

Goss ■ Samford PLLC



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January 5, 2015

RECEIVED

JAN 05 2015

PUBLIC SERVICE
COMMISSION

Via Hand-Delivery

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

Re: In the Matter of: An Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct a New Headquarters Facility and For Approval to Transfer Ownership of Certain Assets or, in the Alternative, a Determination That Such Approval is Unnecessary PSC Case No. 2014-00355

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of South Kentucky Rural Electric Cooperative Corporation's ("SKRECC") Responses to Commission Staff's Second Request for Information regarding the above-styled matter. Please return a file-stamped copy to me.

Do not hesitate to contact me if you have any questions.

Very truly yours,

Mark David Goss

Enclosures

M:\Clients\7100 - South Kentucky Rural Electric Coop Corp\1600 - Special Counsel\Correspondence\Ltr. to Jeff Derouen - 150105

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

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**PUBLIC SERVICE
COMMISSION**

IN THE MATTER OF:

**AN APPLICATION OF SOUTH KENTUCKY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
TO CONSTRUCT A NEW HEADQUARTERS)
FACILITY AND FOR APPROVAL TO TRANSFER)
OWNERSHIP OF CERTAIN ASSETS OR, IN)
THE ALTERNATIVE, A DETERMINATION THAT)
SUCH APPROVAL IS UNNECESSARY)**

CASE NO. 2014-00355

**RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
DATED DECEMBER 23, 2014**

PSC CASE NO. 2014-00355

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 12/23/14**

RESPONSIBLE PARTY: As to 1(a) and 1(k), Allen Anderson; As to 1(a)-(k), Glen Ross

Request 1. Refer to South Kentucky's Response to Commission Staff's First Request for Information ("Staff's First Request"), Item 2.

- a. What circumstances steered South Kentucky to a 30-kW capacity system?
- b. Will the renewable energy be connected to power South Kentucky's headquarters facility, and if so, what estimated percentage of headquarters power will be supplied by the renewable source?
- c. State the average capacity factor at which South Kentucky expects its solar panel array will perform.
- d. State the number of kWh, per month and per year, South Kentucky expects its solar panel array will generate.
- e. Will the power be connected to South Kentucky's distribution grid through net-metering for use by its customers?
- f. Provide an estimate of the annual Operations and Maintenance costs of operating the solar panel array.
- g. State the expected useful life of the solar panel array.
- h. Where will South Kentucky locate the solar panel array?
- i. Will the solar panel array be stationary or tracking?

- j. What is the footprint for the solar panel array?
- k. State if South Kentucky is aware of any federal tax incentives that could be used to offset the cost of the solar panel array.

Response 1(a). South Kentucky has a policy of encouraging energy conservation and use of alternative energy sources. South Kentucky believes that some of its members will inquire about, and perhaps install, solar panels for their homes/businesses. South Kentucky believes that its staff should have hands-on experience with operation and maintenance of such systems in order to be qualified to advise and assist its members. South Kentucky also believes that an installed system that can be visited by members is important. A 30kW system was selected because it is sufficiently large to have noticeable/measurable effects on South Kentucky's headquarters office energy consumption but has a capital cost that is modest and is suitable for a demonstration project as part of the overall budget for the new headquarters project.

Response 1(b). The solar system will be connected to the new headquarters building and is expected to supply between 5% and 8% of the building load.

Response 1(c). The array will operate with an efficiency of 17%, however adjustments for Inverter losses, temperature losses, DC cable losses, AC cable losses, Shadings, Weak irradiation and losses due to dust and snow can reduce output by 28%, bringing efficiency to an estimated 12.24%.

Response 1(d). On an annualized basis, the array is expected to produce approximately 2,050 KWH per month and 24,650 KWH per year.

Response 1(e). It is anticipated that there will not be enough power produced for use by South Kentucky members and the system will not be connected to the grid.

Response 1(f). The system maintenance is projected to average \$1,000 per year.

Response 1(g). The system is expected to have a useful life of 20-30 years, therefore the average is 25 years.

Response 1(h). The array will be located at ground level where it can be viewed by visitors and for ease of maintenance. The location will be at the south end of the property where it will be enclosed by a fence for security.

Response 1(i). The solar panel array will be stationary.

Response 1(j). The footprint for the solar array is 40' x 46'.

Response 1(k). South Kentucky is a 501(c)(12) Tax Exempt Corporation; however, South Kentucky is eligible and will apply for a USDA Rural Energy for America Program Grant of 25% which is expected to fund one quarter of the \$80,000 installed cost, leaving a \$60,000 item in the project budget.

PSC CASE NO. 2014-00355

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 12/23/14

RESPONSIBLE PARTY: Jim Adkins

Request 2. Refer to South Kentucky's Response to Staff's First Request, Item 14, Exhibit 14, page 2 of 3. Under "Revenue" there is a line item listed as "Increases for Purchased Power."

- a. Provide an explanation of this line item.
- b. Explain how the values for each year of the ten-year forecast period were derived.
- c. Provide the actual amounts for this line item for the previous five years (i.e., 2009–2013).

Response 2(a). This line item represents the changes in the average wholesale power costs charged to South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") by East Kentucky Power Cooperative ("EKPC") and assumes that all changes will be automatic increases or decreases in revenue for South Kentucky. The average cost of power includes Fuel Adjustment Clause ("FAC") and Environmental Surcharge ("ESC") costs and credits. The base year in this forecast is 2013 and the average cost of wholesale power per kWh sold at retail was \$0.0727371. All future years in the forecast are based on the average cost of power from the financial forecast of EKPC.

Response 2(b). The chart provided below illustrates the manner in which the referenced values were derived.

INCREASES FOR PURCHASED POWER COSTS					
	a	b	c	d	e
Year	Base Cost Per kWh	Forecasted Cost per kWh	Difference (b-a)	Energy Sales kWh	Increases for Purchased Power
2014	\$ 0.0727371	\$ 0.0717678	\$ (0.0009693)	1,308,763,377	\$ (1,268,557)
2015	\$ 0.0727371	\$ 0.0735818	\$ 0.0008447	1,266,675,000	\$ 1,069,919
2016	\$ 0.0727371	\$ 0.0759888	\$ 0.0032517	1,278,003,000	\$ 4,155,638
2017	\$ 0.0727371	\$ 0.0786398	\$ 0.0059027	1,293,418,000	\$ 7,634,646
2018	\$ 0.0727371	\$ 0.0801150	\$ 0.0073779	1,325,708,000	\$ 9,781,003
2019	\$ 0.0727371	\$ 0.0817678	\$ 0.0090307	1,346,381,000	\$ 12,158,733
2020	\$ 0.0727371	\$ 0.0844964	\$ 0.0117593	1,368,032,000	\$ 16,087,165
2021	\$ 0.0727371	\$ 0.0868813	\$ 0.0141442	1,393,030,000	\$ 19,703,242
2022	\$ 0.0727371	\$ 0.0885673	\$ 0.0158302	1,431,237,000	\$ 22,656,725
2023	\$ 0.0727371	\$ 0.0901313	\$ 0.0173942	1,458,122,000	\$ 25,362,813

Response 2(c). A response is not available as this situation does not exist for the past. It is an assumption for developing a model for the future where the emphasis is on the current and future distribution costs and revenues.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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OWNERSHIP OF CERTAIN ASSETS OR, IN)
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SUCH APPROVAL IS UNNECESSARY)

VERIFICATION OF ALLEN ANDERSON

STATE OF KENTUCKY)
)
COUNTY OF PULASKI)

Allen Anderson, being duly sworn, states that he has supervised the preparation of the following responses of South Kentucky Rural Electric Cooperative Corporation to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated December 23, 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.

Allen Anderson
Allen Anderson

Subscribed and sworn to before me on this 29th day of December, 2014.

Army A. Oester
NOTARY PUBLIC, Notary # 515365
Commission expiration: July 16, 2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


IN THE MATTER OF:

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VERIFICATION OF GLEN ROSS

STATE OF KENTUCKY)
COUNTY OF Jessamine)

Glen Ross, being duly sworn, states that he has supervised the preparation of the following responses of South Kentucky Rural Electric Cooperative Corporation to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated December 23, 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.



Glen Ross

Subscribed and sworn to before me on this 23rd day of December, 2014.

Beverly Buford
NOTARY PUBLIC, Notary # 504396
Commission expiration: 2/19/2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

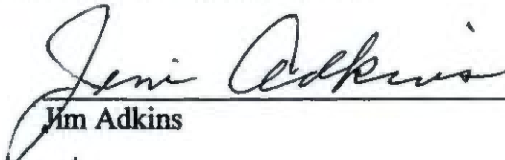
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VERIFICATION OF JIM ADKINS

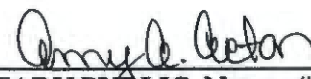
STATE OF KENTUCKY)
COUNTY OF Adelphi)

Jim Adkins, being duly sworn, states that he has supervised the preparation of the following responses of South Kentucky Rural Electric Cooperative Corporation to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated December 23, 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.



Jim Adkins

Subscribed and sworn to before me on this 30th day of December, 2014.



NOTARY PUBLIC, Notary # 515365
Commission expiration: July 16, 2018