

# Goss ■ Samford PLLC

 Attorneys at Law

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AUG 28 2015

PUBLIC SERVICE  
COMMISSION

August 28, 2015

HAND DELIVERED

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

Re: PSC Case No. 2015-00267

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten redacted copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC"), to the information requests contained in the First Request for Information of the Commission Staff dated August 18, 2015. Also included are EKPC's redacted responses to the Attorney General's Initial Request for Information dated August 17, 2015 and LG&E/KU's Initial Request for Information dated August 18, 2015.

Also enclosed are an original and ten copies of EKPC's Motion for Confidential Treatment of Information ("Motion"). One unredacted copy of the designated confidential portions of these responses, which are the subject of the Motion, is enclosed in a sealed envelope.

Very truly yours,



David S. Samford

Enclosures

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

**In the Matter of:**

**THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
COMBUSTION TURBINE FACILITIES FROM )  
BLUEGRASS GENERATION COMPANY, LLC AT )  
THE BLUEGRASS GENERATING STATION IN )  
LAGRANGE, OLDHAM COUNTY, KENTUCKY, )  
AND FOR APPROVAL OF THE ASSUMPTION )  
OF CERTAIN EVIDENCES OF INDEBTEDNESS )**

**CASE NO.**  
**2015-00267**

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED AUGUST 18, 2015**

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2015-00267**

**PUBLIC SERVICE COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION DATED 08/18/15**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the First Request for Information of the Public Service Commission Staff ("PSC") in this case dated August 18, 2015. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
COMBUSTION TURBINE FACILITIES FROM ) CASE NO.  
BLUEGRASS GENERATION COMPANY, LLC AT ) 2015-00267  
THE BLUEGRASS GENERATING STATION IN )  
LAGRANGE, OLDHAM COUNTY, KENTUCKY, )  
AND FOR APPROVAL OF THE ASSUMPTION )  
OF CERTAIN EVIDENCES OF INDEBTEDNESS )

CERTIFICATE

STATE OF KENTUCKY )  
COUNTY OF CLARK )

Darrin Adams, 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 First Information Request in the above-referenced case dated August 18, 2015, 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.

*Darrin Adams*

Subscribed and sworn before me on this 28<sup>th</sup> day of August, 2015.

*Gwyn M. Willoughby #500144*  
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:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
COMBUSTION TURBINE FACILITIES FROM ) CASE NO.  
BLUEGRASS GENERATION COMPANY, LLC AT ) 2015-00267  
THE BLUEGRASS GENERATING STATION IN )  
LAGRANGE, OLDHAM COUNTY, KENTUCKY, )  
AND FOR APPROVAL OF THE ASSUMPTION )  
OF CERTAIN EVIDENCES OF INDEBTEDNESS )

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 First Information Request in the above-referenced case dated August 18, 2015, 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 20<sup>th</sup> day of August, 2015.

*Gwyn M. Willoughby #500144*  
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:

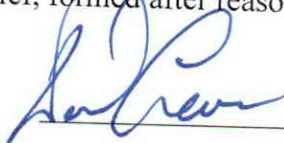
THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
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BLUEGRASS GENERATION COMPANY, LLC AT )  
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LAGRANGE, OLDHAM COUNTY, KENTUCKY, )  
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CASE NO.  
2015-00267

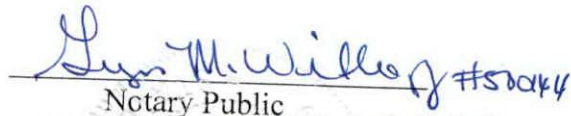
CERTIFICATE

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 First Information Request in the above-referenced case dated August 18, 2015, 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.

  
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Subscribed and sworn before me on this 28<sup>th</sup> day of August, 2015.

  
Notary Public



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**In the Matter of:**

THE APPLICATION OF EAST KENTUCKY )  
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 AND FOR APPROVAL OF THE ASSUMPTION )  
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CASE NO.  
2015-00267

**CERTIFICATE**

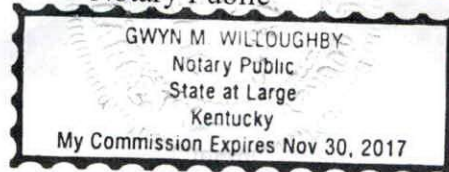
STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Robin Hayes, 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 First Information Request in the above-referenced case dated August 18, 2015, 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.

*Robin Hayes*

Subscribed and sworn before me on this 28<sup>th</sup> day of August, 2015.

*Gwyn M. Willoughby*  
Notary Public



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY )  
 POWER COOPERATIVE, INC. FOR APPROVAL )  
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 AND FOR APPROVAL OF THE ASSUMPTION )  
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CASE NO.  
2015-00267

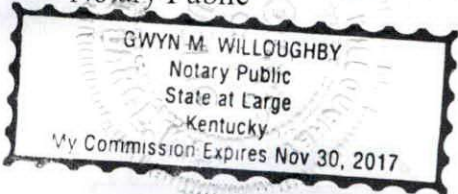
CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Craig A. Johnson, 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 First Information Request in the above-referenced case dated August 18, 2015, 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 28th day of August, 2015.

Notary Public





COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
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CASE NO.  
2015-00267

CERTIFICATE

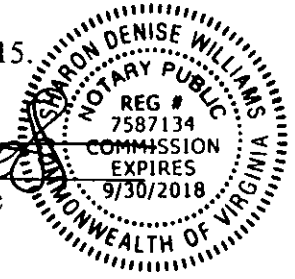
COMMONWEALTH OF VIRGINIA )  
 )  
COUNTY OF FAIRFAX )

Ralph L. Luciani, 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 First Information Request in the above-referenced case dated August 18, 2015, 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.

Ralph L. Luciani

Subscribed and sworn before me on this 21<sup>st</sup> day of August, 2015.

Sharon Denise Williams  
Notary Public



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
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BLUEGRASS GENERATION COMPANY, LLC AT )  
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LAGRANGE, OLDHAM COUNTY, KENTUCKY, )  
AND FOR APPROVAL OF THE ASSUMPTION )  
OF CERTAIN EVIDENCES OF INDEBTEDNESS )

CASE NO.  
2015-00267

CERTIFICATE

STATE OF KENTUCKY )  
  )  
COUNTY OF CLARK )

Mike McNalley, 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 First Information Request in the above-referenced case dated August 18, 2015, 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 28th day of August, 2015.

  
Notary Public

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

THE APPLICATION OF EAST KENTUCKY )  
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 AND FOR APPROVAL OF THE ASSUMPTION )  
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**CASE NO.**  
**2015-00267**

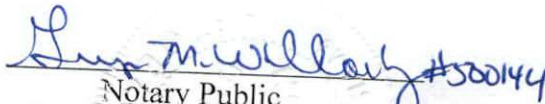
**CERTIFICATE**

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Don Mosier, 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 First Information Request in the above-referenced case dated August 18, 2015, 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 28<sup>th</sup> day of August, 2015.

  
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:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
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COMBUSTION TURBINE FACILITIES FROM )  
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LAGRANGE, OLDHAM COUNTY, KENTUCKY, )  
AND FOR APPROVAL OF THE ASSUMPTION )  
OF CERTAIN EVIDENCES OF INDEBTEDNESS )

CASE NO.  
2015-00267

CERTIFICATE

STATE OF KENTUCKY )  
COUNTY OF CLARK )

Jerry B. Purvis, 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 First Information Request in the above-referenced case dated August 18, 2015, 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.

Jerry Purvis

Subscribed and sworn before me on this 28<sup>th</sup> day of August, 2015.

Gwyn M. Willoughby #5500144  
Notary Public





COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR APPROVAL )  
OF THE ACQUISITION OF EXISTING )  
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CASE NO.  
2015-00267

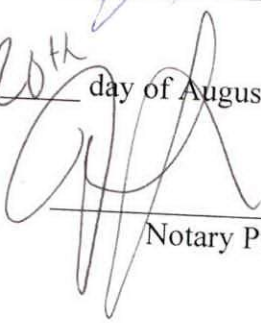
CERTIFICATE

STATE OF MASSACHUSETTS )  
COUNTY OF MIDDLESEX )

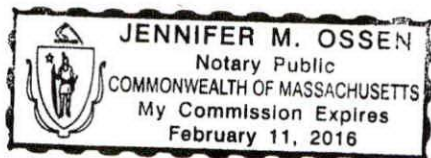
James Read, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's First Information Request in the above-referenced case dated August 18, 2015, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 20<sup>th</sup> day of August, 2015.



Notary Public





**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 1**

**RESPONSIBLE PERSON:** Don Mosier  
**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 1.** Refer to the Application, pages 4-5, numbered paragraph 9, regarding EKPC's Strategic Plan.

**Request 1a.** State when the 2015 Strategic Plan retreat will be held.

**Response 1a.** EKPC's 2015 Strategic Plan was held on July 29 and July 30, 2015.

**Request 1b.** Provide a copy of the most current Strategic Plan.

**Response 1b.** The revisions to EKPC's Strategic Plan that resulted from the July 2015 Strategic Plan retreat have not been approved by the EKPC Board. A revised Strategic Plan will be presented to the EKPC Board in September and be on the EKPC Board Agenda for approval in October. A copy of EKPC's 2014 Strategic Plan document is provided on the attached CD. A copy of EKPC's 2015 Strategic Plan will be provided after it has been approved by the EKPC Board.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 2**

**RESPONSIBLE PERSON: Craig A. Johnson**  
**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 2.** Refer to the Application, page 10, numbered paragraph 23, regarding the independent evaluation conducted by Burns & McDonnell Engineering Company, Inc. ("Burns & McDonnell"). Provide a copy of the Due Diligence Evaluation Report that was prepared by Burns & McDonnell.

**Response 2.** A copy of the Burns & McDonnell report is provided on the attached CD.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
 REQUEST 3**

**RESPONSIBLE PERSON: Craig A. Johnson**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 3.** Refer to the Application, pages 11-12, numbered paragraph 26.

**Request 3a.** Provide the capacity factors for the combustion turbines currently owned by EKPC for the past 5 years.

**Response 3a.** Please see chart below for the capacity factors for the combustion turbines currently owned by EKPC for the past 5 years.

<b>JK Smith Combustion Turbine Capacity Factors</b>						
<b>Unit</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015YTD</b>
1	3.11%	0.43%	2.72%	1.86%	3.03%	3.97%
2	0.43%	0.66%	1.38%	1.77%	5.90%	4.96%
3	5.11%	1.98%	3.68%	2.41%	5.89%	4.36%
4	6.03%	6.32%	18.25%	5.68%	8.63%	6.38%
5	5.88%	8.11%	15.52%	9.12%	7.79%	6.90%
6	9.87%	8.41%	18.10%	9.65%	7.90%	8.04%
7	5.65%	12.59%	22.45%	4.91%	8.02%	7.62%
9	19.19%	21.19%	27.05%	12.06%	10.06%	13.31%
10	20.12%	18.64%	27.67%	17.22%	11.30%	14.51%

**Request 3b.** Provide the highest capacity factor(s) at which the Bluegrass Station Units can operate on a long-term basis.

**Response 3b.** The actual capacity factors for each unit depend upon the number of startups and shutdowns. This is due to the startup and shutdown emissions that are counted toward the annual total allowed by the Kentucky Division of Air Permit Quality. If the number of startups and shutdowns and the operating hours are equal, each unit can operate approximately 600 hours per year. Operating each unit at 600 hours per year yields a capacity factor equal to approximately 7%.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 4**

**RESPONSIBLE PERSON:** Jerry B. Purvis

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 4.** Refer to the Application, page 12, numbered paragraph 28, which states: "EKPC believes that the Bluegrass Station complies with all existing environmental permitting requirements."

**Request 4a.** Explain why EKPC is not certain whether the Bluegrass Station is currently in compliance with all existing environmental permitting requirements.

**Response 4a.** EKPC bases its belief "that the Bluegrass Station complies with all existing environmental permitting requirements" on the environmental due diligence that has accompanied the transaction. EKPC performed environmental due diligence based upon information provided by the seller and information obtained from regulatory agencies, specifically including EPA's Environmental Compliance and History Online (ECHO) and the Kentucky Energy and Environment Cabinet Enforcement Division's actions or inactions against the facility. During the due diligence process, EKPC relied on the representations of Bluegrass that the Station is in compliance with all existing environmental permitting requirements, given that Bluegrass has intimate knowledge of



the Station and environmental attributes that require permitting. From the due diligence work and in reliance on Bluegrass' representations concerning their facility, EKPC believes that the Bluegrass Station is in compliance with its permits.

**Request 4b.** Confirm that EKPC is indemnified against losses incurred by a breach in Bluegrass Generation Company, LLC's ("Bluegrass") representations regarding its material compliance with all environmental laws, as set forth in Section 4.16(a) in the Asset Purchase Agreement ("Agreement").

**Response 4b.** Bluegrass has agreed to indemnify EKPC for any Environmental Claims or Liabilities under Environmental Laws, to the extent arising out of facts, circumstances or conditions existing on or prior to the Closing or otherwise to the extent arising out of any actions or omissions of Seller prior to Closing. Bluegrass has also agreed to indemnify EKPC for other losses incurred by a breach of representations concerning Environmental Laws (Asset Purchase Agreement (APA), Section 4.16) that expires one (1) year from the Closing Date. Both indemnity commitments have monetary limitations, which are outlined in APA, Section 8.04, entitled "Certain Limitations."

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 5**

**RESPONSIBLE PERSON: Don Mosier**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 5.** Refer to the Application, page 13, numbered paragraph 30, which references the terms of the Agreement concerning the request that the Commission approve the proposed transaction by December 1, 2015. This numbered paragraph also refers to the Agreement contemplating that the proposed transaction will close by December 31, 2015. In the event the Commission is unable to complete its review and render a decision on the proposed transaction by December 1, 2015, provide the latest possible date that an approving order can be issued that will still permit the transaction to close by December 31, 2015.

**Response 5.** The parties need the Commission's approval on or before December 1, 2015 in order to obtain a final and non-appealable Commission Order so as to effect a closing of the transaction on December 31, 2015. A December 31, 2015 close will allow EKPC to avoid winter energy purchases during January and February of 2016.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 6**

**RESPONSIBLE PERSON:**            **Ralph L. Luciana and David Crews**  
**COMPANY:**                            **East Kentucky Power Cooperative, Inc.**

**Request 6.**            Refer to the Application, page 16, numbered paragraph 36, regarding EKPC's and Navigant Consulting, LLC's ("Navigant") belief that future capacity prices will increase from their current levels. Explain in detail the basis to support this belief.

**Response 6.**            See the Navigant Report, Exhibit RL-2, pages 59-62 and page 84 for a description and discussion of Navigant's PJM capacity market price forecast.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 7**

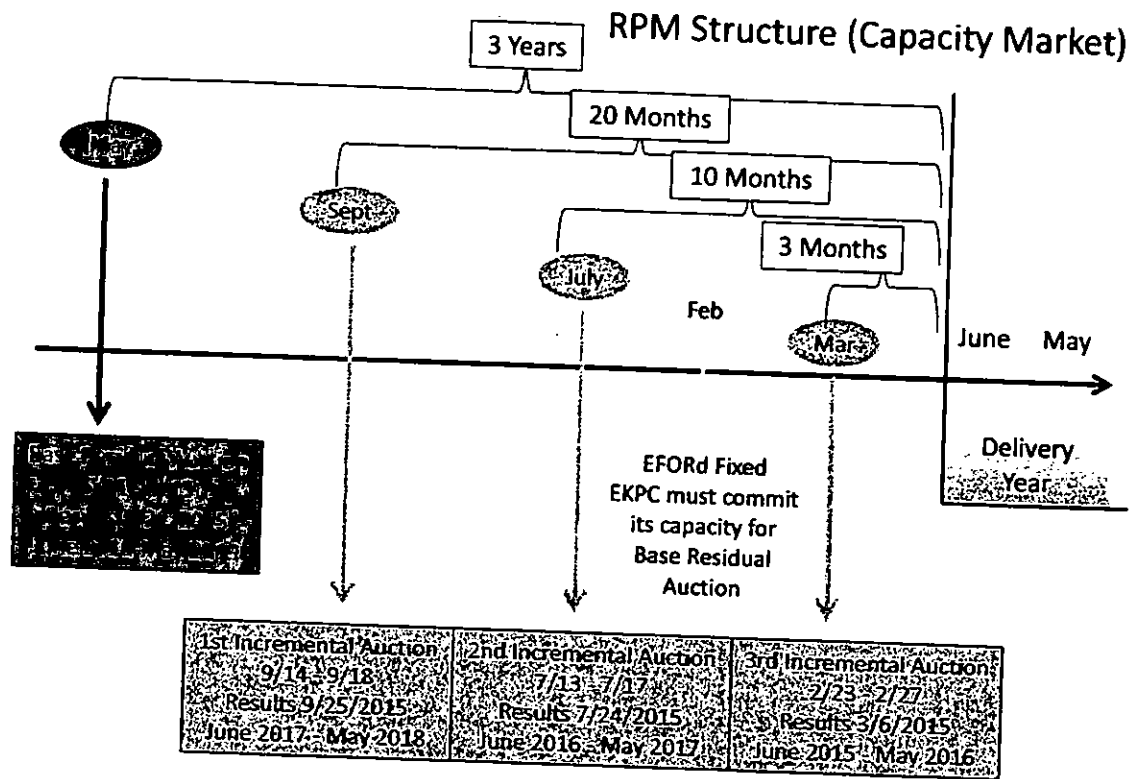
**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 7.** Refer to the Application, page 16, numbered paragraph 37, regarding EKPC's ability to bid Bluegrass Station Units 1 and 2 into the upcoming PJM Interconnection, Inc. ("PJM") incremental capacity auctions for the 2016/2017 delivery year and the 2017/2018 delivery year. When will the determination be made?

**Response 7.** EKPC needed cooperation from Bluegrass to bid in the recent 2018/2019 Base Residual Auction ("BRA"); however, EKPC could not satisfy Bluegrass' concerns about how to settle the capacity auction positions of Bluegrass Units 1 and 2 if the sale of the Station to EKPC did not close. Therefore, EKPC did not bid the Units in the 2018/19 BRA. Additionally, in order to be eligible to participate in the 2016/17 and/or 2017/18 incremental auctions for capacity performance, Bluegrass Units 1 and 2 were required to hold an existing capacity award from previous auctions. Because those previous awards do not exist, Bluegrass Units 1 and 2 were not eligible to participate in the 2016/17 or 2017/18 incremental auctions. Should the sale of the Bluegrass Station close, EKPC will have the opportunity to bid Bluegrass Units 1 and 2 into the third

incremental base capacity auction for 2016/2017 (to be held in March of 2016) and the second incremental base capacity auction for 2017/2018 (to be held in July of 2016). For further illustration, please see the Capacity Market timeline below.





**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 8**

**RESPONSIBLE PERSON: Craig A. Johnson**  
**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 8.** Refer to the Application, page 18, numbered paragraph 41, which discusses PJM's Capacity Performance requirement.

**Request 8.** State whether the Bluegrass Station Units currently have dual fuel capability.

**Response 8a.** The Bluegrass Units do not have dual fuel capability

**Request 8.** If the Bluegrass Station Units currently do not have dual fuel capability, state whether EKPC has conducted any analysis to evaluate the economics of implementing this alternative.

**Response 8b.** EKPC has not performed an analysis to evaluate the economics of implementing dual fuel capability.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**FIRST REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/18/15  
REQUEST 9**

**RESPONSIBLE PERSON: David Crews and Don Mosier**  
**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 9.** Refer to the Application, Exhibit D- 1 of Exhibit 3, Allocation of Purchase Price. Explain how the allocated amounts were determined for each category.

**Response 9.** At the time of the signing of the purchase agreement, Bluegrass provided EKPC with an estimated inventory value of \$1,200,000. Section 197 Intangibles was derived from the Navigant Report, and specifically Navigant's Mark to Market analysis of the LG&E/KU Tolling Agreement. The Land & Building value was a rough estimate based on the commercial judgment of EKPC staff. The transmission depreciable assets were estimated as follows:

1. EKPC contracted with Patterson & Dewars to provide EKPC a transmission asset value based upon comparable new transmission equipment adjusted for depreciation.

2. In order to recognize the market value of the transmission assets, EKPC adjusted the Patterson & Dewars estimate by applying a ratio of the Bluegrass Station purchase price to the published PJM net cone price developed by The Brattle Group, Inc. ("Brattle") on behalf of PJM.

Finally, the generation depreciable asset was derived by taking the purchase price less Land and Building, inventories, transmission depreciable asset, and Section 197 Intangibles.

RUS accounting treatment may yield different results.

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**REQUEST 10**

**RESPONSIBLE PERSON:** Don Mosier

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 10.** Refer to the Application, Disclosure Schedules to Exhibit 3.

**Request 10a.** Refer to Schedule 2.01 (b), Assigned Contracts. Provide a copy of Item 11, Operations and Maintenance Agreement for the Bluegrass Facility between Bluegrass and NAES Corporation, dated as of October 1, 2012.

**Response 10a.** A copy of the Operations and Maintenance Agreement for the Bluegrass Facility between Bluegrass and NAES Corporation, dated as of October 1, 2012 is provided on the attached CD.

**Request 10b.** Refer to Schedule 4.03(c), Consents under Material Contracts. Item 7 relates to the Capacity Purchase and Tolling Agreement between Louisville Gas and Electric Company ("LG&E") and Bluegrass, and references the "Scheduling Procedures effective May 1, 2015." Provide a copy of the referenced" Scheduling Procedures."

**Response 10b.** The scheduling procedures are provided on the attached CD.

**Request 10c.** Refer to Schedule 4.06(b), Material Contracts. Explain the dispute referenced in this paragraph and the “methodology used in the May 2015 invoice”.

**Response 10c.** On May 11, 2015, LG&E/KU scheduled Unit 3 for 6 hours. Unit 3 was forced offline for the last two hours of the schedule. LG&E/KU started two Trimble County gas turbines to replace the capacity and energy not available from Unit 3. Bluegrass restarted the Units but LG&E/KU did not want them since they had started the Trimble County units. The original Bluegrass invoice to LG&E/KU did not account for two hours of forced outage in the capacity calculation. Bluegrass has not yet resolved this issue with LG&E/KU.



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REQUEST 11**

**RESPONSIBLE PERSON: Don Mosier**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 11.** Refer to the Direct Testimony of Don Mosier ("Mosier Testimony"), pages 4-5, regarding EKPC's interconnections with neighboring utilities. Identify which neighboring utilities are interconnected with EKPC.

**Response 11.** EKPC has free-flowing transmission interconnections (74 in total) with the following utility systems:

- American Electric Power (7 interconnection points)
- Dayton Power & Light (1 interconnection point)
- Duke Energy-Ohio/Kentucky (5 interconnection points)
- LG&E/KU (54 interconnection points)
- Tennessee Valley Authority (7 interconnection points)

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REQUEST 12**

**RESPONSIBLE PERSON:** Don Mosier

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 12.** Refer to the Mosier Testimony, pages 5-6, which identifies certain factors, including load growth, severe weather, fuel shifting, and stringent environmental regulation, as driving EKPC's strategic imperative to own electric generation peaking resources. Explain why EKPC's strategic focus is primarily on peaking resources rather than base-load or intermediate generation resources.

**Response 12.** The 2012 RFP was pursued to determine if additional investments were warranted in EKPC's Cooper 1 Unit and Dale Station. EKPC proposed and the Commission approved ducting the exhaust from Cooper 1 to the existing Cooper 2 Scrubber. EKPC has chosen not to make additional environmental control investments in the Dale Station to allow it to continue operations. EKCP's Spurlock Station hedges approximately 70% of EKPC's base load energy requirements and the dispatch cost of the Spurlock Station is such that it almost always clears in the PJM market. EKPC's Cooper Station can provide an additional energy hedge of 15%. EKPC's Smith Station

also provides a hedge of EKPC's load in the market and Smith Units 5, 6 and 7 can operate at a high capacity factor. The capacity factors for Smith Units 1, 2, 3, 4, 9 and 10 are limited by environmental constraints. Given the resources EKPC currently has in its fleet, the peaking resources at the Bluegrass Station are a good fit and may provide EKPC energy that is not otherwise hedged in the PJM energy markets.

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REQUEST 13**

**RESPONSIBLE PERSON: Don Mosier**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 13.** Refer to the Mosier Testimony, pages 7-8. Beginning at the bottom of page 7, Mr. Mosier states that EKPC should recognize a net gain on the proposed transaction as long as the PJM capacity price remains above a specific \$/MW-day. Explain how the specific \$/MW-day was calculated and provide the supporting calculations.

**Response 13.** The supporting calculations are provided on the attached CD and is subject to the motion for confidential treatment.

EKPC developed a stand-alone model as a financial screening tool for the Bluegrass acquisition. The stand-alone model was designed to conservatively evaluate the NPV impact of the PJM capacity revenues, the LG&E/KU tolling agreement and fixed costs.

A positive NPV in this model would equal a positive financial outcome from the acquisition, excluding the revenue impact of energy sales. EKPC used this model to

financially screen the transaction as well as to compute the break-even capacity price. The break-even capacity price is the PJM capacity price (\$/MW-day) for the next auction that when escalated at 3% each year, would result in zero or close to zero NPV for the 2016-2035 evaluation period. This price is [REDACTED] that Mr. Mosier referred to in his testimony. Subsequent to this analysis, PJM conducted its Base Residual Auction for planning year 2018/19 and posted the results on August 21, 2015. The results for base capacity and Capacity Performance resources were \$149.98/MW-day and \$164.77/MW-day, respectively.

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**REQUEST 14**

**RESPONSIBLE PERSON:**           **Craig Johnson**

**COMPANY:**                       **East Kentucky Power Cooperative, Inc.**

**Request 14.**           Refer to the Mosier Testimony, pages 8-9, where it discusses the due diligence conducted by EKPC prior to entering the Agreement.

**Request 14a.**           Was a report issued in conjunction with the detailed borescope inspection of each of the Bluegrass Station Units by Siemens Corporation? If so, provide a copy of the report.

**Response 14a.**       Copies of the Siemens inspection reports are provided on the attached CD and are subject to the motion for confidential treatment.

**Request 14b.**       Provide the date each Bluegrass Station Unit went into operation.

**Response 14b.**       The commercial operation date for each unit is June 2002.

**Request 14c.** Provide the following operational data for each of the existing combustion turbine facilities located at Bluegrass Station since placed in service:

- (1) Capacity Factor;
- (2) Equivalent Forced Outage Rate;
- (3) An outline of major availability detractors;
- (4) Recent turbine/generator overhauls and assessments;
- (5) Recent plant life assessment reports; and
- (6) Any other report(s), studies, etc. related to the operational and engineering aspects of the proposed transaction.

**Response 14c(1)(2).**

Bluegrass	Year	EFOR			Capacity Factor		
		1	2	3	1	2	3
	2003	0.00	0.67	0.00	0.00	0.00	0.00
	2004	100.00	0.00	100.00	0.00	0.00	0.00
	2005	0.13	1.45	1.01	0.89	0.93	1.31
	2006	0.00	0.00	0.80	0.24	0.24	0.42
	2007	1.06	16.76	0.00	0.31	0.13	0.22
	2008	0.50	0.00	0.00	3.16	0.27	0.00
	2009	8.84	13.78	46.73	3.05	0.49	0.09
	2010	2.46	0.19	29.14	2.16	2.20	1.96
	2011	0.00	0.00	0.72	0.84	0.84	0.53
	2012	0.87	0.00	0.14	1.29	1.30	1.08
	2013	0.00	0.00	0.00	0.00	0.00	0.00
	2014	100.00	100.00	100.00	0.00	0.00	0.00



**Response 14c(3)** EKPC interprets this request as inquiring about material conditions that may exist in the Bluegrass Station's combustion turbines and generators that could pose a risk to the Units being available for operation. Material conditions that put the Units at risk are identified and monitored through inspections. Siemens, which is the original equipment manufacturer, dispatches Urgent Technical Advisories, Technical Advisories, Product Bulletins, Service Bulletins and Customer Service Letters with issues that need to be monitored or repaired. The equipment issues discussed in these documents by Siemens are those that have been identified fleet wide. One major item is a cracked row 4 diaphragm on the Unit 3 Compressor. This was found during a routine borescope inspection in 2009. Siemens has recommended that the crack be monitored by borescope inspection every twenty-five (25) starts. EKPC will continue to follow the recommendation and replace the cracked diaphragm when other work is planned for this Unit or the other two (2) Units. The spare parts to repair this cracked diaphragm are being purchased by EKPC as part of the proposed transaction. Siemens has also recommended inspection of the rotor winding pole crossovers on the generator rotors. This inspection is due to finding cracking in the generator rotor pole crossovers on other units with a higher number of start/stop cycles. This maintenance is currently scheduled in the 2017 timeframe.

**Response 14c(4).** EKPC has reviewed several inspection reports that were performed by Siemens over the past several years.

**Response 14c(5).** The most recent assessment report is the Burns & McDonnell Due Diligence Evaluation Report which has been submitted as requested in Question 2.

**Response 14c(6).** All report(s), studies, etc. related to the operational and engineering aspects of the proposed transaction that EKPC has reviewed are provided on the attached CD and are subject to the motion for confidential treatment.

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REQUEST 15**

**RESPONSIBLE PERSON:** Don Mosier

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 15.** Refer to the Mosier Testimony, page 9, which states that the proposed acquisition of the Bluegrass Station is consistent with EKPC's Strategic Plan in that the acquisition would, among other things, result in greater geographical diversity to EKPC's fleet. Explain why geographical diversity in generating fleet is part of EKPC's Strategic Plan.

**Response 15.** Gas resources are significantly different from coal resources in that fuel is delivered in real time as opposed to being stockpiled on site. Currently, all of EKPC's gas resources (Smith Station) are located on the Texas Eastern and Tennessee Gas Pipelines. The Smith Station, because it is attached to two pipelines, has been and will be a great advantage to EKPC from a fuel reliability stand point. That said, owning generation that is fueled by a completely separate supplier (namely, Texas Gas Transportation) and from a different region, increases the reliability of EKPC's hedge in extreme circumstances. Similarly, having generation connected into the transmission

system that is geographically separated increases the reliability of EKPC's hedge when operational issues occur on the transmission system.

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REQUEST 16**

**RESPONSIBLE PERSON: Don Mosier**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 16.** Refer to the Mosier Testimony, page 10, lines 9-11. Explain the basis for EKPC's belief that it will use the Bluegrass Station assets more frequently than they are currently being used.

**Response 16.** The Bluegrass Station will have a cost profile similar to the Smith Units 4, 5, 6 and 7. Smith Units 4, 5, 6, and 7 had an average capacity factor of 8% in PJM during 2014. For historical capacity factors of the Bluegrass Station Units, please see EKPC's response to PSC Request 14c.

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REQUEST 17**

**RESPONSIBLE PERSON: Don Mosier**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 17.** Refer to the Mosier Testimony, pages 10 and 12. Page 10 of the testimony, lines 13-16, state that increasing the use of the Bluegrass Station will result in the creation of up to four new full-time jobs. Page 12 of the testimony, lines 19-20, reference the creation of up to five additional jobs. State which is the correct projection.

**Response 17.** EKPC anticipates that a total of five (5) new full-time equivalent positions will be created as a result of its acquisition of the Bluegrass Station. Four (4) of these positions will be at the Station, and one (1) position will be created within EKPC's Environmental Group.

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**REQUEST 18**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 18.** Refer to the Direct Testimony of David Crews ("Crews Testimony"), page 5, lines 4-6, regarding the statement that EKPC experienced a record peak demand on February 20, 2015, which exceeded its net winter capacity by nearly 500 MW. Refer also to the Application, page 7, numbered paragraph 17, which states that EKPC was approximately 650 MW short of capacity at the time of its record peak demand. Reconcile the difference in the two statements regarding the size of EKPC's capacity deficit.

**Response 18.** As described on page 3 and 4 of the Crews Testimony, the total of all of EKPC's generation stations during the winter is approximately 3,009 MW. The statement on page 5, lines 4-6, of the Crews Testimony compares EKPC's winter generating capability of 3,009 MW to the peak load of 3,507 MWs that occurred on February 20, 2015, thereby concluding that EKPC's load exceeded its generation by approximately 500 MW. The statement within numbered paragraph 17 of EKPC's

application that EKPC is short nearly 650 MW takes into account that EKPC will place Dale Units 3 and 4 (totaling 149 MW) in inactive status on April 1, 2016. The 3,507 MW peak load, less the winter installed capacity of 3,009 MWs, less Dale Station's 149 MW, yields 647 MW or nearly 650 MW short of EKPC's peak load on February 20, 2015.



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**REQUEST 19**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 19.** Refer to the Crews Testimony, page 5, line 20, through page 6, line 3, which list three circumstances under which EKPC's customers benefit when EKPC's load and generation are netted against each other.

**Request 19a.** The first circumstance listed is: "EKPC purchases energy at less than the dispatch cost of its plants." State whether this refers to instances in which EKPC's higher cost generation units did not clear in the PJM energy market and EKPC was able to purchase energy cheaper than it could produce. If not, explain.

**Response 19a.** Yes, that is correct.

**Request 19b.** State whether EKPC bids its generation into the PJM energy market by unit, station, or some other grouping.

**Response 19b.** EKPC bids its generation into the PJM energy market by unit.

**Request 19c.** At what price does EKPC bid its generation into the PJM energy market, i.e., does EKPC bid units into the market based on the cost to operate the unit, are certain units bid in at a zero cost and others bid at the cost to operate the unit, etc.?

**Response 19c.** PJM has detailed procedures on the costs that can be included in the day-ahead and balancing (real-time) market bids. EKPC submits schedules detailing the calculation of its operating costs to PJM and the market monitor. If a unit is not on a forced outage or PJM-approved maintenance outage, the unit is obligated to participate in the day-ahead and balancing market. PJM allows generators to bid their units in as must-run units to ensure the units are not taken offline due to low prices during unseasonably moderate weather. Units like EKPC's Spurlock Plant find that the maintenance and operational risks do not warrant allowing the energy market to cycle these units. When units are bid in as must-run, the units become a price taker in the market place.

**Request 19d.** State whether the \$/MWh EKPC receives when it sells power into the PJM energy market is equal to the \$/MWh it pays for purchases made to serve its native load so that the purchases and sales for native load are a "wash" to EKPC. If it is not, state and explain whether EKPC routinely incurs a loss or a gain from the purchase and sale of power to serve its native load.

**Response 19d.** Each generator on EKPC's system has a Locational Marginal Price ("LMP") and EKPC's load has a LMP. While the prices are not exactly the same, the LMPs for EKPC's load and generation are essentially the same. Margins received by EKPC's generators are netted against EKPC load expense up to the total of EKPC's load to ensure that EKPC's customers receive the lower of EKPC's generation cost or the market.

**Request 19e.** Explain how the first and second circumstances listed on page 6, lines 1-3, differ from each other.

**Response 19e.** The most significant difference between items b) and c) is that b) relates to the day-ahead and balancing energy markets and c) relates to the capacity markets. Please see EKPC's response to PSC Request 19d, which explains the benefits EKPC experiences related to its generation hedging its load in the day-ahead and balancing markets. Generation EKPC owns to hedge its winter load can be monetized in the PJM capacity markets, which are based on the summer peaks.

**Request 19f.** Provide a specific example for each of the three circumstances listed.

**Response 19f.** EKPC has filed two annual reports concerning its PJM operational costs and benefits with the Executive Director of the Kentucky Public Service Commission. Both reports have identified “Trade Benefits” and “Capacity Benefits” that EKPC has realized through its PJM operations. The Trade Benefits reference the value of EKPC being able to either serve its load with PJM energy that costs less than EKPC’s own generation and/or selling its excess energy into the PJM energy markets, both day-ahead and balancing markets. The Capacity Benefits define the value of selling EKPC’s capacity into the PJM capacity (“RPM”) market. Both line items have indicated positive benefits to EKPC for both time periods reported.

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REQUEST 20**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 20.** Refer to the Crews Testimony, page 10, regarding the retirement of Dale Station Units 1 and 2 and the placement of Dale Station Units 3 and 4 in inactive status.

**Request 20a.** Explain what is meant by "inactive status."

**Response 20a.** Dale Station Units 3 and 4 are capable of continued operation. EKPC chose to classify these units as being placed in inactive status because of all of the environmental regulatory uncertainty.

**Request 20b.** Explain in detail EKPC's physical plans for the assets and facilities at the Dale Station once those units are retired.

**Response 20b.** While the Dale Station property has value as a potential site for future generation, EKPC has not finalized plans for the assets or facilities once the existing units are retired.

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REQUEST 21**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 21.** Refer to the Crews Testimony, page 10, where it states, "The Commission approved the Cooper Unit 1 retrofit in February 2014." Provide the current status of the Cooper Unit 1 retrofit.

**Response 21.** The Cooper Unit 1 retrofit project is currently on schedule with most of the construction being performed this summer. The tie-in will take place in October of this year. The tie-in will require both Cooper Units be offline for 30 days. The system will be commissioned and tested during November. The compliance deadline is April 16, 2016.

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REQUEST 22**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 22.** Refer to the Crews Testimony, page 11, regarding the Request For Proposal (“RFP”) Refresh. Explain why the RFP Refresh was limited to “conventional power supply proposals” and did not include renewable resources.

**Response 22.** As part of the RFP Refresh, EKPC requested refreshed bids from the short list proposals from the 2012 RFP. Renewable proposals were accepted in the 2012 RFP, and one such proposal for a wind project in Ohio was competitive with the conventional power supply proposals EKPC received. EKPC engaged in discussions with this wind developer and negotiated a contract for 50 MW. However, the wind developer did not execute the contract because it could not obtain necessary financing. The balance of the renewable projects bid into the 2012 RFP did not make the original short list, and thus were not included in the RFP Refresh.



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**REQUEST 23**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 23.** Refer to the Crews Testimony, page 13, lines 7-12, which state that EKPC was presented with a proposal to purchase the entire capacity of the Bluegrass Station, which was in excess of the 300 MW maximum amount of capacity sought by EKPC and that the offer was more attractive than any other offer received. State whether EKPC believes that the 300 MW maximum capacity limit on the RFP Refresh kept other bidders from presenting an offer similar to the Bluegrass Station offer that would have been as attractive as, or more attractive than, the Bluegrass Station offer.

**Response 23.** EKPC does not believe that its preference to purchase less than 300 MW advantaged or disadvantaged any of the bidders during the RFP Refresh. The balance of the bidders offered new projects, some of which were to be developed at existing EKPC facilities, which is an advantage Bluegrass did not have. Bluegrass also purchased the Bluegrass Station from Dynegy as a distressed asset and could be more competitive than bidders having to purchase new equipment.

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REQUEST 24**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 24.** Refer to the Crews Testimony, page 15, lines 11-22. State whether EKPC expects to receive approval from the entities listed on this page in time to close on the proposed transaction by the end of 2015.

**Response 24.** EKPC expects the approvals to be completed in time to close the transaction by the end of 2015.

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**REQUEST 25**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 25.** Refer to the Crews Testimony, page 15, lines 6-8, concerning the Kentucky Utilities Company ("KU") and LG&E Tolling Agreement. Clarify whether there is:

- (a) an issue regarding the assignment of the Tolling Agreement to EKPC;
- (b) an issue as to the timing of the assignment of the Tolling Agreement to EKPC; or
- (c) no issue as to the assignment of the Tolling Agreement to EKPC.

**Response 25.** EKPC does not anticipate any significant issue with respect to the assignment of the Tolling Agreement to EKPC. While the assignment of the Tolling Agreement is the responsibility of Bluegrass, EKPC acknowledges that it has a role in the assignment because LG&E/KU must be assured of EKPC's creditworthiness and its ability to perform all relevant obligations under the Tolling Agreement. EKPC has a proven track record as an operator and would not have executed the Asset Purchase Agreement had it not intended to fulfill the terms of the Tolling Agreement.

Moreover, EKPC's credit worthiness is equal to or greater than that of Bluegrass and should present no concern. Finally, LG&E/KU have intervened in this proceeding and propounded requests for information upon EKPC, and EKPC remains unaware of any significant issue that would likely cause the assignment of the Tolling Agreement to delay the closing of EKPC's proposed transaction with Bluegrass.

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**REQUEST 26**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 26.** Refer to the Crews Testimony, pages 15-16. Explain how the value of the transmission assets that are included in the proposed transaction will be determined relative to the requirement for approval under Section 203 of the Federal Power Act.

**Response 26.** The transmission depreciable assets were estimated as follows:

1. EKPC contracted with Patterson & Dewars to provide EKPC a transmission asset value based upon comparable new transmission equipment adjusted for depreciation.
2. In order to recognize the market value of the transmission assets, EKPC adjusted the Patterson & Dewars estimate by applying a ratio of the Bluegrass Station purchase price to the published PJM net cone price developed by Brattle on behalf of PJM.

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REQUEST 27**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 27.** Refer to the Crews Testimony, page 16. Explain why an opportunity to offer the Bluegrass Station units into the PJM energy markets is dependent upon transmission availability.

**Response 27.** To participate in the capacity markets, EKPC must have firm transmission on the LG&E/KU transmission system and in PJM. EKPC has confirmed transmission service with LG&E/KU for Units 1 and 2. When EKPC is the owner of the Bluegrass Station, the facility, like EKPC's LG&E/KU load, will be considered to be internal to PJM. EKPC is also working with PJM to finalize the transmission arrangements that would allow the Bluegrass Station Units 1 and 2 to participate in the 2016/2017 and 2017/2018 incremental base capacity markets.

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**REQUEST 28**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 28.** Refer to the Crews Testimony, pages 16-17, concerning the availability of the Bluegrass Station Units in the PJM energy and capacity markets. Explain whether EKPC values the units being included in one market over the other and describe in detail each market's benefits to EKPC.

**Response 28.** Participation in the PJM capacity and energy markets is not an either/or opportunity. While the PJM capacity and energy markets are separate markets, they are intertwined. Generators that participate in the capacity market are obligated to participate in the energy market. As described in EKPC's application to join PJM, EKPC is somewhat unique in that it is a winter peaking utility and most utilities peak in the summer. The PJM market is designed to allocate capacity requirements to load based on their summer peak. While EKPC needs generation adequate to hedge its load during its winter peak to protect it and its customers from high energy costs similar to those that occurred in the winter of 2013/2014, EKPC can monetize much of the generation that is in excess of its summer peak and reduce the burden of ownership of generation on its



customers. The value of owning generation in the energy market is further discussed in EKPC's response to PSC Request 19 and at pages 5 and 6 of the Crews Direct Testimony.

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**REQUEST 29**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 29.** Refer to the Crews Testimony, page 17.

**Request 29a.** Refer to lines 9-10 which state that "EKPC must undertake certain actions to bid capacity equivalent to the capacity offered by Bluegrass Station Unit 1 and Unit 2 into the upcoming '18/'19 BRA." Explain what is meant by "capacity equivalent."

**Response 29a.** For clarity, the words "that is" should have been inserted between "capacity" and "equivalent" in the referenced sentence ("EKPC must undertake certain actions to bid capacity that is equivalent to the capacity offered by Bluegrass Station Units 1 and 2..."). To explain further, if EKPC had bid Bluegrass Units 1 & 2 into the 2018/2019 BRA or Capacity Performance auction but did not ultimately acquire those Units, EKPC would not be able to fulfill the commitment it made in that auction. To avoid penalties, EKPC's best alternative would be to purchase replacement capacity equal to the capacity offered by Bluegrass Units 1 & 2 in a subsequent incremental auction.

**Request 29b.** State whether EKPC offered the capacity equivalent of Bluegrass Station Units 1 and 2 into the Base Residual Auction for the 2018/2019 delivery year held on August 14, 2015. If yes, provide details of the auction results.

**Response 29b.** Please refer to EKPC's response to PSC Request 7.

**Request 29c.** Assuming the proposed transaction is approved by the Commission, confirm that EKPC would not be entitled to capacity revenues related to the Bluegrass Station for delivery years 2016/2017 and 2017/2018.

**Response 29c.** If the transaction is approved and transmission arrangements are successfully completed with PJM for delivery years 2016/2017 and 2017/2018, EKPC will be able to bid Units 1 and 2 into the third incremental auction for 2016/2017 and the second and/or third incremental auctions for 2017/2018, thus receiving capacity revenues. Please refer to EKPC's response to PSC Request 7.

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REQUEST 30**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 30.** Refer to the Crews Testimony, page 18, and to the Application, page 18, numbered paragraph 40, regarding the Bentek Energy ("Bentek") and ACES study on the availability and affordability of natural gas at the Bluegrass Station.

**Request 30a.** Explain whether Bentek and ACES performed the study described in the Application, numbered paragraph 40, for which they were engaged by EKPC. If a study was performed, provide the report or other end work product of the study.

**Response 30a.** Both Bentek and ACES were engaged to study the availability and affordability of natural gas at the Bluegrass Station.

EKPC engaged Bentek, an energy market analytics company, in 2014 and 2015 to perform a study from a northeastern natural gas perspective that included a 5-year forecast for natural gas supply, natural gas demand, and natural gas infrastructure. Bentek's analysis also included pipeline flows, pipeline capacity additions and

expansions, and natural gas market trends with data-driven analysis, transparent methodology, and an ongoing market assessment. The 2014 and 2015 Bentek reports are provided on the attached CD and are subject to the motion for confidential treatment.

EKPC engaged ACES, a nationwide energy management company, in 2015 to provide a portfolio fit assessment and fair market valuation of the Bluegrass Station. This valuation included a natural gas transportation component that looked at unsubscribed capacity, natural gas supply options, and natural gas transportation strategies with information from sources considered to be reliable.

**Request 30b.** If such a study was not performed, explain why not, and explain how EKPC, in consultation with Bentek and ACES, determined that it will have access to fuel for the Bluegrass Station on “a reliable and economic basis.”

**Response 30b.** As stated in response to Request 30a, both Bentek and ACES performed the studies that were referenced in the Application, numbered paragraph 40. Both studies supported the position that Bluegrass Station is expected to have access to fuel on “a reliable and economic basis.”

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**REQUEST 31**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 31.** Refer to the Crews Testimony, page 18, regarding the impact of PJM's Capacity Performance construct. Has EKPC undertaken any study to evaluate what changes will be required at the Bluegrass Station in order for the generating asset to be offered as a capacity performance product? If not, explain why EKPC has not conducted such an analysis and whether EKPC has plans to do so in the future.

**Response 31.** There are no changes required at the Bluegrass Station in order for its Units to participate in the PJM Capacity Performance auctions. EKPC is considering diesel fuel back-up or firm gas transportation to mitigate unit unavailability due to fuel and the penalties that could arise in the capacity performance market.

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**REQUEST 32**

**RESPONSIBLE PERSON:** Mike McNalley

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 32.** Refer to the Crews Testimony, page 21, lines 3-9.

**Request 32a.** Provide a copy of the Internal Economic Analysis performed by EKPC related to the proposed transaction.

**Response 32a.** Internal Economic Analysis is also referred to in this testimony as the EKPC stand-alone model. The spreadsheet is provided on the attached CD and is subject to the motion for confidential treatment. The difference in the low NPV case and the high NPV case was whether point-to-point Transmission would be necessary for amounts generated by EKPC for delivery into the PJM system. The amounts would be the Bluegrass generation which exceeded the native load served in the LG&E/KU service territory. The high NPV case assumes no point-to-point transmission expense on this generation and the low NPV case assumes EKPC would we incur the point-to-point transmission expense.

**Request 32b.** Describe the "future capital expenses" referenced on line 7.

**Response 32b.** The future capital expenses factored into the EKPC stand-alone model were SCRs, Catalysts, and capital spares.



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**REQUEST 33**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 33.** Refer to the Crews Testimony, page 21, which contains the valuation conclusion determined by EKPC. Explain in general what impacts the recent, more stringent requirements contained in the final version of the Clean Power Plan ("CPP") has on the assumptions and conclusions contained in EKPC's report and specifically on its valuation determination for Bluegrass Station.

**Response 33.** EKPC believes the EPA underestimates the impact the CPP will have on the fleet of coal generation across the country. Under any State Implementation Plan or Federal Implementation Plan, generation that survives the CPP becomes significantly more valuable. The CPP does not provide adequate time to develop new renewable or conventional generation to replace coal generation that will retire as a result of the rule and this will make all existing gas-fired generation more valuable. In the long term, the CPP dramatically incentivizes a migration to renewable generation and gives preference to wind and solar renewables. Wind and solar resources, by their nature, are intermittent generators and as the grid becomes reliant on renewables for energy,

resources that can respond to the gaps renewable imposes on the grid will continue to be valuable and necessary. For this reason, EKPC is confident that the Bluegrass Station will prove to be an important resource for EKPC and Kentucky.

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**REQUEST 34**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 34.** Refer to the Crews Testimony, Exhibit DC-1, page 3 of 12.

**Request 34a.** The first sentence of the second paragraph states that LS Power offered to sell the Bluegrass Station to EKPC at a specific price. That price is different from the price provided on page 7, line 15, of the Mosier Testimony. Explain the reason for the difference.

**Response 34a.** The price difference is a timing issue. The ACES evaluation was completed prior to finalizing the price and APA contract.

**Request 34b.** Refer to the third paragraph, second to the last sentence. State whether the costs referred to in the sentence will be incurred by EKPC in connection with the proposed transaction.

**Response 34b.** Transmission upgrades are necessary on the LG&E/KU system and are projected to cost \$9.48 million. These transmission upgrades are considered network upgrades and are not directly assignable to EKPC. These costs will become part of LG&E/KU's transmission plant and EKPC will be allocated its share of these costs through its payments to LG&E/KU for Network Integrated Transmission Service (NITS) under the LG&E/KU OATT. As a NITS customer of LG&E/KU, EKPC is allowed to designate network resources to serve its load without incurring point to point transmission expenses.

**Request 34c.** Reconcile the "No Notice Service" cost provided in the next to last sentence of the fourth paragraph on this page with the "No Notice Service" cost shown at the bottom of page 8 of 12 of this same Exhibit.

**Response 34c.** The gas transportation expense on page 3 is for winter service and the gas transportation expense on page 8 is for annual service.

**Request 34d.** Provide calculations showing the expected cost of Texas Gas Transmission, LLC ("Texas Gas") pipeline transportation for all three cases of Capacity Performance discussed in the last paragraph. The information provided should be in sufficient detail to show estimated volumes and all assumptions and source materials with

regard to expected Texas Gas pipeline transportation rates and charges that are mentioned on page 8 of 12 of this same exhibit.

**Response 34d.** A detailed spreadsheet with the requested calculations is provided on the attached CD, and is subject to the motion for confidential treatment. The following assumptions support those calculations.

- **Assumptions**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- **File Shows**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- **Calendar Year 2035 was not modeled, and due to time constraints underlying assumptions were made**

[REDACTED]

[REDACTED]

[REDACTED]

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**REQUEST 35**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 35.** Refer to the Crews Testimony, Exhibit DC-1, pages 3-4 of 12. Beginning at the bottom of page 3, the report states that "ACES adhered to the Kentucky Air Permit limitations of 95 tons of NOx over a rolling 12-month period. This NOx constraint was the limiting factor in generation output and would also likely be limiting if the plant was converted to combined cycle mode in the future without air permit modifications." At what capacity can the Bluegrass Station operate without violating the permit?

**Response 35.** The Bluegrass Station can operate at a 7% capacity factor on all three (3) Units and not exceed the 95 ton NOx limit.

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**REQUEST 36**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 36.** Refer to the Crews Testimony, Exhibit DC- 1, page 5 of 12, Figure 2. Would the additional Unforced Capacity generation associated with the Bluegrass Station depicted herein have cleared in the most recent PJM base residual auction?

**Response 36.** Yes, the Unforced Capacity generation associated with the Bluegrass Station would have cleared in the most recent PJM base residual auction. Prices for this auction were published by PJM on August 21, 2015. The base capacity price that would have applied to the Bluegrass units was \$149.98/MW-day. The capacity performance clearing price was \$164.77/MW-day. Bluegrass capacity would have most certainly cleared the base capacity market at \$149.98/MW-day, and would have obtained a value of roughly \$23,500 per day (\$8.6 million for the delivery year) for each Unit, for a total value of \$17.2 million for the two units in 2018/19. EKPC's existing combustion turbines did not clear the performance capacity market, so it is unlikely that the Bluegrass Station Units would have cleared that market either.

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REQUEST 37**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 37.** Refer to the Crews Testimony, Exhibit DC-1, page 5 of 12. Provide the annual gas commodity cost used in the Discounted Cash Flow Analysis, showing the projected gas cost and volumes used for each of the 20 years. If the delivered prices on page 12 of 12 were used, provide all assumptions made for the \$/MMBtu prices per year. If the prices were derived from some other source, indicate the source and provide all assumptions made in their derivation.

**Response 37.** The delivered prices on page 12 of 12 were used. An excel spreadsheet with the detailed support for the gas prices is included on the attached CD, and is subject to the motion for confidential treatment.



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**REQUEST 38**

**RESPONSIBLE PERSON:** David Crews

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 38.** Refer to the Crews Testimony, Exhibit DC-1, page 7 of 12, Section 5, and to the Application, page 18, numbered paragraphs 40-41, regarding natural gas transportation.

**Request 38a.** If known, identify the current natural gas transportation strategy utilized at Bluegrass Station.

**Response 38a.** Bluegrass has not shared its gas transportation strategy.

**Request 38b.** Provide any information of which EKPC is aware regarding the reversal of natural gas flows or other changes to the pipeline by Texas Gas.

**Response 38b.** Texas Gas has filed two applications with FERC requesting authorization for the construction and operation of facilities which will allow it to efficiently and reliably flow proposed quantities of natural gas "north to south" on its

existing system, while retaining the current capability to flow “south to north,” in order to accommodate customers who are seeking access to the Marcellus/Utica shale supplies on the northern end of the Texas Gas system with an ultimate destination to serve new markets in the Midwest and South. Docket No. CP14-553-000 is supported by seven shippers who have executed binding precedent agreements for a total of 626,000 MMBtu per day with a proposed in service date of June 1, 2016. Docket No. CP15-513-000 is supported by eight shippers who have executed binding precedent agreements for a total of 384,000 MMBtu per day with a proposed in service date of April 1, 2017.

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**REQUEST 39**

**RESPONSIBLE PERSON:** Jerry B. Purvis

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 39.** Refer to the Direct Testimony of Jerry B. Purvis ("Purvis Testimony"), pages 9-10. The question at the top of page 9 asks for a description of the Cross-State Air Pollution Rule as well as the efforts EKPC has undertaken to ensure compliance. The answer provided on pages 9-10 describes the rule but does not state the efforts made by EKPC to comply. State the efforts EKPC has undertaken to comply with the rule.

**Response 39.** EPA enacted the Cross State Air Pollution Rule ("CSAPR") to replace the Clean Air Interstate Rule ("CAIR") which was struck down by the judiciary. Since CAIR was designed to reduce NO<sub>x</sub> and SO<sub>2</sub> emissions, EKPC installed the wet flue gas desulfurization equipment ("WFGD") and a wet electrostatic precipitator ("WESP") on Spurlock Unit 2 in October 2008; WFGD, WESP and Selective Catalytic Reactor ("SCR") on Spurlock Unit 1 in April 2009; dry flue gas desulfurization ("DFGD"), SCR and pulse jet filter fabric baghouse on Cooper Unit 2 in June 2012. Lastly, the Commission approved adding Cooper Unit 1 to Cooper Unit 2's

environmental control equipment in 2014, which will reduce NO<sub>x</sub> and SO<sub>2</sub> emissions from Unit 1's flue gas stream. EKPC has added approximately \$1.5 billion dollars in pollution control equipment to reduce SO<sub>x</sub> and NO<sub>x</sub> pursuant to CAIR and now CSAPR. EKPC, with its legal counsel, regularly monitors EPA actions and court cases as a prudent utility, and stays in lock-step or ahead of scheduled compliance. EKPC is ahead of schedule for compliance with phase I and phase II of CSAPR. Phase I of CSAPR began on January 1, 2015, and this will be the first year in which EKPC will have to ensure it has the requisite allowances to cover its annual SO<sub>2</sub>, annual NO<sub>x</sub> and ozone seasonal NO<sub>x</sub> emissions. Current projections demonstrate EKPC is well positioned for CSAPR compliance.

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REQUEST 40**

**RESPONSIBLE PERSON: Jerry B. Purvis**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 40.** Refer to the Purvis Testimony, page 29, regarding EKPC's pending analysis of a compliance plan for the Coal Combustion Residual rule. When does EKPC anticipate completing this analysis?

**Response 40.** EKPC's environmental compliance plan for the CCR Rule is under review internally and its development is on-going. EKPC's team of legal advisors, environmental engineers and consultants are working together with the EKPC leadership and Board of Directors. EKPC is on track to comply with the CCR rule which is effective October 19, 2015. The amended environmental compliance plan must be reviewed and approved by EKPC's Board of Directors. It is important to understand that the CCR Rule and the forthcoming National Effluent Limitations Guidelines (ELG) water rules are interdependent; hence EKPC has elected not to move ahead separately for each rule until the ELG rule is finalized in September 2015. Upon approval by EKPC's Board of Directors, EKPC will file the amended the compliance plan for both rules in the form of an application for consideration by the Commission.

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**REQUEST 41**

**RESPONSIBLE PERSON:** Jerry B. Purvis

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 41.** Refer to the Purvis Testimony, pages 29-30. Provide the Environmental Site Assessment Report prepared for EKPC by Linebach Funkhouser, Inc.

**Response 41.** The Environmental Site Assessment Report prepared for EKPC by Linebach Funkhouser, Inc. is provided on the attached CD and is subject to the motion for confidential treatment.

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**REQUEST 42**

**RESPONSIBLE PERSON: Darrin Adams**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 42.** Refer to the Direct Testimony of Darrin Adams (“Adams Testimony”), page 3, lines 15-16. Provide a copy of the transmission studies referred to here.

**Response 42.** Copies of the following transmission studies are provided on the attached CD and are subject to the motion for confidential treatment.

- “TSR LGE-2014-014 System Impact Study Report” dated March 2, 2015. This report contains the results of the System Impact Study performed by TranServ International in response to EKPC’s request to designate Bluegrass Station Units 1 and 2 as Network Resources for EKPC load connected to the LG&E/KU transmission system.
- “FS-LGE-2014-014 Facilities Study Report” dated May 27, 2015. This report contains the results of the Facilities Study performed by LG&E/KU to address the

- constraints identified in the System Impact Study performed in response to EKPC's request to designate Bluegrass Station Units 1 and 2 as Network Resources for EKPC load connected to the LG&E/KU transmission system.
- "TSR LGE-2015-010 System Impact Study Report" dated July 10, 2015. This report contains the results of the System Impact Study performed by TranServ International in response to EKPC's request to designate Bluegrass Station Unit 3 as a Network Resource for EKPC load connected to the LG&E/KU transmission system.

LG&E/KU is currently conducting a Facilities Study to determine the mitigation required to address the constraints identified in the System Impact Study performed in response to EKPC's request to designate Bluegrass Station Unit 3 as a Network Resource for EKPC load connected to the LG&E/KU transmission system. The report documenting the results of this study is not yet available.



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**REQUEST 43**

**RESPONSIBLE PERSON:**           **Darrin Adams**

**COMPANY:**                       **East Kentucky Power Cooperative, Inc.**

**Request 43.**           Refer to the Adams Testimony, page 6. Explain when KU and LG&E are expected to file the revised Network Integrated Transmission Service Agreement with the Federal Energy Regulatory Commission ("FERC").

**Response 43.**           LG&E/KU is coordinating with EKPC regarding the specific changes to the existing NITS agreement that are needed. The expectation is that the revised NITS agreement incorporating the addition of Bluegrass Units 1 and 2 as Designated Network Resources for EKPC load directly connected to the LG&E/KU system will be filed with FERC prior to October 2015.

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REQUEST 44**

**RESPONSIBLE PERSON: Darrin Adams**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 44.** Refer to the Adams Testimony, page 7. Provide the report or final work product produced by CE Power for EKPC in conjunction with the testing it performed on the generator step-up and auxiliary transformers at the Bluegrass Station.

**Response 44.** The report provided by CE Power is provided on the attached CD and is subject to the motion for confidential treatment.

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**REQUEST 45**

**RESPONSIBLE PERSON: Darrin Adams**  
**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 45.** Refer to the Adams Testimony, page 7. Confirm that no transmission upgrades are necessary for Bluegrass Station Unit 3 prior to April 2019, during the term of the KU and LG&E Tolling Agreement.

**Response 45.** The request made by LG&E/KU for Network Integration Transmission Service ("NITS") for Bluegrass Station Unit 3 for the period of May 2015 through April 2019 was studied by Transerv International as the Independent Transmission Operator for the LG&E/KU system. EKPC's only involvement in the process at that time was as part of the ad hoc study group for the NITS request because of its circumstance as a potentially impacted neighboring transmission system. Therefore, EKPC had access to the final study reports in that role. The Facilities Study report indicates that one minor upgrade was required on the LG&E/KU transmission system prior to June 2015 to accommodate the service. EKPC cannot confirm whether this upgrade was completed by LG&E/KU within this timeframe.

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REQUEST 46**

**RESPONSIBLE PERSON: Darrin Adams**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 46.** Refer the Adams Testimony, page 8, lines 17-18, which discuss a transmission constraint in the “near-term years” of the System Impact Study (“SIS”). State the years referred to as “near-term years.”

**Response 46.** The SIS performed by Transerv International used models simulating the 2015 summer, 2015/16 winter, 2024 summer, and 2024/25 winter periods. The constraint referenced was identified in the contingency analysis of the 2015 summer models, but was not identified in the 2015/16 winter, 2024 summer, and 2024/25 winter models. The statement that the facility is only a constraint in the near-term years is based on these results, which indicate that the constraint no longer exists in 2024.

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REQUEST 47**

**RESPONSIBLE PERSON: Darrin Adams**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 47.** Refer to the Adams Testimony, page 8. Provide the results of the SIS performed by TranServ and released in March 2015.

**Response 47.** Please refer to the document "TSR LGE-2014-014 System Impact Study Report" dated March 2, 2015, provided in response to PSC Request 42. This report contains the results of the System Impact Study performed by TranServ International in response to EKPC's request to designate Bluegrass Station Units 1 and 2 as Network Resources for EKPC load connected to the LG&E/KU transmission system.

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REQUEST 48**

**RESPONSIBLE PERSON:** Darrin Adams

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 48.** Refer to the Adams Testimony, pages 8-9. Provide the Facilities Study prepared by TranServ and KU and LG&E.

**Response 48.** Please refer to the document "FS-LGE-2014-014 Facilities Study Report" dated May 27, 2015, provided in response to PSC Request 42. This report contains the results of the Facilities Study performed by LG&E/KU to address the constraints identified in the System Impact Study performed in response to EKPC's request to designate Bluegrass Station Units 1 and 2 as Network Resources for EKPC load connected to the LG&E/KU transmission system.

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**REQUEST 49**

**RESPONSIBLE PERSON: Darrin Adams**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 49.** Refer to the Adams Testimony, page 9.

**Request 49a.** Refer to lines 6-14. Explain the operating guideline under which the Bluegrass Station will operate in the event a constraint occurs in the course of operations.

**Response 49a.** The operating guideline referenced is in place to mitigate loading on the [REDACTED] for an outage of the [REDACTED]. This guideline outlines the steps that will be utilized if calculated real-time post-contingency flows on the subject line exceed its applicable thermal rating. The steps in the operating guideline are:

- (1) Reduction of dispatch flow on the SPP-MISO joint operating agreement contract path through the ORCA process;
- (2) initialization of the NERC Transmission Loading Relief ("TLR") process to prepare for action and provide relief as prescribed for a level 1 TLR;

- (3) transmission reconfiguration involving opening a [REDACTED]  
[REDACTED];
- (4) implementation of the emergency unit trip scheme at the [REDACTED]  
[REDACTED];
- (5) issuance of a level 3 TLR to curtail non-firm transactions impacting the congested facility by 3% or more;
- (6) implementation of generation re-dispatch based on NERC Interchange Distribution Calculator (“IDC”) results identifying the most effective generators at which to increase and/or decrease generation (this is the step in the process which provides the possibility of mandatory reduction in generation output at Bluegrass Station);
- (7) issuance of a level 5 TLR to curtail firm transactions (including delivery of generation to native load) impacting the congested facility by 3% or more.

**Request 49b.** Provide a copy of the operating guideline that will be implemented to address the short-term transmission constraint.

**Response 49b.** A copy of the operating guide that is currently in effect for the identified short-term constraint is provided on the attached CD and is subject to the motion for confidential treatment. Note that this operating guide has not yet been updated to reflect the status of Bluegrass Station Units 1 and 2 as Designated Network



Resources for EKPC load connected to the LG&E/KU transmission system. This revision process is currently in progress and is being performed by the Reliability Coordinators (MISO, PJM, and TVA) responsible for the area surrounding the constraint. The revised operating guide is anticipated to be very similar to the operating guide that is currently in effect.

**Request 49c.** Refer to lines 18-22, which state that “[t]he remaining constraints identified on the LG&E/KU transmission system will be addressed through timely system upgrades by LG&E/KU . . . .” State when these system upgrades are expected to be completed.

**Response 49c.** The system upgrades and the timeframes in which these upgrades are expected to be completed were identified by LG&E/KU in the Facilities Study performed for the EKPC request are provided on page 4 of this request.

Identified System Upgrade	Expected Completion Timeframe
[REDACTED]	2023 Winter
[REDACTED]	2024 Winter
[REDACTED]	May 2016
[REDACTED]	2024 Winter
[REDACTED]	2018 Winter
[REDACTED]	2018 Winter

The potential constraint on the [REDACTED] was identified in 2015 Summer in the System Impact Study. The Facilities Study indicates that the identified system upgrade cannot be completed until May 2016. Therefore, the Facilities Study indicated that an operating guide can be used during the interim period to mitigate the flow on the subject transmission line, if necessary, until the specified upgrade can be implemented.

**Request 49d.** Describe the types of system upgrades to LG&E/KU's transmission system suggested by the Facilities Study.

**Response 49d.** This information is provided along with the expected completion timeframes in part (c) of this response.

**Request 49e.** Explain how a decision is made to mitigate transmission constraints by system upgrades rather than by using operational procedures. Include discussion of which entities make such decisions and the extent to which costs are considered.

**Response 49e.** For the particular constraints identified in the system impact studies performed by TranServ for EKPC's requests related to Bluegrass Station, the decision regarding whether to implement system upgrades or use operating procedures was made entirely by LG&E/KU and TranServ (the LG&E/KU Independent Transmission Operator). EKPC had no input into this decision. The explanation provided to EKPC by LG&E/KU and TranServ was that system upgrades are utilized for constraints that are long-term – i.e., the constraints that exist at the end of the period being studied (2024 in this particular case). For those constraints that only exist in the near-term period and are no longer constraints in the long-term period, operating procedures are utilized to manage the constraint until such time within the planning period when the constraint is no longer identified as a problem. EKPC is not aware of how costs are considered by LG&E/KU and TranServ in making these decisions.

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**REQUEST 50**

**RESPONSIBLE PERSON:**           **Darrin Adams**

**COMPANY:**                       **East Kentucky Power Cooperative, Inc.**

**Request 50.**           Refer to the Adams Testimony, page 10. Provide the results of the Unit 3 SIS performed by TranServ and released in July 2015.

**Response 50.**           Please refer to the document "TSR LGE-2015-010 System Impact Study Report" dated July 10, 2015, provided in response to PSC Request 42. This report contains the results of the System Impact Study performed by TranServ International in response to EKPC's request to designate Bluegrass Station Unit 3 as a Network Resource for EKPC load connected to the LG&E/KU transmission system.

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**REQUEST 51**

**RESPONSIBLE PERSON:** James Read

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 51.** Refer to the Direct Testimony of James Read (“Read Testimony”), page 16, lines 16-19. Explain why the 2013 negotiations referenced in this paragraph did not result in an executed Tolling Agreement.

**Response 51.** The 2013 negotiations did not result in an executed Tolling Agreement due to uncertainty identified with regards to EKPC’s future capacity needs. At the same time the Tolling Agreement was being negotiated, EKPC was researching and refining its Owner-Members’ interests in Amendment 3 generation. Amendment 3 generation is generation supply that the EKPC’s Owner-Member systems acquire for themselves outside of EKPC resources. The Owner-Members were very interested in pursuing such generation during this time in 2013. If the Owner-Members chose to pursue the maximum available to them via Amendment 3, then there was 150 MW of generation that EKPC would not need in the future. That was the same amount as what would be lost with the idling of Dale 3 and 4 generation. EKPC decided it should forego finalizing a Tolling Agreement at that time.

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**REQUEST 52**

**RESPONSIBLE PERSON:** James Read

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 52.** Refer to the Read Testimony, Exhibit JR-2, pages 3-4, concerning the economic evaluation of the various proposals submitted in response to the RFP Refresh.

**Request 52a.** In electronic format and with all formulas intact, provide all workpapers and analyses that were developed for the net present value evaluation.

**Response 52a.** The workpapers and analyses are provided on the attached CD and are subject to the motion for confidential treatment.

**Request 52b.** With respect to the capacity revenues, is it EKPC's belief that the current capacity prices in PJM's capacity market represent a reasonable view of capacity prices in the long term? Explain why or why not.

**Response 52b.** This response presumes that the question refers to the results of the 2017/2018 RPM Base Residual Auction (“BRA”), specifically the \$120/MW-day resource clearing price for the PJM RTO. As of the proposal due date, this was a conservative estimate of future capacity prices in the PJM RTO. PJM’s administrative net cost of new entry (“Net CONE”) for the 2017/2018 auction was \$351/MW-day, far above \$120/MW-day. However, PJM’s Net CONE calculations have been far above the corresponding resource clearing prices in almost all of the auctions since 2007/2008. Resource clearing prices averaged \$73/MW-day (with a range of \$73 to \$136) in the five auctions preceding 2017/2018; they averaged \$90/MW-day (a range of \$16 to \$174) in the ten preceding auctions.

**Request 52c.** With respect to the forecasted capacity price escalator of 2.5-percent per year, does this take into account the implementation of PJM's new capacity market construct, Capacity Performance?

**Response 52c.** The screening analysis incorporated information available at the time proposals in response to the RFP Refresh were due. Therefore, they do not reflect subsequent developments related to the specification of PJM capacity products.

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REQUEST 53**

**RESPONSIBLE PERSON: James Read**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 53.** Refer to the Read Testimony, page 12. Confirm that the case number on line 21 should be 2013-00259, which is the same as the case number in the footnote at the bottom of the page.

**Response 53.** Confirmed.



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REQUEST 54**

**RESPONSIBLE PERSON: Ralph L. Luciani and David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 54.** Refer to the Direct Testimony of Ralph L. Luciani (“Luciani Testimony”), page 10, and to the Application, numbered paragraph 20, where the net present value of the operating margins of the Bluegrass Station in PJM, excluding capital costs, transaction costs, and transmission expenditures for Unit 1 and Unit 2, as determined by Navigant, is discussed.

**Request 54a.** Explain what is meant by “transaction costs.”

**Response 54a.** This is a general reference to the additional costs that may be incurred in acquiring an asset, including legal and/or governmental fees.

**Request 54b.** Explain why the net present value excludes the listed costs.

**Response 54b.** Navigant analyzed the projected future operating margins of the Bluegrass Station. Navigant did not examine the capital cost of the Bluegrass Station, or any associated transaction costs that may be incurred in purchasing the Bluegrass Station, as these items would not impact the future operating margins of the plant. With respect to transmission expenditures for Unit 1 and Unit 2, based on discussions with EKPC, Navigant assumed that no additional transmission expenditures would be incurred for Unit 1 and Unit 2.

**Request 54c.** Provide the net present value of the operating margins when all costs are included.

**Response 54c.** This calculation was not performed. As noted above, capital costs and any related transaction costs are not a component of future operating margins, and no additional transmission costs were assumed to be incurred for Unit 1 and Unit 2.

**Request 54d.** Also refer to the Application, numbered paragraph 21, where it states, “Likewise EKPC's analysis is considerably lower than the Navigant analysis because EKPC utilized a more conservative set of assumptions than did Navigant in conducting its analysis of the capacity benefit.”

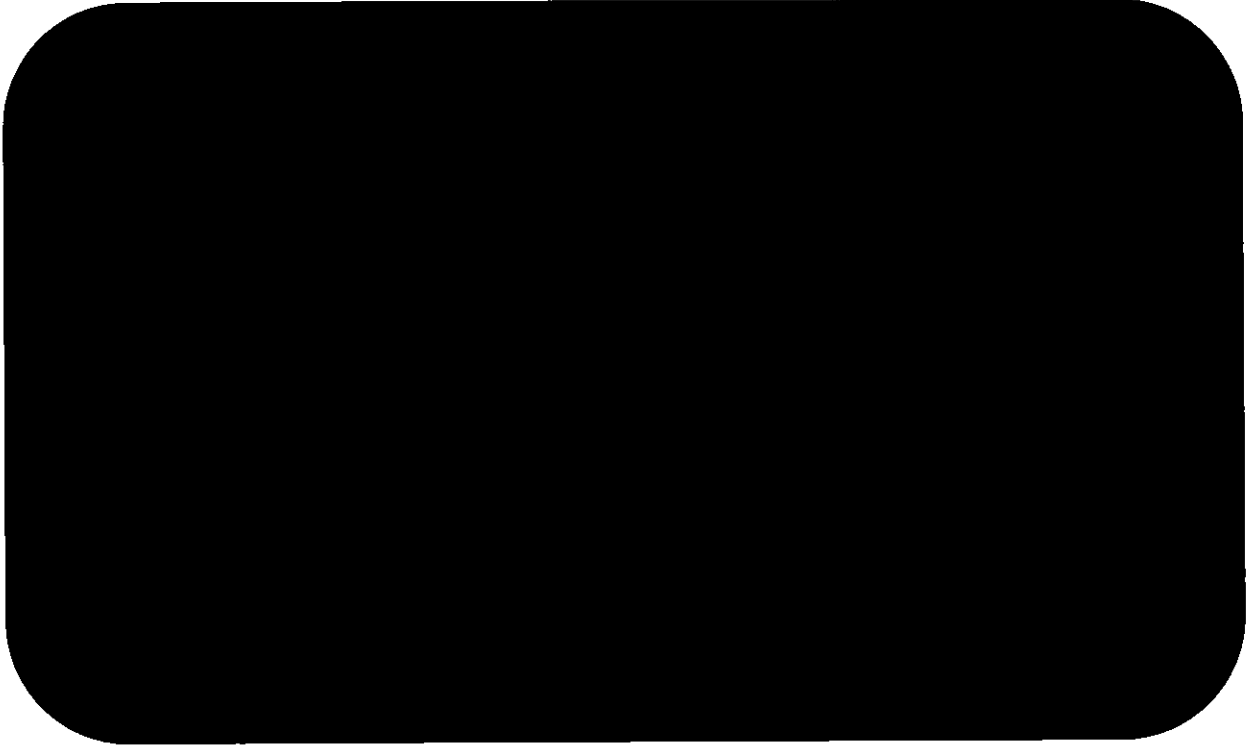
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(1) Identify the assumptions included in Navigant's analysis that were not utilized by EKPC in its analysis and the reasons why EKPC did not use such assumptions.

(2) Explain why EKPC did not take into account any energy sales benefits in its analysis, whereas Navigant considered such benefits.

(3) Also refer to the Confidential Exhibit RL-2, page 8, Navigant's report entitled *PJM RTO Market Summary and Forecast for the Bluegrass Power Plant ("Navigant Report")*, regarding the CPP. Explain in general what impacts the recent, more stringent requirements contained in the final version of the CPP has on the assumptions and conclusions contained in the *Navigant Report* and specifically to the net present value of the operating margins for the plant over the forecast period of 2016 to 2035 in January 1, 2016 dollars.

**Response 54d(1).** The material assumption difference between the EKPC stand-alone model and the Navigant analysis was future PJM capacity prices. Navigant projected the future PJM capacity price based on their models and the Capacity Performance market implementation. The Navigant modeling resulted in the capacity prices shown below in the PJM Capacity Price Projections. EKPC chose to escalate the most recent BRA price of \$120/MW-day at 3% to project future PJM capacity prices, which yielded lower margins. These differences are illustrated in the graph on page 4 of this response.



**Response 54d(2).** The EKPC stand-alone model was designed as a financial screening tool for the Bluegrass acquisition. The stand-alone model evaluated the NPV impact of the PJM capacity revenues, and LG&E/KU tolling agreement and fixed costs. A positive NPV in this model would equal a positive financial outcome from the acquisition, even before the impact of the energy. EKPC used this model to financially screen the transaction as well as to compute the breakeven capacity price.

**Response 54d(3).** Among other changes, the final version of the CPP requires meeting a more stringent standard overall by 2030 (a 32% reduction in CO<sub>2</sub> emissions for the power sector nationwide relative to 2005 levels, instead of a 30% reduction), modifies individual state-specific targets, and includes a 2-year delay in the start of the initial compliance period (from 2020 to 2022). Navigant has not analyzed the impact of the final version of the CPP on the Bluegrass Station operating margins. However, it is not anticipated that there would be a significant impact to the present value of the operating margins identified in Exhibit RL-2, noting that as a peaking-type facility, the capacity factor and energy market margins (energy revenues in comparison to fuel, start-up, variable O&M and emission costs) for the station are relatively modest.

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**REQUEST 55**

**RESPONSIBLE PERSON: Ralph L. Luciani**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 55.** Refer to the Luciani Testimony, Exhibit RL-2.

**Request 55a.** State whether the issuance of an Order on June 9, 2015 by FERC related to PJM's Capacity Performance proposal affect the results of the study. If so, explain.

**Response 55a.** The FERC's June 9, 2015 decision largely accepted the PJM Capacity Performance proposal. In Exhibit RL-2, Navigant assumed that the Capacity Performance proposal would be implemented as of the Base Residual Auction for the 2019/2020 delivery year. Given the FERC decision, PJM was able to incorporate the Capacity Performance proposal in the Base Residual Auction for the 2018/2019 delivery year. Results for this 2018/2019 delivery year Base Residual Auction were posted by PJM on August 21, 2015 and yielded a capacity price of \$165/MW-day in comparison to the [REDACTED] (2014\$) used in Exhibit RL-2. All else equal, this result would

increase the value of the Bluegrass Station from that derived in Exhibit RL-2.

**Request 55b.** Refer to Exhibit RL-2, page 6, fourth line from the top of the page. Provide supporting calculations for the \$/kw-year of real levelized operating margins.

**Response 55b.** The levelized expenses are provided on the attached CD and are subject to the motion for confidential treatment.

**Request 55c.** Refer to Exhibit RL-2, page 86, the last sentence on the page. Explain the effect this circumstance (related to Unit 3) has on the economics of the proposed transaction and potential future environmental costs.

**Response 55c.** The impact of Unit 3 not having an SCR is incorporated in the projection of operating margins presented in Exhibit RL-2, with the higher NOx emission rate (as shown in Table 15 of Exhibit RL-2) and NOx emission costs for Unit 3 leading to a slightly lower capacity factor for Unit 3 than that of Unit 1 and Unit 2. The higher NOx emission costs for Unit 3 are captured in the operating margins presented in Exhibit RL-2.

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REQUEST 56**

**RESPONSIBLE PERSON:** Mike McNalley

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 56.** Refer to the Direct Testimony of Mike McNalley (“McNalley Testimony”), page 4, which references EKPC having obtained initial investment-grade credit ratings from Fitch Ratings and Standard & Poor’s. Describe EKPC’s current status with Moody’s, the other major rating firm.

**Response 56.** EKPC talks with Moody roughly once each year to keep it informed of EKPC’s credit issues, but has not engaged it for ratings purposes. EKPC’s indenture requires two ratings, which are supplied by S&P and Fitch Ratings. If a third rating becomes useful, EKPC would engage Moody at that time; however, until then, EKPC does not see value sufficient to justify another rating fee.



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**REQUEST 57**

**RESPONSIBLE PERSON:** Mike McNalley

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 57.** Refer to the McNalley Testimony, page 7, lines 15-18. State whether EKPC anticipates modifying or replacing the bonds, lease, and/or Pilot Agreement with Oldham County following closing of the proposed transaction. If so, explain.

**Response 57.** EKPC does anticipate replacing the bonds and lease with Oldham County, but the final outcome cannot be known until EKPC is able to conclude negotiations with Oldham County. While EKPC's preference is to own the assets outright without the bonds or lease and finance the purchase using RUS/FFB funds, EKPC may not be able to agree with Oldham County on acceptable terms and RUS financing may be unavailable. With respect to the Pilot Agreement, it survives the lease/bonds and EKPC is interested in renegotiating it with Oldham County.

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**REQUEST 58**

**RESPONSIBLE PERSON:** Mike McNalley

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 58.** Refer to the McNalley Testimony, pages 8-9.

**Request 58a.** Aside from not being timely available, explain how the intended loan with the Rural Utilities Service ("RUS") might be "otherwise unacceptable."

**Response 58a.** The RUS loans could be approved but have funding delayed to an extent that EKPC would be exposed to too much interest rate risk and would prefer to finance with a private loan or placement instead. Also, there could be other conditions placed on the loan that also would make it unacceptable, recognizing that RUS is a part of a federal agency with a broader agenda than simply making loans.

**Request 58b.** Explain how soon after the closing of the contemplated transaction EKPC expects to initiate the process of obtaining long-term financing for the transaction.

**Response 58b.** EKPC's expectation is that it will be able to obtain RUS financing and close that financing shortly after the close of the transaction. In the interim, EKPC would utilize its credit facility for the transaction. However, if RUS is not the best option, EKPC would request authorization for private financing and initiate those discussions, with expectation of closing a financing within several months of the transaction. Again, EKPC's credit facility would serve in the interim.

**Request 58c.** If it is able to secure a loan with RUS as the long-term financing for the contemplated transaction, explain whether EKPC anticipates making a filing with the Commission for approval of a private placement to finance the unrelated items referred to on page 9, lines 12-14.

**Response 58c.** The amounts of the "unrelated items" are small enough to not justify a private placement on their own. Instead, these would be bundled with other similar items and financed as a group when the total to be financed is attractive to the market. PSC authorization would be sought at that time assuming that such approval is required by KRS 278.300.

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**REQUEST 59**

**RESPONSIBLE PERSON:** Michelle K. Carpenter and Robin Hayes

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 59.** Refer to the McNalley Testimony, page 10, lines 6-9, which refer to the annual operations and maintenance expense and the annual fuel expense anticipated by EKPC for the operation of each of the Bluegrass Station Units. Collectively, for all the assets to be acquired under the proposed transaction, provide EKPC's estimate of:

**Request 59a.** Annual depreciation expense; and

**Response 59a.** The expenses referenced on page 10, lines 6-9, were based upon the results of a long-range forecast. Within that forecast, annual depreciation expense was estimated at \$6.1 million based upon the acquisition cost and other assumptions given that adequate detailed historical accounting information related to the assets has not been provided by the seller. However, as cited in Exhibit MM-3 of the Application, the RUS Uniform System of Accounts (USoA) requires assets acquired to be recorded at original cost (estimated if not known) when first placed into service with the depreciation

applicable to the original cost credited to accumulated provision for depreciation. Once this information is obtained or other estimates are made as necessary, projected annual depreciation expense will be revised accordingly.

**Request 59b.** Annual interest expense after securing long-term financing.

**Response 59b.** The annual interest expense for the long term loan will range from \$4.0 to \$5.0 M depending on the interest rate at time of closing.

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REQUEST 60**

**RESPONSIBLE PERSON:** Mike McNalley

**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 60.** Refer to the McNalley Testimony, page 10, lines 15-17. Identify the costs that “would otherwise be incurred.”

**Response 60.** The intent of the statement referenced is that EKPC's total cost of service would be reduced by the excess energy sales and capacity market revenue realized from the Bluegrass Units, not that the Bluegrass Units would offset some other cost.

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REQUEST 61**

**RESPONSIBLE PERSON: Mike McNalley**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 61.** Refer to the McNalley Testimony, Exhibit MM-3. The footnote at the bottom of page 1 of 1 makes reference to the lease agreement with Oldham County being terminated. State whether it is EKPC's intention to terminate the lease agreement if the proposed transaction is approved.

**Response 61.** It is EKPC's desire, as noted in its response to PSC Request 57, to terminate the lease and "unwind" the bonds with Oldham County, but this depends upon successful discussions with Oldham County.

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REQUEST 62**

**RESPONSIBLE PERSON: David Crews**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 62.** Provide a schedule listing the economic dispatch order of EKPC's generating units including the Bluegrass Station.

**Response 62.** Page 2 of this response is the list showing the economic dispatch order for all EKPC generating units including the Bluegrass Station based on current fuel prices, from highest to lowest.



**All EKPC Generating Units (including the Bluegrass Station)  
Based on Current Fuel Prices, from Highest to Lowest**

Smith 1  
Smith 2  
Smith 3  
Dale 3  
Dale 4  
Smith 4  
Smith 5  
Smith 6  
Smith 7  
Bluegrass 1  
Bluegrass 2  
Bluegrass 3  
Smith 9  
Smith 10  
Cooper 1  
Cooper 2  
Spurlock 1  
Spurlock 2  
Spurlock 3 (Gilbert)  
Spurlock 4

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**REQUEST 63**

**RESPONSIBLE PERSON:**           **Darrin Adams**

**COMPANY:**                       **East Kentucky Power Cooperative, Inc.**

**Request 63.**           Assuming EKPC purchases the Bluegrass Station, provide a schedule showing the specific transmission facilities that will need to be constructed by EKPC, and those that will need to be constructed by KU and LG&E, and the date by which the facilities will need to be constructed.

**Response 63.**           The following table provides a schedule showing the specific transmission facilities that will need to be constructed or upgraded by either EKPC or LG&E/KU and the date by which these facilities will need to be constructed or upgraded. This information is based on the results of the System Impact Study ("SIS") and Facilities Study ("FS") performed for EKPC's request for Bluegrass Station Units 1 and 2 to be Designated Network Resources ("DNR"), and the results of the SIS performed for EKPC's request for Bluegrass Station Unit 3 to be a DNR. LG&E/KU has not yet completed the Facilities Study associated with EKPC's DNR request for Unit 3, so the final schedule of needed transmission upgrades could change; however, this is not expected based on preliminary indications. EKPC has not identified any other

transmission upgrades or additions that will be needed if the purchase of Bluegrass Station is completed.

<u>Construction or Upgrade Required</u>	<u>Responsible Entity</u>	<u>Needed Completion Date</u>
[REDACTED]	LG&E/KU	May 2016
[REDACTED]	LG&E/KU	Nov. 2018
[REDACTED]	LG&E/KU	Nov. 2018
[REDACTED]	LG&E/KU	May 2019
[REDACTED]	LG&E/KU	Nov. 2021
[REDACTED]	LG&E/KU	Nov. 2021
[REDACTED]	LG&E/KU	Nov. 2024
[REDACTED]	EKPC	Nov. 2024

The results of the studies and preliminary engineering analysis indicate that the upgrades required are expected to be in place on or before the date they are needed.