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Via Courier

February 11, 2013

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: CASE NO. 2012-00149 Supplemental Comments on 2012 IRP of EKPC

Dear Mr. Derouen:

Enclosed for the filing are an original and ten copies of the *Supplemental Comments of Intervenor Sierra Club on the 2012 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.* This filing contains no confidential information.

Sincerely,

Ruben Mojica
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

2012 INTEGRATED RESOURCE PLAN OF	)	
EAST KENTUCKY POWER COOPERATIVE, INC.	)	**CASE NO. 2012-00149**

SUPPLEMENTAL COMMENTS OF INTERVENOR SIERRA CLUB ON THE 2012 INTEGRATED RESOURCE PLAN OF EAST KENTUCKY POWER COOPERATIVE, INC.

Pursuant to the Commission's January 29 Order, the Sierra Club hereby submits the following supplemental comments concerning East Kentucky Power Cooperative's ("EKPC" or "Company") analysis and discussion of the impacts on the Company's 2012 Integrated Resource Plan ("IRP") as a result of EKPC joining the PJM Regional Transmission Organization. As Sierra Club explained in its initial comments, EKPC's integration into PJM provides the Company with an opportunity to help shield its customers from both reliability risks and the potential for substantial capacity market price increases by bidding peak savings from energy efficiency and demand response programs into the PJM capacity market. Unfortunately, the Company appears to have given little thought as to how best to seize this opportunity.

As a regulated utility in Kentucky, EKPC is required to provide an adequate and reliable supply of electricity to satisfy demand in ways that lead to rates that are "fair, just, and reasonable." KRS § 278.030(1); KRS § 278.040; *Kentucky Public Service Com'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010). As the Commission recently explained, it has long been recognized that "'least cost' is one of the fundamental principles utilized when setting rates that are fair, just, and reasonable." *In the Matter of: Application of Kentucky Power Co.*, Case No. 2009-00545, 2010 WL 2640998 (Ky. P.S.C. 2010). An IRP proceeding is where the utility is required to explain how it plans to achieve such goals by setting forth a "resource assessment and acquisition plan for providing an adequate and reliable supply of electricity to meet forecasted electricity requirements at the lowest possible cost." 807 K.A.R. 5:058 Section 8(1)

Given its duty to provide adequate service at a fair, just, and reasonable price, EKPC has an obligation to take all reasonable and cost-effective steps to avoid or minimize the impact of potential capacity price increases on its customers. And a key way the Company can do that is by bidding all qualifying current and forecasted energy efficiency and peak demand reductions into PJM, and by significantly increasing its demand side management programming in order to fully take advantage of the benefits those programs offer both generally and in the PJM context. By doing so, EKPC can help ensure that its customers do not pay twice for capacity (once to reduce capacity obligations through efficiency measures, and then again through capacity auctions that do not recognize that reduction in load), and that customers are given the opportunity to earn the revenue that the PJM auction will deliver for these capacity resources.[1]

EKPC's filings to date suggest that the Company has not performed even basic diligence regarding the bidding of efficiency resources into PJM auctions for capacity. EKPC's February 4 response to the Commission's January 29 Order requesting "analysis and discussion" of the impacts of EKPC's integration into PJM on the 2012 IRP provides no such analysis or discussion and, instead, simply points to a single page of the IRP and responses to two of the Staff's requests for information. One of those responses, to Staff DR 2-4a, included a cursory discussion of energy efficiency, noting simply that some energy efficiency programs aimed at reducing winter peak demand may be ended while programs aimed at summer peak demand could be more cost effective after PJM integration. In response to a series of requests from Sierra Club,[2] EKPC declined to provide any more detailed information regarding analysis of or planning for bidding efficiency resources into PJM. And while EKPC claimed in its August 20, 2012 response to Staff DR 2-4a that it was "still in the process of assessing the impacts that joining PJM will have on its DSM programs," the Company failed to provide any additional information regarding that process or its conclusions in its February 4 filing. In short, EKPC has provided no analysis or information regarding, after PJM integration, how much additional energy efficiency would be cost effective in light of PJM integration, whether the Company could achieve more than the diminutive DSM goals set forth in the IRP, or how EKPC plans to bid efficiency resources into PJM.

EKPC's first opportunity to bid efficiency into PJM occurs this May, when the 2013 Base Residual Auction ("BRA") for the 2016/2017 PJM capacity requirements occurs. Given the paucity of information EKPC has provided to date regarding the impact of PJM integration on the Company's demand side management plans, however, there is concern that EKPC is not prudently preparing to bid efficiency into the 2013 BRA. Therefore, Sierra Club recommends that the Commission initiate a review, including stakeholder involvement, to ensure that EKPC is planning to participate in the May 2013 BRA in ways that will, to the extent practicable, mitigate the impact of potential increases in capacity prices on its customers. As part of that investigation, the Commission should direct EKPC to consult with Staff and file a report detailing its potential energy efficiency and peak demand reduction offers into the May 2013 PJM BRA auction for the 2016/2017 year with the goal of ensuring that all cost-effective energy efficiency and peak demand reductions achievable by 2016 be pursued so that the full benefits of PJM integration for EKPC customers can be realized.

Respectfully submitted,

____/s/_______________

Robb Kapla

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[1] For a discussion of the opportunities presented by EKPC's ability to bid efficiency into PJM and how those opportunities can be best seized, see pages 11-14 of Sierra Club's January 14, 2013 comments on EKPC's IRP.

[2] Sierra Club DRs 2-25 through 2-31.

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