

# Goss ■ Samford PLLC

 Attorneys at Law

Mark David Goss  
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January 24, 2014

RECEIVED  
JAN 24 2014  
PUBLIC SERVICE  
COMMISSION

**VIA HAND DELIVERY**

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

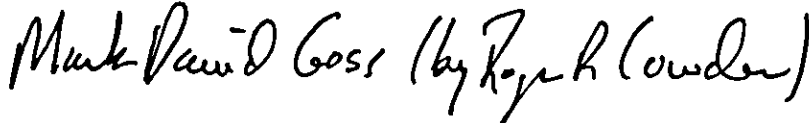
Re: PSC Case No. 2013-00259

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-reference case an original and ten redacted copies of East Kentucky Power Cooperative, Inc.'s ("EKPC") responses to Commission's Information Request at Hearing held on January 14-15, 2014.

Also enclosed is an original and ten copies of EKPC's Motion for Confidential Treatment ("Motion") regarding the response to Requests 1, 2, 9, and 13. One unredacted copy of the designated confidential portion of the response to Requests 1, 2, 9, and 13, which is the subject of the Petition, is enclosed in a sealed envelope.

Very truly yours,



Mark David Goss  
Counsel

Enclosures

cc: Parties of Record

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

**RECEIVED**  
**JAN 24 2014**  
**PUBLIC SERVICE**  
**COMMISSION**

**IN THE MATTER OF:**

**AN APPLICATION OF EAST KENTUCKY )  
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 )**

**PSC CASE NO. 2013-00259**

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**MOTION FOR CONFIDENTIAL TREATMENT**

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Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, pursuant to KRS 61.878, 807 KAR 5:001, Section 13 and other applicable law, and for its Motion requesting that the Kentucky Public Service Commission ("Commission") afford confidential treatment to a portion of the responses to the post-hearing request for information in the above-captioned proceeding, respectfully states as follows:

1. EKPC's Application requests the Commission to issue a Certificate of Public Convenience and Necessity ("CPCN"), pursuant to KRS 278.020(1), for an environmental compliance project that involves re-routing the existing duct work for EKPC's Cooper Station Unit #1 ("Cooper #1") such that its emissions are able to flow to the Cooper Station Unit #2 Air Quality Control System ("Cooper #2 AQCS") (the "Project"). For a capital investment of approximately \$15 million, EKPC will be able to retain 116 MW of existing capacity, thereby reducing its need to procure new capacity from other sources. The Application also requests that

the Commission authorize EKPC to amend its Environmental Compliance Plan, pursuant to KRS 278.183, so that EKPC may recover the costs associated with the Project through its existing environmental surcharge mechanism.

2. At the hearing in this matter, beginning on January 14, 2014, the Commission requested for EKPC to file certain information as responses to Post-Hearing Data Requests. Contemporaneous with this filing, EKPC is tendering the redacted responses to certain Post-Hearing Data Requests.

3. In Post-Hearing Request I, the Commission requested EKPC's total operating costs of Cooper Unit 1. The information is being provided for the entire Cooper Station because EKPC's financial forecasts are not prepared on a "by unit" basis. In Post-Hearing Requests 2 and 13, the Commission requested EKPC to provide price and transmission data for certain wind projects. In Post-Hearing Request 9, the Commission requested detailed information regarding the capital spending forecast for the Cooper Station in 2016. The responses to the foregoing requests contain information that reveals projected cost and expense data for the Cooper Station as well as information and analysis regarding a bid and negotiations with third-party renewable power producers.

4. The above-described information (the "Confidential Information") that is included in EKPC's responses to the foregoing Post-Hearing Requests is proprietary and commercially sensitive information that is retained by EKPC on a "need-to-know" basis and that is not publicly available. If disclosed, the Confidential Information would give other bidders, competitors and potential business partners a tremendous advantage in the broader energy market and a material advantage in commercial relations with EKPC as a result of knowing detailed cost data projections, anticipated generation availability, transmission analysis, business strategies and

opportunities considered or implemented by EKPC and various market assumptions made by EKPC. These commercial advantages would very likely translate into higher costs for EKPC and, by extension, detrimentally higher rates for EKPC's Members. Should EKPC be forced to make the Confidential Information publicly available, it would be much more difficult to negotiate with vendors in the future if they are concerned that their proprietary contractual parameters may become public. This too would likely lead to higher costs as EKPC would have fewer vendors with which to contract and a weakened bargaining position in future negotiations.

5. The Kentucky Open Records Act exempts the Confidential Information from public disclosure. *See* KRS 61.878(1)(c). As set forth above, disclosure of the Confidential Information would permit an unfair advantage to third parties. Moreover, the Kentucky Supreme Court has stated, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). Because the Confidential Information is critical to EKPC's effective execution of business decisions and strategy, it satisfies both the statutory and common law standards for affording confidential treatment.

6. EKPC does not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable confidentiality and nondisclosure agreement, to Gallatin Steel or the Sierra Club or any other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

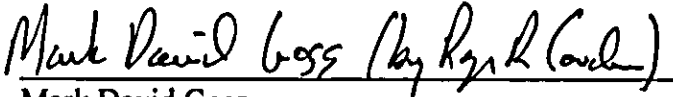
7. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC is filing one copy of the unredacted response to the Confidential Information (with the Confidential Information highlighted) separately under seal. Redacted copies of EKPC's Post-Hearing Data Request responses are filed contemporaneously herewith.

8. In accordance with the provisions of 807 KAR 5:001, Section 13(3), EKPC respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time – will no longer be commercially sensitive so as to likely impair the interests of EKPC if publicly disclosed.

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests the Commission to enter an Order granting this Motion for Confidential Treatment and to so afford such protection from public disclosure to the Confidential Information, which is filed herewith under seal, for a period of ten (10) years from the date of entry of such an Order.

This 24<sup>th</sup> day of January 2014.

Respectfully submitted,

Handwritten signature of Mark David Goss in cursive script, written over a horizontal line.

Mark David Goss  
David S. Samford  
GOSS SAMFORD, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KY 40504  
(859) 368-7740  
[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)  
[david@gosssamfordlaw.com](mailto:david@gosssamfordlaw.com)

*Counsel for East Kentucky Power Cooperative, Inc.*

**CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the foregoing was deposited in the custody and care of the U.S. Mail, postage prepaid, on this the 24<sup>th</sup> day of January 2014, addressed to the following:

Mr. Mike Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 510  
Cincinnati, OH 45202

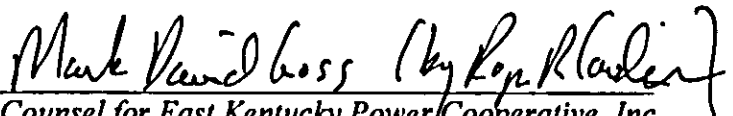
Kristen Henry  
Sierra Club  
85 Second Street  
San Francisco, CA 94105

Joe Childers  
Joe F. Childers & Associates  
300 Lexington Building  
201 West Short Street  
Lexington, KY 40507

Matthew E. Gerhart  
705 Second Avenue, Suite 203  
Seattle, WA 98104

Shannon Fisk  
Earthjustice  
1617 JFK Boulevard, Suite 1675  
Philadelphia, PA 19103

Susan Laureign Williams  
Sierra Club  
50 F. St. NW, Eighth Floor  
Washington, DC 20001

  
Mark David Goss (by Rep. R. Gaden)  
Counsel for East Kentucky Power Cooperative, Inc.

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

**RECEIVED**  
JAN 24 2014  
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**

**RESPONSE OF EAST KENTUCKY POWER COOPERATIVE, INC.  
TO COMMISSION'S INFORMATION REQUEST AT  
HEARING HELD ON JANUARY 14-15, 2014**





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

**IN THE MATTER OF:**

<b>AN APPLICATION OF EAST KENTUCKY POWER</b>	)	
<b>POWER COOPERATIVE, INC. FOR A CERTIFICATE</b>	)	
<b>OF PUBLIC CONVENIENCE AND NECESSITY FOR</b>	)	
<b>ALTERATION OF CERTAIN EQUIPMENT AT THE</b>	)	<b>CASE NO.</b>
<b>COOPER STATION AND APPROVAL OF A</b>	)	<b>2013-00259</b>
<b>COMPLIANCE PLAN AMENDMENT FOR</b>	)	
<b>ENVIRONMENTAL SURCHARGE COST</b>	)	
<b>RECOVERY</b>	)	

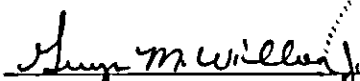
**CERTIFICATE**

**STATE OF KENTUCKY** )  
                                  )  
**COUNTY OF CLARK**    )

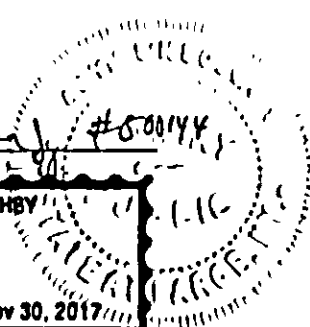
Jerry B. Purvis, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission's Information Requests at hearing held on January 14-15, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_

Subscribed and sworn before me on this 24 January 2014.

  
Notary Public #000144

**GWYN M. WILLOUGHBY**  
Notary Public  
State at Large  
Kentucky  
My Commission Expires Nov 30, 2017



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 ) CASE NO.  
COOPER STATION AND APPROVAL OF A ) 2013-00259  
COMPLIANCE PLAN AMENDMENT FOR )  
ENVIRONMENTAL SURCHARGE COST )  
RECOVERY )

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 Commission's Information Requests at hearing held on January 14-15, 2014, 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.

*Isaac S. Scott*

Subscribed and sworn before me on this 24 January 2014.

*Gwyn M. Willoughby*  
Notary Public  
GWYN M. WILLOUGHBY  
Notary Public  
State at Large  
Kentucky  
My Commission Expires Nov 30, 2017

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

**IN THE MATTER OF:**

<b>AN APPLICATION OF EAST KENTUCKY POWER</b>	)	
<b>POWER COOPERATIVE, INC. FOR A CERTIFICATE</b>	)	
<b>OF PUBLIC CONVENIENCE AND NECESSITY FOR</b>	)	
<b>ALTERATION OF CERTAIN EQUIPMENT AT THE</b>	)	<b>CASE NO.</b>
<b>COOPER STATION AND APPROVAL OF A</b>	)	<b>2013-00259</b>
<b>COMPLIANCE PLAN AMENDMENT FOR</b>	)	
<b>ENVIRONMENTAL SURCHARGE COST</b>	)	
<b>RECOVERY</b>	)	

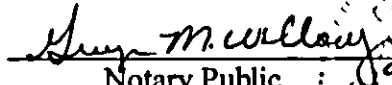
**CERTIFICATE**

**STATE OF KENTUCKY** )  
                                  )  
**COUNTY OF CLARK** )

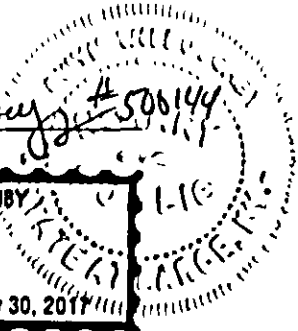
Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission's Information Requests at hearing held on January 14-15, 2014, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_

Subscribed and sworn before me on this 24 day of January 2014.

  
Notary Public

**GWYN M. WILLOUGHBY**  
Notary Public  
State at Large  
Kentucky  
My Commission Expires Nov 30, 2017



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00259

RESPONSE TO INFORMATION REQUEST

COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14

REQUEST 1

RESPONSIBLE PARTY: Isaac S. Scott

Request 1. Please provide the total operating cost of Cooper 1 (net of fuel, scrubber savings, etc.) once the Project is completed.

Response 1. As disclosed in the responses to the Commission's December 10, 2013 Order, which compelled EKPC to provide certain additional information relating to the Sierra Club's Supplemental Request for Information dated November 4, 2013, Request No. 6, EKPC does not forecast its operating costs by unit. The additional response to Request No. 6 shows the forecasted operating costs for the Cooper Station in 2016 to be

Variable O&M Expense Excluding Fuel	██████████
Fixed O&M	██████████
Fuel Costs	██████████
Depreciation	██████████
Total Forecasted Operating Costs	██████████

As noted in the response to Request No. 6, EKPC does not project interest cost by plant in the financial forecasting process.

EKPC estimates that the additional operating costs associated with the Cooper Unit 1 retrofit project would be \$4,342,586. This estimate is based on the estimated capital cost of \$14,954,840 multiplied by 29.038%, which is the revised fixed charge rate exclusive of the Times Interest Earned Ratio component. The revised fixed charge rate is provided in the response to Post-Hearing Request No. 12.

EKPC has not quantified any operating cost savings resulting from the operational coordination that will be required between Cooper Units 1 and 2 when the retrofit project is completed. Therefore, no scrubber-related savings have been determined or estimated.

During the public hearing, the possibility of fuel savings resulting from switching to a higher sulfur coal burned at Cooper Station was discussed. As noted in the response to the Commission Staff's Second Request for Information to EKPC, Request No. 4, the decision on the type of coal to burn at the Cooper station cannot be based solely on the difference in the price of the coal. Routing the exhaust from Cooper Unit 1 through the Air Quality Control System ("AQCS") on Cooper Unit 2 does give EKPC the option of burning high-sulfur coal. However, there are other factors that need to be considered besides just the cost of the coal. The coal supplies at the Cooper station are delivered by truck and the cost associated with this transportation may offset any cost advantages gained from the lower cost of the higher sulfur coal. In addition, any change in the type of coal burned would have to take into consideration changes required in the quantity of lime used in the AQCS. EKPC will continue to explore and evaluate coal supply options to secure the most cost-effective alternative.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2013-00259**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**

**REQUEST 2**

**RESPONSIBLE PARTY:            Julia J. Tucker**

**Request 2.**            Please provide the quoted price for wind power for the project involving NRCO.

**Response 2.**            The quoted price for wind power for the project involving NRCO was

**██████████.**

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00259**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**  
**REQUEST 3**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 3.** Please provide the value of the undepreciated Cooper 1 assets.

**Response 3.** Please see page 2 of 2 of this response.

	Balance 09/30/2013	Balance 12/31/2013
<b>Net Book Value Cooper Station:</b>		
Book Value	\$355,247,899.38	\$355,247,899.38
Less: Cooper Unit 2 AQCS	<u>\$222,488,206.00</u>	<u>\$222,488,206.00</u>
<b>1 Book Value less Cooper Unit 2 AQCS</b>	<u><b>\$132,759,693.38</b></u>	<u><b>\$132,759,693.38</b></u>
Accumulated Depreciation	\$106,423,074.91	\$110,131,919.32
Less: Cooper Unit 2 AQCS	<u>\$14,487,604.00</u>	<u>\$17,592,091.00</u>
Accumulated Depreciation less Cooper Unit 2 AQCS	\$91,935,470.91	\$92,539,828.32
Accumulated Depreciation - Asset Retire	\$321,292.20	\$321,292.20
Accumulated Depreciation - Asset Retire Obligation	<u>\$10,957.50</u>	<u>\$14,610.00</u>
<b>2 Total Accumulated Depreciation less Cooper Unit 2 AQCS</b>	<u><b>\$92,267,720.61</b></u>	<u><b>\$92,875,730.52</b></u>
<b>3 Net Book Value Cooper Station without Cooper Unit 2 AQCS (line 1 minus line 2)</b>	<u><b>\$40,491,972.77</b></u>	<u><b>\$39,883,962.86</b></u>
<b>Allocation between Cooper Units 1 and 2:</b>		
Cooper Unit 1 Capacity	116	116
Cooper Unit 2 Capacity	<u>225</u>	<u>225</u>
Total Cooper Station	<u>341</u>	<u>341</u>
<b>4 Percentage Cooper Unit 1 to Total Cooper Station</b>	<u><b>34.02%</b></u>	<u><b>34.02%</b></u>
<b>Net Book Value Cooper Unit 1:</b>		
Net Book Value Cooper Station without Cooper Unit 2 AQCS (line 3)	\$40,491,972.77	\$39,883,962.86
Percentage Cooper Unit 1 to Total Cooper Station (line 4)	<u>34.02%</u>	<u>34.02%</u>
<b>Net Book Value Cooper Unit 1</b>	<u><b>\$13,775,369.14</b></u>	<u><b>\$13,568,524.16</b></u>

Cooper Station Book Value as of September 30, 2013 is from EKPC response to Sonia McElroy and Sierra Club's Supplemental Requests for Information dated November 4, 2013, Request No. 8, page 2 of 3. There were no additions to plant between September and December 2013. Balances for Cooper Unit 2 AQCS from EKPC's monthly environmental surcharge filings, Form 2.1, for expense months ending September 30, 2013 and December 31, 2013.



## EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00259

## RESPONSE TO INFORMATION REQUEST

## COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14

## REQUEST 4

RESPONSIBLE PARTY: **Julia J. Tucker**

**Request 4.** Please provide the amount of coal burned by the Cooper Station on an annual basis.

**Response 4.** Please see the table below for the coal burn at Cooper Station by month for 2012 and 2103 as reported on the Commission inventory report.

	2012		2012 Total Tons	2013		2013 Total Tons
	Tons Burned			Tons Burned		
	Unit #1	Unit #2		Unit #1	Unit #2	
Jan	23,567.00	35,819.00	59,386.00	23,332.50	42,637.00	65,969.50
Feb	18,590.50	0.00	18,590.50	21,593.00	43,740.00	65,333.00
Mar	21,943.00	0.00	21,943.00	23,396.00	47,322.00	70,718.00
Apr	17,753.00	0.00	17,753.00	27,137.00	27,474.00	54,611.00
May	23,779.50	14,913.50	38,693.00	22,022.50	18,613.00	40,635.50
Jun	20,521.50	51,308.00	71,829.50	10,600.00	5,747.50	16,347.50
Jul	21,976.50	50,103.00	72,079.50	13,943.00	17,444.00	31,387.00
Aug	21,194.50	47,570.00	68,764.50	18,274.00	15,214.00	33,488.00
Sep	13,100.00	30,498.50	43,598.50	3,261.00	5,682.00	8,943.00
Oct	28,145.50	49,515.50	77,661.00	6,910.50	0.00	6,910.50
Nov	27,633.00	55,501.50	83,134.50	13,594.50	0.00	13,594.50
Dec	25,042.00	31,665.50	56,707.50	11,138.50	18,566.00	29,704.50
<b>Total</b>	<b>263,246.00</b>	<b>366,894.50</b>	<b>630,140.50</b>	<b>195,202.50</b>	<b>242,439.50</b>	<b>437,642.00</b>

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00259**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**  
**REQUEST 5**

**RESPONSIBLE PARTY: Jerry B. Purvis**

**Request 5.** Please provide a copy of the 2007 Consent Decree.

**Response 5.** An electronic version of the 2007 Consent Decree is provided on the attached CD.

**EAST KENTUCKY POWER COOPERATIVE, INC.****PSC CASE NO. 2013-00259****RESPONSE TO INFORMATION REQUEST****COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14****REQUEST 6****RESPONSIBLE PARTY: Julia J. Tucker**

**Request 6.** Please provide the capacity factors for the Dale units and Cooper units for 2012 and 2013, with the 2013 figures to be separated into "pre-PJM" and "post-PJM" data.

**Response 6.** Please see the tables below for the capacity factors for Dale and Cooper for 2012 and 2013. EKPC integrated into PJM effective June 1, 2013.

**Net Capacity Factors - 2012**

Month	Coop 1	Coop 2	Dale 1	Dale 2	Dale 3	Dale 4
2012-1	78.55	70.43	0.00	0.00	45.41	0.00
2012-2	51.88	0.00	0.00	0.00	30.97	17.49
2012-3	53.48	0.00	0.00	0.00	2.63	12.69
2012-4	48.73	0.00	0.00	0.00	0.00	0.00
2012-5	62.45	23.24	0.00	0.00	0.00	0.00
2012-6	55.09	75.91	0.00	0.00	4.62	20.00
2012-7	54.35	73.27	15.73	19.05	55.94	54.49
2012-8	54.46	68.11	23.18	19.91	29.11	23.33
2012-9	34.84	44.46	0.00	0.00	13.29	17.98
2012-10	73.56	70.56	0.00	0.00	0.86	12.07
2012-11	73.58	80.22	0.00	0.00	35.94	39.05
2012-12	64.56	43.87	0.00	0.00	0.00	0.00

**Net Capacity Factors - 2013**

<b>Month</b>	<b>Coop 1</b>	<b>Coop 2</b>	<b>Dale 1</b>	<b>Dale 2</b>	<b>Dale 3</b>	<b>Dale 4</b>
2013-1	60.33	58.17	0.00	0.00	0.00	0.00
2013-2	62.29	68.89	0.00	0.00	0.00	0.00
2013-3	62.14	70.01	0.00	0.00	0.00	0.00
2013-4	72.67	40.72	0.00	0.00	39.39	42.20
2013-5	55.94	22.77	0.00	0.00	42.63	45.17
2013-6	27.40	7.42	0.00	0.00	0.00	0.00
2013-7	32.20	24.93	0.00	0.00	22.70	25.76
2013-8	43.63	22.04	0.00	0.00	7.05	7.00
2013-9	7.44	8.77	0.00	0.00	0.00	0.00
2013-10	17.66	0.00	0.00	0.00	0.00	0.00
2013-11	36.82	0.00	0.00	0.00	0.00	0.00
2013-12	28.21	26.07	0.00	0.00	0.00	0.00

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2013-00259**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**

**REQUEST 7**

**RESPONSIBLE PARTY: Counsel**

**Request 7.** Please provide any updates on the information contained in the November 19, 2010 letter to the EPA (Sierra Club Hearing Exhibit 8).

**Response 7.** The November 19, 2010 letter to the EPA, which is a publicly available document, was provided in response to the Commission's December 10, 2013 Order, which compelled EKPC to provide certain additional information relating to the Sierra Club's Supplemental Request for Information dated November 4, 2013. Request No. 32 sought information regarding coal combustion residual regulations. Request No. 32.a. asked EKPC to produce all documents reviewed relating to potential costs at Cooper Units 1 and/or 2 to comply with forthcoming coal combustion residual regulations. In its response to Request No. 32.a. EKPC asserted attorney-client privilege concerning certain engineering reports and analyses relating to the potential costs. Request No. 32.d. requested any analyses or documents prepared or caused to be prepared by EKPC regarding the current and/or future handling of coal combustion residuals at Cooper Units 1 and 2 and the November 19, 2010 letter to the EPA was provided in response.

As originally stated, EKPC did not produce certain engineering reports and analyses, as well as communications from EKPC's legal department and outside legal counsel relating to the potential costs at Cooper Unit 1 and/or Cooper Unit 2 to comply with the forthcoming coal combustion residuals regulations because these engineering reports and analyses were generated as part of engineering studies performed at the request of and solely to provide attorneys representing EKPC with the technical information necessary to provide effective legal advice on compliance options. All of the

third-party engineers and consultants were retained by counsel to EKPC for the purpose of performing engineering and other technical work at the direction of EKPC counsel solely for the purpose of allowing EKPC counsel to advise EKPC on current and future regulatory compliance. EKPC counsel directed all work and participated in all update meetings, calls and review of draft work product and refinements in the scope and direction of the work. All of the work product from these third-party engineers and consultants was directed to EKPC counsel and was shared with EKPC by EKPC counsel in the course of providing advice on regulatory compliance. When engineers are retained to perform technical consulting work which is not intended to be disclosed to third parties, and is performed at the direction of and to provide attorneys representing EKPC with the technical information necessary to provide effective legal advice on compliance options, it is well established that this work and the data collected and analyzed as part of this work constitute Attorney-Client Communications which are Privileged and Confidential and are protected from disclosure. *Collins v. Braden*, 2012 WL 5285717 (KY 2012), see also, *U.S. v. Adlman*, 68 F.3d 1495 (2d Cir.1995) (“[u]nder certain circumstances,. . . the privilege for communication with attorneys can shield communications to others when the purpose of the communication is to assist the attorney in rendering advice to the client.” Id. at 1499.)

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2013-00259**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**

**REQUEST 8**

**RESPONSIBLE PARTY: Counsel**

**Request 8.** Please provide any updates on the information contained in the August 15, 2011 letter to the EPA (Sierra Club Hearing Exhibit 10).

**Response 8.** The August 15, 2011 letter to the EPA, which is a publicly available document, was provided in response to the Commission's December 10, 2013 Order, which compelled EKPC to provide certain additional information relating to the Sierra Club's Supplemental Request for Information dated November 4, 2013. Request No. 31 sought information regarding section 316(b) regulation of cooling water intake structures. Request No. 31.a. asked EKPC to produce all documents reviewed relating to potential costs at Cooper Units 1 and/or 2 to comply with forthcoming Clean Water Act section 316(b) regulation of cooling water intake structures. In its response to Request No. 31.a. EKPC asserted attorney-client privilege concerning certain engineering reports and analyses relating to the potential costs. Request No. 31.c. requested any documents prepared or caused to be prepared by EKPC of the range of costs that Cooper Unit 1 and/or Unit 2 may face to comply with the forthcoming 316(b) rule and the August 15, 2011 letter to the EPA was provided in response.

As originally stated, EKPC did not produce certain engineering reports and analyses, as well as communications from EKPC's legal department and outside legal counsel relating to the potential costs at Cooper Unit 1 and/or Cooper Unit 2 to comply with the forthcoming Clean Water Act section 316(b) regulation of cooling water intake structures because these engineering reports and analyses were generated as part of engineering studies performed at the request of and solely to provide attorneys representing EKPC with the technical information necessary to provide effective legal advice

on compliance options. All of the third-party engineers and consultants were retained by counsel to EKPC for the purpose of performing engineering and other technical work at the direction of EKPC counsel solely for the purpose of allowing EKPC counsel to advise EKPC on current and future regulatory compliance. EKPC counsel directed all work and participated in all update meetings, calls and review of draft work product and refinements in the scope and direction of the work. All of the work product from these third-party engineers and consultants was directed to EKPC counsel and was shared with EKPC by EKPC counsel in the course of providing advice on regulatory compliance. When engineers are retained to perform technical consulting work which is not intended to be disclosed to third parties, and is performed at the direction of and to provide attorneys representing EKPC with the technical information necessary to provide effective legal advice on compliance options, it is well established that this work and the data collected and analyzed as part of this work constitute Attorney-Client Communications which are Privileged and Confidential and are protected from disclosure. *Collins v. Braden*, 2012 WL, 5285717 (KY 2012), see also, *U.S. v. Adlman*, 68 F.3d 1495 (2d Cir.1995) (“[u]nder certain circumstances,. . . the privilege for communication with attorneys can shield communications to others when the purpose of the communication is to assist the attorney in rendering advice to the client.” *Id.* at 1499.)



EAST KENTUCKY POWER COOPERATIVE, INC.  
PSC CASE NO. 2013-00259  
RESPONSE TO INFORMATION REQUEST

COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14  
REQUEST 9

RESPONSIBLE PARTY: Julia J. Tucker

Request 9. Please provide information explaining the [REDACTED] in capital spending on the Cooper Station in 2016 (Sierra Club Exhibit 13).

Response 9. The forecasted capital spending for the Cooper Station in 2016 is comprised of the following projects:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00259**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**  
**REQUEST 10**

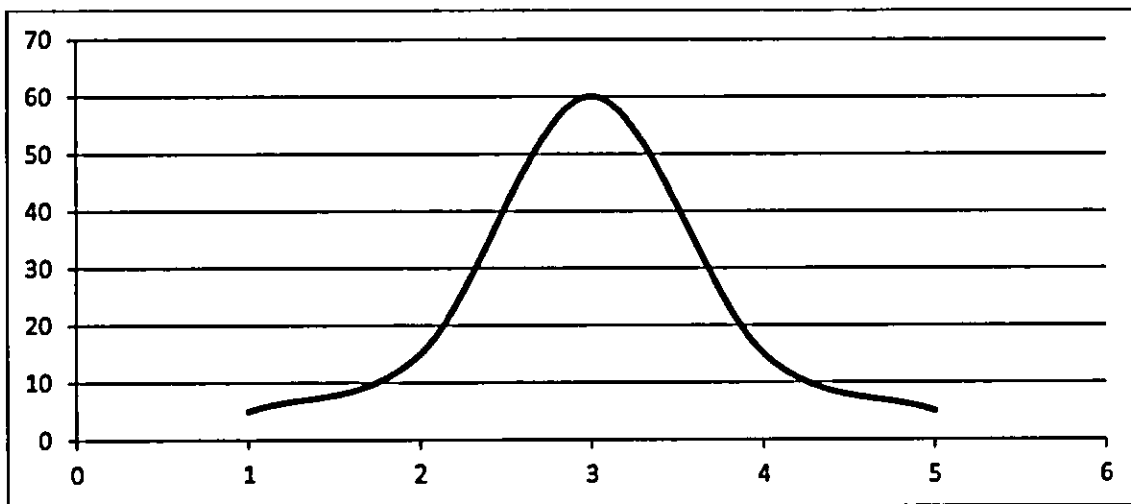
**RESPONSIBLE PARTY: Julia J. Tucker**

**Request 10.** Please provide the probability inputs used in the RTSim model.

**Response 10.** Please see the table and graphic below.

	Probability	5	15	60	15	5
Load	Bound %	92	95	100	105	109
Market	Bound %	70	80	100	107	115
Fuel	Bound %					
	Coal	77	83	100	109	114
					109 to	118 to
NG	88 to 66	94 to 83	100	120	145	

Bounds around the forecasted values



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00259**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**  
**REQUEST 11**

**RESPONSIBLE PARTY: Julia J. Tucker**

**Request 11.** Please provide the percentage of EKPC's load that is located within the Duke Zone or AEP Zone of PJM.

**Response 11.** EKPC is the load-serving entity for some load on the LG&E-KU, Duke Energy Kentucky ("DEOK"), and AEP transmission systems, and each of those utilities is the load-serving entity for some load on the EKPC transmission system. These loads for the year 2013 are described in the following tables:

**Table 1: EKPC Load by Transmission System, 2013**

<u>Transmission System</u>	<u>MWh</u>	<u>Share</u>
EKPC	9,812,207	79.1%
LG&E-KU	2,422,023	19.5%
DEOK	139,134	1.1%
AEP	38,601	0.3%
Total	12,411,966	100.0%

**Table 2: Load on the EKPC Transmission System, 2013**

<u>Load-Serving Entity</u>	<u>MWh</u>	<u>Share</u>
EKPC	9,812,207	93.1%
LG&E-KU	574,796	5.5%
DEOK	83,082	0.8%
AEP	67,917	0.6%
Total	10,538,002	100.0%

EKPC load forecasts are not comparable to the PJM load forecast for the EKPC transmission zone.

- The PJM Open Access Transmission Tariff (available at <http://www.pjm.com/documents/~/media/documents/agreements/tariff.ashx>) Section I.1.49H defines “Zone” as “An area within the PJM Region, as set forth in Attachment J.”
- “Attachment J: PJM Transmission Zones” then includes EKPC on the map and in the list of zones.
- The PJM load forecast reports referenced in this case present load for each of these (transmission) zones, where the load attributed to the EKPC zone consists of those loads included in Table 2 above.
- However, EKPC must forecast and plan to serve all load for which it is the load-serving entity, regardless of the transmission system from which that load is served, so the EKPC system load in the EKPC load forecast reports referenced in this case consists of those loads included in Table 1 above.
- The load for which EKPC is the load-serving entity, as shown in these tables, is about 18 percent higher than the load on the EKPC transmission system.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2013-00259**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**

**REQUEST 12**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 12.** Please provide the updated calculation of the anticipated environmental surcharge increase.

**Response 12.** Please see pages 2 through 5 of this response. Page 2 of 5 shows a Revised Exhibit ISS-4, the calculation of the Fixed Charge Rate and the Estimated Annual Revenue Requirements for environmental surcharge purposes. As a result of questions at the public hearing, EKPC reviewed all the components of the Fixed Charge Rate calculation and concluded that the original values for depreciation, property taxes, and property insurance were in error. The values included in the Revised Exhibit are accurate. EKPC also updated the interest rate to reflect the blended interest rate as of May 31, 2013 that is proposed in the currently pending environmental surcharge review proceeding, Case No. 2013-00324.

Page 3 of 5 shows a revised response to the Commission Staff's Initial Request for Information dated October 4, 2013, Request No. 31. Request No. 31 asked for the supporting calculations for the components used to determine the impact of the Cooper Unit 1 retrofit project on the environmental surcharge and residential customers' bills. The revised response starts with the revised Fixed Charge Rate and revised Estimated Annual Revenue Requirement. It then follows the same step by step calculation to determine the impact on residential customers' bills. The revised impact on residential customers' bills is now estimated to be \$0.35 per month. Pages 4 and 5 of 5 show a comparison of the components of the Fixed Charge Rate and the originally provided reconciliation between Application Exhibit 4b and the original Exhibit ISS-4.

**EAST KENTUCKY POWER COOPERATIVE  
ESTIMATED COST RECOVERY IMPACT OF  
COOPER UNIT 1 PROJECT**

**Estimated Annual Revenue Requirements**

Capital Costs	\$14,954,840	from Project Definition Report
Fixed Charge Rate	<u>31.058%</u>	
Estimated Annual Revenue Requirements	<u>\$4,644,674</u>	

**Derivation of Fixed Charge Rate**

	<u>Average Factor</u>	
Interest	4.040%	Proposed in Case No. 2013-00324
TIER (Based on 1.50)	2.020%	
Depreciation	7.018%	
Property Taxes	0.150%	
Property Insurance	<u>0.280%</u>	
Subtotal	13.508%	
Fixed O&M	0.000%	
Variable O&M	<u>17.550%</u>	
Total Fixed Charge Rate	<u>31.058%</u>	

Variable O&M average factor determined by dividing estimated variable O&M costs of \$2,624,518 by the estimated capital costs of \$14,954,840; both amounts from the Project Definition Report.

**Estimated Annual Revenue Requirements**  
(Scott Direct Testimony, Revised Exhibit ISS-4)

**Revised Response**

Capital Costs	\$14,954,840
Fixed Charge Rate	31.058%
Estimated Annual Revenue Requirements	<u>\$4,644,674</u>

**Revenue information as of December 31, 2012 Billings**

Rate Schedule	Total Revenues	Base Rate and FAC Revenues	Environmental Surcharge	Allocation Percentage	Allocated Annual Revenue Require.
Rate E	\$677,034,327	\$588,954,143	\$88,080,184	80.537%	\$3,740,681
Rate B	\$60,956,678	\$53,071,054	\$7,885,624	7.258%	\$337,110
Rate C	\$20,730,388	\$18,014,843	\$2,715,545	2.463%	\$114,398
Rate G	\$20,779,246	\$18,092,629	\$2,686,617	2.474%	\$114,909
Inland Steam	\$13,917,851	\$12,120,932	\$1,796,919	1.657%	\$76,962
Gallatin	\$46,012,908	\$40,125,771	\$5,887,137	5.487%	\$254,853
Tenn Gas Pipeline	\$1,033,826	\$906,813	\$127,013	0.124%	\$5,759
Totals	<u>\$840,465,224</u>	<u>\$731,286,185</u>	<u>\$109,179,039</u>	100.000%	<u>\$4,644,672</u>

Note: Allocation Percentage is calculated off of Base Rate and FAC Revenues.

**Response 31(a)**

Total Estimated Annual Revenue Requirement	\$4,644,674
Total Revenues as of December 31, 2012	\$840,465,224
Percentage Increase at Wholesale	0.55%

**Response 31(b)**

Based on historical billing information, the retail Environmental Surcharge has been approximately 72% of the wholesale Environmental Surcharge.

Percentage increase at Wholesale	0.55%
Historic relationship between retail and wholesale	72.00%
Percentage Increase at Retail	0.40%

**Response 31(c)**

Allocated Annual Revenue Requirement - Rate E	\$3,740,681
2012 billed kWh Sales - Rate E	9,277,636,442 kWh
Wholesale Rate E Revenue Requirement per kWh	\$0.00040
Average Residential Bill in kWh	1,200 kWh
Impact on Average Residential Bill at Wholesale	\$0.484
Historic relationship between retail and wholesale	72.00%
Impact on Average Residential Bill at Retail	\$0.35

**Fixed Charge Rate**

	Rate Used in Exhibit 4.b.	Rate Used in Exhibit ISS-4	Post-Hearing Revised Rate
Interest	4.057%	4.057%	4.040%
TIER (Based on 1.50)	2.029%	2.029%	2.020%
Depreciation	0.370%	0.370%	7.018%
Property Taxes	0.015%	0.015%	0.150%
Property Insurance	0.043%	0.043%	0.280%
Subtotal	6.514%	6.514%	13.508%
Fixed O&M	0.000%	0.000%	0.000%
Variable O&M	7.810%	17.550%	17.550%
<b>Total Fixed Charge Rate</b>	<b>14.324%</b>	<b>24.064%</b>	<b>31.058%</b>

As noted on page 10 of the Scott Direct Testimony, the fixed charge rate utilized when calculating the impacts stated in Exhibit 4.b. of the Application reflected a system-wide overall average variable operating and maintenance cost factor. The variable O&M component was changed to reflect the estimated variable operating and maintenance cost factor associated with the Project. This O&M component is the only difference between the calculations shown in Exhibit 4.b. and the Scott Direct Testimony, page 10.

**Estimated Annual Revenue Requirements reflected in Exhibit 4.b.**

Capital Costs	\$14,954,840
Fixed Charge Rate	14.324%
<b>Estimated Annual Revenue Requirements</b>	<b>\$2,142,057</b>

Rate Schedule	Total Revenues	Base Rate and FAC Revenues	Environmental Surcharge	Allocation Percentage	Allocated Annual Revenue Require.
Rate E	\$677,034,327	\$588,954,143	\$88,080,184	80.537%	\$1,725,148
Rate B	\$60,956,678	\$53,071,054	\$7,885,624	7.258%	\$155,470
Rate C	\$20,730,388	\$18,014,843	\$2,715,545	2.463%	\$52,759
Rate G	\$20,779,246	\$18,092,629	\$2,686,617	2.474%	\$52,994
Inland Steam	\$13,917,851	\$12,120,932	\$1,796,919	1.657%	\$35,494
Gallatin	\$46,012,908	\$40,125,771	\$5,887,137	5.487%	\$117,535
Tenn Gas Pipeline	\$1,033,826	\$906,813	\$127,013	0.124%	\$2,656
<b>Totals</b>	<b>\$840,465,224</b>	<b>\$731,286,185</b>	<b>\$109,179,039</b>	<b>100.000%</b>	<b>\$2,142,056</b>

Note: Allocation Percentage is calculated off of Base Rate and FAC Revenues.



**Exhibit 4.b. - Percentage Increase at Wholesale**

Total Estimated Annual Revenue Requirement	\$2,142,057
Total Revenues as of December 31, 2012	\$840,465,224
Percentage Increase at Wholesale	0.25%

**Exhibit 4.b. - Percentage Increase at Retail**

Based on historical billing information, the retail Environmental Surcharge has been approximately 72% of the wholesale Environmental Surcharge.

Percentage Increase at Wholesale	0.25%
Historic relationship between retail and wholesale	72.00%
Percentage Increase at Retail	0.18%

**Exhibit 4.b. - Impact on Average Residential Bill**

Allocated Annual Revenue Requirement - Rate E	\$1,725,148
2012 billed kWh Sales - Rate E	9,277,636,442 kWh
Wholesale Rate E Revenue Requirement per kWh	\$0.00019
Average Residential Bill in kWh	1,200 kWh
Impact on Average Residential Bill at Wholesale	\$0.223
Historic relationship between retail and wholesale	72.00%
Impact on Average Residential Bill at Retail	\$0.16

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2013-00259**

**RESPONSE TO INFORMATION REQUEST**

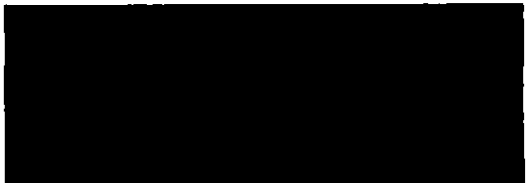
**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**

**REQUEST 13**

**RESPONSIBLE PARTY: Julia J. Tucker**

**Request 13.** Please provide a copy of the transmission analysis undertaken in conjunction with the consideration of the [REDACTED] wind project proposal.

**Response 13.** Subsequent to the statements made at the public hearing, EKPC has concluded that there were no written transmission studies related to the [REDACTED] wind project proposal. The transmission evaluations were in fact verbal discussions between ACES and EKPC. As EKPC wanted to be responsive to this request, it had ACES prepare a report that documented these previous verbal discussions. Please see the report attached to this response, which is subject to a motion for confidential treatment. Please note that the [REDACTED] project is identified as the [REDACTED]  
[REDACTED]



[REDACTED]

[REDACTED]

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**PSC Request 13**

**Page 9 of 9**

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00259**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION'S INFORMATION REQUEST AT HEARING HELD ON 01/14-15/14**  
**REQUEST 14**

**RESPONSIBLE PARTY: Scott Drake**

**Request 14.** Please provide the total amount of energy efficiency savings realized by EKPC in 2012 and in 2013.

**Response 14.** Please see the table below for DSM Energy Savings data.

<b>2012</b>	<b>2013 (11 months actual and Dec estimated)</b>
14,171.121 MWHs - Saved	17,397.53 MWHs – Saved
3.8 MWs - Saved Winter	5.41 MWs - Saved Winter
5.25 MWs - Saved Summer	10.14 MWs - Saved Summer

Please note that EKPC and the Owner-Member Cooperatives have been providing free in-home residential energy audits with RESNET certified staff for 30 years or more. Collectively, the energy advisors perform several thousand audits per year. Also, commercial and industrial energy audits have been performed by professional engineers who are AEE certified for around 20 years. Since all energy audits are provided free of charge to our members with in-house staff, we don't have a line item expense for this service. It is not budgeted for and we have never claimed energy or demand savings for this service. Significant savings associated with these services are NOT reflected in the totals provided and would be a significant increase if EKPC claimed those savings.