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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 copies of East Kentucky Power Cooperative, Inc.'s Revised Responses to the following items:

- No. 20 of Attorney General's First Request for Information dated August 17, 2015
- No. 43 of Commission Staff's First Request for Information dated August 18, 2015
- No. 1b of LG&E & KU Initial Request for Information dated August 18, 2015
- Nos. 1 and 2 of LG&E & KU Supplemental Request for Information dated September 10, 2015
- No. 20 of Commission Staff's Second Information Request dated September 10, 2015

Very truly yours,

David S. Samford

Enclosures

Cc: Counsel of Record

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

**ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION DATED
08/17/15**

REQUEST 20

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 20. Reference the Adams testimony, p. 10. Please confirm that EKPC's RPP process and analysis took into consideration the fact that EKPC will have to pay increased transmission rates to KU-LG&E for network service under that company's OATT. If EKPC cannot so confirm, will those increased costs change any conclusions EKPC reached as a result of those analyses? Please describe.

Response 20. EKPC's RFP process did not specifically take into account any potential increased transmission rates EKPC would pay to KU/LG&E for Network Integration Transmission Service ("NITS"). EKPC's transmission service requests submitted to KU/LG&E are to designate the Bluegrass Station units as Network Resources for EKPC's existing load connected to the KU/LG&E transmission system, for which EKPC already pays the applicable NITS rate as specified in KU/LG&E's OATT. From that standpoint, there will be no incremental costs for EKPC's NITS from KU/LG&E as a

result of these requests; that is, the requests simply allow EKPC to deliver the output of the Bluegrass Station units to EKPC load connected to the KU/LG&E system.

EKPC recognizes that there may be certain periods when it is desirable due to economics or reliability to dispatch the Bluegrass Units at an output level that is greater than the amount of EKPC load directly connected to the KU/LG&E system. The service granted by Transerv to EKPC does not specifically address this scenario. EKPC has discussed this with both KU/LG&E and Transerv, and the parties are in the process of developing the specific requirements and procedures necessary to allow this type of operation. EKPC anticipates that this type of operation will occur infrequently, and further, that the incremental cost EKPC would pay, if any, would be relatively small.

There could be an indirect impact on the transmission rates for NITS on the KU/LG&E transmission system as a result of the EKPC requests. The System Impact Studies and the Facility Study conducted by Transerv International and KU/LG&E identified some transmission-system enhancements that will be needed to accommodate EKPC's requests related to the Bluegrass Station units. KU/LG&E annually updates its transmission service charges based on updated annual transmission revenue requirements. The annual transmission revenue requirements will reflect the costs of KU/LG&E's transmission facilities, so any capital costs incurred by KU/LG&E to add or upgrade transmission

infrastructure due to EKPC's requests should be incorporated into this calculation. This may result in a NITS rate that is higher than it would have been without the service requested by EKPC for the Bluegrass Station units. The cost estimates from KU/LG&E for transmission modifications necessary due to the EKPC requests total \$9.48 million (\$8.72 million for Units 1 and 2 and \$0.76 million for Unit 3). This amount is approximately 1.5% of KU/LG&E's total transmission net plant value. Given this relatively small increase in the KU/LG&E transmission plant value, the impact on KU/LG&E's NITS rate is expected to be minor. Therefore, these small potential increases in EKPC's NITS costs within the KU/LG&E system would not materially impact the economics of the proposed acquisition of Bluegrass Station and consequently do not change EKPC's conclusions that this is the reasonable, least-cost option for addressing EKPC's long-term capacity needs.

Supplemental Response 20.

EKPC stated in its response to Request #20 of the Attorney General's Initial Data Request Dated 08/17/2015 that EKPC had discussed transmission arrangements with LG&E/KU and TranServ International to accommodate delivery of energy to the EKPC transmission system during periods when the output of the Bluegrass Station Units is in excess of EKPC's load directly connected to the LG&E/KU system. In that response, EKPC indicated that it expected the incremental cost that it would pay for that additional

transmission service to be relatively small. EKPC based this conclusion on the way in which Network Integration Transmission Service (“NITS”) is administered and billed under the LG&E/KU Open Access Transmission Tariff (“OATT”).

EKPC has continued to make efforts to reach an agreement with LG&E/KU that is acceptable to all parties. At EKPC’s request, several meetings and conference calls have been convened for the parties to discuss EKPC’s supplemental transmission needs and how these can be met to the satisfaction of both EKPC and LG&E/KU. The early indication from LG&E/KU staff in these discussions was that some agreement could be reached that would accomplish EKPC’s objective at a reasonable cost. However, LG&E/KU expressed reluctance in subsequent discussions to offer any arrangements that EKPC believes to be fair, equitable, and financially appropriate. LG&E/KU has taken the position that EKPC needs to reserve point-to-point transmission or designate additional delivery points on the EKPC system as network loads under its NITS reservation to provide adequate coverage for the potential excess output from Bluegrass Station. The result of EKPC doing so would be that EKPC would be required to pay substantial charges for transmission service that would be used infrequently. EKPC has made proposals that would compensate LG&E/KU for the actual usage of the LG&E/KU transmission system, but LG&E/KU has indicated no interest in pursuing any of these proposals.

It has become evident that EKPC and LG&E/KU are not close to settling this transmission service matter. Therefore, EKPC intends to move forward with putting the transmission arrangements specified by LG&E/KU in place to ensure that it can deliver any excess output from Bluegrass Station to the EKPC transmission system when needed. However, EKPC will do so under protest. EKPC would be paying duplicative and unnecessary transmission charges for transmission service that EKPC does not actually use in real-time operations under the arrangements specified by LG&E/KU. EKPC has worked with LG&E/KU to understand its position and to try to develop a compromise that fairly compensates LG&E/KU for EKPC's use of the LG&E/KU transmission system without unjustly placing a financial burden on the EKPC Owner-Member ratepayers.

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

Supplemental Response 43.

The revised NITSA to incorporate the addition of Bluegrass Units 1 and 2 as Designated Network Resources for EKPC load directly connected to the KU/LG&E system is still being drafted by KU/LG&E, and therefore was not filed with FERC prior to October 2015 as stated previously in EKPC's response to Commission Staff's Request for Information. The expected timeframe for KU/LG&E to file this revised NITSA is now in November of 2015.

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

**LG&E/KU'S INITIAL REQUEST FOR INFORMATION DATED 08/18/15
REQUEST 1**

RESPONSIBLE PERSON: **Darrin Adams**

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

Request 1. EKPC has indicated in its Application that it has made a transmission service request ("TSR #80522955") to designate Bluegrass Station Units 1 and 2 as Network Resources for "EKPC load," which was accepted by TranServ and confirmed by EKPC on June 26, 2015, and a separate transmission service request ("TSR #81128526") to designate Unit 3 as a Network Resource for "EKPC load". (Paragraphs 32 and 34 of the Application).

Request 1b. Does EKPC believe once TSR #80522955 and TSR #81128526 have been granted that it has been/will have been granted transmission service from LG&E/KU to serve its load connected to the EKPC transmission system, or does EKPC intend to request and obtain additional service in order to serve such load on EKPCs Transmission System?

Response 1b. EKPC has already initiated the process to put arrangements in place to be able to deliver any output of the Bluegrass Station units that is in excess of the amount of EKPC load on the LG&E/KU system to EKPC load directly connected to the EKPC system. Representatives from EKPC met with representatives from LG&E/KU on July 16, 2015 to discuss EKPC's desire for such arrangements. EKPC offered a proposal involving establishment of a delivery point on the EKPC transmission system that would receive any excess generation output from the Bluegrass Station units. Under this proposal, EKPC would pay LG&E/KU the applicable Network Integration Transmission Service ("NITS") rate for any such excess output delivered during the hour of the LG&E/KU system peak each month to this new delivery point on the EKPC transmission system. This is the same manner in which the charges are calculated for all loads (EKPC, LG&E/KU, or otherwise) receiving NITS from the LG&E/KU system. EKPC provided LG&E/KU with information regarding a similar arrangement between Southern Companies and South Mississippi Electric Power Association that was approved by FERC and this was discussed during the meeting. A subsequent conference call was held between EKPC and LG&E/KU representatives on July 31 to discuss this further. It was decided that the next step would be to seek the involvement of TranServ in the discussions. A conference call involving EKPC, LG&E/KU, and TranServ was held on August 25 to discuss how to proceed. During this call, several different options were discussed that would permit EKPC to deliver excess output from the Bluegrass Units to its load connected to the EKPC transmission system. EKPC is evaluating these options

and will continue the discussions once its evaluation is completed. In conclusion, EKPC continues to work to put the necessary arrangements in place to be able to deliver any excess generation output that may occur (above that delivered to EKPC load on the LG&E/KU transmission system) from Bluegrass Station to EKPC load connected to the EKPC transmission system.

Supplemental Response 1b.

In its previous response to Request #1b of LG&E/KU's Initial Request for Information dated 8/18/2015, EKPC provided information on its progress to secure transmission arrangements to deliver any output that is in excess of the amount of EKPC load on the LG&E/KU transmission system to EKPC load directly connected to the EKPC transmission system. Since that response was submitted, EKPC has continued to make efforts to reach an agreement with LG&E/KU that is acceptable to all parties. At EKPC's request, additional meetings and conference calls have been convened for the parties to discuss EKPC's supplemental transmission needs and how these can be met to the satisfaction of both EKPC and LG&E/KU. The early indication from LG&E/KU staff in these discussions was that some agreement could be reached that would accomplish EKPC's objective at a reasonable cost. However, as the discussions have continued, LG&E/KU has expressed reluctance to offer any arrangements that EKPC believes to be fair, equitable, and financially appropriate. LG&E/KU has taken the position that EKPC

needs to reserve point-to-point transmission or designate additional delivery points on the EKPC system as network loads under its Network Integration Transmission Service (“NITS”) reservation to provide adequate coverage for the potential excess output from Bluegrass Station. The result of EKPC doing so would be that EKPC would be required to pay substantial charges for transmission service that would be used infrequently. EKPC has made proposals that would compensate LG&E/KU for the actual usage of the LG&E/KU transmission system, but LG&E/KU has indicated no interest in pursuing any of these proposals.

It has become evident that EKPC and LG&E/KU are not close to settling this transmission service matter. Therefore, EKPC intends to move forward with putting the transmission arrangements specified by LG&E/KU in place to ensure that it can deliver any excess output from Bluegrass Station to the EKPC transmission system when needed. However, EKPC will do so under protest. EKPC would be paying duplicative and unnecessary transmission charges for transmission service that EKPC does not actually use in real-time operations under the arrangements specified by LG&E/KU. EKPC has worked with LG&E/KU to understand its position and to try to develop a compromise that fairly compensates LG&E/KU for EKPC’s use of the LG&E/KU transmission system without unjustly placing a financial burden on the EKPC Owner-Member ratepayers.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00267

SUPPLEMENTAL REQUEST FOR INFORMATION RESPONSE

**LG&E/KU'S SUPPLEMENTAL REQUEST FOR INFORMATION DATED 09/10/15
REQUEST 1**

RESPONSIBLE PERSON: Darrin Adams

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. In response to LG&E/KU Initial Request for Information Question No. 2c, EKPC indicated that it already has the needed transmission service on the LG&E/KU system to support bids into the PJM Base Residual and incremental auctions through Transmission Service Requests #80522955 and #81128526.

Request 1a. Please explain how EKPC has the requisite "long-term firm transmission service" required to bid into the PJM auctions when LG&E/KU's OATT does not allow network transmission service to be used for sales of capacity and energy to non-designated loads (i.e., loads connected to the EKPC transmission system).

Response 1a. This request by LG&E/KU seeks information regarding EKPC transmission arrangements for the Bluegrass Units under the LG&E/KU OATT. Such matters are within the exclusive jurisdiction of the Federal Energy Regulatory Commission ("FERC") and not within the jurisdiction of the Kentucky Public Service Commission ("PSC"). EKPC thus objects to this request because it goes beyond the

scope of this proceeding. In the interest of moving the instant proceeding forward and assuring the PSC that EKPC will indeed have adequate and appropriate transmission arrangements, 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.

Request #80522955 has been granted to EKPC by the LG&E/KU Independent System Operator. This request designates Bluegrass Station Units #1 and #2 as Network Resources for EKPC's load on the LG&E/KU system. EKPC's load on the LG&E/KU system is internal to PJM under the integration arrangements between EKPC and PJM that were approved by the FERC. PJM has indicated that this is acceptable transmission service for EKPC load and generation to participate in the PJM capacity and energy markets.

As a point of correction to EKPC's response to the aforementioned LG&E/KU Initial Request No. 2c, Transmission Service Request #81128526, which is a request to designate Bluegrass Station Unit #3 as a Network Resource for EKPC load on the LG&E/KU system just reached the completion of the Facilities Study phase by LG&E/KU on September 16. Therefore, EKPC has not yet been granted this service, and does not already have the needed transmission service on the LG&E/KU system to support bids into the PJM Base Residual and incremental auctions for Unit #3.

Similarly to the granted service for Bluegrass Stations Units #1 and #2, when Unit #3 becomes available to EKPC in 2019, EKPC's load on the LG&E/KU system is internal to PJM under the integration arrangements between EKPC and PJM that were approved by the FERC. PJM has indicated that this is acceptable transmission service for EKPC load and Bluegrass Station Unit #3 to participate in the PJM capacity and energy markets.

EKPC representatives and LG&E/KU representatives are participating in ongoing discussions to develop the specific arrangements to enable EKPC to deliver energy from Bluegrass Station to EKPC load connected directly to the EKPC transmission system to the extent that the amount of such energy exceeds EKPC's load on the LG&E/KU system. EKPC wants to have these arrangements in place to provide sufficient coverage for the possible range of operating levels for the Bluegrass generating units.

Supplemental Response 1a.

In its previous response to Request #1 of LG&E/KU's Supplemental Request for Information dated 9/10/2015, EKPC provided information on its progress to secure transmission arrangements for the Bluegrass Station Units. As indicated in that response, EKPC has received approval by the LG&E/KU Independent Transmission Operator (TranServ) for designation of Bluegrass Station Units #1 and #2 as Network Resources for EKPC's load on the LG&E/KU system. In that response, EKPC also clarified that it

had not yet received approval for a similar request to designate Bluegrass Station Unit #3 as a Network Resource for EKPC's load on the LG&E/KU system. Since that response was submitted, TranServ has approved EKPC's request to designate Unit #3 as a Network Resource, so EKPC now has transmission service in place to deliver the output of all three Bluegrass Station Units to EKPC load directly connected to the LG&E/KU transmission system.

The outstanding issue to be resolved is arrangements to enable EKPC to deliver any incremental output above the level of its load directly connected to the LG&E/KU system to EKPC load within the EKPC transmission system. Since the previous response was submitted, EKPC has continued to make efforts to reach an agreement with LG&E/KU that is acceptable to all parties to cover these infrequent instances. At EKPC's request, additional meetings and conference calls have been convened for the parties to discuss EKPC's supplemental transmission needs and how these can be met to the satisfaction of both EKPC and LG&E/KU. The early indication from LG&E/KU staff in these discussions was that some agreement could be reached that would accomplish EKPC's objective at a reasonable cost. However, as the discussions have continued, LG&E/KU has expressed reluctance to offer any arrangements that EKPC believes to be fair, equitable, and financially appropriate. LG&E/KU has taken the position that EKPC needs to reserve point-to-point transmission or designate additional delivery points on the EKPC system as network loads under its Network Integration Transmission Service

(“NITS”) reservation to provide adequate coverage for the potential excess output from Bluegrass Station. The result of EKPC doing so would be that EKPC would be required to pay substantial charges for transmission service that would be used sporadically. EKPC has made proposals that would compensate LG&E/KU for the actual usage of the LG&E/KU transmission system, but LG&E/KU has indicated no interest in pursuing any of these proposals.

The statement in this request from LG&E/KU that “LG&E/KU’s OATT does not allow network transmission service to be used for the sales of capacity and energy to non-designated loads (i.e., loads connected to the EKPC transmission system)” must be placed into context. EKPC understands that it must designate “load” associated with the service it seeks, which is to deliver incremental output from Bluegrass Station to EKPC load within the EKPC transmission system. However, EKPC interprets load differently than LG&E/KU, such that EKPC could designate an interface point to receive the incremental output from Bluegrass Station on an hourly basis and this would be considered designated Network Load. Regardless, EKPC has no problem with designating specific loads within the EKPC transmission system as Network Loads, but is not in agreement that EKPC should be billed for NITS on the LG&E/KU system when EKPC is not actually using the LG&E/KU transmission system to deliver energy to these loads. EKPC has stated this position to LG&E/KU on multiple occasions, but has not gained any traction with LG&E/KU. Therefore, it has become evident that EKPC and LG&E/KU are not close to

settling this transmission service matter. Therefore, EKPC intends to move forward with putting the transmission arrangements specified by LG&E/KU in place to ensure that it can deliver any excess output from Bluegrass Station to the EKPC transmission system when needed. However, EKPC will do so under protest. EKPC would be paying duplicative and unnecessary transmission charges for transmission service that EKPC does not actually use in real-time operations under the arrangements specified by LG&E/KU. EKPC has worked with LG&E/KU to understand its position and to try to develop a compromise that fairly compensates LG&E/KU for EKPC's use of the LG&E/KU transmission system without unjustly placing a financial burden on the EKPC Owner-Member ratepayers.

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

**LG&E/KU'S SUPPLEMENTAL REQUEST FOR INFORMATION DATED 09/10/15
REQUEST 2**

RESPONSIBLE PERSON: **Darrin Adams**

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

Request 2. In response to the Attorney General's Initial Request for Information Question No. 20, Darrin Adams indicated that EKPC's RFP process and analysis "did not specifically take into account any potential increased transmission rates EKPC would pay to LG&E/KU for Network Integration Transmission Service ("NITS")" and that for the "certain periods when it is desirable due to economics or reliability to dispatch the Bluegrass Units at an output level that is greater than the amount of EKPC load directly connected to the LG&E/KU system...EKPC anticipates...that the incremental cost EKPC would pay, if any, would be relatively small."

Request 2a. Please explain why EKPC anticipates that the incremental cost EKPC would pay may be relatively small if anything.

Response 2a. This request by LG&E/KU seeks information regarding EKPC transmission arrangements for the Bluegrass Units under the LG&E/KU OATT. Such matters are within the exclusive jurisdiction of the Federal Energy Regulatory

Commission (“FERC”) and not within the jurisdiction of the Kentucky Public Service Commission (“PSC”). EKPC thus objects to this request because it goes beyond the scope of this proceeding. In the interest of moving the instant proceeding forward and assuring the PSC that EKPC will indeed have adequate and appropriate transmission arrangements, 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.

Transmission customers using Network Integration Transmission Service (“NITS”) on the LG&E/KU transmission system are billed for this service based on their usage of the system at the time of the LG&E/KU peak each month. This is the method approved by FERC for NITS and is not unique to LG&E/KU. The LG&E/KU LSE utilizes a NITS reservation on the LG&E/KU transmission system to deliver the output of any LG&E/KU Designated Network Resource both to its load that is directly connected to the LG&E/KU transmission system and to its load that is directly connected to the EKPC transmission system. The LG&E/KU Transmission Provider bills the LG&E/KU LSE only for its use of the transmission system to serve its native load at the time of the LG&E/KU system monthly peak. EKPC expects the same billing treatment – that is, based on EKPC’s usage of the LG&E/KU system to deliver the Bluegrass Station generation to EKPC load at the time of the LG&E/KU monthly peak.

EKPC expects the output of Bluegrass Station at the time of LG&E/KU's peak during most months to be equal to or less than the amount of EKPC load directly connected to the LG&E/KU system. Consequently, the output of the Bluegrass Station ordinarily will not increase EKPC's usage of the transmission system at the time of the LG&E/KU system peak each month. As a result, EKPC does not expect its dispatch profile of Bluegrass Station to cause EKPC to pay any additional charges for NITS to deliver excess output in most months based on the LG&E/KU established protocol for NITS billing.

Supplemental Response 2a.

In its previous response to Request #2 of LG&E/KU's Supplemental Request for Information dated 9/10/2015, EKPC explained its perspective regarding why it expected additional transmission service charges to be relatively small for use of the Bluegrass Station Units to serve EKPC load. EKPC's opinion regarding the appropriate transmission charges for the service EKPC is seeking has not changed.

Since the previous response was submitted, EKPC has continued to make efforts to reach an agreement with LG&E/KU that is acceptable to all parties to cover the occasional instances when the output of the Bluegrass Station exceeds the amount of EKPC load directly connected to the LG&E/KU system. At EKPC's request, additional meetings and conference calls have been convened for the parties to discuss EKPC's supplemental

transmission needs and how these can be met to the satisfaction of both EKPC and LG&E/KU. The early indication from LG&E/KU staff in these discussions was that some agreement could be reached that would accomplish EKPC's objective at a reasonable cost. However, as the discussions have continued, LG&E/KU has expressed reluctance to offer any arrangements that EKPC believes to be fair, equitable, and financially appropriate. LG&E/KU has taken the position that EKPC needs to reserve point-to-point transmission or designate additional delivery points on the EKPC system as network loads under its Network Integration Transmission Service ("NITS") reservation to provide adequate coverage for the potential excess output from Bluegrass Station. The result of EKPC doing so would be that EKPC would be required to pay substantial charges for transmission service that would be used sporadically. EKPC has made proposals that would compensate LG&E/KU for the actual usage of the LG&E/KU transmission system, but LG&E/KU has indicated no interest in pursuing any of these proposals.

EKPC is willing to designate specific loads within the EKPC transmission system as Network Loads for service through the LG&E/KU transmission system – as LG&E/KU has indicated EKPC must do to use NITS for delivery of this incremental energy -- but is not in agreement that EKPC should be billed for NITS on the LG&E/KU system at times when EKPC is not actually using the LG&E/KU transmission system to deliver energy to these loads. EKPC has stated this position to LG&E/KU on multiple occasions, but

has not gained any traction with LG&E/KU. Therefore, it has become evident that EKPC and LG&E/KU are not close to settling this transmission service matter. Therefore, EKPC intends to move forward with putting the transmission arrangements specified by LG&E/KU in place to ensure that it can deliver any excess output from Bluegrass Station to the EKPC transmission system when needed. However, EKPC will do so under protest. EKPC would be paying duplicative and unnecessary transmission charges for transmission service that EKPC does not actually use in real-time operations under the arrangements specified by LG&E/KU. EKPC has worked with LG&E/KU to understand its position and to try to develop a compromise that fairly compensates LG&E/KU for EKPC's use of the LG&E/KU transmission system without unjustly placing a financial burden on the EKPC Owner-Member ratepayers.

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.

Supplemental Response 20.

EKPC stated in its response to Request #20 of the Commission Staff's Second Information Request Dated 09/10/2015 that EKPC was continuing to discuss transmission arrangements with LG&E/KU and TranServ International to accommodate

delivery of energy to the EKPC transmission system during periods when the output of the Bluegrass Station Units is in excess of EKPC's load directly connected to the LG&E/KU system, and that EKPC expected the requirements and procedures necessary to allow this type of operation to be finalized by December 31, 2015. The substance of subsequent discussions between the parties puts resolution by this date in doubt.

EKPC has continued to make efforts to reach an agreement with LG&E/KU that is acceptable to all parties. At EKPC's request, several meetings and conference calls have been convened for the parties to discuss EKPC's supplemental transmission needs and how these can be met to the satisfaction of both EKPC and LG&E/KU. The early indication from LG&E/KU staff in these discussions was that some agreement could be reached that would accomplish EKPC's objective at a reasonable cost – hence EKPC's opinion that the matter could be resolved by the end of 2015. However, LG&E/KU has expressed reluctance in recent discussions to offer any arrangements that EKPC believes to be fair, equitable, and financially appropriate. LG&E/KU has taken the position that EKPC needs to reserve point-to-point transmission or designate additional delivery points on the EKPC system as network loads under its Network Integration Transmission Service (“NITS”) reservation to provide adequate coverage for the potential excess output from Bluegrass Station. The result of EKPC doing so would be that EKPC would be required to pay substantial charges for transmission service that would be used infrequently. EKPC has made proposals that would compensate LG&E/KU for the actual

usage of the LG&E/KU transmission system, but LG&E/KU has indicated no interest in pursuing any of these proposals.

It has become evident that EKPC and LG&E/KU are not close to settling this transmission service matter. Therefore, EKPC intends to move forward with putting the transmission arrangements specified by LG&E/KU in place to ensure that it can deliver any excess output from Bluegrass Station to the EKPC transmission system when needed. However, EKPC will do so under protest. EKPC would be paying duplicative and unnecessary transmission charges for transmission service that EKPC does not actually use in real-time operations under the arrangements specified by LG&E/KU. EKPC has worked with LG&E/KU to understand its position and to try to develop a compromise that fairly compensates LG&E/KU for EKPC's use of the LG&E/KU transmission system without unjustly placing a financial burden on the EKPC Owner-Member ratepayers.