

Goss • Samford PLLC



Attorneys at Law

March 29, 2013

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED

MAR 29 2013

PUBLIC SERVICE
COMMISSION

Re: Case No. 2007-00165, Application of East Kentucky Power Cooperative, Inc. for an Order Approving a Pilot Real-Time Pricing Program for Large Commercial and Industrial Customers

Dear Mr. Derouen:

Please find attached the following information associated with the East Kentucky Power Cooperative, Inc. ("EKPC") Real Time Pricing ("RTP") Pilot Program:

- An original and five (5) copies of the third annual report of the RTP Pilot Program. This annual report is submitted pursuant to the Commission's February 1, 2008 Order in Case No. 2007-00165, Ordering Paragraph No. 2.
- An original and five (5) copies of a detailed evaluation of the RTP Pilot Program. This detailed evaluation is submitted pursuant to the Commission's February 1, 2008 Order in Case No. 2007-00165, Ordering Paragraph No. 3.
- An original and ten (10) copies of a joint application from EKPC, Blue Grass Energy Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Owen Electric Cooperative, Inc. requesting the Commission approve the cancellation and withdrawal of the wholesale and retail RTP Pilot Program tariffs.

EKPC is providing copies of the annual report, detailed evaluation, and joint application to the Office of the Attorney General and the Kentucky Industrial Utility Customers, Inc.

If there are questions about the report or additional information is needed, please contact Isaac Scott at (859) 745-9243.

Sincerely,

Mark David Goss
Counsel

Attachments

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF EAST)
KENTUCKY POWER COOPERATIVE, INC.,)
BLUE GRASS ENERGY COOPERATIVE)
CORPORATION, LICKING VALLEY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION, NOLIN RURAL)
ELECTRIC COOPERATIVE)
CORPORATION, AND OWEN ELECTRIC)
COOPERATIVE, INC. TO CANCEL AND)
WITHDRAW THE EAST KENTUCKY)
WHOLESALE REAL-TIME PRICING PILOT)
PROGRAM, SCHEDULE RTP-DA, AND)
THE PARTICIPATING MEMBER)
COOPERATIVES' REAL-TIME PRICING)
PILOT PROGRAM, SCHEDULE RTP-DA)

CASE NO.
2013-_____

APPLICATION

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), Blue Grass Energy Cooperative Corporation ("Blue Grass"), Licking Valley Rural Electric Cooperative Corporation ("Licking Valley"), Nolin Rural Electric Cooperative Corporation ("Nolin"), and Owen Electric Cooperative, Inc. ("Owen") (collectively "Joint Applicants") requesting that the Public Service Commission ("Commission") enter an Order approving the cancellation and withdrawal of EKPC's Real-Time Pricing ("RTP") pilot program tariff and the corresponding retail RTP pilot program tariffs of Blue Grass, Licking Valley, Nolin, and Owen. The Joint Applicants make this Application pursuant to KRS 278.180, which requires 30 days notice to the Commission of a change in any rate accompanied by a statement of the proposed change and the time when the change will go into effect.

Background

1. EKPC is an electric cooperative formed under Chapter 279 of the Kentucky Revised Statutes. EKPC's mailing address is P. O. Box 707, Winchester, Kentucky 40392-0707. Through its 16 member distribution cooperatives ("Members"), EKPC currently serves approximately 521,000 customers in 87 Kentucky counties. Pursuant to 807 KAR 5:001, Section 14(2)(a) a certified copy of EKPC's restated Articles of Incorporation and all amendments have previously been filed in Case No. 1990-00197.

2. Blue Grass is an electric cooperative formed under Chapter 279 of the Kentucky Revised Statutes. Blue Grass' mailing address is P. O. Box 990, Nicholasville, Kentucky 40340-0990. Blue Grass is one of the 16 Members and purchases its electric energy requirements from EKPC and distributes and sells electricity to approximately 55,000 customers in 23 Kentucky counties. Pursuant to 807 KAR 5:001, Section 14(2)(a) a certified copy of Blue Grass' Articles of Incorporation and all amendments have previously been filed in Case No. 2004-00374.

3. Licking Valley is an electric cooperative formed under Chapter 279 of the Kentucky Revised Statutes. Licking Valley's mailing address is P. O. Box 605, West Liberty, Kentucky 41472-0605. Licking Valley is one of the 16 Members and purchases its electric energy requirements from EKPC and distributes and sells electricity to approximately 17,400 customers in eight Kentucky counties. Pursuant to 807 KAR 5:001, Section 14(2)(a) a certified copy of Licking Valley's Articles of Incorporation and all amendments have previously been filed in Case No. 2012-00013.

4. Nolin is an electric cooperative formed under Chapter 279 of the Kentucky Revised Statutes. Nolin's mailing address is 411 Ring Road, Elizabethtown, Kentucky 42701. Nolin is one of the 16 Members and purchases its electric energy requirements from EKPC and

distributes and sells electricity to approximately 32,900 customers in eight Kentucky counties.

Pursuant to 807 KAR 5:001, Section 14(2)(a) a certified copy of Nolin's Articles of

Incorporation and all amendments have previously been filed in Case No. 1993-00324.

5. Owen is an electric cooperative formed under Chapter 279 of the Kentucky Revised Statutes. Owen's mailing address is P. O. Box 400, Owenton, Kentucky 40359-0400. Owen is one of the 16 Members and purchases its electric energy requirements from EKPC and distributes and sells electricity to approximately 57,500 customers in nine Kentucky counties. Pursuant to 807 KAR 5:001, Section 14(2)(a) a certified copy of Owen's Articles of Incorporation and all amendments have previously been filed in Case No. 2008-00154.

6. Pursuant to the Commission's directive in Administrative Case No. 2006-00045¹, EKPC filed Case No. 2007-00165² seeking approval of wholesale and retail tariffs for a RTP pilot program for large commercial and industrial customers. The Commission approved the proposed three-year RTP pilot program and the associated tariffs in its February 1, 2008 Order. The Commission required EKPC to submit annual reports on the pilot program, a detailed evaluation of the pilot program within 90 days of the end of the plan's third year, and to identify the Members who would be participating in the pilot program. The Commission directed that the tariffs be filed 30 days prior to the proposed effective date of the pilot program.

7. Blue Grass, Licking Valley, Nolin, and Owen determined they would participate in the program. The Joint Applicants filed the appropriate tariffs, identified as Schedule RTP-DA, in late November 2009 with an effective date of January 1, 2010. The Commission

¹ Administrative Case No. 2006-00045, Consideration of the Requirements of the Federal Energy Policy Act of 2005 Regarding Time-Based Metering, Demand Response, and Interconnection Service.

² Case No. 2007-00165, Application of East Kentucky Power Cooperative, Inc. for an Order Approving a Pilot Real-Time Pricing Program for Large Commercial and Industrial Customers.

approved the tariffs effective January 1, 2010. The tariff effective date established the three-year pilot program as running from January 1, 2010 through December 31, 2012.

Pilot Program Activity

8. EKPC filed annual reports on the RTP pilot program for 2010 and 2011 on March 31, 2011 and March 30, 2012, respectively. The annual report for 2012 is being filed on March 29, 2013. EKPC has also prepared an evaluation of the RTP pilot program and this evaluation is being filed on March 29, 2013. Copies of all these reports have been filed with the Attorney General and the Kentucky Industrial Utility Customers, Inc.

9. As noted in each of the annual reports and the program evaluation, there have been no participants in the pilot program. During the three years of the pilot program, there have been informal discussions between potential participants and the four Members. While there were some potential participants interested in the concept, there were also concerns. The potential participants expressed concerns about how the program would fit with production schedules and how the program could work without being a detriment to employee morale. There was also the general perception that the program was not worth the risks it posed to the potential participants. The Joint Applicants believe potential participants recognized the risks they would be assuming under the program and concluded they were not interested in the additional risk. Participants in the program would have been responsible for managing a portion of their energy load on a daily basis. If the participant failed to commit the personnel and resources to manage that load, they would likely experience higher bills than they normally would incur.

Pilot Program Recommendation

10. The Commission indicated in its February 1, 2008 Order that after the program had been in operation for three years it would re-examine the program and determine whether it should continue. With the three-year period now completed, the Joint Applicants have reviewed the RTP pilot program and believe that the pilot program and the wholesale and retail Schedule RTP-DA tariffs should not be made permanent. Even if the pilot program was made permanent, the Joint Applicants believe the same concerns about RTP would remain with potential eligible customers.

11. During the three-year period, EKPC has been reviewing RTP information filed by Big Rivers Electric Corporation (“Big Rivers”), Kentucky Power Company, Kentucky Utilities Company (“KU”), and Louisville Gas and Electric Company (“LG&E”). EKPC notes that in Case No. 2012-00221³ and Case No. 2012-00222⁴, KU and LG&E requested that their RTP pilot program tariffs be cancelled and withdrawn based on the fact that no eligible customers had participated in the program. In the unanimous settlement agreement filed in those cases, the parties agreed that except for the modifications contained in the agreement the rates, terms and conditions contained in KU’s and LG&E’s filings shall be approved as filed.⁵ In its December 20, 2012 Order in the two rate cases the Commission approved all the provisions of the settlement agreement.

12. The Joint Applicants want to assure the Commission that they are not abandoning the concept of RTP, and will be willing in the future to consider a RTP component in a special

³ Case No. 2012-00221, Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates.

⁴ Case No. 2012-00222, Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, A Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge.

⁵ See Case No. 2012-00221, December 20, 2012 Order, Appendix A, Settlement Agreement, Stipulation, and Recommendation, Section 4.8. The proposal to cancel and withdraw the RTP pilot program tariffs was not modified in the settlement agreement.

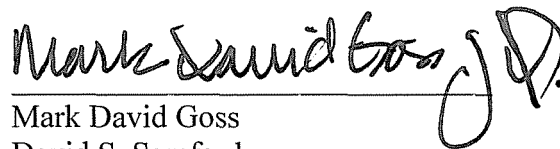
contract if a large commercial or industrial customer were interested in the option. The utilization of special contracts with RTP options is similar to the approach the Commission authorized for Big Rivers in Case No. 2007-00164.⁶ The Joint Applicants anticipate that if a special contract included a RTP component, it would retain the form and structure of the mechanism described in the wholesale and retail Schedule RTP-DA tariffs. The only difference would be that the market prices would be the appropriate market prices from the PJM Interconnection, LLC.

13. Upon Commission approval of the request to cancel and withdraw the wholesale and retail Schedule RTP-DA tariffs, the Joint Applicants propose to file the appropriate corrected tariff sheets with an effective date 30 days after the date of the Commission's Order.

WHEREFORE, on the basis of the foregoing, the Joint Applicants respectfully request that the Commission approve the request to cancel and withdraw the RTP pilot program and the wholesale and retail Schedule RTP-DA tariffs.

Dated this 29th day of March, 2013.

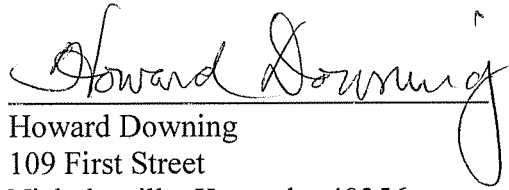
Respectfully submitted,



Mark David Goss
David S. Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B-130
Lexington, Kentucky 40504
Office: (859) 368-7740
mdgoss@gossamfordlaw.com

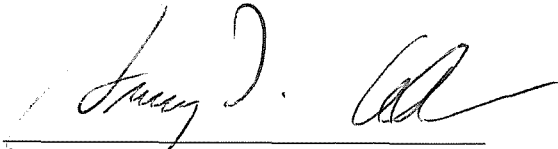
Counsel for East Kentucky Power Cooperative, Inc.

⁶ Case No. 2007-00164, Notice of Amendments to Existing Tariffs of Big Rivers Electric Corporation and Kenergy Corp. to Implement a Voluntary Real-Time Pricing Pilot Program for Large Commercial and Industrial Customers.

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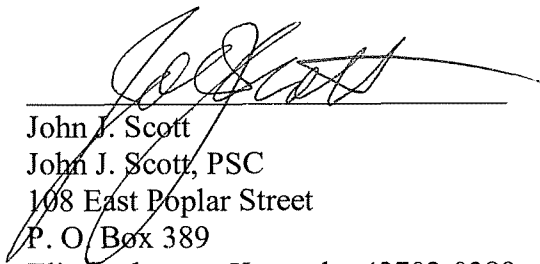
Howard Downing
109 First Street
Nicholasville, Kentucky 40356
Office: (859) 885-4619
hhdwning@windstream.net

Counsel for Blue Grass Energy Cooperative Corporation

A handwritten signature in black ink, appearing to read "Gregory D. Allen", written over a horizontal line.

Gregory D. Allen
Collins & Allen Law Office
110 East Maple Street
P. O. Box 475
Salyersville, Kentucky 41465-0475
Office: (606) 349-1382
attys@foothills.net

Counsel for Licking Valley Rural Electric Cooperative Corporation



John J. Scott

John J. Scott, PSC

108 East Poplar Street

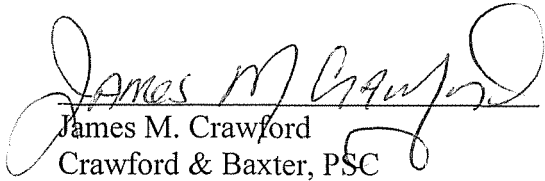
P. O. Box 389

Elizabethtown, Kentucky 42702-0389

Office: (270) 765-2179

john@johnscottlaw.org

Counsel for Nolin Rural Electric Cooperative Corporation

A handwritten signature in cursive script, reading "James M. Crawford". The signature is written in black ink and is positioned above a horizontal line that underlines the text below it.

James M. Crawford
Crawford & Baxter, PSC
523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008-0353
Office: (502) 732-6688
Fax: (502) 732-6920
CBJ523@aol.com

Counsel for Owen Electric Cooperative, Inc.