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February 10, 2017

RECEIVED

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PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Ms. Talina Mathews, Ph.D.
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: IN THE MATTER OF AN EXAMINATION OF THE APPLICATION
OF THE FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY
POWER COOPERATIVE, INC. FROM NOVEMBER 1, 2015
THROUGH APRIL 30, 2016

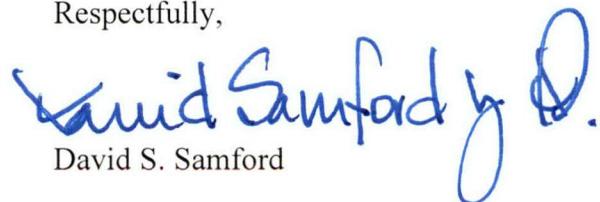
Case No. 2016-00231 — *Supplemental Response to Request for Information*

Dear Dr. Mathews:

Please find enclosed and accept for filing in the above-styled matter on behalf of East Kentucky Power Cooperative, Inc. ("EKPC"), an original and eight (8) copies of EKPC's Supplemental Response to Commission Staffs Third Request for Information, Item 2, propounded October 14, 2016. This filing is made consistent with the direction of Commission Staff at the Informal Conference held in this case on February 8, 2017.

Please return a file-stamped copy of this filing to me, and please do not hesitate to contact me with any questions or concerns.

Respectfully,


David S. Samford

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**AN EXAMINATION OF THE APPLICATION
OF THE FUEL ADJUSTMENT CLAUSE OF
EAST KENTUCKY POWER COOPERATIVE,
INC. FROM NOVEMBER 1, 2015 THROUGH
APRIL 30, 2016**

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CASE NO. 2016-00231

**SUPPLEMENTAL RESPONSE OF EAST KENTUCKY POWER COOPERATIVE, INC.
TO COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
PROPOUNDED OCTOBER 14, 2016**

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.)	2016-00231
FROM NOVEMBER 1, 2015 THROUGH APRIL)	
30, 2016)	

CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

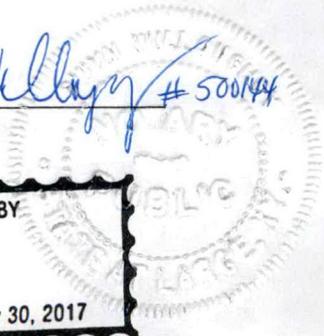
Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the supplemental response of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Third Request for Information, Item 2, propounded October 14, 2016, and that the matters and things set forth 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 10th day of February 2017.

Gwyn M. Willoughby
_____ # 500144
Notary Public

GWYN M. WILLOUGHBY
 Notary Public
 State at Large
 Kentucky
 My Commission Expires Nov 30, 2017



EAST KENTUCKY POWER COOPERATIVE, INC.

CASE NO 2016-00231

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION DATED 10/14/16
REQUEST 2**

RESPONSIBLE PARTY: Julia J. Tucker

Request 2. Refer to East Kentucky's response to Staff's Second Request, Item 2.a. The response states "This calculation provides the amount of MWh that had to be replaced by an alternative source, namely the PJM market." State whether East Kentucky has the option of bringing a unit online or ramping up a unit to cover the forced outage rather than purchasing market power.

Response 2. Yes, EKPC has the option to bring another unit online or ramp up a unit, if it is the most economic choice. Since the market price reflects the economic dispatch at the time of the outage, then the market price is the appropriate surrogate for replacement power cost.

Supplemental Response 2. When East Kentucky loses a unit due to a forced outage, PJM redispatches its entire system to cover the lost generation in a manner consistent with PJM's reliability constrained economic dispatch principles. One or more units are ramped up as available to meet the additional needs. Each of East Kentucky's undispached units are evaluated by PJM

as part of its redispatch decision. However, determining the exact amount changed at any given unit within East Kentucky's generation fleet (or within all of PJM) is problematic and overly burdensome to determine because of the dynamic and constantly changing nature of the PJM system.

When asked whether East Kentucky could bring one of its own generation units online to compensate for an East Kentucky unit suffering a forced outage, East Kentucky previously answered that it "has the option to bring another unit online or ramp up a unit, if it is the most economic choice." This response is true, however, East Kentucky cannot think of an example of when it would be most economic to make these choices on its own and without regard to the instructions generated by PJM's security constrained economic dispatch model.

If East Kentucky's next available unit was the least cost unit available within all of PJM, then PJM's dispatch would have already requested that the East Kentucky unit be brought online or ramped up. Therefore, the Locational Marginal Pricing ("LMP") for the East Kentucky zone reflects the result of the most economic change in dispatch during a forced outage by economically dispatching the entire PJM system in a reliability constrained manner. East Kentucky's other units can be affected, but determining the exact amount for each unit is not feasible. PJM always has at least 57,000 MW of generation on line to serve load, based on minimum load levels. East Kentucky's largest unit is roughly 500 MW (Spurlock 2). If this unit is lost to a forced outage, PJM has more than 100 times that amount of generation on line and redispatches those resources to meet the lost generation. Due to the size of the system being dispatched and other changes in load and generation, it would be impractical and exceedingly burdensome to determine exactly which resources changed their dispatch levels to meet the Spurlock 2 outage.

When East Kentucky was a stand-alone balancing authority, the loss of 500 MW represented a large portion of its generation, as much as 50% during minimum load periods. It was reasonable and much easier to track the exact dispatch actions that were taken to replace the generation at that time. Either additional units had to be ramped up, units brought on line, purchases made or a combination of all of these actions. Those actions could be reasonably identified and quantities calculated. Now, East Kentucky's largest unit is less than 1 % of the balancing authority's system and the loss of that generation is minute to the system as a whole. It would be extraordinarily difficult to determine if East Kentucky units were specifically redispatched to cover the generation outage because the units are already following PJM's economic dispatch signals.

In light of the foregoing, East Kentucky believes that utilizing the LMP at the East Kentucky zone ("market price") is the most appropriate representation of costs incurred when generation is forced out of service. In fact, the LMP will be the most appropriate representation of the price of the least cost power available to East Kentucky in every conceivable situation under the PJM reliability constrained economic dispatch model.