

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER	)	
COOPERATIVE, INC. FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY FOR	)	2018-00292
THE CONSTRUCTION OF BACKUP FUEL	)	
FACILITIES AT ITS BLUEGRASS GENERATING	)	
STATION	)	

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 six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 26, 2018. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. 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, EKPC 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 document containing personal information, EKPC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to the application, paragraph 1, regarding the two on-site fuel oil storage tanks that is associated with the proposed backup fuel facilities project, which would provide enough fuel to allow 24 hours of plant operation at the Bluegrass Station during a power system emergency.

a. Explain how EKPC determined that a 24-hour fuel oil supply was necessary in a power system emergency.

b. Will EKPC be able to timely procure additional fuel oil if the Bluegrass Station units are required to operate for more than 24 hours in a power system emergency?

c. Refer to the application, paragraph 10, regarding EKPC's growing load. Provide a comparison of EKPC's summer and winter generation capacity to its actual and forecasted summer and winter peak load obligations, including its PJM

Interconnection, LLC (PJM), reserve margin, for the 2016/2017 Delivery Year through the 2021/2022 Delivery Year.

2. Refer to the application, paragraph 16, regarding the higher PJM Capacity Performance (CP) payments for the most reliable resources and higher non-performance assessments for assets that do not meet performance criteria.

a. Assuming the Commission approves EKPC's proposal to construct the new back-up ultra-low sulfur diesel distillate fuel oil system (ULSD Fuel System) at the Bluegrass Station and that it is timely completed, provide a comparison of the current Delivery Year CP payments with those through the 2021/2022 Delivery Year broken down by the CP payments for Bluegrass Station and other generating stations.

b. Assuming the Commission approves EKPC's proposal, identify and explain the basis for any anticipated changes to other revenues (other than jurisdictional sales of electricity) from the Bluegrass Station. Include anticipated revenue changes to black-start capacity (if any), ancillary services, and net off-system sales from the current Delivery Year broken down by the other such revenues for the Bluegrass Station and all other generating stations.

c. Explain how the higher CP payments for the most reliable resources are determined and the estimated impact they will have on revenues generated from Bluegrass Station for the 2020/2021 and 2021/2022 Delivery Years, assuming they are reliable resources.

d. Refer to the application, paragraph 21, regarding the strategies examined to minimize risk. Provide the cost for the insurance project to hedge against any potential CP penalties that may be assessed.

3. Refer to the application, paragraph 33, regarding approval of all the necessary permits for the project. Identify the status of any required permits and consider this an on-going request throughout this proceeding.

4. Refer to the Direct Testimony of Don Mosier (Mosier Testimony), page 5, regarding the Bluegrass Station. Explain whether the gas supply to the Bluegrass Station has been interrupted since 2016 either during a EKPC-system peak period or a PJM-system peak period.

5. Refer to the Mosier Testimony, page 6, regarding the operation of the Bluegrass Station.

a. Regarding the 37.45 unplanned outage hours occurring in 2017, identify the date in which those unplanned outages occurred and an explanation of the cause(s) of those outages.

b. For each unit of the Bluegrass Station, provide the unplanned outage hours for calendar year 2016 and for 2018 to date; the date in which those unplanned outages occurred; and an explanation of the cause(s) of those outages.

6. Refer to the Mosier Testimony, page 11, regarding the uncertainty with respect to the number and frequency of future PJM-imposed Performance Assessment Intervals (PAI).

a. State the number of time(s) and hour(s) that PJM has issued a PAI since the CP requirement has been implemented by PJM.

b. If applicable, state whether any of EKPC's generation assets performed during any PJM-imposed PAI and whether EKPC incurred an assessment for non-performance or a bonus for over performance.

7. Refer to the Direct Testimony of David Crews (Crews Testimony), page 4, regarding the remaining depreciable lives of the three units at Bluegrass Station as being 18 years.

a. Provide an explanation of any impact that the proposed dual fuel project will have on the useful life of the Bluegrass Station units.

b. Provide the current depreciation rate for the Bluegrass Generation units.

c. Provide the useful life and depreciation rate of the proposed dual fuel project.

8. Refer to the Crews Testimony, page 4, regarding the operations of the Bluegrass Station in 2017. Provide the average annual capacity factor for each of the three Bluegrass Station units since 2016.

9. Refer to the Crews Testimony, page 8, regarding PJM CP. Explain the phase-in of the CP requirements in further detail.

10. Refer to the Crews Testimony, page 15, regarding the disadvantages associated with fuel switching by dual-fuel units and potentially increased forced outage rates.

a. Explain why switching of fuel by dual-fuel units during severe weather events may increase the likelihood of a forced outage if the dual-fuel capability is not regularly tested.

b. Explain in detail how EKPC's experience with dual fuel operation at seven of the nine natural gas peaking units at its J.K. Smith Generating Station (Smith Station) mitigates the increased risk of forced outages at the Bluegrass Station.

11. Refer to the Crews Testimony, page 18, regarding EKPC's remaining generation assets being well positioned with respect to CP requirements.

a. Provide the types of fuel that the Smith Station peaking units are capable of using.

b. State whether the gas supply for two peaking units at the Smith Station that do not have dual fuel capability are interruptible or firm gas service.

c. Confirm that all of the Smith Station peaking units are well positioned to comply with the CP requirements.

12. Refer to the Direct Testimony of Craig Johnson (Johnson Testimony), page 3, regarding the Bluegrass Station 2017 Annual Operating Report. Provide a copy of that report for the record in this matter.

13. Refer to the Johnson Testimony, page 11, regarding the contracting approach to the proposed dual fuel project as involving the use of multiple equipment and material contracts and multiple construction contracts.

a. Explain whether EKPC has utilized this type of contracting approach in the past for other large capital expenditure projects. If so, provide a summary of how the process went and whether the projects were completed under schedule and within budget.

b. Regarding the estimated completion date of the end of 2020, explain whether this construction schedule will permit sufficient flexibility to have the Bluegrass Station be capable of dual fuel use before the cold winter months of January and February 2021.

14. Refer to the Direct Testimony Ralph Luciani (Luciani Testimony), page 4, regarding capacity penalties that could be as high as \$79 million. Identify and explain how the \$79 million in penalties was determined.

15. Refer to the Luciani Testimony, Attachment RL-2, the Bluegrass Capacity Penalty Risk Analysis (Risk Analysis). Provide any and all supporting workpapers associated with the development of the Risk Analysis for the Bluegrass Station.

16. Refer to the Direct Testimony of Sam Yoder, Attachment SY-2, page 17 of 62, regarding the Ultra-Low NOx Combustor (ULN). Explain whether EKPC intends to install ULN upgrades as part of its proposed project



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cc: Parties of Record

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