



Mark David Goss
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September 21, 2015

RECEIVED

SEP 21 2015

PUBLIC SERVICE
COMMISSION

Via Hand-Delivery

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

Re: *In the Matter of: The Application of East Kentucky Power Cooperative, Inc. for Approval of the Acquisition of Existing Combustion Turbine Facilities form 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*
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 (10) redacted copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC"), to the Second Request for Information of Commission Staff dated September 10, 2015. Also included are EKPC's responses to LG&E/KU's Supplemental Request for Information dated September 10, 2015.

Finally, enclosed are an original and ten (10) copies of EKPC's Motion for Confidential Treatment ("Motion") related to the above-referenced responses. One unredacted copy of the designated confidential portions of these responses, which are the subject of the Motion, is enclosed in a sealed envelope

Please return a file-stamped copy of these filings to me, and please do not hesitate to contact me if you have any questions.

Very truly yours,

Mark David Goss

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
SEP 21 2015
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) Case No. 2015-00267
COMPANY, LLC AT THE BLUEGRASS GENERATING)
STATION IN LAGRANGE, OLDHAM COUNTY, KENTUCKY)
AND FOR APPROVAL OF THE ASSUMPTION OF CERTAIN)
EVIDENCES OF INDEBTEDNESS)

MOTION FOR CONFIDENTIAL TREATMENT

Comes now East Kentucky Power Cooperative, Inc. (“EKPC”), by and through counsel, pursuant to KRS 61.878, 807 KAR 5:001, Section 13 and other applicable law, and for its Motion requesting that the Kentucky Public Service Commission (“Commission”) afford confidential treatment to certain portions of EKPC’s responses to requests for information propounded on or about September 10, 2015, in the above-captioned proceeding, respectfully states as follows:

1. EKPC’s Application requests that the Commission issue a Certificate of Public Convenience and Necessity (“CPCN”) for the acquisition and operation of the existing simple cycle combustion turbine facilities in LaGrange, Oldham County, Kentucky (“Bluegrass Station”), from Bluegrass Generation Company, LLC (“Bluegrass”), and for approval to assume certain evidences of indebtedness related to such acquisition.

2. On or about September 10, 2015, Commission Staff and Kentucky Utilities Company/Louisville Gas and Electric Company (“KU/LG&E”) each propounded a supplemental

request for information upon EKPC in this matter. Pursuant to the procedural schedule prescribed by the Commission's Order entered July 31, 2015, EKPC's responses to these requests for information must be filed by September 21, 2015.

3. Certain of EKPC's responses to Commission Staff's second request for information contain information which is proprietary, confidential, sensitive, commercially valuable and/or descriptive of critical energy infrastructure. Pursuant to applicable law, EKPC seeks confidential treatment for this information (hereinafter, the "Confidential Information"), which is more particularly described as follows:¹

a. The total purchase price of the Bluegrass Station, which is provided both directly and indirectly (*i.e.*, the purchase price can be easily ascertained through simple calculation) as part of EKPC's response to Item 11 of Commission Staff's second request for information;²

b. The values ascribed to the Bluegrass Station's transmission assets by EKPC and its consultant, Patterson & Dewar Engineers, respectively, which are provided as part of EKPC's response to Items 1 and 11 of Commission Staff's second request for information;

c. The detailed assumptions and calculations utilized by ACES/EKPC to evaluate the natural gas supply costs and strategies associated with the Bluegrass Station, which

¹ For the convenience of the Commission and any intervenors, EKPC has attempted to identify all of the responses to requests for information that include Confidential Information. In the event that information is denoted as confidential in a response but is not accurately described herein, EKPC also requests confidential treatment for that information.

² EKPC also requested that the purchase price of the Bluegrass Station be kept confidential as part of its Motion for Confidential Treatment tendered in conjunction with its Application in this matter, the same having been filed July 24, 2015.

are provided as part of EKPC's responses to Items 12(b) and 13 of Commission Staff's second request for information;³ and

d. The Facilities Study Report conducted to determine the mitigation required to address certain identified constraints related to EKPC's request to designate Bluegrass Station Unit 3 as a Network Resource for EKPC load connected to the KU/LG&E transmission system, a copy of which is provided as part of EKPC's response to Item 15 of Commission Staff's second request for information.⁴

4. The Confidential Information includes highly sensitive economic and pricing data that, if publicly disclosed, would permit an unfair commercial advantage to EKPC's competitors. The portions of the Confidential Information relating to the availability and affordability of fuel for the Bluegrass Station, and specifically the assumptions and calculations utilized to evaluate natural gas supply costs and the strategies that EKPC may employ, reflect strictly proprietary market and pricing forecasts and economic modeling assumptions, methods and calculations. This information is commercially valuable and should not be freely distributed to EKPC's competitors or the power market at large. Moreover, the Facilities Study Report provided as part of EKPC's response to Item 15 of Commission Staff's second request for information includes critical energy infrastructure information pertaining to the physical facilities for generating and transmitting electricity in the region. The Kentucky Open Records Act exempts the entirety of the Confidential Information from disclosure. *See* KRS 61.878(1)(c)(1), (m)(1).

³ These items of Confidential Information repeat or directly relate to information for which EKPC has previously requested confidential treatment. *See, e.g.*, EKPC's Motion for Confidential Treatment filed August 31, 2015, in conjunction with its response to Commission Staff's first request for information, specifically Items 34(d) and 37.

⁴ This item of Confidential Information directly relates to information for which EKPC has previously requested confidential treatment. *See, e.g.*, EKPC's Motion for Confidential Treatment filed August 31, 2015, in conjunction with its response to Commission Staff's first request for information, specifically Item 42.

5. KRS 61.878(1)(c)(1) protects “records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.” The Kentucky Supreme Court has stated, “information concerning the inner workings of a corporation is ‘generally accepted as confidential or proprietary’” *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995). All of the Confidential Information is critical to EKPC’s effective execution of business decisions and strategy. If disclosed, the Confidential Information would give EKPC’s competitors insights into EKPC’s business operations and strategies that are otherwise publicly unavailable. Accordingly, the Confidential Information satisfies both the statutory and common law standards for affording confidential treatment.

6. Likewise, KRS 61.878(1)(m)(1) additionally protects “[p]ublic records the disclosure of which would have a reasonable likelihood of threatening public safety by exposing a vulnerability in preventing protecting against, mitigating, or responding to a terrorist act....,” and specifically exempts from public disclosure certain records pertaining to public utility critical systems. *See* KRS 61.878(1)(m)(1)(f). If disclosed, the Facilities Study Report provided as part of EKPC’s response to Item 15 of Commission Staff’s second request for information could be utilized to commit or further a criminal or terrorist act, disrupt critical public utility systems, and/or intimidate or coerce the civilian population. Disclosure of this Confidential Information could result in the disruption of innumerable other infrastructure systems which relate to, or rely upon, the safe and reliable provision of electricity. Moreover, disclosure of the critical energy infrastructure information could have a reasonable likelihood of threatening the public safety. Maintaining the confidentiality of all the Confidential Information relating to

energy infrastructure is necessary to protect the interests of EKPC, its Owner-Members and end-use Members, and the region at large.

7. The Confidential Information is proprietary information that is retained by EKPC on a “need-to-know” basis and that is not publicly available. The Confidential Information is distributed within EKPC only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry.

8. EKPC does not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable confidentiality and nondisclosure agreement, to intervenors with a legitimate interest in reviewing the same for the sole purpose of participating in this case. EKPC has entered into a confidentiality and nondisclosure agreement with the Attorney General and Nucor Steel Gallatin, respectively, and all of the Confidential Information described herein has been or will be provided to those intervenors consistent with said agreements. EKPC continues to negotiate an acceptable confidentiality and nondisclosure agreement with KU/LG&E; upon the execution of such an agreement, KU/LG&E will be provided certain of the Confidential Information described herein.⁵ EKPC reserves the right to object to providing certain Confidential Information to any intervenor if said provision could result in liability to EKPC under any Confidentiality Agreement or Non-Disclosure Agreement.

9. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC is filing separately under seal one (1) copy of the responses to the requests for information propounded by Commission Staff unredacted with the Confidential Information highlighted or

⁵ In light of the similar positions of EKPC and KU/LG&E as Kentucky generation and transmission utilities, certain Confidential Information contained in EKPC’s responses is inappropriate for disclosure to KU/LG&E and will likely be excluded from the materials that are to be produced under the terms of the utilities’ confidentiality and nondisclosure agreement.

otherwise denoted. EKPC is also filing ten (10) copies of the foregoing responses with the Confidential Information redacted or removed.

10. In accordance with the provisions of 807 KAR 5:001, Section 13(2), EKPC respectfully requests that the Confidential Information be withheld from public disclosure for ten (10) years.

11. If, and to the extent, the Confidential Information becomes publicly available or otherwise no longer warrants confidential treatment., EKPC will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10).

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests that the Commission classify and protect as confidential the specific Confidential Information described herein for a period of ten (10) years.

This 21st day of September, 2015.

Respectfully submitted,



Mark David Goss
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ebuckley@gosssamfordlaw.com

Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing was deposited in the custody and care of the U.S. Mail, postage prepaid, on this the 21st day of September, 2015, addressed to the following:

Jennifer Black Hans
Lawrence W. Cook
Stephanie J. Kingsley
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Allyson C. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202

Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202



Counsel for East Kentucky Power Cooperative, Inc.

RECEIVED

SEP 21 2015

PUBLIC SERVICE
COMMISSION

**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 SECOND INFORMATION
REQUEST TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED SEPTEMBER 10, 2015**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

**PUBLIC SERVICE COMMISSION STAFF'S SECOND INFORMATION
REQUEST DATED 09/10/15**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the Second Information Request of the Public Service Commission Staff ("PSC") in this case dated September 10, 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 Second Information Request in the above-referenced case dated September 10, 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 18th day of September, 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)
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 Second Information Request in the above-referenced case dated September 10, 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 18th day of September, 2015.

Gwyn M. Willoughby #500144
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)	
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)

David Crews, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Information Request in the above-referenced case dated September 10, 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 18th day of September, 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)	
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)

Mark Horn, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Information Request in the above-referenced case dated September 10, 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.

Mark Horn

Subscribed and sworn before me on this 18th day of September, 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)

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 Second Information Request in the above-referenced case dated September 10, 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 18th day of September, 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)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

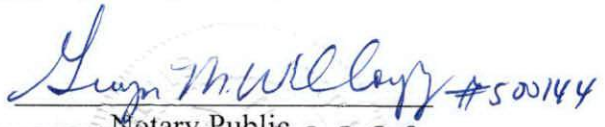
CERTIFICATE

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 Second Information Request in the above-referenced case dated September 10, 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 18th day of September, 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)	
OF THE ACQUISITION OF EXISTING)	
COMBUSTION TURBINE FACILITIES FROM	)	CASE NO.
BLUEGRASS GENERATION COMPANY, LLC AT	)	2015-00267
THE BLUEGRASS GENERATING STATION IN)	
LAGRANGE, OLDDHAM COUNTY, KENTUCKY,)	
AND FOR APPROVAL OF THE ASSUMPTION)	
OF CERTAIN EVIDENCES OF INDEBTEDNESS)	

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 Second Information Request in the above-referenced case dated September 10, 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 B. Purvis

Subscribed and sworn before me on this 18th day of September, 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)
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)**

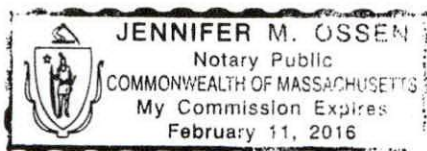
**CASE NO.
2015-00267**

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 Second Information Request in the above-referenced case dated September 10, 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 14th day of September, 2015.




Notary Public



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 1**

RESPONSIBLE PERSON: Don Mosier and David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to the application, paragraphs 42 and 43, regarding the other approvals and consents necessary to consummate the proposed transaction. Provide an update to the status of all required approvals and for any approvals that have not been received, the date when EKPC expects such approval.

Request 1.

- Section 203 of the Federal Power Act from FERC only requires approval if the transmission assets being transferred are greater than \$10 million in value. EKPC has estimated the transmission assets as being valued [REDACTED]. See Response 11 of this filing for more detail of how the transmission value was developed.
- The Hart-Scott-Rodino approval has been received from the Federal Trade Commission and nothing more is required from the U. S. Department of Justice.
- The Kentucky Department of Water permit will be transferred upon EKPC's closing of the Bluegrass transaction. 401 KAR 5:070 Section 5 provides for automatic transfer of KPDES Permits under 40 CFR 122.61(b). EKPC will submit

a completed Ownership Transfer Form to the Kentucky Division of Water at least 30 days prior to the closing that states that EKPC will assume ownership and control over the KPDES permit and the discharges as of the specified closing date. Following acknowledgment by the Kentucky Division of Water, the KPDES permit coverage will be automatically transferred as of the closing date.

- EKPC has determined, subsequent to filing its Application, that the Federal Communications Commission license will not be needed once EKPC assumes operations of the Bluegrass Plant; therefore, no license transfer is required.
- The KU and LG&E Tolling Agreement and Interconnection and Operating Agreement assignment are the responsibility of LS Power.
- PJM (NITS Agreement assignment): PJM has confirmed that the Bluegrass Units will be able to deliver energy utilizing the existing PJM/EKPC Network Integrated Transmission Service Agreement.
- EKPC and Oldham County have met and EKPC expects to obtain all necessary approvals needed from Oldham County prior to closing this purchase.
- Texas Gas (road access agreement) does not require approval or consent to consummate the proposed transaction. Road access to Easement Property by Texas Gas does not require consent, only notice.

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

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 2**

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

Request 2. Refer to EKPC's response to Commission Staff's First Request for Information ("Staff's First Request"), Item 5. If the intervenors in this proceeding do not oppose EKPC's acquisition of the generating facilities of Bluegrass Generation Company, LLC ("Bluegrass"), explain whether EKPC still believes it needs a final decision by December 1, 2015, and if so, explain why. If not, by what date does EKPC believe it would need a final decision in order to close on the transaction by December 31, 2015.

Response 2. Yes, EKPC still believes it needs a final decision by December 1, 2015 because if it is not able to close on the Bluegrass capacity in December, 2015, then it will need to seek additional capacity to cover its load's cost exposure in the market during January and February 2016. Prices generally escalate closer to the delivery date for electric products. EKPC would not desire to be pushed into a price-taker position for the purchase of such capacity. The later in the month of December a decision is made that places EKPC in the market for power, the less flexibility EKPC will have to purchase a desirable product, which means its Owner-Members will pay a higher price for their electricity than if ample time is allotted for thorough negotiations.

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

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 3**

RESPONSIBLE PERSON: David Crews and Ralph Luciani

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to EKPC's response to Staff's First Request, Item 7, and the last paragraph on page 62 of the *PJM RTO Market Summary and Forecast for the Bluegrass Power Plant* report prepared by Navigant Consulting, Inc. and included as Confidential Exhibit RL-2 to the Direct Testimony of Ralph L. Luciani in EKPC's application (" Navigant Report").

Request 3a. The response states that for Bluegrass Units 1 and 2 to be eligible to participate in the PJM Interconnection, LLC's ("PJM") incremental capacity auctions for delivery years 2016/2017 and 2017/2018, EKPC was required to hold an existing capacity award from prior auctions. The response also states that once the sale of the Bluegrass units closes, EKPC will be able to bid the two units into the third incremental capacity auction for 2016/2017 and the second incremental capacity auction for 2017/2018.

(1) Explain how the units can be bid into those incremental auctions, since they still would not hold an existing capacity award from a prior auction.

(2) There appear to be some inconsistencies and/or overlap in the response to Item 7 and the last paragraph on page 62 of the Navigant Report regarding PJM's capacity performance ("CP") product. Confirm whether the response to Item 7 is correct and whether EKPC's ability to bid Bluegrass Units 1 and 2 is based on the "Transitional CP" referred to on page 62 of the Navigant Report. If not, provide corrections as necessary and generally describe what impacts any changes in the response would have on EKPC's conclusion of the value of the Bluegrass units.

Response 3a. (1) PJM currently has two different types of Incremental Capacity auctions. Traditional Incremental Auctions ("IA") are held subsequent to the Base Residual Auction ("BRA") to adjust for changes in capacity and/or load expectations. The BRA is held three years prior to the delivery year, and each year thereafter there is an IA until the delivery year, for a total of three IAs. PJM has a new capacity product, designated as Capacity Performance ("CP") and in August 2015 held a BRA for the 2018/19 delivery year that included this product. PJM also held separate IAs to acquire CP capacity ("CP IAs") in August and September 2015 for the two future delivery years (2016/17 and 2017/18) that had already held their BRAs but did not include CP capacity. PJM required that a unit had to have received an award from a prior auction in order for that unit to be able to participate in these two CP IAs. The Bluegrass units were not eligible to participate in the CP IAs for 2016/17 and 2017/18 because they did not hold a prior auction position. There will continue to be the traditional IAs until

the CP capacity product is fully implemented. There will be a traditional third IA held for non-CP capacity for the 2016/17 delivery year in March 2016 and a second IA for non-CP capacity for the 2017/18 delivery year in July 2016. If EKPC acquires the Bluegrass plant, it can offer Bluegrass Units 1 and 2 into those IAs in 2016 for non-CP capacity awards.

(2) The CP market rules were modified after PJM's initial request to FERC, so the difference in the statement on page 62 of the Navigant report and the response to Item 7 was one of the differences between the final rules and the initially proposed rules. Navigant's study assumed lower Average Capacity Prices (\$/MW-day), as reported in Table A-10 on page 103 of the subject report, than what has actually cleared in the recent auction for the 2018/19 delivery year. In the 2018/19 BRA, CP capacity cleared at \$164.77/MW-day and non-CP capacity cleared at \$149.98/MW-day. In that auction, the non-CP capacity cleared at 91% of the CP capacity value. The 2017/18 CP IA cleared at \$151.50/MW-day and the 2016/17 CP IA cleared at \$134.00/MW-day. A similar clearing price for upcoming non-CP IAs for the 2016/17 and 2017/18 delivery years would suggest that the price for non-CP capacity should be \$120/MW-day or greater. In contrast, the second IA for the 2016/17 delivery year held in July 2015 cleared at \$31/MW-day. The first IA for the 2017/18 delivery year will be held in late September and should provide additional information. EKPC continues to believe that there is significant positive value in the purchase of Bluegrass.

Request 3b. Explain in detail what impacts the recent auction results in the PJM base residual and CP markets have on the conclusions of the value of the Bluegrass units as determined by Navigant, ACES, and EKPC.

Response 3b. Please see EKPC's response to 3a.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 4**

RESPONSIBLE PERSON: David Crews and Craig A. Johnson

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Refer to EKPC's response to Staff's First Request, Item 8, and its response to the Attorney General's First Request for Information ("AG's First Request"), Item 3. The response to Staff's First Request, Item 8, indicates that EKPC has not performed an analysis to evaluate the economics of implementing dual fuel capability, while in the response to the AG's First Request, Item 3, EKPC indicates that EKPC is considering diesel fuel back-up or firm gas transportation service to mitigate fuel risk in the CP markets.

Request 4a. Clarify what actions or steps EKPC has taken in its consideration of dual fuel capability or firm gas-transportation service to mitigate fuel risk in the PJM CP markets.

Response 4a. EKPC has asked ACES to solicit quotes from gas suppliers for firm gas transportation service to the Bluegrass Plant. EKPC has also begun an initial evaluation of the new equipment required and modifications needed for existing facilities to be able to burn diesel fuel in the units. EKPC will collect data for all of its options,

including the potential costs and penalties of not having back-up fuel available if the units clear the CP capacity market in the future. EKPC would then expect to complete a thorough analysis of its back-up fuel options. This decision should not impact EKPC's ability to move forward with the plant as currently configured. Any back-up fuel position would be an enhancement to the current plant value and not a requirement for economic operations under existing conditions.

Request 4b. Assuming the Commission approves EKPC's proposed acquisition of the Bluegrass units, provide the probable timeline in which a decision regarding dual fuel capability or firm gas transportation will be made.

Response 4b. The units would not be expected to clear a CP market with delivery requirements prior to June 1, 2018. If diesel fuel is the chosen option, then EKPC would need to make its decision and begin modifications by summer 2016. If firm gas transportation is the choice, then EKPC can delay its actions until closer to delivery times when firm transportation will be required.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 5**

RESPONSIBLE PERSON: Don Mosier/David Crews/Michelle Carpenter

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to EKPC's response to Staff's First Request, Item 9. Explain how the Rural Utilities Service accounting treatment may yield different results.

Response 5. As cited in Exhibit MM-3 of the Application and in response 59a. of the first data request, 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. The difference between the original cost net of accumulated depreciation and the acquisition cost is recorded to account 114—Electric Plant Acquisition Adjustments. Therefore, the amounts ultimately recorded in the respective electric plant in service and accumulated depreciation accounts based upon original cost will differ from the estimated market values placed on the assets at acquisition.

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

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 6**

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. EKPC's response to Staff's First Request, Item 10.b., indicates that the requested "scheduling procedures are provided on the attached CD." The scheduling procedures on the CD appear to be a five-page document of which only pages 1, 3, and 5 were provided. Provide the complete document.

Response 6. The complete five-page document of the scheduling procedures is provided on pages 2 through 6 of this response.



Scheduling Procedures
for Bluegrass Unit 3
LG&E/KU and Bluegrass Generation

Effective May 1, 2015



1. General

- 1.1 All capitalized terms not defined herein will have the meaning set out in the Capacity Purchase and Tolling Agreement between Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) and Bluegrass Generation Company LLC (“Bluegrass”) dated August 27, 2014 (the “Contract”).
- 1.2 All communications made under this Scheduling Procedure document will be directed to the applicable contact information “Contact Information” address listed in this document as amended by the Parties from time to time.
- 1.3 This Scheduling Procedure may be amended from time to time. Proposed changes shall be communicated and developed by mutual agreement of the Parties and shall be effective on the date stated in a written document executed on behalf of the Parties.
- 1.4 In the event of inconsistency or conflict between the Scheduling Procedures contained herein and the terms of the Contract, the Contract shall control.
- 1.5 In accordance with Section 8.5(d), Bluegrass agrees that LG&E/KU may obtain unit availability hours from the Transmission Operator on a periodic after-the-fact basis.

2. Contact Information

- 2.1 The Contact Information for each party is set out below.

LG&E/KU Scheduling Center:

Phone: 502-627-4700

Email: BGLGECComm@lge-ku.com

Bluegrass Unit 3 Generation:

Phone: EDF Dispatch: 281-781-0341

Email: patrick.nelson@edftrading.com (primary)

Grp_Hou_East_RT@edftrading.com (primary)

MYates@bluegrassgeneration.com (copy)

AGassaway@lspower.com (copy)



3. Format of Schedule

- 3.1 Schedules will be in the form of a spreadsheet (see attached template).
- 3.2 The LG&E/KU Scheduling Center (the “Scheduling Center”) will send each Schedule via email and will confirm delivery of the email via a telephone call to Bluegrass via EDF Dispatch , which will be attended 24/7, at least two hours in advance of the first delivery time in the Schedule. The Schedule will be deemed to have been submitted after the Scheduling Center makes a follow-up telephone call to Bluegrass, including in cases where Bluegrass does not answer the call. For avoidance of a doubt, if the Scheduling Center does not make a follow-up telephone call to Bluegrass then no Schedule will be deemed submitted.

4. Hourly Energy Reports

- 4.1 In the event that the Scheduling Center’s EMS is not receiving information regarding unit output, LG&E/KU and Bluegrass will promptly and diligently work to resolve any technical issues and deficiencies in real-time output data in order to facilitate the delivery of information required to be delivered under Section 8.1(b). Bluegrass will send hourly emails or other electronic notices, to the Scheduling Center regarding unit output, pursuant to Section 8.1.(b) while the EMS system capability is being restored.

5. Unit Availability

5.1 Maintenance Schedules

- 5.1.1 Bluegrass will send each Annual Period Maintenance Schedule under Section 8.2(a) of the Contract to the Scheduling Center email address.
- 5.1.2 In the event LG&E/KU wishes to reschedule any Scheduled Outages pursuant to Section 8.2(b) of the Contract, LG&E/KU will email a request to the Bluegrass email addresses.
- 5.1.3 Revisions to the Maintenance Schedules and additional Scheduled Outages pursuant to Section 8.2(c) of the Contract will be communicated via email sent to and from the Scheduling Center and Bluegrass. Consultation and discussions that may arise under



Section 8.2(c) of the Contract may occur via email communications or via telephone conversations between the Parties.

5.2 Forced Outages

5.2.1 Bluegrass will report the start and the end of any Forced Outage to the Scheduling Center as soon as practicable, with an expectation, but not the obligation, that such notices shall occur no longer than fifteen (15) minutes after the start and fifteen (15) minutes after the end of such Forced Outage period, in accordance with Section 8.1(d).

5.2.2 Forced Outage reports will be communicated by Bluegrass via an email **and** a follow-up telephone call to the Scheduling Center.

Approved by signing:

For LG&E/KU:



Charlie Martin, Manager – Generation Dispatch

1-30-2015
Date

For Bluegrass Generation, LLC:



Adam Gassaway, Asset Manager

1/30/2015
Date

BLUEGRASS UNIT 3
ENTER DATA IN HIGHLIGHTED CELLS

Submittal Date	Monday, January 19, 2015
Submittal Time 'EST'	7:15

Monday, January 19, 2015	
Commitment Start Time 'EST'	Commitment Stop Time 'EST'
6:00	9:00

Tuesday, January 20, 2015	
Commitment Start Time 'EST'	Commitment Stop Time 'EST'
7:00	12:00

Scheduling Parameters	
2 Hour notice required for commitment	
2 Hour minimum run time	
2 Hour minimum Down time	
2 Hour notice to adjust schedule	

SCHEDULE			
Monday, January 19, 2015		Tuesday, January 20, 2015	
Hour Ending 'EST'	MWH	Hour Ending 'EST'	MWH
1:00	0	1:00	0
2:00	0	2:00	0
3:00	0	3:00	0
4:00	0	4:00	0
5:00	0	5:00	0
6:00	0	6:00	0
7:00	165	7:00	0
8:00	165	8:00	165
9:00	165	9:00	165
10:00	0	10:00	165
11:00	0	11:00	165
12:00	0	12:00	165
13:00	0	13:00	0
14:00	0	14:00	0
15:00	0	15:00	0
16:00	0	16:00	0
17:00	0	17:00	0
18:00	0	18:00	0
19:00	0	19:00	0
20:00	0	20:00	0
21:00	0	21:00	0
22:00	0	22:00	0
23:00	0	23:00	0
0:00	0	0:00	0
Daily Total MWHs	495	Daily Total MWHs	825

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 7**

RESPONSIBLE PERSON: Don Mosier and David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Refer to EKPC's response to Staff's First Request, Item 12.

Request 7a. State whether the response indicates that since 85 percent of EKPC's load is covered by the Spurlock and Cooper stations, EKPC believes that it needed only peaking units to cover the remaining 15 percent of load.

Response 7a. Eighty-five percent refers to EKPC's energy requirements and not peak load. The remaining 15% of energy is served in a relatively few number of hours per year, during extreme weather conditions and generally cold winter weather conditions. Peaking units are designed for relatively few hours per year with quick service availability but not the lowest heat rates or best fuel efficiency.

Request 7b. Explain why Smith Units 5, 6, and 7 are able to operate at a higher capacity factor compared to Smith Units 1 - 4 and Smith Units 9 and 10.

Response 7b. The air/operating permits for Smith Units 5, 6, and 7 have no upper limit on the number of run hours that those units can operate. Smith 9 and 10 can only operate a maximum of 4,000 hours per rolling 12 months and Smith 1 through 4 can only operate 2,500 hours per rolling 12 month period.

Request 7c. The response states that the capacity factors for Smith Units 9 and 10 are limited by environmental constraints. Explain this statement, given the capacity factors shown for Smith Units 9 and 10 in the table provided in response to Item 3.a. of Staff's First Request.

Response 7c. Smith Units 9 and 10 are permitted to operate up to 4,000 hours per rolling 12 month period with a maximum of 365 starts per calendar year. While these limits seem reasonable for peaking units, when gas prices are low, the units are very economic and their operations have approached the 4,000-hour maximum during periods of low gas prices.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 8**

RESPONSIBLE PERSON: Mark Horn

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Refer to EKPC's response to Staff's First Request, Item 15, specifically, the last full sentence on page 1. Texas Eastern Transmission, Tennessee Gas Pipeline Company, LLC, and Texas Gas Transmission, LLC ("TGT") all provide natural gas from the Gulf Coast region. Identify the "different region" being referenced in the response.

Response 8. The "different region" referenced in Staff's First Request, Item 15 is the rapidly growing Northeast region that is experiencing large supply growth from the Marcellus and Utica stacked Appalachian shale gas plays. The Gulf Coast is made up of the Southeast and Texas regions which consist of shale gas plays such as the Barnett, Eagle Ford, and the Haynesville-Bossier. Backhaul projects will allow for more Northeast flows to the Gulf Coast.

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

COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 9

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. Refer to EKPC's response to Staff's First Request, Item 19.

Request 9a. Refer to the response to subpart a. State whether the response indicates that EKPC's Spurlock units are bid into the PJM energy market at a zero cost and that EKPC's other generating units are bid in at cost. If not, explain the response.

Response 9a. All of EKPC's generating units are bid into the market at cost. There are times that a unit may be on line and EKPC wants to ensure that it remains online for operational reasons. That unit will be bid in at cost with a "must run" requirement on it. Must Run means that EKPC will accept whatever price the market clears at in the Day Ahead Market to ensure that the unit does not get decommitted. EKPC will place units in this status when it determines that cycling the unit off line and then back on in a short amount of time is more costly when looking at a full cycle view as opposed to just considering the next day's economics. EKPC also keeps either Spurlock

unit 1 or 2 on line to provide steam to the adjacent paper company. The Must Run status indicates that PJM must keep the unit on line at its minimum load level. If PJM chooses to dispatch the unit above that point, the costs are fully submitted to ensure that the dispatch model is correctly modeling the costs of that unit and EKPC is compensated appropriately.

Request 9b. Refer to the response to subpart e. The question contained an error and had intended to refer to the first two items listed as a. and b. that appear at the bottom of page 5 and the top of page 6 of the Direct Testimony of David Crews ("Crews Testimony"). Explain how circumstance a. and circumstance b. listed on pages 5 and 6 of the Crews Testimony differ from each other.

Response 9b. Circumstance a. refers to a time when it would cost more to generate the incremental load with an EKPC unit than it would with the PJM market. When EKPC was a stand-alone balancing authority, it had to keep enough generation on line to meet its expected peak load plus operating reserves for the day. Now, EKPC only keeps on the generation that is economic in the PJM market. There are times when EKPC has significantly less generation on line than its peak load for the day, and the remainder of the energy is served with PJM market energy provided by other resources. In this circumstance, EKPC pays its cost to generate and receives compensation from

PJM based on the market price. The EKPC load pays the market price. The net price to the member owner is the price the load paid plus EKPC's cost to generate minus the compensation received from PJM. For example:

EKPC load = 1,000 MW

EKPC generation = 500 MW

Market price = \$20/MWh

EKPC generation cost = \$25/MWh

EKPC Owner-Members will pay: $(1,000 \text{ MW} * \$20/\text{MWh} * 1 \text{ hr}) + (500 \text{ MW} * \$25/\text{MWh} * 1 \text{ hr}) - (500 \text{ MW} * \$20/\text{MWh} * 1 \text{ hr}) = \$22,500$

If EKPC had still been stand alone, then the Owner-Members would have paid:

$1,000 \text{ MW} * \$25/\text{MWh} * 1 \text{ hr} = \$25,000$

Therefore the Owner-Members paid an average cost of \$22.50/MWh as opposed to \$25/MWh.

Circumstance b. is when EKPC's generation costs are less than the market prices and EKPC has adequate generation available to cover its load. EKPC's Owner-Members' net cost is still based on EKPC's generation cost, so they benefit by not having to pay the full PJM price. For example:

EKPC load = 1,000 MW

EKPC generation = 1,000 MW

Market price = \$30/MWh

EKPC generation cost = \$25/MWh

EKPC Owner-Members will pay: $(1,000 \text{ MW} * \$30/\text{MWh} * 1 \text{ hr}) + (1,000 \text{ MW} * \$25/\text{MWh} * 1 \text{ hr}) - (1,000 \text{ MW} * \$30/\text{MWh} * 1 \text{ hr}) = \$25,000$

If EKPC had no generation, then the Owner-Members would pay \$30/MWh and by having the generation available, the Owner-Members pay \$25/MWh.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 10**

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 10. Refer to EKPC's response to Staff's First Request, Item 23. Explain what is meant by the term "distressed asset" as used in the response.

Response 10. Dynegy constructed the Bluegrass Plant when LG&E/KU were in the MISO market. At that time, Dynegy could sell the output of the plant directly into MISO and had a liquid market for the asset. Dynegy's investment into the plant was based on its expected revenues from the MISO market. When LG&E/KU left the MISO market, Dynegy no longer had a liquid market for its asset. In order to get the energy to an active market, Dynegy had to purchase transmission rights into MISO and/or PJM, in addition to transmission across the LG&E system. The additional cost of this transmission service was enough to generally keep the peaking units out of the market on an economic basis. The lack of Dynegy's ability to sell energy and make profit from those sales severely limited the value of the plant to Dynegy and to other asset buyers. Therefore, Dynegy sold the plant to LS Power as an asset that had limited ability to make

profit - it was distressed. As such, LS Power paid significantly less for the plant than it would have if the plant had been operating in a liquid market with steady revenues.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 11**

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 11. Refer to EKPC's response to Staff's First Request, Item 26. Provide EKPC's calculations showing its adjustment to recognize the market value of the transmission assets using the ratio of the Bluegrass purchase price to the "PJM net cone price "

Response 11. The "Cost of New Entry Estimates for Combustion Turbine and Combined Cycle Plants in PJM with June 1, 2018 Online Date" report prepared by The Brattle Group and Sargent & Lundy, dated May 15, 2014, was used as the reference document for the costs of new-build generation.

Page v, Table 1, shows an installed cost of \$947/kW for combustion turbines in the RTO. Using 3% per year escalation, brings the equivalent 2015 cost to \$867/kW for an installed combustion turbine in EKPC's area. The Bluegrass plant summer capacity is 501 MW, for a total new installed cost of \$434,186,210. The facility is 14 years old, and is

assumed to have a depreciable life of 35 years. Therefore the “replacement cost new less depreciation (RCNLD)” is $(\$434,186,210 - (14 * 434186210 / 35)) = \$260,511,730$.

EKPC is paying [REDACTED] for this asset, so it is paying [REDACTED] of the expected value based on RCNLD methodology due to the lack of liquidity for the project. The market value of the transmission facilities should receive a similar discount because the location of the project drives the market value lower than it would be if it were fully available within the PJM RTO market.

Patterson & Dewar Engineers valued the transmission facilities owned by Bluegrass Generating Plant at [REDACTED]. The equivalent market value based on the discount to the entire facility because of its location and lack of liquidity in the market, is [REDACTED]

[REDACTED].

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

COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 12

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 12. Refer to the TGT Cost Worksheet tab of the spreadsheet provided in EKPC's response to Staff's First Request, Item 34.d., and to its application, Crews Testimony, Exhibit DC-1, page 8 of 12.

Request 12a. Provide the TGT tariff sheets on file with the Federal Energy Regulatory Commission for all pipeline rates for each TGT service option that were used to calculate the total pipeline costs shown on the TGT Cost Worksheet, indicating on the tariff sheets which specific rates were used as the basis for the cost calculations.

Response 12a. Please see tariff sheets provide on pages 3 through 12 of this response.

Request 12b. Provide the amount of any adjustments or discounts used in arriving at the TGT rates used in the total pipeline costs calculations for each TGT service option.

Response 12b. Please see the spreadsheet on the attached CD, which is subject to a motion for confidential treatment.

Request 12c. Confirm that the rates contained in cells L40 and N40 are the correct rates for the TGT Zone for which Bluegrass is eligible. If these are not the correct rates, provide any revision necessary to the pipeline cost calculations.

Response 12c. Yes. The rates contained in cells L40 and N40 are the correct rates for the TGT Zone for which Bluegrass is eligible.

Request 12d. Provide the source and calculation of the per MMBtu "Daily adders" shown on page 8 of Exhibit DC-1 and indicate where or if those rates are included in calculations on the TGT Cost Worksheet.

Response 12d. The "Comm." rates shown in cells L40 and N40 included discounted IT variable rates to calculate the Daily Adder when using IT services only. In order to clarify this calculation three new tabs were created to calculate the estimated Daily Adder as noted in the DC-1 document, page 8 of 12. The three new tabs calculate the adder based on utilizing IT, EFT and Seasonal No Notice. For the IT calculation, the tariff IT rates were utilized instead of the previous discounted rates.

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: April 1, 2015

Section 4.1
Currently Effective Rates - FT
Version 7.0.0

**Currently Effective Maximum Commodity Rates (\$ per MMBtu)
For Service Under Rate Schedule FT**

	Base Tariff Rates
SL-SL	0.0104
SL-1	0.0355
SL-2	0.0399
SL-3	0.0445
SL-4	0.0528
1-1	0.0337
1-2	0.0385
1-3	0.0422
1-4	0.0508
2-2	0.0323
2-3	0.0360
2-4	0.0446
3-3	0.0312
3-4	0.0398
4-4	0.0360

The above rates shall be increased to include the ACA unit charge pursuant to Section 6.9[7] of the General Terms and Conditions.

Minimum Rates: Commodity minimum base rates are presented in Section 4.12.

Backhaul rates equal forward haul rates from Zone SL to zone of delivery; provided, however, that intra-zone rates shall apply to intra-zone transportation, whether such intra-zone transportation is forward haul or backhaul.

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: February 1, 2011

Section 4.3
Currently Effective Rates - EFT
Version 2.0.0

**Rates And Charges Applicable To
Rate Schedule EFT - Enhanced Firm Transportation**

<u>EFT - Enhanced Firm Transportation</u>	<u>Maximum Rate</u>	<u>Minimum Rate</u>
Daily Demand	\$0.0814	-0-

Note: Customer must also pay the applicable demand and commodity charges on Rate Schedule FT or STF.

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: April 1, 2015

Section 4.1
Currently Effective Rates - FT
Version 7.0.0

**Currently Effective Maximum Daily Demand Rates (\$ per MMBtu)
For Service Under Rate Schedule FT**

Currently Effective Rates [1]

SL-SL	0.0794
SL-1	0.1552
SL-2	0.2120
SL-3	0.2494
SL-4	0.3142
1-1	0.1252
1-2	0.1820
1-3	0.2194
1-4	0.2842
2-2	0.1332
2-3	0.1705
2-4	0.2334
3-3	0.1181
3-4	0.1810
4-4	0.1374

Minimum Rates: Demand \$-0-

Backhaul rates equal forward haul rates from Zone SL to zone of delivery; provided, however, that intra-zone rates shall apply to intra-zone transportation, whether such intra-zone transportation is forward haul or backhaul.

[1] Currently Effective Rates are equal to the Base Tariff Rates.

Notes:

- The maximum reservation charge component of the maximum firm volumetric capacity release rate shall be the applicable maximum daily demand rate herein pursuant to Section 6.16 of the General Terms and Conditions.

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: November 1, 2014

Section 4.18.1
Currently Effective Rates - Fuel Retention - General
Version 6.0.0

**Schedule of Currently Effective Fuel Retention Percentages
Pursuant to Section 6.9 of the General Terms and Conditions**

NNS/NNL/SGT/SGL/SNS/WNS Rate Schedules

<u>Delivery Fuel Zone</u>	<u>EFRP [1]</u>
South	2.93%
Middle	2.52%
North	3.14%

FT/STF/IT Rate Schedules

<u>Rec/Del Fuel Zone</u>	<u>EFRP</u>
South/South	1.36%
South/Middle	1.57%
South/North	2.55%
Middle/South	1.36%
Middle/Middle	0.26%
Middle/North	1.54%
North/South	1.36%
North/Middle	0.26%
North/North	1.14%

FSS/FSS-M/ISS/ISS-M Rate Schedules

<u>Injection / Withdrawal</u>
1.76%

**Swing Allocation Hybrid Rate
NNS/NNL/SGT/SGL/SNS/WNS**

<u>Delivery Fuel Zone</u>	<u>EFRP</u>
South	1.57%
Middle	1.23%
North	0.81%

[1] Effective Fuel Retention Percentage Schedule of Currently Effective Fuel Retention Percentages Pursuant to Section 6.9 of the General Terms and Conditions

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: April 1, 2015

Section 4.11
Currently Effective Rates - IT
Version 7.0.0

**Currently Effective Maximum Summer Season Interruptible Transportation Rates
(\$ per MMBtu) For Service Under Rate Schedules IT**

	Base Tariff Rates
SL-SL	0.0620
SL-1	0.1364
SL-2	0.1777
SL-3	0.2066
SL-4	0.2570
1-1	0.1151
1-2	0.1568
1-3	0.1848
1-4	0.2355
2-2	0.1189
2-3	0.1468
2-4	0.1963
3-3	0.1080
3-4	0.1575
4-4	0.1253

The above rates shall be increased to include the ACA unit charge pursuant to Section 6.9[7] of the General Terms and Conditions.

Backhaul rates equal forward haul rates from Zone SL to zone of delivery; provided, however, that intra-zone rates shall apply to intra-zone transportation, whether such intra-zone transportation is forward haul or backhaul.

Minimum base rates are presented in Section 4.12.

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: April 1, 2015

Section 4.11
Currently Effective Rates - IT
Version 7.0.0

**Currently Effective Maximum Winter Season Interruptible Transportation Rates
(\$ per MMBtu) For Service Under Rate Schedule IT**

	Base Tariff Rates
SL-SL	0.1292
SL-1	0.2677
SL-2	0.3571
SL-3	0.4176
SL-4	0.5229
1-1	0.2210
1-2	0.3108
1-3	0.3704
1-4	0.4760
2-2	0.2315
2-3	0.2911
2-4	0.3938
3-3	0.2078
3-4	0.3105
4-4	0.2416

The above rates shall be increased to include the ACA unit charge pursuant to Section 6.9[7] of the General Terms and Conditions.

Backhaul rates equal forward haul rates from Zone SL to zone of delivery; provided, however, that intra-zone rates shall apply to intra-zone transportation, whether such intra-zone transportation is forward haul or backhaul.

Minimum base rates are presented in Section 4.12.

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: April 1, 2015

Section 4.8
Currently Effective Rates - SNS
Version 6.0.0

**Currently Effective Maximum Transportation Rates (\$ per MMBtu)
For Service Under Rate Schedule SNS**

	Base Tariff Rates
Up to 1/16 Hourly Flow:	
Daily Demand:	
Zone SL	0.1800
Zone 1	0.2782
Zone 2	0.3088
Zone 3	0.3543
Zone 4	0.4190
Commodity:	
Zone SL	0.0253
Zone 1	0.0431
Zone 2	0.0460
Zone 3	0.0490
Zone 4	0.0614
Daily Overrun:	
Zone SL	0.2053
Zone 1	0.3213
Zone 2	0.3548
Zone 3	0.4033
Zone 4	0.4804

The above rates shall be increased to include the ACA unit charge pursuant to Section 6.9[7] of the General Terms and Conditions.

Minimum Rate: Demand \$-0-; Commodity -

Zone SL	0.0163
Zone 1	0.0186
Zone 2	0.0223
Zone 3	0.0262
Zone 4	0.0308

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: April 1, 2015

Section 4.9
Currently Effective Rates - WNS
Version 6.0.0

**Currently Effective Maximum Transportation Rates (\$ per MMBtu)
For Service Under Rate Schedule WNS**

	Base Tariff Rates
Up to 1/16 Hourly Flow:	
Daily Demand:	
Zone SL	0.2693
Zone 1	0.4162
Zone 2	0.4620
Zone 3	0.5300
Zone 4	0.6268
Commodity:	
Zone SL	0.0253
Zone 1	0.0431
Zone 2	0.0460
Zone 3	0.0490
Zone 4	0.0614
Daily Overrun:	
Up to 1/16 Hourly Flow:	
Zone SL	0.2946
Zone 1	0.4593
Zone 2	0.5080
Zone 3	0.5790
Zone 4	0.6882

The above rates shall be increased to include the ACA unit charge pursuant to Section 6.9[7] of the General Terms and Conditions.

Minimum Rate: Demand \$-0-; Commodity -

Zone SL	0.0163
Zone 1	0.0186
Zone 2	0.0223
Zone 3	0.0262
Zone 4	0.0308

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: February 1, 2011

Section 4.14
Currently Effective Rates - PAL
Version 1.0.0

**Rates And Charges Applicable To
Rate Schedule PAL - Parking And Loaning Service**

<u>PAL - Parking and Loaning Service</u>	<u>Maximum Rate</u>	<u>Minimum Rate</u>
Daily Parking Charge per MMBtu	\$0.1196	\$0.0000
Daily Loaning Charge per MMBtu	\$0.1196	\$0.0000

Texas Gas Transmission, LLC
FERC NGA Gas Tariff
Fourth Revised Volume No. 1
Effective On: February 1, 2011

Section 4.15
Currently Effective Rates - HOT
Version 1.0.0

**Currently Effective Maximum Hourly Overrun Transportation Rates (\$ per MMBtu)
For Service Under Rate Schedule HOT**

	Currently Effective Rates [1]
Zone SL	0.2737
Zone 1	0.4284
Zone 2	0.4731
Zone 3	0.5377
Zone 4	0.6405

Minimum Rate: \$-0-

[1] Currently Effective Rates are equal to Base Tariff Rates.

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

COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 13

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 13. Refer to the Bluegrass Gas Assumptions tab of the spreadsheet provided in EKPC's response to Staff's First Request, Item 37. Provide the source and calculation, including any assumptions made, of the annual per MMBtu Fuel Delivery Charges contained in the spreadsheet.

Response 13. Please refer to the TGT Cost Worksheet (Original) tab, cell I72, in the spreadsheet attached to Response 12 of this filing. The annual per MMBtu Fuel Delivery Charge is calculated in this referenced cell and shows [REDACTED]. This calculation is based on a single-day load shape at a single gas price and variable charges on the pipeline. All of those values are documented in the spreadsheet. That [REDACTED] per MMBtu Fuel Delivery Charge was then adjusted for inflation and used to create the forward transportation curve that was shown in the spreadsheet attached to Staff's First Request, Item 37.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 14**

RESPONSIBLE PERSON: Jerry B. Purvis

COMPANY: East Kentucky Power Cooperative, Inc.

Request 14. Refer to EKPC's response to Staff's First Request, Item 40. State, generally, when EKPC expects to file its amended compliance plan with the Commission.

Response 14. EKPC will file the amended compliance plan when the studies are complete, scenarios are vetted and our management and Board have authorized us to do so.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 15**

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 15. Refer to EKPC's response to Staff's First Request, Item 42. Provide the date the report referenced in the last sentence is expected to be available. Consider this an ongoing request and provide the report when available.

Response 15. The referenced report was completed by LG&E/KU and Transerv on September 16, 2015. A copy of the report ("FS-LGE-2015-010 Facilities Study Report" is provided on the attached CD and is subject to the motion for confidential treatment.

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

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 16**

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 16. Refer to EKPC's response to Staff's First Request, Item 45, which states that "EKPC cannot confirm whether this upgrade was completed by LG&E/KU within this timeframe." Explain whether EKPC has attempted to confirm whether the upgrade has been completed.

Response 16. Since submitting the previous response to Staff's First Request, EKPC has verified that the referenced upgrade project was completed by LG&E/KU in May of 2015.

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

COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 17

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 17. Refer to EKPC's response to Staff's First Request, Item 49.b.

Provide a general time frame of when the revised operating guide should be completed.

Response 17. Staff from the Tennessee Valley Authority Reliability Coordinator has indicated to EKPC that the operating guide will be revised prior to the end of 2015.

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

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 18**

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 18. Refer to EKPC's response to Staff's First Request, Item 62.

Request 18a. Identify and describe, generally, the factors that contribute to the Bluegrass units' being economically dispatched ahead of EKPC's combustion turbine units other than Smith Units 9 and 10.

Response 18a. The Bluegrass units have a slightly better heat rate than Smith 4, 5, 6, and 7. The heat rate is how efficiently the unit turns fuel into electricity. The lower the heat rate, the more efficient the unit, then the less fuel has to be burned which results in a lower dispatch cost.

Request 18b. Explain how Bluegrass unit 3 is lower in the dispatch order than Bluegrass Units 1 and 2, given its higher NOx emission costs discussed in response to Item 55.c. of Staff's First Request.

Response 18b. Bluegrass Unit 3 is slightly higher in dispatch cost when the NOx emission costs are considered. EKPC should have shown Unit 3 before Units 1 and 2 in its listing to Response 62 from Staff's First Request.

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

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 19**

RESPONSIBLE PERSON: James Read

COMPANY: East Kentucky Power Cooperative, Inc.

Request 19. Refer to EKPC's response to the AG's First Request, Item 17, the last sentence on page 1 of 3. Explain why the two firms were asked to submit proposals.

Response 19. The two firms that did not participate in the 2012 RFP but were invited to submit proposals in the RFP Refresh had approached EKPC prior to the RFP Refresh to express their interest in selling power. One of the two firms was a Kentucky electric utility with surplus generation. The other was an independent power producer that was in the process of acquiring existing generation resources in PJM.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 20**

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 20. Refer to EKPC's response to the AG's First Request, Item 20, the first full paragraph on page 2. Explain when the specific requirements and procedures necessary to allow the type of operation discussed therein are expected to be finalized.

Response 20. EKPC's expectation is that these requirements and procedures would be finalized by December 31, 2015. EKPC, LG&E/KU, and Transerv continue to discuss the issue and possible arrangements to meet EKPC's objective. EKPC has indicated to these parties the importance of achieving resolution as soon as practical.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 09/10/15
REQUEST 21**

RESPONSIBLE PERSON: David Crews

COMPANY: East Kentucky Power Cooperative, Inc.

Request 21. Refer to EKPC's response to the Initial Request for Information of Louisville Gas and Electric Company and Kentucky Utilities Company, Item 4.b. State whether the issue discussed in this response is the same as that discussed in EKPC's response to Staff's First Request, Item 10.c. If not, explain in detail the issue related to the monthly fuel adjustment formula.

Response 21. The billing disputes between LG&E/KU and LS Power are contract issues for which there are remedies within Article 18 "Dispute Resolution of the Contract". These disputes are to be resolved per the contract through an informal dispute resolution process as outlined in Article 18.3, or through the appropriate judicial courts and not within the jurisdiction of the KPSC. EKPC thus objects to this request because it goes beyond the scope of this proceeding. Furthermore, LGE/KU has not paid the disputed billings and has ample leverage to resolve these billings when LS Power requests LGE/KU to assign the contract to EKPC. EKPC shouldn't be answering

questions related to the accuracy of the billing between LS Power and LGE/KU. EKPC believes the LGE/KU questions related to both transmission and billing disputes are an attempt to gain leverage in current and potential discussions between the companies on these issues. In the interest of moving the instant proceeding forward, EKPC nevertheless will respond to this request. By doing so, EKPC is not waving this or any future objection, and it should not be construed that EKPC is agreeing that such matters are within the scope of this proceeding.

There are two billing disputes between LS Power and LGE/KU:

Dispute 1 - The Monthly Availability Factor ("MAF") is a performance metric that ratchets the capacity payment down. This calculation is outlined in Appendix A of the contract. MAF creates a ratio of Delivered Energy ("DE") over Scheduled Energy ("SE") and operates on the agreed-upon Capacity Price and Contracted Capacity. Unit 3 tripped off line during a schedule run. LS Power restarted the unit and counted the energy delivered after the trip in the DE component of the MAF equation. EKPC's

understanding is that LGE/KU disputes the inclusion of energy from the unit in the DE after the restart.

Dispute 2 - The contract provides a guaranteed heat rate for the conversion of gas to electricity. The dispute surrounds the inclusion of energy produced during start up, ramp to full power, and shut down of the unit in the DE component of the MFA equation. As defined in Appendix A, DE does not provide for the inclusion of energy provided prior to or after the schedule. The MFA accounts for fuel for startup and ramping to full load by an allowance of 350 MCF of gas for each successful start. EKPC has reviewed the bill and found the presentation to be in alignment with the Appendix B. To determine if the bill is accurate, EKPC would need to review the detailed calculations of SE and DE.

While EKPC is not a party to either of these disputes or has any influence on these disputes, EKPC has requested LGE/KU to provide a spreadsheet outlining the overstatement of DE for review. As of the drafting of this response, EKPC has not received the requested information from LGE/KU. Until EKPC receives detailed

information from LGE/KU, it cannot deliver an opinion on the correctness of the disputed bill.

Since LGE/KU has opened the door on this issue, the allowance for startup and ramping fuel is not adequate (350 MCF gas). EKPC's experience suggests that the gas allowance for startup and ramp to full load should be around 600 MCF of gas. The result is that when EKPC is assigned the contract, EKPC will not be able to recover all of its fuel related expenses from LGE/KU. The immediate result is that EKPC's margins will be reduced and the ultimate consequence is that the retail customers of EKPC's Owner-Members will be buying fuel for LGE/KU customers.