



EAST KENTUCKY POWER COOPERATIVE

May 12, 2005

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

MAY 12 2005

PUBLIC SERVICE
COMMISSION

Re: Administrative Case No. 2005-00090

Dear Ms. O'Donnell:

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 designated information requests contained in the Commission Staff's Second Data Request dated April 28, 2005.

Very truly yours,

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

RECEIVED

MAY 12 2005

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ASSESSMENT OF)	
KENTUCKY'S ELECTRIC)	ADMINISTRATIVE CASE
GENERATION, TRANSMISSION)	NO. 2005-00090
AND DISTRIBUTION NEEDS)	

EAST KENTUCKY POWER COOPERATIVE, INC.
RESPONSES TO SECOND DATA REQUEST OF COMMISSION STAFF
DATED 4/28/05

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC ADMINISTRATIVE CASE NO. 2005-00090
RESPONSES TO SECOND DATA REQUEST**

**PUBLIC SERVICE COMMISSION SECOND DATA REQUEST DATED 04/28/05
REQUEST 1**

RESPONSIBLE PERSON: David G. Eames/Randy Dials

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Explain how the development of Regional Transmission Organizations (“RTO”) and the possibility of greater competition in the wholesale market has impacted your planning decisions. Also, provide a discussion of how RTOs have affected your strategy regarding making off-system sales and your ability to arbitrage.

Response 1. EKPC is registered as a market participant of MISO and a member of PJM. As such EKPC is learning and building experience on how these organizations function. Most of EKPC’s experience with these organizations has been in making short term or monthly power purchases. At this point EKPC has not made significant changes in its planning processes due to transmission organizations. However, transmission organizations may enable bidders to EKPC’s RFP process to be more competitive if the power source is more than one system away from EKPC’s transmission system. With regard to how these organizations may affect EKPC’s strategy with regard to making off-system sales and arbitrage, EKPC’s load growth and capacity availability limits the ability to make off-system sales. As a result, the emergence of RTO’s has not affected EKPC’s strategy.

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REQUEST 2

RESPONSIBLE PERSON: David G. Eames/Randy Dials
COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Describe the manner in which increasing prices for coal and natural gas have impacted your generation resource decisions. Include in the response a discussion of how the increase in prices has impacted your consideration of new generation technologies.

Response 2. EKPC has chosen circulating fluidized bed technology for its self-build baseload generation option. The lower quality coal utilized by the CFB units has not escalated in price as much as other coals. As a result EKPC believes CFB technology compares very favorably to other baseload technologies. At high capacity factors common with baseload operation, coal technologies are more cost effective than gas fired combined cycle units. In addition, with the price of natural gas at current levels, baseload coal technologies can be competitive with gas fired combined cycle units operating at lower capacity factors than baseload units traditionally operate.

IGCC technology has received a lot of attention recently due to its use of coal as fuel and low emissions. In the future, EKPC will consider IGCC as a resource option and closely monitor developments in this technology and its cost.

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REQUEST 3

RESPONSIBLE PERSON: David G. Eames

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Explain to what extent the availability or possible availability of merchant power has impacted your generation resource decisions.

Response 3. EKPC generally makes major resource additions through an RFP process. Merchant plants, as well as other, more traditional resource alternatives, have submitted proposals in this process. Proposals from merchant plants are considered equally with all other alternatives. The availability of such proposals has increased the options available to EKPC.

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REQUEST 4

RESPONSIBLE PERSON: **Not Applicable**

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

Request 4. Not Applicable.

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REQUEST 5

RESPONSIBLE PERSON: Not Applicable

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Not Applicable.

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REQUEST 6

RESPONSIBLE PERSON: James C. Lamb, Jr.

COMPANY: East Kentucky Power Cooperative, Inc.

Request 6. Refer to Item 5 of East Kentucky’s response to the Commission’s March 10, 2005 Order, which shows East Kentucky’s actual and weather-normalized historical peak demand, firm and non-firm combined, for the period 2000 – 2004. Provide East Kentucky’s firm peak demand only, actual and weather-normalized, for the same period.

Response 6.

Annual Native Load Peak Demands for 2000 through 2004

	Actual (Firm) (MW)	Weather Adjusted (Firm) (MW)
2000	2,145	2,092
2001	2,278	2,358
2002	2,092	1,943
2003	2,435	2,563
2004	2,488	2,440

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REQUEST 7

RESPONSIBLE PERSON: Ann Wood/David G. Eames
COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Refer to Item 6 of East Kentucky's response to the Commission's March 10, 2005 Order, which shows East Kentucky's power purchases for 2000 – 2004. During this period, annual purchases increased from 2.4 to 3.2 million MWh and the annual cost of these purchases increased from \$76 to \$135 million. Explain, generally, why purchases increased during this period by this magnitude and provide East Kentucky's current expectations of its power purchase requirements in the future.

Response 7. The period of 2000 to 2004 was one of strong load growth for East Kentucky. As provided in responses to Item 4 in the first set of data requests and Item 6 herein, energy sales to native load customers increased by 14.3% and peak demand grew by 16%. The delay associated with the Kentucky Pioneer Energy (KPE) project impacted East Kentucky's power supply planning. Because East Kentucky did not add any baseload generation during the 2000 to 2004 time period, East Kentucky relied primarily on market purchases to meet increased load levels. Not only did the load levels increase, but the average price of purchases also increased. In 2002, the average market price on an annual contract comprised of 52 5x16 blocks of energy was \$30/MWh; in 2005, the average market price on a similar contract is \$50/MWh. Additionally, East Kentucky had favorable purchased power contracts with Hoosier Energy and Louisville Energy Marketing that expired in December 2002 and March 2003, respectively. Upon the

expiration of these contracts, East Kentucky replaced these purchases with market based purchases.

With regard to the anticipated level of purchased power, the recent addition of the Gilbert generating unit will help mitigate the need for power purchases in the next few years.

Additional capacity planned for 2007-2009 (PSC Case Nos. 2004-00423 and 2005-00053) should also reduce East Kentucky's reliance on power purchases. However, with load growth expected to continue to be in the 3-4 percent range annually, East Kentucky will continue to need to purchase power to meet increasing load requirements.

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REQUEST 8**

RESPONSIBLE PERSON: James C. Lamb, Jr.

COMPANY: East Kentucky Power Cooperative, Inc.

Request 8. Refer to Item 7 of East Kentucky's response to the Commission's March 10, 2005 Order.

Request 8a. Explain whether the forecasts of "Net Winter" and "Net Summer" peak demands shown on page 2 of 2 include firm demand or firm and non-firm demand.

Response 8a. The demand forecasts labeled "Net Winter" and "Net Summer" provided on page 2 of 2 for Response 7 are firm demands only. Non-firm demand is not reported.

Request 8b. If the answer to part (a) of this request is "firm and non-firm" demand, provide the forecast information reflecting only firm demand.

Response 8b. Not Applicable

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REQUEST 9

RESPONSIBLE PERSON: **Ann Wood**

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

Request 9. Refer to Item 10(e) of East Kentucky's response to the Commission's March 10, 2005 Order. East Kentucky shows coal and natural gas as the type of fuel for each unit at the Smith Combustion Turbine Generating Facility. EIA 2003 data shows that these are combustion gas turbines with natural gas as the primary fuel with diesel or distillate fuel oil as the secondary fuel. Explain which is accurate.

Response 9. The information contained in the EIA 2003 data is accurate. The response in the initial data request in this proceeding should be modified by changing the words "coal, natural gas" to "natural gas, fuel oil."