

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

JUL 23 2014

PUBLIC SERVICE  
COMMISSION

THE APPLICATION OF TAYLOR COUNTY )  
RURAL ELECTRIC COOPERATIVE )  
CORPORATION FOR APPROVAL OF AN )  
ECONOMIC DEVELOPMENT RIDER )

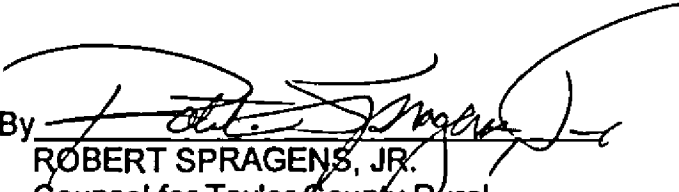
CASE NO.  
2014-00192

APPLICANT'S RESPONSE TO REQUEST FOR INFORMATION

Applicant, Taylor County RECC, acting by counsel, provides herewith an original and ten (10) copies of its Response to the Commission Staff's Initial Request for Information dated June 30, 2014.

Respectfully submitted,


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By   
ROBERT SPRAGENS, JR.  
Counsel for Taylor County Rural  
Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
CASE NO 2014-00192

VERIFICATION


I verify state and affirm that the testimony filed with this verification and for which I am listed as a witness is true and correct to the best of my knowledge, Information and belief formed after a reasonable inquiry.

  
Barry L. Myers, Manager

State of Kentucky

County of Taylor

The foregoing was signed, acknowledged and sworn to before me by Barry L. Myers, this 22<sup>nd</sup> day of July 2014.

  
Notary Public

My Commission Expires 5/6/17 ID# 487753

**TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00192  
RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 1**

**WITNESS: Barry L. Myers**

**Question 1**

**State whether Taylor RECC has discussed the proposed Section Economic Development Rider ("EDR") tariff with any eligible customers to determine the level of interest in the proposed EDR.**

**Response 1**

**Taylor County RECC has not discussed the proposed EDR with any eligible customers.**

**TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 2**

**WITNESS: Barry L. Myers**

**Question 2**

**State whether Taylor RECC believes the proposed minimum average monthly billing load requirement of 500 kilowatts ("kW") set out in the proposed tariff to be a reasonable threshold to set for its proposed EDR Tariff based on its own system.**

**Response 2**

**Taylor County RECC believes this is a reasonable threshold for the proposed EDR tariff.**

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 3

WITNESS: Barry L. Myers

Question 3 a.

State whether Taylor RECC believes the 60 percent minimum load factor set out in the proposed tariff is appropriate in achieving the goal of not attracting "customers that would hurt the load factor of East Kentucky Power Cooperative, Inc. ("EKPC") or the individual Members."

Response 3 a

Taylor County RECC believes the 60% load factor is appropriate.

Question 3 b

Explain how the 60 percent minimum load factor requirement compares with Taylor RECC's average load factor over the past five years.

Taylor Counties average load factor for the previous five calendar years was:

Calendar Year 2009	59.3%
Calendar Year 2010	58.4%
Calendar Year 2011	53.8%
Calendar Year 2012	56.4%
Calendar Year 2013	56.7%

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**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 4**

**WITNESS: Barry L. Myers**

**Question 4**

**Refer to Case No. 2014-00034, Testimony of Isaac S. Scott ("Scott Testimony"), page 7, lines 12-15, which states, "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 that will be used in determining which of the three time periods to offer to a potential Taylor RECC EDR customer.**

**Response 4**

**The EDR tariff states that service is conditional on approval of a special contract by the KY PSC which has been negotiated between EKPC, TCRECC and the eligible customer. The discount period is the result of this negotiated contract.**

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 5

WITNESS: Barry L. Myers

Question 5

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."

a. Confirm that the parties to the special contract will be EKPC, Taylor RECC, and the customer. If this cannot be confirmed, explain.

Response 5 a

The parties to the special contract will be EKPC, TCRECC, and the customer.

Question 5 b

State whether the discount the EDR customer would receive could be more than offset by any premium it might have to pay for capacity at market prices.

Response (b): Taylor County agrees that the EDR discount the customer would receive could be more than offset by any premium that customer would pay for capacity at market prices. As EKPC noted in its response to Request 6(d) in the Commission Staff's Initial Request for Information dated March 7, 2014,

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.

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**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 6  
WITNESS: Barry L. Myers**

**Question 6**

**Refer to the second page of the proposed EDR tariff, section 7, which defines a new customer as one who becomes a customer of Taylor RECC on or after January 1, 2013, and to Case No. 2014-00034, page 9 of the Scott Testimony, lines 10-19 wherein Mr. Scott discusses this customer definition.**

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

**Response 6 a**

**Between the period January 1, 2013 and June 30, 2014 TCRECC has not added any customers eligible for the EDR.**

**Question 6 b**

**State whether qualifying customers initiating service after January 1, 2013, were told they would be eligible for a future EDR.**

**Response 6 b**

**No qualifying customers were added.**

**Question 6 c**

**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 as defined on page 14 of the Commission's September 24, 1990 Order in Administrative Case No. 3272 ("Admin. 327"): "Customers who would have decided to locate in Kentucky or expand existing operations even in the absence of rate discounts, but who would take advantage of EDRs that are offered to all new or expanding customers, in effect, become 'free riders' on the utility system at the expense of all other ratepayers."**

**Response 6 c**

**No qualifying customers were added between January 1, 2013 and June 30, 2014.**



**TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 7**

**WITNESS: Barry L. Myers**

**Question 7**

**Refer to Case No. 2014-00034, page 10 of the Scott Testimony, lines 13-17 which reference Finding Paragraph 4 of the Commission's September 24, 1990, Order In Admin. 327. That finding paragraph provides that the minimum bill should be included in an EDR contract. State whether Taylor RECC Intends to include the minimum bill in executed EDR contracts.**

**Response 7**

**The minimum bill will be included in the special EDR contract.**

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION  
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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 8  
WITNESS: Barry L. Myers

**Question 8**

Refer to Case No. 2014-00034, page 10 of the Scott Testimony, lines 21-23 which states, "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 Taylor RECC's proposed 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*.

**Response 8**

TCRECC 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, EKPC provides the meter for contract loads and currently does not charge for a meter associated with a contract load. And since all EDR arrangements will be special contracts with EKPC, TCRECC understands that there would be no charge for any customer-specific meter installation.

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**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 9  
WITNESS: Barry L. Myers**

**Question 9**

**Refer to Case No. 2014-00034, pages 10 through 15 of the Scott  
Testimony, in which the individual findings from the Commission's Order in Admin. 327  
are discussed. State whether Taylor RECC likewise agrees to the commitments EKPC  
makes with regard to these findings.**

**Response 9**

**TCRECC acknowledges that any EDR special contract reached between EKPC,  
TCRECC and the EDR customer will need to be consistent with the guidelines the PSC  
established in its 1990 Order in Administrative Case No. 327. Consequently, TCRECC  
is agreeable to the commitments EKPC has stated in the Scott Testimony in Case No.  
2014-00034 pages 10 through 15.**

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 10

WITNESS: Barry L. Myers

**Question 10**

Refer to Case No. 2014-00034, 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 interest 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."

**Question 10 a**

State whether it is Taylor RECC'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 Taylor RECC concludes it is in its best interest to enter into such a contract, state how Taylor RECC believes the EDR tariff as proposed can be used for retaining existing load.

**Response 10 a**

TCRECC 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. TCRECC wants to encourage new customers to locate in its service territory and encourage existing customers to expand their current operations.

**Question 10 b**

If Taylor RECC were to face the hypothetical situation in which it had two customers identical in every aspect and both located in the same "Enhanced Incentive County," except that one customer is a newly located customer and the other customer is a 20-year member of the cooperative whose operations would cease or be severely restricted absent an EDR contract, explain whether Taylor RECC 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 Admin. 327.

**Response 10 b**

**TCRECC does not believe that the EDR could be utilized to retain an existing consumer. TCRECC prefers that the primary usage of the EDR should be to encourage new customers to locate in TCRECC's service territory or promote existing customers to expand their existing operations.**

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COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 11

WITNESS: Barry L. Myers

Question 11

Refer to the second page of the proposed Section EDR. 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."

Question 11 a

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

Response 11 a

EKPC provides the meter for contract loads exceeding 500 kW and EKPC's current policy does not charge for a meter associated with a contract load. EKPC has noted that 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 and under EKPC's current policy, there would be no charge for any customer-specific meter installation.

Question 11 b

Provide a description of the cost-recovery mechanism planned by Taylor RECC and a breakdown, if possible, of the anticipated cost of installation.

Response 11 b

TCRECC believes that the cost of a customer-specific meter installation should be recovered from the customer. However, EKPC provides the meter for contract loads and currently does not charge for a meter associated with a contract load. Since all EDR arrangements will be special contracts with EKPC, TCRECC understands that there would be no charge for any customer-specific meter installation.

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**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED JUNE 30, 2014  
REQUEST 12**

**WITNESS: Barry L. Myers**

**Question 12**

**Refer to page 3 of 4 of the proposed Section EDR tariff. Explain the need for the statement, "The discount will not be smaller than the amount calculated from the EKPC rate sections" that appears in the middle of the page.**

**Response 12**

**The discount on the demand will be based on EKPC's demand rate on the respective tariff and noted in the special contract. There are differences between the demand rates authorized for EKPC and Taylor County. In addition, EKPC bills on coincident peak and Taylor County bills on peak system demand. In order to provide simplicity and clarity, it was determined that offering the EKPC-based discount was the most reasonable approach.**