COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RECC FOR APPROVAL OF AN ECONOMIC DEVELOPMENT RIDER	)))	CASE NO. 2014-00192

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Taylor County Rural Electric Cooperative Corporation ("Taylor RECC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Taylor RECC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Taylor RECC fails or refuses to furnish all or part of the requested information, Taylor RECC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. State whether Taylor RECC has discussed the proposed Section Economic Development Rider ("EDR") tariff with any eligible customers to determine the level of interest in the proposed EDR.

2. State whether Taylor RECC believes the proposed minimum average monthly billing load requirement of 500 kilowatts ("kW") set out in the proposed tariff to be a reasonable threshold to set for its proposed EDR Tariff based on its own system.

3. a. State whether Taylor RECC believes the 60 percent minimum load factor set out in the proposed tariff is appropriate in achieving the goal of not attracting "customers that would hurt the load factor of East Kentucky Power Cooperative, Inc. ("EKPC") or the individual Members."[1]

b. Explain how the 60 percent minimum load factor requirement compares with Taylor RECC's average load factor over the past five years.

4. Refer to Case No. 2014-00034, Testimony of Isaac S. Scott ("Scott Testimony"), page 7, lines 12-15, which states, "Therefore, the proposed Section EDR tariff includes options for discount periods of three years, four years, and five years

[1] Case No. 2014-00034, Application of East Kentucky Power Cooperative, Inc. for Approval of an Economic Development Rider (Ky. PSC filed Feb. 6, 2014), Testimony of Isaac S. Scott, p. 5.

with corresponding contract terms of six years, eight years, and 10 years." Explain in detail the decision-making process that will be used in determining which of the three time periods to offer to a potential Taylor RECC EDR customer.

5. Refer to the Scott Testimony, page 8, line 21 through page 9, line 3, which states, "With the availability of market purchases through PJM, EKPC believes it should be permitted to cover months when excess capacity does not exist with purchases specifically designated to covering the customer with the economic development rate. That customer would then be required in the special contract to pay for the market purchase."

a. Confirm that the parties to the special contract will be EKPC, Taylor RECC, and the customer. If this cannot be confirmed, explain.

b. State whether the discount the EDR customer would receive could be more than offset by any premium it might have to pay for capacity at market prices.

6. Refer to the second page of the proposed EDR tariff, section 7, which defines a new customer as one who becomes a customer of Taylor RECC on or after January 1, 2013, and to Case No. 2014-00034, page 9 of the Scott Testimony, lines 10-19 wherein Mr. Scott discusses this customer definition.

a. State the number of new and existing customers who began service on or after January 1, 2013, that Taylor RECC would consider eligible for the EDR. Provide the average monthly billing load and average monthly load factor for those customers.

b. State whether qualifying customers initiating service after January 1, 2013, were told they would be eligible for a future EDR.

c. State whether using the date of January 1, 2013, as the date after which a customer is eligible for the EDR tariff creates a free-rider problem as defined on page 14 of the Commission's September 24, 1990 Order in Administrative Case No. 327[2] ("Admin. 327"): "Customers who would have decided to locate in Kentucky or expand existing operations even in the absence of rate discounts, but who would take advantage of EDRs that are offered to all new or expanding customers, in effect, become 'free riders' on the utility system at the expense of all other ratepayers."

7. Refer to Case No. 2014-00034, page 10 of the Scott Testimony, lines 13-17 which reference Finding Paragraph 4 of the Commission's September 24, 1990, Order in Admin. 327. That finding paragraph provides that the minimum bill should be included in an EDR contract. State whether Taylor RECC intends to include the minimum bill in executed EDR contracts.

8. Refer to Case No. 2014-00034, page 10 of the Scott Testimony, lines 21-23 which states, "The Section EDR tariff states that customer-specific fixed costs will not be borne by EKPC's or the Member's other customers during the term of the contract." Confirm that page 2, Item 6) of Taylor RECC's proposed Section EDR tariff which states, "Any EDR customer-specific fixed costs shall be recovered over the life of the special contract" is intended to encompass Item 3) of the tariff which specifies that the cost of a customer-specific meter installation will be recovered *from the customer*.

9. Refer to Case No. 2014-00034, pages 10 through 15 of the Scott Testimony, in which the individual findings from the Commission's Order in Admin. 327

[2] Administrative Case No. 327, An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities (Ky. PSC Sept. 24, 1990).

are discussed. State whether Taylor RECC likewise agrees to the commitments EKPC makes with regard to these findings.

10. Refer to Case No. 2014-00034, Scott Testimony, page 13, beginning at line 21, which states, "Finding No. 13 – EDR contracts designed to retain the load of existing customers should be accompanied by an affidavit of the customer stating that, without the rate discount, operations will cease or be severely restricted. In addition, the utility must demonstrate the financial hardship experienced by the customer." Mr. Scott goes on to state on page 14, line 9, "However, if EKPC and its Members conclude it was in their best interest to enter into a special contract associated with the proposed Section EDR tariff that was designed to retain the load of an existing customer, EKPC or the Member (as applicable) would comply with the provisions of this guideline."

a. State whether it is Taylor RECC's intention to revise its proposed EDR tariff to provide for the possibility of offering an EDR special contract to retain the load of an existing customer. If so, provide the revision. If not, and if Taylor RECC concludes it is in its best interest to enter into such a contract, state how Taylor RECC believes the EDR tariff as proposed can be used for retaining existing load.

b. If Taylor RECC were to face the hypothetical situation in which it had two customers identical in every aspect and both located in the same "Enhanced Incentive County," except that one customer is a newly located customer and the other customer is a 20-year member of the cooperative whose operations would cease or be severely restricted absent an EDR contract, explain whether Taylor RECC believes it would be reasonable and in line with its economic development goals to grant the newly located customer a special contract with a Section EDR provision and to deny the longtime member of the cooperative the kind of EDR special contract that was contemplated by the Order in Admin. 327.

11. Refer to the second page of the proposed Section EDR. The proposed language indicates that a new or existing customer eligible for a minimum average monthly billing load between 250 kW and 500 kW "may require a customer-specific meter installation," and that the cost of the installed meter "shall be recovered from the customer."

a. State whether new or existing loads in excess of 500 kW could require a similar customer-specific meter installation.

b. Provide a description of the cost-recovery mechanism planned by Taylor RECC and a breakdown, if possible, of the anticipated cost of installation.

12. Refer to page 3 of 4 of the proposed Section EDR tariff. Explain the need for the statement, "The discount will not be smaller than the amount calculated from the EKPC rate sections" that appears in the middle of the page.

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DATED JUN 30 2014

cc: Parties of Record

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