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HAND DELIVERED

Ms. Stephanie L. Stumbo
Executive Director
Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2008-00128

Dear Ms. Stumbo:

Please find enclosed for filing with the Commission in the above-referenced case an original and six copies of the Responses of East Kentucky Power Cooperative, Inc., to the Commission Staff Second Data Request dated May 30, 2008.

Very truly yours,



Charles A. Lile
Corporate Counsel

Enclosures

Cc: Service List

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**FILING OF EAST KENTUCKY POWER)
COOPERATIVE, INC. TO REQUEST APPROVAL)
OF PROPOSED CHANGES TO ITS QUALIFIED) CASE NO. 2008-00128
COGENERATION AND SMALL POWER)
PRODUCTION FACILITIES TARIFF)**

**RESPONSES TO COMMISSION STAFF'S SECOND DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED MAY 30, 2008**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2008-00128

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 05/30/08

REQUEST 1

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to East Kentucky's Response to Commission Staff's First Data Request, Item 2(c), and East Kentucky's Proposed Tariff, "Terms and Conditions," Paragraph 7. State whether, as it is willing to consider contracts less than 5 years in duration, East Kentucky intends to revise Paragraph 7 to reflect this willingness. Explain.

Response 1. EKPC does not propose to change its tariff filing. EKPC has already reduced the number of years required for the contract from twenty to five years with this proposed tariff. This was changed in an attempt to allow for a more flexible relationship with the power producer and to recognize rapidly changing market forces. However, five years for planning and changing future generation resources is the minimum horizon that EKPC can accept. If an energy only provider contacts EKPC and asks for a contract for less than five years, then EKPC is willing to consider special terms and conditions to develop a mutually acceptable agreement, but it would not be the desired standard contract.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND DATA REQUEST RESPONSE

**COMMISSION STAFF'S SECOND DATA REQUEST DATED 05/30/08
REQUEST 2**

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to East Kentucky's Response to Commission Staff's First Data Request, Items 1 and 3(b), and East Kentucky's Application, Exhibit II, Sections II.B.1 and III.

Request 2a. Explain why, if the 100 Megawatt ("MW") reduction in load applies only to avoided energy costs, Exhibit II, Section II.B.1, refers to both avoided demand and energy costs.¹

Response 2a. It might have been clearer if EKPC had said "approximately" 100 MW. When considering the demand savings, assuming the amount of annual load growth or a generic 100 MW does not impact the delay in the units, either assumption results in delaying the units by one year only. The annual load growth is less than 100 MW, so dividing the savings dollars by the smaller of the two numbers provides the largest reasonable value for the avoided capacity cost.

¹

Avoided demand and energy costs are updated consistent with the approach taken in prior filings, the avoided demand and energy cost is based on a comparison of costs using EKPC's proposed capacity expansion plan as anticipated, with costs associated with a capacity expansion plan assuming a 100 MW reduction in load. (Emphasis added)

Request 2b. Explain why, if the 100 MW reduction in load applies only to avoided energy costs, the first two sentences of Exhibit II, Section II.B.1,² refer to avoided capacity costs.

Response 2b. As stated in Response 2a, it might have been clearer if EKPC had said “approximately” 100 MW.

Request 2c. In its response to Commission Staff’s First Data Request, East Kentucky discusses the different approaches used to develop avoided capacity costs and avoided energy costs.

(1) Explain, in detail, why the avoidance of “the equivalent purchase of two 50 MW blocks of power” which is used to develop avoided energy costs is not also used to develop avoided capacity costs.

(2) Explain whether the cost of the two 50 MW blocks of power used to develop the avoided energy costs reflect the total cost to East Kentucky, including the cost for wheeling or delivering the power to East Kentucky’s system.

Response 2c. (1) Avoiding two 50 MW blocks of capacity or the actual annual load growth, will each result in the capacity plan being shifted one year. That one year shift will result in a calculated amount of dollar savings. Those savings are then divided by the amount of avoided capacity to get an average \$/kW rate. That rate will be largest when divided by the smaller amount of capacity. Since one year of load growth is the minimum amount needed to delay the plan, then that is the value that EKPC has used in the rate calculation.

² The avoided capacity cost analysis is prepared using a spreadsheet based model that compares expansion plans and annualized capital costs. EKPC’s anticipated annual growth is in the 70-80 MW range and the reduction in the 100 MW load effectively means that the base expansion plan will be shifted out one year except for units that are already committed. (Emphasis added)

(2) The avoided energy costs reflect the total cost for EKPC to supply energy at the busbar whether the energy is purchased or generated.

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**COMMISSION STAFF'S SECOND DATA REQUEST DATED 05/30/08
REQUEST 3**

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to East Kentucky's Response to Commission Staff's First Data Request, Item 1, and East Kentucky's Application, Exhibit II, Section II.B.1, which refer to East Kentucky's proposed capacity expansion plan and the one-year delay capacity expansion plan.

Request 3a. List each capacity addition included in the proposed capacity expansion plan and state its proposed in-service date.

Response 3a. Spurlock CFB unit 4 – April 1, 2009 (committed and could not be avoided by new generation resources)

2-LMS 100 combustion turbines at the J.K. Smith site – June 1, 2009 (committed and could not be avoided by new generation resources)

J.K. Smith CFB unit 1 – June 1, 2012 (committed and could not be avoided by new generation resources)

1-GE 7EA combustion turbine not site specific – January 1, 2012

1-GE 7EA combustion turbine not site specific – January 1, 2013

1-GE 7EA combustion turbine not site specific – January 1, 2014

1-GE 7EA combustion turbine not site specific – January 1, 2015

J.K. Smith CFB unit 2 – January 1, 2017

Request 3b. Provide an estimate of how much co-generation capacity and/or enhanced demand-side management programs would be necessary to reduce East Kentucky’s forecasted demand growth sufficiently to delay the need for the Smith No. 1 base load unit for (i) five years beyond the planned in-service date and (ii) ten years beyond the planned in-service date.

Response 3b. Due to major permitting and financing complications that would be involved in changes in the schedule of the Smith No. 1 Unit of the magnitudes referenced in the request, EKPC does not anticipate that any reasonable increases in cogeneration or DSM programs in the current planning horizon would be sufficient, in themselves, to justify such delays in the commercial operation of that unit. The J.K. Smith unit 1 CFB has already been sited, certificated and is currently undergoing environmental and air permit reviews. EKPC justified the need for this unit based on its expected load growth and after extensive review of all alternative resources including third party generation and demand side alternatives. EKPC has made substantial financial commitments to the construction of this unit, and it continues to be the best alternative for meeting EKPC’s member system generation needs.

Request 3c. State and describe in detail each step East Kentucky has taken to assist, facilitate or otherwise encourage the development of additional and/or new qualifying facilities to interconnect with its system.

Response 3c. EKPC issues a Request for Proposals each time it needs additional generation, and small power producers are invited to bid into the process. When a potential power supplier contacts EKPC about its ability to purchase their power, a copy of the subject tariff is handed to the inquirer. EKPC has only had one entity utilizing this tariff to date. However, rates are substantially higher, due to market conditions, in this most recent tariff, so additional interest could be generated.

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REQUEST 4

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Refer to East Kentucky's Application, Exhibit II, Compact Disc containing energy calculation summaries. Explain why, for some hours, the amounts in the "Delta" columns are negative.

Response 4. As the load is reduced in all hours, the negative values in the "Delta" column are due to the effect of load reduction in the off-peak periods. The minimum loading for the generating units requires a certain level of generation be maintained. The market values are lower in these periods. By reducing an already low load level, the load requirement drops below the minimum generation requirements. Therefore, the load reduction does not have a positive effect on cost; it actually results in EKPC having to sell generation into the market at a price less than its cost to generate. This results in a negative savings.

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REQUEST 5

RESPONSIBLE PERSON: Julia J. Tucker

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to East Kentucky's Response to Commission Staff's First Data Request, Item 2(c), and East Kentucky's Proposed Tariff, "Rates," Paragraph 2. Explain what is meant by "base payment." State whether the use of this term has different implications for the tariff than the single word "payment" would have. Explain.

Response 5. The "base payment" term indicates that there are no adjustments included in this rate for things such as transmission service, fuel adjustment factors, environmental factors, or any other service factors that might need to be included in the final billing statement.