

March 25, 2015

HAND DELIVERED

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

RECEIVED

MAR 25 2015

**PUBLIC SERVICE
COMMISSION**

Re: PSC Case No. 2014-00451

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 Commission Staff's Second Request for Information in the Order dated March 11, 2015.

Very truly yours,

David S. Samford (by Roy R. Cowder)

David S. Samford

Enclosures

**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, FROM NOVEMBER 1, 2012 THROUGH)
OCTOBER 31, 2014)**

CASE NO. 2014-00451

**RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED MARCH 11, 2015**

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,) CASE NO. 2014-00451
 INC, FROM NOVEMBER 1, 2012 THROUGH)
 OCTOBER 31, 2014)

CERTIFICATE

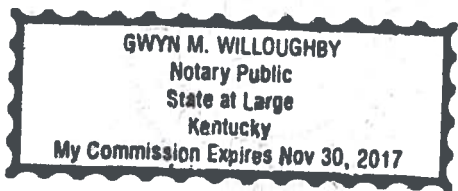
STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated March 11, 2015, 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 27th day of March 2015.

Gwyn M. Wiloughby #500144



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED
03/11/15**

REQUEST 1

RESPONSIBLE PARTY: Julia J. Tucker

Request 1. Refer to page 2 of the Direct Testimony of Julia J. Tucker ("Tucker Testimony"), lines 11-14, which state, "As expected, EKPC's total power supply production costs to its owner members have decreased subsequent to integration, due to the economies of scale of a much larger system dispatch." Provide the amount of power supply production costs for the six months prior to, and six months following, integration into PJM Interconnection, Inc. ("PJM"). Include in the response a detailed listing of the costs included in "power supply production costs."

Response 1. Based on RUS Form 12 data, EKPC's average total cost of electric service per MWh sold decreased from \$65.83/MWh for the time period December 2012 through May 2013, to \$63.21/MWh for the time period June 2013 through November 2013, for a net reduction of \$2.62/MWh. The total costs include more variables than just

production costs. The Production Operating and Maintenance Expenses, as reported on the RUS Form 12, indicate those costs decreased by \$2.96/MWh over the two time periods. Maintenance costs are time sensitive and can skew results, so if maintenance activities are excluded, then the production operations costs decreased by \$1.91/MWh over the two time periods. If only fuel costs are considered, then the comparison shows a decrease in costs of \$1.53/MWh. Depending on which costs are included in the comparison, EKPC's average costs have decreased between \$1.53/MWh and \$2.96/MWh in the six months subsequent to its integration into PJM as compared to the six months prior to operating within PJM. All comparisons indicate there have been substantial decreases in average costs. Monthly cost details are shown on page 3 of 3 of this response.

Summary of EKPC's RUS Form 12 data

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Difference
Operating Expense - Production - Excluding Fuel	6,055,227	5,804,132	5,065,975	5,485,898	5,344,901	5,075,000	5,002,313	5,407,985	5,542,468	4,513,780	4,532,968	4,588,638	
Operating Expense - Production - Fuel	29,829,680	32,746,830	28,532,466	30,391,297	21,696,772	23,396,342	23,322,864	28,523,595	23,773,402	20,044,203	20,491,469	15,260,489	
Operating Expense - Other Power Supply	5,580,891	8,697,295	7,644,526	9,414,104	9,073,374	7,727,322	10,387,683	9,287,031	10,419,663	9,226,400	9,287,194	19,371,552	
Maintenance Expense - Production	6,515,123	2,605,812	2,984,887	8,604,036	5,595,379	10,479,135	5,408,152	4,626,565	3,489,144	4,333,686	4,855,850	6,381,289	
Total Production O&M Expense	47,980,921	49,854,069	44,237,854	53,895,335	41,710,426	46,677,799	44,121,012	47,845,176	43,224,677	38,118,079	39,167,481	45,601,968	
Total Electric Service Sold (MWh)	1,140,674	1,286,510	1,145,474	1,200,125	878,540	922,405	1,078,462	1,195,751	1,113,492	967,708	956,952	1,092,768	
	42.06	38.75	38.62	44.91	47.48	50.60	40.91	40.01	38.82	39.39	40.93	41.73	
6 month totals													
Cost (\$)													
Energy Sold (MWh)													
Average Cost (\$/MWh)													2.96
6 month totals w/o maintenance													
Cost (\$)													
Energy Sold (MWh)													
Average Cost (\$/MWh)													1.91
6 month totals w/ fuel only													
Cost (\$)													
Energy Sold (MWh)													
Average Cost (\$/MWh)													1.53
Total Cost of Electric Service Sold (\$)	73,502,459	74,682,782	68,295,922	78,308,966	66,089,481	71,882,366	67,806,848	73,724,888	67,831,136	62,671,450	63,040,522	69,815,503	
Average Cost of Electric Service Sold (\$/MWh)	64.44	58.05	59.62	65.25	75.23	77.93	62.87	61.66	60.92	64.76	65.88	63.89	
6 month totals of Total Cost of Service													
Cost (\$)													
Energy Sold (MWh)													
Average Cost (\$/MWh)													2.62

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED

03/11/15

REQUEST 2

RESPONSIBLE PARTY: Julia J. Tucker

Request 2. Refer to page 7 of the Tucker Testimony, lines 11-14, which state that "[t]he fuel required to operate as its own balancing authority was embedded in the cost of fuel to serve its load."

Request 2a. Explain what additional responsibilities East Kentucky had to operate as its own balancing authority.

Response 2a. EKPC had to provide the following services when it operated as its own Balancing Authority ("BA"), which it is not responsible for as a member of PJM:

Operating Reserves

Load Following

Load / Generation Balancing

Ancillary Services

Losses

Redispatch for reliability constraints / transmission issues

Emergency Energy

Request 2b. Explain in detail how additional fuel is required for East Kentucky to operate as its own balancing authority on top of the fuel used to generate power to meet load.

Response 2b. All of the services listed in Response 2a require fuel be expended to provide these services. Additionally, as a BA EKPC had Inadvertent Energy Interchange which could increase or decrease fuel usage. EKPC has always had to supply more or less energy when meter errors occur.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED
03/11/15**

REQUEST 3

RESPONSIBLE PARTY: Julia J. Tucker

Request 3. Refer to page 9 of the Tucker Testimony, lines 7-10.

Request 3a. Provide the PJM billing line items for which East Kentucky sought verification from PJM because they were not obvious fuel expenses.

Response 3a. (1) EKPC asked PJM about Billing Code item 1375 on February 9, 2014. (2) EKPC asked PJM to review the explanations it was providing to the Commission in the table submitted with testimony (Exhibit JJT-2) about each code.

Request 3b. Provide the verification that was submitted by PJM to East Kentucky.

Response 3b. (1) Email is provided on page 3 of 4 of this response. (2) PJM reviewed and agreed the explanations in Exhibit JJT-2 looked reasonable. This agreement was provided by an initial email (see page 4 of 4 of this response) and followed with a phone call from Stu Bresler of PJM to David Crews of EKPC. The explanation provided in Exhibit JJT-2 reflects this conversation.

(1)

From: Bresler@pjm.com [<mailto:Bresler@pjm.com>]
Sent: Friday, February 14, 2014 4:09 PM
To: David Crews
Subject: RE: Operating Reserves - Account 1375

Hi David – yes, I think the below captures the essence of our conversation.

- Stu

From: David Crews [<mailto:David.Crews@ekpc.coop>]
Sent: Friday, February 14, 2014 3:27 PM
To: Bresler, Frederick S. (Stu) III
Subject: Operating Reserves - Account 1375

Think before you click links or open attachments in this external email message.

I wanted to Thank You for taking the time to speak to me on Sunday February 9 about the Operating Reserve Account 1375 and to make a record of the conversation.

Prior to EKPC's most recent settlement for January, EKPC understanding was that the charges in Account 1375 did not include any fuel charges. The January 2014 settlement amount caused us to question whether we were correct in our understanding. During our conversation on Sunday, clarified that Account 1375 does include fuel charges. You explained that the uplift and deviation charges we are experiencing in the Operating Reserve are primarily fuel.

Some examples of the costs that are captured in the Operating Reserve Account are:

1. Operating expenses from generation that are held on during periods when it is uneconomic to ensure that generation is available to serve during ramps and peak periods.
2. Operating expenses from generation that is operated at less than optimum levels to make room for generation that is held on or on for reliability.
3. Operating expenses of generation that balances the deviations between Day Ahead load commitments and Real Time load.

Thanks again for making yourself available on the weekend. Please respond back that you agree this characterizes our conversation.

(2)

From: Stu.Bresler@pjm.com [<mailto:Stu.Bresler@pjm.com>]
Sent: Monday, February 23, 2015 4:21 PM
To: David Crews; ott@pjm.com
Cc: Don Mosier
Subject: RE: Fuel Adjustment Clause Filing

Hi David –

This all looks reasonable to us, although we did have a question on the Emergency Load Response charges and credits (line items 1245 and 2245). I'll give you a shout.

- Stu

From: David Crews [<mailto:David.Crews@ekpc.coop>]
Sent: Monday, February 23, 2015 12:24 PM
To: Ott, Andy; Bresler, Frederick S. (Stu) III
Cc: Don Mosier
Subject: Fuel Adjustment Clause Filing

External Email! Think before clicking links or attachments.

Here is the revised testimony and the worksheet showing the codes and explanation.

Thanks again.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED

03/11/15

REQUEST 4

RESPONSIBLE PARTY: Julia J. Tucker

Request 4. Refer to Exhibit JJT-1, page 1 of 2, and to the response to Item 38 of the Commission's February 5, 2015 Request for Information ("February 5, 2015 Request").

Request 4a. Describe in detail PJM billing line item 2370 and explain why this billing line item is not includable in the calculation of its fuel adjustment clause ("FAC").

Response 4a. PJM billing line item 2370 is Day Ahead Operating Reserves which are "To ensure adequate operating reserve and for spot market support, pool-scheduled generation and demand resources and that operate as requested by PJM are guaranteed to fully recover their daily offer amounts."

Day-ahead Credits: Daily credits provided to pool-scheduled generators, demand response, and transactions cleared day-ahead for any portion of their offer amount in excess of their scheduled MWh times day-ahead bus LMP.

The corresponding PJM billing line item 1370 is **Day Ahead Operating Reserve Charges:** Total daily cost of operating reserve in the day-ahead market excluding the total cost for resources scheduled to provide Black Start Service, Reactive Services or transfer interface control is allocated based on day-ahead load (including cleared demand, demand response, and decrement bids) plus exports ratio shares.

Both billing line items 2370 and 1370 should be included in the calculation of the FAC, EKPC has not done so to date, but concurs that it should have included both codes. It includes the corresponding Balancing market charges of 1375 and 2375, and should include 1370 and 2370.

Request 4b. By month, provide the amount charged or credited to East Kentucky by PJM for billing line item 2370 from the time it became a member of PJM to the most current month available, and, if different, the amount that would have been included in the calculation of the FAC if the items were found to be includable by the Commission.

Response 4b. Please see the table below.

	Charge Code 1370	Charge Code 2370 (Credit)	Net Cost
June - 2013	\$128,700.36	(\$56,842.61)	\$71,857.75
July - 2013	\$105,462.95	(\$18,251.40)	\$87,211.55
August – 2013	\$54,640.39	(\$8,214.64)	\$46,425.75
September – 2013	\$164,963.15	(\$691.62)	\$164,271.53
October – 2013	\$32,669.77	(\$481.96)	\$32,187.81
November – 2013	\$46,483.15	(\$1,245.84)	\$45,237.31
December - 2013	\$112,429.46	(0)	\$112,429.46
January – 2014	\$697,590.12	(\$1,974.38)	\$695,615.74
February – 2014	\$170,478.74	(\$21,703.27)	\$148,775.47
March – 2014	\$88,926.68	(\$30,219.35)	\$58,707.33
April – 2014	\$61,226.41	(\$12,030.82)	\$49,195.59
May – 2014	\$102,587.54	(\$6,597.28)	\$95,990.26
June – 2014	\$67,278.89	(\$98.36)	\$67,180.53
July – 2014	\$90,413.61	(\$17,971.16)	\$72,442.45
August – 2014	\$86,355.00	(0)	\$86,355.00
September – 2014	\$107,134.30	(\$4,819.54)	\$102,314.76
October – 2014	\$134,909.60	(0)	\$134,909.60
November – 2014	\$94,111.66	(0)	\$94,111.66
December – 2014	\$154,248.94	(\$54,761.14)	\$99,487.80
Totals	\$2,500,610.72	(\$235,903.37)	\$2,264,707.35

Request 4c. Confirm that PJM billing line item 1245 is not a charge for actual fuel burned or energy provided by East Kentucky, but is a charge based on the cost of fuel that would have been burned to serve load in high-load periods if demand response were not initiated. If this cannot be confirmed, explain.

Response 4c. Billing line item 1245 is not a charge for actual fuel burned or energy provided by East Kentucky, but is a charge based on the cost of fuel that would have been burned if generation were available to serve that load during high-load periods if demand response were not initiated. However, Emergency Load Response (1245) is only called when there is an imminent danger that there is not enough generation available to serve load and load curtailment is the next course of action. The cost of this service is equivalent to having another generator available during emergency conditions to serve the load rather than having to curtail load. If a generator is available to serve load during this time, then fuel will be burned in the conventional manner and those costs will be passed through the other appropriate billing line items.

Request 4d. State whether East Kentucky believes that the PJM billing line items included in the FAC should be the same across all Kentucky jurisdictional utilities who are members of PJM. If not, explain why the Commission should allow differences in those includable in the FAC.

Response 4d. EKPC believes the codes it has identified, along with the 1370 and 2370 codes identified in Request 4a, are appropriate to be included in its FAC filings. EKPC does not conclude that it has identified all appropriate codes to date, as demonstrated in response 4a. EKPC would conclude that a standard set of well-defined billing line items should be consistent across all Kentucky jurisdictional utilities that are operating within PJM.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED

03/11/15

REQUEST 5

RESPONSIBLE PARTY: Julia J. Tucker

Request 5. For the months of January 2014 and August 2014, provide a copy of the PJM invoice/statement which supports the amounts recorded in the FAC for those expense months. If necessary, provide a reconciliation of the amounts in the invoice/statement to the amounts recorded in the FAC.

Response 5. Please see pages 2 through 17 of this response for the PJM invoice/statements supporting the amounts recorded in the FAC for the months of January 2014 and August 2014.

FUEL ADJUSTMENT CLAUSE SCHEDULE

Month Ended JANUARY 2014

PJM DAY AHEAD AND BALANCING

PJM Charge Code	Amount	
JANUARY 2014		
1210	4,334.97	DA Transmission Congestion
1215	(4,137,159.12)	Balancing Transmission Congestion
1218	(104.76)	Planning Period Congestion Uplift
1220	5,948,622.43	DA Transmission Losses
1225	(419,012.35)	Balancing Transmission Losses
1230	(16,684.22)	Inadvertent Interchange
1250	68,974.03	Meter Error Correction
1260	-	Emergency Energy
1375	6,000,632.46	Balancing Operating Reserve
1420	18.65	Load Recon for Trans Losses
2210	(1,776,053.44)	Transmission Congestion Credit
2217	-	Planning Period Excess Congestion Credit
2218	170.23	Planning Period Congestion Uplift
2220	(2,901,110.61)	Transmission Losses Credit
2260	-	Emergency Energy Credit
2420	3.97	Load Recon for Trans Losses Credit
2375	(720,609.69)	Balancing Operating Reserve

2,052,022.55 Total PJM Balancing

Reconciliation of Charge Codes for January 2014
for PSC CASE 2014 - 00451 Dated 3/11/15. Request 5.

Charge Codes	Amount	Source Billing Period Start
1230	(16,762.19)	01/01/14
1230	77.97	11/01/13

Total 1230	\$ (16,684.22)
-------------------	-----------------------

1250	68,974.03
------	-----------

Less: Inadvertent
Allocation Charge _____ -

Total 1250	\$ 68,974.03
-------------------	---------------------

* Amount included in FAC. See supporting
schedule on page 4.

1375	6,017,501.31	1/1/2014
1375	(12,221.57)	10/1/09
1375	(5,839.27)	11/1/09
1375	(6,186.38)	12/1/09
1375	4,405.86	4/1/13
1375	11.75	5/1/13
1375	(1,219.72)	7/1/13
1375	3,337.33	8/1/13
1375	5.88	10/1/13
1375	536.52	11/1/13
1375	300.75	12/1/13

Total 1375	\$ 6,000,632.46
-------------------	------------------------

2210	(1,775,907.62)	1/1/2014
2210	(0.02)	1/1/2012
2210	(43.73)	2/1/2012
2210	(66.75)	3/1/2012
2210	(39.94)	4/1/2012
2210	(19.79)	5/1/2012
2210	0.01	11/1/2013
2210	24.40	12/1/2013

Total 2210	\$ (1,776,053.44)
-------------------	--------------------------

2220	(2,901,112.22)	1/1/2014
2220	(4.77)	11/1/2013
2220	6.38	12/1/2013

Total 2220	\$ (2,901,110.61)
-------------------	--------------------------

Meter Correction Charge Summary

Customer Account: East Kentucky Power Report Creation: 2/7/2014 9:01
 Start Month: January, 2014 End Month: January, 2014

Customer ID	Customer Code	Month	Counter Party	1250.11 Total Correction (MWh)	1250.12 Participant Correction Share (MWh)	1250.13 Meter Correction Rate (\$/MWh)	1250.01 Meter Correction Charge (\$)
	291 EKPC	January, 2014	AEPSCT	-26	-26	126.76023	(3,295.77)
	291 EKPC	January, 2014	Greenup Hydro	725.608	725.608	93.375431	67,833.19
	291 EKPC	January, 2014	TVAM	35	35	126.76023	4,436.61

End of Report

Applies to Fuel Adjustment Clause

68,974.03

Due to the Counter Party being part of the EKPC system, when there is a meter error charge, it is considered a fuel cost and is included in the Fuel Adjustment calculation.



PJM Settlement, Inc.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

INVOICE NUMBER: 2014013100291
CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 02/07/2014 11:22:09
BILLING PERIOD: 01/01/2014 to 01/31/2014

Monthly Billing Total: \$26,022,799.33
Previous Weekly Billing Total: \$17,869,237.12

Monthly Billing Statement Summary	Total
Total Net Charge. Please Pay This Amount.	\$8,153,562.21

TERMS: PAYABLE IN FULL BY 12:00 PM EPT ON 02/14/2014
WIRE TRANSFER FUNDS TO:

FOR INQUIRIES CONTACT:
PJM MEMBER RELATIONS (Banking / Payment):
PJM MARKET SETTLEMENTS (Billing Line Items):
ADDITIONAL BILLING STATEMENT INFORMATION:

This cover page includes PJM Settlement, Inc. banking information that is NOT to be publicly shared. In order to reduce the risk of potential fraud, please redact any PJM Settlement banking information prior to including these billing statements in any public documents.

David Budney
Manager, PJM Market Settlement Operations



PJM Settlement, Inc.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 02/07/2014 11:22:09
BILLING PERIOD: 01/01/2014 to 01/31/2014

CHARGES	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
1100		Network Integration Transmission Service		\$4,310,007.50
1108		Transmission Enhancement		\$605,942.99
1130		Firm Point-to-Point Transmission Service		\$0.00
1140		Non-Firm Point-to-Point Transmission Service		\$0.00
1200		Day-ahead Spot Market Energy		\$13,557,544.87
1205		Balancing Spot Market Energy		\$8,772,609.13
1210		Day-ahead Transmission Congestion		\$4,334.97
1215		Balancing Transmission Congestion		\$(4,137,159.12)
1220		Day-ahead Transmission Losses		\$5,948,622.43
1225		Balancing Transmission Losses		\$(419,012.35)
1230		Inadvertent Interchange		\$(16,762.19)
1242		Day-Ahead Load Response Charge Allocation		\$1,119.91
1243		Real-Time Load Response Charge Allocation		\$8,061.01
1250		Meter Error Correction		\$68,974.03
1301		PJM Scheduling, System Control and Dispatch Service - Control Area Administration		\$268,852.20
1302		PJM Scheduling, System Control and Dispatch Service - FTR Administration		\$3,244.91
1303		PJM Scheduling, System Control and Dispatch Service - Market Support		\$102,696.12
1304		PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration		\$4,519.75
1305		PJM Scheduling, System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.		\$12,991.48
1306		PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center		\$38,271.49
1307		PJM Scheduling, System Control and Dispatch Service - Market Support Offset		\$(14,546.96)
1308		PJM Scheduling, System Control and Dispatch Service Refund - Control Area Administration		\$(40,200.68)
1309		PJM Scheduling, System Control and Dispatch Service Refund - FTR Administration		\$(262.92)
1310		PJM Scheduling, System Control and Dispatch Service Refund - Market Support		\$(15,675.25)
1311		PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration		\$(841.88)
1312		PJM Scheduling, System Control and Dispatch Service Refund - Capacity Resource/Obligation Mgmt.		\$(1,729.18)
1313		PJM Settlement, Inc.		\$14,546.96
1314		Market Monitoring Unit (MMU) Funding		\$12,293.23
1315		FERC Annual Recovery		\$111,545.03
1316		Organization of PJM States, Inc. (OPSI) Funding		\$1,112.26
1317		North American Electric Reliability Corporation (NERC)		\$141.22
1318		Reliability First Corporation (RFC)		\$200.64



PJM Settlement, Inc.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 02/07/2014 11:22:09
BILLING PERIOD: 01/01/2014 to 01/31/2014

1320		Transmission Owner Scheduling, System Control and Dispatch Service		\$304,837.56
1330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$177,668.04
1340		Regulation and Frequency Response Service		\$1,424,683.52
1360		Synchronized Reserve		\$1,014,254.77
1362		Non-Synchronized Reserve		\$85,289.76
1365		Day-ahead Scheduling Reserve		\$769,448.93
1370		Day-ahead Operating Reserve		\$717,709.51
1375		Balancing Operating Reserve		\$6,017,501.31
1376		Balancing Operating Reserve for Load Response		\$54.50
1377		Synchronous Condensing		\$1,186.88
1378		Reactive Services		\$3,297.30
1380		Black Start Service		\$30,655.96
1400		Load Reconciliation for Spot Market Energy		\$(322.01)
1410		Load Reconciliation for Transmission Congestion		\$(1.80)
1420		Load Reconciliation for Transmission Losses		\$18.65
1430		Load Reconciliation for Inadvertent Interchange		\$0.06
1440		Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		\$(2.34)
1441		Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		\$0.65
1442		Load Reconciliation for Schedule 9-6 - Advanced Second Control Center		\$(0.32)
1444		Load Reconciliation for Market Monitoring Unit (MMU) Funding		\$(0.04)
1445		Load Reconciliation for FERC Annual Recovery		\$(0.68)
1446		Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		\$(0.01)
1447		Load Reconciliation for North American Electric Reliability Corporation (NERC)		\$(0.11)
1448		Load Reconciliation for Reliability First Corporation (RFC)		\$(0.16)
1450		Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		\$(0.89)
1460		Load Reconciliation for Regulation and Frequency Response Service		\$(0.97)
1470		Load Reconciliation for Synchronized Reserve		\$(0.04)
1490		Load Reconciliation for Reactive Services		\$(6.47)
1500		Financial Transmission Rights Auction		\$213,727.02
1108	A	Transmission Enhancement	12/01/2013	\$(2.27)
1140	A	Non-Firm Point-to-Point Transmission Service	12/01/2013	\$229.81
1218	A	Planning Period Congestion Uplift	05/01/2012	\$(104.76)
1230	A	Inadvertent Interchange	11/01/2013	\$77.97
1304	A	PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration	08/01/2013	\$0.21
1304	A	PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration	12/01/2013	\$(0.09)

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 02/07/2014 11:22:09
BILLING PERIOD: 01/01/2014 to 01/31/2014

1306	A	PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center	08/01/2013	\$(0.02)
1306	A	PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center	11/01/2013	\$0.02
1306	A	PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center	12/01/2013	\$0.01
1311	A	PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration	12/01/2013	\$0.03
1340	A	Regulation and Frequency Response Service	08/01/2013	\$31.39
1340	A	Regulation and Frequency Response Service	12/01/2013	\$(5.37)
1360	A	Synchronized Reserve	12/01/2013	\$291.33
1370	A	Day-ahead Operating Reserve	12/01/2013	\$(20,119.39)
1375	A	Balancing Operating Reserve	10/01/2009	\$(12,221.57)
1375	A	Balancing Operating Reserve	11/01/2009	\$(5,839.27)
1375	A	Balancing Operating Reserve	12/01/2009	\$(6,186.38)
1375	A	Balancing Operating Reserve	04/01/2013	\$4,405.86
1375	A	Balancing Operating Reserve	05/01/2013	\$11.75
1375	A	Balancing Operating Reserve	07/01/2013	\$(1,219.72)
1375	A	Balancing Operating Reserve	08/01/2013	\$3,337.33
1375	A	Balancing Operating Reserve	10/01/2013	\$5.88
1375	A	Balancing Operating Reserve	11/01/2013	\$536.52
1375	A	Balancing Operating Reserve	12/01/2013	\$300.75
1376	A	Balancing Operating Reserve for Load Response	12/01/2013	\$1,305.77
1378	A	Reactive Services	07/01/2013	\$(161.28)
1378	A	Reactive Services	08/01/2013	\$(28,718.42)
1378	A	Reactive Services	12/01/2013	\$2,051.48
1911	A	Michigan - Ontario Interface Phase Angle Regulators	12/01/2013	\$3,866.22
Total Charges				\$39,903,113.97



PJM Settlement, Inc.
 955 Jefferson Avenue
 Valley Forge Corporate Center
 Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 02/07/2014 11:22:09
BILLING PERIOD: 01/01/2014 to 01/31/2014

CREDITS	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
2100		Network Integration Transmission Service		\$4,306,252.47
2130		Firm Point-to-Point Transmission Service		\$82,997.93
2140		Non-Firm Point-to-Point Transmission Service		\$17,935.37
2210		Transmission Congestion		\$1,775,907.82
2220		Transmission Losses		\$2,901,112.22
2320		Transmission Owner Scheduling, System Control and Dispatch Service		\$305,429.77
2330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$191,510.92
2340		Regulation and Frequency Response Service		\$1,756,040.58
2360		Synchronized Reserve		\$695,173.47
2365		Day-ahead Scheduling Reserve		\$678,050.33
2370		Day-ahead Operating Reserve		\$1,974.38
2375		Balancing Operating Reserve		\$720,609.69
2380		Black Start Service		\$32,270.66
2420		Load Reconciliation for Transmission Losses		\$(3.97)
2510		Auction Revenue Rights		\$179,854.25
2600		RPM Auction		\$44,069.60
2640		Incremental Capacity Transfer Rights		\$23,221.17
2912		CT Lost Opportunity Cost Allocation		\$310.62
2100	A	Network Integration Transmission Service	01/01/2014	\$167,245.16
2140	A	Non-Firm Point-to-Point Transmission Service	12/01/2013	\$378.42
2210	A	Transmission Congestion	01/01/2012	\$0.02
2210	A	Transmission Congestion	02/01/2012	\$43.73
2210	A	Transmission Congestion	03/01/2012	\$66.75
2210	A	Transmission Congestion	04/01/2012	\$39.94
2210	A	Transmission Congestion	05/01/2012	\$19.79
2210	A	Transmission Congestion	11/01/2013	\$(0.01)
2210	A	Transmission Congestion	12/01/2013	\$(24.40)
2218	A	Planning Period Congestion Uplift	05/01/2012	\$(170.23)
2220	A	Transmission Losses	11/01/2013	\$4.77
2220	A	Transmission Losses	12/01/2013	\$(6.38)
Total Credits				\$13,880,314.64

FUEL ADJUSTMENT CLAUSE SCHEDULE

Month Ended August 2014

PJM DAY AHEAD AND BALANCING

PJM Charge Code	Amount	
AUGUST 2014		
1210	(8,104.14)	DA Transmission Congestion
1215	19,955.75	Balancing Transmission Congestion
1218	(0.02)	Planning Period Congestion Uplift
1220	390,859.01	DA Transmission Losses
1225	32,364.37	Balancing Transmission Losses
1230	7,316.59	Inadvertent Interchange
1245		Emergency Load Response
1250		Meter Error Correction
1260	-	Emergency Energy
1375	98,206.61	Balancing Operating Reserve
1420	(0.34)	Load Recon for Trans Losses
2210	(123,556.15)	Transmission Congestion Credit
2217	-	Planning Period Excess Congestion Credit
2218	0.03	Planning Period Congestion Uplift
2220	(384,053.23)	Transmission Losses Credit
2245	-	Emergency Load Response Credit
2260	-	Emergency Energy Credit
2420	(0.13)	Load Recon for Trans Losses Credit
2375	(86,917.62)	Balancing Operating Reserve

(53,929.27) Total PJM Balancing

Reconciliation of Charge Codes for August 2014 for
PSC CASE 2014 - 00451 Dated 3/11/15. Request 5.

Charge Codes	Amount	Source Billing Period Start
1250	133.31	
Less: Inadverdent Allocation Charge	(133.31)	

Total 1250	-	*
-------------------	----------	----------

* Amount not included in FAC. See supporting
schedule on page 12.

1375	87,496.95	8/1/2014
1375	1,027.76	7/1/2013
1375	1,004.79	12/1/2013
1375	7,997.07	1/1/14
1375	698.44	5/1/14
1375	(18.40)	7/1/14

Total 1375	\$ 98,206.61	
-------------------	---------------------	--

2210	(123,556.12)	8/1/2014
2210	(0.03)	3/1/2014

Total 2210	\$ (123,556.15)	
-------------------	------------------------	--

2220	(384,021.11)	8/1/2014
------	--------------	----------

Meter Correction Allocation Charge Summary

Customer / East Kentucky Power Report Creation 9/8/2014 9:18
Start Month August, 2014 End Month: August, 2014

Customer ID	Customer Code	Month	Type	EDC	Total Correction (MWh)	Total Meter Error Correction Charge (\$)	PJM-East Load (MWh)	Total PJM-East Load (MWh)	PJM Region Load (MWh)	Total PJM Region Load (MWh)	Meter Correction Charge (\$)
	291 EKPC	August, 2014	Inadvertent		249	8571.08			1073385	69015045	133.31
End of Report				Transmission Only							

In August 2014, the meter error was for inadvertent on the PJM system. When the type is inadvertent, it is considered a transmission cost and therefore, is not included in the Fuel Adjustment calculation.



PJM Settlement, Inc.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

INVOICE NUMBER: 2014083100291
CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

Monthly Billing Total: \$11,378,500.99
Previous Weekly Billing Total: \$8,948,667.17

Monthly Billing Statement Summary	Total
Total Net Charge. Please Pay This Amount.	\$2,429,833.82

TERMS: PAYABLE IN FULL BY 12:00 PM EPT ON 09/12/2014

WIRE TRANSFER FUNDS TO:

FOR INQUIRIES CONTACT:

PJM MEMBER RELATIONS (Banking / Payment):

PJM MARKET SETTLEMENTS (Billing Line Items):

ADDITIONAL BILLING STATEMENT INFORMATION:

This cover page includes PJM Settlement, Inc. banking information that is NOT to be publicly shared. In order to reduce the risk of potential fraud, please redact any PJM Settlement banking information prior to including these billing statements in any public documents.

David Budney
Manager, PJM Market Settlement Operations



PJM Settlement, Inc.
 955 Jefferson Avenue
 Valley Forge Corporate Center
 Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

CHARGES	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
1100		Network Integration Transmission Service		\$5,547,731.79
1108		Transmission Enhancement		\$778,828.23
1130		Firm Point-to-Point Transmission Service		\$0.00
1140		Non-Firm Point-to-Point Transmission Service		\$0.00
1200		Day-ahead Spot Market Energy		\$9,422,211.45
1205		Balancing Spot Market Energy		\$886,350.31
1210		Day-ahead Transmission Congestion		\$(8,104.14)
1215		Balancing Transmission Congestion		\$19,955.75
1220		Day-ahead Transmission Losses		\$390,859.01
1225		Balancing Transmission Losses		\$32,364.37
1230		Inadvertent Interchange		\$7,316.59
1242		Day-Ahead Load Response Charge Allocation		\$8,297.25
1243		Real-Time Load Response Charge Allocation		\$5,125.21
1250		Meter Error Correction		\$133.31
1301		PJM Scheduling, System Control and Dispatch Service - Control Area Administration		\$186,315.01
1302		PJM Scheduling, System Control and Dispatch Service - FTR Administration		\$2,677.39
1303		PJM Scheduling, System Control and Dispatch Service - Market Support		\$68,817.42
1304		PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration		\$2,379.49
1305		PJM Scheduling, System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.		\$13,289.08
1306		PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center		\$29,200.70
1307		PJM Scheduling, System Control and Dispatch Service - Market Support Offset		\$(8,080.30)
1308		PJM Scheduling, System Control and Dispatch Service Refund - Control Area Administration		\$(9,139.57)
1309		PJM Scheduling, System Control and Dispatch Service Refund - FTR Administration		\$(108.61)
1310		PJM Scheduling, System Control and Dispatch Service Refund - Market Support		\$(3,498.86)
1311		PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration		\$(144.54)
1312		PJM Scheduling, System Control and Dispatch Service Refund - Capacity Resource/Obligation Mgmt.		\$(584.35)
1313		PJM Settlement, Inc.		\$8,080.30
1314		Market Monitoring Unit (MMU) Funding		\$7,220.17
1315		FERC Annual Recovery		\$77,300.91
1316		Organization of PJM States, Inc. (OPSI) Funding		\$770.81
1317		North American Electric Reliability Corporation (NERC)		\$151.66
1318		Reliability First Corporation (RFC)		\$215.45



PJM Settlement, Inc.
 955 Jefferson Avenue
 Valley Forge Corporate Center
 Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

1320		Transmission Owner Scheduling, System Control and Dispatch Service		\$209,137.70
1330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$180,527.56
1340		Regulation and Frequency Response Service		\$157,709.16
1360		Synchronized Reserve		\$45,979.72
1362		Non-Synchronized Reserve		\$2,824.11
1365		Day-ahead Scheduling Reserve		\$20.41
1370		Day-ahead Operating Reserve		\$86,355.00
1375		Balancing Operating Reserve		\$87,496.95
1376		Balancing Operating Reserve for Load Response		\$24.90
1380		Black Start Service		\$38,262.45
1400		Load Reconciliation for Spot Market Energy		\$2.21
1410		Load Reconciliation for Transmission Congestion		\$(26.24)
1420		Load Reconciliation for Transmission Losses		\$(0.34)
1430		Load Reconciliation for Inadvertent Interchange		\$(0.17)
1460		Load Reconciliation for Regulation and Frequency Response Service		\$(0.34)
1470		Load Reconciliation for Synchronized Reserve		\$(0.06)
1472		Load Reconciliation for Non-Synchronized Reserve		\$0.02
1475		Load Reconciliation for Day-ahead Scheduling Reserve		\$0.01
1500		Financial Transmission Rights Auction		\$155,378.82
1600		RPM Auction		\$58,124.69
1140	A	Non-Firm Point-to-Point Transmission Service	07/01/2014	\$123.95
1218	A	Planning Period Congestion Uplift	05/01/2014	\$(0.02)
1304	A	PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration	07/01/2014	\$0.04
1306	A	PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center	07/01/2014	\$(0.01)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	08/01/2012	\$(46.00)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	09/01/2012	\$(46.52)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	10/01/2012	\$(47.40)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	11/01/2012	\$(47.25)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	12/01/2012	\$(46.14)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	01/01/2013	\$(48.67)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	02/01/2013	\$(48.92)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	03/01/2013	\$(49.90)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	04/01/2013	\$(49.16)



PJM Settlement, Inc.
 955 Jefferson Avenue
 Valley Forge Corporate Center
 Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	05/01/2013	\$(49.14)
1330	A	Reactive Supply and Voltage Control from Generation and Other Sources Service	06/01/2013	\$(279.96)
1340	A	Regulation and Frequency Response Service	07/01/2014	\$6.90
1360	A	Synchronized Reserve	07/01/2014	\$6.99
1375	A	Balancing Operating Reserve	07/01/2013	\$1,027.76
1375	A	Balancing Operating Reserve	12/01/2013	\$1,004.79
1375	A	Balancing Operating Reserve	01/01/2014	\$7,997.07
1375	A	Balancing Operating Reserve	05/01/2014	\$698.44
1375	A	Balancing Operating Reserve	07/01/2014	\$(18.40)
1662	A	Generation Resource Rating Test Failure	10/01/2013	\$31.28
1665	A	Peak-Hour Period Availability	08/01/2014	\$233,753.30
1911	A	Michigan - Ontario Interface Phase Angle Regulators	07/01/2014	\$2,982.01
Total Charges				\$18,734,602.89



PJM Settlement, Inc.
 955 Jefferson Avenue
 Valley Forge Corporate Center
 Norristown, PA 19403-2497

CUSTOMER ACCOUNT: East Kentucky Power Cooperative, Inc.
CUSTOMER IDENTIFIERS: EKPC (291)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

CREDITS	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
2100		Network Integration Transmission Service		\$5,539,406.74
2130		Firm Point-to-Point Transmission Service		\$81,847.36
2140		Non-Firm Point-to-Point Transmission Service		\$4,373.91
2210		Transmission Congestion		\$123,556.12
2220		Transmission Losses		\$384,021.11
2320		Transmission Owner Scheduling, System Control and Dispatch Service		\$209,986.02
2330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$191,510.92
2340		Regulation and Frequency Response Service		\$109,982.26
2360		Synchronized Reserve		\$0.00
2365		Day-ahead Scheduling Reserve		\$62.70
2370		Day-ahead Operating Reserve		\$0.00
2375		Balancing Operating Reserve		\$86,917.62
2380		Black Start Service		\$39,762.18
2420		Load Reconciliation for Transmission Losses		\$0.13
2510		Auction Revenue Rights		\$30,973.03
2600		RPM Auction		\$342,860.00
2912		CT Lost Opportunity Cost Allocation		\$866.76
2100	A	Network Integration Transmission Service	08/01/2014	\$207,017.84
2140	A	Non-Firm Point-to-Point Transmission Service	07/01/2014	\$184.28
2210	A	Transmission Congestion	03/01/2014	\$0.03
2210	A	Transmission Congestion	07/01/2014	\$0.00
2218	A	Planning Period Congestion Uplift	05/01/2014	\$(0.03)
2220	A	Transmission Losses	07/01/2014	\$32.12
2640	A	Incremental Capacity Transfer Rights	02/01/2014	\$2,740.80
Total Credits				\$7,356,101.90

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED
03/11/15**

REQUEST 6

RESPONSIBLE PARTY: Julia J. Tucker

Request 6. Refer to the response to Item 39 of the February 5, 2015 Request. State whether East Kentucky is compensated by PJM if PJM dispatches any of its units out of economic dispatch order. If so, explain whether this compensation is fuel-related and credited to customers through the FAC. If fuel-related compensation is received and not credited through the FAC, explain why it is not credited.

Response 6. PJM dispatches EKPC's units on a reliability constrained economic dispatch basis. If load congestion or transmission issues cause units to be dispatched out of pure economic merit order, then the costs are reflected in the Locational Marginal Price(s) ("LMP). The LMP costs and revenues, which are fuel related, flow through the FAC as defined in the various billing line items.

As a generation owner, EKPC is required to perform various environmental and operational tests. If these tests are completed out of economic order, PJM does not adjust its LMP to support the cost of that test. The cost of the test is reflected in EKPC's fuel burn costs. EKPC has always incurred these costs; they are inherent to owning and operating generation facilities.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED

03/11/15

REQUEST 7

RESPONSIBLE PARTY: Julia J. Tucker

Request 7. Refer to the response to Item 40 of the February 5, 2015 Request.

Request 7a. Explain in detail why the \$ per MWh fuel cost for native load was higher than the \$ per MWh for off-system sales in half of the months in the 24-month review period.

Response 7a. The average \$/MWh cost for either native load or off-system sales is directly dependent to the cost at the specific time of the load or the sale. The cost is weighted by the amount of MW and the price in each hour. When the off-system sales average costs are less than the native load average costs, it means the sales were being made during non-peak price periods. EKPC has load in every hour, so there is some amount of load being served at every price point during the month. Off-system sales are

very sporadic and generally count for less than 2% of EKPC's total energy each month. The highest sales month during the review period was March 2014 and the off-system sales accounted for less than 9% of EKPC's total energy for the month. The average cost of the off-system sales in that month were less than the average load cost, which means the sales were made in lower priced hours than the peak hours.

Request 7b. Explain in detail why the \$ per MWh fuel cost for native load was significantly higher than the \$ per MWh for off-system sales in the months of January 2013, February 2013, and the five months of March 2014 through July 2014. Include in the response details of East Kentucky's fuel cost allocation methodology that produces these results.

Response 7b. EKPC generally makes purchases during its peak load periods and is selling excess energy from its baseload generation during lower cost periods. In January and February 2013, EKPC was still its own balancing authority and was having to keep enough generation available to meet peak native load needs. That leads to having excess generation on the system during the off-peak periods. EKPC would be making sales just to be able to keep generation on-line and available during peak hours for its own load. Those sales would be made during the lowest cost hours and would be made from the baseload units which have lower costs than the gas powered peaking units. Gas

units can start quickly and do not have to be run during low cost hours just to keep them available for load during peak periods. Making sales from the lower cost baseload units drives the average cost of those sales lower than the average cost to serve load which includes the cost for the gas powered units during peak periods. There is always load to be served, so there is always load to be served during the high and low priced hours, but the higher priced hours drive the average cost higher for load costs. From March 2014 through July 2014, EKPC would generally be selling from its baseload generation as well.

EKPC compares each hour of its native load to its total generation, in MW, each month. If generation is greater than load, then an off-system sale has been made. EKPC then ranks its generation and firm purchases from the highest cost to least cost resource. The cost of the sale is based on the highest cost resource generating in that hour. If the sales MW is greater than the output of the highest cost resource, then the next resource is used for the remaining portion of the sale and this ordering is continued until the entire amount of the sale in MW is covered by available resources. The cost is the weighted average cost of the resources used to make the sale that hour.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00451

FUEL ADJUSTMENT CLAUSE

RESPONSE TO SECOND REQUEST FOR INFORMATION

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED

03/11/15

REQUEST 8

RESPONSIBLE PARTY: Julia J. Tucker

Request 8. State whether there are times when PJM does not dispatch one or more of East Kentucky's generating units, but, in order to meet load, East Kentucky has to purchase power at a higher cost from PJM than if it had operated its unit(s). If so, state the number of times this occurred by month during the period under review and whether East Kentucky received any type of compensation from PJM.

Response 8. Each of the units has start-up costs and parameters, along with the average production costs and minimum run-time constraints. There could be certain hours on a stand-alone or short term basis where it appears that an EKPC unit might have been cheaper to operate than to make the purchases; however, when all costs and run time constraints are considered, the total cost to serve is lower based on not operating the EKPC unit. For example, two hours might be higher than an EKPC combustion turbine

("CT") but the next two hours are significantly lower cost than the EKPC CT. Assume the CT has a minimum run time of four hours for mechanical reasons. When looking at total costs over the four hour period it could be less costly to buy two higher priced hours along with two lower priced hours than to run the CT for four hours. The pricing has to be considered over a longer term period and that time period is dependent on which unit is being considered. When dispatching baseload coal units, then days or weeks must be considered in the total dispatch solution.

EKPC Market Operators are in continual contact with the PJM operators and do ask at times if they need to bring a unit on line based on the prices they are seeing in the market. The PJM operator will direct the EKPC operator based on the system dynamics that they are experiencing and will advise accordingly. Generally there are other system dynamics occurring that the EKPC operator cannot see and the PJM operator will advise as such. EKPC is not aware of a time when its units were not appropriately dispatched.