

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF )  
THE FUEL ADJUSTMENT CLAUSE OF EAST ) CASE NO. 2013-00262  
KENTUCKY POWER COOPERATIVE, INC. FROM )  
NOVEMBER 1, 2012 THROUGH APRIL 30, 2013 )

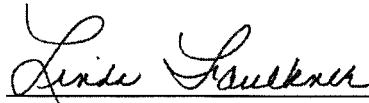
NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on October 16, 2013 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on October 16, 2013.

A copy of this Notice, the certification of the digital video record, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at [http://psc.ky.gov/av\\_broadcast/2013-00261-thru-00285/2013-00261-thru-00285\\_16Oct13\\_Inter.aspx](http://psc.ky.gov/av_broadcast/2013-00261-thru-00285/2013-00261-thru-00285_16Oct13_Inter.aspx). Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 22<sup>nd</sup> day of October 2013.

A handwritten signature in cursive script, reading "Linda Faulkner". The signature is written in black ink and is positioned above a horizontal line.

Linda Faulkner  
Director, Filings Division  
Public Service Commission of Kentucky

Anthony S Campbell  
President & CEO  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707

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In the Matter of:

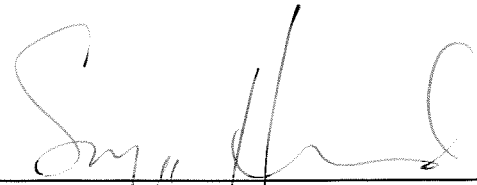
AN EXAMINATION OF THE APPLICATION OF )	CASE NO.
THE FUEL ADJUSTMENT CLAUSE OF EAST )	2013-00262
KENTUCKY POWER COOPERATIVE, INC. )	
FROM NOVEMBER 1, 2012 THROUGH APRIL )	
30, 2013 )	

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on October 16, 2013. The Hearing Log and Witness List are included with the recording on October 16, 2013.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the hearing.
4. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of October 16, 2013 and the time at which each occurred.

Given this 16<sup>th</sup> day of October, 2013.



Sonya Harward (Boyd), Notary Public  
State-at-Large

My Commission Expires: Aug. 27, 2017



# Session Report - Detail

2013-00261\_thru\_2013-00283\_16OCT2013

## Fuel Adjustment Clause (Multi Cases)

Date:	Type:	Location:	Department:
10/16/2013	Fuel Adjustment Clause	Public Service Commission	Hearing Room 1 (HR 1)

Judge: Hearing Officer Jim Wood

Witness: Lawrence Baronowsky - Big Rivers; Nicholas Castlen - Big Rivers; Kimberly Chilcote - KY Power; Robert Conroy - KU and LG&E; Mike Dotson - KU and LG&E; Amy Elliot - KY Power; Ernest Huff - EKPC; Craig Johnson - EKPC; Mark McAdams - Big Rivers; Michael Mottox - Big Rivers; Brett Phipps - Duke Energy; Eileen Saunders - KU and LG&E; Charles Schram - KU and LG&E; Aaron Sink - KY Power; Lisa Steinkuhl - Duke Energy; John Swez - Duke Energy; Julia Tucker - EKPC; Rainey Wohnhas - KY Power; Patrick Woods - EKPC

Clerk: Sonya Harward

Event Time	Log Event
9:57:49 AM	Session Started
9:57:52 AM	Session Paused
9:59:55 AM	Session Resumed
10:00:01 AM	Preliminary Remarks and Background of Cases Note: Harward, Sonya Jim Wood - PSC Heaing Officer
10:01:24 AM	Public Comments Note: Harward, Sonya No public present.
10:02:07 AM	PSC Staff Introduction Note: Harward, Sonya Atty. Jeb Pinney and Staff Chris Whelan and Leah Faulkner
10:02:23 AM	CASE NO. 2013-00261 (KY Power Company) Note: Harward, Sonya Atty. for KY Power, Mark Overstreet. Witnesses fo KY Power: Kimberly Chilcote, Amy Elliott, and Aaron Sink. Raney Wohnhas also present, as witness though no formal testimony filed. Witnesses introduced and sworn in at the same time.
10:05:13 AM	Witnesses for KY Power - Addressed by Atty. Overstreet Note: Harward, Sonya All adopted pre-filed testimony, excluding Ranie Wohnhas who did not have pre-filed testimony.
10:07:16 AM	Cross Examination of Witnesses - PSC Atty. Pinney
10:07:50 AM	Witness Chilcote Note: Harward, Sonya General state of coal market and pricing.
10:08:38 AM	Witness Sink Note: Harward, Sonya Question regarding response to Item 7 of Commission's Request for Information - why both units out of service at the same time.
10:09:18 AM	Witness Elliott Note: Harward, Sonya During outage, what load was used to serve customers?
10:10:10 AM	Witness Chilcote Note: Harward, Sonya Question in reference to response to Item 8 of Commission's Request for Information, page 1 of 4,
10:11:36 AM	Witness Chilcote Note: Harward, Sonya Questions in reference to response to Item 8 of Commission's Request for Information, page 2 of 4 (reason for overages in those years) and page 4 of 4 (reason for shortfalls).
10:13:12 AM	Witness Chilcote Note: Harward, Sonya Question in reference to response to Item 9 of Commission's Request for Information regarding favorabilty.

10:13:51 AM	Witness Chilcote Note: Harward, Sonya	Questions in reference to response to Item 11 of Commission's Request for Information regarding inventory level and retirement date of Big Sandy Unit 2.
10:14:42 AM	Witness Wohnhas Note: Harward, Sonya	Referenced Informal Conference held on Oct. 7, 2013, questions regarding one-time adjustment of FAC and off-system sales.
10:16:29 AM	POST HEARING by Oct. 23 Note: Harward, Sonya	Address how, or if, KRS 278.225 limits KY Power's ability to bill for under collection of the \$413,441.63. (Atty. Overstreet will provide due to legal aspect of question.)
10:17:34 AM	Hearing Ofc. Wood Cross Examination Note: Harward, Sonya	Witness Chilcote responded. Question about response to Item 4 of Commission Staff's Request for Information, regarding coal purchase cost being 30 percent higher than other utilities.
10:19:04 AM	KY Power DISMISSED.	
10:19:40 AM	CASE NO. 2013-00262 (EKPC) Note: Harward, Sonya	Atty. for EKPC, Mark David Goss. Witnesses for EKPC: Ernest Huff, Patrick Woods, Craig Johnson, Julia Tucker. Witnesses introduced and sworn in at the same time.
10:22:00 AM	Witnesses for EKPC - Addressed by Atty. Goss Note: Harward, Sonya	Witness Huff made one correction - Item 11.d. 3rd sentence should read "The actual generation was less than projected in February and April due to two unplanned maintenance outages on Units 2 and 4." All adopt pre-filed testimony.
10:25:35 AM	Cross Examination of Witnesses - PSC Atty. Pinney	
10:25:44 AM	Witness Huff Note: Harward, Sonya	General state of coal market and pricing.
10:26:09 AM	Witness Huff Note: Harward, Sonya	Question referenced response to Item 2 of Commission's Request for Information regarding negative value.
10:27:03 AM	Witness Tucker Note: Harward, Sonya	Question referenced response to Item 5 of Commission's Request for Information regarding necessity to enter into the contract.
10:27:59 AM	Witness Johnson Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, pages 4 of 45, 5 of 45, 6 of 45, and 7 of 45 -- regarding units that were brought back online and outages.
10:31:08 AM	POST HEARING REQUEST by Oct. 30 Note: Harward, Sonya	Provide an explanation for the outages at Spurlock Unit 3 described as "Loss of Bed Material".
10:31:43 AM	Witness Johnson Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, page 8 of 45, regarding when Unit was brought back online.
10:32:01 AM	Witness Johnson Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, pages 11 of 45 (regarding why took so long to repair unit and how working now), 17 of 45 (regarding when Unit 10 came back online), and 18 through 45 (regarding number of employees dedicated to maintenance on these units and when labor taken into account whether economical to operate).
10:35:01 AM	Witness Huff Note: Harward, Sonya	Question referenced response to Item 9 of Commission's Request for Information, page 2 of 2, regarding source of information on this page.

10:35:22 AM	POST HEARING REQUEST by Oct. 30 Note: Harward, Sonya	Question referenced response to Item 15 of Commission's Request for Information - Provide copy of Policy No. 404 with changes tracked and the reasons why these changes were necessary.
10:36:43 AM	Witness Huff Note: Harward, Sonya	Question referenced response to Item 19 of Commission's Request for Information (that was filed under seal but question will not be confidential) and then referenced Item 1 in comparison. What does "need for supplier diversification" refer to?
10:37:58 AM	Witness Tucker Note: Harward, Sonya	Question referenced response to Item 26 of Commission's Request for Information, page 3 of 13. In the future, could EKPC include supporting document for the credit when it files its monthly FAC supplemental file?
10:38:42 AM	EKPC DISMISSED.	
10:39:25 AM	CASE NO. 2013-00263 and 2013-00264 (KU and LG&E) Note: Harward, Sonya	Atty. for KU and LG&E, Allyson Sturgeon. Witnesses for KU and LG&E: Robert Conroy, Eileen Saunders, Mike Dotson, and Charles Schram. Atty. Sturgeon introduced witnesses and all adopt pre-filed testimony.
10:43:58 AM	Witnesses sworn in.	
10:44:15 AM	Cross Examination of Witnesses - PSC Atty. Pinney	
10:44:23 AM	Witness Dotson Note: Harward, Sonya	General state of coal market and pricing.
10:45:06 AM	Witness Dotson Note: Harward, Sonya	Question referenced response to Item 4 of Commission's Request for Information regarding why all allocated to KU.
10:45:48 AM	Witness Saunders Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, p. 10 of 28 for KU and p. 9 of 23 for LG&E, regarding results of warranty inspection.
10:47:08 AM	POST HEARING RESPONSE by Oct. 30 Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, p. 22 of 28 for KU and p. 16 of 23 for LG&E, regarding why scheduled maintenance took so much less time than anticipated on Paddy's Run Unit 13.
10:48:06 AM	Witness Saunders Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, p. 28 of 28 for KU and p. 22 of 23 for LG&E, regarding when Unit 10 brought back online.
10:48:35 AM	Witness Dotson Note: Harward, Sonya	Question referenced response to Item 8 of Commission's Request for Information, regarding difference of quality 1 and 2 coal; about purchasing coal under all 3 methods; and escalation in price.
10:51:04 AM	Witness Dotson Note: Harward, Sonya	Question referenced response to Item 12 of Commission's Request for Information, regarding on-site reviews conducted in period in review.
10:52:14 AM	KU Specific Questions (CN 2013-00263) Note: Harward, Sonya	Witness Schram responded. Question referenced response to Item 4 of Commission's Request for Information regarding steps needed to retire the unit.
10:53:45 AM	POST HEARING REQUEST by Oct. 30 Note: Harward, Sonya	Describe the physical steps necessary to retire Tyrone Unit 3.

10:54:06 AM	Witness Saunders Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information regarding, pages 1 and 2 of 28 (regarding reason for testing and how often performed); p. 7 of 28 (regarding specific issue and how unit performing now); and p. 18 of 28 (regarding problem with heat shield and whether it has been remedied).
10:56:58 AM	LG&E Specific Questions (CN 2013-00264) Note: Harward, Sonya	Witness Saunders responded. Question referenced response to Item 7 of Commission's Request for Information, p. 1 and 2 of 23 (regarding move and gas fire generated unit); p. 3 of 23 (regarding whether changes made being due to pending retirement); and p. 4 of 23 (regarding whether brought back online).
10:59:19 AM	Witness Conroy Note: Harward, Sonya	Question referenced response to Item 1 of Commission's Supplemental Request for Information, p. 1 of 3, regarding which combustion turnbine is natural gas purchased from LG&E natural gas department.
11:02:11 AM	Re-Direct by Atty. Sturgeon	
11:02:30 AM	Witness Conroy Note: Harward, Sonya	Answered re-direct questions.
11:03:53 AM	KU and LG&E DISMISSED.	
11:04:18 AM	CN 2013-00265 (Duke Energy KY) Note: Harward, Sonya	Atty. for Duke, Rocco D'Ascenzo. Witnesses for Duke: Lisa Steinkuhl, John Swez, and Brett Phipps. Witnesses introduced and sworn in at the same time.
11:05:26 AM	Witnesses for Duke - Addressed by Atty. D'Ascenzo Note: Harward, Sonya  Note: Harward, Sonya Note: Harward, Sonya	Change made by Witness Steinkuhl. Response to Item 26, table, Nov. and Dec. numbers need to be reversed. All adopt pre-filed testimony. Change made by Witness Phipps. Response to Item 20, dates should be corrected from 2012 to 2013.
11:08:30 AM	Cross Examination of Witnesses - PSC Atty. Pinney	
11:08:59 AM	Witness Phipps Note: Harward, Sonya	General state of coal market and pricing.
11:09:12 AM	Witness Phipps Note: Harward, Sonya	Question referenced response to Item 3 of Commission's Request for Information, regarding Duke KY having storage facility.
11:09:51 AM	Witness Swez Note: Harward, Sonya	Question referenced response to attachment to Item 7 of Commission's Request for Information, regarding leaks, what causes them, and how unit operates.
11:11:17 AM	Witness Phipps Note: Harward, Sonya	Question referenced Attachment A to the response to Item 8 of Commission's Request for Information, p. 2 (regarding 2013 requirements being received) and p. 4 (regarding no active coal contracts for this unit).
11:12:37 AM	Witness Phipps Note: Harward, Sonya	Question referenced Attachment to the response to Item 9 of Commission's Request for Information. (disregarded)
11:13:45 AM	Witness Phipps Note: Harward, Sonya	Question referenced response to Item 11 of Commission's Request for Information, p. 2, regarding reason for low inventory.
11:14:38 AM	Witness Phipps Note: Harward, Sonya	Question referenced response to Item 15 of Commission's Request for Information, and Item 3 in comparison.
11:15:51 AM	Re-Direct by Atty. D'Ascenzo	



11:16:21 AM	Witness Swez Note: Harward, Sonya	Answered re-direct questions.
11:17:20 AM	Duke KY DISMISSED.	
11:17:51 AM	CN 2013-00266 (Big Rivers) Note: Harward, Sonya	Atty. for Big Rivers, Tyson Kamuf. Witnesses for Big Rivers: Lawrence Baronowsky, Nicholas Castlen, Michael Mottox, Mark McAdams. Witnesses introduced and sworn in at the same time.
11:19:46 AM	Witnesses for Big Rivers - Addressed by Atty. Kamuf Note: Harward, Sonya	All adopt pre-filed testimony.
	Note: Harward, Sonya	Several changes made to testimony by Witness McAdams.
11:24:47 AM	Cross Examination of Witnesses - PSC Atty. Pinney	
11:24:58 AM	Witness McAdams Note: Harward, Sonya	General state of coal market and pricing.
11:25:23 AM	Witness McAdams Note: Harward, Sonya	Question referenced response to Item 1 of Commission's Request for Information, regarding reason for increase in spot purchases and whether able to get coal cheaper in spot market rather than long-term contracts.
11:26:40 AM	Witness Mottox Note: Harward, Sonya	Question referenced response to Item 5 of Commission's Request for Information, regarding when expected to be lifted.
11:27:10 AM	Witness Baronowsky Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, p. 5 of 11, regarding when Henderson Unit brought back online.
11:27:52 AM	Witness Baronowsky Note: Harward, Sonya	Question referenced response to Item 7 of Commission's Request for Information, p. 9 of 11, why considered a forced outage.
11:29:36 AM	POST HEARING REQUEST by Oct. 30 Note: Harward, Sonya	Give reason for why the Coleman Unit 2 outage (labeled as "The unit was removed from service to clean the furnace and wash the air heaters") was considered a forced outage.
11:30:04 AM	Witness McAdams Note: Harward, Sonya	Questions referenced response to Item 8 of Commission's Request for Information, p. 4 of 14 (regarding difference in coal qualities and which they purchase) and p. 8 of 14 (regarding qualities purchased and where it takes delivery).
11:32:50 AM	Witness McAdams Note: Harward, Sonya	Questions referenced response to Item 11.e. of Commission's Request for Information, regarding actions taken to reduce inventory levels.
11:34:15 AM	Witness Baronowsky Note: Harward, Sonya	Questions referenced response to Item 24 of Commission's Request for Information, regarding reducing net heat rate.
11:35:57 AM	Big Rivers DISMISSED.	
11:36:31 AM	CASE NOS. 2013-00267 through 2013-00285 Note: Harward, Sonya	All Hearings in these cases were cancelled.
11:37:35 AM	Adjourned	
11:37:49 AM	Session Paused	
11:40:32 AM	Session Ended	