



RECEIVED

OCT 10 2014

PUBLIC SERVICE
COMMISSION

October 10, 2014

VIA HAND DELIVERY

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

Re: PSC Case No. 2014-00226

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and eight copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC"), to the Staff's Second Request for Information dated September 26, 2014. Also included are an original and eight copies of EKPC's responses to the Initial Request for Information from Grayson Rural Electric Cooperative Corporation dated September 26, 2014.

Very truly yours,

David S. Samford

Enclosures

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

OCT 10 2014

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

**AN EXAMINATION OF THE APPLICATION OF
THE FUEL ADJUSTMENT CLAUSE OF EAST)
KENTUCKY POWER COOPERATIVE, INC.)
INC. FROM NOVEMBER 1, 2013 THROUGH APRIL)
30, 2014**

**CASE NO.
2014-00226**

**RESPONSES TO GRAYSON RURAL ELECTRIC COOPERATIVE
CORPORATION'S (INTERVENOR) INITIAL REQUEST FOR INFORMATION
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED SEPTEMBER 26, 2014**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN EXAMINATION OF THE APPLICATION OF)	
THE FUEL ADJUSTMENT CLAUSE OF EAST)	CASE NO.
KENTUCKY POWER COOPERATIVE, INC.)	2014-00226
INC. FROM NOVEMBER 1, 2013 THROUGH APRIL)	
30, 2014)	

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Michelle K. Carpenter, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Intervenor, Grayson Rural Electric Cooperative Corporation's Initial Request for Information in the above-referenced case dated September 26, 2014, 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.

Michelle K. Carpenter

Subscribed and sworn before me on this 10th day of October 2014.

Gwyn M. Willoughby
Notary Public #520244

GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

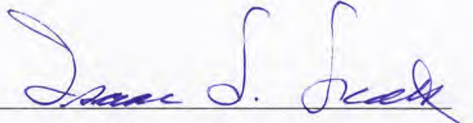
IN THE MATTER OF:

AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY POWER COOPERATIVE, INC. INC. FROM NOVEMBER 1, 2013 THROUGH APRIL 30, 2014)	CASE NO. 2014-00226
)	
)	

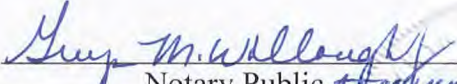
CERTIFICATE

**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 Intervenor, Grayson Rural Electric Cooperative Corporation's Initial Request for Information in the above-referenced case dated September 26, 2014, 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 10th day of October 2014.


Notary Public #500148

**GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017**



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

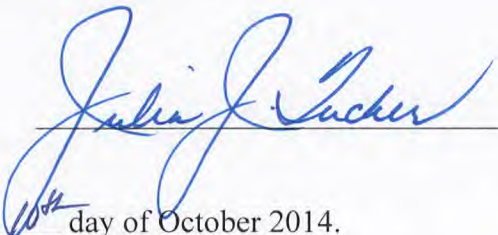
IN THE MATTER OF:

AN EXAMINATION OF THE APPLICATION OF)	
THE FUEL ADJUSTMENT CLAUSE OF EAST)	CASE NO.
KENTUCKY POWER COOPERATIVE, INC.)	2014-00226
INC. FROM NOVEMBER 1, 2013 THROUGH APRIL)	
30, 2014)	

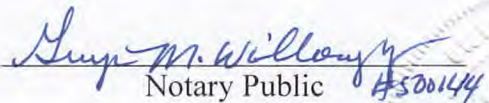
CERTIFICATE

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 Intervenor, Grayson Rural Electric Cooperative Corporation's Initial Request for Information in the above-referenced case dated September 26, 2014, 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.



Subscribed and sworn before me on this 10th day of October 2014.


Notary Public #500144

GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN EXAMINATION OF THE APPLICATION OF)	
THE FUEL ADJUSTMENT CLAUSE OF EAST)	CASE NO.
KENTUCKY POWER COOPERATIVE, INC.)	2014-00226
INC. FROM NOVEMBER 1, 2013 THROUGH APRIL)	
30, 2014)	

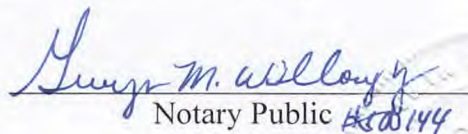
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Patrick C. Woods, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Intervenor, Grayson Rural Electric Cooperative Corporation's Initial Request for Information in the above-referenced case dated September 26, 2014, 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 10th day of October 2014.


Notary Public 4500144

GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 1**

RESPONSIBLE PARTY: Michelle K. Carpenter

Request 1. Please identify the margins from sales gained by East Kentucky Power from the assertion by East Kentucky Power related to the "polar vortex" or any other temperature related sales in January of 2014 and in February of 2014.

Response 1. EKPC objects to the question because Grayson has had access to the requested information in board meetings when these topics were discussed and also had an opportunity to voice any views on the subject and to vote when relevant. Without waiving any rights under this objection, EKPC answers as follows: EKPC does not separate margin by weather event. Furthermore, a discussion of EKPC margin is inapplicable in this case given margin is not a component of the fuel adjustment clause calculation.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 2**

RESPONSIBLE PARTY: Julia J. Tucker

Request 2. What was the additional, if any, fuel costs including in the calculation of the Fuel Adjustment Clause for January and February 2014 identifying what fuel and the acquisition entity regarding same?

Response 2. Please refer to Responses 1, 2 and 6 in EKPC's response to Commission Staff's Information Request Contained in Appendix Dated 08/13/14. All coal, natural gas and energy purchases are identified by vendor.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 3**

RESPONSIBLE PARTY: Isaac S. Scott

Request 3. Did East Kentucky Power Cooperative give any consideration at all to simply absorbing the additional fuel costs and, if so, please set forth the persons within the employee of East Kentucky Power who discussed same, when, and if there is any memo or other writing evidencing said discussion please supply a copy of same?

Response 3. The premise of this question is based upon the incorrect assumption that EKPC can pick and choose what fuel costs will or will not be included in the fuel adjustment clause ("FAC") calculations. 807 KAR 5:056, Section 3 clearly states that fuel costs shall be the most recent actual monthly costs of fossil fuel consumed and eligible energy purchases. The question also fails to identify under what statute, regulation, or previous Commission Order EKPC has the authority or option to elect to absorb additional fuel costs otherwise eligible for inclusion in the FAC calculations.

Intervenor Request 3

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EKPC was sensitive to the affect the additional fuel costs would have on the FAC billed to Member Distribution Cooperatives (“Members”) if the full amount of these costs had been included in the FAC charged at the time the costs were incurred. After informing Commission staff, EKPC elected to cap the FAC at a fixed level until the additional fuel costs could be recovered through the normal operation of the FAC. This approach spread the additional fuel costs over several months and lessened the impact those costs had on the FAC charged to EKPC’s Members. The FAC charged by EKPC’s Members to their member-consumers was similarly affected.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 4**

RESPONSIBLE PARTY: Julia J. Tucker

Request 4. Please set forth the name and title of the person or persons responsible for planning or scheduling native power load with PJM.

Response 4. David Crews, Senior Vice President of Power Supply

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INTITAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 5**

RESPONSIBLE PARTY: Julia J. Tucker

Request 5. Please state the name and title of the person or persons responsible for or accountable for within the employee of East Kentucky Power for the risk when the actual requirement for meeting native load is greater than that which had been planned.

Response 5. David Crews, Senior Vice President of Power Supply

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 6**

RESPONSIBLE PARTY: Julia J. Tucker

Request 6. What is the line item "PJM Day Ahead and Balancing" on the Fuel Adjustment Clause Report referring to? Please explain what that phrase, "PJM Day Ahead and Balancing", is referencing, the components that go into such an analysis and why same is passed on to the members of East Kentucky Power as fuel costs.

Response 6. The PJM Day Ahead and Balancing line item refers to the charges incurred by EKPC related to energy costs to serve native load from PJM. These costs are comparable to the same costs EKPC incurred as a stand-alone balancing authority when it served its native load on its own, and are the same energy related costs that have always been included in EKPC's FAC calculations.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 7**

RESPONSIBLE PARTY: Michelle K. Carpenter

Request 7. Please set forth how, if at all, PJM affects the accounting of fuel costs on East Kentucky Power Cooperative books of account relating to power production, buying power, or selling power. With respect to each please set forth an example.

Response 7. The accounting treatment for fuel costs has not changed with EKPC's entry into PJM. EKPC still has coal inventories that are expensed based upon each unit's burn and natural gas and purchased power expenses. However, membership in PJM has resulted in more complex and detailed information to analyze from both the day-ahead and real-time markets to arrive at the accounting entries and the amounts to include in the fuel adjustment clause each month. The weekly and month-end PJM invoices include many billing codes related to power purchases and sales, transmission,

Intervenor Request 7

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and administration. EKPC had to initially review these codes to determine which are considered fuel related and thus, subject to recovery through the fuel adjustment clause. As EKPC has gained more experience with PJM, EKPC periodically revisited the list of codes included in the FAC and modified as necessary based upon the best information available at that time. Also, as an added control due to the volume and complexity of the PJM activity, ACES performs independent shadow settlements of each PJM invoice to validate the amounts billed to EKPC.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14

REQUEST 8

RESPONSIBLE PARTY: Julia J. Tucker

Request 8. Please define the term "non-economic purchases".

Response 8. There is no definition of "non-economic purchases" in the FAC regulation. Based on a previous Commission Order (No. 2000-00496-B), one could assume that "non-economic purchases" are purchases that do not meet the definition of "economy energy purchases" as defined in that Order and recited in the following response.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 9**

RESPONSIBLE PARTY: Julia J. Tucker

Request 9. Please define "economy purchases".

Response 9. There is no definition of "economy purchases" in the FAC regulation. However, on page 4 of the Commission's May 2, 2002 Order in Case No. 2000-00496-B1 states: "We view 'economy energy purchases' that are recoverable through an electric utility's FAC as purchases that an electric utility makes to serve native load, that displaces its higher cost of generation, and that have an energy cost less than the avoided variable generation cost of the utility's highest cost generating unit available to serve native load during that FAC expense month. [Emphasis added]" Since June 1, 2013, EKPC purchases all of its native load energy needs from the PJM energy market. The PJM energy market is set by the marginal cost of the highest cost unit that is dispatched to serve the entire PJM RTO load. PJM's dispatch is based on an economic,

reliability constrained dispatch model which seeks to minimize costs while observing all reliability criteria. EKPC sells its generation into this market as well, to maximize the value of those units for the EKPC members. The EKPC members get the value of both having lower cost generation, when its units are economic, and buying cheaper energy, for any remaining energy requirements that are not netted from the EKPC generation.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00226

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 10**

RESPONSIBLE PARTY: Julia J. Tucker

Request 10. Please define "no load costs".

Response 10. Please refer to Response 29 in EKPC's Response to Commission
Staff's Information Request Contained in Appendix Dated 08/13/14.

EAST KENTUCKY POWER COOPERATIVE, INC.

**PSC CASE NO. 2014-00226
FUEL ADJUSTMENT CLAUSE
RESPONSE TO INFORMATION REQUEST**

**INTERVENOR'S INITIAL REQUEST FOR INFORMATION DATED 09/26/14
REQUEST 11**

RESPONSIBLE PARTY: Patrick C. Woods

Request 11. Please set forth the name and title of the person within the employee of East Kentucky Power most knowledgeable concerning the requests made herein and supplying the information responding to same.

Response 11. Michelle K. Carpenter – Controller
Julia J. Tucker – Director, Power Supply
Isaac S. Scott – Manager of Pricing
Patrick C. Woods – Director, Regulatory and Compliance Services