

Goss ■ Samford PLLC

 Attorneys at Law

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AUG 28 2015

PUBLIC SERVICE
COMMISSION

August 28, 2015

HAND DELIVERED

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

Re: PSC Case No. 2015-00267

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten redacted copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC"), to the information requests contained in the First Request for Information of the Commission Staff dated August 18, 2015. Also included are EKPC's redacted responses to the Attorney General's Initial Request for Information dated August 17, 2015 and LG&E/KU's Initial Request for Information dated August 18, 2015.

Also enclosed are an original and ten copies of EKPC's Motion for Confidential Treatment of Information ("Motion"). One unredacted copy of the designated confidential portions of these responses, which are the subject of the Motion, is enclosed in a sealed envelope.

Very truly yours,



David S. Samford

Enclosures

RECEIVED

AUG 28 2015

**PUBLIC SERVICE
COMMISSION**

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

In the Matter of:

**THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR APPROVAL)
OF THE ACQUISITION OF EXISTING)
COMBUSTION TURBINE FACILITIES FROM)
BLUEGRASS GENERATION COMPANY, LLC AT)
THE BLUEGRASS GENERATING STATION IN)
LAGRANGE, OLDHAM COUNTY, KENTUCKY,)
AND FOR APPROVAL OF THE ASSUMPTION)
OF CERTAIN EVIDENCES OF INDEBTEDNESS)**

**CASE NO.
2015-00267**

**RESPONSES TO LOUISVILLE GAS AND ELECTRIC COMPANY'S AND
KENTUCKY UTILITIES COMPANY'S INITIAL REQUEST FOR
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.**

DATED AUGUST 18, 2015

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

**LOUISVILLE GAS AND ELECTRIC COMPANY'S AND KENTUCKY
UTILITIES COMPANY'S INITIAL REQUEST FOR
INFORMATION DATED AUGUST 18, 2015**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits its responses to the information requests of Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E/KU") in this case dated August 18, 2015. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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CASE NO.
2015-00267

CERTIFICATE

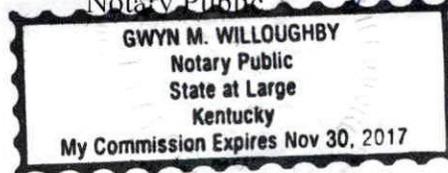
STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Darrin Adams, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to Louisville Gas and Electric Company's and Kentucky Utilities Company's Initial Request for Information in the above-referenced case dated August 18, 2015, 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.

Darrin Adams

Subscribed and sworn before me on this 20th day of August, 2015.

Gwyn M. Willoughby #580144
Notary Public



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR APPROVAL)
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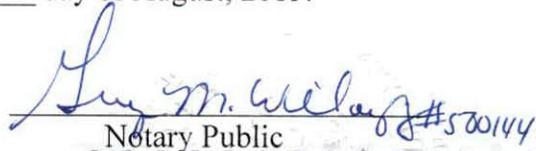
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

David Crews, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to Louisville Gas and Electric Company's and Kentucky Utilities Company's Initial Request for Information in the above-referenced case dated August 18, 2015, 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 28th day of August, 2015.


Notary Public



EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
INITIAL REQUEST FOR INFORMATION RESPONSE

LG&E/KU'S INITIAL REQUEST FOR INFORMATION DATED 08/18/15

REQUEST 1

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. EKPC has indicated in its Application that it has made a transmission service request ("TSR #80522955") to designate Bluegrass Station Units 1 and 2 as Network Resources for "EKPC load," which was accepted by TranServ and confirmed by EKPC on June 26, 2015, and a separate transmission service request ("TSR #81128526") to designate Unit 3 as a Network Resource for "EKPC load". (Paragraphs 32 and 34 of the Application).

Request 1a. Is the referenced "EKPC load" only the load connected to the LG&E/KU transmission system, or does it also refer to and include EKPC load connected to the EKPC transmission system?

Response 1a. The requests that were made by EKPC are to allow the Bluegrass Station Units to be Designated Network Resources for EKPC load that is directly connected to the LG&E/KU transmission system.

Request 1b. Does EKPC believe once TSR #80522955 and TSR #81128526 have been granted that it has been/will have been granted transmission service from LG&E/KU to serve its load connected to the EKPC transmission system, or does EKPC intend to request and obtain additional service in order to serve such load on EKPCs Transmission System?

Response 1b. EKPC has already initiated the process to put arrangements in place to be able to deliver any output of the Bluegrass Station Units that is in excess of the amount of EKPC load on the LG&E/KU system to EKPC load directly connected to the EKPC system. Representatives from EKPC met with representatives from LG&E/KU on July 16, 2015, to discuss EKPC's desire for such arrangements. EKPC offered a proposal involving establishment of a delivery point on the EKPC transmission system that would receive any excess generation output from the Bluegrass Station Units. Under this proposal, EKPC would pay LG&E/KU the applicable Network Integration Transmission Service ("NITS") rate for any such excess output delivered during the hour of the LG&E/KU system peak each month to this new delivery point on the EKPC transmission system. This is the same manner in which the charges are calculated for all loads (EKPC, LG&E/KU, or otherwise) receiving NITS from the LG&E/KU system. EKPC provided LG&E/KU with information regarding a similar arrangement between Southern Companies and South Mississippi Electric Power Association that was approved by FERC and this was discussed during the meeting. A subsequent conference

call was held between EKPC and LG&E/KU representatives on July 31, 2015, to further discuss the matter. It was decided that the next step would be to seek the involvement of TranServ in the discussions. A conference call involving EKPC, LG&E/KU, and TranServ was held on August 25, 2015, to discuss how to proceed. During this call, several different options were discussed that would permit EKPC to deliver excess output from the Bluegrass Station Units to its load connected to the EKPC transmission system. EKPC is evaluating these options and will continue the discussions once its evaluation is completed. In conclusion, EKPC continues to work to put the necessary arrangements in place to be able to deliver any excess generation output that may occur (above that delivered to EKPC load on the LG&E/KU transmission system) from Bluegrass Station to EKPC load connected to the EKPC transmission system.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
INITIAL REQUEST FOR INFORMATION RESPONSE

LG&E/KU'S INITIAL REQUEST FOR INFORMATION DATED 08/18/15
REQUEST 2

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. EKPC has indicated that it has already executed transmission service agreements with PJM for transmission service on the PJM system, such that Bluegrass Station Unit 1 and Unit 2 could be bid in the Base Residual Auction or other incremental auctions for the '18-'19 Delivery Year, and that it is working with PJM to explore the possibility of bidding into the upcoming incremental capacity auctions for the '16-'17 Delivery Year and the '17-'18 Delivery Year. (Paragraph 37 of the Application)

Request 2a. Does EKPC plan to bid the entire capacity of the Bluegrass Station Units 1 and 2 into PJM capacity, day ahead, and real time markets or some partial amount?

Response 2a. EKPC will bid the capacity of Units 1 and 2 into the PJM Capacity markets. Units bid into the PJM Capacity markets must participate in the day-ahead and balancing energy markets.

Request 2b. Does EKPC need additional transmission service on the LG&E/KU system to qualify it to submit such bids into PJM?

Response 2b. Network Integrated Transmission Service (NITS) on the LGE/KU transmission system for EKPC's load and Designated Network Resource (Bluegrass Units 1 and 2) is acceptable transmission service for EKPC load and generation to participate in the PJM capacity and energy markets.

Request 2c. Does EKPC already have the needed transmission service on the LG&E/KU system to support such bids into PJM? If so, please identify the transmission service request.

Response 2c. Yes. The applicable transmission service requests are #80522955 for Bluegrass Units 1 and 2 and #81128526 for Bluegrass Unit 3.

Request 2d. If EKPC believes TSR # 80522955 is the needed transmission service, please explain how TSR# 80522955, which is an LG&E/KU network service to deliver designated network resources (Bluegrass Units 1 and 2) to designated loads (EKPC's load connected to the LG&E/KU transmission system), can be used during times when Bluegrass Units 1 and 2 are called on by PJM in an amount greater than the

designated load connected to the LG&E/KU transmission system and applicable under the LG&E/KU & EKPC NITSA.

Response 2d. The Open Access Transmission Tariffs (“OATT”) of LG&E/KU and PJM filed with the FERC both largely follow the FERC’s pro forma tariff. These tariffs allocate transmission plant cost through monthly coincident peak (“CP”) billing determinants. EKPC’s current and forecasted load on the LG&E/KU system exceeds the total output of the Bluegrass Units 1 & 2. When the Tolling Agreement for Bluegrass Unit 3 concludes in April of 2019, there could be months where the sum of the output from Bluegrass Units 1, 2 and 3 exceeds EKPC’s load. EKPC believes that the CP billing determinates for NITS compensates Transmission Owners fairly for the use of their transmission service. Additional details are provided in EKPC’s response to Request 1b herein.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
INITIAL REQUEST FOR INFORMATION RESPONSE

LG&E/KU'S INITIAL REQUEST FOR INFORMATION DATED 08/18/15
REQUEST 3

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Related to EKPC's Application, Section 5 entitled *The KU/LG&E Tolling Agreement*:

Request 3a. Does EKPC anticipate the costs from ownership, operation, and maintenance of Unit 3 (or an Alternative Unit as defined in the Tolling Agreement) to be included in the rates charged to EKPC's customers and the respective revenues EKPC receives from the Tolling Agreement applied to offset those costs?

Response 3a. This question does not relate to LGE/KU as a counterparty to the LGE/KU Bluegrass tolling agreement. EKPC expects this issue to be resolved between EKPC and the PSC as opposed to EKPC and LGE/KU.

Request 3b. Who has the responsibility under the Tolling Agreement to seek, and who will be seeking the required consent of LG&E/KU for assignment of the Tolling Agreement?

Response 3b. Assignment of the Tolling Agreement is the responsibility of Bluegrass. EKPC acknowledges that it has a role in this assignment because it has to satisfy LGE/KU that it is a qualified operator, it will accept the terms of the Tolling Agreement, and that it is a credit-worthy counterparty. EKPC has a proven track record as an operator. EKPC would not have executed the Asset Purchase Agreement (“APA”) had it not intended to fulfill the terms of the Tolling Agreement and EKPC’s credit worthiness is equal to or greater than that of Bluegrass.

Request 3c. As the proposed assignee of the Tolling Agreement, will EKPC “agree in writing to assume assignor’s [Bluegrass’] obligations hereunder, and (B) deliver to Buyers such assurances regarding its creditworthiness (or provision of a Seller Guaranty and Eligible Collateral as required hereunder) and its ability to perform all obligations of Seller” as required in section 17.1(a)(i) of the Tolling Agreement?

Response 3c. EKPC’s execution of the APA with provision to have the Tolling Agreement assigned to EKPC should be sufficient to satisfy LGE/KU of EKPC’s commitment to honor the terms of the Tolling Agreement. EKPC is rated by S&P and

Fitch and expects to come to agreement with LGE/KU on the necessary creditworthiness guarantees.

Request 3d. With respect to the acquisition by EKPC of the Bluegrass Station, what is the plan to comply with the requirement in Section 17.2 (b)(ii)(i) of the Tolling Agreement which states “the sale or transfer of ownership interests in the Facility as a whole or the Unit [is permitted] if (i) all security required under Section 10.1 shall remain in place or be replaced notwithstanding such disposition, or that such other security in form, substance and amount in full compliance with this Agreement shall have been provided at or prior to such disposition ...”?

Response 3d. EKPC is rated by S&P and Fitch and expects to come to agreement with LGE/KU on the necessary creditworthiness guarantees.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00267
INITIAL REQUEST FOR INFORMATION RESPONSE

LG&E/KU'S INITIAL REQUEST FOR INFORMATION DATED 08/18/15
REQUEST 4

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Related to Exhibit 3 of the Application entitled Asset Purchase Agreement, specifically, Schedule 4.06(b) and Schedule 4.14(b) of the Disclosure Schedules:

Request 4a. Does EKPC anticipate any potential disputes that may arise from the Tolling Agreement?

Response 4a. EKPC does not anticipate any contract disputes that cannot be resolved.

Request 4b. Does EKPC plan to continue LS Power's invoicing practices by including energy generated outside the Schedule as Delivered Energy in calculating the Monthly Fuel Adjustment (MFA) portion of the Tolling Agreement invoice?

Response 4b. EKPC has had the opportunity to discuss the issue with LS Power/Bluegrass but not with LGE/KU. EKPC has reviewed both the description of the MFA formula in Appendix B, and the MFA calculation that LS Power/Bluegrass has been using in the billing. EKPC believes the MFA as billed is consistent with the formula described in Appendix B. EKPC also believes the as-billed MFA is representative of how a fuel adjustment should work.