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October 25, 2013

Via Hand-Delivery

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

RECEIVED

OCT 25 2013

**PUBLIC SERVICE
COMMISSION**

Re: In the Matter of: Petition and Complaint of Grayson RECC for an Order Authorizing Purchase of Electric Power at the Rate of Six Cents Per Kilowatts of Power vs. a Rate in Excess of Seven Cents Per Killowatt Hour Purchased From East Kentucky Power Cooperative Under a Wholesale Power Contract as Amended Between Grayson RECC and East Kentucky Power Cooperative, Inc., PSC Case No. 2012-00503

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies each of the Responses to Grayson Rural Electric Cooperative Corporation's Document Requests to All Intervening Distribution Cooperative Respondents and Answers to Grayson Rural Electric Cooperative Corporation's Interrogatories to All Intervening Distribution Cooperative Respondents on behalf of the following cooperatives:

1. Blue Grass Energy Corporation;
2. Clark Energy Cooperative, Inc.;
3. South Kentucky Rural Electric Cooperative Corporation;
4. Cumberland Valley Electric, Inc.;
5. Licking Valley Rural Electric Cooperative Corporation;
6. Inter-County Energy Cooperative Corporation;
7. Big Sandy Rural Electric Cooperative Corporation; and
8. Nolin Rural Electric Cooperative Corporation.

Please return file-stamped copies to me. Do not hesitate to contact me if you have any questions.

Very truly yours,

David S. Samford

Enclosures

CC: Counsel of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 25 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

PETITION AND COMPLAINT OF GRAYSON)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING PURCHASE OF ELECTRIC)
POWER AT THE RATE OF SIX CENTS PER)
KILOWATTS OF POWER VS A RATE IN)
EXCESS OF SEVEN CENTS PER KILOWATT)
HOUR PURCHASED FROM EAST KENTUCKY)
POWER COOPERATIVE UNDER A)
WHOLESALE POWER CONTRACT AS)
AMENDED BETWEEN GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION)
AND EAST KENTUCKY POWER COOPERATIVE INC.)

CASE NO. 2012-00503

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION'S ANSWERS TO GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION'S INTERROGATORIES TO ALL
INTERVENING DISTRIBUTION COOPERATIVE RESPONDENTS**

Comes now South Kentucky Rural Electric Cooperative Corporation ("SKRECC"), by counsel, and hereby responds as follows to the Interrogatories propounded by the Petitioner, Grayson Rural Electric Cooperative Corporation ("Grayson"), to All Intervening Distribution Cooperative Respondents:

INTERROGATORY NO. 1: Please set forth the name, address and title of the person awaiting these Interrogatories.

ANSWER: Mr. Allen Anderson, President and Chief Executive Officer, South Kentucky Rural Electric Cooperative Corporation, P.O. Box 910, Somerset, Kentucky 42501.

INTERROGATORY NO. 2: With respect to each distribution cooperative, please set forth what load or loads any said distribution cooperative has served on its system from a source other than East Kentucky Power Cooperative including the total megawatts utilized and the date of when said load or loads was commenced.

ANSWER: In January 2008, SKRECC began serving approximately 25 MW of load in its newly acquired service territory within the boundaries of the City of Monticello, Kentucky from generation resources owned by the Tennessee Valley Authority ("TVA"). That arrangement ended in November 2008 and, currently, all of SKRECC's load is served by EKPC.

INTERROGATORY NO. 3: Please set forth the date upon which any notice of service of any load or notice of the utilization of any power outside that purchased from East Kentucky Power Cooperative was sent to East Kentucky Power Cooperative.

ANSWER: SKRECC learned of the opportunity to acquire the City of Monticello's plant board assets from East Kentucky Power Cooperative, Inc. ("EKPC"). Preliminary discussions had been between the City and EKPC for the sale of wholesale power. Those discussions eventually led to the idea that, rather than a wholesale power sale of energy by EKPC to the City, it might be better for Monticello to become part of the SKRECC service territory. SKRECC was then brought into the negotiation process and, ultimately, was able to successfully reach an agreement to acquire the City of Monticello's plant board assets and to add the municipal territory to SKRECC's service territory. Therefore, no notice was ever required to be given to EKPC.

INTERROGATORY NO. 4: Please state whether any distribution co-op received any responses to any of its notices sent to East Kentucky Power Cooperative, and if so, the nature and content of each said response.

ANSWER: None.

INTERROGATORY NO. 5: Please set forth any power amount or loads each distribution co-op desires to have served outside of East Kentucky Power Cooperative or by action of its Board of Directors has sought and with respect to same, please state whether notice of same has been sent to East Kentucky Power Cooperative, Inc.

ANSWER: None.

INTERROGATORY NO. 6: With respect to each distribution cooperative, please set forth the coincident peak demand over the preceding thirty-six (36) months of its load.

ANSWER: Information responsive to this interrogatory is set forth in Exhibit 7 to the Objection to Petitioner's Notice of Amendment, which was filed on September 24, 2013 by East Kentucky Power Cooperative, Inc. ("EKPC"), and is incorporated herein by reference.

INTERROGATORY NO. 7: Please set forth the terms and conditions of any agreement between any distribution cooperative and East Kentucky Power concerning payment for legal expenses by East Kentucky Power for any distribution cooperative that has entered its appearance in the within proceeding, as well as setting forth all monies paid by East Kentucky Power Cooperative for legal expenses for any distribution co-op in the within proceeding.

ANSWER: SKRECC objects to this interrogatory on the basis that it seeks information which is privileged. Moreover, the requested information is not relevant to interpreting or implementing Amendment 3 to the Wholesale Power Contract between SKRECC and EKPC, which is the issue before the Commission.

INTERROGATORY NO. 8: Please set forth with respect to any distribution co-op intervening in the within proceeding the nature and term of any agreement between said distribution co-op and East Kentucky Power Cooperative concerning payment of costs for

wholesale power, anything of value given or received by either party, i.e., the distribution co-op or East Kentucky Power Cooperative concerning the issues raised in the within proceeding, or anything of value for any load to be served by any entity on the distribution co-op's lines, i.e., any concession or disparity in rates charged by East Kentucky Power Cooperative for any particular load such as any industrial customer or otherwise.

ANSWER: SKRECC purchases wholesale power from EKPC pursuant to the Wholesale Power Contract and EKPC's tariffs and special contracts that have been approved by the Kentucky Public Service Commission. SKRECC is unaware of anything else which would be responsive to the remainder of the interrogatory.

INTERROGATORY NO. 9: Please state whether any of the distribution co-ops intervening in the within action believe that the purchase of power by it from a source other than East Kentucky Power Cooperative of up to 15% of its load, at any rate less than that which is currently being paid to East Kentucky Power, would be beneficial to the members of said distribution co-op.

ANSWER: There are a number of factors that would influence this determination. For instance, the rate for power from the non-EKPC resource may not cover all of the costs to the cooperative, such as transmission, capacity and ancillary services. SKRECC would also be careful to make certain that risks were adequately reflected in the pricing. Even a rate below the cost of EKPC's wholesale power rate may not be beneficial to customers if there are any risks associated with performance by the other party. SKRECC would also be very concerned about the allocation of any stranded costs. Depending upon the precise terms of the proposal, other factors may come into play.

INTERROGATORY NO. 10: If your answer to the proceeding Interrogatory is in the negative, then please set forth the factual basis upon which you claim that your members paying less for electric power is not in their best interest.

ANSWER: Please see the answer to the above interrogatory.

INTERROGATORY NO. 11: Please set forth the name, address and title of each person which any distribution co-op intends to call as a witness at the Final Hearing in the within action setting forth the factual basis upon each said witness is expected to testify, as well as a summary of the grounds for each opinion.

ANSWER: SKRECC has not yet made a determination in this regard.

INTERROGATORY NO. 12: Please set forth the name, address, title, and educational background and qualifications of any expert witness which any distribution cooperative intends to call at the Final Hearing in this action, as well as setting forth the substance of the facts and opinions to which the expert is expected to testify, as well as the basis for each said opinion and a summary of each opinion.

ANSWER: SKRECC has not yet made a determination in this regard.

INTERROGATORY NO. 13: Please state whether any of the distribution cooperatives intervening in the within action believe that there is an inherent conflict of interest with the same attorney or attorneys representing East Kentucky Power in the within proceeding, and the same attorney or attorneys representing the distribution cooperatives in the within proceeding, inasmuch as the basis for the complaint filed by the Petitioner is to obtain authorization of payment of wholesale power rates to East Kentucky Power by all of the distribution cooperatives less than the current rate, and as such, result in reduced costs to the members of each distribution cooperative and a reduction in equity to East Kentucky Power Cooperative.

ANSWER: SKRECC objects to this interrogatory on the basis that it seeks information which is privileged and confidential. Moreover, this interrogatory is not relevant to the Commission's stated intention to interpret and implement Amendment 3 of the Wholesale Power Contract. Without waiving said objection, any determination as to whether a conflict of interest exists between SKRECC and EKPC will be determined by SKRECC and EKPC. SKRECC does not believe there is any conflict of interest.

INTERROGATORY NO. 14: If the answer to the proceeding Interrogatory is in the negative, then please set forth the factual basis for the apparent contradictory answer on same.

ANSWER: Please see the answer to the above interrogatory.

INTERROGATORY NO. 15: Please set forth the language of any waiver of any conflict of interest any distribution cooperative has signed that is connected to or is related to the representation it has in this case.

ANSWER: SKRECC objects to this interrogatory on the basis that it seeks information which is privileged and confidential. Moreover, this interrogatory is not relevant to the Commission's stated intention to interpret and implement Amendment 3 of the Wholesale Power Contract.

VERIFICATION

By signing below, the individual answering these Interrogatories, on behalf of South Kentucky Rural Electric Cooperative Corporation, hereby certifies that the foregoing responses are true and correct to the best of his knowledge and belief.

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

Allen Anderson

By:

Allen Anderson, President and CEO

COMMONWEALTH OF KENTUCKY)
COUNTY PULASKI)

Acknowledged, subscribed and sworn to before me by Allen Anderson on behalf of South Kentucky Rural Electric Cooperative Corporation, this 23rd day of October, 2013.

Ammy A. Aeton
Notary Public, # 422172

My Commission Expires: June 23, 2014

For the Objections,

DS
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*Counsel for South Kentucky Rural Electric
Cooperative Corporation*