

EAST KENTUCKY POWER COOPERATIVE

November 10, 2005

Ms. Elizabeth O'Donnell
Executive Director
Commonwealth of Kentucky
Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602-0615

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PUBLIC SERVICE
COMMISSION

Case No. 2005-00458

RE: Notice of Intent to Refile Application, Cranston-Rowan 138kV Transmission Line, Rowan Co.

Dear Ms. O'Donnell:

Pursuant to 807KAR5:120 Section 1, I am hereby filing on behalf of East Kentucky Power Cooperative, Inc. a Notice of Intent to File Application for a Certificate of Convenience and Necessity for the Cranston – Rowan 138kV Transmission Line Project. The name, address and telephone number of the person to file this application is as follows:

East Kentucky Power Cooperative, Inc.
4775 Lexington Road
PO Box 707
Winchester, KY 40392-0707

The proposed project will consist of a 138 kV transmission line, approximately six and nine tenths (6.9) miles in length, to provide a connection between EKPC's Cranston substation to EKPC's Rowan County substation to be constructed in the Morehead area in Rowan County. Construction will be primarily 2-pole steel H-frame structures. This project will be located wholly within Rowan County Kentucky.

Very truly yours,

Sherman Goodpaster III
Senior Corporate Counsel

4775 Lexington Road 40391
P.O. Box 707, Winchester,
Kentucky 40392-0707

Tel. (859) 744-4812
Fax: (859) 744-6008
<http://www.ekpc.coop>

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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NOV 10 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR) **CASE NO**
FOR THE CONSTRUCTION OF A 138 kV ELECTRIC) **2005-00458**
TRANSMISSION LINE IN ROWAN COUNTY, KENTUCKY)

MOTION FOR DEVIATION
FROM THE COMMISSION'S RULES

Comes the Applicant, East Kentucky Power Cooperative, Inc., (“East Kentucky” or “Applicant”) and pursuant to 807 KAR 5:001, Section 14, and moves the Commission to deviate from its rules by waiving the requirement contained in 807 KAR 5:120, Section 1, that the Application in this case can be filed no sooner than thirty (30) days after the filing of the Applicant’s Notice of Intent. It is the Applicant’s understanding that the purpose of this thirty-day period is to allow a Commission ample time to obtain a consultant on the issue of need and necessity for the project, in light of the short time period within which the Commission is required to issue an order in these types of transmission line certificate cases. Since the Commission has already made a finding at page 7 of its Order in case number 2005-00089 issued on November 9, 2005, that this proposed project is needed, the Applicant would submit that it should be unnecessary for the Commission to hire another consultant to revisit this issue. In light of the recent Orders of the Commission, it appears the only remaining issue, therefore, is the duplication of facilities which the Commission has more specifically defined as whether or not the Applicant has adequately considered existing corridors for the route of this

project. Since this issue should not require the use of a consultant, the Applicant would submit that the Commission should not be prejudiced by waiving the thirty-day filing requirement contained in 807 KAR 5:120, Section 1, and would therefore request waiver of the same.

The critical nature of this project with respect to the risk of cascading blackouts and the magnitude of re-dispatch costs (The Applicant would refer the Commission to the Affidavit of Mary Jane Warner dated September 12, 2005 and filed with the Applicant's Application for Rehearing in the Case No. 2005-00089 and the Prepared Testimony of Darrin Adams filed with the Commission on October 24, 2005 as an offer of proof by avowal, copies of which are attached hereto and made a part hereof.) requires that this project be completed as expeditiously as possible. Exacerbating this problem is the requirement of the United States Forest Service that no bat-habitat trees may be cut between April 1 and October 15. As a result, in order to construct this facility by the Applicant's 2006 winter peak, it is necessary to have all bat-habitat trees on the ground by April 1 of 2006.

The waiver of the 30-day filing requirement will significantly increase the chances that this date can be met. If that date cannot be met, then it is unlikely that the line will be available until the Applicant's summer peak of 2007.

The Applicant would therefore respectfully request the Commission to waive the 30-day filing requirement contained in 807 KAR 5:120, Section 1.

Respectfully submitted,

DALE W. HENLEY
SHERMAN GOODPASTER III



ATTORNEYS FOR EAST KENTUCKY
POWER COOPERATIVE, INC.
PO BOX 707
WINCHESTER, KY 40392-0707
859-744-4812

CERTIFICATE OF SERVICE

This is to certify that an original and 10 copies of the foregoing Motion for Deviation, in the above styled case were hand delivered to the office of the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601 this 10th day of November, 2005.



SHERMAN GOODPASTER III

EXHIBIT I

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

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR) **CASE NO**
FOR THE CONSTRUCTION OF A 138 kV ELECTRIC) **2005-00089**
TRANSMISSION LINE IN ROWAN)
COUNTY, KENTUCKY)

AFFIDAVIT OF MARY JANE WARNER

Comes the Affiant, Mary Jane Warner, and states after first being duly sworn as follows:

1. She is presently the Manager of Power Delivery Expansion for East Kentucky Power Cooperative, Inc. ("EKPC"), and in that position has direct responsibility for the planning, routing, location, design and construction of all electric transmission lines of EKPC.
2. Because of recent constraints on the transmission grid in northeastern Kentucky that occurred subsequent to the hearing held herein, and the resulting estimated increases in EKPC's charges to its members, a load flow analysis was conducted under her direction and supervision to estimate EKPC's generation redispatch costs resulting from transmission constraints caused by the overloading of the KU Goddard-Rodburn line, which will be eliminated by the Cranston-Rowan line.
3. The primary reason for this increase in generation redispatch cost is the transmission constraints caused by overloading of the existing transmission grid in northeastern Kentucky. EKPC on numerous occasions, has had to reduce coal-fired

baseload generation at Spurlock Power Station and replace it with much higher priced gas-fired combustion turbine generation at J.K. Smith Station or purchased power.

4. These power flow cases were run for both peak load and shoulder peak for summer and winter of the years in question, and determined the amount of generation that would have to be reduced at Spurlock Power Station to prevent overloading of the Goddard-Rodburn line. The studies also determined the megawatts of redispatch for each hour of the years in question. A capacity factor of 91% was used and a cost of \$50/mWh was used for replacement energy cost. Two scenarios were run, one with no north-south power transfers and one with 4,000 MW of north-south transfers. A three-year period was used based on the amount of time it took to obtain approval for the current Environmental Assessment.

5. The results of the study are as follows:

EKPC Redispatch Costs Without North-South Transfers		EKPC Redispatch Costs With 4,000 MW of North-South Transfers	
2005	\$ 150,000		\$ 8,160,000
2006	\$ 550,000		\$ 44,760,000
2007	\$ 120,000		\$ 38,950,000
2008	<u>\$23,800,000</u>		<u>\$129,290,000</u>
Total	\$24,620,000		\$221,160,000

The two numbers bracket the risk and the actual costs should lie somewhere in the middle.

6. The cascading blackouts in northeastern Kentucky referenced in the most recent East Central Area Reliability Council Transmission Assessment would encompass 10 counties, including Bath, Carter, Elliott, Fleming, Johnson, Lawrence, Menifee, Montgomery, Morgan and Rowan.

7. The proposed Cranston-Rowan transmission route as approved by the USFS crosses 18 parcels of private property totaling 2.01 miles and 24.36 acres of right-of-way. The alternate Cranston-Rowan route proposed at the hearing by the

Commission's Consultant, Jerry Mendl and proposed by the Commission, crosses 35 parcels of private property, 34 of which are new, totaling 5.19 miles and 62.91 acres of right-of-way. The EKPC proposed route crosses National Forest system lands for 4.87 miles totaling 59.03 acres of right-of-way. The Mendl/Commission route alternative crosses National Forest system lands for 4.71 miles totaling 57.09 acres of right-of-way. Sixteen of the 18 property owners on the EKPC proposed route have agreed to voluntarily convey easements to EKPC.

8. On September 6, 2005, KU's Goddard-Rodburn 138 kV line was taken out of service for maintenance. This resulted in a peak flow during the outage of approximately 235 MVA on EKPC's Avon-Boonesboro North 138 kV line, which is approximately 106% of the line's summer emergency rating.

Subsequent analysis has determined that cascading outages could have potentially occurred as a result of the Goddard-Rodburn outage on that day. The analysis showed that if the Avon-Boonesboro North line had tripped at a loading of 235 MVA, overloads would have occurred on the 69 kV system in the Goddard area of nearly 120%. If that overloaded facility were to trip, subsequent facilities could have tripped due to excessive loading, until a significant amount of load was dropped in the northeastern part of Kentucky. This potential for cascading had been identified in EKPC's Assessment of Expected System Performance for 2005 Summer conditions, performed to satisfy ECAR requirements to assess potential limitations for the transmission system.

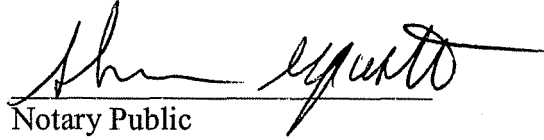
Further Affiant Sayeth Not


MARY JANE WARNER

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Subscribed and sworn before me by Mary Jane Warner on this 12th day of
September, 2005.

My Commission expires: *October 28, 2006*



Notary Public

(H:legal/psc- -affidavit of mary jane warner)

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REGISTRATION

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

In the Matter of:

**THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY FOR) CASE NO.
THE CONSTRUCTION OF A 138 kV ELECTRIC) 2005-00089
TRANSMISSION LINE IN ROWAN COUNTY, KENTUCKY)**

**PREPARED TESTIMONY OF DARRIN ADAMS
ON BEHALF OF
EAST KENTUCKY POWER COOPERATIVE, INC.**

1. Please state your name and address.
 - A. Darrin W. Adams, East Kentucky Power Cooperative (EKPC), 4775 Lexington Road, Winchester, Kentucky 40391
2. By whom are you employed and in what position?
 - A. I am employed by East Kentucky Power Cooperative, Inc., as Supervisor of the Planning Team in the Power Delivery Business Unit.
3. As background for your testimony, please briefly describe your educational background and work experience?
 - A. I am a graduate of Transylvania University with a Bachelor of Arts in Liberal Studies, and a graduate of the University of Kentucky with a Bachelor of Science in Electrical Engineering. I am a Licensed Professional Engineer in the Commonwealth of Kentucky. I was employed as a transmission planning and operations engineer with Kentucky Utilities/LG&E Energy for more than ten years. I have been employed in my current position with EKPC for more than one year.

4. What are your duties and responsibilities as Supervisor of Planning in EKPC's Power Delivery Expansion Department?
 - A. I supervise and perform studies related to the planning of all transmission additions to the EKPC system.
5. Did you prepare the estimates of the re-dispatch costs reflected as a result of the delay in the construction of the Cranston-Rowan project that was contained in the Affidavit of Mary Jane Warner that was attached to the Application for Rehearing?
 - A. Yes.
6. What natural gas prices were those re-dispatch costs originally based upon?
 - A. Those re-dispatch costs were based on an estimated cost of natural gas of \$6 per MMBtu, which equates to an approximate cost of \$77 per megawatt-hour for EKPC's combustion turbines at J.K. Smith. The estimated cost used for generation at EKPC's Spurlock Generating Station was \$27 per megawatt-hour. Therefore, the net cost to re-dispatch from Spurlock to the J.K. Smith combustion turbines was \$50 per megawatt-hour.
7. Were those costs reasonable at the time those estimates were prepared?
 - A. Yes.
8. Have those natural gas prices increased since that time?
 - A. Yes, immediately after Hurricane Katrina and Hurricane Rita passed through the Gulf of Mexico in August and September of 2005, natural gas future prices for January 2006 increased to approximately \$14 per MMBtu, which equates to a cost of \$175 per megawatt-hour for the J.K. Smith combustion turbines.
9. When did EKPC become aware of this price change?

A. In the latter part of September 2005.

10. Have you recalculated the potential re-dispatch costs based upon these new natural gas prices? If so, what are those new costs.

A. Yes. Those future gas prices were used to update the expected potential re-dispatch costs for the winter of 2006. Furthermore, the estimates for the generation costs for the J.K. Smith combustion turbines beyond the winter of 2006 were changed to \$102 per megawatt-hour (\$8 per MMBtu natural gas) to better reflect expected future gas prices. Using those values of \$175 per megawatt-hour for winter of 2006 and \$102 per megawatt-hour for the remainder of 2006 and all of 2007 and 2008, the net re-dispatch cost (assuming a Spurlock production cost of \$27 per megawatt-hour) becomes \$148 per megawatt-hour for the winter of 2006 and \$75 per megawatt-hour for the remainder of 2006 and all of 2007 and 2008. As a result, the expected total re-dispatch costs become:

	EKPC Re-dispatch Costs Without North-South Transfers	EKPC Re-dispatch Costs With 4,000 MW of North-South Transfers
2006	\$ 910,000	\$ 59,600,000
2007	\$ 170,000	\$ 58,430,000
2008	<u>\$35,710,000</u>	<u>\$193,940,000</u>
Total	\$36,790,000	\$311,970,000

This range better reflects the potential total costs to EKPC of generation re-dispatch based on the current expectations for natural gas prices.

11. Does this conclude your testimony?

A. Yes, it does.

