id., at page 39.

⁴ See “Survey of Current Energy Efficiency Program Evaluation Practices and Emerging Issues,” presented by Charles Goldman (LBNL), Michael Messenger (Itron), and Steve Schiller.

⁵ See http://www.eia.gov/electricity/sales_revenue_price/pdf/table4.pdf

- **Kentucky – 9.20 cents per kWh**

Given the Sierra Club's expressed wealth of knowledge and experience regarding the deployment of DSM and energy efficiency programs, it should be keenly aware of the impact the cost of electricity has on the participation of customers in those programs. However, the Sierra Club does not acknowledge this impact in its comments on EKPC's IRP.

In addition to those substantial rate differentials, which directly impact the cost effectiveness test results, there are structural differences which significantly impact the success of the programs. Weather is an obvious issue, which impacts EKPC very differently because we are primarily a winter-peaking electric utility. The absence of alternate winter heat sources (i.e. natural gas) in much of our service territory means our customers must rely on electricity for heat. This raises the usage per customer and reduces the percentage of savings, overall, that can be achieved from a lighting program, for example.

Unlike Kentucky, Michigan's program includes a potential incentive for utilities who achieve the targets stated in the statutes, provides for a surcharge to fund the programs in full, and authorizes a stipulated avoided cost which is substantially higher than current market prices. Some states, which include California, Massachusetts, Minnesota, Arizona and the Pacific Northwest states, allow utilities to "count" savings produced by codes and standards they championed.⁶ In contrast, Kentucky's approach has been "pure" utilizing real savings from measures implemented by ratepayers, and evaluated using true avoided costs. This approach is both analytically sound and results in un-inflated savings reported in Kentucky. These and numerous other legislated, regulatory and programmatic differences make the direct comparison of programs suggested by the Sierra Club inappropriate and misleading.

⁶ See "Integrating Codes and Standards into Electric Utility Energy Efficiency Portfolios," IEE Whitepaper, August 2011.

Since 1987, the Federal Government has aggressively implemented a series of appliance, lighting, and equipment standards that have mandated minimum energy efficiency levels for these products. These standards have reduced electricity consumption particularly in the residential class. However, the incremental cost for a consumer to go to the next level of energy savings is typically not repaid in energy savings, making such a move not cost effective. As a result, programs that generated substantial savings in years past in other states, such as certain refrigerator, freezer and CFL lighting programs, are no longer cost effective. Kentucky residents purchasing these products have achieved savings just as customers in other states have, but because those purchases were not associated with energy efficiency programs we have never counted those savings and our metrics are not comparable to other states as a result.

As indicated in EKPC's 2012 IRP, EKPC commits to set aggressive, yet reasonable, DSM goals. EKPC has engaged KEMA, Inc. to assess EKPC's evaluation, measurement and verification ("EM&V") process; KEMA has provided EKPC with preliminary recommendations. EKPC is evaluating these recommendations and, once final recommendations are received from KEMA, will determine the best approach for its EM&V process going forward. However, EKPC will continue to select its supply side or demand side resources using least cost methodology and with consideration for what the ratepayers in each of our member territories can realistically achieve given their unique situations.

EKPC's response to Sierra Club Comment Part II: "Efficiency Resources in PJM Base Residual Auctions ("BRA")--subsection E

As stated previously, the Sierra Club has chosen to compare EKPC's performance and the reasonableness of its goals to a group of states that have higher electricity rates and very different legislative, regulatory and program structures, which provides greater incentive for

consumers to participate in DSM programs, and greater wealth, which provides greater means for consumers make the investments required to participate in DSM programs, so it is to be expected that those states would achieve greater DSM savings.

EKPC believes that it would be more appropriate to compare its performance and the reasonableness of its goals either to a carefully-selected group of similar utilities, if the necessary data could be obtained for such a peer group, or to a large pool of companies for which selection bias is not an issue, such as the entire PJM RTO. Energy efficiency represented only a 0.56% share of cleared capacity in the latest PJM base residual auction. As the intervenors noted, PJM allows such installations to receive capacity payments for up to 4 years, so this represents only roughly $0.56\% \div 4 = 0.14\%$ anticipated incremental annual capacity savings from energy efficiency. EKPC's incremental annual peak demand reduction from non-interruptible DSM of roughly 4 MW over the past decade, compared to its average winter peak demand of 2670 MW during that period, appears to be about average for a PJM member, and its 5-year goal appears to be somewhat aggressive.

PJM Reliability Pricing Model Base Residual Auction Cleared Capacity

Delivery Year	Demand Response		Energy Efficiency		Generation		Total	
	MW	Share	MW	Share	MW	Share	MW	Share
2012/2013	7,047.2	5.18%	568.9	0.42%	128,527.4	94.41%	136,143.5	100.00%
2013/2014	9,281.9	6.08%	679.4	0.44%	142,782.0	93.48%	152,743.3	100.00%
2014/2015	14,118.4	9.41%	822.1	0.55%	135,034.2	90.04%	149,974.7	100.00%
2015/2016	14,832.8	9.01%	922.5	0.56%	148,805.9	90.43%	164,561.2	100.00%

Source: PJM

EKPC intends to offer its demand response programs into the PJM capacity market and has considered the possibility of offering its energy efficiency programs into the market as well. However, the programs must first reach a number of participants and capacity prices must reach a level such that the anticipated capacity payments would exceed the increased measurement and

verification and other administrative costs EKPC would incur to comply with PJM requirements. EKPC must also consider the risk of penalties for capacity shortfalls due to either random error in the measurement and verification process or lower-than-expected program participation.

EKPC's Response to Sierra Club Comment Part III: "EKPC's IRP Fails to Evaluate the Potential for Cogeneration and Distributed Renewable Generation"

The Sierra Club intervened in EKPC's Case No. 2006-00472⁷. During this proceeding the Sierra Club provided proposed modifications to EKPC's tariff for Qualified Cogeneration and Small Power Production Facilities tariff ("cogen tariff"). The Commission denied the Sierra Club's proposed changes to EKPC's cogen tariff.⁸ Recognizing the need to revise its tariff for Qualified Cogeneration and Small Power Production Facilities ("cogen tariff"), EKPC filed an application with the Commission in 2008.⁹ In this proceeding, EKPC agreed to update its avoided costs rates annually; the updated cogen tariff rates are filed with the Commission on March 31 each year.

EKPC's most recent avoided costs update, which served as the basis for EKPC's cogen tariff filing on March 31, 2012, reflected fixed costs almost doubling and energy costs significantly declining. The fixed (capacity) portion of the tariff increased because the Environmental Protection Agency ("EPA") Mercury and Air Toxics ("MATS") rule will take effect in 2015 and EKPC may incur significant capital costs to comply with those rules. However, the energy portion of the tariff significantly decreased from the previous year's expectations. The value of offsetting wholesale power production costs is less due to the depressed fuel markets. Since EKPC's energy rates to the cogen facility have decreased, they

⁷ Case No. 2006-00472, General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.

⁸ Case No. 2006-00472, Order dated December 5, 2007 (ordering paragraph 5).

⁹ Case No. 2008-00128, The Revision of Cogeneration and Small Power Purchase Rates of East Kentucky Power Cooperative, Inc.

are less attractive now. Companies are reluctant to make such a large capital investment for reduced payback. Further, customers have shown that they include multiple factors other than cost in considering whether to install cogen facilities. With respect to cost alone, customers consider the anticipated life-cycle cost, which depends in part on assumptions or forecasts of input fuel prices over the lifetime of the project, the life-cycle avoided cost, which depends on assumptions or forecasts of utility rates over the lifetime of the project, and the first or initial cost. Even the largest customers are often unsophisticated in projecting energy costs, and this creates additional risk in their decision making. Initial cost can be an issue of affordability such that even if the project could be financed, it would displace other, possibly higher priority (or “core” business) projects. In addition, cogen system operation risk is often untenable to a customer, because they cannot accurately assess the risk of downtime (frequency of occurrence or duration). A large hotel with on-site laundry is typically a good cogen candidate, but the facilities manager rarely wants to risk his employment over the possibility of an outage occurring, under his control, during a major event such as a convention or wedding. Thus cogen adoption is not nearly as simple for customers as Sierra Club implies, and a “perfect” tariff, whatever that might be, would not be sufficient to stimulate the cogen market.

EKPC’s response to Sierra Club Comment Parts IV and VIII: “EKPC Has Improperly Punted Evaluation of Retiring Versus Retrofitting its Dale and Cooper 1 Units Even Though the Available Evidence Suggests that Retirement is Almost Certainly the Least Cost Compliance Plan” and “Conclusion”

As stated in the IRP, EKPC has issued a Request for Proposals (“RFP”) to obtain up to 300 MW of generation resources with an online date of October 2015. The RFP indicated that EKPC would consider both power purchase agreements and facility ownership of the following types of resources:

- New construction of conventional generation technologies and all fuel types to include turnkey, joint ownership or other alternatives;
- Existing conventional generation (a share of a plant could be accepted);
- New and existing renewable generation.¹⁰

The Brattle Group (“Brattle”) is serving as the Independent Procurement Manager for this RFP process. At present, Brattle is developing its recommendation on fulfilling this 300 MW of generation resources, which will be presented to EKPC’s board when ready.

Prior to filing its 2009 IRP, EKPC expressed concerns about including its plans to construct Smith Units 1 and 2 as a result of uncertainty surrounding air permits, and initially requested an extension of time for filing its 2009 IRP.¹¹ Commission Staff quickly reminded EKPC, via a data request, that the IRP is “considered a snap shot of a utility’s resource plan at a given point in time, which is recognized as being subject to change if the assumptions on which it is based change.”¹² Consequently, EKPC included Smith Units 1 and 2 in its 2009 IRP as these capacity additions were included in EKPC’s resource plan at that time. EKPC eventually cancelled the project and relinquished its Certificate of Public Convenience and Necessity for Smith Unit 1¹³ ; Smith Unit 2 was never certificated.

Additionally, EKPC recently received the Commission’s approval to fully integrate into the PJM Interconnection, LLC effective June 1, 2013.¹⁴ The impacts of this integration were not reflected in the IRP. To have included the impacts of PJM integration into EKPC’s 2012 IRP would have been premature since Commission approval was required.

¹⁰ See <http://www.ekpc-rfp2012.com/home/>

¹¹ Case No. 2009-00106, 2009 Integrated Resource Plan of East Kentucky Power Cooperative, Inc., motion filed March 9, 2009.

¹² Case No. 2009-00106, Staff’s First Data Request, Item request 2e, issued March 27, 2009.

¹³ Case No. 2010-00238, An Investigation of East Kentucky Power Cooperative, Inc.’s Need for the Smith 1 Generating Facility, final Order issued February 28, 2011.

¹⁴ Case No. 2012-00169, Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC., final Order issued December 20, 2012.

Although EKPC prepares its IRP in a prudent, deliberate manner, it represents EKPC's planning strategy at a point in time. This planning strategy may change as regulations, costs, or needs change and as new information, including the results of the RFP, become available.

EKPC's response to Sierra Club Comment Part V: "EKPC Should Factor In a Range of Potential CO₂ Costs Rather Than Assuming Such Cost Will Be Zero."

The Sierra Club opens their comments on CO₂ by accusing EKPC of speculation because EKPC does not assign a future cost to CO₂ emissions in EKPC's analysis of DSM programs. The Sierra Club cites a quote by Douglas F. Easamann, President of Duke Energy Indiana on his prognostication of what will occur in the regulatory arena related to CO₂ emissions. The Easamann comment assumes that there will be CO₂ laws enacted by the EPA but even Easamann characterizes the date of CO₂ emission laws by the EPA as "eventually". The timing of a CO₂ emission regulation is speculative. The reduction required for CO₂ emissions is speculative. The period to come into compliance with CO₂ regulation is speculative. The method of compliance is speculative. The only thing that is not in question today is that there aren't CO₂ emission laws in effect today.

EKPC's view on CO₂ emission is not of importance in the IRP. EKPC's mission and responsibility is to comply with local and federal laws. EKPC's current regulatory performance is excellent. The Sierra Club's objective as stated in their Beyond Coal literature is: Replace dirty coal with clean energy by mobilizing grassroots activists in local communities to advocate for the retirement of old and outdated coal plants and to prevent new coal plants from being built.

- Retiring one-third of the nation's more than 500 coal plants by 2020
- Replacing the majority of retired coal plants with clean energy solutions such as wind, solar, and geothermal

- Keeping coal in the ground in places like Appalachia and Wyoming’s Powder River Basin”

The Sierra Club credits itself with shutting down 137 coal burning power plants with 385 to go. The Sierra Club has roughly 600,000 members and its influence through relentless interventions and lawsuits cannot be understated. The Sierra Club’s goal is to shut coal plants down through any means possible.

EKPC believes that it is important for all involved to understand the underlying goals of the intervenors in this IRP. Clearly the Sierra Club’s drive to retire coal plants colors their advocacy for the assignment of higher costs to coal generation, including speculative costs such as compliance with non-existent future CO₂ emission regulations.

EKPC used its avoided cost filed with the PSC to evaluate DSM programs. This is appropriate because EKPC’s avoided cost represents the least cost option for future power supply. Using EKPC’s avoided cost puts DSM on the same footing as a conventional generation resource. EKPC’s avoided cost includes its next generation resource and market purchases.

Inclusion of market purchases in EKPC’s avoided cost includes the impact CO₂ compliance is expected to have on the market. Market prices are taken from the forward price curve prepared by ACES. The forward price curve for power prices seeks to capture and reflect all regulatory and market price drivers. The market view of impending CO₂ emission cost is inherently reflected in the forward curve for power prices. It may not be apparent, but the power market’s view of the timing and cost of CO₂ is incorporated into EKPC’s avoided cost.

EKPC's response to Sierra Club Comment Part VI: "The IRP Fails to Address Uncertainties Through the Use of Sensitivity Analyses."

EKPC's IRP addresses uncertainties through a robust and sophisticated mathematical approach utilizing statistical estimations. Sensitivity or scenario analyses are appropriate when a deterministic analytical approach is utilized. A deterministic model is a mathematical model in which outcomes are precisely determined through known relationships among states and events, without any room for random variation. EKPC has utilized a more sophisticated probabilistic analytical approach for the past several years. A probabilistic model is a statistical analysis tool that estimates, on the basis of historical data, the probability of an event occurring again. Input variables are modeled with statistical parameters as opposed to a single expected point estimations, or deterministic values. Describing the variables with statistical parameters better estimates the risks entailed with decisions, as opposed with utilizing single point estimates and then moving those single points to sensitivity points.

As stated on page 158 of the IRP, "the model used the statistical load methodology. There is one set of load data in the model, which was created from the EKPC Load Forecast. Around this forecasted load, a range of distributions created four additional loads to define the high and low range of the potential loads to be examined. The model draws load data a few days at a time from the different forecasts (to represent weather patterns) to assemble the hourly loads to be simulated. Each iteration of the model draws a new load forecast to simulate. Actual and forecasted market prices, natural gas prices, coal prices, and emission costs are correlated to the load data used in the simulation. Five hundred (500) iterations are used in the model simulations."

EKPC's response to Sierra Club Comment Part VII: "EKPC has Failed to Carry Out an Open, Transparent, and Collaborative Process During the IRP Proceeding"

Below are pertinent sections of the IRP regulation:

807 KAR 5:058 – Introduction – This administrative regulation prescribes rules for regular reporting and commission review of load forecasts and resource plans of the state's electric utilities to meet future demand with an adequate and reliable supply of electricity at the lowest possible cost for all customers within their service areas, and satisfy all related state and federal laws and regulations.

807 KAR 5:058, Section 1(2) – Each electric utility shall file triennially with the commission an integrated resource plan. The plan shall include historical and projected demand, resource, and financial data, and other operating performance and system information, and shall discuss the facts, assumptions, and conclusions, upon which the plan is based and the actions it proposes.

807 KAR 5:058, Section 2(2) – Immediately upon filing of an integrated resource plan, each utility shall provide notice to intervenors in its last integrated resource plan review proceeding, that its plan has been filed and is available from the utility upon request.

807 KAR 5:058, Section 11(1) – Upon receipt of a utility's integrated resource plan, the commission shall develop a procedural schedule which allows for submission of written interrogatories to the utility by staff and intervenors, written comments by staff and intervenors, and responses to interrogatories and comments by the utility.

807 KAR 5:058, Section 11(3) – Based upon its review of a utility's plan and all related information, the commission staff shall issue a report summarizing its review and offering suggestions and recommendations to the utility for subsequent filings.

The regulation clearly establishes that it is the utility's integrated resource plan and not a plan that is the result of a collaborative stakeholder review process. Regardless of the PSC Staff comments in the last IRP report, by providing for interrogatories the IRP review process is adversarial in nature. EKPC would note that when it intervened, the Sierra Club acknowledged that EKPC filed its IRP on April 20, 2012 and the procedural schedule was established on May 25, 2012. However, the Sierra Club, which itself is not a member of EKPC nor any EKPC

member system, waited until June 8, 2012 to file its motion for intervention. This action resulted in the procedural schedule having to be amended to accommodate the timing of the Sierra Club's filing. The IRP regulation at no time requires a collaborative process be employed during the development or review of the utility's IRP. The Sierra Club confuses the IRP review with the DSM and Renewable Energy Collaborative ("Collaborative") EKPC and 16 other parties formed in March 2011.¹⁵ The operation of that Collaborative has no bearing on the processing of the IRP. While some topics do overlap, the operation of that Collaborative is not related to the "open and transparent approach" the Sierra Club argues is part of resource planning.

The Collaborative includes the following outside organizations: Appalachia-Science in the Public Interest; Frontier Housing; Kentuckians for the Commonwealth ("KFTC"); Kentucky Environmental Foundation; Mountain Association for Community Economic Development; Office of the Attorney General; and Sierra Club. With the exception of the Sierra Club, these outside organizations requested that the Collaborative be suspended during the IRP discovery period as these organizations did not want to obstruct the flow of information from EKPC and its member systems to the other members of the Collaborative.

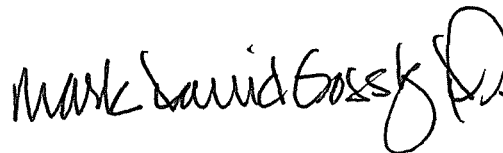
It is important to note that, on September 5, 2012, the KFTC offered public comments in this proceeding. Their comments included the statement that they "have been encouraged by the incremental progress that EKPC and the distribution co-ops have made toward DSM and EE." They further state that "we are especially encouraged by EKPC's and the distribution co-ops' participation in the DSM/Renewable Energy Collaborative along with KFTC and other public interest groups. Not only have EKPC and the co-ops been willing participants in the

¹⁵ This Collaborative was formed as part of a Settlement Agreement which was approved by the Commission in Case No. 2010-00238, An Investigation of East Kentucky Power Cooperative, Inc.'s Need for the Smith 1 Generating Facility.

Collaborative process, but they also included the initial recommendations developed by the Collaborative in this 2012 IRP.”

In conclusion, EKPC has, in good faith, compiled a very thoughtful, substantive and well-reasoned IRP. The Sierra Club’s comments in response to the IRP are unfair, counterproductive and are largely a waste of time for all concerned. EKPC respectfully suggests that the Sierra Club’s time and resources could be better utilized by eliminating its venomous rhetoric with an effort to engage in a collegial discussion with EKPC and the other interested stakeholders to address the issues of most concern to it. EKPC welcomes the Commission Staff’s comments, all of which will be addressed in its 2015 IRP.

This 11th day of February 2013.

A handwritten signature in black ink that reads "Mark David Goss" followed by a stylized initial "D".

Mark David Goss
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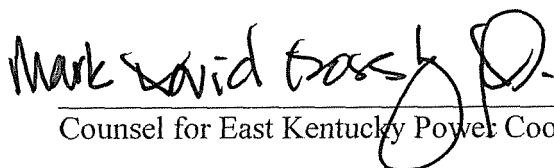
CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served, by depositing same in the custody and care of the U.S. Mail, postage pre-paid, on this 11th day of February 2013, addressed to the following:

Honorable Michael L. Kurtz
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