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James W. Gardner
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Daniel E. Logsdon Jr.
Vice Chairman

November 30, 2015

PARTIES OF RECORD

Re: Case No. 2015-00358
Application of East Kentucky Power Cooperative, Inc. for Deviation from
Obligation Resulting from Case No. 2012-00169

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Quang Nguyen, Staff Attorney, at (502) 782-2586.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

QN/ph

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Quang D. Nguyen, Staff Attorney 

DATE: November 30, 2015

RE: Case No. 2015-00358
Application of East Kentucky Power Cooperative, Inc. for Deviation from
Obligation Resulting from Case No. 2012-00169

Pursuant to the Commission's November 20, 2015 Order, an informal conference was held on November 20, 2015, at the Commission's offices in Frankfort, Kentucky. East Kentucky Power Cooperative, Inc. ("EKPC") requested the informal conference for the purposes of discussing any issues relating to the application. A list of the attendees is attached hereto.

EKPC representatives indicated that the company had evaluated several types of mechanisms to flow the capacity revenues associated with its membership in PJM Interconnection, LLC ("PJM") as required by the Commission's Final Order in Case No. 2012-00169,¹ authorizing EKPC to fully integrate into PJM. The Final Order in Case No. 2012-00169 directed EKPC to file an application no later than November 30, 2015, for approval of a rate mechanism to flow back to customers the capacity market benefits expected to accrue from EKPC's full integration into PJM. EKPC indicated that the PJM energy market has been more robust than originally anticipated but that in most years the PJM capacity market has not produced the type of revenues that EKPC had projected. This market trend coupled with the early 2016 closure of the Dale Generating Station has caused EKPC to re-evaluate not only the type of mechanism but also the timing of the implementation of any such mechanism.

Compounding the complexity of EKPC's evaluation of what type of mechanism to implement, EKPC noted that recent environmental regulations would require it to invest a significant amount of capital within the next few years to comply with the Coal Combustion Residual rule, the Effluent Limitations Guidelines and the Clean Power Plan. EKPC stated that crediting payments or revenues related to capacity and having to increase rates due to environmental compliance would not make sense. Accordingly, EKPC filed its application in this case requesting additional time to assess and evaluate

¹ Case No. 2012-00169, *Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC* (Ky. PSC Dec. 20, 2012).

the most reasonable option to comply with the Commission's directive in Case No. 2012-00169.

After a discussion on the various rate mechanism alternatives that could be implemented, KIUC indicated that the best mechanism would factor the total components of EKPC's earnings rather than a singular focus on capacity revenue. EKPC suggests that continued dialogue with the intervenors in the matter may prove fruitful in arriving at a reasonable solution. EKPC suggest that the parties submit a motion to hold the matter in abeyance so that they could continue to discuss this issue further.

There being no further discussions, the informal conference was adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR) CASE NO.
DEVIATION FROM OBLIGATION) 2015-00358
RESULTING FROM CASE NO. 2012-00169)

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November 20, 2015 Informal Conference
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Please sign in:

NAME	REPRESENTING
Quang D Nguyen	PSC
Richard Raff	PSC LEGAL
John B. Park	PSC Legal
MARK D. GOSS	GOSS SAMFORD, PLLC
Larry Cook	OAG
Julia Tucker	EKPC
Mike McValley	EKPC
Mike Kurtz	KIUC
Jennifer Fell	PSC-Legal
David Smart	EKPC
JEFF JOHNSON	PSC ENG
ISAAC S. SCOTT	EKPC
Patrick Woods	EKPC.
Bob Russell	PSC

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