

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	CASE NO.
FOR APPROVAL OF MASTER POWER)	2018-00050
PURCHASE AND SALE AGREEMENT AND)	
TRANSACTIONS THEREUNDER)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO SOUTH
KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), 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 March 7, 2018. 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.

South Kentucky 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 South Kentucky 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, South Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide South Kentucky's peak demand for 2016 and 2017.
2. Refer to the Application, paragraph 12, which states that South Kentucky believes that the expected financial benefits from the proposed transaction outweigh the risks. Also refer to the Application, Exhibit 3, which states that South Kentucky's board of directors were "fully briefed" on the possible risks of the proposed transaction.
 - a. Provide a copy of the briefing referenced in Exhibit 3 to the Application.
 - b. State with specificity the possible risks of the proposed transaction that were evaluated by South Kentucky's Board of Directors.
 - c. State with specificity the expected financial benefits of the proposed transaction that South Kentucky's Board of Directors evaluated.
3. Refer to the Application, Exhibit 3, which states that South Kentucky's Board of Directors were briefed on "issues pertaining to membership in [PJM Interconnection

LLC (“PJM”)]” that were expected to result from the proposed transaction. State with specificity the possible issues pertaining to South Kentucky’s participation in PJM as a market participant that South Kentucky’s Board of Directors evaluated.

4. Refer to the Application, Exhibit 2, Memorandum of Understanding and Agreement Regarding Alternate Power Sources (“MOU”), paragraph 3(A)(iii), (iv), and (v).

a. State whether the alternate source will cause the aggregate amount of all Owner Members’ loads being served with Alternate Sources (including the load proposed to be served by the South Kentucky’s new Alternate Source to exceed 2.5% of the rolling average of EKPC’s coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three twelve-month periods immediately preceding the date the Owner Member delivers the election notice to be served by an Alternate Source.

b. State whether the alternate source will cause the aggregate amount of all Owner Members’ loads being served with Alternate Sources (including the load proposed to be served by the South Kentucky’s new Alternate Source) to exceed 5.0% of the rolling average of EKPC’s coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three twelve-month periods immediately preceding the date the Owner Member delivers the election notice to be served by an Alternate Source.

5. Refer to the MOU, paragraph 4(A)(iii), regarding a general description of the nature of the alternate source of electric power. Also, refer to the Application, Exhibit 4, Written Notice to EKPC (“Notice to EKPC”), page 2, section (iii).

a. State whether the Alternate Source is one specific generating unit, or whether the Alternate Source could be any unit in the PJM market.

b. If the Alternate Source is one specific generating unit, provide the following:

- i. Name and location of the unit;
- ii. Owner of the unit;
- iii. Nameplate capacity of the unit;
- iv. Primary fuel source used for generation at the unit;
- v. Commission date of the unit; and
- vi. Forced outage rate of the unit, if operational.

c. If the Alternate Source could be from any unit in the PJM market, state whether South Kentucky will be required, as part of joining PJM, to choose between becoming a FRR entity or a RPM entity.

6. State whether South Kentucky is obligated to take all 58 MWs of energy in every hour, or if it can choose to take delivery of a lesser amount as needed.

7. Refer to the Notice to EKPC, page 2, which states, “[t]he Alternate Source shall be in the form of South Kentucky RECC becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market.”

a. State which PJM membership sector (i.e., transmission owner, generation owners, other supplier, electric distributor, or end-use customer) applies to South Kentucky’s membership, should South Kentucky join PJM.

b. State with specificity what obligations South Kentucky would have to PJM should South Kentucky join PJM as a member.

c. State whether South Kentucky is requesting Commission approval to become a PJM member.

i. If yes, explain why South Kentucky did not expressly request in its Application Commission approval to become a PJM member.

ii. If no, explain why South Kentucky did not request in its Application Commission approval to become a PJM member.

8. Refer to the Notice to EKPC. State whether South Kentucky consulted or informed EKPC's other Owner-Members that South Kentucky was exercising its contractual right to reduce purchases of electric power from EKPC.

9. Refer to the Application, Exhibit 7, Firm Physical Energy Confirmation ("Firm Energy Confirmation"), paragraph 12(b), which states that South Kentucky "covenants to promptly apply for and diligently pursue membership in PJM as a Market Participant." Explain what steps South Kentucky already has undertaken to apply for PJM membership as a market participant.

10. Refer to Application, Exhibit 7, Firm Energy Confirmation, paragraph 14, which contains conditions subsequent to the Confirmation, one of which is the issuance of a final, non-appealable Commission order on or before May 31, 2018, approving the proposed Agreement.

a. Explain the consequences to South Kentucky if the Commission fails to issue an Order in this proceeding on or before May 31, 2018.

b. State whether South Kentucky will continue with its application to join PJM if the Commission fails to issue an Order in this proceeding on or before May 31, 2018.

11. Refer to Application, Exhibit 7, Firm Energy Confirmation, paragraph 16(d), which states that South Kentucky agrees to establish and maintain rates at least sufficient to meet its obligations to Morgan Stanley Capital Group. Explain whether South Kentucky will file a rate case to comply with this Confirmation provision.

12. Refer to Application, Exhibit 8, Financial Capacity Confirmation, paragraph 8, which states that Morgan Stanley Capital Group does not warrant that the “Financially-settled PJM Unforced Capacity (“UCAP”) Annual Capacity Performance” product will satisfy any of South Kentucky’s “RPM-imposed performance obligations to PJM.”

a. Describe South Kentucky’s RPM-imposed performance obligations to PJM under this provision and explain the basis for said obligations to PJM.

b. Explain under what authority South Kentucky will assume RPM-imposed performance obligations to PJM.

13. Explain in detail all liabilities South Kentucky could incur and all benefits that accrue to South Kentucky as a result of becoming a PJM member.

14. Refer to the Direct Testimony of Dennis Holt (“Holt Testimony”), page 6, lines 8–13. Identify the four EKPC Owner-Members who have pursued alternative-sourced power and the type of alternatively-source power.

15. Refer to the Holt Testimony, page 13, which states that South Kentucky is required to become a member of PJM under the proposed transaction. Also refer to the Direct Testimony of Carter Babbit (“Babbit Testimony”), page 18, which states that South

Kentucky will become a PJM market participant in order to best effectuate the proposed transaction.

- a. Describe the steps necessary to become a member of PJM.
- b. Describe what steps South Kentucky already has undertaken to become a PJM Market Participant and what steps remain.
- c. Provide the underlying basis for this contract provision and explain why South Kentucky is required to join PJM under the proposed transaction.
- d. Explain why South Kentucky joining PJM as a market participant will “best effectuate” the proposed transaction.
- e. Describe all options South Kentucky considered other than becoming a PJM member in order to effectuate the proposed transaction.

16. Refer to the Holt Testimony, page 13, which states that the details of the agency arrangement between South Kentucky and East Kentucky Power Cooperative (“EKPC”) regarding South Kentucky’s PJM Market Participant activities are being “refined.”

- a. State the expected date for the agency arrangement to be finalized and the expected date for the agency arrangement to be executed.
- b. Provide a copy of the agency agreement between South Kentucky and EKPC. If a written agency agreement has not been finalized by the February 28, 2018 due date of the response to these requests, describe in detail what provisions South Kentucky reasonably expects will be included in the agency agreement

17. Refer to the Holt Testimony, page 14. Explain whether South Kentucky will be the responsible party for any PJM capacity performance penalties due to unit non-performance during a capacity performance event.

18. Refer to the Holt Testimony, page 14, regarding potential risks arising from the proposed transaction. Also, refer to the Direct Testimony of Michelle Herrman, page 15. Describe all risks South Kentucky has identified related to the transactions, and how South Kentucky plans to mitigate each of those risks.

19. Refer to the Babbit Testimony, page 15. Explain in detail the benefits and risks of the financial capacity hedge to South Kentucky and its Members.

20. Refer to the Babbit Testimony, page 18, which states that it is not “particularly burdensome nor expensive” for South Kentucky to become a PJM member.

a. Provide the expected cost to South Kentucky to become a PJM member.

b. Explain whether South Kentucky or Morgan Stanley Capital Group will bear this expense.

21. Provide a copy of EKPC’s Open Access Transmission Tariff sheets.

22. Explain how South Kentucky would allocate the cost of PJM participation between retail sales and off-system sales.



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DATED FEB 26 2018

cc: Parties of Record

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