

Mark David Goss mdgoss@gosssamfordlaw.com (859) 368-7740

July 6, 2015

RECEIVED

JUL 06 2015

Via Hand Delivery

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

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 of East Kentucky Power Cooperative, Inc.'s Reply To Grayson Rural Electric Cooperative Corporation's June 29, 2015 Response. Please return a file-stamped copy to me.

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

Mark David Goss

Enclosures

M:\Clients\4000 - East Kentucky Power\1800 - Grayson Litigation\ Correspondence Ltr. to Jeff Derouen (2012-00503) - 150706

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JUL 06 2015

PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION AND COMPLAINT OF GRAYSON)
RURAL ELECTRIC COOPERATIVE	ĺ
CORPORATION FOR AN ORDER	j
AUTHORIZING PURCHASE OF ELECTRIC	j
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	j
WHOLESALE POWER CONTRACT AS	ĺ
AMENDED BETWEEN GRAYSON RURAL	ý
ELECTRIC COOPERATIVE CORPORATION	í
AND EAST KENTUCKY POWER COOPERATIVE INC.	j

EAST KENTUCKY POWER COOPERATIVE, INC.'S REPLY TO GRAYSON RECC'S JUNE 29, 2015 RESPONSE

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, and tenders a Reply to the June 29, 2015 Response filed by Grayson Rural Electric Cooperative Corporation's ("Grayson") counsel in the above-styled proceeding.

In an Order entered on June 19, 2015, the Commission directed EKPC and Grayson to tender the Memorandum of Understanding Between Grayson Rural Electric Cooperative Corporation and East Kentucky Power Cooperative, Inc., entered into by and between the Boards of EKPC and Grayson, dated May 15, 2015 (the "Settlement Agreement"), as well as "any other document addressing the allocation of alternatively sourced power under Amendment 3." The only such other document would be the Amendment 3 Memorandum of Understanding (the "Amendment 3 MOU") negotiated in 2013 by EKPC and its Members. On June 22, 2015, EKPC

tendered the Settlement Agreement to the Commission and advised the Commission that the Amendment 3 MOU had been previously filed under seal in the record of this matter. On June 29, 2015, Grayson's counsel also tendered a copy of the Settlement Agreement and Amendment 3 MOU. In addition, Grayson's counsel included a lengthy narrative which, once again, inexcusably includes several misstatements of fact, to which EKPC must reply.

First, Grayson's counsel's response implies that the Amendment 3 MOU may not be a solution to the dispute which is at the heart of this controversy, because the Amendment 3 MOU has not yet been entered into by EKPC and its Members. This implication is not supported by the facts. EKPC has received confirmation or assurances from all of its Members (including Grayson) that all of them will enter into the Amendment 3 MOU. Indeed, at a meeting of EKPC's Members' presidents and managers on July 1, 2015, those in attendance agreed that each Member would endeavor to have the Amendment 3 MOU signed as quickly as their local processes would allow. EKPC has placed adoption of the Amendment 3 MOU on the agenda for its Board's August meeting. EKPC's Officers have kept Grayson's leadership aware of the status of the Amendment 3 MOU since the signing of the May 15th Settlement Agreement. Grayson's counsel's implications to the contrary are, at best, uninformed.

Second, Grayson's counsel's attempt to characterize the Settlement Agreement as an "agreement to agree" is also misplaced. The Settlement Agreement is an agreement with a mutuality of obligations reflecting a meeting of the minds that has already occurred as between EKPC and Grayson. There is nothing left to agree upon with regard to the Amendment 3 MOU. The only thing remaining is to execute the Amendment 3 MOU, which is a ministerial task.

¹ See, e.g., Motion for Full Intervention of Owen Electric Cooperative, Inc., at Exhibit B (filed July 26, 2013).

Third, Grayson's counsel suggests that EKPC has somehow failed to facilitate the readoption of the Amendment 3 MOU. EKPC has agreed to "use good faith efforts to re-secure adoption of the Amendment 3 Memorandum of Understanding (MOU) that was previously approved by virtually all of EKPC's Members in 2013." EKPC is fulfilling its obligation by reaching out to the Members and asking them to provide their executed copies of the Amendment 3 MOU as quickly as their local processes allow. Until Grayson's counsel filed the Response, EKPC was unaware that Grayson's leadership had any concern regarding the adoption of the Amendment 3 MOU by EKPC's Members. EKPC agreed to use its best efforts to get the Amendment 3 MOU signed and EKPC has confirmation that all Members will sign the Amendment 3 MOU.

Fourth, Grayson's counsel's claim that the Settlement Agreement was prepared with the assistance and input of EKPC's legal counsel is incorrect. Grayson's counsel may be unaware, but it was Grayson's Board members who contacted EKPC's President and Chief Executive Officer directly on April 16, 2015, in an effort to renew settlement discussions.³ The settlement discussions were held directly and exclusively on the part of EKPC by its Officers and Board leadership.⁴ EKPC's counsel purposefully and for ethical reasons did not see the Settlement Agreement, and was unaware of its terms, until after the Boards of the two companies had reached an agreement.⁵

² Settlement Agreement, p. 1.

³ See Affidavit of Don Mosier, attached hereto and incorporated herein as Exhibit 1.

⁴ See id.

⁵ See id.

Fifth, Grayson's counsel's claim that he is "without any more knowledge to offer the Commission..." is not easily reconciled to the facts as they have been represented to EKPC. For instance, counsel for EKPC and Grayson were both supposed to attend the May 15, 2015 meeting where the previously agreed upon Settlement Agreement would be signed. EKPC's General Counsel attended. An associate in Grayson's counsel's office who was supposed to attend the meeting did not show up and, apparently, did not timely advise Grayson of the fact that he would not be present. Moreover, Grayson's Board leadership has advised their counterparts at EKPC that Grayson's counsel was present and participated in one or more meetings of Grayson's Board where the Settlement Agreement was discussed and approved. Grayson's counsel was sufficiently aware of the terms of the Settlement Agreement to be able to sign the Agreed Order of Dismissal in the Mason Circuit Court case. Likewise, Grayson's counsel was familiar enough with the terms of the Settlement Agreement to characterize it as a "surrender" in a later email to EKPC's litigation counsel.

Smokescreens and mirrors aside, the Response from Grayson's counsel only clearly indicates that he does not want this litigation to come to a conclusion despite his clients' desire to end it. The final substantive statement of the Response claims that a "resolution has not been made" without providing any evidentiary support. Although Grayson's counsel requests in the prayer for relief that the case be decided on the record as it now exists (in disregard of the Settlement Agreement, by implication), it is not at all clear that he is speaking on behalf of his client. So far as EKPC is aware, Grayson's Board, and EKPC's other Members involved in this

⁶ See Agreed Order of Dismissal, Mason Circuit Court Case No. 2012-CI-00270 (May 29, 2015), attached hereto and incorporated herein as Exhibit 2.

⁷ See Email from W. Jeffrey Scott to David S. Samford (May 28, 2015), attached hereto and incorporated herein as Exhibit 3.

⁸ See Grayson's Response, p. 2.

litigation, continue to support the Settlement Agreement, the adoption of the Amendment 3 MOU by EKPC and all its Members, and an end to this needless litigation. EKPC's Members, including Grayson, have resolved the Amendment 3 dispute in a way that will enable Grayson to move forward. In fact, Grayson's Board Members involved in the settlement have expressed this desire to EKPC's Board Executive Committee on numerous occasions. To further demonstrate that Grayson's counsel's personal concerns are unfounded, EKPC will be pleased to file copies of the signature pages of its and all of its Members as each accepts the Amendment 3 MOU over the course of the next few weeks.

This 6th day of July, 2015.

Respectfully submitted,

Hon. Mark David Goss

Hon. David S. Samford Goss Samford, PLLC

2365 Harrodsburg Road, Suite B-325

Lexington, KY 40504

(859) 368-7740

Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing was served by depositing same into the custody and care of the U.S. Postal Service, postage pre-paid, on this the 6th day of July, 2015, addressed to the following individuals:

Salt River Electric Cooperative Corp. 111 West Brashear Avenue P. O. Box 609 Bardstown, KY 40004-0609 Don Prather Mathis, Riggs & Prather, P.S.C. 500 Main Street, Suite 5 Shelbyville, KY 40065

Clayton O. Oswald Taylor, Keller & Oswald, PLLC P.O. Box 3440 1306 West Fifth Street, Suite 100 London, KY 40743-003440

Taylor County RECC 625 West Main Street P. O. Box 100 Campbellsville, KY 42719

James M. Crawford Crawford & Baxter, PSC 523 Highland Avenue P. O. Box 353 Carrollton, KY 41008

Hon. W. Jeffrey Scott W. Jeffrey Scott, P.S.C. 311 W. Main Street P.O. Box 608 Grayson, Kentucky 41143

Counsel for East Kentucky Power Cooperative, Inc.

AFFIDAVIT

Comes now the Affiant, Don Mosier, the Chief Operating Officer and Executive Vice President of East Kentucky Power Cooperative, Inc., and, after being duly sworn, does hereby state as follows:

- 1. My name is Don Mosier. I am the Chief Operating Officer and Executive Vice President of East Kentucky Power Cooperative, Inc. ("EKPC").
- 2. On or about April 16, 2015, I received a call from a Director of Grayson Rural Electric Cooperative Corporation ("Grayson") who had first called the office of Tony Campbell, EKPC's President and Chief Executive Officer. The purpose of the call was to request a meeting that would involve no lawyers for Grayson or EKPC to discuss a possible settlement of all the litigation initiated by Grayson against EKPC.
- 3. On or about April 23, 2015, the Executive Committee of EKPC's Board, Tony Campbell, and myself met with Grayson's Board in Morehead, Kentucky with no attorneys present and without Grayson's CEO present. As a result of the meeting, we negotiated the terms of a settlement.
- 4. Mr. Campbell and I, with the help of EKPC's administrative staff, prepared a draft Settlement Agreement, which we sent directly to Grayson's Board. No in-house or retained counsel for EKPC participated in the preparation of the Settlement . Agreement.
- 5. Grayson's Board advised us later that, with a few minor modifications, they found the Settlement Agreement to be acceptable.
- 6. EKPC's Board approved the Settlement Agreement, as amended, in the course of its May 12, 2015 Board meeting.
- 7. None of EKPC's in-house or retained counsel were involved, or had any input into the negotiation or drafting of the Settlement Agreement. EKPC's counsel did not see the Settlement Agreement until after it had been submitted to EKPC's Board for approval.
- 8. Grayson's Board requested that both Grayson's Board and EKPC's Board leadership and Officers attend a meeting on May 15, 2015 at the MMRC Industrial Park in Morehead, Kentucky. EKPC and Grayson were both supposed to have counsel present. EKPC's General Counsel attended, but Grayson's counsel did not attend. Accordingly, EKPC's General Counsel advised everyone that he would have no substantive communications regarding the litigation with Grayson's Board because they were not represented by counsel at the May 15th meeting. Discussions between the two Boards led to one additional minor modification to the Settlement Agreement, which I made on my laptop computer.



- 9. Grayson's Board approved the Settlement Agreement at a meeting held on or about May 22, 2015. Mike McNalley, EKPC's Chief Financial Officer and Executive Vice President was in Grayson on other business and was personally handed a copy of the signed Settlement Agreement by one of Grayson's Directors following the Grayson Board meeting.
- 10. I am personally surprised by the tone of Grayson's June 29, 2015 Response in Case No. 2012-00503. EKPC's Board Executive Committee and Officers have had productive and cordial discussions with Grayson's Board since April 16, 2015.

Further, the Affiant sayeth naught.

The foregoing Affidavit is true and correct to the best of my knowledge, opinion and belief as of this 15th day of July 2015.

Don Mosier, Chief Operating Officer and Executive Vice President, East Kentucky Power Cooperative, Inc.

COMMONWEALTH OF KENTUCKY

COUNTY OF CLARK

Subscribed and sworn to by the Affiant, Don Mosier, the Chief Operating Officer and Executive Vice President of East Kentucky Power Cooperative, Inc., before me, the Notary Public, on this 1st day of July, 2015.

BRENDA BOWEN
Notary Public
State at Large
Kentucky
My Commission Expires Jan 27, 2018

NOTARY PUBLIC

Commission #: 502993

My Commission Expires: 1/27/18

RECEIVED

COMMONWEALTH OF KENTUCKY MASON CIRCUIT COURT CIVIL ACTION NO. 12-CI-00270

JUN 0 1 2015 GS, PLLC

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

PLAINTIFF

v.

EAST KENTUCKY POWER COOPERATIVE, INC., CHARLESTON BOTTOMS RURAL ELECTRIC COOPERATIVE CORPORATION, BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION, BLUE GRASS ENERGY COOPERATIVE CORPORATION, CLARK ENERGY COOPERATIVE, INC., CUMBERLAND VALLEY ELECTRIC COOPERATIVE CORPORATION, FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION, FLEMING-MASON ENERGY COOPERATIVE CORPORATION, INTER-COUNTY ENERGY COOPERATIVE CORPORATION, JACKSON ENERGY COOPERATIVE CORPORATION, LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION, NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, OWEN ELECTRIC COOPERATIVE CORPORATION, SALT RIVER ELECTRIC COOPERATIVE CORPORATION, SHELBY ENERGY COOPERATIVE CORPORATION, SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, and TAYLOR COUNTY RURAL COOPERATIVE CORPORATION

DEFENDANTS

AGREED ORDER OF DISMISSAL WITH PREJUDICE

COPY ATTEST:

DATE____

KIRK TOLLE

MASON CIRCUIT COURT CLERK

D.C.

TENDERED

MAY 26 2015 LEMASON CHECHT COURT CLERK

EXHIBIT

2

This matter is before the Court on agreement of the Plaintiff/Counter-Defendant, Grayson Rural Electric Cooperative Corporation ("Plaintiff"), the Defendant/Counterclaimant, East Kentucky Power Cooperative, Inc. ("EKPC"), and the Defendants, Charleston Bottoms Rural Electric Cooperative, Inc. ("Charleston Bottoms"), Big Sandy Rural Electric Cooperative Corporation ("Big Sandy"), Blue Grass Energy Cooperative Corporation ("Blue Grass"), Clark Energy Cooperative, Inc. ("Clark"), Cumberland Valley Electric Cooperative Corporation ("Cumberland"), Farmers Rural Electric Cooperative Corporation ("Farmers"), Fleming-Mason Energy Cooperative Corporation ("Fleming-Mason"), Inter-County Energy Cooperative Corporation ("Inter-County"), Jackson Energy Cooperative Corporation ("Jackson"), Licking Valley Rural Electric Cooperative Corporation (Licking Valley"), Nolin Rural Electric Cooperative Corporation ("Nolin"), Owen Electric Cooperative Corporation ("Owen"), Salt River Electric Cooperative Corporation ("Salt River"), Shelby Energy Cooperative Corporation ("Shelby"), South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), and Taylor County Rural Cooperative Corporation ("Taylor") (collectively with EKPC, "Defendants") (Plaintiff and Defendants are referred to herein collectively as the "Parties").

The Parties have advised the Court that they have reached a settlement and that each and every claim raised in this matter should be dismissed with prejudice.

ACCORDINGLY, IT IS HEREBY ORDERED AND ADJUDGED AS FOLLOWS:

- 1. Each and every claim asserted by Plaintiff in its Complaint and Amended Complaint is hereby dismissed with prejudice;
- 2. Each and every claim asserted by EKPC in its Counterclaim is hereby dismissed with prejudice;
- 3. Each of the Parties shall bear its own costs and expenses; and

4. This is a final and appealable Order, and there is no just cause for delay.

Entered this 27 Eday of May, 2015.

Special Judge, Mason Circuit Court

ENTERED KIRK TOLLE

MAY 2 9 2015

MASON CIBCUIT COURT CLERK

Hon. W. Jeffrey Scor W. Jeffrey Scott Psy P. O. Box 608 Grayson, I.Y 41143

Counsel for Grayson Rural Electric Cooperative Corporation

Hon. Mark David Goss

Hon. David S. Samford

Goss Samford, PLLC

2365 Harrodsburg Road, Suite B-325

Lexington, KY 40504

-and-

Hon. John F. Estill Fox, Wood, Wood & Estill 24 West Third Street Maysville, KY 41056

Counsel for East Kentucky Power Cooperative, Inc., Charleston Bottoms Rural Electric Cooperative Corporation, Big Sandy Rural Electric Cooperative Corporation, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers Rural Electric Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Shelby Energy Cooperative, Inc., and South Kentucky Rural Electric Cooperative Corporation

Suit, McCartney, Price, Price & Ruark 207 Court Square Flemingsburg, KY 41041

Counsel for Fleming-Mason Energy Cooperative, Inc.

Hon, J. Hadden Dean
Sheehan, Barnett, Dean,
Pennington, Little & Dexter, PSC
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P. O. Box 1517

Danville, KY 40423-1517

Counsel for Inter-County Energy Cooperative Corporation

Hon. Robert Spragens, Jr.
Spragens & Higdon, PSC
15 Court Square
P. O. Box 681
Lebanon, KY 40033

Counsel for Taylor County Rural Electric Cooperative Corporation

Hon. Clayton O. Oswald Taylor, Keller & Oswald, PLLC 1306 West 5th Street, Suite 100

P. O. Box 3440

London, KY 40743-3440

Counsel for Jackson Energy Cooperative Corporation

Hon. James M. Crawford Crawford & Baxter, PSC 523 Highland Avenue P. O. Box 353

Carrollton, KY 41008

Counsel for Owen Electric Cooperative, Inc.

Hon. Douglas Hubbard Fulton, Hubbard & Hubbard 117 East Stephen Foster

Bardstown, KY 40004

Counsel for Salt River Electric Cooperative Corporation

CLERK'S CERTIFICATE

This is to certify that a true and correct copy of the foregoing was served by depositing same into the custody and care of the U.S. Postal Service, postage pre-paid, on this the 29 day of ______, 2015, addressed to the following individuals:

Mark David Goss
David S. Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B-325
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W. Jeffrey Scott W. Jeffrey Scott, PSC P. O. Box 608 Grayson, KY 41143

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J. Hadden Dean Sheehan, Barnett, Dean, Pennington, Little & Dexter, PSC 116 North Third Street P. O. Box 1517 Danville, KY 40423-1517

Robert Spragens, Jr. Spragens & Higdon, PSC 15 Court Square P. O. Box 681 Lebanon, KY 40033

Clerk, Mason Circuit Court

David Samford

From:

W Jeffrey Scott PSC <wjscott@windstream.net>

Sent:

Thursday, May 28, 2015 3:40 PM

To:

David Samford

Subject:

Re: Dismissal Filings

How does Agreed Order get to SpecialJudge? I got a call before the surrender from a lady with AOC or Regional Adm Judge or some such place indicating that Boone Cir Judge would be appointed but I haven't received anything. Have you been made aware of Sp Judge appointment?

Sent from my iPhone

On May 26, 2015, at 2:53 PM, David Samford david@gosssamfordlaw.com wrote:

Counsel,

Good afternoon. Attached, please find copies of four filings made today in the Mason Circuit Court and at the Kentucky Public Service Commission. Hard copies are being mailed as well.

Have a good day,

David S. Samford

<image001.png>

2365 Harrodsburg Road, Suite B325 Lexington, KY 40504 (859) 368-7740 (o) (859) 806-6567 (c)

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- <Agreed Order of Dismissal with Prejudice_stamped tendered_150526.pdf>
- <Joint Motion to Permit Withdawal of Motion to Reopen 150526.pdf>
- <PSC Case No. 2012-00503 -Joint Motion to Dismiss Petition and Complaintpdf>
- <Joint Motion to Permit the Withdrawal of GRECC as Intervenor 150526.pdf>

