

# Goss ■ Samford PLLC



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February 26, 2016

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FEB 26 2016

PUBLIC SERVICE  
COMMISSION

***Via Hand-Delivery***

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 Deviation from Obligation Resulting from Case No. 2012-00169  
PSC Case No. 2015-00358

Dear Executive Director:

Consistent with the Commission's Order entered in the above-referenced matter on November 30, 2015, please find enclosed for filing in the record of Case No. 2015-00358 one (1) original and ten (10) copies of a Notice of Filing tendering the second status report of East Kentucky Power Cooperative, Inc. ("EKPC").

Also enclosed is a one (1) redacted original and ten (10) redacted copies of a Notice of Filing tendering EKPC's response to a request for information made by Kentucky Industrial Utility Customers, Inc., at the informal conference held in the above-referenced matter on January 29, 2016. Enclosed in a separate sealed envelope marked confidential is one (1) copy of EKPC's Notice of Filing and related response with certain confidential information highlighted.

Finally, please find enclosed an original and ten (10) copies of EKPC's Motion for Confidential Treatment concerning the document tendered through the Notice of Filing.

Please return file-stamped copies of each of these documents to me, and please do not hesitate to contact me if you have any questions or concerns.

Very truly yours,

David S. Samford

Enclosures

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 26 2016

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR DEVIATION ) CASE NO.  
FROM OBLIGATION RESULTING FROM ) 2015-00358  
CASE NO. 2012-00169 )

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NOTICE OF FILING

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Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by counsel, pursuant to the order entered in the above-captioned matter on November 30, 2015, and hereby tenders for filing its second status report regarding the efforts of the parties and Commission Staff to reach a consensus on the issue of a flow-back rate mechanism for the PJM Interconnection, LLC capacity market benefits.

This 26<sup>th</sup> day of February, 2016.

Respectfully submitted,



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*Counsel for East Kentucky Power Cooperative, Inc.*

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing was served by depositing same into the custody and care of the U. S. Mail, postage pre-paid, on this 26<sup>th</sup> day of February, 2016, addressed to the following:

Michael L. Kurtz  
Jody M. Kyler Cohn  
Kurt J. Boehm  
Boehm, Kurtz & Lowry  
35 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

Rebecca Goodman, Assistant Attorney General  
Larry Cook, Assistant Attorney General  
Office of the Attorney General  
Office of Utility and Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

  
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*Counsel for East Kentucky Power  
Cooperative, Inc.*



February 26, 2016

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

**VIA HAND DELIVERY**

RE: *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Deviation from Obligation Resulting from Case No. 2012-00169, Case No. 2015-00358 – Second Status Report*

Dear Executive Director,

In accordance with the Commission's November 30, 2015 Order in the above-styled case, please accept this as the second status report of East Kentucky Power Cooperative, Inc. ("EKPC") regarding the efforts of EKPC, the Kentucky Industrial Utility Customers, Inc. ("KIUC"), the Attorney General's Office of Rate Intervention ("AG"), and the Commission Staff to reach a consensus on the issue of a flow-back rate mechanism for the PJM Interconnection, L.L.C. ("PJM") capacity market benefits.

Representatives of EKPC, KIUC, the AG, and Commission Staff met at the Commission's Offices in Frankfort on January 29, 2016 for continuing discussions. EKPC began by reviewing the first status report which was filed on January 14, 2016. This portion of the discussion concluded with a review of the flow-back rate mechanisms EKPC had identified – a surcredit mechanism, a margin sharing mechanism, a one-time capital credit payment, and base rates.

EKPC then reviewed the results from modeling the impacts of the flow-back rate mechanisms on EKPC's financial forecast. The modeling indicated that the surcredit mechanism and the margin sharing mechanism had the potential of triggering base rate cases sooner than would be anticipated in the financial forecast without those mechanisms. The one-time capital credit payment would not, by itself, trigger a base rate case given the structure of that mechanism.

In the discussion that followed, KIUC asked several questions about the timing of payments under the mechanisms. KIUC indicated it believed payments at six month blocks would be more reasonable as compared with annual blocks. This would allow for a "levelizing" of the payments. While the discussions did not result in a consensus as to the selection of a specific mechanism, there appeared to be general agreement that the focus should be on a mechanism that would not trigger a base rate case.

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There was also some discussion about the difficulties of developing an allocation approach that would pass along any capacity market benefit down to the retail customer. EKPC indicated it would look at some approaches and try to get some modeled results back to the group prior to the next meeting. KIUC suggested one approach might be to look at the winter peak demand and then allocate the capacity benefit on a per meter basis.

In trying to establish a date for the next discussion, EKPC indicated that it would like to talk with the Member CEOs to get their impressions as to which of the flow-back rate mechanisms might be preferable, especially with regard to the capital credit mechanism. Because of the timing of various meetings, it appeared that the earliest the next discussion could be held would be March 17, 2016.

#### Open Issues:

- Allocation approach – EKPC plans on modeling some approaches and sharing the results with the parties prior to the next meeting.
- Rural Utilities Service (“RUS”) acceptance of a capital credit payment mechanism – EKPC has held some preliminary discussions with the RUS concerning a capital credit payment mechanism. RUS did not immediately agree to the proposal, so further discussions will be necessary.
- Member Feedback and Preferences – EKPC will be discussing with the Member CEOs the flow-back rate mechanisms and the capital credit option in the near future.