

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR APPROVAL	)	
OF THE ACQUISITION OF EXISTING	)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATING COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATION STATION IN	)	
LAGRANGE, OLDHAM COUNTY, KENTUCKY,	)	
AND FOR APPROVAL OF THE ASSUMPTION	)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS	)	

COMMISSION STAFF'S SECOND INFORMATION REQUEST 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 21, 2015. 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 the 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. 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, paragraphs 42 and 43, regarding the other approvals and consents necessary to consummate the proposed transaction. Provide an update to the status of all required approvals and for any approvals that have not been received, the date when EKPC expects such approval.

2. Refer to EKPC's response to Commission Staff's First Request for Information ("Staff's First Request"), Item 5. If the intervenors in this proceeding do not oppose EKPC's acquisition of the generating facilities of Bluegrass Generation Company, LLC ("Bluegrass"), explain whether EKPC still believes it needs a final decision by December 1, 2015, and if so, explain why. If not, by what date does EKPC

believe it would need a final decision in order to close on the transaction by December 31, 2015.

3. Refer to EKPC's response to Staff's First Request, Item 7, and the last paragraph on page 62 of the *PJM RTO Market Summary and Forecast for the Bluegrass Power Plant* report prepared by Navigant Consulting, Inc. and included as Confidential Exhibit RL-2 to the Direct Testimony of Ralph L. Luciani in EKPC's application ("Navigant Report").

a. The response states that for Bluegrass Units 1 and 2 to be eligible to participate in the PJM Interconnection, LLC's ("PJM") incremental capacity auctions for delivery years 2016/2017 and 2017/2018, EKPC was required to hold an existing capacity award from prior auctions. The response also states that once the sale of the Bluegrass units close, EKPC will be able to bid the two units into the third incremental capacity auction for 2016/2017 and the second incremental capacity auction for 2017/2018.

(1) Explain how the units can be bid into those incremental auctions, since they still would not hold an existing capacity award from a prior auction.

(2) There appear to be some inconsistencies and/or overlap in the response to Item 7 and the last paragraph on page 62 of the Navigant Report regarding PJM's capacity performance ("CP") product. Confirm whether the response to Item 7 is correct and whether EKPC's ability to bid Bluegrass Units 1 and 2 is based on the "Transitional CP" referred to on page 62 of the Navigant Report. If not, provide corrections as necessary and generally describe what impacts any changes in the response would have on EKPC's conclusion of the value of the Bluegrass units.

b. Explain in detail what impacts the recent auction results in the PJM base residual and CP markets have on the conclusions of the value of the Bluegrass units as determined by Navigant, ACES, and EKPC.

4. Refer to EKPC's response to Staff's First Request, Item 8, and its response to the Attorney General's First Request for Information ("AG's First Request"), Item 3. The response to Staff's First Request, Item 8, indicates that EKPC has not performed an analysis to evaluate the economics of implementing dual fuel capability, while in the response to the AG's First Request, Item 3, EKPC indicates that EKPC is considering diesel fuel back-up or firm gas transportation service to mitigate fuel risk in the CP markets.

a. Clarify what actions or steps EKPC has taken in its consideration of dual fuel capability or firm gas-transportation service to mitigate fuel risk in the PJM CP markets.

b. Assuming the Commission approves EKPC's proposed acquisition of the Bluegrass units, provide the probable timeline in which a decision regarding dual fuel capability or firm gas transportation will be made.

5. Refer to EKPC's response to Staff's First Request, Item 9. Explain how the Rural Utilities Service accounting treatment may yield different results.

6. EKPC's response to Staff's First Request, Item 10.b., indicates that the requested "scheduling procedures are provided on the attached CD." The scheduling procedures on the CD appear to be a five-page document of which only pages 1, 3, and 5 were provided. Provide the complete document.

7. Refer to EKPC's response to Staff's First Request, Item 12.

a. State whether the response indicates that since 85 percent of EKPC's load is covered by the Spurlock and Cooper stations, EKPC believes that it needed only peaking units to cover the remaining 15 percent of load.

b. Explain why Smith Units 5, 6, and 7 are able to operate at a higher capacity factor compared to Smith Units 1 – 4 and Smith Units 9 and 10.

c. The response states that the capacity factors for Smith Units 9 and 10 are limited by environmental constraints. Explain this statement, given the capacity factors shown for Smith Units 9 and 10 in the table provided in response to Item 3.a. of Staff's First Request.

8. Refer to EKPC's response to Staff's First Request, Item 15, specifically, the last full sentence on page 1. Texas Eastern Transmission, Tennessee Gas Pipeline Company, LLC, and Texas Gas Transmission, LLC ("TGT") all provide natural gas from the Gulf Coast region. Identify the "different region" being referenced in the response.

9. Refer to EKPC's response to Staff's First Request, Item 19.

a. Refer to the response to subpart a. State whether the response indicates that EKPC's Spurlock units are bid into the PJM energy market at a zero cost and that EKPC's other generating units are bid in at cost. If not, explain the response.

b. Refer to the response to subpart e. The question contained an error and had intended to refer to the first two items listed as a. and b. that appear at the bottom of page 5 and the top of page 6 of the Direct Testimony of David Crews ("Crews Testimony"). Explain how circumstance a. and circumstance b. listed on pages 5 and 6 of the Crews Testimony differ from each other.

10. Refer to EKPC's response to Staff's First Request, Item 23. Explain what is meant by the term "distressed asset" as used in the response.

11. Refer to EKPC's response to Staff's First Request, Item 26. Provide EKPC's calculations showing its adjustment to recognize the market value of the transmission assets using the ratio of the Bluegrass purchase price to the "PJM net cone price. . . ."

12. Refer to the TGT Cost Worksheet tab of the spreadsheet provided in EKPC's response to Staff's First Request, Item 34.d., and to its application, Crews Testimony, Exhibit DC-1, page 8 of 12.

a. Provide the TGT tariff sheets on file with the Federal Energy Regulatory Commission for all pipeline rates for each TGT service option that were used to calculate the total pipeline costs shown on the TGT Cost Worksheet, indicating on the tariff sheets which specific rates were used as the basis for the cost calculations.

b. Provide the amount of any adjustments or discounts used in arriving at the TGT rates used in the total pipeline costs calculations for each TGT service option.

c. Confirm that the rates contained in cells L40 and N40 are the correct rates for the TGT Zone for which Bluegrass is eligible. If these are not the correct rates, provide any revision necessary to the pipeline cost calculations.

d. Provide the source and calculation of the per MMBtu "Daily adders" shown on page 8 of Exhibit DC-1 and indicate where or if those rates are included in calculations on the TGT Cost Worksheet.

13. Refer to the Bluegrass Gas Assumptions tab of the spreadsheet provided in EKPC's response to Staff's First Request, Item 37. Provide the source and calculation, including any assumptions made, of the annual per MMBtu Fuel Delivery Charges contained in the spreadsheet.

14. Refer to EKPC's response to Staff's First Request, Item 40. State, generally, when EKPC expects to file its amended compliance plan with the Commission.

15. Refer to EKPC's response to Staff's First Request, Item 42. Provide the date the report referenced in the last sentence is expected to be available. Consider this an ongoing request and provide the report when available.

16. Refer to EKPC's response to Staff's First Request, Item 45, which states that "EKPC cannot confirm whether this upgrade was completed by LG&E/KU within this timeframe." Explain whether EKPC has attempted to confirm whether the upgrade has been completed.

17. Refer to EKPC's response to Staff's First Request, Item 49.b. Provide a general time frame of when the revised operating guide should be completed.

18. Refer to EKPC's response to Staff's First Request, Item 62.

a. Identify and describe, generally, the factors that contribute to the Bluegrass units' being economically dispatched ahead of EKPC's combustion turbine units other than Smith Units 9 and 10.

b. Explain how Bluegrass unit 3 is lower in the dispatch order than Bluegrass Units 1 and 2, given its higher NO<sub>x</sub> emission costs discussed in response to Item 55.c. of Staff's First Request.

19. Refer to EKPC's response to the AG's First Request, Item 17, the last sentence on page 1 of 3. Explain why the two firms were asked to submit proposals.

20. Refer to EKPC's response to the AG's First Request, Item 20, the first full paragraph on page 2. Explain when the specific requirements and procedures necessary to allow the type of operation discussed therein are expected to be finalized.

21. Refer to EKPC's response to the Initial Request for Information of Louisville Gas and Electric Company and Kentucky Utilities Company, Item 4.b. State whether the issue discussed in this response is the same as that discussed in EKPC's response to Staff's First Request, Item 10.c. If not, explain in detail the issue related to the monthly fuel adjustment formula.



---

Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED SEP 10 2015

cc: Parties of Record

Case No. 2015-00267



\*Larry Cook  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707

\*Jennifer Black Hans  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Stefanie J Kingsley  
Assistant Attorney General  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KENTUCKY 40601-8204

\*Honorable Michael L Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*David S Samford  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

\*Allyson K Sturgeon  
Senior Corporate Attorney  
LG&E and KU Services Company  
220 West Main Street  
Louisville, KENTUCKY 40202