

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR APPROVAL OF A)	CASE NO.
POWER PURCHASE AGREEMENT WITH)	2000-079
KENTUCKY PIONEER ENERGY, L.L.C.)	

O R D E R

IT IS ORDERED that East Kentucky Power Cooperative, Inc. ("EKPC") shall file an original and 8 copies of the following information with the Commission with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than May 12, 2000.

1. Refer to Amendment No. 1 ("Amendment 1") to the Power Purchase Agreement ("PPA") by and between Kentucky Pioneer Energy L.L.C. ("KPE") and EKPC. Explain why the "Contract Energy Price" is increased from the price included in the original PPA.

2. Refer to the last page of the Prepared Testimony of David D. Drake that refers to KPE's financing efforts for the project and the potential impact regulatory approvals could have on that financing.

a. Identify and describe the circumstances that led Connell Finance Company, Inc. ("Connell") to establish June 5, 2000, as the target date for financial closing, based on the "reaction of the investment community" to the investment document drafted and circulated by Connell.

b. Describe the potential impact on financing costs that might occur if the Commission's approval process is not completed by June 5, 2000.

c. Amendment 1 to the PPA establishes June 30, 2000, as the date under the Section 9.2 Termination Option – Governmental Approval. Explain the significance of the June 5, 2000 target date for financial closing in comparison to the June 30, 2000 date as set forth in Amendment 1 to the PPA.

3. Refer to pages 3-4 of the Prepared Testimony of Ronald D. Brown that refers to EKPC's need for over 1,000 MW of additional power supply resources within the next 10 years. This need was originally identified based on the 1996 Power Requirements Study ("PRS") filed as part of the 1997 Integrated Resource Plan ("IRP") and has been updated based on EKPC's 1998 PRS.

a. Was EKPC's most recent evaluation of power supply resource alternatives limited to the three cases included in the filing? If yes, explain why. If no, identify the other cases that were evaluated.

b. In the 1997 IRP EKPC performed sensitivity analyses for high and low variations of the load forecasts, fuel costs, capital costs and SO₂ allowance costs.

Have similar sensitivity analyses been performed as part of EKPC's evaluation of the three plans in the application? If no, explain why not. If yes, provide the results of these analyses along with a detailed narrative explanation of the impact these analyses have on EKPC's evaluation of the three plans.

4. Refer to Exhibit VI, page 4, under KPE Case – CASE 2 which refers to all capital cost risk and operating risks of this plant having been transferred to KPE.

a. Given that most of EKPC's financing is through the Rural Utilities Service and the Cooperative Finance Corporation, identify and describe the nature of the capital cost risks to EKPC under a self-build project.

b. Describe in detail the benefits to EKPC of transferring all operating risks to KPE.

5. Refer to Exhibit VI, page 7, which includes a description of Request for Proposals ("RFP") No. 001. Provide a summary of the responses to the RFP No. 001 in a format similar to that used in Exhibit VI, Table C-4.

6. Refer to Exhibit VI, Table A-2, entitled "EKPC Projected Coal Costs."

a. Provide all assumptions included in the derivation of the projected coal costs for all the generating units included in this table.

b. Specifically identify all changes in operating characteristics of the units that result in a change in the type, or sulfur content, of the coal for that unit.

c. Provide specific reasons for any annual escalation in coal costs, either positive or negative, in excess of 3.0 percent.

7. Refer to Exhibit VI, Table A-5, entitled "Expected Capital Costs for New Gas-Fired Generating Units." Provide all assumptions, reference sources, etc. used in

deriving the expected capital costs for the new generating units in the year 2000 and the basis for the annual escalation rates through the year 2019.

8. Refer to Exhibit VI, Tables B-2, C-2, and D-2, which show EKPC's projected expansion plan costs for each of the three cases evaluated. Provide the basis for 8.0 percent as the rate used for long-term interest in each of the tables.

9. Refer to Exhibit VI, Table C-4 entitled "EKPC's Projected Annual Costs to be Paid to KPE."

a. Provide the basis for the annual escalation rates applied to the price to be paid to KPE.

b. Explain how the \$/MWH amounts were derived for each of the five columns stated in terms of \$/KWH. Provide all assumptions used in the calculations.

10. As a result of the power purchase from KPE, does EKPC expect to have excess capacity available for sale? If yes, explain why the table shown on page 2 of Exhibit VI reflects that EKPC will be deficient during the winters of 2004 through 2009.

11. One of the alternatives evaluated is the construction of a 250 MW fluidized bed boiler unit at the existing Spurlock Station site identified as "CASE 3."

a. Explain whether EKPC's need is for only 250 MW. If no, explain why CASE 3 proposes constructing only 250 MW.

b. Explain why EKPC's alternative in CASE 3 is to construct at the Spurlock site rather than at the Smith site.

c. Would any savings be realized from constructing at the Smith site because that some work has already been done at the site and no additional transmission facilities will be needed? Explain.

12. Provide an analyses of "CASE 3" in a format comparable to Table C-4.
13. Provide the lease agreement between EKPC and KPE for the 300 acres at the Smith site.

Done at Frankfort, Kentucky, this 28th day of April, 2000.

By the Commission

ATTEST:


Executive Director