

Goss • Samford PLLC



Mark David Goss
mdgoss@gosssamfordlaw.com

December 5, 2013

VIA HAND DELIVERY

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

RECEIVED

DEC 05 2013

**PUBLIC SERVICE
COMMISSION**

RE: Case No. 2013-00259

Dear Mr. Derouen:

Enclosed for filing, please find one original and ten copies of East Kentucky Power Cooperative, Inc. ("EKPC") responses to Commission Staff's Third Request for Information dated November 21, 2013 in the above referenced case.

If you have any questions or require additional information, please contact me.

Very truly yours,


Mark David Goss

Enclosures

cc: Hon. Michael L. Kurtz
Hon. Joe Childers
Hon. Kristin Henry
Hon. Shannon Fisk

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

In the Matter of:

**AN APPLICATION OF EAST KENTUCKY POWER
POWER COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR)
ALTERATION OF CERTAIN EQUIPMENT AT THE)
COOPER STATION AND APPROVAL OF A)
COMPLIANCE PLAN AMENDMENT FOR)
ENVIRONMENTAL SURCHARGE COST)
RECOVERY)**

**CASE NO.
2013-00259**

**RESPONSES TO COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED NOVEMBER 21, 2013**

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

In the Matter of:

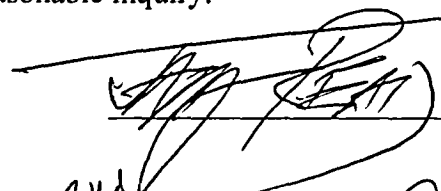
**AN APPLICATION OF EAST KENTUCKY POWER)
POWER COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR)
ALTERATION OF CERTAIN EQUIPMENT AT THE)
COOPER STATION AND APPROVAL OF A)
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ENVIRONMENTAL SURCHARGE COST)
RECOVERY)**

**CASE NO.
2013-00259**

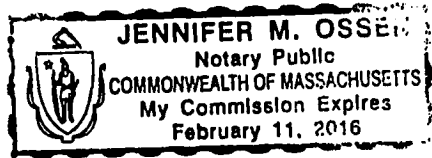
CERTIFICATE

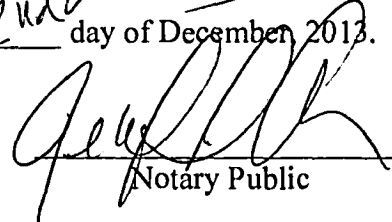
STATE OF MA)
COUNTY OF Middlesex)

James Read, 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 Third Request for Information contained in the above-referenced case dated November 21, 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 2nd day of December, 2013.


JENNIFER M. OSSE
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
February 11, 2016



Notary Public



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00259

RESPONSE TO INFORMATION REQUEST

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 11/21/13
REQUEST 1**

RESPONSIBLE PARTY: James Read

Request 1. Refer to the original and updated "Proposal Evaluation_Energy Production" spreadsheet filed under seal in response to Item 5 of Commission Staff's Initial Information Request ("Staff's First Request") and Item 18.e. of the Sierra Club's Supplemental Request for Information, respectively. The amount in cell R85 on the "Summary" tab in both the original and updated spreadsheets is the same amount. Refer also to cell S38 on the "Summary_Intermittent" tab in the "Proposal Evaluation_Energy Calculated" spreadsheet filed under seal in response to Item 5 of Staff's First Request.

Request 1a. Explain why the amounts in cell R85 and S38 differ when both cells are referencing the net present value per MW year for the same proposal.

Response 1a. The two spreadsheets use different methods to calculate energy margins. The "Energy Production" spreadsheet uses energy margins calculated by the RTSim generation simulation software. RTSim includes unit commitment and dispatch logic to calculate hourly energy margins based on hourly prices. The "Energy Calculated" spreadsheet calculates energy margins internally based on monthly block prices. Specifically, it uses all-hours (7 by 24) prices to evaluate proposals other than solar generation and it uses on-peak (5 by 16) prices to evaluate solar generation proposals. The amounts in the two spreadsheets differ for this proposal because the RTSim software used the wind speed profile supplied by the bidder to calculate hourly production and energy margins, whereas the Energy Calculated spreadsheet uses average

monthly production and the average price over all hours of each month to calculate the proposal energy margins.

Request 1b. State which amount is the correct net present value per MW year.

Response 1b. The NPVs were used in the RFP process to screen proposals and select a short list. Each proposal was assigned to a category consisting of proposals with similar characteristics (e.g., tolling agreements with low heat rates). NPVs were used to compare proposals in the same category. Since the other proposals in this proposal's category were calculated using the "Energy Calculated" spreadsheet, the correct NPV for this purpose is the one in cell S38. If instead the NPV was used to compare this proposal to proposals from other categories, then the NPV in the "Energy Production" spreadsheet would be a better measure, since it is based on a finer evaluation procedure. Bear in mind, however, that the NPVs do not account for all relevant evaluation factors and are not a sufficient basis for project selection.