Goss ▪ Samford PLLC
Attorneys at Law

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OCT 18 2013
PUBLIC SERVICE COMMISSION

Mark David Goss
mdgoss@gosssamfordlaw.com

October 18, 2013

VIA HAND DELIVERY

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

RE: Case No. 2013-00259

Dear Mr. Derouen:

Enclosed for filing, please find one original and ten copies of East Kentucky Power Cooperative, Inc. ("EKPC") responses to Commission Staff's Initial Request for Information dated October 4, 2013 in the above referenced case. Also enclosed are an original and ten copies of EKPC's Petition for Confidential Treatment of Information ("Petition") regarding the responses to Requests 5a-c, 7a, 7b and 9. One unredacted copy of the designated confidential portions of each of the responses to Requests 5a-c, 7a, 7b and 9, which are the subjects of the Petition, is enclosed in a sealed envelope.

If you have any questions or require additional information, please contact me.

Very truly yours,

Mark David Goss

Mark David Goss

Enclosures

cc: Hon. Michael L. Kurtz

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	)	PSC CASE NO. 2013-00259

MOTION FOR CONFIDENTIAL TREATMENT

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, pursuant to KRS 61.878, 807 KAR 5:001, Section 13 and other applicable law, and for its Motion requesting that the Kentucky Public Service Commission ("Commission") afford confidential treatment to portions of various responses to the Commission's data requests in the above-captioned proceeding, respectfully states as follows:

1. EKPC's Application requests the Commission to issue a Certificate of Public Convenience and Necessity ("CPCN"), pursuant to KRS 278.020(1), for an environmental compliance project that involves re-routing the existing duct work for EKPC's Cooper Station Unit #1 ("Cooper #1") such that its emissions are able to flow to the Cooper Station Unit #2 Air Quality Control System ("Cooper #2 AQCS") (the "Project"). For a capital investment of approximately $15 million, EKPC will be able to retain 116 MW of existing capacity, thereby reducing its need to procure new capacity from other sources. The Application also requests that

the Commission authorize EKPC to amend its Environmental Compliance Plan, pursuant to KRS 278.183, so that EKPC may recover the costs associated with the Project through its existing environmental surcharge mechanism.

2. On October 4, 2013, the Commission issued data requests to EKPC, which included four questions relating to the proposals received by EKPC in response to its 2012 Request for Proposals ("RFP"). In Request No. 5a-c, the Commission requested "the work papers...used in analyzing the proposals during the initial evaluation process in arriving at the Short List" of bids received as part of the RFP. In Request No. 7a, the Commission requested "a list of the proposals in the Short List showing the net present value per MW-year for each proposal." In Request No. 7b, the Commission requested "the work papers, in electronic format, used in analyzing the Short List proposals." Finally, in Request No. 9, the Commission requested "the cost details for the three alternative contract term proposals provided" in page 13 of Exhibit 1a of EKPC's Application. Contemporaneous with the filing of this Motion, EKPC is tendering information responsive to each of these requests.

3. The responses to the foregoing requests contain information that identifies the specific bidders submitting each bid received in the RFP along with other information concerning the bids that is commercially sensitive and proprietary. This information includes the proposed term of an agreement, the location of existing or proposed generating units, the operating characteristics of such units, pricing amounts and mechanisms for energy, capacity, fuel and other products associated with the bids, fixed and variable operation and maintenance costs; capital costs, dispatch pricing, emissions data and capacity ratings, among other things. This information is so pervasive throughout EKPC's responses to the foregoing requests, that it cannot be reasonably or easily isolated and redacted so as to create a "public" version of the

responses. The responsive work papers used in the RFP's evaluation processes and the summaries of those processes are filled with this type of confidential and proprietary information.

4. The above-described information (the "Confidential Information") that is included in EKPC's responses to the foregoing data requests is proprietary and commercially sensitive information that is retained by EKPC on a "need-to-know" basis and that is not publicly available. If disclosed, the Confidential Information would give bidders and potential business partners a tremendous advantage in the course of ongoing negotiations to fulfill the balance of the anticipated future capacity need. Disclosure would also give participants in the broader energy market a material advantage in relations with EKPC as a result of knowing the business strategies being implemented by EKPC and the market assumptions made by EKPC or The Brattle Group, EKPC's retained consultant for managing the RFP and assisting with the evaluation of the bids received. These market advantages would very likely translate into higher costs for EKPC and, by extension, detrimentally higher rates for EKPC's Members.

5. The Kentucky Open Records Act exempts the Confidential Information from public disclosure. *See* KRS 61.878(1)(c). As set forth above, disclosure of the Confidential Information would permit an unfair advantage to third parties. Moreover, the Kentucky Supreme Court has stated, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). The information derived from the responses to the foregoing requests would clearly relate to EKPC's internal deliberations as to which bids it may select to complete the acquisition of up to 300 MW of additional power and capacity. Because the Confidential Information is critical to EKPC's effective execution of business decisions and

strategy, it satisfies both the statutory and common law standards for affording confidential treatment. The Commission has previously recognized that bidder information should be afforded confidential treatment. *See e.g. In the Matter of the Application of Atmos Energy Corporation for Approval of Third Party Gas Supply Agreement*, Order, Case No. 2006-00194 (Ky. P.S.C. Aug. 18, 2006) ("The Commission has afforded confidential treatment to Atmos's proposed gas supply agreement, the particulars of the bids and Atmos's analysis.").

6. EKPC does not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable confidentiality and nondisclosure agreement, to Gallatin Steel or any other intervenors with a legitimate interest in reviewing the same for the sole purpose of participating in this case.

7. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC is filing one copy of responses to Request Nos. 5a-c, 7a, 7b and 9 separately under seal. The public version of EKPC's filing notes that these responses have been submitted to the Commission under seal in their entirety.

8. In accordance with the provisions of 807 KAR 5:001, Section 13(3), EKPC respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time – will no longer be commercially sensitive so as to likely impair the interests of EKPC if publicly disclosed.

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests the Commission to enter an Order granting this Motion and to so afford such protection from public disclosure to the unredacted copies of referenced responses, which are filed herewith under seal, for a period of ten years from the date of entry of such an Order.

This 18th day of October 2013.

Respectfully submitted,

Mark David Goss
David S. Samford
GOSS SAMFORD, PLLC
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Lexington, KY 40504
(859) 368-7740
mdgoss@gosssamfordlaw.com
david@gosssamfordlaw.com

Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing was deposited in the custody and care of the U.S. Mail, postage prepaid, on this the 18th day of October 2013, addressed to the following:

Mr. Mike Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 510
Cincinnati, OH 45202

Counsel for East Kentucky Power Cooperative, Inc.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	))))))))	CASE NO. 2013-00259

RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC. DATED OCTOBER 4, 2013

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	)	**CASE NO. 2013-00259**

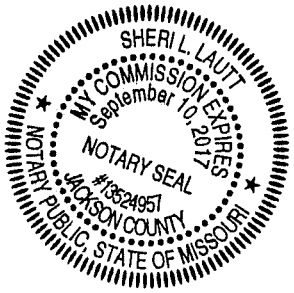
CERTIFICATE

STATE OF Missouri)
)
COUNTY OF Jackson)

Block Andrews, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in the above-referenced case dated October 4, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Block Andrews

Subscribed and sworn before me on this 11th day of October, 2013.



Sheri L. Lautt
Notary Public

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	)	**CASE NO. 2013-00259**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Craig A. Johnson, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in the above-referenced case dated October 4, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Craig A. Johnson

Subscribed and sworn before me on this 18th day of October, 2013.

Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	))))))))	**CASE NO. 2013-00259**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Jerry B. Purvis, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in the above-referenced case dated October 4, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Jerry Purvis

Subscribed and sworn before me on this 17th day of October, 2013.

Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2015
NOTARY ID #409352

OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	))))))))	**CASE NO. 2013-00259**

CERTIFICATE

STATE OF MA)
COUNTY OF Middlesex)

James Read, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in the above-referenced case dated October 4, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Subscribed and sworn before me on this 16 day of October, 2013.

JENNIFER M. OSSEN
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
February 11, 2016

Notary Public

COMMISSION EXPIRES:
2/11/2016

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	)	**CASE NO. 2013-00259**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in the above-referenced case dated October 4, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Isaac S. Scott

Subscribed and sworn before me on this 18th day of October, 2013.

Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF EAST KENTUCKY POWER POWER COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ALTERATION OF CERTAIN EQUIPMENT AT THE COOPER STATION AND APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR ENVIRONMENTAL SURCHARGE COST RECOVERY	)	**CASE NO. 2013-00259**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in the above-referenced case dated October 4, 2013, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Julia J. Tucker

Subscribed and sworn before me on this 18th day of October, 2013.

Gregory M. Williams

Notary Public
MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 1
RESPONSIBLE PARTY: James Read

Request 1. Refer to page 4, paragraph 13 of EKPC's verified application ("Application"), where EKPC states that its 2012 Integrated Resource Plan indicated a need for up to 300 MW of additional generating capacity by October 2015, driven largely by the need to comply the Mercury and Air Toxics Standards ("MATS") regulation. If the project proposed in this case is approved and the 116-MW Cooper Unit 1 remains operational, EKPC is still expected to have a capacity deficit of approximately 184 MW by October 2015. Explain whether the cost of acquiring the additional 184 MW, in addition to the $15 million requested in case, would exceed the cost of other options available to EKPC to obtain 300 MW of capacity.

Response 1. The 2012 IRP was prepared prior to the integration of EKPC into PJM. Now that EKPC has been integrated into PJM, the addition of capacity identified in the IRP is an option, not a requirement.

We assumed in our evaluation of proposals that EKPC would be integrated into PJM. Therefore, we calculated the net present value of proposals based on PJM market prices. Net present value is the present value of the energy and capacity the resources are projected to produce less the present value of the costs associated with the resources. We did not calculate the cost of acquiring additional capacity apart from this net present value.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 2
RESPONSIBLE PARTY: Julia J. Tucker

Request 2. Refer to pages 4 and 5, paragraph 14 of the Application. Explain, for purposes of the Request for Proposal ("RFP"), how EKPC determined the thresholds for conventional projects at 50 MW or greater and renewable projects at 5 MW or greater.

Response 2. EKPC was evaluating its options for retrofitting or retiring central station plants. The plants being considered ranged in individual sizes from 25 MW to 116 MW, for a total of approximately 300 MW. The standard transactions in the PJM market occur in 50 MW blocks. Therefore, EKPC determined that a minimum block of 50 MW for conventional projects was reasonable. That would be considered large for some renewable projects, so EKPC dropped the minimum size on those projects to 5 MW to allow more and varied projects to be available for bid.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 3
RESPONSIBLE PARTY: Julia J. Tucker

Request 3. Refer to page 6, paragraph 17 of the Application. The second bullet point states that "[a]dditional savings should be captured through efficiencies realized by continuing to operate both Cooper #1 and Cooper #2." Provide an explanation and quantification of the savings to be realized by the continued operation of Cooper Units 1 and 2.

Response 3. EKPC did not quantitatively capture the savings related to additional efficiencies. These savings were considered to be over and above the already identified NPV valuation and were considered only as qualitative enhancements to the project. EKPC would expect to realize efficiencies of operating two units at a single plant site as opposed to two units at different locations for processes such as fuel handling, testing, water supply, transmission and around the clock operations.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 4
RESPONSIBLE PARTY: Jerry B. Purvis

Request 4. Refer to page 7, paragraph 21 of the Application, which states that EKPC has submitted various federal and state permit applications for the proposed project. Identify the federal and state permits that have been applied in connection with the proposed project and state when in 2014 EKPC expects to have approval of these permits.

Response 4. The various permit applications were discussed in the Purvis Direct Testimony, pages 6 and 7 and the attached exhibits to that testimony. As discussed on page 6 of the Purvis Direct Testimony and Exhibit JBP-1, EKPC sought approval from the Kentucky Division of Air Quality ("DAQ") pursuant to the Regional Haze State Implementation Plan ("SIP") and received an approval letter on June 3, 2013. As discussed on page 7 of the Purvis Direct Testimony and Exhibit JBP-2, EKPC requested from DAQ a one-year extension from the permit authority pursuant to the Environmental Protection Agency's Mercury and Air Toxic Standards on June 24, 2013. As shown in Exhibit JBP-3, the DAQ granted the request for a one-year extension for this project on July 24, 2013. As discussed on page 7 of the Purvis Direct Testimony and Exhibit JBP-4, EKPC submitted a permit application to DAQ on March 25, 2013 seeking revisions to the Cooper Title V permit to implement the Project. This application is pending before DAQ. EKPC anticipates a decision from DAQ in the second quarter of 2014.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 5
RESPONSIBLE PARTY: James Read

Request 5. Refer to Exhibit 1a of the Application, page 4, concerning the initial evaluation procedure. Provide the work papers, in electronic format, used in analyzing the proposals during the initial evaluation process in arriving at the Short List.

Responses 5a-c. The entirety of this response is included on the CD filed under seal and subject to confidential treatment.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 6
RESPONSIBLE PARTY: James Read

Request 6. Refer to Exhibit 1a of the Application, page 5. In the Capacity Credits section, the Brattle Group ("Brattle") assigned capacity credits of 85 percent to renewable generation resources other than solar and wind generation. Fully explain how the 85 percent capacity credit was derived, including any analysis utilized to determine this capacity credit value.

Response 6. The 85% stated in Exhibit 1A is incorrect. The capacity credit used for other renewables was 90%. None of the proposals in this category (renewables other than wind and solar) indicated a positive net present value at a 90% capacity credit and we did no further analysis to revise the 90% figure.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 7
RESPONSIBLE PARTY: James Read

Request 7. Refer to Exhibit 1a of the Application, page 6. The first full paragraph states that "Brattle and EKPC selected six proposals for the Short List by identifying the proposal in each category with the highest NPV per MW-year. In addition, EKPC chose to include a seventh proposal in the Short List."

Request 7a. Provide a list of the proposals in the Short List showing the net present value per MW-year for each proposal

Response 7a. The following numbers (rounded to thousands of dollars) are based on evaluations prior to discussions with Short List bidders. Numbers have been revised in light of discussions with bidders.

[redacted]

Request 7b. Provide the work papers, in electronic format, used in analyzing the Short List proposals.

Response 7b. See response to Request 5a-c. This response is filed under seal and subject to confidential treatment.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 8
RESPONSIBLE PARTY: James Read

Request 8. Refer to page 6 of Exhibit 1a. In the Purchase of New Natural Gas Facility section it states that the project cost of the facility includes sales tax. Provide the rationale for including the sales tax and describe how the amount was calculated.

Response 8. The amount for sales tax was included in the bidder's proposal. It was not estimated by the evaluation team.

REDACTED

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 9
RESPONSIBLE PARTY: James Read

Request 9. Refer to the last paragraph on page 13 of Exhibit 1a. Provide the cost details for the three alternative contract term proposals discussed in this paragraph.

Response 9. [redacted]

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 10
RESPONSIBLE PARTY: Julia J. Tucker

Request 10. Refer to Exhibit 1b of the Application, page 1. The last sentence of the first paragraph of the letter states that "[a]ll of the proposals were judged against the forward market to determine the value they each provided." Provide this analysis.

Response 10. This statement is referring to the analysis that Brattle Group completed for EKPC and is discussed in Exhibit 1a. The work papers have been provided by James Read of the Brattle Group in Responses 5 and 7b of this Data Request.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 11
RESPONSIBLE PARTY: Julia J. Tucker

Request 11. Refer to Exhibit 1b of the Application, page 2. The last sentence states that EKPC reserves the ability to reassess the market through a new RFP. Describe any plans that EKPC has to issue a new RFP.

Response 11. EKPC does not currently have any plans to issue a new RFP.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 12
RESPONSIBLE PARTY: Jerry B. Purvis

Request 12. Refer to Exhibit 6 of the Application, the Direct Testimony of Jerry B. Purvis, page 4. At lines 1 and 2, it states that "[t]he proposed Project is designed to achieve compliance with the Regional Haze SIP PM emission limitation and the BART requirements for both Cooper Unit 1 and Unit 2 ...." State and describe in detail whether the proposed Cooper Unit 1 project Improves, degrades, or has no impact on Cooper Unit 2's compliance with the Regional Haze SIP PM emission limitation and BART requirements.

Response 12. The proposed Project has no impact on Cooper Unit 2's compliance with regard to the Regional Haze SIP PM emission limitations and BART requirements. Both units must comply pursuant to BART, EPA-R04-OAR-2009-0783-0015, by April 30, 2017.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 13
RESPONSIBLE PARTY: Julia J. Tucker

Request 13a. Refer to Exhibit 7 of the Application, the Direct Testimony of Julia J. Tucker ("Tucker Testimony"), page 4. Refer to lines 16 and 17, where Ms. Tucker states that "[i]t is possible that the 300 MW could be retired without any replacement capacity, those impacts would be reflected in EKPC's cost to serve its load." It is further clarified in lines 17 through 19 that the replacement capacity became strictly an economic issue when EKPC joined PJM, and no longer had reliability impacts. Explain the meaning of these statements in detail.

Response 13a. PJM requires Load Serving Entities (LSE) such as EKPC to purchase capacity from the PJM capacity market to satisfy its capacity obligation in the PJM market. EKPC can also sell its excess capacity into the PJM capacity market. As such, any expenses EKPC incurs to purchase such capacity are offset by revenues from any such sales of capacity.

To participate in the capacity auction, EKPC must either own or have rights via a firm contract to any capacity it seeks to sell. If EKPC purchases more capacity from the auction than it sells into the auction, then the incremental cost of the capacity will show up as a cost to EKPC on its PJM bill. If EKPC sells more capacity than it purchases in the auction, then the net difference will show up as a negative cost (income) on the PJM bill. One of the key points of EKPC's business case to join PJM was that joining PJM would result in a net positive capacity position for EKPC.

PJM is responsible for reliability. The PJM market is structured so that an LSE without any generation can satisfy its capacity requirements through purchases from the capacity market. While an LSE with no generation can satisfy its capacity requirement through the capacity market, capacity purchased from the PJM capacity market does not provide the LSE a hedge on the price of energy. The purchase of capacity ensures the option to purchase energy from the Day Ahead and Balancing Energy markets. Capacity purchased from the market does not come with a heat rate like owning or contracting for a physical resource does.

EKPC's physical asset portfolio acts as a cap to the price of energy EKPC will experience in the Day Ahead and Balancing Markets. The investment in Cooper 1 allows EKPC to continue to benefit from excess capacity sales and the physical asset provides a cap to energy purchased from the Day Ahead and Balancing Markets. As a winter peaking utility, EKPC still needs physical assets to cap the price of energy it could experience during winter months.

Request 13b. The Tucker Testimony refers multiple times to an anticipated future capacity gap. In Case No. 2012-00169 the Commission noted that EKPC required a net 290 MWs less planning reserve capacity upon full integration into PJM. Other than from an economic standpoint, is the capacity gap still anticipated? Explain in detail.

Response 13b. The capacity auction for the PJM planning year of June 1, 2015 through May 31, 2016 showed that EKPC would have just under 400 MW of excess capacity as compared to its PJM capacity obligation, assuming no existing capacity was retired. EKPC has excess capacity because prior to joining PJM, EKPC was a Balancing Authority and had to maintain sufficient capacity and reserves to cover its winter peak.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 14
RESPONSIBLE PARTY: Julia J. Tucker

Request 14. Refer to page 9 of the Tucker Testimony.

Request 14a. Refer to lines 5 through 6, which state that splitting the 300 MW of capacity would decrease the risks associated developing new capacity by spreading the technology and operational risks. Explain what is meant by this statement.

Response 14a. If EKPC purchased 300 MW of capacity from one new / existing project, then the entire amount of capacity would be dependent on that one project. If the project incurred a "fatal flaw" such as not obtaining permits, equipment, financing, etc., then EKPC would not have obtained any of its capacity in the expected time frame, resulting in a 100% failure during the delay period. By splitting the 300 MW into multiple projects, then the risk of incurring a "fatal flaw" has less impact from a total capacity basis.

Request 14b. Refer to lines 14 and 15, where it is stated that the RFP process should be completed by the end of the third quarter of 2013. Provide the RFP results when they are completed.

Response 14b. EKPC has not finalized its RFP negotiations. Once it does, the final results can be provided.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00259
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 15
RESPONSIBLE PARTY: Block Andrews

Request 15. Explain whether the proposed project will affect the type of fuel burned at Cooper Unit 1.

Response 15. The study analysis assumed that the type of fuel burned in Cooper Unit 1 would remain the same. The scrubber operation could potentially open additional fuel sources to the Cooper Unit 1, but any economics associated with this transition were not considered in this analysis.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 16
RESPONSIBLE PARTY: Block Andrews

Request 16. Refer to Exhibit 9 of the Application, the Direct Testimony of Block Andrews ("Andrews Testimony"). On page 3, lines 12 through 18, Mr. Andrews discusses Burns and McDonnell's comprehensive involvement in designing the Cooper Unit 2 Retrofit Air Pollution Project, approved by the Commission In Case No. 2008-00472 in May 2009. As an employee of Burns and McDonnell at the time the Cooper Unit 2 air-quality control system ("AQCS") was designed, what was Mr. Andrews' involvement in the initial Cooper 2 AQCS proposal?

Response 16. I was not involved in the original Cooper Unit 2 AQCS proposal.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 17
RESPONSIBLE PARTY: Block Andrews

Request 17. On page 5 of the Andrews Testimony, Mr. Andrews provides several justifications for combining the exhausts of Cooper Units 1 and 2. In lines 15 through 16, he observes that Cooper Unit 2 is functioning well and is capable of controlling additional exhaust gas flow.

Request 17a. When Burns and McDonnell performed the initial Cooper Unit 2 design, was the Unit 2 AQCS oversized?

Response 17a. In my discussion with the project design team from the Unit 2 AQCS, the Cooper Unit 2 AQCS system was not originally oversized from an exhaust gas flow perspective beyond typical design margins for similar systems. However, fuel parameters such as sulfur content were specified with extra margin to allow for future flexibility.

Request 17b. At the time the Cooper Unit 2 AQCS was designed, was the eventual rerouting of the exhaust from Cooper 1 into Cooper 2 considered? If not, explain why this was not considered. If so, explain in detail why the tie-in was not made at that time.

Response 17b. In my discussion with the project design team from the Unit 2 AQCS, rerouting the exhaust from Cooper Unit 1 through the Unit 2 AQCS was never considered during the design of the Cooper Unit 2 AQCS system. The primary goal of the Cooper Unit 2 AQCS project was to meet the US EPA consent decree requirements which only required SO_2 control on Cooper Unit 2. MATS limits were not established at the time of the Unit 2 AQCS design.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 18
RESPONSIBLE PARTY: Block Andrews

Request 18. Refer to page 6 of the Andrews Testimony, which discusses the methods that Burns and McDonnell, along the vendor Andritz, utilized to confirm the ability of the Cooper Unit 2 AQCS to process the exhaust from both Cooper Units 1 and 2.

Request 18a. Provide further information and detail regarding the "physical flow model."

Response 18a. A 1/12 scale physical flow model was constructed as part of the Cooper Unit 2 AQCS project. The physical flow model is an actual working system that was built to simulate the performance of the "as built" ACQS. This model has been modified to include the Cooper Unit 1 ductwork tie-in to simulate the performance as part of the initial study phase. Additional testing with this model is planned as the project moves forward for design of ductwork turning vanes.

Request 18b. Explain in detail how the Andritz proprietary software interlaces a physical flow model.

Response 18b. The Andritz proprietary software is mainly utilized for design of the AQCS scrubber vessel based on their experience with existing operational units. It utilizes the same input parameters as the physical flow model including exhaust flow rates.

Request 18c. Mr. Andrews states that the analysis could not provide a definitive upper level of treatable exhaust gas. Is the AQCS bordering on its upper treatment limit level? Explain in detail.

Response 18c. Based on the results of the analyses and testing that has been performed, it has been determined by Andritz that the AQCS system is capable of treating the expected exhaust gas from both Cooper Unit1 and Unit 2 at full load. Andritz has provided a contractual guarantee that the system will perform with this exhaust gas flow. No testing has been performed to see what the upper treatment limit would be above the full load of Units 1 and 2.

Request 18d. Explain in detail the test utilizing the existing bypass on Cooper 2 and the results of this test.

Response 18d. The original testimony submitted referred to a bypass system that was utilized for testing. A more accurate description of the system that was utilized for the testing would be a recirculation system. The recirculation system on the Cooper Unit 2 AQCS allows the unit to continue operation at lower unit loads by recirculating treated exhaust gas from the PJFF outlet back to the DFGD inlet to maintain the minimum velocities necessary to support the bed in the scrubber vessel. Typically, this recirculation system is not required when the unit is at full load. To simulate the effects of introducing the additional exhaust flow from Unit 1, the recirculation system was opened while Cooper Unit 2 was at full load until the exhaust gas flow equivalent to the operation of both Unit 1 and Unit 2 was reached. The system was operated for several hours at these conditions and performed satisfactorily.

Request 18e. Discuss in detail the low load restrictions for Cooper 1 in conjunction with the AQCS, and the consequences of forced outages on either Cooper Unit 1 or 2.

Response 18e. The Cooper Unit 2 AQCS system has a minimum exhaust flow requirement to allow it to successfully operate by suspending the bed in the scrubber vessel. This load is the equivalent of approximately 100 MW. Therefore, if Unit 1 is operating alone, there will be a restriction in the turndown on Unit 1 to no lower than approximately 100 MW. The consequence of a forced outage on Unit 2 would be a minimum load restriction on Unit 1. There would not be any consequence to Unit 2 with a forced outage on Unit 1.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 19
RESPONSIBLE PARTY: Block Andrews and Craig A. Johnson

Request 19. Refer to page 7, lines 9 through 11 of the Andrews Testimony, which discuss an increase in ash hauling to the landfill. What is the current state of the existing Cooper landfill? How will the increase in ash affect the landfill, and when is the landfill projected to reach capacity? Discuss in detail.

Response 19. Cooper Station Landfill is located on site; therefore, any increase in hauling will occur on plant property only. EKPC recently permitted a horizontal expansion that provided 10,773,000 Cubic Yards of capacity. The capacity permitted was based on 28 years of site life using the equipment manufacturer's projections of the amount of ash that would be produced. Now that the equipment is in service EKPC is seeing a lower production than was projected. The new projections based on current coal sources for scrubbing Unit 1 & Unit 2 are still slightly under the manufacturer's initial projection the landfill capacity was based on. Therefore, the increase in ash will have no effect on the landfill and a minimum of 28 years of capacity is still available.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 20
RESPONSIBLE PARTY: Block Andrews

Request 20. Refer to page 7, lines 16 and 17 of the Andrews testimony, which state that Andritz will guarantee emission and levels that will meet MATS and BART compliance limits. Provide a copy of this guarantee.

Response 20. See attached letter from Andritz concerning guarantees.

ANDRITZ

October 17, 2013

East Kentucky Power Cooperative, Inc.
4775 Lexington Road
Winchester, KY 40391

Attention: Tony Campbell
President & CEO

Dear Mr. Campbell,

ANDRITZ Environmental Solutions Inc. (ANDRITZ) has entered into a contract with East Kentucky Power Cooperative Inc. for the design and supply materials and equipment as specified to modify the existing Cooper Unit 2 FGD System to accept and treat flue gas from Cooper Unit 1. As part of the contract, ANDRITZ has guaranteed that the modified Cooper Unit 2 FGD System will meet or exceed the emissions limits identified in the following table:

Emission	Units	Performance
SO_2	% Removal lb/MMBtu	95% 0.10
PM (Filterable)	lb/MMBtu	0.030
PM (Total)	lb/MMBtu	0.045
Mercury (Hg)	% Removal	70% removal to a minimum 1 lb/TBtu (70% Oxidized Hg at inlet)[1] 80% removal to a minimum 1 lb/TBtu (90% Oxidized Hg at inlet)[1]

1 Note: The expected mercury removal from the FGD System is 90%.

ANDRITZ Environmental Solutions Inc.
9730 Patuxent Woods Drive, Suite 100
Columbia, MD 21046 USA
Phone: +1 (410) 910 5100
Fax: +1 (410) 910 5101
www.andritz.com

ANDRITZ

These emissions guarantees are subject to the unit performance parameters specified in the contract documents, including but not limited to flue gas flow rate and emissions values entering the FGD System from both Cooper Unit 1 and Cooper Unit 2.

I trust this satisfies your informational requirements at this time.

Best regards,

Donald R. Hug
Vice President
Air Pollution Control, North America

EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 21
RESPONSIBLE PARTY: Craig A. Johnson

Request 21. Refer to page 8 of the Andrews Testimony which refers to modifications of the ESP on Cooper Unit 1. Are there alterations in the actual ESP or its configuration? Describe in detail the nature and extent of these modifications.

Response 21. Making alterations to the existing Unit 1 ESP was one of the MATS compliance options that were considered during the original study phase. It was determined that the Unit 1 ESP alone, would not be expected to meet the MATS PM limits, even with modifications. However, based on utilizing the existing Cooper Unit 2 AQCS system for MATS compliance, no alterations will be made to the existing Cooper Unit 1 ESP.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 22
RESPONSIBLE PARTY: Block Andrews

Request 22. Refer to page 9 of the Andrews Testimony which discusses back-pressure affecting the net output, but not gross output, of the AQCS system. Explain in detail the back-pressure issue.

Response 22. Routing the existing Cooper Unit 1 exhaust through the Unit 2 AQCS system adds back pressure to the system. This will result in additional power usage from the ID fan in order to compensate for the additional pressure drop. The gross capacity will not be impacted but the net output will be slightly lower.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 23
RESPONSIBLE PARTY: Block Andrews

Request 23. Refer to page 10, lines 1 through 12 of the Andrews Testimony, which discuss the benefits of the multiple-contractor approach to execute the AQCS project. Explain in detail whether Burns and McDonnell will operate as the project engineer/construction manager coordinating work of multiple contractors.

Response 23. Burns & McDonnell is under contract with EKPC as the "Owner's Engineer" to provide Engineering and Construction Management Services for the AQCS project. In this role Burns & McDonnell will act as an extension of the EKPC Engineering Staff and will provide design, assistance with development of contracts and technical specifications, procurement support for equipment and construction services, and field management of the project.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 24
RESPONSIBLE PARTY: Block Andrews

Request 24. Refer to page 11, lines 11 through 14 of the Andrews Testimony, which state that "[d]uring a scheduled unit outage, the new equipment will be tied into the system. From January 2016 through March 2016, the system will have startup, shakedown and commissioning prior to the expected MATS compliance date of April 16, 2016." Provide a timeline for when the Cooper Units 1 and 2 will be out of service for the proposed Cooper Unit 1 project.

Response 24. In the current project schedule, we plan for the outage of Cooper Units 1 and 2 to occur from December 1, 2015 through December 31, 2015. This is an early estimate of the timeline and it is expected that a more detailed outage plan will be developed as we get closer to the tie-in in order to accommodate delivery system constraints, holidays, etc., as necessary.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 25
RESPONSIBLE PARTY: Block Andrews

Request 25. Refer to page 12, lines 4 and 5 of the Andrews testimony, where Burns and McDonnell estimate the AQCS cost at $15 million, yet state that the cost will be further refined once specific vendor quotations are received.

Request 25a. Provide the date when the vendor quotes will be received and the cost refined.

Response 25a. Per Appendix D of the Cooper Unit 1 Duct Reroute Project Definition Report (Exhibit BA-1 of the EKPC Application), the current schedule indicates that the earliest bids in the work breakdown structure should be received in the fourth quarter of 2014 and the latest bids should be received in the second quarter of 2015.

Request 25b. After the quotations are received, evaluated, and contracts are awarded for the AQCS work, provide the refined cost.

Response 25b. The receipt of bids, evaluation, and contract awards for the equipment and construction of the project will occur after the anticipated date of a Commission Order in this Case, according to the current schedule.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 26
RESPONSIBLE PARTY: Craig A. Johnson

Request 26. Refer to Exhibit BA - 1 of the Andrews Testimony, the Cooper 1 Duct Reroute Project Definition Report ("Exhibit BA - 1"), page 9, Table 1-1. The Burns and McDonnell Project Milestones table anticipates a certificate of public convenience and necessity from the Commission by December 2013. With the hearing for case scheduled for January 14, 2014, what ramifications will this setback have on other projects in the timeline?

Response 26. The delay in the CPCN issuance will not impact the project schedule since it is currently not part of the critical path. EKPC cannot start construction until all up front permits and approvals are obtained which is anticipated to be May 2014.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 27
RESPONSIBLE PARTY: Block Andrews

Request 27. Refer to page 13 of Exhibit BA - 1, Section 3.1., second full paragraph. Project how the compounded exhaust flow from Cooper Unit 1, combined with Cooper Unit 2, will affect the forecasted life of the Cooper Unit 2 AQCS. What is the projected life of the AQCS?

Response 27. The addition of the Cooper Unit 1 exhaust flow is not expected to impact the forecasted life of the AQCS. Some upgrades will be made during the project in areas that will be impacted the most by the additional exhaust flow. Specifically, the fabric filter bags and cages will be lengthened to maintain the current air-to-cloth ratio and expected bag life. There is some potential for additional erosion in the AQCS scrubber vessel due to higher velocities. However, areas with the greatest concern for erosion already have preventative measures put in place such as abrasion resistant materials so this is not expected to have an impact on the overall system life span. The anticipated life of the AQCS is 30 years.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 28
RESPONSIBLE PARTY: Block Andrews and Craig A. Johnson

Request 28. Refer to pages 28 and 40 of Exhibit BA - 1. On page 28, it states the proposed project will not impact the current plant staffing requirement. On page 40, labor costs are listed at $52.30 per hour. Explain EKPC's staffing requirements for the proposed project with respect to the operation of the Cooper Units 1 and 2 generating units.

Response 28. Because the full AQCS system is currently being operated by the Cooper Plant Staff for Unit 2, the rerouting of the flue gas from Unit 1 into the scrubber will not create a need for additional operations or maintenance personnel.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 29
RESPONSIBLE PARTY: Block Andrews

Request 29. Refer to page 40 of Exhibit BA - 1. The table lists a 58 percent capacity factor for Cooper Unit 1. Explain the derivation of the capacity factor.

Response 29. The capacity factor was developed based on the detailed production costing analysis. The modified Cooper 1 unit was modeled as part of EKPC's fleet to be dispatched within the PJM system. Results of that analysis indicated that the unit would be expected to run at an equivalent full load level 58% of the time when dispatched against other units in the PJM market.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 30
RESPONSIBLE PARTY: Isaac S. Scott

Request 30. Refer to Exhibit 10 of the Application, the Direct Testimony of Isaac S. Scott ("Scott Testimony"), page 4, lines 11 and 12, which state that EKPC intends to finance the project through a Rural Utilities Service guaranteed loan. State when EKPC plans to apply for the loan, and the length of time expected for loan approval.

Response 30. EKPC plans to finance the project long-term through an existing Rural Utilities Service guaranteed loan (the AL-8 loan). This loan has been approved by RUS and is intended to finance air pollution retrofit equipment at Cooper Station.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 10/04/13
REQUEST 31
RESPONSIBLE PARTY: Isaac S. Scott

Request 31. Refer to page 10, lines 1 through 7 of the Scott Testimony. Provide supporting calculations for the following amounts found in the first paragraph:

Request 31a. 0.43 percent increase in the environmental surcharge for all customers at wholesale;

Response 31a. See page 2 of this response.

Request 31b. 0.31 percent increase in the environmental surcharge at the retail level;

Response 31b. See page 2 of this response.

Request 31c. $0.27 increase in the average residential customer's monthly bill. Further reconcile these numbers with those stated in Exhibit 4.b.

Response 31c. See page 3 of this response for the $0.27 increase. See page 4 of this response for the reconciliation requested.

Estimated Annual Revenue Requirements
(Scott Direct Testimony, Exhibit ISS-4)

Capital Costs	$14,954,840
Fixed Charge Rate	24.064%
Estimated Annual Revenue Requirements	$3,598,658

Revenue Information as of December 31, 2012 Billings

Rate Schedule	Total Revenues	Base Rate and FAC Revenues	Environmental Surcharge	Allocation Percentage	Allocated Annual Revenue Require.
Rate E	$677,034,327	$588,954,143	$88,080,184	80.537%	$2,898,251
Rate B	$60,956,678	$53,071,054	$7,885,624	7.258%	$261,191
Rate C	$20,730,388	$18,014,843	$2,715,545	2.463%	$88,635
Rate G	$20,779,246	$18,092,629	$2,686,617	2.474%	$89,031
Inland Steam	$13,917,851	$12,120,932	$1,796,919	1.657%	$59,630
Gallatin	$46,012,908	$40,125,771	$5,887,137	5.487%	$197,458
Tenn Gas Pipeline	$1,033,826	$906,813	$127,013	0.124%	$4,462
Totals	$840,465,224	$731,286,185	$109,179,039	100.000%	$3,598,658

Note: Allocation Percentage is calculated off of Base Rate and FAC Revenues.

Response 31(a)

Total Estimated Annual Revenue Requirement	$3,598,658
Total Revenues as of December 31, 2012	$840,465,224
Percentage Increase at Wholesale	**0.43%**

Response 31(b)

Based on historical billing information, the retail Environmental Surcharge has been approximately 72% of the wholesale Environmental Surcharge.

Percentage Increase at Wholesale	0.43%
Historic relationship between retail and wholesale	72.00%
Percentage Increase at Retail	**0.31%**

Response 31(c)

Allocated Annual Revenue Requirement - Rate E	$2,898,251
2012 billed kWh Sales - Rate E	9,277,636,442 kWh
Wholesale Rate E Revenue Requirement per kWh	$0.00031
Average Residential Bill in kWh	1,200 kWh
Impact on Average Residential Bill at Wholesale	$0.375
Historic relationship between retail and wholesale	72.00%
Impact on Average Residential Bill at Retail	**$0.27**

Fixed Charge Rate

	Rate Used in Exhibit 4.b.	Rate Used in Exhibit ISS-4
Interest	4.057%	4.057%
TIER (Based on 1.50)	2.029%	2.029%
Depreciation	0.370%	0.370%
Property Taxes	0.015%	0.015%
Property Insurance	0.043%	0.043%
Subtotal	6.514%	6.514%
Fixed O&M	0.000%	0.000%
Variable O&M	7.810%	17.550%
Total Fixed Charge Rate	14.324%	24.064%

As noted on page 10 of the Scott Direct Testimony, the fixed charge rate utilized when calculating the impacts stated in Exhibit 4.b. of the Application reflected a system-wide overall average variable operating and maintenance cost factor. The variable O&M component was changed to reflect the estimated variable operating and maintenance cost factor associated with the Project. This O&M component is the only difference between the calculations shown in Exhibit 4.b. and the Scott Direct Testimony, page 10.

Estimated Annual Revenue Requirements reflected in Exhibit 4.b.

Capital Costs	$14,954,840
Fixed Charge Rate	14.324%
Estimated Annual Revenue Requirements	$2,142,057

Rate Schedule	Total Revenues	Base Rate and FAC Revenues	Environmental Surcharge	Allocation Percentage	Allocated Annual Revenue Require.
Rate E	$677,034,327	$588,954,143	$88,080,184	80.537%	$1,725,148
Rate B	$60,956,678	$53,071,054	$7,885,624	7.258%	$155,470
Rate C	$20,730,388	$18,014,843	$2,715,545	2.463%	$52,759
Rate G	$20,779,246	$18,092,629	$2,686,617	2.474%	$52,994
Inland Steam	$13,917,851	$12,120,932	$1,796,919	1.657%	$35,494
Gallatin	$46,012,908	$40,125,771	$5,887,137	5.487%	$117,535
Tenn Gas Pipeline	$1,033,826	$906,813	$127,013	0.124%	$2,656
Totals	$840,465,224	$731,286,185	$109,179,039	100.000%	$2,142,056

Note: Allocation Percentage is calculated off of Base Rate and FAC Revenues.

Exhibit 4.b. - Percentage Increase at Wholesale

Total Estimated Annual Revenue Requirement	$2,142,057
Total Revenues as of December 31, 2012	$840,465,224
Percentage Increase at Wholesale	**0.25%**

Exhibit 4.b. - Percentage Increase at Retail

Based on historical billing information, the retail Environmental Surcharge has been approximately 72% of the wholesale Environmental Surcharge.

Percentage Increase at Wholesale	0.25%
Historic relationship between retail and wholesale	72.00%
Percentage Increase at Retail	**0.18%**

Exhibit 4.b. - Impact on Average Residential Bill

Allocated Annual Revenue Requirement - Rate E	$1,725,148
2012 billed kWh Sales - Rate E	9,277,636,442 kWh
Wholesale Rate E Revenue Requirement per kWh	$0.00019
Average Residential Bill in kWh	1,200 kWh
Impact on Average Residential Bill at Wholesale	$0.223
Historic relationship between retail and wholesale	72.00%
Impact on Average Residential Bill at Retail	**$0.16**