

Goss ■ Samford PLLC



Attorneys at Law

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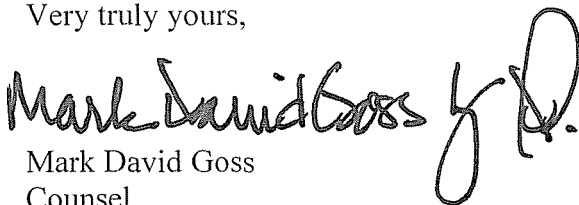
Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2013-00130

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., Blue Grass Energy Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Owen Electric Cooperative, Inc., to the initial information requests dated April 17, 2013. These responses are due within 10 days of the date of the request and are filed pursuant to the provisions of 807 KAR 5:001, Section 4(7)(b).

Very truly yours,


Mark David Goss
Counsel

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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.
2013-00130

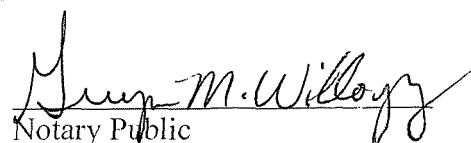
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Initial Information Request in the above-referenced case dated April 17, 2013, 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 29th day of April, 2013.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

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)	CASE NO.
OWEN ELECTRIC COOPERATIVE, INC. TO)	2013-00130
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)	

**RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO 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.**

DATED APRIL 17, 2013

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00130

RESPONSE TO INFORMATION REQUEST

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 04/17/13
REQUEST 1**

RESPONSIBLE PARTY: Isaac S. Scott

Request 1. Refer to the Evaluation of Real Time Pricing Pilot Program ("Report") filed March 29, 2013, pursuant to the Commission's Order in Case No. 2007-00165.

Request 1a. The second paragraph on the first page of the Report states that East Kentucky Power Cooperative, Inc. ("EKPC") had estimated there were only 70 eligible customers among its Member Cooperatives ("Members"). The third paragraph states that there have been informal discussions concerning the pilot program between potential participants and Members.

(1) Provide the number of potential participants involved in these discussions during each year of the pilot program.

(2) Identify the Members involved in the discussions with potential participants.

(3) Provide a current estimate of potential participants, broken down by Member service area, based on the pilot program eligibility requirements. The estimate should include customers of Members that did not participate in the pilot program as well as customers of Members that did participate.

(4) Explain whether the concern expressed by potential participants was due in any part to the pilot status of the program.

Response 1a. The Joint Applicants would note that the original estimate of 70 eligible customers was based on an evaluation of the customers from all 16 Members. Only four of the

Members have actually participated in the pilot program, which reduces the estimated number of eligible customers.

(1) In the first year of the pilot, discussions were held with 14 potential participants. In the second year and third year, a discussion with 1 potential participant was held each year.

(2) 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”) held the discussions.

(3) The Joint Applicants note that as stated in the Application at paragraph 9, there have been no participants in the Real-Time Pricing pilot program.

The eligibility requirements for the pilot program are: the customer must be an existing Commercial and Industrial customer who has taken service from the Member for at least one year; is not taking service under an interruptible service rider; would benefit from hourly price signals; maintains a peak 15-minute demand of not less than 1,000 kW each month; currently has the MV-90 metering system in place or would be willing to have the metering system installed and maintained; and possesses a personal computer with appropriate Internet service.

To determine a current estimate of potential participants, the Joint Applicants reviewed the actual demands for Commercial and Industrial customers for the period April 2012 through March 2013.

Based on this review, there are ten potential participants that are served by Blue Grass, Licking Valley, Nolin, and Owen. Blue Grass would have seven potential participants. Licking Valley would have two potential participants. Nolin would have one potential participant. Owen currently would have no potential participants, for while there are 12 potential Commercial and Industrial customers, each of these potential customers experienced at least one month during the last 12 months where its actual demand was below 1,000 kW.

(4) During the discussions with the potential participants, none of them cited the fact the program was in a pilot stage as a reason for not participating. The potential participants

at Blue Grass did not believe the program would fit their business. The discussions at Licking Valley were informal in nature and there was no real interest in the program. The potential participant at Nolin was concerned about how to make the program work without being a detriment to employee morale due to the nature of work shifts. The potential participants at Owen were either not interested, thought the historical baseline mechanism was too cumbersome and created too much uncertainty, did not believe their operations were conducive to significant shifting of energy use, or were risk adverse.

Request 1b. The fourth paragraph on the first page of the Report states that a secondary objective of the pilot program was to encourage participants to reduce demand during critical peak periods and shift variable demand to low peak hours. Identify other specific tariff options available to customers of the Joint Applicants that would permit them to fulfill this objective.

Response 1b. For many years all of the tariff rate options offered by EKPC have included on-peak and off-peak time periods which are used in all rate options for the determination of billing demand and for Section E, the utilization of energy. These rates were designed to recognize that costs associated with on-peak time periods were higher than costs associated with off-peak time periods. Blue Grass, Nolin, and Owen also have approved tariffs that include on-peak and off-peak time periods that are utilized to determine billing demand. While these tariffs were not specifically designed to encourage customers to shift their demands to low peak hours, recognizing the cost differential between on-peak and off-peak time periods could produce similar results.

The tariffs offered by the Joint Applicants that include pricing differences based on on-peak and off-peak time periods for customers having a demand of at least 1,000 kW are listed below. The threshold of 1,000 kW was selected to correspond with the requirements of the Real-Time Pricing pilot program.

EKPC: Sections A, B, C, E, and G

Blue Grass: Schedule B-1, Large Industrial Rate
Schedule B-2, Large Industrial Rate
Schedule G1, Large Industrial Rate

Licking Valley: No customer rate tariffs include on-peak and off-peak time periods

Nolin: Schedule 8, Seasonal Time of Day
Schedule 9, Industrial
Schedule 10, Industrial
Schedule 11, Industrial
Schedule 12, Industrial C
Schedule 13, Industrial C
Schedule 14, Industrial C

Owen: Schedule 2-A, Large Power – Time of Day
Schedule VIII, Large Industrial Rate LPC1
Schedule IX, Large Industrial Rate LPC2
Schedule X, Large Industrial Rate LPC1-A
Schedule XI, Large Industrial Rate LPB1
Schedule XII, Large Industrial Rate LPB1-A
Schedule XIII, Large Industrial Rate LPB2
Schedule XIV, Large Industrial Rate LPB3

Request 1c. Explain whether there are any reasons other than the program cost and staff hours involved in administering the program, both mentioned in the first paragraph on the second page of the Report, that cause the Joint Applicants to request to terminate the pilot program.

Response 1c. The Joint Applicants did not mean to imply the program cost and staff hours involved in administering the program was the primary reason for terminating the program. As stated in the third paragraph on the first page of the Report, as well as in paragraph 9 of the Application, there have been no participants in the program. The Joint Applicants wish to clarify

that the reason for our request to cancel and withdraw the Real-Time Pricing pilot program tariffs is based primarily on the fact that no eligible customers have participated in the program. As noted in Paragraph 11 of the Application, Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) were permitted to cancel and withdraw their respective Real-Time Pricing pilot programs due to the fact no eligible customers had participated in their programs.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00130
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 04/17/13
REQUEST 2

RESPONSIBLE PARTY: Isaac S. Scott

Request 2. In both the Report and the Application, Joint Applicants state that they are not abandoning the concept of Real-Time Pricing ("RTP") and are willing to consider a future RTP component for special contracts, similar to the approach authorized for Big Rivers Electric Corporation ("Big Rivers").

Request 2a. Explain whether EKPC and each Member offering Schedule RTP-DA tariffs is planning to propose a tariff similar to that of Big Rivers in the future. If yes, provide the expected filing date of such tariffs and the expected format thereof. If no, explain how each of the Joint Applicants plans to offer RTP to potential participants with no tariff schedule to promote its availability.

Response 2a. The Joint Applicants want to clarify that our reference in the Report and paragraph 12 of the Application to "similar to the approach the Commission authorized for Big Rivers" was directed to the use of special contracts and not the inclusion of any new language in existing tariffs. Further, the Joint Applicants note that the Big Rivers tariff was restricted to large industrial customer expansion and the tariff notes that the special contract rate would be negotiated with a member cooperative to serve the load requirements of the customer which would include, upon request of the member cooperative, rates based on real time pricing. The tariff does not establish or define a real time pricing mechanism.

EKPC and each Member offering Schedule RTP-DA tariffs are not planning to propose a tariff similar to that of Big Rivers in the future. The Joint Applicants believe that the lack of interest expressed by potential participants during the current pilot program supports the conclusion and recommendation that future offers of real time pricing should be handled through special contracts only. The use of special contracts allows the utility the flexibility to tailor the terms and conditions to meet the needs of the customer. The terms and conditions contained in special contracts often are not found or available in existing tariffs.

The Joint Applicants would include RTP as an option during contract negotiations with customers if there was an interest in such a pricing mechanism. Customers are not hesitant to inquire about the possibility of incorporating pricing options like RTP into their power supply contracts, especially those customers associated with companies operating in multiple states. EKPC and its Members have previously entered into special contracts that contained unique pricing features that were not part of any existing tariffs. For example, in 2000 and 2001, EKPC and two Members entered into special contracts with the Tennessee Gas Pipeline Company (“TGP”) that called for TGP to pre-schedule its anticipated electricity consumption for each hour of the following day, priced the energy provided during the weekly 16-hour on-peak period on the basis of market prices as quoted for a specific hub, and priced the energy provided during off-peak periods based on EKPC’s incremental energy cost plus losses and an adder. These scheduling and pricing mechanisms were not part of any EKPC or Member tariff. The Commission approved these special contracts in 2001.

Request 2b. If the Joint Applicants have no plans to propose permanent tariff schedules under which RTP would be offered through special contracts, explain whether the Joint Applicants would be willing to do so by means of a three-year pilot.

Response 2b. As noted in 807 KAR 5:011, Section 13, special contracts establish rates, charges or conditions of service not included in the utility’s general tariffs. The Joint Applicants also

acknowledge that special contracts must be submitted to the Commission for its review and approval.

The Joint Applicants believe that the results of the current pilot program indicate there is no interest in RTP at this time. The Joint Applicants note that their experience during the current three-year RTP pilot program was not unlike the experience reported by KU and LG&E in their RTP pilot program. The Joint Applicants further believe another tariff schedule creating a new three-year pilot program will yield similar results. Therefore, the Joint Applicants would prefer not to establish another three-year pilot RTP tariff.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00130
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 04/17/13
REQUEST 3

RESPONSIBLE PARTY: Isaac S. Scott

Request 3. Explain whether it is the Joint Applicants' intent to withdraw their RTP-DA tariffs 30 days from the filing date of their application, or 30 days from the date of a final order by the Commission approving their withdrawal request.

Response 3. As stated in Paragraph 13 of the Application, the Joint Applicants intend to withdraw their RTP-DA tariffs 30 days from the date of the final Order by the Commission approving the withdrawal request.