EAST KENTUCKY POWER COOPERATIVE

David S. Samford
david@gosssamfordlaw.com

March 24, 2014

VIA HAND DELIVERY

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

RECEIVED

MAR 24 2014

PUBLIC SERVICE
COMMISSION

RE: Case No. 2014-00034

Dear Mr. Derouen:

Enclosed for filing, please find one original and ten copies of the East Kentucky Power Cooperative, Inc. ("EKPC") responses to Commission Staff's Initial Request for Information dated March, 7, 2014 in the above referenced case. Also enclosed are an original and ten copies of EKPC's Motion for Confidential Treatment of Information ("Petition") regarding the responses to Requests 11 and 12. One unredacted copy of the designated confidential portions of each of the responses to Requests 11 and 12, which are the subjects of the Motion, is enclosed in a sealed envelope.

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

Very truly yours,

David S. Samford (by Roger R. Cowden)

David S. Samford

Enclosure

cc: Hon. Michael L. Kurtz

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 24 2014

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF AN ECONOMIC DEVELOPMENT RIDER	)))	CASE NO. 2014-00034

MOTION FOR CONFIDENTIAL TREATMENT

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 two (2) of EKPC's responses to the Commission Staff's initial request for information in the above-captioned proceeding, respectfully states as follows:

1. On February 6, 2014, EKPC filed its Application in this matter wherein it requested that the Commission enter an Order authorizing and approving EKPC's new tariff sheet titled "Section EDR – Economic Development Rider." EKPC's proposed EDR tariff is intended to encourage economic development in the areas served by EKPC's Member Systems.

2. On March 7, 2014, Commission Staff issued its initial request for information to EKPC. Contemporaneous with the filing of this Motion, EKPC is tendering information responsive to Commission Staff's request.

3. Certain responses provided by EKPC to Commission Staff's request include commercially sensitive and proprietary information. Specifically, EKPC's responses to Commission Staff Request Nos. 11 and 12 are confidential in nature and contain information that should not be publicly disclosed.

4. Commission Staff's Request No. 11 states as follows:

> Refer to the Testimony of Rodney Hitch ("Hitch Testimony"), page 4, lines 1-4. Provide a listing of the nine projects currently being managed by the Kentucky Cabinet for Economic Development for potential investment in EKPC's members' service territories. Include within this listing a brief description of each of the projects.

In its response to Request No. 11, EKPC is providing a detailed list and description of the economic development projects currently managed by the Kentucky Cabinet for Economic Development with which EKPC has provided assistance or been involved in discussions.

5. Commission Staff's Request No. 12 states as follows:

> Refer to the Hitch Testimony, page 4, lines 16-18. Provide a listing of the four large key accounts with which EKPC is currently supporting negotiations in its members' service territories for retention and/or expansion. Include within this listing a description of the status of the negotiations and whether such negotiations involve retention and/or expansion of each of the four large key accounts.

In its response to Request No. 12, EKPC is providing a detailed list of the key accounts and a description of the relevant negotiations and status with respect to each.

6. The information tendered by EKPC in response to Commission Staff's Request Nos. 11 and 12 is hereinafter referred to as the "Confidential Information."

7. The Confidential Information contains extensive and detailed descriptions of proposed or in-progress economic development projects, customers' and potential customers' business contemplations and developments, and ongoing negotiations and discussions with

which EKPC and its Member Systems are involved. This information is commercially sensitive and proprietary. More specifically, the Confidential Information includes:

a. Employment, financial, and energy data/projections related to proposed and ongoing economic development projects;

b. Identity and location information, as well as other details, regarding proposed and ongoing economic development projects;

c. Detailed information related to contemplated and in-progress business developments of current customers; and

d. Detailed information related to ongoing negotiations between EKPC, its Member Systems, and current customers.

8. The Confidential Information is retained by EKPC on a "need-to-know" basis and is not publicly available. Public dissemination of the Confidential Information may result in the discontinuation of present discussions and negotiations between EKPC, its Member Systems, and customers and potential customers. Additionally, public disclosure of the Confidential Information may impair the ability of EKPC to enter into future discussions with customers and potential customers, and may detrimentally influence EKPC's relationships with both the businesses to which the Confidential Information relates and others. Due to the nature of the Confidential Information, its disclosure may adversely impact EKPC and its Member Systems' ability to obtain and retain customers. Confidentiality is one of the most critical aspects of negotiations involving new or expanding loads.

9. The Kentucky Open Records Act exempts the Confidential Information from public disclosure. *See* KRS 61.878(1)(c) and (d). As set forth above, disclosure of the Confidential Information would permit an unfair advantage to third parties, and it is clear that the

business considerations, developments, and negotiations for which confidential treatment is sought represent "information concerning the inner workings of a corporation [which] is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). Moreover, Kentucky law exempts from disclosure "records pertaining to a prospective location of a business or industry where no previous public disclosure has been made of the business' or industry's interest in locating in, relocating within or expanding within the Commonwealth." *See* KRS 61.878(1)(d). Having satisfied both statutory and common law standards, the Confidential Information should be afforded confidential treatment.

10. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC is filing one copy of the Confidential Information separately under seal. The filing of the Confidential Information is noted in the public version of EKPC's response to Commission Staff Request Nos. 11 and 12, which include redacted copies of such information. Due to the pervasive nature of the confidential and proprietary information included in EKPC's responses to Commission Staff Request No. 11 and 12, confidential treatment is sought for the entirety of the Confidential Information.

11. 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 be less likely to include information that continues to be commercially sensitive so as to impair the interests of EKPC if publicly disclosed. However, EKPC reserves the right to seek an extension of the grant of confidential treatment if it is necessary to do so at that time.

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 unredacted copies of Confidential Information, which is filed herewith under seal, for a period of ten years from the date of entry of such an Order.

This 24th day of March, 2014.

Respectfully submitted,

David S. Samford (by Roger R. Cowden)

Mark David Goss
David S. Samford
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KY 40504
(859) 368-7740
mdgoss@gosssamfordlaw.com
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 Motion for Confidential Treatment was served, by depositing same in the custody and care of the U.S. Mails, postage pre-paid, on this the 24th day of March, 2014, addressed to the following:

Mr. Mike Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202

David S. Samford (by Roger R. Cowden)

Counsel for East Kentucky Power Cooperative, Inc.

RECEIVED

MAR 24 2014

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER	**)**	**Case No.**
COOPERATIVE, INC. FOR APPROVAL OF AN	**)**	**2014-00034**
AN ECONOMIC DEVELOPMENT RIDER	**)**	

RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC. DATED MARCH 7, 2014

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2014-00034

PUBLIC SERVICE COMMISSION REQUEST DATED 03/07/14

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the Initial Request for Information contained in the Order of the Public Service Commission ("PSC") in this case dated March 7, 2014. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF AN AN ECONOMIC DEVELOPMENT RIDER	**)))**	**Case No. 2014-00034**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Rodney Hitch, 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 Request for Information in the above-referenced case dated March 7, 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.

Rodney A. Hitch

Subscribed and sworn before me on this 24th day of March, 2014.

Gwyn M. Willoughby #500494
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:

APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF AN AN ECONOMIC DEVELOPMENT RIDER	)))	**Case No. 2014-00034**

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 Request for Information in the above-referenced case dated March 7, 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 24th day of March, 2014.

Gwyn M. Willoughby #500144
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. 2014-00034
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 1
RESPONSIBLE PARTY: Isaac S. Scott

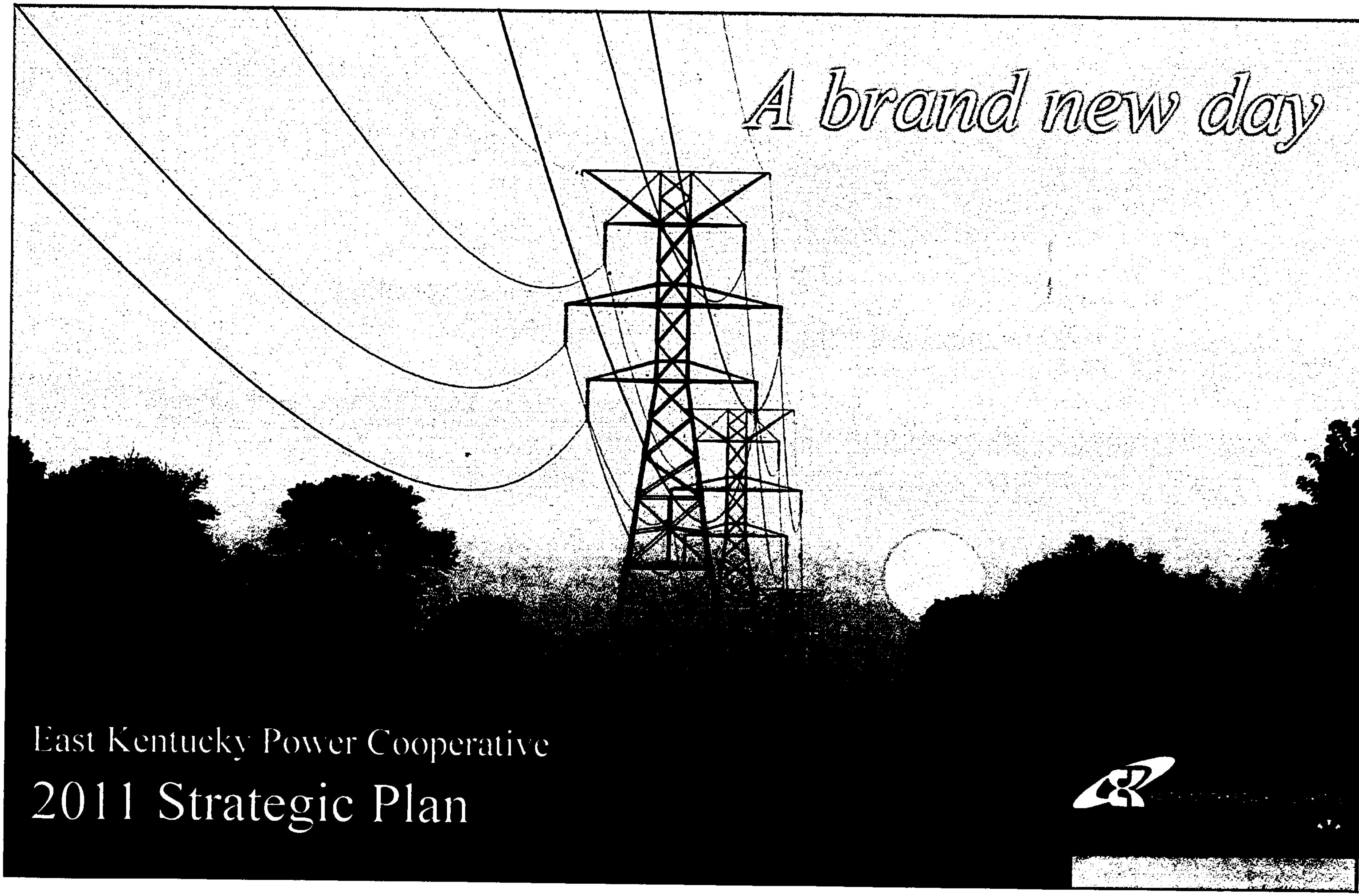
Request 1. Refer to page 3, paragraph 6, of the Application concerning the Strategic Plan.

Request 1a. Provide a copy of EKPC's 2011 Strategic Plan.

Response 1a. Please see pages 2 through 20 of this response for a copy of the 2011 Strategic Plan.

Request 1b. State whether the 2011 Strategic Plan has been updated or revised since 2011. If the response is yes, provide a detailed description of the updates or revisions that have been made to the 2011 Strategic Plan.

Response 1b. EKPC's Board of Directors and Member Distribution Cooperative ("Members") CEOs met on July 29-30, 2013 to review and discuss the 2011 Strategic Plan. Further discussions were held on August 13, 2013. As a result of those discussions, the Board of Directors decided to expand four of the eight strategic objectives and add a ninth objective. The four strategic objectives expanded were 1) Operational Performance; 2) G&T Assets (formerly Generation and Transmission); 3) Communications; and 4) Economic Development. The new strategic objective is Risk Management for Load Loss. The Board of Directors approved the 2013 Strategic Plan on September 10, 2013. Please see pages 21 through 40 of this response for a copy of the 2013 Strategic Plan. Additions and expansions are highlighted in yellow.


A brand new day
East Kentucky Power Cooperative
2011 Strategic Plan

Contents

About East Kentucky Power Cooperative

EKPC is a not-for-profit, member-owned cooperative providing wholesale electricity to 16 member-owner distribution cooperatives that serve 520,000 Kentucky homes, farms, businesses and industries across 87 counties. EKPC provides power through coal-fueled plants located in Mason, Clark and Pulaski counties, renewable energy plants in Boone, Laurel, Greenup, Hardin, Mason and Pendleton counties, along with gas peaking units, hydroelectric power and nearly 2,800 miles of transmission lines. Together, EKPC and its member-owner cooperatives are known as Kentucky's Touchstone Energy Cooperatives.

Kentucky's Touchstone Energy® Cooperatives

EKPC at a Glance

- Assets — $3.1 billion
- Employees — 689
- Generating capacity (coal) — 1,882 megawatts
- Generating capacity (natural gas) — 1,032 megawatts
- Generating capacity (renewable)* — 184 megawatts
- Miles of transmission lines — 2,797 miles
- Number of substations — 351
- Meters served by member-owner co-ops — 520,558
- 2010 energy sales — 13.6 million megawatt hours
- 2010 operating revenue — $827 million
- 2010 net margin — $32.8 million

Statistics as of December 2010

** Includes contracts for hydro power from the Southeastern Power Administration*

PSC Request 1
Page 4 of 40

Thinking and Acting Strategically

Why does East Kentucky Power Cooperative exist?

What is our job?

How do we know we're doing it right?

The answers to these questions might seem obvious. Then again, maybe not. Clearly, an organization is adrift if its employees and managers can't answer these questions.

During late 2010 and early 2011, EKPC's Board developed a document to provide these answers and much more. That document is a new Strategic Plan, and this booklet is an overview of that plan.

The Strategic Plan lays out, in broad terms, the expectations for EKPC's managers and employees. These expectations are established by our Board of Directors, which represents the 16 cooperatives that own and are served by EKPC. You'll notice the plan does not provide step-by-step instructions for operating a power plant, building a substation, repairing equipment, hiring employees or accounting for expenses. That's not the purpose of a Strategic Plan.

Rather, the Strategic Plan provides a set of high-level goals and objectives for our cooperative to strive toward. It provides the destination for our cooperative. It is up to EKPC's managers and employees, for the most part, to decide how to get there. To that end, each business unit is developing a business plan to provide a more-detailed picture of what it needs to do to successfully implement the Strategic Plan.

This booklet provides an overview of three major components of the strategic plan:

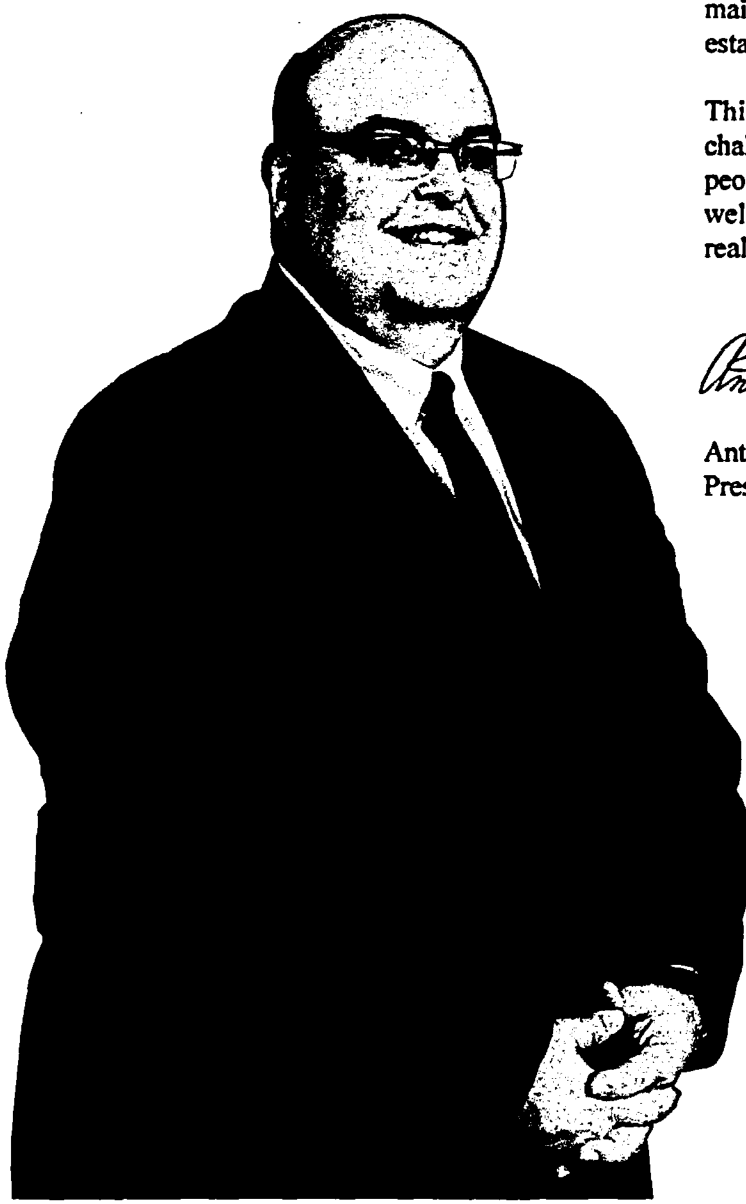
Mission.
The mission statement explains why EKPC exists.

Values.
These are the shared beliefs and culture that underlie everything we do at EKPC.

Strategic Objectives.
These eight objectives are the heart of the Strategic Plan because they provide the expectations of EKPC's Board of Directors.

These elements provide the basis for each business unit as they develop their own plans for achieving the strategic objectives. To track progress toward achieving the goals of these plans, each business unit is developing a set of metrics.

It is critically important for each and every employee to understand the role they play. Each employee's goals and objectives should eventually align with the goals and objectives of their business unit and EKPC as a whole. When that happens, everybody should be pulling in the same direction.



For 70 years, EKPC has been a leader among electric cooperatives nationwide, especially among generation and transmission cooperatives. With this Strategic Plan, EKPC's Board and management are committing to maintaining that leadership position by implementing and, in some cases, establishing industry best practices among G&Ts.

This is an exciting time for EKPC and the energy industry. There are challenges ahead. But our cooperative has a good plan and a great group of people. I am confident EKPC, its member-owners and our employees are well-prepared to meet the challenges and show the world how great EKPC really is.

Anthony "Tony" Campbell
President & CEO

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative

70 Years of Making Lives Better with Affordable, Reliable Electricity

Since it was founded in 1941, EKPC's job has been to provide affordable, reliable electricity to its member-owner cooperatives. Electric cooperatives nationwide played a crucial role in revolutionizing the way rural Americans live, work and play.

A century ago, as the first homes and businesses began using electricity, it became clear that access to affordable, reliable power would vastly improve people's lives. It began with such innovations as electric lights, motors and refrigeration, and soon lit a short fuse to revolutions in transportation, manufacturing, communications, health care, computing, and many, many other areas.

But, by the late 1930s, nine out of 10 rural homes in Kentucky and the U.S. were still in the dark. Faced with the prospect of spending large amounts of money to build facilities to serve relatively few customers, most utilities didn't want to extend their power lines beyond cities, towns and major roadways.

But farmers and other rural residents saw how electricity improved the lives of their city brethren. And they were willing to put up their own money to gain access to it. They took advantage of New Deal government programs and funding to start member-owned electric cooperatives and build power lines to their homes and farms.

At first, those cooperatives usually bought electricity from power plants owned by the same utilities that had refused to extend power lines in the first place. But soon, many cooperatives realized they could obtain electricity more affordably and reliably by joining forces, pooling their money and using government financing to build and operate their own power plants.

That is how East Kentucky Power Cooperative came to be. Formed in 1941 by 13 member-owner cooperatives, EKPC got off to a slow start while the nation fought World War II. In 1954, EKPC's first power plant, Dale Station, began generating electricity.

Today, EKPC generates power at four major plants and delivers it over 2,800 miles of high-voltage transmission lines to nearly 350 substations. From there, EKPC's 16 member-owner cooperatives distribute the electricity to nearly 520,000 homes, farms and businesses in 87 Kentucky counties.

Our 16 member-owner cooperatives are owned by the people and businesses they serve. Likewise, EKPC is owned by the 16 co-ops it serves. (That's why EKPC is sometime referred to as a "cooperative of cooperatives.") As a result, EKPC and its member-owners remain focused on providing electricity as affordably and reliably as possible, the same as they did 70 years ago.

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative

EKPC's Mission

EKPC exists to serve its member-owned cooperatives by safely delivering reliable and affordable energy and related services.

EKPC's Values

Safety

- Safety is an essential part of everything we do.
- We will promote a safe, secure and healthy environment.

Service

- Our customers are our priority and service is our goal.
- We will act with a sense of urgency, with a focus on quality.
- We will listen and be responsive to the needs of our member-owners.

Honesty and Integrity

- Honesty is non-negotiable.
- We will be open and honest in our communication, even when it is difficult.
- We will always act in the best interest of EKPC.

Respect

- Treating everyone with respect and compassion is necessary for partnership.
- We understand that each person is important and brings a different perspective and approach; we value them all.

Teamwork

- We will never lose sight of the fact that we are a team.
- All of our actions reflect on all of our employees and member-owners.

TARGET ZERO

Everything Begins With Safety

Providing affordable, reliable power every second of every day often means strenuous work under harsh conditions. But with proper training and equipment, every job we do can be performed safely. And that's important because we want every EKPC employee to go home just as healthy as they were when they arrived.

To that end, in 2011, EKPC began an initiative to make our cooperative a recognized safety leader in the electric industry. EKPC engaged the consulting services of DuPont Sustainable Solutions, a recognized global leader in safety performance.

We understand this is a long-term commitment to making fundamental changes in the way we approach work every day.

And it's worth it because our employees are worth it.

Strategic Objective

Governance:

Implement and maintain governance standards that are consistent with modern practices and the needs of the power supply cooperative.

EKPC's Board will improve the transparency and effectiveness of its governance to ensure that competent and committed directors are accountable, objective, acting with the utmost integrity and focusing on the best interests of EKPC.

Critical Success Factors

- Practice good governance and strive for continual improvement.
- Commit the time and energy necessary to complete the action items outlined in the Management Audit.
- Strive to be a model for governance among cooperatives.
- Govern and oversee execution of the EKPC Strategic Plan.

Strategic Objective

People:

Develop and mantain a high-performance workforce.

EKPC will create a culture of continuous improvement that is focused on the safety, performance and development of employees, while preparing for the future through more effective training and improved succession planning.

Critical Success Factors

- Develop a planned, sustainable safety-improvement program.
- Develop and implement a comprehensive strategy to lead the workforce of the future that includes recruiting, development, retention, performance management and compensation that is aligned with the Strategic Plan of EKPC.
- Prepare for and assemble an engaged and productive workforce, anticipating the currently aging workforce and the changing skills and expectations of the different generations.

Financial Integrity:

Achieve a 15% equity ratio by 2015.

EKPC will strive to increase its equity-to-asset ratio to 15% by 2015, employing a combination of margin improvement through aggressive management of staffing, costs and capital assets while balancing risk and reliability, reducing debt with excess cash flow and managing rates.

Critical Success Factors

- Strengthen the balance sheet by increasing the ratio of equity to total assets.
- Gain ready access to the capital markets by achieving an investment grade credit rating.
- Evaluate new investments using sound financial principles.
- Aggressively control costs while minimizing exposure to risk.

Strategic Objective

Operational Performance:

Improve performance to be recognized as a leader among cooperatives.

EKPC will aggressively manage and improve its operational performance using benchmarking to identify operational deficiencies and instill a culture of continuous improvement.

Critical Success Factors

- Establish performance measures that have clear line of sight to the strategic objectives, cover all departments, and are balanced.
- Define and pursue operational excellence using established performance measures to track progress.
- Use external benchmarking where it helps with goal-setting and identification of leading practices.
- Implement a corporate-wide continuous improvement effort.

Strategic Objective

Generation & Transmission:

Use EKPC's assets to deliver reliable and affordable energy.

EKPC will carefully manage its portfolio of assets and pursue diversity along two axes - one focused on the diversity of the supply resource (including DSM/EE programs) and one focused on the diversity of the ownership model.

Critical Success Factors

- Pursue prudent diversity in the fuel mix of the generation portfolio.
- Diversify the energy sources used to meet demand among assets that are owned, distributed generation, contract purchases and market purchases.
- Increase the use of demand-side resources, including energy efficiency.
- Reduce environmental impacts through the use of economically viable renewable energy sources.

Strategic Objective

Rates & Regulatory Relations:

Design equitable rate structures, closely manage rate levels and continue to pursue positive relationships with our regulators.

EKPC will establish rates that support economic development, build a stronger balance sheet and appropriately apportion costs among member-owners while working closely and constructively with state and federal regulators.

Critical Success Factors

- Review and introduce where appropriate a rate structure that is equitable, reflects a true cost of service, and incentivizes appropriate end-use behavior.
- Establish a rate level that improves EKPC's equity ratio.
- Avoid rate shock by increasing rates at close to the level of inflation in the long-term, changing gradually from year to year.
- Establish relationships and actively engage and partner with state and federal regulators of utilities, the environment and other areas.

Strategic Objective

Communications:

Establish and maintain effective communications among EKPC's stakeholders.

EKPC will follow a comprehensive communication schedule and use many tools to ensure consistent and appropriate sharing of information with internal and external stakeholders, and track effectiveness of communications, particularly those designed to raise awareness of the plan and its key elements.

Critical Success Factors

- Provide effective communication to Board member-owners, system managers, EKPC employees and key external stakeholders.
- Educate stakeholders about the 2011 EKPC Strategic Plan.
- Communicate information necessary to implement, monitor and direct efforts to meet the goals and objectives of the Strategic Plan.
- Ensure effective communication of all strategically important matters to all key stakeholders.

Strategic Objective

Economic Development:

Support the economic interests of EKPC and the Members it serves.

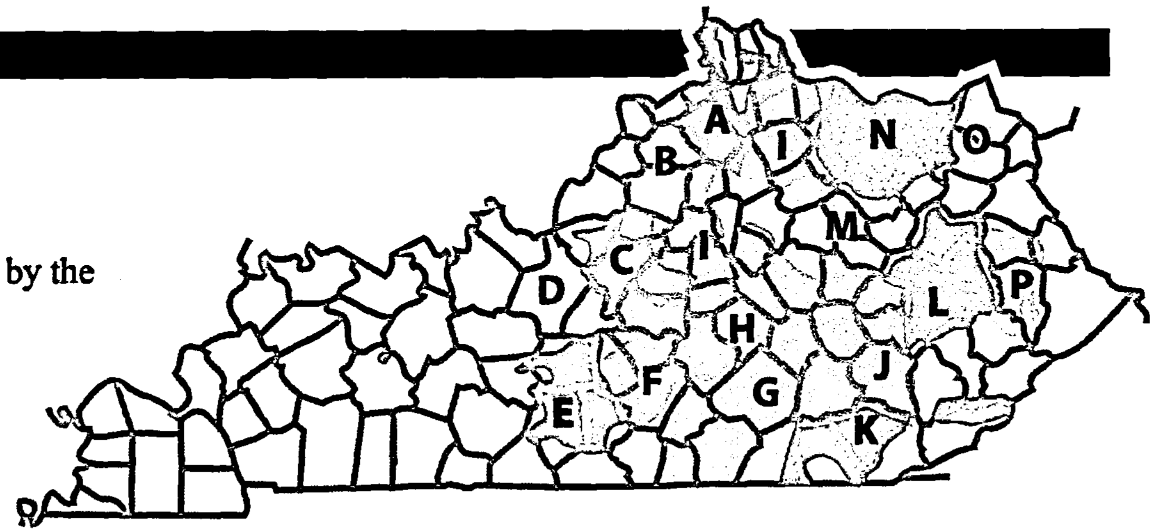
EKPC will build an economic development capability that focuses on the economic sustainability of its Members and their communnities through job-creation endeavors, load retention and load-building opportunities.

Critical Success Factors

- Maintain a consistent focus on economic development with full-time resources.
- Partner with member-owners to encourage development that meets the needs of their communities.
- Pursue economic development rates that support fairness among member-owners.

EKPC's Member-Owners

East Kentucky Power Cooperative is owned by the 16 distribution cooperatives it serves.



	Cooperative	Location	Web site
A	Owen Electric	Owenton, Ky.	www.owenelectric.com/
B	Shelby Energy	Shelbyville, Ky.	www.shelbyenergy.com/
C	Salt River Electric	Bardstown, Ky.	www.srelectric.com/
D	Nolin RECC	Elizabethtown, Ky.	www.nolinrecc.com/
E	Farmers RECC	Glasgow, Ky.	www.farmersrecc.com/
F	Taylor County RECC	Campbellsville, Ky.	www.tcrecc.com/
G	South Kentucky RECC	Somerset, Ky.	www.skrecc.com/
H	Inter-County Energy	Danville, Ky.	www.intercountyenergy.net/
I	Blue Grass Energy	Nicholasville, Ky.	www.bgenergy.com/
J	Jackson Energy	McKee, Ky.	www.jacksonenergy.com/
K	Cumberland Valley Electric	Gray, Ky.	www.cumberlandvalley.coop/
L	Licking Valley RECC	West Liberty, Ky.	www.lvrecc.com/
M	Clark Energy	Winchester, Ky.	www.clarkenergy.com/
N	Fleming-Mason Energy	Flemingsburg, Ky.	www.fmenergy.net/
O	Grayson RECC	Grayson, Ky.	www.graysonrecc.com/
P	Big Sandy RECC	Paintsville, Ky.	www.bigsandyrecc.com/

PSC Request 1
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EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative

4775 Lexington Road
Winchester KY 40391

(859) 744-4812

www.ekpc.coop

EKPC's Mission

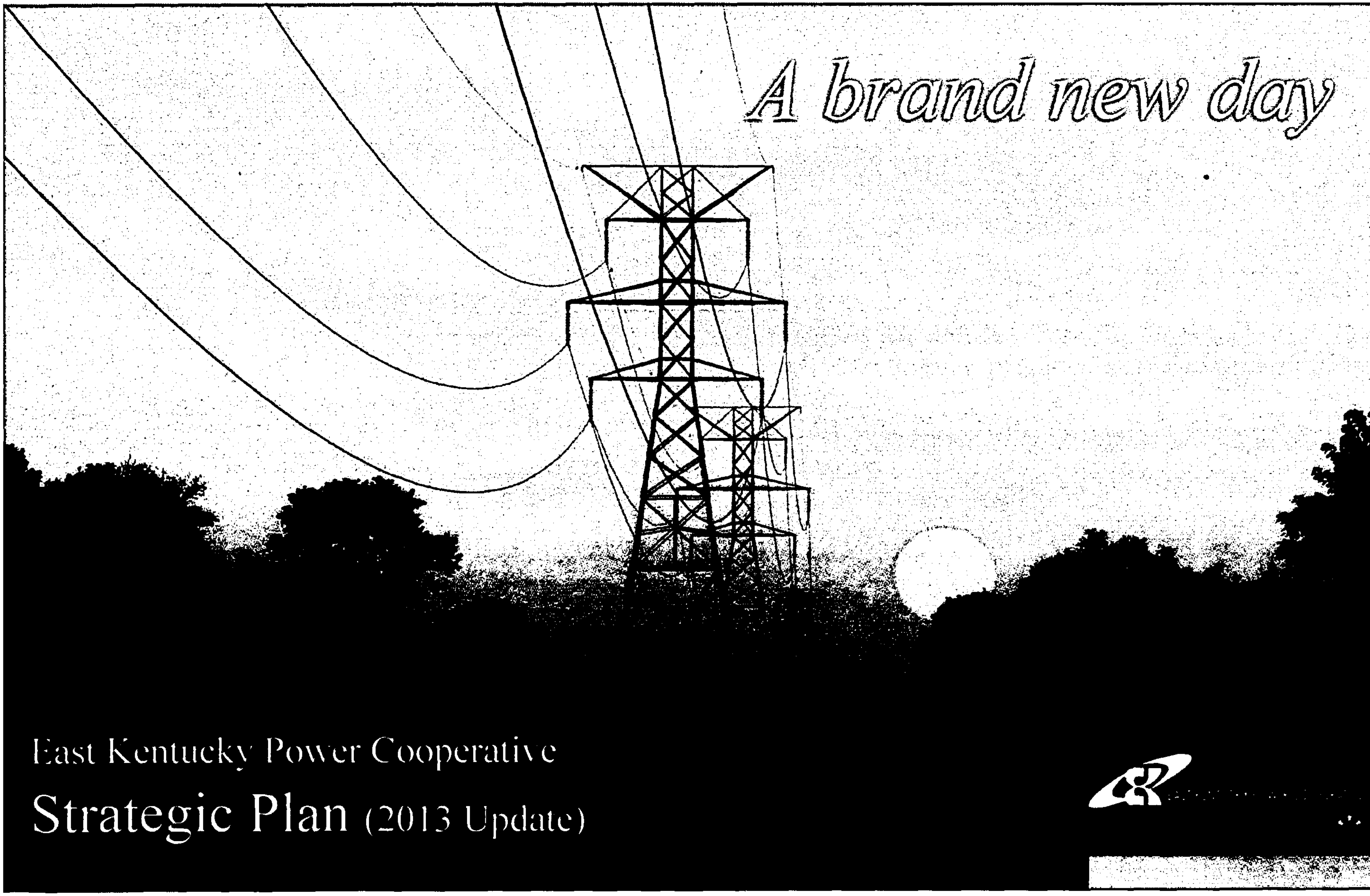
EKPC exists to serve its member-owned cooperatives by safely delivering reliable and affordable energy and related services

EKPC's Values

- Safety
- Service
- Honesty and Integrity
- Respect
- Teamwork

EKPC's Strategic Objectives

- Governance
- People
- Financial Integrity
- Operational Performance
- Generation & Transmission Assets
- Rates and Regulatory Relations
- Economic Development
- Communications


A brand new day
East Kentucky Power Cooperative
Strategic Plan (2013 Update)

Contents

About East Kentucky Power Cooperative

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Kentucky's Touchstone Energy® Cooperatives

EKPC at a Glance

- Assets — $3.3 billion
- Employees — 664
- Generating capacity (coal) — 1,882 megawatts
- Generating capacity (natural gas) — 1,032 megawatts
- Generating capacity (renewable)* — 185.2 megawatts
- Miles of transmission lines — 2,807 miles
- Number of substations — 362
- Meters served by member-owner co-ops — 522,523
- 2012 energy sales — 12.4 million megawatt hours
- 2012 operating revenue — $843 million
- 2012 net margin — $52.8 million

Statistics as of December 2012

*** Includes contracts for hydro power from the Southeastern Power Administration**

Thinking and Acting Strategically

Why does East Kentucky Power Cooperative exist?

What is our job?

How do we know we're doing it right?

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Rather, the Strategic Plan provides a set of high-level goals and objectives for our cooperative to strive toward. It provides the destination for our cooperative. It is up to EKPC's managers and employees, for the most part, to decide how to get there. To that end, business units have developed business plans to provide a more-detailed picture of what they need to do to successfully implement the Strategic Plan.

This booklet provides an overview of three major components of the strategic plan:

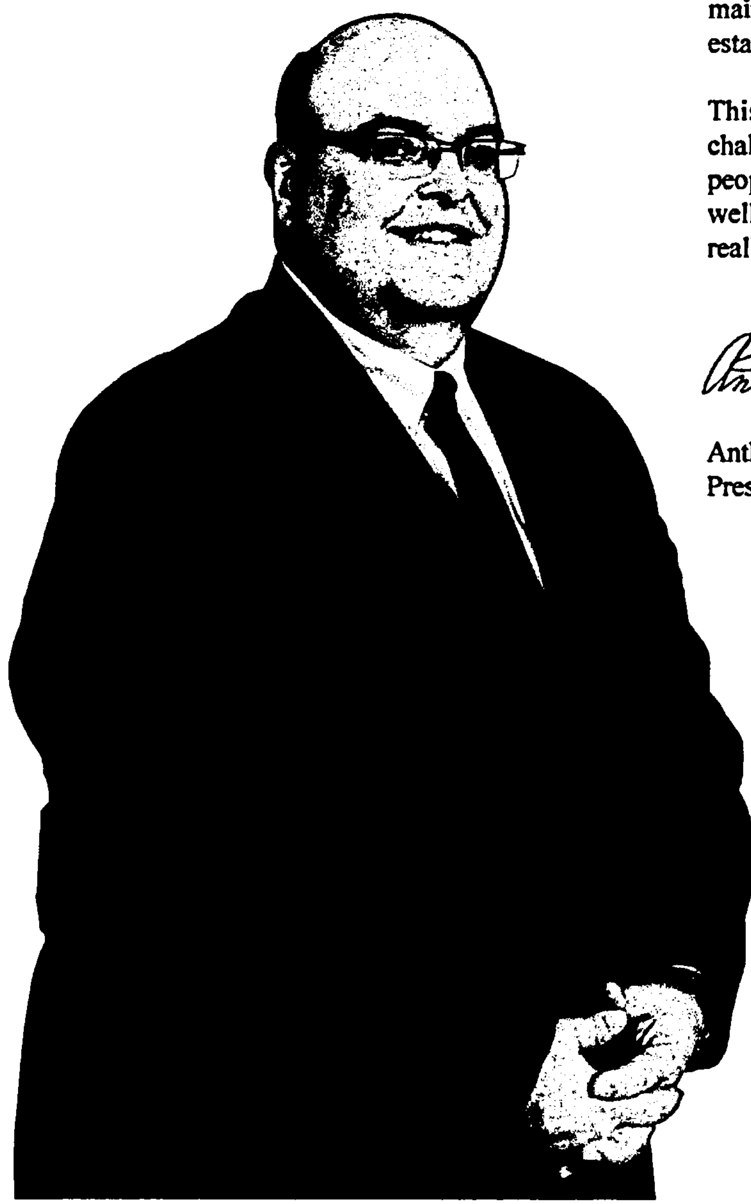
Mission.
The mission statement explains why EKPC exists.

Values.
These are the shared beliefs and culture that underlie everything we do at EKPC.

Strategic Objectives.
These nine objectives are the heart of the Strategic Plan because they provide the expectations of EKPC's Board of Directors.

These elements provide the basis for each business unit as they develop their own plans for achieving the strategic objectives. To track progress toward achieving the goals of these plans, business units developed sets of metrics.

It is critically important for each and every employee to understand the role they play. Each employee's goals and objectives should align with the goals and objectives of their business unit and EKPC as a whole. When that happens, everybody should be pulling in the same direction.



For 70 years, EKPC has been a leader among electric cooperatives nationwide, especially among generation and transmission cooperatives. With this Strategic Plan, EKPC's Board and management are committing to maintaining that leadership position by implementing and, in some cases, establishing industry best practices among G&Ts.

This is an exciting time for EKPC and the energy industry. There are challenges ahead. But our cooperative has a good plan and a great group of people. I am confident EKPC, its owner-members and our employees are well-prepared to meet the challenges and show the world how great EKPC really is.

Anthony "Tony" Campbell
President & CEO

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy® Cooperative

PSC Request 1
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70 Years of Making Lives Better with Affordable, Reliable Electricity

Since it was founded in 1941, EKPC's job has been to provide affordable, reliable electricity to its member-owner cooperatives. Electric cooperatives nationwide played a crucial role in revolutionizing the way rural Americans live, work and play.

A century ago, as the first homes and businesses began using electricity, it became clear that access to affordable, reliable power would vastly improve people's lives. It began with such innovations as electric lights, motors and refrigeration, and soon lit a short fuse to revolutions in transportation, manufacturing, communications, health care, computing, and many, many other areas.

But, by the late 1930s, nine out of 10 rural homes in Kentucky and the U.S. were still in the dark. Faced with the prospect of spending large amounts of money to build facilities to serve relatively few customers, most utilities didn't want to extend their power lines beyond cities, towns and major roadways.

But farmers and other rural residents saw how electricity improved the lives of their city brethren. And they were willing to put up their own money to gain access to it. They took advantage of New Deal government programs and funding to start member-owned electric cooperatives and build power lines to their homes and farms.

At first, those cooperatives usually bought electricity from power plants owned by the same utilities that had refused to extend power lines in the first place. But soon, many cooperatives realized they could obtain electricity more affordably and reliably by joining forces, pooling their money and using government financing to build and operate their own power plants.

That is how East Kentucky Power Cooperative came to be. Formed in 1941 by 13 member-owner cooperatives, EKPC got off to a slow start while the nation fought World War II. In 1954, EKPC's first power plant, Dale Station, began generating electricity.

Today, EKPC generates power at four major plants and delivers it over 2,800 miles of high-voltage transmission lines to nearly 350 substations. From there, EKPC's 16 member-owner cooperatives distribute the electricity to nearly 520,000 homes, farms and businesses in 87 Kentucky counties.

Our 16 member-owner cooperatives are owned by the people and businesses they serve. Likewise, EKPC is owned by the 16 co-ops it serves. (That's why EKPC is sometime referred to as a "cooperative of cooperatives.") As a result, EKPC and its member-owners remain focused on providing electricity as affordably and reliably as possible, the same as they did 70 years ago.

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative

EKPC's Mission

EKPC exists to serve its member-owned cooperatives by safely delivering reliable and affordable energy and related services.

EKPC's Values

Safety

- Safety is an essential part of everything we do.
- We will promote a safe, secure and healthy environment.

Service

- Our customers are our priority and service is our goal.
- We will act with a sense of urgency, with a focus on quality.
- We will listen and be responsive to the needs of our owner-members.

Honesty and Integrity

- Honesty is non-negotiable.
- We will be open and honest in our communication, even when it is difficult.
- We will always act in the best interest of EKPC.

Respect

- Treating everyone with respect and compassion is necessary for partnership.
- We understand that each person is important and brings a different perspective and approach; we value them all.

Teamwork

- We will never lose sight of the fact that we are a team.
- All of our actions reflect on all of our employees and owner-members.

TARGET

ZERO

Everything Begins With Safety

Providing affordable, reliable power every second of every day often means strenuous work under harsh conditions. But with proper training and equipment, every job we do can be performed safely. And that's important because we want every EKPC employee to go home just as healthy as they were when they arrived.

To that end, in 2011, EKPC began an initiative to make our cooperative a recognized safety leader in the electric industry. EKPC engaged the consulting services of DuPont Sustainable Solutions, a recognized global leader in safety performance.

We understand this is a long-term commitment to making fundamental changes in the way we approach work every day.

And it's worth it because our employees are worth it.

Strategic Objective

Governance:

Implement and maintain governance standards that are consistent with modern practices and the needs of the power supply cooperative.

EKPC's Board will improve the transparency and effectiveness of its governance to ensure that competent and committed directors are accountable, objective, acting with the utmost integrity and focusing on the best interests of EKPC.

Critical Success Factors

- Practice good governance and strive for continual improvement.
- Commit the time and energy necessary to complete the action items outlined in the Management Audit.
- Strive to be a model for governance among cooperatives.
- Govern and oversee execution of the EKPC Strategic Plan.

Strategic Objective

People:

Develop and maintain a high-performance workforce.

EKPC will create a culture of continuous improvement that is focused on the safety, performance and development of employees while preparing for the future through more effective training and improved succession planning.

Critical Success Factors

- Develop a planned, sustainable safety-improvement program.
- Develop and implement a comprehensive strategy to lead the workforce of the future that includes recruiting, development, retention, performance management and compensation that is aligned with the Strategic Plan of EKPC.
- Prepare for and assemble an engaged and productive workforce, anticipating the currently aging workforce and the changing skills and expectations of the different generations.

Strategic Objective

Financial Integrity:

Achieve a 15% equity ratio by 2015.

EKPC will strive to increase its equity-to-asset ratio to 15% by 2015, employing a combination of margin improvement through aggressive management of staffing, costs and capital assets while balancing risk and reliability, reducing debt with excess cash flow and managing rates.

Critical Success Factors

- Strengthen the balance sheet by increasing the ratio of equity to total assets.
- Gain ready access to the capital markets by achieving an investment grade credit rating.
- Evaluate new investments using sound financial principles.
- Aggressively control costs while minimizing exposure to risk.

Strategic Objective

Operational Performance:

Improve performance to be recognized as a leader among cooperatives, and maximize performance opportunities within PJM.

EKPC will aggressively manage and improve its operational performance using benchmarking to identify operational deficiencies and instilling a culture of continuous improvement. It will also take steps to maximize its performance opportunities within PJM and will measure success.

Critical Success Factors

- Establish performance measures that have clear line of sight to the strategic objectives, cover all departments, and are balanced.
- Define and pursue operational excellence using established performance measures to track progress.
- Use external benchmarking where it helps with goal-setting and identification of leading practices.
- Implement a corporate-wide continuous improvement effort.
- Measure activities to maximize operational performance within PJM.

Strategic Objective

G&T Assets:

Use EKPC's assets to deliver reliable and affordable energy from appropriately diversified fuel sources, and conduct research to understand issues and opportunities surrounding climate change.

EKPC will carefully manage its portfolio of assets and pursue diversity along two axes – one focused on the diversity of the supply resources (including DSM/EE programs) and one focused on the diversity of the ownership model. In addition, in light of the uncertainties and risks related to climate change regulation/legislation, EKPC will research and learn about related issues and opportunities.

Critical Success Factors

- **Pursue prudent diversity in the fuel mix of the generation portfolio.**
- **Diversify the energy sources used to meet demand among assets that are owned, distributed generation, contract purchases, and market purchases.**
- **Increase the use of demand side resources, including energy efficiency.**
- **Reduce environmental impacts through the use of economically viable renewable energy sources.**
- Research climate change issues and opportunities to continue utilizing existing coal fleet.

Rates & Regulatory Relations:

Design equitable rate structures, closely manage rate levels and continue to pursue positive relationships with regulators.

EKPC will establish rates that support economic development, build a stronger balance sheet and appropriately apportion costs among owner-members while working closely and constructively with state and federal regulators.

Critical Success Factors

- Review and introduce where appropriate a rate structure that is equitable, reflects a true cost of service, and incentivizes appropriate end-use behavior.
- Establish a rate level that improves EKPC's equity ratio.
- Avoid rate shock by increasing rates at close to the level of inflation in the long-term, changing gradually from year to year.
- Establish relationships and actively engage and partner with state and federal regulators of utilities, the environment and other areas.

Strategic Objective

Communications:

Establish and maintain effective communications with Members, employees, customers, and our broader communities.

EKPC will follow a comprehensive communication schedule and use many tools to ensure consistent and appropriate sharing of information with internal and external stakeholders and track effectiveness of communications, particularly those designed to raise awareness of the Plan and its key elements.

Critical Success Factors

- Provide effective communication to board members, system managers, EKPC employees, and key external stakeholders.
- Educate stakeholders about EKPC's Strategic Plan.
- Communicate information necessary to implement, monitor and direct efforts to meet the goals and objectives of the Strategic Plan.
- Ensure effective communication of all strategically important matters to all key stakeholders with an emphasis on public and community outreach.

Strategic Objective

Economic Development:

Support the economic interests of EKPC and the Members it serves, including strong support for the manufacturing sector.

EKPC will build an economic development capability that focuses on the economic sustainability of its Members and their communities through job creation endeavors, load retention, and load building opportunities. It will pay particular attention to the manufacturing sector and the opportunities it presents.

Critical Success Factors

- Maintain a consistent focus on economic development with full-time resources.
- Partner with member-owners to encourage development that meets the needs of their communities.
- Pursue economic development rates that support fairness among owner-members.
- Partner with Kentucky Association of Manufacturers and related organizations.

Strategic Objective

Risk Management for Load Loss:

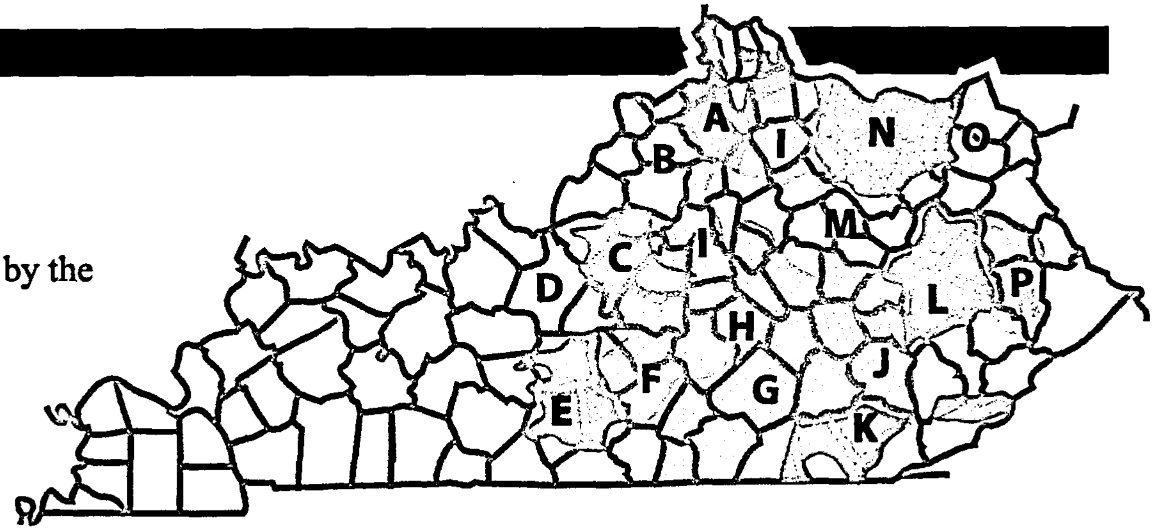
Actively understand and plan for risks of potential future loss of load related to DG, DSM/EE, and/or price point mismatches within PJM and with direct customers.

EKPC will research and study risks of potential load loss like distributed generation (DG), demand-side management (DSM) programs, energy efficiency (EE) programs, or mismatches of energy pricing relative to energy prices available within PJM or through other means.

Critical Success Factors

- Organize research around areas of potential load loss.
- Reach out to other cooperatives and other organizations (e.g., NRECA, EPRI) on research and studies that have been performed on these topics.
- Conduct own research where gaps exist in available studies.
- Develop plans based on the results of the research and analysis and engagement with the board.

EKPC's Owner-Members



East Kentucky Power Cooperative is owned by the 16 distribution cooperatives it serves.

	Cooperative	Location	Web site
A	Owen Electric	Owenton, Ky.	www.owenelectric.com/
B	Shelby Energy	Shelbyville, Ky.	www.shelbyenergy.com/
C	Salt River Electric	Bardstown, Ky.	www.srelectric.com/
D	Nolin RECC	Elizabethtown, Ky.	www.nolinrecc.com/
E	Farmers RECC	Glasgow, Ky.	www.farmersrecc.com/
F	Taylor County RECC	Campbellsville, Ky.	www.tcrecc.com/
G	South Kentucky RECC	Somerset, Ky.	www.skrecc.com/
H	Inter-County Energy	Danville, Ky.	www.intercountyenergy.net/
I	Blue Grass Energy	Nicholasville, Ky.	www.bgenergy.com/
J	Jackson Energy	McKee, Ky.	www.jacksonenergy.com/
K	Cumberland Valley Electric	Gray, Ky.	www.cumberlandvalley.coop/
L	Licking Valley RECC	West Liberty, Ky.	www.lvrecc.com/
M	Clark Energy	Winchester, Ky.	www.clarkenergy.com/
N	Fleming-Mason Energy	Flemingsburg, Ky.	www.fme.coop/
O	Grayson RECC	Grayson, Ky.	www.graysonrecc.com/
P	Big Sandy RECC	Paintsville, Ky.	www.bigsandyrecc.com/

EKPC's Mission

EKPC exists to serve its member-owned cooperatives by safely delivering reliable and affordable energy and related services

EKPC's Values

- Safety
- Service
- Honesty and Integrity
- Respect
- Teamwork

EKPC's Strategic Objectives

- Governance
- People
- Financial Integrity
- Operational Performance
- Generation & Transmission Assets
- Rates and Regulatory Relations
- Economic Development
- Communications
- Risk Management for Load Loss

EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative

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EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2014-00034
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 2
RESPONSIBLE PARTY: Isaac S. Scott

Request 2. Refer to page 3, paragraph 7, of the Application which states, "It is anticipated that many of EKPC's Member Systems will individually or collectively seek approval of their own EDR tariffs."

Request 2a. State whether it is expected that any Economic Development Rider ("EDR") tariff proposed by a member system would mirror the proposed EKPC EDR tariff, as has been proposed by Jackson Energy Cooperative Corporation ("JECC") in Case No. 2014-00047, or whether there is a possibility that it would differ. If it would be expected to differ, explain in what ways it could differ.

Response 2a. To encourage consistency, EKPC drafted and recommended a version of the EDR tariff to the Members for consideration which mirrored the EKPC proposal. While EKPC has responded to several clarifying questions posed by the Members since the draft version of the Members' tariff was presented, EKPC is not aware of any differences a Member may choose to incorporate into its EDR tariff application. Consequently, EKPC cannot explain in what ways an individual Member's proposed EDR tariff may vary from the version filed either by EKPC or JECC.

Request 2b. Other than JECC, state whether any EKPC distribution cooperative has expressed an interest in implementing the proposed EDR Tariff or a similar EDR Tariff.

Response 2b. EKPC understands and is aware that three Members are in the process of preparing their own EDR tariff filings and the proposed EDR tariffs are expected to be substantially similar to EKPC's proposal. Three other Members are considering the EDR tariff and are deciding whether to implement such a tariff. EKPC understands that the remaining nine Members are planning on filing their own EDR tariff applications and the proposed EDR tariff will be similar to EKPC's proposal. However, these Members do not plan on filing their applications until after EKPC's tariff is approved.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 3
RESPONSIBLE PARTY: Isaac S. Scott

Request 3. Refer to the Testimony of Isaac S. Scott ("Scott Testimony"), page 4, line 1, through page 6, line 12, wherein the minimum load eligibility and load factor requirements in the proposed Section EDR tariff are described.

Request 3a. Provide a more detailed explanation than appears in the Application as to why EKPC concluded that a minimum average monthly billing load requirement of 1,000 kW was not a reasonable threshold to set for its proposed EDR Tariff.

Response 3a. The service territories of the 16 Members cover 87 of the 120 counties in Kentucky. Those counties include portions of the Louisville-Lexington-Cincinnati triangle as well as northern, central, southern, and eastern Kentucky. EKPC wanted to develop an EDR that could be available to any of its Members to assist with economic development. EKPC discussed this issue with the Members, and concluded that it was not reasonable to expect that customers with a minimum billing load of 1,000 kW would be willing or able to locate in certain areas of the Members' service territories. In light of these discussions, EKPC concluded that lowering the minimum average billing load to 500 kW (or 250 kW if located in an "Enhanced Incentive County") would be the best way to encourage economic development activity across all the Members' service territories.

Request 3b. State whether EKPC has discussed the proposed Section EDR tariff with any eligible customers previously identified to determine the level of interest in the proposed EDR.

Response 3b. EKPC has discussed the proposed EDR tariff with four potentially eligible customers; however, the discussions were not undertaken to determine the level of interest in the proposed EDR. The discussions were held to make the customers aware that EKPC was in the process of developing and seeking approval of the EDR. Three of the four potentially eligible customers would be expanding customers rather than new customers.

EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 4
RESPONSIBLE PARTY: Isaac S. Scott

Request 4. Refer to page 5 of the Scott Testimony at lines 17-20 wherein Mr. Scott indicates that the selection of a 60 percent minimum load factor was in part due to the desire of EKPC and its Members not to attract "customers that would hurt the load factor of EKPC or the individual Members."

Request 4a. Explain how EKPC determined 60 percent to be an acceptable minimum load factor.

Response 4a. As noted in the testimony, a 60 percent load factor had been previously incorporated into EKPC's existing rate design. The Members suggested the 60 percent minimum load factor during discussions about the EDR.

Request 4b. Explain how the 60 percent minimum load factor requirement compares to EKPC's average load factor over the past five years

<u>Response 4b.</u> EKPC's average load factor for the five previous calendar years is as follows:

Calendar Year 2009	61.34%
Calendar Year 2010	64.56%
Calendar Year 2011	61.17%
Calendar Year 2012	61.39%
Calendar Year 2013	61.81%

Based on the five previous calendar years' average load factor, the 60 percent minimum is slightly lower than the average.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 5
RESPONSIBLE PARTY: Isaac S. Scott

Request 5. Refer to the Scott Testimony, page 7, lines 12-15, which state, "Therefore, the proposed Section EDR Tariff includes options for discount periods of three years, four years, and five years with corresponding contract terms of six years, eight years, and 10 years." Explain in detail the decision-making process EKPC will use in determining which of the three time periods to offer to a potential EDR customer.

Response 5. The "Availability" section on page 1 of the proposed EDR tariff includes the following statement: "Service under the EDR is conditional on approval of a special contract between EKPC, the participating Member System, and the qualifying non-residential customer for such economic development rate service filed with and approved by the Kentucky Public Service Commission." Consequently, the determination of the discount period will be the subject of negotiations for the special contract. EKPC will be working with the applicable Member and the potential customer to determine which discount period is appropriate on a case by case basis. This should assure that EKPC and its Members have maximum flexibility to achieve a fair, just, and reasonable result.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 6
RESPONSIBLE PARTY: Isaac S. Scott

Request 6. Refer to the Scott Testimony, page 8, line 21, through page 9, line 3, which states, "With the availability of market purchases through PJM, EKPC believes it should be permitted to cover months when excess capacity does not exist with purchases specifically designated to covering the customer with the economic development rate. That customer would then be required in the special contract to pay for the market purchase." Refer also to the February 18, 2014 Memorandum EKPC filed with its fuel adjustment clause attached as an Appendix to this Order.

Request 6a. Confirm that EKPC is a winter (December through February) peaking utility.

Response 6a. EKPC confirms that it is a winter peaking utility.

Request 6b. Confirm that a customer under a special contract with an EDR provision will receive the EDR discount for nine months, March through November, and then pay market prices for three months, December through February, each year of the EDR special contract. If this is not the case, provide an explanation.

Response 6b. The pricing plan described in Request 6b does not reflect EKPC's proposed EDR tariff. Under EKPC's proposed tariff, a customer taking service under the EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the listed discount options. In its application EKPC requests that it be permitted to offer the EDR tariff during either periods of excess capacity or when the additional capacity needs are secured through a market purchase agreement. EKPC anticipates that any costs associated with such a market purchase agreement will be included on the customer bill as a separate item. EKPC does not mean to imply that market prices for capacity will be substituted for the demand charges billed as part of the EDR.

The determination of the cost associated with a market purchase will be based on EKPC's participation in the PJM market. As a member of PJM, EKPC will be participating in the annual Base Residual Auction. This auction looks to a period three years beyond the current planning year. PJM estimates all members' load requirements for the three-year out period and considers individual forced outage information based on the generation performance of a member's generating assets from the year previous to the planning year. In the Base Residual Auction, EKPC buys its load requirements from the market and sells all available capacity into the market. This auction will establish initial capacity prices.

Subsequent to the Base Residual Auction, there are three Incremental Auctions, one held each year as the three-year out period is approached. In the first Incremental Auction, PJM will re-estimate EKPC's load requirement for the two-year out period. In the second Incremental Auction, PJM re-estimates EKPC's load requirements for the one-year out period. In the final Incremental Auction, PJM finalizes EKPC's load requirement for the planning year. It is at the third Incremental Auction that PJM finalizes EKPC's capacity availability to sell into the market. During each Incremental Auction, PJM takes into consideration the forced outage information for EKPC's generating assets from the year previous to the planning year. During the Incremental Auctions, EKPC will buy or sell capacity based on the updated load requirements, with the goal of matching the load requirements with the final available capacity.

A new or expanding EDR customer's additional load would not be reflected in the load requirements included in the Base Residual Auction that takes place the year that customer starts under the EDR contract. This is because the load requirements at that auction reflect the estimated load requirements three years beyond the current planning year. The first time the new or expanding EDR customer's additional load would be reflected in a load requirement would come during the first Incremental Auction. Depending on PJM's determination of the load requirement, that EDR customer may or may not cause EKPC to have to purchase capacity to cover the load. This would also be the case in the second and third Incremental Auctions. If the total load requirement for EKPC in any year is not increased with the inclusion of the EDR customer, there would be no purchase or arrangement for additional capacity and consequently no additional capacity charges for that year. If a purchase or arrangement for additional capacity was required, the cost would be based on the market conditions at the time of the specific Incremental Auction when the EDR customer's new load is first recognized. The cost would remain constant until the next Incremental Auction, and could increase, decrease, or remain essentially the same, depending on the results of each successive Incremental Auction. Such a cost would be added to the total bill, along with the existing tariff rates that would be adjusted by the EDR discount.

Request 6c. Explain how a customer would have been affected had the customer been an EDR customer pursuant to EKPC's proposed tariff in January 2014. Include in the response a sample bill and the supporting calculations for the amounts included on the bill.

Response 6c. For a Commission-approved three-party EDR special contract in existence in January 2014, the customer would have been billed under the applicable EKPC and Member rate schedules, with the demand charge discounted in accordance with the provisions of the EDR special contract. The bill would have included charges for the applicable fuel adjustment clause and environmental surcharge. Assuming the EDR customer's special contract became effective in 2013 after the applicable PJM Incremental Auction, there would not have been a separate charge for any purchased capacity. Lastly, the bill would have included applicable school and sales taxes.

EKPC would note that the increased costs it experienced in January 2014 were related to purchases of energy in the PJM market, not capacity purchases. These energy market purchases would have impacted an EDR customer in the same manner that all other customers were impacted – through the fuel adjustment clause that was billed.

In order to prepare a sample bill for an EDR customer, EKPC respectfully submits that additional information is required in order to provide an accurate response because EKPC does not directly bill the retail customers of its Members. The proposed EDR tariff is applicable to four EKPC rate schedules and there are three proposed discount periods. A bill calculated on the EKPC rate schedules would only reflect what EKPC would bill its Member for an EDR customer. EKPC's Members have numerous retail rate schedules that could be applicable to a customer seeking to become an EDR customer. To determine a reasonable sample bill for the EDR customer, EKPC would need to know which Member serves the EDR customer and the billing load. If these assumptions could be provided, EKPC can calculate the sample bill requested.

Request 6d. State whether the discount the EDR customer would receive during the nine months March through November could be more than offset by any premium the customer might have to pay for electricity at market prices during the three months December through February.

Response 6d. As noted in the response to Request 6b, EKPC is not proposing an EDR tariff that offers discounted rates for nine months of the year and charges market prices during the winter period. In the event that EKPC would have to purchase capacity from the PJM market to cover the addition of a new EDR customer, the cost of that capacity will reflect the market conditions at the time of the applicable Incremental Auction. It is possible that the cost of the purchased capacity could be more than the monthly discount of the tariff demand charge. The likelihood could be greater in the last year of the discount period, when the discount percentage is only 10 percent. However, the cost of the purchased capacity could be less than the monthly discount of the tariff demand charge. There is also the possibility that there would be no additional capacity purchased from the PJM market in a given year.

Request 6e. The last paragraph of the February 18, 2014, Memorandum states, "As a further consideration, it would be reasonable to expect that during the summer months, EKPC may be called upon by PJM to bring units on to meet energy needs for other PJM members who are experiencing high summer demands. It would appear logical to expect in those situations EKPC could wind up with a net credit position . . . ." State whether it is possible that the EDR revenues received by EKPC during the summer peak could be less than the benefit other ratepayers would receive from EKPC's selling the EDR-related capacity and energy into the PJM market.

Response 6e. EKPC respectfully disagrees with the premise of this question. EKPC and its Members have an obligation to serve the customers in the Members' service territories. EKPC's decision to join PJM did not in any way reduce or eliminate that obligation to serve. While EKPC certainly wants to maximize the benefits that can be achieved from its generating assets, the first priority is meeting the requirements of the native load.

It is certainly possible that the EDR revenues received by EKPC during the summer peak could be less than the benefit other ratepayers could receive from EKPC's selling the EDR-related capacity and energy into the PJM market. It is equally possible the reverse situation could occur. However, EKPC does not believe such a comparison is reasonable or warranted given the historic obligation to serve native load.

The comparison suggested in the question would imply that EKPC should be evaluating the addition of <u>any</u> new customer, with or without an EDR, on the basis of whether more revenues would be generated from the customer than could otherwise be achieved if that capacity and energy were sold into the PJM market. The obligation to serve native load renders this consideration moot.

EAST KENTUCKY POWER COOPERATIVE, INC.
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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 7
RESPONSIBLE PARTY: Isaac S. Scott

Request 7. Refer to page 9 of the Scott Testimony, lines 10-19, wherein Mr. Scott discusses EKPC's request to define a new customer as one who becomes a customer on or after January 1, 2013.

Request 7a. State the number of new and existing customers who began service on or after January 1, 2013, that EKPC would consider eligible for the EDR. Provide the average monthly billing load and average monthly load factor for those customers.

Response 7a. There is only one new customer who began service on or after January 1, 2013 that EKPC would consider eligible for the EDR. The average monthly billing load for that customer was 1,180 kW and the average monthly load factor was 91.83 percent.

Request 7b. State whether qualifying customers who initiated service after January 1, 2013, were told they would be eligible for a future EDR.

Response 7b. While the proposed EDR was discussed, the customer was not told whether they would or would not be eligible for the proposed EDR.

Request 7c. State whether using the date of January 1, 2013, as the date after which a customer is eligible for the EDR tariff creates a free rider problem

Response 7c. While it is not clear what "free rider problem" this request is referencing, EKPC does not believe the January 1, 2013 eligibility date will create a free rider problem. Although the proposed eligibility date is January 1, 2013, the EDR will not become effective until a three-party special contract has been signed by the parties and approved by the Commission. Until the three-party special contract is approved by the Commission, the potential EDR customer would not receive any discounts. There will be no retroactive application of the discounts after the Commission's approval of the three-party special contract.

EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 8
RESPONSIBLE PARTY: Isaac S. Scott

Request 8. Refer to page 10 of the Scott Testimony, lines 13-17, which reference Finding Paragraph 4 of the Commission's September 25, 1990, Order in Administrative Case No. 327. That finding paragraph provides that the minimum bill should be included in an EDR contract. State whether EKPC intends to include the minimum bill in executed EDR contracts.

Response 8. Yes, EKPC intends to include the minimum bill in the executed EDR contracts.

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REQUEST 9
RESPONSIBLE PARTY: Isaac S. Scott

Request 9. Refer to page 10 of the Scott Testimony, lines 21-23, which state, "The Section EDR tariff states that customer-specific fixed costs will not be borne by EKPC's or the Member's other customers during the term of the contract." Confirm that page 2, Item 6) of the Section EDR tariff, which states, "Any EDR customer-specific fixed costs shall be recovered over the life of the special contract," is intended to encompass Item 3) of the tariff which specifies that the cost of a customer-specific meter installation will be recovered *from the customer* (emphasis added).

Response 9. EKPC believes that the cost of a customer-specific meter installation should be considered a customer-specific fixed cost, and therefore confirms that page 2, Item 6) of the proposed EDR tariff encompasses page 2, Item 3). However, as discussed in EKPC's response to Request 13b, EKPC currently does not charge for a meter associated with a contract load. Since all EDR arrangements will be special contracts, under current policy, there would be no charge for any customer-specific meter installations.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 10
RESPONSIBLE PARTY: Isaac S. Scott

Request 10. Refer to the Scott Testimony, page 13, beginning at line 21, which states, "Finding No. 13 — EDR contracts designed to retain the load of existing customers should be accompanied by an affidavit of the customer stating that, without the rate discount, operations will cease or be severely restricted. In addition, the utility must demonstrate the financial hardship experienced by the customer." Mr. Scott goes on to state on page 14, line 9, "However, if EKPC and its Members conclude it was in their best interests to enter into a special contract associated with the proposed Section EDR tariff that was designed to retain the load of an existing customer, EKPC or the Member (as applicable) would comply with the provisions of this guideline."

Request 10a. State whether it is EKPC's intention to revise its proposed EDR tariff to provide for the possibility of offering an EDR special contract to retain the load of an existing customer. If so, provide the revision. If not, and if EKPC and its Members conclude it is in their best interests to enter into such a contract, state how EKPC believes the EDR tariff as proposed can be used for retaining existing load.

Response 10a. EKPC does not intend to revise its proposed EDR tariff to provide for the possibility of offering an EDR special contract to retain the load of an existing customer who, without the rate discount, would cease operations or be severely restricted. EKPC would note that prior to the quotation from page 14, line 9 of Mr. Scott's testimony is this statement beginning at line 6: "EKPC believes the better use of its resources exists in encouraging new customers to locate in its Members' service territories or encouraging existing customers to expand their current operations."

EKPC acknowledges that the EDR approved for Atmos Energy Corporation does include this provision and the Economic Development Program of the Development Incentive Rider for Duke Energy Kentucky includes a similar provision.[1] However, no such provision is included in the EDR tariffs of Louisville Gas and Electric Company or Kentucky Utilities Company.

EKPC believes the proposed EDR tariff addresses the use of the EDR for retaining existing load. Page 4, Item 5) states, "EKPC and the Member System may offer differing terms, as appropriate, under the special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer, subject to approval by the Commission."

Request 10b. If EKPC were to face the hypothetical situation in which it had two customers identical in every aspect and were located in the same "Enhanced Incentive County," except that one customer was a newly located customer and the other customer was a 20-year member of the cooperative whose operations would cease or be severely restricted absent an EDR contract, explain whether EKPC believes it would be reasonable and in line with its economic development goals to grant the newly located customer a special contract with a Section EDR provision and to deny the longtime member of the cooperative the kind of EDR special contract that was contemplated by the Order in Administrative Case No. 327.

Response 10b. EKPC does believe that the EDR could be utilized to retain an existing customer. However, EKPC prefers that the primary usage of the EDR should be to encourage

[1] The Duke Energy Kentucky tariff states "The Company may also consider applying the ED Program to an existing customer who, but for economic incentives being provided by the State and/or local government or public agency, would leave the Company's service area. In this event, the customer must agree, at a minimum, to retain the current number of FTE employees."

new customers to locate in the Members' service territories or existing customers to expand operations. EKPC does not view the two applications of the EDR as mutually exclusive.

EKPC would note that the Commission stated in its September 24, 1990 Order in Administrative Case No. 327 "The Commission finds that EDRs used for the purpose of retaining existing load should be strictly limited and closely monitored." EKPC discussed this possibility with its Members during the development of the proposed EDR tariff. It should be remembered that the two customers in the hypothetical situation are the customers of EKPC's Members. EKPC believes the decision of how to handle the hypothetical situation would primarily rest with the applicable Member. EKPC would work with the Member to develop and secure approval of whichever special contract the Member decided to pursue.

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 11
RESPONSIBLE PARTY: Rodney Hitch

Request 11. Refer to the Testimony of Rodney Hitch ("Hitch Testimony"), page 4, lines 1-4. Provide a listing of the nine projects currently being managed by the Kentucky Cabinet for Economic Development for potential investment in EKPC's members' service territories. Include within this listing a brief description of each of the projects.

Response 11. EKPC wishes to stress to the Commission Staff that discussions with potential customers are a very sensitive matter and any public disclosure can result in the cancellation of the present discussions and potentially harm the ability of EKPC to enter into future discussions with customers. Therefore, the information provided in response to the request is being submitted with a motion for confidential treatment.

REDACTED

REDACTED

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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 12
RESPONSIBLE PARTY: Rodney Hitch

Request 12. Refer to the Hitch Testimony, page 4, lines 16-18. Provide a listing of the four large key accounts with which EKPC is currently supporting negotiations in its members' service territories for retention and/or expansion. Include within this listing a description of the status of the negotiations and whether such negotiations involve retention and/or expansion of each of the four large key accounts.

Response 12. EKPC wishes to stress to the Commission Staff that discussions with current customers are a very sensitive matter and any public disclosure can result in the cancellation of the present discussions and potentially harm the ability of EKPC to enter into future discussions with customers. Therefore, the information provided in response to the request is being submitted with a motion for confidential treatment.

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EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 03/07/14
REQUEST 13
RESPONSIBLE PARTY: Isaac S. Scott

Request 13. Refer to page 2 of the proposed Section EDR in Exhibit 3 of the application. The proposed language indicates that a new or existing customer eligible for a minimum average monthly billing load between 250 kW and 500 kW "may require a customer-specific meter installation," and that the cost of the installed meter "shall be recovered from the customer."

Request 13a. State whether new or existing loads in excess of 500 kW could require a similar customer-specific meter installation.

Response 13a. Currently, the portion of the Members' load served under EKPC's Rate E does not require a customer-specific meter installation regardless of the size of the load. The referenced section of the proposed EDR tariff was necessary because a qualifying EDR customer's load would need to be specifically measured. Commercial and industrial customers already served under EKPC's Rate B or Rate C have a customer-specific meter installation in conjunction with receiving service under those rate schedules. The minimum load requirement to qualify for EKPC's Rate B or Rate C is 500 kW.

Request 13b. Provide a description of the cost-recovery mechanism planned by EKPC and a breakdown, if possible, of the anticipated cost of installation.

Response 13b. Currently, EKPC does not charge for a meter associated with a contract load. This tariff provision was included because it was recognized that a customer-specific meter installation in all likelihood would be required for loads under Rate E. While preparing the proposed tariff the fact that EKPC does not charge for a meter associated with a contract load was overlooked. Since all EDR arrangements will be special contracts, under current policy there would be no charge for any customer-specific meter installations. However, EKPC would propose to keep this provision in the event that current policy is revised in the future.