

November 25, 2014

**VIA HAND DELIVERY**

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

RECEIVED

NOV 24 2014

RE: Case No. 2014-00292

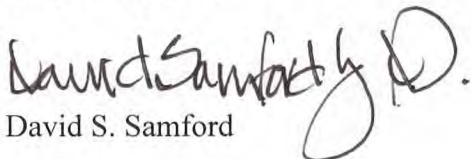
PUBLIC SERVICE  
COMMISSION

Dear Mr. Derouen:

Enclosed for filing, please find one original and ten copies of East Kentucky Power Cooperative, Inc. ("EKPC") responses to Commission Staff's Second Request for Information dated November 10, 2014 in the above referenced case. Also enclosed for filing are an original and ten copies of EKPC's Motion for Confidential Treatment of Information ("Motion") regarding the responses to Requests 2(a), 2(b), 2(d) and 2(e). One unredacted copy of the designated confidential portions of each of the responses to Requests 2(a), 2(b), 2(d) and 2(e), 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

Enclosures

cc: Parties of Record

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

**IN THE MATTER OF:**

**AN APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE INC. FOR AN ORDER DECLARING )  
THE GLASGOW LANDFILL GAS TO ENERGY PROJECT )  
TO BE AN ORDINARY EXTENSION OF EXISTING )  
SYSTEMS IN THE USUAL COURSE OF BUSINESS AND )  
A JOINT APPLICATION OF FARMERS RURAL )  
ELECTRIC COOPERATIVE CORPORATION AND EAST )  
KENTUCKY POWER COOPERATIVE, INC. FOR )  
APPROVAL TO ENTER INTO A TEN YEAR PURCHASED )  
POWER AGREEMENT AND APPROVAL OF A SPECIAL )  
CONTRACT )**

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**NOV 24 2014**

**PUBLIC SERVICE  
COMMISSION**

**CASE NO.  
2014-00292**

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**MOTION FOR CONFIDENTIAL TREATMENT**

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Come now East Kentucky Power Cooperative, Inc. (“EKP” and Farmers Rural Electric Cooperative Corporation (“Farmers”), 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 certain information in the Responses to Commission Staff’s Second Request for Information, in the above-captioned proceeding, respectfully state as follows:

1. The Application in this case requests the Commission to determine that no Certificate of Public Convenience and Necessity (“CPCN”) is necessary for a Landfill Gas to Energy Facility (“LFGTE Facility”) in Glasgow, Kentucky, as well as to approve a purchase power agreement between Farmers and EKPC regarding the sale of energy, capacity and environmental attributes produced by the LFGTE Facility.

2. On November 10, 2014, Commission Staff propounded upon EKPC its Second Request for Information. Request 2(a) of Commission Staff's Second Request for Information pertains to calculations that support the figures contained in the Application relating to the cost of capacity, operation and maintenance expenses, depreciation expense, cost of energy, the renewable energy credit value and net book value of the asset. Request 2(b) pertains to information regarding Farmers' cost of energy and EKPC's cost to Members. Request 2(d) pertains to information regarding the current demand charge for the Glasgow project and the savings per year the avoidance of this cost this will generate for Farmers. Request 2(e) requests an electronic copy of Exhibit 6 of the Application. A motion for confidential treatment of Exhibit 6 to the Application was filed on August 21, 2014, is currently pending before the Commission.

3. Contemporaneous with the filing of this motion, EKPC is tendering information and documentation responsive to Commission Staff's Second Requests 2(a), 2(b), 2(d) and 2(e). Specifically, EKPC is providing, *inter alia*: (1) information regarding the operation and maintenance costs associated with the Glasgow facility, the depreciation expense associated with the Glasgow facility, the net book value of the Glasgow facility, capacity charge, Farmers' cost of energy and the renewable energy credit value associated with the Glasgow facility; (2) the cost per MWh to EKPC's Members from its 2013 Financial Forecast; (3) the current demand charge for the Glasgow facility and the annual savings to Farmers; and (4) and an electronic copy of a table depicting the generation costs of EKPC's existing generating facilities (collectively, the "Confidential Information").

4. The Kentucky Open Records Act exempts from disclosure certain confidential and proprietary commercial information. *See* KRS 61.878(1)(c). To qualify for this exemption

from public disclosure and, therefore, to maintain the confidentiality of the information, a party must establish that disclosure of the confidential and proprietary commercial information would permit an unfair advantage to competitors of that party. Public disclosure of the Confidential Information described above would lead to such a result.

5. The public disclosure of the Confidential Information would reveal information that is, quite obviously, highly sensitive, commercially valuable and strictly proprietary. The public disclosure of this information would potentially harm Movants' competitive position in the marketplace, to the detriment of Movants and their customers.

6. The Confidential Information was developed internally by EKPC personnel or was the subject of confidential negotiations with Farmers and EKPC. The Confidential Information is not on file with any public agency, and is not available from any commercial or other source. Moreover, the aforementioned Confidential Information is distributed within EKPC and Farmers only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry. In particular, much of this Confidential Information was, and remains, integral to EKPC's effective execution of business decisions and strategy. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995).

6. The Confidential Information is also entitled to confidential treatment because it constitutes a trade secret under the two prong test of KRS 365.880: (a) the economic value of the information as derived by not being readily ascertainable by other persons who might obtain economic value by its disclosure; and (b) the information is the subject of efforts that are

reasonable under the circumstances to maintain its secrecy. The economic value of the information derives from the fact that it reveals Movants' business decisions and strategies – which is commercially valuable. Second, EKPC and Farmers certainly endeavor to maintain the confidentiality of the information by limiting its dissemination, even within the respective companies.

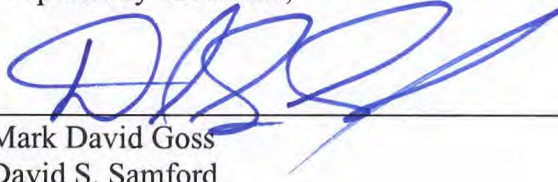
8. In accordance with 807 KAR 5:001, Section 13(3), the Movants are filing: (1) one copy of the Responses to Staff's Second Request for Information with the Confidential Material, under seal, which identifies the confidential material; and one (1) original and (10) ten copies of the Responses to Staff's Second Request for Information in which the Confidential Information is redacted. The Movants respectfully request that the Confidential Information be treated as confidential under the Commission's regulations for a period of at least ten (10) years from the date entry of an Order.

9. Movants do not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable confidentiality and nondisclosure agreement, to any intervenors with a legitimate interest in reviewing the same for the sole purpose of participating in this case.

WHEREFORE, on the basis of the foregoing, Movants respectfully request the Commission to enter an Order granting this Motion and to so afford such protection from public disclosure to the unredacted copies of the Confidential Information, which are filed herewith under seal, for a period of ten years from the date of entry of such an Order.

This 24<sup>th</sup> day of November, 2014.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'DSS', is written over a horizontal line.

Mark David Goss

David S. Samford

L. Allyson Honaker

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*Counsel for East Kentucky Power Cooperative, Inc.  
and Farmers Rural Electric Cooperative Corp.*

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

**In the Matter of:**

**APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR AN ORDER )  
DECLARING THE GLASGOW LANDFILL GAS )  
TO ENERGY PROJECT TO BE AN ORDINARY )  
EXTENSION OF EXISTING SYSTEMS IN THE )  
USUAL COURSE OF BUSINESS AND A JOINT )  
APPLICATION OF FARMERS RURAL )  
ELECTRIC COOPERATIVE CORPORATION )  
AND EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR APPROVAL TO )  
ENTER INTO A TEN YEAR PURCHASED )  
POWER AGREEMENT AND APPROVAL OF A )  
SPECIAL CONTRACT )**

**CASE NO.  
2014-00292**

**RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.**

**DATED NOVEMBER 10, 2014**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR AN ORDER )  
DECLARING THE GLASGOW LANDFILL GAS )  
TO ENERGY PROJECT TO BE AN ORDINARY )  
EXTENSION OF EXISTING SYSTEMS IN THE )  
USUAL COURSE OF BUSINESS AND A JOINT )  
APPLICATION OF FARMERS RURAL )  
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AND EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR APPROVAL TO )  
ENTER INTO A TEN YEAR PURCHASED )  
POWER AGREEMENT AND APPROVAL OF A )  
SPECIAL CONTRACT )

CASE NO.  
2014-00292

CERTIFICATE

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Jeffrey Brandt, 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 Second Request for Information in the above-referenced case dated November 10, 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.

*Jeffrey Brandt*

Subscribed and sworn before me on this 2<sup>nd</sup> day of November 2014.

*Debra Wiloughby*  
DEBRA WILLOUGHBY  
Notary Public  
State at Large  
Kentucky  
My Commission Expires Nov 30, 2017



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

**IN THE MATTER OF:**

<b>APPLICATION OF EAST KENTUCKY POWER</b>	)	
<b>COOPERATIVE, INC. FOR AN ORDER</b>	)	
<b>DECLARING THE GLASGOW LANDFILL GAS</b>	)	
<b>TO ENERGY PROJECT TO BE AN ORDINARY</b>	)	
<b>EXTENSION OF EXISTING SYSTEMS IN THE</b>	)	
<b>USUAL COURSE OF BUSINESS AND A JOINT</b>	)	<b>CASE NO.</b>
<b>APPLICATION OF FARMERS RURAL</b>	)	<b>2014-00292</b>
<b>ELECTRIC COOPERATIVE CORPORATION</b>	)	
<b>AND EAST KENTUCKY POWER</b>	)	
<b>COOPERATIVE, INC. FOR APPROVAL TO</b>	)	
<b>ENTER INTO A TEN YEAR PURCHASED</b>	)	
<b>POWER AGREEMENT AND APPROVAL OF A</b>	)	
<b>SPECIAL CONTRACT</b>	)	

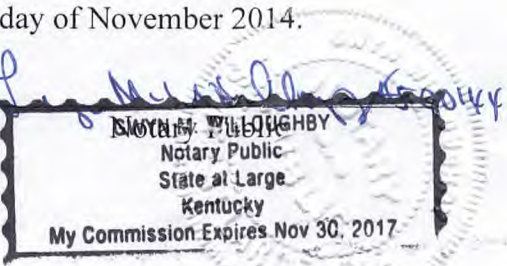
**CERTIFICATE**

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

David Crews, 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 Second Request for Information in the above-referenced case dated November 10, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_

Subscribed and sworn before me on this 24<sup>th</sup> day of November 2014.

  
\_\_\_\_\_

**EAST KENTUCKY POWER COOPERATIVE, INC.  
PSC CASE NO. 2014-00292  
RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 11/10/14  
REQUEST 1**

**RESPONSIBLE PARTY:           David Crews**

**Request 1.**           Refer to the response to Item 1 of Commission Staff's Initial Request for Information ("Staff's First Request"), page 4 of 8. Amendment No. 3 to the Wholesale Power Agreement states that "...the Member shall have the option, from time to time, with notice to the Seller, to receive electric power and energy, from persons other than the Seller, or from facilities owned or leased by the Member. . . ." Confirm that East Kentucky Power Cooperative, Inc. ("East Kentucky") will own the Glasgow Landfill Gas to Energy ("LFGTE") facility. If this can be confirmed, explain how Amendment No. 3 is applicable to this proceeding since East Kentucky will be both the owner of the LFGTE facility and the supplier of power.

**Response 1.**           EKPC will be the owner of the LFGTE facility. The issue is not an ownership issue as much as it is whether the purchase is within or outside the Wholesale Power Agreement (WPA). The original WPA between EKPC and the Member-Owners required Member-Owners to purchase all their capacity and energy from EKPC. Amendment 3 to the WPA allows Member-Owners to purchase a limited amount of capacity and energy outside the WPA. While EKPC will be the owner of the LFGTE generator, the capacity and energy sale

between EKPC and Farmers will not be a sale within the WPA. This capacity and energy sale will be done pursuant to a separate contract between EKPC and Farmers and outside the WPA as allowed under Amendment 3 of the WPA. In practical terms, this means that Farmers will have the exclusive right to receive the capacity, energy and environmental attributes associated with the Glasgow LFGTE facility. This is unlike other LFGTE facilities owned by EKPC, which are system resources for EKPC and whose capacity, energy and environmental attributes are shared with all of EKPC's Member-Owners. This arrangement is the most prudent due to Farmers' role in facilitating the financing of the City of Glasgow's gas collection system, which also gives the project a local connection that is not present with regard to the other LFGTE projects.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2014-00292**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 11/10/14**  
**REQUEST 2**

**RESPONSIBLE PARTY:            Jeff Brandt**

**Request 2.**            Refer to the response to Item 15 of Staff's First Request, page 2 of 2.

**Request 2a.**            For the year 2015, provide each of the calculations described on this page.

**Response 2a.**            For the year 2015:

Capacity Charge = (O&M + Depreciation Expense + (Interest Rate \* TIER \* NBV))/kW/months

O&M (\$)	[REDACTED]
Depreciation Expense (\$)	[REDACTED]
Interest Rate (%)	4.5
TIER (Times Interest Earned Ratio)	1.5
NBV (Net Book Value of Asset)	[REDACTED]
kW	1000
months	12

Capacity Charge [REDACTED]

Capacity Charge Average for first 6-year term [REDACTED]

FRECC Cost of Energy (COE) = Total Cost / Generation  
= (O&M + Depreciation Expense + (Interest Rate \* TIER \* NBV) + Fuel Cost) / Net Generation

[REDACTED]

[REDACTED]

Demand Charge Savings = Substation Demand Charge \* kW Capacity Reduction \* months/year

[REDACTED]

FRECC COE including demand charge savings  
= (O&M + Depreciation Expense + (Interest Rate \* TIER \* NBV) + Fuel Cost – Demand Charge Savings) / Net Generation

[REDACTED]

FRECC COE including demand charge savings average for first 6-year term

[REDACTED]

FRECC COE including demand charge savings and Renewable Energy Credit Value  
= (O&M + Depreciation Expense + (Interest Rate \* TIER \* NBV) + Fuel Cost – Demand Charge Savings – REC Value) / Net Generation

[REDACTED]

FRECC COE including demand charge savings and REC value average for first 6-year term

[REDACTED]

**Request 2b.** For the year 2015, provide the calculations which demonstrate that the "[t]he cost of the capacity, energy, and environmental attributes sold to Farmers under the Agreement is priced below the cost of the bundled wholesale rate charged by EKPC to Farmers pursuant to the Wholesale Power Agreement," as stated on page 3 of the Application, paragraph 5.

**Response 2b.** For the year 2015 as calculated in Response 2a., the FRECC COE (including capacity, energy, and environmental attributes) including the demand charge savings is [REDACTED] This was compared to the EKPC 2013 Financial Forecast all-in Cost to Members of [REDACTED]

**Request 2c.** Explain what is meant by "yearly facility cost" as used in the response and provide the calculation for the year 2015 if not provided in part a. above.

**Response 2c.** Yearly facility cost is the sum of O&M, depreciation expense, plus the product of interest rate, TIER, and net book value of the asset. The calculation is used in Response 2a. to determine the capacity charge.

**Request 2d.** The response states that "[a]dditional savings Farmers will realize are from reduced demand charge at the EKPC substation which this facility is tied to." Explain the meaning of this statement and state from what amount, and to what amount, the demand charged is reduced.

**Response 2d.** Refer to Response 2a. for the calculation. Due to the fact the LFGTE facility generator will be connected to the distribution side of the West Glasgow substation and the generator is a designated resource for FRECC, demand charge to FRECC on the substation will be reduced by the capacity of the generator. The current demand charge for the West Glasgow Substation is [REDACTED]. This translates into a savings of [REDACTED] to FRECC. For the year 2015 this effectively reduces the FRECC COE from [REDACTED] to [REDACTED].

**Request 2e.** Provide an electronic copy of Exhibit 6 of the application with the formulas intact and unprotected and all rows and columns accessible.

**Response 2e.** An electronic copy of Exhibit 6 of the application with the formulas intact and unprotected and all rows and columns accessible is included on the attached CD, filed under seal and subject to confidential treatment.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2014-00292**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF’S SECOND REQUEST FOR INFORMATION DATED 11/10/14**  
**REQUEST 3**

**RESPONSIBLE PARTY:            Jeff Brandt**

**Request 3.**            Refer to the response to Item 16 of Staff’s First Request. Explain how the capacity factors shown were calculated and provide the supporting calculations.

**Response 3.**            The numbers reported were the “Plant Factors” (plant capacity factors) as presented in the December 2013 RUS Form 12d.

$$\text{Plant Factor} = \text{Generation in Period} / (\text{Installed Capacity} * \text{Hours in Period}) * 100$$

<u>EKPC Facility</u>	<u>Generation (MWh)</u>	<u>Installed Capacity (MW)</u>	<u>Hours in Period (hours)</u>	<u>Plant Factor (%)</u>
Bavarian	25,135	3.2	8760	89.67
Green Valley	14,227	2.4	8760	67.91
Hardin County	16,502	2.4	8760	78.49
Laurel Ridge	23,337	3.2	8760	83.25
Mason County	0	0.8	8760	0
Pendleton County	23,265	3.2	8760	82.99