

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR ISSUANCE OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY, APPROVAL OF CERTAIN)	2016-00269
ASSUMPTION OF EVIDENCES OF)	
INDEBTEDNESS AND ESTABLISHMENT OF A)	
COMMUNITY SOLAR TARIFF)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), 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 on or before September 9, 2016. 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.

EKPC 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 EKPC fails or refuses to furnish all or part of the requested information, it 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. When filing a paper containing personal information, EKPC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application at 5. Provide the basis for the expected capacity factor of approximately 20 percent.

2. Refer to the Application at 6 regarding Network Integration Transmission Service ("NITS") billing. Provide an example of the load-demand billing for a given delivery point at the time of the Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E/KU") monthly peak.

3. Refer to the Application at 6 regarding participants' having the option to either retire or receive credit for the disposition of renewable energy credits. The value for this is to "[b]e determined separately from the Project's interaction with PJM." Explain how and when this value will be determined.

4. Refer to the Application at 7 where EKPC refers to its RFP as having stated that proposals with an expected commercial operation date of December 31, 2016, were preferred in order to potentially make use of certain federal tax credits. It

goes on to state that “[E]KPC is using an alternative financing option which makes the December 31, 2016 date less critical.” Refer also to the Application at 9, which refers to other forms of financing considered that would have attempted to take advantage of a federal tax credit, and to page 22, in which EKPC requests the Commission to grant the relief requested by December 1, 2016.

a. Explain whether the assertion that the financing option chosen by EKPC, New Clean Renewable Energy Bonds (“New CREBs”) “makes the December 31, 2016 date less critical” means that the project will not be able to use the federal tax credits it could potentially use under other forms of financing.

b. Refer to the Direct Testimony of Todd Bartling (“Bartling Testimony”) at 6, which states that, “[a]t the time of the [Request for Proposal (“RFP”)], projects with a Commercial Operation Date (“COD”) of December 31, 2016 or earlier were preferred because they would likely qualify for federal investment tax credits (Emphasis added.) Explain whether the proposed project, as described in the application, would qualify for the investment tax credits referenced by Mr. Bartling if the Commission granted EKPC’s requested relief by December 1, 2016.

c. If the project does not qualify for federal tax credits, explain why EKPC requests that the Commission issue a decision by December 1, 2016.

5. Refer to the Application at 8 regarding the New CREBS financing.

a. Explain whether the National Rural Utilities Cooperative Financing Corporation (“CFC”) is the only participant in the program to which EKPC would issue taxable bonds.

b. Clarify whether the CFC bond rate has the same meaning as the “IRS Tax Credit Bond Rate.”

c. The CFC bond rate as of June 7, 2016, was 4.00 percent and the subsidy, supposedly set at 70 percent of the published Internal Revenue Service Tax Credit Bond rate, was 2.99 percent. That percentage, 2.99, divided by 4.00, equals 74.75 percent, not 70 percent.

(1) Explain the discrepancy and, if such discrepancies occur frequently, explain whether it is typical for the discrepancy to favor the borrower.

(2) Provide the CFC bond rate as of the most recent date available.

6. Refer to the Application at 9. East Kentucky proposes the License Fee for a single panel will be \$460.

a. Confirm that the License Fee is expected to be paid in full at the time the customer enrolls in the program.

b. State whether East Kentucky considered structuring the License Fee as smaller monthly payments, rather than as a larger one-time payment.

7. Refer to the Application at 11, which states that East Kentucky believes it is critical to “pursue prudent diversification of the generation portfolio via increased integration of viable renewable resources.” Explain how the benefits of a renewable resource are obtained should East Kentucky allow its members’ end users to sell the Renewable Energy Certificates, rather than retire them.

8. Refer to the Direct Testimony of David Crews (“Crews Testimony”), page 8, which references National Renewables Cooperative Organization (“NRCO”) as having issued an RFP in October 2015 on behalf of EKPC.

a. Explain whether EKPC’s selection of NRCO to perform the work described in the Bartling Testimony was the result of an RFP process.

b. If NRCO was not selected through an RFP process, explain how it was selected by EKPC.

c. The Bartling Testimony at 4 states that NRCO has served as independent procurement manager for electric cooperatives on more than 40 solar projects over the last five years. Provide the number and names of any cooperatives for whom NRCO has worked that EKPC contacted as part of its selection process.

d. The Bartling Testimony at 4–5 states that EKPC formally retained NRCO in September of 2015, and that NRCO’s EKPC project team consisted of four individuals. Provide NRCO’s cost estimate for the work it was to perform for EKPC, the costs incurred to date, and the estimate of additional costs that may incurred.

9. Refer to the Crews Testimony at 10 regarding the second market-research phase related to the solar project. The first phase is described as in-depth interviews with 49 residential consumer members of five EKPC member systems. Explain how the second phase, which involved 837 residential consumers across 14 EKPC member systems, was conducted.

10. Refer to the Crews Testimony at 9–13. Provide a copy of the NRECA Market Research Services study and its results.

11. Refer to the Crews Testimony at 14–15.

a. Explain why EKPC has chosen to present customers with the option to either retire or monetize the value of the solar energy renewable credits associated with their accounts.

b. If a customer chooses to retire a solar energy renewable credit, provide clarification of what happens to the credit.

12. Refer to the Crew's testimony at 16–17 regarding the possibility that members will have to pay through base rates for any unlicensed portion of the proposed project which becomes an EKPC system resource. Also refer to the Direct Testimony of Tom Stachnik ("Stachnik Testimony"), page 8, which states that the proposed project was designed so that there would be minimal to no financial impact on EKPC members or non-participating retail customers. Provide any economic analysis performed by, or on behalf of, EKPC that supports its expectation that the proposed project will not have a discernible impact upon its Members' rates if any portion of the project is unsubscribed.

13. Refer to the Crews Testimony at 17–18 regarding construction of transmission assets, specifically, page 18, which states, "The EKPC Office Substation can be optimized through certain improvements and the Project provides a convenient opportunity for making these improvements. Substation improvements that are attributable to the Project will be assigned to the Project."

a. Confirm that the only transmission assets that will be constructed as part of the proposed project are the improvements to the EKPC Office Substation.

b. Explain whether any improvements to the EKPC Office Substation are necessary even without the proposed project. If so, describe the improvements and why they are necessary.

c. Explain how improvements to the EKPC Office Substation that are not attributable to the proposed project will be accounted for.

14. Refer to the Crews Testimony at 18 regarding the two processes initiated by EKPC “[b]ecause a portion of the energy generated by the Project will flow onto the KU transmission system” The first process involves studies **which have been started** by the Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU”) Independent Transmission Organization (“ITO”) in connection with the Small Generator Interconnection Request process. (Emphasis added)

a. Confirm that the completed study for the transmission service request cited at the bottom of page 18 refers to the same studies referenced earlier on the same page as part of the Small Generator Interconnection Request process that had been started by the ITO.

(1) If this cannot be confirmed, explain why.

(2) If the studies in question have not been completed, provide the date by which they are expected to be completed.

(3) If the study referenced at the bottom of page 18 is something other than the studies in question, identify the study that has been completed.

b. Starting at the bottom of page 18 and continuing on page 19, the testimony states that the ITO has indicated to EKPC that no limitations were identified that would preclude granting the requested service.

(1) Explain how this indication was communicated to EKPC by the ITO.

(2) Provide any report, letter, e-mail or other communication of this indication from the ITO to EKPC.

15. Refer to the Crews Testimony at 19 regarding LG&E/KU's filing of a revised NITS Agreement for Federal Energy Regulatory Commission ("FERC") approval. Provide the date the filing was made, or if it has not yet been made, the expected date of filing.

16. Refer to Crews Testimony, Exhibit DC-1. The Report & Recommendations of the Renewable Energy Work Group recommended investing in a solar photovoltaic farm with an initial capacity of 25–30 kW. Explain what factors led to the decision to build a larger 8.5-MW solar facility rather than a smaller-sized facility.

17. Explain whether East Kentucky considered deploying its solar facility in smaller phases, and constructing a new phase only once the existing phases were substantially reserved.

18. Explain whether East Kentucky considered designing its solar program in a fashion in which customers contract for the solar capacity before the solar facility is built.

19. Refer to the Stachnik Testimony at 7 regarding the anticipated \$60,000 annual operations and maintenance expense for the community solar project.

a. Provide a breakdown, identifying account number and function, of the \$60,000.

b. Explain why the cost of replacing inverters was not included in estimated annual operations and maintenance expense, how often an inverter typically needs to be replaced, and the approximate cost to replace the inverter.

20. Explain how the energy produced and sold from the Facility will affect the monthly fuel adjustment clause ("FAC") calculation.

21. Provide the minutes of each Board meeting at which the proposed solar program was discussed.

22. To the extent any such documentation exists, provide any documents received by East Kentucky from its members, or the cooperatives end users, expressing their interest in participating in a solar program.

23. Using the PJM hourly Locational Marginal Prices ("LMP") for July 2016, provide a sample bill from East Kentucky to one of its member cooperatives showing the impact had that member reserved 1 MW of the solar facility, compared to the bill that member cooperative would have received absent the solar program. Assume that the solar generation was uniform for each hour of the month in which the solar facility would generate power.

24. Using the hourly PJM LMP prices for July 2016, provide a sample bill from one of East Kentucky's members cooperatives to one of their end users showing the impact had that end-user reserved one panel of the solar facility, compared to the bill

that member would have received absent the solar program. Assume that the solar generation was uniform for each hour of the month in which the solar facility would generate power.



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DATED AUG 30 2016

cc: Parties of Record

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