

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO CONSTRUCT) CASE NO. 90-197
CERTAIN STEAM SERVICE FACILITIES IN)
MASON COUNTY, KENTUCKY)

O R D E R

The Commission, on its own Motion, HEREBY ORDERS that:

1) Any party that desires a hearing in this case shall file by August 13, 1990 a motion specifying the issues to be raised and the movant's position on each issue.

2) In the event that a motion for a hearing is granted, a hearing shall be held on August 15, 1990 at 10:00 a.m., Eastern Daylight Time, in Hearing Room No. 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

3) East Kentucky Power Cooperative ("East Kentucky") shall file an original and 12 copies of the following information with the Commission by no later than August 8, 1990. Any of the information for which East Kentucky requests confidential treatment may be filed, with 12 copies, under separate cover.

1. The filed testimony of Gray Crawford at Answer No. 14 indicates that Inland Container cannot operate without steam service, meaning that Inland would not locate in Maysville without East Kentucky's construction of the proposed steam facilities. East Kentucky is proposing to make an investment of \$10 million to

meet the needs of a specific customer. Given Inland's need for steam, provide a narrative description of the negotiations with Inland and the specific circumstances that have led East Kentucky to believe that an EDR on steam service is necessary in order to acquire the Inland load.

2. Tabs IVD.1 and IVD.2 show the assumed demand and energy levels for Inland from 1993 to 2009.

a. Explain whether these amounts represents combined steam and electric loads.

b. Provide the steam and electric demand and energy loads separately.

c. Provide the steam loads in both KW and MWH as well as in MM BTU's.

3. Tabs IVE and IVF describe and summarize the financial impacts Inland will have on East Kentucky. Provide an analysis of the forecasted revenues and expenses associated with Inland in the following detail:

a. Separate electric revenues and expenses from steam revenues and expenses.

b. Identify separately demand charge revenues, energy charge revenues, and facilities charge revenues.

c. Identify electric and steam expenses by major account category - i.e. operation and maintenance, depreciation, interest, taxes, etc.

4. Tab IIC.1 describes the derivation of the proposed steam rates.

a. Provide the workpapers and a narrative explanation of how the Schedule C demand rate of \$5.39 was modified to the amount used in calculating the steam demand rate.

b. Explain the basis for the modification of the energy charge from the Schedule C rate of 23.42 mills. Include all workpapers.

5. Exhibit III of the Steam Service Agreement states that:

a. The monthly billing demand shall be the greater of the consumer's highest billing demand during the current month, or eighty percent of the consumer's highest billing demand during the preceding eleven months. Explain why eighty percent of the consumer's highest billing demand is chosen instead of the consumer's highest billing demand during the preceding eleven months.

b. The highest billing demand shall be the highest average rate at which steam energy is used during any sixty-minute interval. Explain why a sixty-minute interval is chosen instead of a fifteen-minute interval.

6. The rating of Spurlock Station Units 1 and 2 will be reduced by a maximum of 18,721 MW or a minimum of 17,456 MW depending on which alternative is used to supply steam. (See Black & Veatch Engineering Study, Exhibit III, pages 5-7 and 5-22). Since the steam service agreement provides that the minimum billing demand will be \$100,000;

a. Explain how EKPC arrived at the \$100,000 minimum monthly charge.

b. Explain why the minimum monthly charge should not be equal to unit derating demand multiplied by \$5.39 plus the derating demand multiplied by 425 multiplied by the energy charge of 2.542 cents.

7. Provide a signed, dated copy of the Steam Service Agreement, or a detailed explanation why that agreement has not yet been signed and when it is expected to be signed.

8. The Steam Service Agreement, page 2, refers to Exhibit I, the Project Schedule, and Exhibit II, the specifications for the facilities and equipment needed to deliver steam. Neither of these exhibits were attached to the Steam Service Agreement as filed. Provide copies of the exhibits.

9. Provide a detailed explanation why East Kentucky has not required Inland to provide sufficient security to guarantee payment of the \$10 million facility charge. Explain why Inland is unwilling to grant East Kentucky a lien on property sufficient to guarantee the facility charges or post a surety bond.

10. Will Inland pay for East Kentucky's interest cost only during the construction period or will interest also be paid on the unrecovered cost of the steam facilities over the 20 year term of the contract?

11. What is the useful life of the steam facilities to be installed by East Kentucky and at what rate will those facilities be depreciated?

12. Explain the capital credit assignments, if any, that will be made by East Kentucky to Fleming-Mason, as well as from Fleming-Mason to Inland, attributable to the sale of steam.

13. Explain why Fleming-Mason's retail steam rate to Inland does not include an adder onto the East Kentucky wholesale steam rate.

14. If the steam sale to Inland terminates prematurely, what use, if any, will East Kentucky have for the steam facilities?

15. Provide a copy of the wholesale steam agreement between East Kentucky and Fleming-Mason, as referred to in the Steam Service Agreement, page 2, lines 2-4.

16. Why did East Kentucky not require Inland to make a contribution in aid of construction equal to the initial cost of the facilities needed to be installed by East Kentucky?

17. Will the demand and energy rates set forth in the Steam Service Agreement be revised as necessary to track changes in East Kentucky's tariffed demand and energy rates? If not, explain.

18. Concerning Exhibit II of the application, the Steam Service Agreement, Section V - Monthly Charges, provide the following information:

a. In the amount covered by the Monthly Facilities Charge, identify what is included in "other costs as deemed appropriate by the parties."

b. Identify the method used to arrive at the Monthly Facilities Charge.

c. A detailed explanation of the interest component determination in the Monthly Facilities Charge.

d. Copies of all analysis performed for or by East Kentucky which were used in the determination of the charge.

Include copies of any present value analysis performed relating to the Monthly Facilities Charge.

e. In the event the facilities charge is changed during the 20 year period, explain how the "cost of a representative level of materials and supplies inventory carried for the sole purpose of operating and maintaining" East Kentucky's additional investment is to be calculated.

f. Explain in detail why East Kentucky should assume the first \$25,000 of expenses for non-routine repairs or maintenance of the additional investment.

19. Concerning Exhibit IV, the testimony of Mr. Crawford, provide the following information:

a. A detailed schedule supporting the estimate of \$300,000 in additional annual operation and maintenance cost for the additional facilities at the Spurlock Station. Include all assumptions used in determining the estimated additional costs.

b. Identify the impact on operation and maintenance costs of Fleming-Mason which will result from the additional facilities.

20. Explain why the Steam Service Agreement does not include a monthly minimum charge for steam energy usage.

Done at Frankfort, Kentucky, this 1st day of August, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director