

**Goss  
Samford**

ATTORNEYS AT LAW | PLLC  
October 10, 2016

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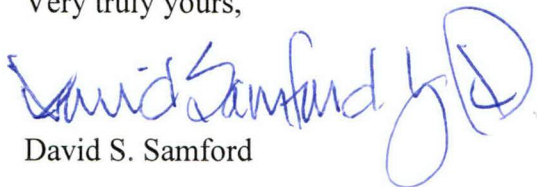
**HAND DELIVERED**

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

Re: PSC Case No. 2016-00316

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., to the Commission Staff's Initial Request for Information dated September 30, 2016.

Very truly yours,



David S. Samford

Enclosures

**RECEIVED**

**OCT 10 2016**

**PUBLIC SERVICE  
COMMISSION**

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

**In the Matter of:**

<b>APPLICATION OF EAST KENTUCKY POWER</b>	)	
<b>COOPERATIVE, INC. FOR APPROVAL OF AN</b>	)	<b>CASE NO.</b>
<b>INDUSTRIAL POWER AGREEMENT WITH</b>	)	<b>2016-00316</b>
<b>ECONOMIC DEVELOPMENT RIDER</b>	)	

**RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED SEPTEMBER 30, 2016**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF EAST KENTUCKY POWER )
COOPERATIVE, INC. FOR APPROVAL OF AN ) CASE NO.
INDUSTRIAL POWER AGREEMENT WITH ) 2016-00316
ECONOMIC DEVELOPMENT RIDER )

CERTIFICATE

STATE OF KENTUCKY )
)
COUNTY OF CLARK )

Isaac S. Scott, 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 Initial Request for Information dated September 30, 2016, 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.

Isaac S. Scott

Subscribed and sworn before me on this 10th day of October 2016.

Gwyn M. Willoughby #580144
Notary Public

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

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00316**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 09/30/16  
REQUEST 1**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 1.** State whether the Kroger Limited Partnership I ("Kroger") facility has been constructed and is currently receiving electric service from South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"). If so, state when the service to Kroger began. If not, state when construction of the facility is estimated to be completed and service is expected to begin.

**Response 1.** Construction of the Kroger superstore at 50 Stonegate Drive has been completed and South Kentucky began service to the facility on July 20, 2016.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00316**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 09/30/16  
REQUEST 2**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 2.** Refer to EKPC's application, Section I., page 2, paragraph 2.

**Request 2a.** Clarify whether referring to Kroger's decision to construct a *new* superstore in the Somerset area is meant to indicate that there is an existing Kroger superstore in the Somerset area. (Emphasis added)

**Response 2a.** Prior to the construction of the superstore at 50 Stonegate Drive there was no Kroger superstore in the Somerset area.

**Request 2b.** If there is no existing Kroger superstore in the Somerset area, explain whether there is an existing Kroger grocery in the Somerset area.

**Response 2b.** Prior to the construction of the Kroger superstore there were two existing Kroger stores in the Somerset area. One of these closed when the new superstore opened. Neither of these Kroger stores were in South Kentucky's service territory.

**Request 2c.** There is also a reference to the Economic Development Rate's ("EDR") availability having encouraged Kroger to locate the new superstore in South Kentucky's service territory. Explain whether Kroger's decision to locate in South Kentucky's service territory was dependent on its obtaining the EDR.

**Response 2c.** The new Kroger superstore sits partially in South Kentucky's service territory and partially in the service territory of the Kentucky Utilities Company. The superstore builder requested that South Kentucky provide the temporary power service during construction. Upon completion of the construction, the service entrance of the new Kroger superstore was clearly in South Kentucky's service territory. South Kentucky encouraged Kroger to continue to let it provide service. The availability of the EDR was certainly a factor that encouraged Kroger to continue with South Kentucky.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00316**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 09/30/16  
REQUEST 3**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 3.** Refer to EKPC's application, Section III.B., pages 4-5, paragraph 12, most specifically, the sentence referring to the EDR contract, which reads: "Consequently, the discount period will not begin until the effective date and Kroger will not be billed at the reduced demand charges until that time."

**Request 3a.** Explain whether the sentence in question means the superstore will be billed South Kentucky's tariffed demand charge, with no discount, for some period of time prior to the effective date of the EDR contract.

**Response 3a.** South Kentucky has and will be billing the Kroger superstore at its full tariffed demand charge, without a discount, until the EDR contract is approved by the Commission. EKPC has requested that the effective date of the EDR contract be the first day of the month after the date of the Commission's Order approving the EDR contract.

**Request 3b.** If South Kentucky is currently serving a Kroger store located in its service territory, clarify whether the existing store and the superstore will be considered, and billed, as two distinct customers.

**Response 3b.** In addition to the Somerset superstore, South Kentucky serves a Kroger store in McCreary County and another in Wayne County. Each store is considered and billed as a distinct customer.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00316**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 09/30/16  
REQUEST 4**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 4.** Refer to EKPC's application, Section IV., pages 6-7, paragraph 17, which refers to EKPC's capacity requirement as being close to a 3 percent reserve margin on its projected summer peak and which refers to the expected required reserve margin as being based on the estimation in EKPC's 2015 Integrated Resource Plan ("IRP").

**Request 4a.** While the table in the IRP shows the 3 percent reserve required to meet the PJM Interconnection LLC summer reserve requirement, it also shows that, beginning in 2017, EKPC has winter capacity needs of 300 MW or greater each year through 2029. Reconcile such a capacity need with the statement starting at the bottom of page 6 and continuing to the top of page 7 which reads: "Based on current conditions, EKPC does not believe it will be necessary to make a specific market purchase to cover the new Kroger demand during the ten-year contract term."

**Response 4a.** EKPC purchased the Bluegrass Generation plant in December 2015, after receiving approval from the Commission in Case No. 2015-00267.<sup>1</sup> The plant consists of three combustion turbine units. EKPC has a contract with LGEE for the output of Unit 3 until May 1, 2019. The referenced table from the IRP has been updated and is included as page 3 of 3 of this response. Data from the table reflects that EKPC has sufficient capacity to serve its load, including the Kroger load, through the study period without having to acquire additional capacity from the PJM RPM market.

**Request 4b.** Describe and discuss EKPC's current plan for addressing its winter capacity needs for the ten-year term of the proposed EDR contract.

**Response 4b.** Please see Response 4a.

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<sup>1</sup> See *In the Matter of 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*, Order, Case No. 2015-00267, (Ky. P.S.C. Dec. 1, 2015).

**8.(4)(a)-2 REVISED to include Bluegrass Generation Plant**  
**EKPC Projected Capacity Needs**  
**(MW)**

Year	Projected Peaks		3% Reserves		Total Requirements		Existing Resources		Capacity Needs	
	Win	Sum	Win	Sum	Win	Sum	Win	Sum	Win	Sum
2015	3,201	2,324	0	70	3,201	2,394	3,276	2,922	-75	-378
2016	3,225	2,342	0	70	3,225	2,412	3,572	3,002	-347	-590
2017	3,239	2,366	0	71	3,239	2,437	3,572	3,002	-333	-565
2018	3,250	2,389	0	72	3,250	2,461	3,572	3,002	-322	-541
2019	3,254	2,403	0	72	3,254	2,475	3,572	3,167	-318	-692
2020	3,261	2,430	0	73	3,261	2,503	3,770	3,167	-509	-664
2021	3,266	2,453	0	74	3,266	2,527	3,770	3,167	-504	-640
2022	3,272	2,479	0	74	3,272	2,553	3,770	3,167	-498	-614
2023	3,285	2,504	0	75	3,285	2,579	3,770	3,167	-485	-588
2024	3,304	2,537	0	76	3,304	2,613	3,770	3,167	-466	-554
2025	3,321	2,567	0	77	3,321	2,644	3,770	3,167	-449	-523
2026	3,347	2,609	0	78	3,347	2,687	3,770	3,167	-423	-480
2027	3,369	2,637	0	79	3,369	2,716	3,770	3,167	-401	-451
2028	3,398	2,672	0	80	3,398	2,752	3,770	3,167	-372	-415
2029	3,425	2,703	0	81	3,425	2,784	3,770	3,167	-345	-383

Notes:

1. Reserve requirement updated to meet PJM Summer reserve requirement of 3%
2. Existing Resources includes 170 MW from SEPA throughout the period.
3. The impact of existing and new DSM programs is included in the load forecast.
4. Existing Resources include the Bluegrass Generation Plant that EKPC purchased in December 2015.
5. Existing contract with LGEE for Bluegrass 3 unit ends April 30, 2019. Existing Resources in table assumes that unit is available for EKPC on May 1, 2019.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00316**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 09/30/16  
REQUEST 5**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 5.** Refer to EKPC's application, Section VI., page 10, Item 5. Explain the significance of the January 31, 2017 date and why it was chosen as the date by which EKPC requests a Commission decision in this proceeding.

**Response 5.** There is no specific significance to the January 31, 2017 date other than it reflects five months after the filing date of this Application. EKPC was aware that the Commission often will suspend the effective date of special contracts for up to five months pursuant to KRS 278.190(2). Based on its understanding of the Commission's previous decisions related to EDR contracts, EKPC concluded that the effective date for the EDR contract had to be linked to the Commission's approval of the contract. Since EKPC was not proposing a specific effective date for the EDR contract, it did not seem reasonable to request a date for a final decision that was shorter than a potential five-month suspension period. However, EKPC, South Kentucky, and Kroger would certainly appreciate an approval decision by the Commission in this proceeding sooner than January 31, 2017.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00316**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 09/30/16  
REQUEST 6**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 6.** Refer to the application, Exhibit 2, the Industrial Power Agreement With Economic Development Rider ("Agreement").

**Request 6a.** Refer to page 6. Section 4.c. states, "If the total load requirement for EKPC in any year is not increased with the inclusion of the Customer's load, there will be no purchase or arrangement for additional capacity and consequently no additional capacity charges for that year." Provide an example of how this provision will be applied and state whether it will be done prospectively based on projected load requirements or retrospectively based on actual load requirements.

**Response 6a.** Each year PJM develops a load forecast of its members expected requirements based on historical information. This forecast sets the basis for the Base Residual Auction which acquires sufficient capacity to cover the projected load three years in the future. Once this auction clears, EKPC is obligated to purchase the amount of capacity that PJM projected it would need to cover its load plus its share of the reserves. The only time this

obligation changes is in the third Incremental Auction, held in February prior to the June 1 start date of the delivery year. This Incremental Auction “trues up” any significant changes that have occurred in the load requirements and any changes to the available generation capacity that EKPC has available to sell into the market. If a new load has been added to EKPC’s system, and that load has made enough impact to change the expected requirements for EKPC, then additional capacity would have to be purchased in the third Incremental Auction to meet this demand. EKPC would then compare the total amount of load that has to be purchased to the total amount of capacity that has been sold into the same market and determine if it had to purchase more capacity for the load than it sold from its generation. This event is highly unlikely given the load requirements are based on summer peak loads and EKPC has 500 to 600 MW more capacity available from its generation units than it has for its load obligations, as shown on the table in Response 4a. In the unlikely event that EKPC did have to purchase additional capacity to serve the new load, the price would be based on the third Incremental Auction price for the upcoming delivery year since that is when the additional purchase would be made. Thus, the purchase is made on a prospective basis. That price would be good for one year, then the same adjustment would be made for the following year and so on. The third Incremental Auction for delivery year 2016-2017 (June 1 through May 31) cleared at \$5.02/MW-day. If the Kroger load had created a need to purchase capacity in that auction, a charge of \$5.02/MW-day would be applied to the bill. The calculation would be  $(0.6 \text{ MW} \times \$5.02/\text{MW-day} \times 365 \text{ days/year})$  and would result in a total annual charge of \$1,099.38 which would be billed monthly. An average monthly bill amount would be roughly \$90.

**Request 6b.** Refer to page 15. State whether Rural Utilities Service approval of the Agreement is required. If so, state when approval is expected to be received.

**Response 6b.** Rural Utilities Service approval of the EDR contract is not required.