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PUBLIC SERVICE  
COMMISSION

December 23, 2014

*VIA HAND DELIVERY*

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

RE: Case No. 2014-00292

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 Third Request for Information dated December 9, 2014 in the above referenced case.

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:**

**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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**PUBLIC SERVICE  
COMMISSION**

**CASE NO.  
2014-00292**

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

**DATED DECEMBER 9, 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 )  
 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

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 Third Request for Information in the above-referenced case dated December 9, 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 23<sup>rd</sup> day of December 2014.

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

*Gwyn M. Willoughby*  
 Notary Public #500144

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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DEC 23 2014  
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


CERTIFICATE

STATE OF KENTUCKY )  
   )  
COUNTY OF CLARK     )

Michelle K. Carpenter, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Third Request for Information in the above-referenced case dated December 9, 2014, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

*Michelle K. Carpenter*

Subscribed and sworn before me on this 23<sup>rd</sup> day of December 2014.

 *Gwyn M. Willoughby #500144*  
Notary Public

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 )  
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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 )

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 Third Request for Information in the above-referenced case dated December 9, 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.

*David Crews*  
\_\_\_\_\_

Subscribed and sworn before me on this 23<sup>rd</sup> day of December 2014.

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

*Gwyn M. Willoughby* #500144  
Notary Public

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 )
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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 BARREN )

William T. Prather, 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
Third Request for Information in the above-referenced case dated December 9, 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.

Handwritten signature of William T. Prather

Subscribed and sworn before me on this 22 day of December 2014.

Handwritten signature of Linda Sue Foster, Notary Public

ID.: 446566

My Commission Expires: 07-30-2015

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

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 12/09/14**  
**REQUEST 1**

**RESPONSIBLE PARTY:**           **Michelle K. Carpenter**

**Request 1.**           Explain how the fuel costs incurred by East Kentucky for the Glasgow Landfill Gas to Energy facility ("Glasgow facility") will be accounted for as follows:

**Request 1a.**           On East Kentucky's books.

**Response 1a.**        The fuel costs incurred for the Glasgow Landfill Gas to Energy facility will be accounted for separately in a general ledger subaccount of 547040, Fuel, Other Power Generation, Methane Gas.

**Request 1b.**        In the calculation of East Kentucky's fuel adjustment clause ("FAC"). Include in the response how both the fuel costs and MWhs sold will be accounted for in the calculation of the FAC.

**Response 1b.**        The fuel purchased for the Glasgow facility and the associated MWhs sold will not be included in the FAC calculation. The sale of the electricity generated by the Glasgow

facility will only be available to Farmers RECC and a special contract has been proposed whereby EKPC will recover the cost of the associated fuel directly from Farmers RECC. Given this generation is not available for use by the entire EKPC system, we do not believe it is appropriate to include these components from the Glasgow facility in the FAC calculation.



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

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 12/09/14**  
**REQUEST 2**

**RESPONSIBLE PARTY: Jeff Brandt**

**Request 2.** Refer to the response to Item 17 of Commission Staff's Initial Request for Information. The sample bill provided in the response does not include an FAC component. Explain why it would not be appropriate to include the FAC factor on bills to Farmers for the Glasgow facility.

**Response 2.** The generation from the Glasgow facility is specifically dedicated to be sold to Farmers only, it will not be available for other EKPC Members. It would not be appropriate to include the EKPC FAC factor on bills to Farmers for the Glasgow facility as those fuel costs were not incurred to provide the generation from the Glasgow facility. Farmers will directly reimburse East Kentucky for the fuel cost and will receive all energy from the generation facility.

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

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 12/09/14**  
**REQUEST 3**

**RESPONSIBLE PARTY:           Jeff Brandt**

**Request 3.**           Refer to page 3 of the application, paragraph 5, which states, "Moreover, because the price being charged to Farmers fully recovers the cost of production from the Glasgow LFGTE Facility, the purchase of capacity, energy, and environmental attributes will not result in subsidization of Farmers by EKPC's other Members." Explain whether this statement means that East Kentucky is expected to make a profit on the sale of power to Farmers from the Glasgow facility.

**Response 3.**           As a not-for-profit generation and transmission cooperative, EKPC expects to recover all the costs associated with the ownership and operation of the Glasgow LFGTE facility from Farmers, one of the 16 owner-members of EKPC. EKPC and Farmers did not incorporate a "profit margin" or "profit component" into the Capacity, Energy and Environmental Attribute Purchase, Sale, and Interconnection Agreement between EKPC and Farmers.

**Request 3a.** If East Kentucky is expected to make a profit on this sale, explain whether the profit margin will be set at the same level as is approved by the Commission for East Kentucky's other wholesale power sales to its member cooperatives.

**Response 3a.** As stated previously, the Capacity, Energy and Environmental Attribute Purchase, Sale, and Interconnection Agreement between EKPC and Farmers does not contain a profit component in the rate calculation. As the Commission is aware, EKPC's revenues have been determined in previous rate cases based on an authorized Times Interest Earned Ratio ("TIER") level. The Capacity, Energy and Environmental Attribute Purchase, Sale, and Interconnection Agreement also incorporates a TIER component in the determination of the charges to Farmers. TIER has been utilized to provide a cooperative the opportunity to service its debt, cover its operating expenses, and in some instances provide for equity growth. A specific profit margin has not been incorporated into the revenue requirements determination of EKPC and likewise a specific profit margin has not been incorporated into EKPC's wholesale rates.

**Request 3b.** If East Kentucky is not expected to make a profit on this sale, explain why this sale will not include a profit margin.

**Response 3b.** It is East Kentucky's intent to recover all costs associated with ownership and operation of the Glasgow LFGTE Facility from Farmers. As such, no other EKPC member-

owner is subsidizing any of the costs associated with the Glasgow project. Additionally, EKPC would note that the economics of the project make the addition of a separate profit margin factor prohibitive.

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

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 12/09/14**  
**REQUEST 4**

**RESPONSIBLE PARTY: William T. Prather**

**Request 4.** Will Farmers incur any actual or potential liability in connection with its role in facilitating the financing of the city of Glasgow's gas collection system? If so, explain in detail the amount of the liability and the circumstances under which Farmers may be obligated to repay the financing.

**Request 4.** The United States Department of Agriculture ("USDA") makes zero interest Rural Economic Development Loans ("REDL") available for rural economic development projects. To qualify for a loan, a project must meet certain requirements and loan applications are available to the ultimate recipients through a local electric cooperative who is a USDA Rural Utilities Service Borrower. The local electric cooperative applies for the loan and if awarded, serves as an intermediary and relends the money to the ultimate user of the funds.

Farmers RECC applied for and received a USDA REDL loan in the amount of \$1,000,000 specifically for the City of Glasgow to utilize in its installation of its methane recovery system. The loan has an interest rate of 0% and term of 10 years. Farmers RECC has a promissory note with the USDA for the amount of the loan and is obligated to remit

monthly payments in the amount of \$9,260 beginning on January 31, 2015 and continue until the note is paid in full. Likewise, Farmers RECC has a promissory note with the City of Glasgow which obligates the City to the same amount and covenants of the REDL loan. The City of Glasgow remits monthly loan payments of \$9,260 to Farmers RECC on the first day of each month, and Farmers RECC forwards that payment to the USDA no later than the last day of the same month. The City of Glasgow's first loan payment will be due on January 1, 2015.

The loan agreement between Farmers RECC and the City of Glasgow is specifically secured by an irrevocable Letter of Credit in the full amount of the loan. The Letter of Credit is issued by a local bank and automatically renews annually unless notification of non-renewal is provided by the bank at least 120 days in advance of the expiration date. Should the City of Glasgow default on payment of the loan or notice of non-renewal of the Letter of Credit be received from the bank, Farmers RECC has the right to draw from the Letter of Credit, the full amount of the balance due on the loan.

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

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 12/09/14**  
**REQUEST 5**

**RESPONSIBLE PARTY: David Crews**

**Request 5.** After the Glasgow facility is completed, will East Kentucky's future Integrated Resource Plans reflect the Glasgow facility as a firm generating resource? If so, will the Glasgow facility be reflected as a firm generating resource for East Kentucky's system or as a firm generating resource reserved exclusively for Farmers?

**Request 5.** The Glasgow facility will be reflected in EKPC's resource plan modeling as a reduction to the Farmers load requirements. Farmers will purchase all of the Glasgow facility energy outside of its contract with EKPC, which in effect reduces the amount of energy Farmers will need to purchase from EKPC. EKPC produces a load forecast for each of its member-owners. EKPC then reduces those expected load requirements by any purchases made by the member-owner outside of the Wholesale Power Agreement, either existing or planned, throughout the study period.

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

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 12/09/14**  
**REQUEST 6**

**RESPONSIBLE PARTY:           David Crews**

**Request 6.**           After the Glasgow facility is completed, will East Kentucky plan to meet, and be obligated to meet, from its system resources: a) only the portion of Farmer's load supplied under the Wholesale Power Agreement; or b) Farmer's total load as supplied under the Wholesale Power Agreement plus the 1 MW of Farmer's load to be supplied by the Glasgow facility?

**Request 6.**           EKPC will make firm plans to meet the net Farmers load supplied under the Wholesale Power Agreement. EKPC will supply the total Farmers load when the Glasgow facility is not generating, on a real time basis, but no capital investments will be made by EKPC to serve the energy expected to be generated by the Glasgow facility.