

June 28, 2012

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

RECEIVED

JUN 28 2012

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2012-00169

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the Commission Staff's First Information Request, dated June 15, 2012. Also enclosed are an original and ten copies of EKPC's responses to the Attorney General's Initial Data Requests and to the Data Requests of Kentucky Utilities Company and Louisville Gas and Electric Company, both dated June 15, 2012.

Very truly yours,



Mark David Goss
Counsel

Enclosures

CC: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. TO TRANSFER)	CASE NO.
FUNCTIONAL CONTROL OF CERTAIN)	2012-00169
TRANSMISSION FACILITIES TO PJM)	
INTERCONNECTION, L.L.C.)	

**RESPONSES TO ATTORNEY GENERAL'S INITIAL DATA REQUESTS
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED JUNE 15, 2012**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2012-00169

ATTORNEY GENERAL'S INITIAL DATA REQUESTS DATED 06/15/12

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the information requests of Attorney General's ("AG") in this case dated June 15, 2012. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. TO TRANSFER) CASE NO.
FUNCTIONAL CONTROL OF CERTAIN) 2012-00169
TRANSMISSION FACILITIES TO PJM)
INTERCONNECTION, LLC)

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Ralph L. Luciani, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Attorney General's Initial Data Requests in the above-referenced case dated June 15, 2012, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Ralph L. Luciani

Subscribed and sworn before me on this 25 day of June, 2012.

Christine McCaffrey
 Notary Public

CHRISTINE McCAFFREY
 NOTARY PUBLIC
 DISTRICT OF COLUMBIA
 My Commission Expires
 October 14, 2012



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

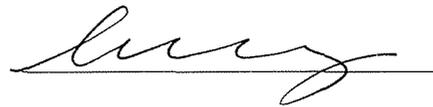
In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
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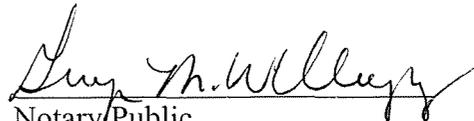
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Mike McNalley, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Attorney General's Initial Data Requests in the above-referenced case dated June 15, 2012, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 28th day of June, 2012.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

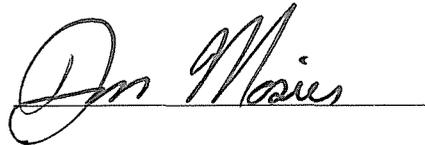
In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. TO TRANSFER) CASE NO.
FUNCTIONAL CONTROL OF CERTAIN) 2012-00169
TRANSMISSION FACILITIES TO PJM)
INTERCONNECTION, L.L.C.)

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Don Mosier, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Attorney General's Initial Data Requests in the above-referenced case dated June 15, 2012, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 28th day of June, 2012.



Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 1

RESPONSIBLE PERSON: Ralph L. Luciani/Mike McNalley
COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Reference the petition, pp. 17-18, and the Charles River Associates Report ("CRA Report"), pp. 6-7. Please confirm that:

Request 1a. the actual total costs EKPC could incur as a result of transferring control of its transmission facilities to PJM, including but not limited to PJM's administrative costs, are not known;

Response 1a. Confirmed that the EKPC cost estimates for 2013 to 2022 contained in the CRA Report are projections of the future, and, as such, are not known definitively at this time.

Request 1b. in particular, the amount of EKPC's share of PJM's RTEP transmission program, while unknown at this time, nonetheless could be "significant," according to p. 7 of the CRA Report; and

Response 1b. An estimate of EKPC's share of RTEP costs in the future is provided in the CRA Report. Confirmed that there is uncertainty around these future RTEP costs and that these RTEP costs are significant.

Transmission upgrade cost responsibility for baseline upgrades required to solve identified NERC reliability criteria violations is assigned to individual PJM zones in accordance with PJM's Open Access Transmission Tariff (OATT), Schedule 12, "Transmission Enhancement Charges," accessible from PJM's web site via the following URL link: <http://pjm.com/documents/~media/documents/agreements/tariff.ashx>

Consistent with Schedule 12, EKPC's cost responsibility for its share of RTEP regional upgrades – 500 kV and above - will depend on two factors: (1) elements of PJM's transmission plan itself as of December 31st of each year, and (2) EKPC load ratio share. Costs for required regional facility upgrades at 500 kV and above (including those below 500 kV required to install such upgrades) are allocated on an annual load-ratio share basis using the applicable PJM market settlement zonal loads at the time of each zone's annual peak load from the 12-month period ending October 31 of the calendar year preceding the calendar year for which the annual cost responsibility allocation is determined. Given the anticipated June 1, 2013 integration date, EKPC's load will be based on the period October 1, 2013 through October 31, 2014, as determined in December 2014. EKPC's cost obligation would then begin following FERC approval of PJM's requisite filing, expected by December 31, 2014.

EKPC will also bear cost responsibility – beginning immediately after June 1, 2013 - for RTEP upgrades below 500 kV (which are not required to install those above 500 kV) that have estimated costs greater or equal to \$5 million. The cost responsibility for such upgrades will be based on EKPC's distribution factor ("DFAX") contribution to the facility driving the upgrade. DFAX represents a measure of the effect of the load of a

zone on the transmission constraint driving the need for the facility under 500 kV, as determined by a power flow analysis. This is also described in more detail in OATT Schedule 12, accessible from PJM's web site via the URL link provided above.

Request 1c. any PJM costs will be passed on to ratepayers, assuming the Commission approves this application.

Response 1c. EKPC would include any PJM costs in any base rate application occurring after joining PJM, assuming Commission approval of this instant application.

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE**

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 2**

RESPONSIBLE PERSON: Mike McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. With regard to your response to question 1, above, please provide any and all estimates regarding when the cost of EKPC's share of PJM's RTEP expansion will become known. Identify specifically how the company intends to notify the Commission, the parties, and its customers of those costs, once known.

Response 2. Please see the response to Request 1b. EKPC will notify the Commission and other parties of these costs as it does all other costs incurred – through the course of applications and financial reporting to the Commission.

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE**

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 3**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. As soon as is possible, please identify the amount of administrative costs EKPC would be required to pay to PJM in the event the application is approved. Include in your response the ratio of administrative costs to the percentage of PJM's total load that EKPC's system will constitute.

Response 3. As stated on page 14 of 49 of Exhibit RLL-2, PJM has projected administrative costs of \$0.33 to 0.34/MWh of load in its current budget through 2015. EKPC's expected cost for 2013, assuming an integration date of June 1, 2013, is \$2.5 million, 2014 costs will be \$4.4 million and 2015 will be \$4.5 million. The PJM administrative costs were estimated per MWh of EKPC's load, and thus EKPC's share of PJM administrative costs is estimated to be equal to EKPC's share of PJM MWh load.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 4

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. As soon as is possible, please identify the amount of any uplift costs EKPC would be required to pay to PJM in the event the application is approved. Include in your response whether PJM assigns or socializes these costs among all members of its system.

Response 4. In PJM, the primary source of what is typically considered uplift is Operating Reserves. Operating Reserves preserve the incentive for demand and supply to bid into the Day-ahead Market based on their actual expectations and preserve the incentive for generation to follow real-time dispatch signals. There are separate operating reserve credit calculations for the Day-ahead Market and the Balancing market. The total cost of Day-ahead Operating Reserve for the Operating Day is allocated and charged to PJM Members in proportion to their total cleared day-ahead demand and decrement bids plus their cleared day-ahead exports for that Operating Day. The total cost of Balancing Operating Reserve for the Operating Day is allocated and charged to PJM Members in proportion to their locational real-time deviations from day-ahead schedules and generating resource deviations during that Operating Day, or to PJM Members in proportion to their real-time load plus exports during that Operating day for generator credits provided for reliability. EKPC will be held to the PJM Billing and Settlement Rules as described in the PJM OATT and Tariff.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 5

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Please provide copies of any all materials regarding the scope of any and all PJM RTEP program expansions for which EKPC will or could eventually have to contribute to, including but not limited to:

Request 5a. geographic regions;

Response 5a. The reference to “geographic regions expansions” is unclear as stated in the information request. Notwithstanding, EKPC’s allocation of PJM-identified baseline reliability backbone upgrades – typically at 500 kV or higher and crossing more than one transmission owner zone – is described in the response to Request 1b.

Request 5b. capacity expansions, both in existing facilities and any future contemplated projects;

Response 5b. The reference to “capacity expansions” is unclear. EKPC presumes the reference is to the expansion of transmission capability. Please see response to Request 1b.

Request 5c. any associated FERC fees (assuming EKPC's status as a coop does not insulate it from having to pay these fees); and

Response 5c. EKPC expects to pay its pro-rata share of the annual FERC charge that is assessed to all RTO energy for load, including that of cooperatives. To estimate the amount of FERC charges EKPC would pay as a member of PJM, the current PJM FERC assessment charges of \$0.0689 per MWh were escalated at inflation and applied to the annual EKPC load. This results in additional FERC fees of approximately \$1 million per year for a total of \$7.7 million in present worth dollars for EKPC in the "*Join PJM Case*" over the 2013 to 2022 time period.

Request 5d. any potential inter-RTO projects with MISO and/or any other RTOs.

Response 5d. No such inter-RTO projects have been identified to date. Notwithstanding, EKPC's cost obligation would comprise that associated with a regional facility as described in OATT Schedule 12. Please see response to Request No. 1b.

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE**

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 6**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. With regard to your responses to question numbers 1 through 4, above, please provide any and all cost estimates/projections known at this time. If none are available, will the company agree to promptly supplement its responses once they are become known?

Response 6. Please see the response to Request 1b.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 7

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. At some time shortly after the filing of this case, the PJM Interconnection Board announced publicly that in order to counter generator-announced plans to retire nearly 14,000 MW of coal-fired generation within its footprint, PJM will undertake 130 transmission upgrade projects with a total value of approximately \$2 billion, and further, that more than one-half of these projects would occur in Ohio.

Request 7a. Does EKPC have any concerns that the geographic proximity of Ohio to its service territory will or could force some costs of the Ohio-based expansion projects onto EKPC? Please explain.

Response 7a. PJM, from its perspective, focuses on reliability concerns. Generator deactivations alter power flows that often yield transmission line overloads, regardless of zonal or RTO boundary. Owners of existing generating plants in PJM that plan to retire must notify PJM in order to address any identified NERC reliability criteria violations. Transmission upgrade cost responsibility for baseline upgrades required by generating unit deactivation is assigned to individual PJM zones in accordance with PJM's Open Access Transmission Tariff (OATT), Schedule 12, "Transmission Enhancement Charges," accessible from PJM's web site via the following URL link: <http://pjm.com/documents/~/media/documents/agreements/tariff.ashx> Any cost responsibility to be assigned to EKPC, would be determined as described in response to Request 1b.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 8

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Please reference p. 7 of the CRA Report. Please confirm that EKPC would have only “a very limited role” in approving any RTEP projects.

Response 8. The Regional Transmission Expansion Planning Protocol and PJM's role in transmission planning in the PJM Region are set forth in Schedule 6 of the PJM Operating Agreement, accessible from PJM's web site via the following URL link: <http://pjm.com/documents/~/media/documents/agreements/oa.ashx>

After identifying reliability criteria violations, PJM collaborates with transmission owners to develop solutions. In addition, specific planning forums and processes provide opportunities for all stakeholders – including EKPC - to help PJM improve the transmission grid, ensuring reliability and access to robust, competitive markets. The activities of the Transmission Expansion Advisory Committee (TEAC) and the Sub-regional RTEP Committees provide the primary forum for the ongoing exchange of ideas, discussion of issues and presentation of planning findings. PJM's RTEP protocol goes on to describe – among other process requirements - the process for RTEP approvals by the PJM Board.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 9

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. With regard to your response to question 2, above, please identify any and all PJM plans to expand transmission to connect with wind power generation facilities, together with any and all cost estimates/projections of both the transmission facilities themselves, and cost estimates/projections for any such wind power generation.

Response 9. No specific PJM transmission projects have been earmarked, to date, driven specifically by public policy RPS requirements, including large-scale integration of wind-powered generation. Moreover, cost allocation of such projects is currently under discussion in PJM stakeholder forums as part of a broader effort to amend PJM's RTEP protocol – codified in Operating Agreement, Schedule 6 – to implement RTEP Board of Managers decision making that moves beyond today's prescriptive bright-line reliability and benefit/cost market efficiency thresh-hold tests to justify transmission expansion. Such RTEP Protocol amendments would include provisions that permit Board approval of large-scale backbone transmission lines like those potentially needed to accommodate large scale wind integration, for example.

However, notwithstanding the aforementioned, over the past several years, an increasing focus by federal and state governments on environmental and other policy areas continues to make clear the critical role of the transmission system. And, while the existence of violations of NERC Reliability Standards has been the basis for PJM's

determination of need, construction of major transmission infrastructure will likely be necessary to support the achievement of public policy goals, including those regarding renewable generating resources such as wind. To that end, PJM's 2011 RTEP Report, Book 4, "Scenario Study Results," dated February 28, 2012, Book 4 discusses 2011 RTEP scenario studies that examined the impact of federal and state public policy initiatives including RPS. Book 4 is accessible from PJM's web site via the following URL link: <http://pjm.com/documents/reports/rtep-documents/~media/documents/reports/2011-rtep/2011-rtep-book-4.ashx>

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE**

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 10**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 10. Please identify any transmission expansions/modifications which EKPC may have to undertake in its own service territory, in the event the application is approved.

Response 10. PJM is in the process of completing market integration generation deliverability studies to determine the extent of any reliability criteria violations for which transmission expansion solutions must be developed.

Beginning with PJM's 2012 RTEP process cycle and going forward, EKPC BES facilities and lower voltage EKPC facilities that will be monitored by PJM Operations will be studied as part of annual RTEP required baseline contingency, generator deliverability, load deliverability thermal and voltage, n-1-1 thermal and voltage, short circuit and stability analyses. The scope of those studies will determine any additional upgrades arising out of application of PJM planning criteria. To the extent that PJM identifies reliability criteria violations as part of those studies, PJM will work with EKPC to develop transmission upgrades to solve them. Consistent with established RTEP procedures, all identified upgrades will be reviewed with the PJM Transmission Expansion Advisory Committee (TEAC) before recommendation to the PJM Board for approval.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 11

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 11. If the application is approved, please state to what extent, if any, EKPC will be required to purchase any wind power generation. If it will become so obligated, provide a very detailed and comprehensive discussion regarding the extent to which the purchase of wind power could have any adverse consequences on EKPC's system, including but not limited to any additional O & M costs for EKPC's own generating facilities. Include in your discussion any and all estimates for additional costs EKPC would incur.

Response 11. As an integrated transmission owning member of PJM, EKPC load will not be obligated to specifically purchase energy from wind resources. The obligations for load serving entities (LSEs) to purchase wind power under renewable portfolio standard policies is the jurisdiction of the states and membership in PJM does not require EKPC to adhere to state mandates except those of the Commonwealth of Kentucky.

Request 11a. Does the company agree to promptly supplement its response hereto in the event any new information should become available?

Response 11a. Yes. EKPC agrees to promptly supplement its response hereto in the event any new information should become available.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 12

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 12. Has EKPC conducted any studies regarding what, if any, effects may occur as a result of the company being located with at, or in close geographic proximity to, the southern end of PJM's footprint? If so, please provide copies of any and all such studies.

Response 12. At present, EKPC borders the southern portion of the PJM footprint. As part of its ongoing planning processes, EKPC considers and monitors the impacts of bordering the PJM system. The topology and existing interconnection points of the EKPC system will not change as a result of PJM membership. As a result, EKPC does not anticipate any significant impacts on its transmission system as a result of integrating into PJM as a full member.

PJM is in the process of completing market integration generation deliverability studies to determine the extent of any reliability criteria violations for which transmission expansion solutions must be developed. PJM has shared some initial high-level results with EKPC that indicate no significant issues have been identified thus far.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 13

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 13. Does EKPC have any congestion on its system which would or could affect its ability to import or export generation? Please discuss in detail.

Response 13. EKPC does not have any congestion on its system which would affect its ability to import or export generation from PJM today. EKPC periodically performs import and export capability studies for its system. These studies have not identified any limitations within the EKPC system at import or export levels approaching 2000 MW. Furthermore, EKPC has not experienced any real-time congestion on its system within the last two years during periods when imports or exports are occurring.

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE**

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 14**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 14. Will the company incur any additional costs if PJM re-orders EKPC's order of economic dispatch? If so, provide complete details.

Response 14. Participants in the PJM market do not dispatch generation against their load. As stated in PSC Response 6, EKPC will sell its generation into the PJM market and buy its energy needs to serve the members' load from that same market. If PJM instructs EKPC to run generation for reliability reasons, PJM will pay EKPC to do so.

Request 14a. If PJM does re-order EKPC's order of economic dispatch, will doing so affect the company's soon-to-be-filed application for ECR costs to be incurred for complying with new stringent EPA regulations? Please discuss in detail.

Response 14a. No. On page 8 of EKPC's 2012 Integrated Resource Plan, under discussion of risks and uncertainties of plan, EKPC discusses its plan to "*Issue an RFP for Power Supply resources to address the existing capacity affected by the EPA MATS rules.*" EKPC must consider the impacts of the MATS rules on its existing generation fleet. The Spurlock Plant units are state of the art facilities that can be readily modified

to meet all of the new rules. Likewise, the Cooper 2 unit with its recent addition of pollution control equipment can also meet the new rules. The oldest units in the EKPC fleet, Dale Station and Cooper 1, will require capital intensive retrofits to meet operating requirements under the MATS rules. EKPC will seek to find the most economic alternative to meet its power supply requirements and meet MATS rules. EKPC will need to mitigate the potential risk of losing approximately 300 MW of existing power supply resources while maintaining economic and reliable power supply to its member owners.” EKPC issued an All Source Long-Term Request for Proposals 2012 on June 8, 2012 through The Brattle Group. The solicitation and related information can be found at www.ekpc-rfp2012.com. EKPC will need to address these issues regardless of its membership status in PJM.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 15

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 15. Could any RPS and/or climate change legislation at either the federal or the level of any state within the PJM foothold affect the total price of PJM's RTEP programs? If so, could they affect any portion of RTEP costs EKPC's ratepayers will or may be required to pay? Please provide any and all details.

Response 15. No specific PJM transmission projects have been earmarked, to date, to meet specific public policy RPS requirements or environmental regulations. The impacts, though, associated with the integration of individual wind-powered generation interconnection requests and the potential deactivation of at-risk generation – to the extent each unit owner decides to do so due to environmental regulations – can impact PJM's RTEP. For example, PJM RTEP analyses of formal deactivation notifications submitted to PJM to date have identified the need for both RTEP Regional Facilities and Lower Voltage Facilities. Any potential cost responsibility to be assigned to EKPC is described in the response to Request 1b.

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE**

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 16**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 16. Would EKPC agree that most of the costs it will eventually bear regarding its share of PJM's RTEP program will be the cost of RPS standards in other states PJM serves? Please discuss in detail.

Response 16. EKPC does not agree with this presumption. Calculation of an overall share of any "eventual" RTEP upgrade costs attributable to RPS standards, let alone those specifically assignable to EKPC, would be speculative. PJM emphasizes that any one upgrade may address NERC reliability criteria violations associated with more than one system driver, including the collective impact of public policy decisions. Notwithstanding, PJM scenario studies will continue to examine the impacts of RPS, as discussed in response to Request 15.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 17

RESPONSIBLE PERSON: Don Mosier
COMPANY: East Kentucky Power Cooperative, Inc.

Request 17. Does EKPC know when its system would be included in PJM planning? If so, please identify when.

Response 17. PJM RTEP efforts that examine EKPC specific market integration are already underway. PJM is in the process of completing market integration generation deliverability studies to determine the extent of any NERC reliability criteria violations for which transmission expansion solutions must be developed.

Beginning with PJM's 2012 broader RTEP process cycle and going forward, EKPC BES facilities and lower voltage EKPC facilities that will be monitored by PJM Operations will be studied as part of annual RTEP required baseline contingency, generator deliverability, load deliverability thermal and voltage, n-1-1 thermal and voltage, short circuit and stability analyses. The scope of those studies will determine any additional upgrades arising out of application of PJM planning criteria. To the extent that PJM identifies reliability criteria violations as part of those studies, PJM will work with EKPC to develop transmission upgrades to solve them. Consistent with established RTEP procedures, all identified upgrades will be reviewed with the PJM Transmission Expansion Advisory Committee (TEAC) before recommendation to the PJM Board for approval.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 18

RESPONSIBLE PERSON: Don Mosier
COMPANY: East Kentucky Power Cooperative, Inc.

Request 18. Is PJM's RTEP program composed primarily of projects the costs of which will borne across the entire PJM footprint?

Response 18. No, all types of transmission projects are considered, not just the "backbone" high voltage (500 kV and above) transmission projects the cost of which are borne across the entire PJM footprint. In general, projects greater than or equal to 500kV are allocated to load based on each zone's share of zonal non-coincident peak load, including any required upgrades to less than 500 kV voltages necessary to support the new "backbone" projects. PJM looks at upgrades needed for reliability and economic purposes, the latter having to pass an economic benefit-cost review. Sub-500 kV voltages are generally allocated based on a "beneficiary pays" approach.

As of June 15, 2012, approximately one-third (1/3) of all RTEP upgrade costs at that time were subject to cost allocation given the nature of those upgrades as Regional Facilities in accordance with OATT Schedule 12, as discussed in the response to Information Request No. 1, sub-part (b), above. PJM emphasizes, however, that the elements of the RTEP change over time: new ones are added, the scope of existing ones can change or existing ones – for which need no longer exists - may be removed.

Request 18a. Please provide any and all cost allocation methodologies of which EKPC is aware by which any portion of the RTEP costs could be allocated to EKPC's customers. Include in your response any applicable documents, records, and formulae.

Response 18a. See Appendix B of this PJM document for a description of how various types of transmission costs in PJM are allocated:

<http://ftp.pjm.com/~media/documents/reports/20100310-transmission-allocation-cost-web.ashx>

Please also see the response to Request 1b.

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PSC CASE NO. 2012-00169
FIRST REQUEST FOR INFORMATION RESPONSE

ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 19

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 19. Please indicate whether EKPC is aware of two (2) separate high-voltage DC current ("HVDC") transmission projects being proposed by the Eastern Interconnection Planning Collaborative. These proposals, if ever built, would bring wind-generated power from western states into PJM's footprint. One such proposed project would traverse the extreme northern portion of Kentucky in a west to east fashion, while the other project would be built across the extreme southern portion, again in a west to east fashion. It appears both such projects would either pass directly through, or at least in close approximation to EKPC's service territory. Please provide a discussion of the ramifications and possible impact such projects could pose for EKPC, including but not limited to whether EKPC's ratepayers would have to pay for any portion of any such project.

Response 19. The conceptual results of the Eastern Interconnection Planning Collaborative (EIPC) are not PJM transmission plans and as constituted have no rate or other impacts for Kentucky rate payers. At this point, the HVDC projects mentioned are purely hypothetical; as such, any actual RTEP projects that may arise in the future and what the elements of those projects may include cannot be speculated upon at this time.

Subsequent to any proposal, PJM would thoroughly examine all of these EIPC conceptual proposals within the context of the RTEP process to examine the full impacts

and benefits of alternatives, according to PJM's process. During the RTEP analysis process the impacts of any actual transmission alternatives would become more clear according to the agreements, tariffs, and manuals governing the PJM RTEP.

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ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 20

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 20. Please reference the CRA Report at p. 7. Confirm that the report states that the capacity market benefits EKPC could experience “are dependent on the continued diversity of EKPC’s demand profile with that of PJM.” Does EKPC foresee any situations in which the diversity of its demand profile with that of PJM could or may change? If so, please elaborate.

Response 20. Yes, the report states that the capacity market benefits EKPC could experience “are dependent on the continued diversity of EKPC’s demand profile with that of PJM”. EKPC’s highest demand occurs during the winter peak season due to the demographics of the EKPC system. Page 49 of the EKPC 2012 Integrated Resource Plan (Case No. 2012-00149) shows that in 2012 approximately 60% of energy sales will be made to the residential customer class. This highly residential customer saturation along with the rural location of the residential customers drives a high saturation of electric heating load. This load saturation is very different than the summer peaking PJM market as a whole, which has much more commercial/industrial load than EKPC which drives a high degree of cooling load along with a much more urban residential population which has access to natural gas for heating during the winter, offsetting PJM’s winter electric demand. These differences in customer characteristics drive the diversity of the two load profiles. EKPC’s load would have to move towards a higher commercial/industrial

saturation along with a significant push of another heating fuel, such as natural gas, into the rural Kentucky regions. Current demographic information does not show either of these trends occurring.

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REQUEST 21

RESPONSIBLE PERSON: Don Mosier
COMPANY: East Kentucky Power Cooperative, Inc.

Request 21. Please confirm that in the event EKPC decides to exit PJM, no exit fees would be charged, but that EKPC's obligation to pay for its share of transmission projects approved while a member would continue, as well as any commitments it may have in the congestion and capacity markets.

Response 21. PJM does not charge exit fees to withdraw from its market.

In the event EKPC chose to withdraw from the PJM market, EKPC would continue to be obligated to pay for share of the RTEP transmission projects approved while EKPC was a member. The issue of paying for transmission improvements on other utilities systems will likely be a concern even if EKPC did not join PJM. FERC Order 1000 seeks to address how to plan and allocate the costs of transmission projects that facilitate regional energy transfers to transmission owners outside the footprint of the system the transmission projects reside.

In the event EKPC chooses to withdraw from the PJM market, EKPC would honor the purchase and sales commitments made in the advance capacity markets.

Congestion markets are managed on a year ahead basis. If EKPC were to withdraw from PJM, EKPC would likely time the withdrawal such that it did not have continuing FTR and ARR commitments.

Request 21a. In the event that EKPC should ever exit PJM, and in the event that EKPC is required to continue to pay its portion of any allocated costs on a project basis, please confirm that EKPC's obligation to pay those costs would continue over the life of each applicable project.

Response 21a. For Lower Voltage Facilities (below 500 kV) where PJM uses a DFAX methodology and the facilities are not re-allocated for the life of the facility, EKPC is responsible for those costs; however, for Regional Facilities and Necessary Lower Voltage Facilities that are reallocated annually, EKPC would no longer be allocated costs at the end of the planning year upon exit. Please note that this could change depending on whether the Transmission Owners adopt a modified DFAX/Regional Allocation for Regional and Necessary Lower Voltage Facilities as part FERC Order 1000.

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ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 22

RESPONSIBLE PERSON: Don Mosier
COMPANY: East Kentucky Power Cooperative, Inc.

Request 22. Please reference the CRA Report at p. 9. Please confirm that the report states that EKPC's savings "will be offset by additional administrative and other costs incurred . . ." Please identify the nature of any such other costs, the amounts thereof, and the likelihood, if any, that they will occur.

Response 22. Yes, the report does state that the savings will be offset by other costs. All savings and costs are summarized in Table 6 on page 19 of 49 of Exhibit RLL-2. The statement referenced on page 9 is a general discussion of study methodology. Section 4 of the report discusses in much more detail the specific benefits and costs analyzed. Table 10 on page 25 of 49 of Exhibit RLL-2 lists all of the administrative costs in detail by year.

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REQUEST 23

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 23. Please reference the CRA Report, p. 19. Confirm that under PJM's Day 2 Market, demand side options have the ability to bid into the market to be compensated for both energy and capacity reductions. The LMP pricing in this market also provides better means to properly value and incent energy efficiency improvements. CRA anticipates that ". . . these economic incentives would provide EKPC with the ability to obtain more demand side and efficiency options on its system than in the Status Quo Case."

Request 23a. Does EKPC believe that in the event the Commission approves the instant filing, both it and its member coops, will be further incentivized to expand their DSM offerings? Please explain.

Response 23a. As explained in the EKPC IRP (PSC Case No. 2012-00149), EKPC is pursuing further penetration of its DSM programs in both efficiency and load control. The PJM market gives a market driven economic incentive to energy companies for both load control and efficiency. The transparency of the economic incentive makes design and implementation of programs less complex and may further incentivize and expand DSM offerings.

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**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 24**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 24. EKPC's application indicates that joining PJM will be beneficial to both the company and PJM because EKPC is a winter-peaking utility, whereas most of the remaining portion of the foothold is composed of summer-peaking utilities.

Request 24a. Please confirm that this benefit would not be affected in any way by the fact that Kentucky experienced an unusually mild winter in 2011-2012.

Response 24a. Long term plans are based on normal weather expectations, therefore, the recent unusually mild winter weather conditions do not impact this benefit.

Request 24b. Please provide a discussion on the potential impact and ramifications that weather variations, either in Kentucky or elsewhere within the PJM footprint, would or could have on the nature of this projected beneficial aspect of the EKPC/PJM relationship.

Response 24b. Capacity investments and capacity market sales / purchases are based on long term normal expected weather. Both require forward looking predictions, therefore, short term variations have minimal effect on the long term plans.

The energy markets are transacted on a day ahead and real time basis, so the energy prices can very well reflect the short term abnormal variations. These variations are reflected in EKPC's operations currently, regardless of whether or not it's a member of the PJM market.

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**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 25**

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 25. Please confirm that EKPC expects its fuel costs to be reduced if the PSC allows the company to join PJM.

Request 25. Please see response to PSC Response 20.

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ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED 06/15/12
REQUEST 26

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 26. Please confirm that PJM membership would permit EKPC to delay incurring capital costs associated with having to seek new capacity and generation.

Response 26. The expansion plan filed with the EKPC 2012 Integrated Resource Plan reflects several seasonal purchases as opposed to new combustion turbine units for peaking resources. Membership in PJM will delay EKPC's need to make either those seasonal purchases or construct additional peaking capacity. Membership in PJM will not preclude EKPC's need to address its existing capacity impacts due to the MATS rules.

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REQUEST 27

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 27. Please indicate whether the application contains a copy of the ACES study. If not, please provide one.

Response 27. The application does not contain a copy of the ACES study. A copy of the ACES study is provided on the attached CD. Please note that the ACES study was intended solely as a directional analysis as to potential benefits of EKPC's joining an RTO.

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REQUEST 28

RESPONSIBLE PERSON: Mike McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 28. Please confirm that if the application is approved, there will be no impact on current RUS financing and no additional financing should be required.

Response 28. EKPC confirms that if the application is approved, there will be no impact on current RUS financing and no additional financing should be required.

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REQUEST 29

RESPONSIBLE PERSON: Mike McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 29. EKPC's recently-filed petition set forth in Case No. 2012-00249 indicates it wishes to replace its current RUS mortgage with a "trust indenture." Please describe, in as much detail as is necessary, what effect the change the company seeks in 2012-00249 could or might have upon its application for PJM membership.

Response 29. EKPC's application for a trust indenture (Case No. 2012-00249) has no effect upon its application for PJM membership.

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REQUEST 30

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 30. Are all of the assertions set forth in the application and in the company's discovery responses fully consistent with the information set forth in the company's recent IRP filing? Please provide a detailed discussion.

Response 30. The potential for PJM membership was a consideration in the expansion planning process for the 2012 IRP. EKPC's IRP expansion utilizes a substantial amount of seasonal purchases to cover the winter peak load plus 12% reserve margin. (Please note that, if approved to join PJM, EKPC's reserve margin will be significantly reduced.) EKPC would have typically shown a need for additional peaking capacity, i.e. combustion turbines, instead of this high level of off system purchases. However, most of these purchases can be mitigated with PJM membership. Therefore, EKPC represented purchases instead of indicating a need to build additional capacity. EKPC's cost to serve its members' load is expected to be lower in PJM than shown in the IRP due to synergies for economic dispatch, reduced operating reserve requirements and ancillary services market benefits offered by the larger PJM system.

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REQUEST 31

RESPONSIBLE PERSON: Don Mosier

COMPANY: East Kentucky Power Cooperative, Inc.

Request 31. Please indicate whether EKPC will agree to promptly supplement its responses given herein, if and when any additional, new or different information should become known or available.

Response 31. EKPC agrees to promptly supplement its responses given herein, if and when any additional, new or different information should become known or available.

**Please see electronic files included
with PSC Data Requests.**