

# Goss ■ Samford PLLC



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November 1, 2013

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**PUBLIC SERVICE  
COMMISSION**

*Via Hand-Delivery*

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

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 of the First Request for Information of East Kentucky Power Cooperative, Inc., South Kentucky Rural Electric Cooperative Corporation, Cumberland Valley Electric, Inc., Farmers Rural Electric Cooperative Corporation, Blue Grass Energy Corporation, Big Sandy Rural Electric Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Inter-County Energy Cooperative Corporation, Nolin Rural Electric Cooperative Corporation and Clark Energy Cooperative, Inc. to Grayson Rural Electric Cooperative Corporation. Please return a file-stamped copy to me.

Do not hesitate to contact me if you have any questions.

Very truly yours,

Mark David Goss

Enclosures

M:\Clients\4000 - East Kentucky Power\1800 - Grayson Litigation\  
Correspondence\Ltr. to Jeff Derouen (2012-00503) - 131004

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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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 ) CASE NO. 2012-00503  
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. )

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**FIRST REQUEST FOR INFORMATION OF EAST KENTUCKY POWER COOPERATIVE, INC., SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, CUMBERLAND VALLEY ELECTRIC, INC., FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION, BLUE GRASS ENERGY CORPORATION, BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION, LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION, INTER-COUNTY ENERGY COOPERATIVE CORPORATION, NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND CLARK ENERGY COOPERATIVE, INC. TO GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION**

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Grayson Rural Electric Cooperative Corporation ("Grayson"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten (10) copies of the following information, with a copy to all parties of record. The information requested herein is due by November 15, 2013. 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 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.

Grayson 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 Grayson 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 shall 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.

1. With regard to the now failed Magnum Drilling of Ohio, Inc. ("Magnum") project, Grayson is requested to:

(a) provide a detailed chronological description of all activities which Grayson performed to analyze the viability of the project for Grayson and its members;

(b) specifically identify by name and contact information any outside consultants or individuals, whether or not compensated, who assisted Grayson or provided advice to Grayson in any manner in performing such analysis;

(c) provide, for any consultants or individuals identified above, a detailed description of all activities performed and opinions rendered by such consultants or individuals;

(d) identify by name and title whether any individual affiliated with Grayson, including, but not limited to employees, employees' family members or directors or directors' family members, had an ownership interest in any of the gas wells which were intended to be used in the project, and the nature and extent of that ownership interest;

(e) provide all documents and electronic media of any kind in Grayson's possession, or the possession of any consultant or individual assisting or providing advice to Grayson, which were used in this analysis or which were generated as a result of such analysis; and

(f) provide a copy of Grayson's contract with Magnum and any amendments or extensions; and

(g) identify by name, address, telephone number and title the principal individuals representing Magnum with whom Grayson dealt and communicated on this project.

2. Please state with specificity why Grayson contends that the Magnum project failed and provide any documents in support of this contention.

3. Please describe and provide any documents supporting Grayson's efforts to recover from Magnum the benefit of the bargain which Grayson has now lost as a result of Magnum's failure to perform its contractual obligations to Grayson.

4. In its September 9, 2013, Notice of Amendment filed in this case, Grayson states that it has entered into a "new arrangement" with Duke Energy Commercial Asset Management, Inc. ("Duke Commercial"). With regard to the arrangement which Grayson now apparently has with Duke Energy Commercial through EnerVision ("EnerVision"), Grayson is requested to:

(a) provide a detailed chronological description of all activities which Grayson performed to analyze the viability of the project for Grayson and its members;

(b) specifically identify by name and contact information any outside consultants or individuals, whether or not compensated, who assisted Grayson or provided advice to Grayson in any manner in performing such analysis;

(c) provide, for any consultants or individuals identified above, a detailed description of all activities performed and opinions rendered by such consultant or individuals;

(d) provide all documents and electronic media of any kind in Grayson's possession, or the possession of any consultant or individual assisting Grayson, which were used in this analysis or which were generated as a result of such analysis;

(e) provide a copy of Grayson's contract with Duke Commercial and any amendments or extensions;

(f) provide a copy of Grayson's contract with EnerVision and any amendments or extensions; and

(g) identify by name, address, telephone number and title the principal individuals representing Duke Commercial and EnerVision with whom Grayson has dealt and communicated on this arrangement.

5. With regard to the arrangement which Grayson now apparently has with Duke Commercial, please describe in detail the mechanics of how Grayson believes the arrangement will work.

6. Please state whether Grayson believes that there is a binding contract between it and Duke Commercial for the arrangement described above, and, if so, state whether such contract is written or verbal and each and every one of its material terms.

7. Please state whether Grayson believes that there is a binding contract between it and EnerVision for the arrangement described above, and, if so, state whether such contract is written or verbal and each and every one of its material terms.

8. Please state whether the terms contained in the document entitled “Draft Terms and Conditions”, and attached as Exhibit 1 to Grayson’s Notice of Amendment filing made in this case on or about September 9, 2013, are binding on Grayson and Duke Commercial and form a firm basis upon which the Commission should adjudge Grayson’s Application for Approval under KRS 278.300.

If your answer to the above Request is in the negative, please state the basis for your answer in the negative.

9. Please state whether there are other documents, correspondence or writings which evidence Grayson’s arrangement with Duke Commercial.

If your answer to the above Interrogatory is in the affirmative, please specifically identify and provide a complete copy of each and every document, correspondence, writing or electronic media which discusses or evidences Grayson’s arrangement with Duke Commercial.

10. With regard to the arrangement which Grayson apparently has with Duke Commercial please:

- (a) identify the amount of load being served by Duke Commercial;
- (b) identify the load or loads within Grayson’s service territory to be served by Duke Commercial (including the hourly measurement of demand for each such load or loads during EKPC’s annual peak hour during the thirty-six calendar months preceding the election);
- (c) state the date and time when the designated load or loads will commence being served by Duke Commercial; and,

(d) indicate whether the load or loads to be served by Duke Commercial involve the acquisition of new service territory currently served by another power supplier or municipal utility.

11. With regard to the arrangement which Grayson apparently has with Duke Commercial please state:

(a) how Grayson will transmit the power it plans to acquire from Duke Commercial from the AD Hub into its system, including an identification of the EKPC substation through which this power will be accepted into Grayson's system;

(b) whether Grayson has a circuit on its system robust enough to accept and distribute this power and, if so, an identification of such circuit;

(c) whether Grayson has performed any transmission or distribution studies, or had such studies commissioned, to determine whether this power can be transmitted and distributed reliably;

(d) if Grayson has investigated whether it is required to notify and coordinate acceptance of this power with PJM Interconnection, LLC ("PJM");

(e) whether EnerVision is acting as agent for Grayson or Duke Commercial, and what role EnerVision will play in this arrangement going forward;

(f) what other costs, besides energy costs, Grayson has determined it will have to pay in order to arrive at an "all-in" cost for the arrangement, an estimate of what those costs will likely be through the term of the arrangement with Duke Commercial, and how those costs were determined;

(g) an estimate of how much per kWh Grayson's average residential customer will have to pay for the power which Grayson intends to procure from Duke Commercial

through the term of the arrangement, and a detailed calculation as to how this cost was determined;

(h) whether the stated price of \$41.03/MWh contained in Grayson's September 11, 2013, Notice of Amendment filing for 7x24 power is an energy price only; and

(i) what Grayson plans to do with any excess 7 X 24 energy that doesn't match Grayson's load.

12. With regard to Grayson's responses given to Request 11 above, provide a copy of any and all correspondence, analyses, studies, reports, workpapers or other documents used or created to make these analyses, calculations, studies or determinations and identify all individuals participating in their use or creation.

13. Please state whether, prior to sending any of its five "notices" to EKPC concerning its election to receive power from a non-EKPC resource, dated June 22, 2012, August 9, 2012, January 18, 2013, September 9, 2013 and September 26, 2013, Grayson sought any assistance or instruction from any EKPC personnel or other individuals as to the requirements for proper notice under Amendment 3 to the Wholesale Power Contract.

If your answer to this Interrogatory is in the affirmative, please:

(a) identify each such person or persons from whom Grayson sought assistance or instruction;

(b) provide a specific description of the type of assistance or instruction requested by Grayson and rendered by such person or persons to Grayson;

(c) provide the date upon which such assistance or instruction was obtained;  
and,



(d) provide all documents and electronic media of any kind in Grayson's possession, or the possession of any individuals assisting or instructing Grayson concerning such notices.

14. In some or all of its five "notices", and in other correspondence, Grayson takes the position that each and every subsequent notice given relates back to all prior notices given for purposes of the 90-day/180-day notice requirement contained in the Wholesale Power Contract. Please state with specificity the authority upon which Grayson relies for its position that each and every subsequent notice relates back to all prior notices.

15. Please state with specificity the interpretation of Amendment 3 to the Wholesale Power Contract which Grayson will ask the Kentucky Public Service Commission to adopt and the basis in fact or law supporting such interpretation.

16. On June 28, 2013, Grayson's board of directors accepted the Memorandum of Understanding ("MOU") which EKPC's Distribution Cooperatives had labored for many months to negotiate. However, on August 23, 2013, Grayson's board of directors reversed course and voted to rescind the MOU. Please state with specificity the basis for Grayson's sudden reversal and rescission of the MOU on August 23, 2013.

17. Identify by name, address, telephone number and title:

(a) each and every Grayson employee that has performed any work on the Magnum project, the Duke Commercial arrangement, the MOU and/or amendment 3 issues;

(b) the Grayson employee having the most knowledge concerning the technical and operational impacts upon Grayson's system should its arrangement with Duke Commercial be approved by the Commission; and

(c) the Grayson employee having the most knowledge concerning financial impacts upon Grayson's system should its arrangement with Duke Commercial be approved by the Commission.

18. In the written contract between Grayson and Magnum, dated August 24, 2012, and attached as Exhibit 5 to Grayson's November 16, 2012, Complaint and Petition initiating this case, the energy which Magnum was to provide to Grayson would be delivered to EKPC's Skaggs substation. Paragraph 5 to that contract obligated Magnum to: (1) make application and seek approval from EKPC to deliver this energy through the Skaggs substation to the metering point; and, (2) pay for any and all facilities and improvements/upgrades required by EKPC to deliver this energy through the Skaggs substation.

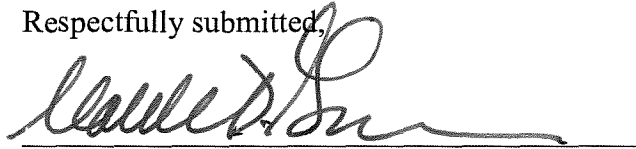
(a) Please state whether Magnum ever made application to EKPC regarding utilization of the Skaggs substation consistent with Magnum's obligations as referenced above;

(b) If your answer is in the negative, please state any and all communications that occurred between Grayson and Magnum related to this issue and provide any and all documents evidencing such communications; and

(c) If your answer is in the affirmative, please provide details regarding Magnum's activities to make application to EKPC, and provide any and all documents evidencing such application.

This 1<sup>st</sup> day of November, 2013.

Respectfully submitted,



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Cumberland Valley Electric, Inc., Farmers Rural Electric  
Cooperative Corporation, Blue Grass Energy Corporation,  
Big Sandy Rural Electric Cooperative Corporation, Licking  
Valley Rural Electric Cooperative Corporation,  
Inter-County Energy Cooperative Corporation,  
Nolin Rural Electric Cooperative Corporation, and  
Clark Energy Cooperative, Inc.*

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing filing was served on the following via depositing same in the custody and care of the U.S. Mail, postage prepaid, this 1<sup>st</sup> day of November, 2013:

W. Jeffrey Scott, Esq.  
W. Jeffrey Scott, P.S.C.  
P. O. Box 608  
Grayson, Kentucky 41143

Clayton O. Oswald  
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Bardstown, KY 40004-0609

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Taylor County RECC  
625 West Main Street  
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Big Sandy Rural Electric Cooperative Corporation, Licking  
Valley Rural Electric Cooperative Corporation,  
Inter-County Energy Cooperative Corporation,  
Nolin Rural Electric Cooperative Corporation, and  
Clark Energy Cooperative, Inc.*