

**Goss  
Samford**

ATTORNEYS AT LAW | PLLC

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PUBLIC SERVICE  
COMMISSION

April 21, 2016

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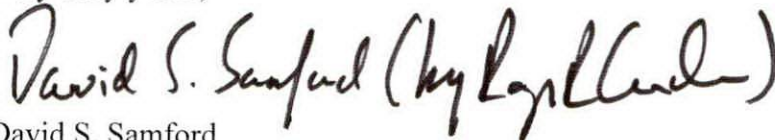
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Re: PSC Case No. 2016-00002

Dear Executive Director,

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC"), to Staff's Post Hearing Requests for Information from the hearing held on April 7, 2016.

Very truly yours,



David S. Samford

Enclosures

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

**In the Matter of:**

<b>AN EXAMINATION OF THE APPLICATION OF</b>	)	
<b>THE FUEL ADJUSTMENT CLAUSE OF EAST</b>	)	<b>CASE NO.</b>
<b>KENTUCKY POWER COOPERATIVE, INC.</b>	)	<b>2016-00002</b>
<b>INC. FROM MAY 1, 2015 THROUGH OCTOBER 31,</b>	)	
<b>2015</b>	)	

**RESPONSE OF EAST KENTUCKY POWER COOPERATIVE, INC.  
TO COMMISSION'S DATA REQUESTS FROM  
HEARING HELD ON APRIL 7, 2016**

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

**IN THE MATTER OF:**

<b>AN EXAMINATION OF THE APPLICATION OF</b>	)	
<b>THE FUEL ADJUSTMENT CLAUSE OF EAST</b>	)	<b>CASE NO.</b>
<b>KENTUCKY POWER COOPERATIVE, INC.</b>	)	<b>2016-00002</b>
<b>INC. FROM MAY 1, 2015 THROUGH OCTOBER</b>	)	
<b>31, 2015</b>	)	

**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 Post Hearing Request for Information in the above-referenced case from the hearing held on April 7, 2016, 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.

Mark Horn

Subscribed and sworn before me on this 20<sup>th</sup> day of April 2016.

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:

AN EXAMINATION OF THE APPLICATION OF )  
THE FUEL ADJUSTMENT CLAUSE OF EAST ) CASE NO.  
KENTUCKY POWER COOPERATIVE, INC. ) 2016-00002  
INC. FROM MAY 1, 2015 THROUGH OCTOBER )  
31, 2015 )

CERTIFICATE

STATE OF KENTUCKY )  
COUNTY OF CLARK )

Julia J. Tucker, 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 Post Hearing Request for Information in the above-referenced case from the hearing held on April 7, 2016, 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.

*Julia J. Tucker*  
\_\_\_\_\_

Subscribed and sworn before me on this 20<sup>th</sup> day of April 2016.

*Gwyn M. Willoughby* #500114  
\_\_\_\_\_  
Notary Public



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00002  
FUEL ADJUSTMENT CLAUSE  
RESPONSE TO POST HEARING DATA REQUEST**

**COMMISSION'S DATA REQUEST FROM HEARING HELD ON 04/07/16  
REQUEST 1**

**RESPONSIBLE PARTY: Mark Horn**

**Request 1.** Refer to EKPC's Response to the Commission Staff's First Information Request, Item 9(b). Please provide the support documents for the Ventyx Coal Pricing Forecast in an Excel Spreadsheet format.

**Response 1.** A copy of the support documents for the Ventyx Coal Pricing Forecast in Excel Spreadsheet format is provided on page 2 of this response. This data is from the March 2016 query download and represents the most current data in its database. The Kentucky Power pricing has been revised from 194.64 cents/MMBtu in the February 2016 query to 204.62 cents/MMBtu in the March 2016 query. September 2015 was used in the First Information Request, Item 9b(1)(2) because that was the most recent data available for comparison when responses were prepared in February 2016 for the review period of May 1, 2015, through October 31, 2015.

Year & Month	Plant Operator Abbrev.	Delivered Fuel Price Cents/MMBtu	Quantity (000s tons)	Btu/lb	Sulfur %	Lbs. SO2/MMBtu	Ash %	Delivered Fuel Price \$/ton Excluding Zeros	Plant Operator Name	Plant Oper. State Abbrev.	Plant Operator Holding Company Name	Plant Oper. ID	Plant Oper. Holding Co. ID
2015-09	APP	216.28	667.716	12,537	3.05	4.84	9.94	54.23	Appalachian Power Co	VA	American Electric Power Co Inc	1006	442978
2015-09	BREC	248.94	70.505	12,272	3.37	5.49	9.14	61.10	Big Rivers Electric Corp	KY	Big Rivers Electric Corp	1201	583014
2015-09	CNSMRS	233.61	805.374	8,909	0.32	0.71	5.67	41.62	Consumers Energy Co	MI	CMS Energy Corp	1041	578303
2015-09	CP&L	315.55	623.895	12,418	2.16	3.45	10.43	78.37	Duke Energy Progress	NC	Duke Energy Corp	1017	386085
2015-09	DP&L	222.02	534.435	11,896	2.79	4.70	8.44	52.82	Dayton Power & Light Co (The)	OH	AES Corp (The)	1042	582926
2015-09	DUKE CAROLS	342.13	1,358.580	12,333	1.51	2.44	10.49	84.39	Duke Energy Carolinas	NC	Duke Energy Corp	1045	386085
2015-09	DUKE KY	209.93	190.221	11,989	2.49	4.16	9.37	50.33	Duke Energy Kentucky	OH	Duke Energy Corp	1178	386085
2015-09	EKPC	225.62	339.342	11,407	3.18	5.61	11.67	51.47	East Kentucky Power Coop	KY	East Kentucky Power Coop	60453	589720
2015-09	GPC	293.23	1,838.047	10,198	1.18	2.10	7.19	59.81	Georgia Power Co	GA	Southern Co	1057	386084
2015-09	HREC	210.54	238.587	11,228	3.19	5.68	9.28	47.28	Hoosier Energy Rural Electric Coop Inc	IN	Hoosier Energy Rural Electric Coop Inc	60472	589738
2015-09	KPC	230.30	347.282	12,192	1.94	3.14	11.31	56.16	Kentucky Power Co	KY	American Electric Power Co Inc	1081	442978
2015-09	KU	227.13	339.139	11,352	2.98	5.25	9.75	51.57	Kentucky Utilities Co	KY	PPL Corp	1082	442973
2015-09	LG&E	222.81	728.112	11,506	3.08	5.29	9.54	51.27	Louisville Gas & Electric Co	KY	PPL Corp	1088	442973
2015-09	SCE&G	354.76	184.523	12,809	0.97	1.52	8.78	90.88	South Carolina Electric & Gas Co	SC	SCANA Corp	1159	582844
2015-09	SCGEN	379.75	102.995	12,801	0.68	1.06	8.42	97.22	South Carolina Generating Co Inc	SC	SCANA Corp	1160	582844
2015-09	SIGECO	239.33	143.051	11,463	3.28	5.73	8.65	54.86	Southern Indiana Gas & Electric Co	IN	Vectren Corp	1163	582847
2015-09	TVA	229.41	2,347.775	10,637	1.58	2.72	7.11	48.81	Tennessee Valley Authority	TN	Tennessee Valley Authority	60524	442839
2015-09	VEPCO	275.41	1,053.702	11,601	1.39	2.39	17.01	63.90	Virginia Electric & Power Co	VA	Dominion Resources Inc	1186	445772

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00002  
FUEL ADJUSTMENT CLAUSE  
RESPONSE TO POST HEARING DATA REQUEST**

**COMMISSION'S DATA REQUEST FROM HEARING HELD ON 04/07/16  
REQUEST 3**

**RESPONSIBLE PARTY: Mark Horn**

**Request 3.** Refer to EKPC's response to the Commission Staff's First Information Request, Item 19(a)-(b), page 3 of 5. Please provide a more detailed description of EKPC's basis for rejecting the first three bids listed on that page.

**Response 3.** The entity submitting the first two bids - a 24-month term and a 38-month term - was responding to the Request for Proposal for contract coal requirements at Spurlock Power Station. Physical and financial due diligence was conducted on the entity because it had the lowest-evaluated, delivered costs. However, it was discovered that the entity was not a creditworthy counterparty. The balance sheet indicated a debt leveraged company with negative equity. The return on total assets and the debt-to-equity ratio were both negative. The entity was deemed a high risk for a contract coal supplier.

The entity submitting the third bid historically has not been able to meet the requirements of EKPC's physical or financial due diligence for a contract coal supplier, even when the coal market was stronger. This entity did not complete the last spot supply agreement it was awarded via a short-term purchase order. Past quality issues, lack of company wherewithal, and lack of proven performance would make this entity a high risk for a contract coal supplier.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00002**

**FUEL ADJUSTMENT CLAUSE**

**RESPONSE TO POST HEARING DATA REQUEST**

**COMMISSION'S DATA REQUEST FROM HEARING HELD ON 04/07/16**

**REQUEST 4**

**RESPONSIBLE PARTY: Julia J. Tucker**

**Request 4.** Please provide the amounts of power purchases that would be excluded from recovery in each month of the review period if EKPC had used the actual cost of natural gas on the dates that Smith Units 1, 2 and 3 were actually dispatched at minimum load by PJM Interconnection, LLC as opposed to the highest observed natural gas price during the FAC reporting month.

**Response 4.** May, June July, and October would not change. Smith Units 1, 2, or 3 were actually running at the time of the highest observed natural gas price during those months.

August would have resulted in \$113,952 of power purchases that would be excluded from recovery as compared to \$102,134 utilizing EKPC's current methodology, therefore, an additional \$11,818 would have been excluded.

September's results show a total of \$365,917 with this request as compared to the original report of \$342,606, for a difference of \$23,311.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00002  
FUEL ADJUSTMENT CLAUSE  
RESPONSE TO POST HEARING DATA REQUEST**

**COMMISSION'S DATA REQUEST FROM HEARING HELD ON 04/07/16  
REQUEST 5**

**RESPONSIBLE PARTY: Julia J. Tucker**

**Request 5.** Please provide the amounts of power purchase that would be excluded in each month of the review period if EKPC used the average of its minimum load heat rate and maximum load heat rate for Smith Units 1, 2 and 3 and used the natural gas costs that were used in EKPC's response to Item 3.b. of Staff's Third Request when calculating its highest cost generator available to be dispatched during the FAC reporting month.

**Response 5.** Heat rate at minimum load is 16,034 mmbtu/kWh and at maximum is 12,648, for an average heat rate of 14,341 mmbtu/kWh.

**May -**  $14,341 \text{ mmbtu/kWh} * \$3.20/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$45.89/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$318,660

Total amount of purchases disallowed as filed = \$234,637

Difference between two methodologies = \$84,023

**June -**         $14,341 \text{ mmbtu/kWh} * \$3.02/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$43.31/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$472,473

Total amount of purchases disallowed as filed = \$349,973

Difference between two methodologies = \$122,500

**July -**         $14,341 \text{ mmbtu/kWh} * \$3.23/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$46.32/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$74,455

Total amount of purchases disallowed as filed = \$60,007

Difference between two methodologies = \$14,448

**August -**      $14,341 \text{ mmbtu/kWh} * \$3.11/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$44.60/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$181,707

Total amount of purchases disallowed as filed = \$102,134

Difference between two methodologies = \$79,573

**September -**  $14,341 \text{ mmbtu/kWh} * \$2.95/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$42.31/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$463,057

Total amount of purchases disallowed as filed = \$342,606

Difference between two methodologies = \$120,451

**October -**      $14,341 \text{ mmbtu/kWh} * \$2.70/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$38.72/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$254,298

Total amount of purchases disallowed as filed = \$172,701

Difference between two methodologies = \$81,597

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00002  
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RESPONSE TO POST HEARING DATA REQUEST**

**COMMISSION'S DATA REQUEST FROM HEARING HELD ON 04/07/16  
REQUEST 6**

**RESPONSIBLE PARTY: Julia J. Tucker**

**Request 6.** Please provide the amounts of power purchases that would be excluded in each month of the review period if EKPC used the average of its minimum load heat rate and maximum load heat rate for Smith Units 1, 2 and 3 and used the average observed natural gas price for each FAC reporting month as the natural gas cost variable when calculating its highest cost generator available to be dispatched during the FAC reporting month.

**Response 6.**

**May -**  $14,341 \text{ mmbtu/kWh} * \$2.97/\text{mmbtu} / 1,000 \text{ kWh/MWh} = \$42.59/\text{MWh}$   
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$389,639

Total amount of purchases disallowed as filed = \$234,637

Difference between two methodologies = \$155,002

**June -** 14,341 mmbtu/kWh \* \$2.93/mmbtu / 1,000 kWh/MWh = \$42.02/MWh  
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$514,182

Total amount of purchases disallowed as filed = \$349,973

Difference between two methodologies = \$164,209

**July -** 14,341 mmbtu/kWh \* \$3.00/mmbtu / 1,000 kWh/MWh = \$43.02/MWh  
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$84,550

Total amount of purchases disallowed as filed = \$60,007

Difference between two methodologies = \$24,543

**August -** 14,341 mmbtu/kWh \* \$2.97/mmbtu / 1,000 kWh/MWh = \$42.59/MWh  
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$229,526

Total amount of purchases disallowed as filed = \$102,134

Difference between two methodologies = \$127,392

**September -** 14,341 mmbtu/kWh \* \$2.77/mmbtu / 1,000 kWh/MWh = \$39.72/MWh  
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$552,842

Total amount of purchases disallowed as filed = \$342,606

Difference between two methodologies = \$210,236

**October -** 14,341 mmbtu/kWh \* \$2.45/mmbtu / 1,000 kWh/MWh = \$35.14/MWh  
maximum allowable fuel cost to pass through on the FAC, as proposed.

Total amount of purchases disallowed as proposed = \$367,809

Total amount of purchases disallowed as filed = \$172,701

Difference between two methodologies = \$195,108