

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.)	2014-00226
FROM NOVEMBER 1, 2013 THROUGH APRIL)	
30, 2014)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("East Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 10, 2014. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

East Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

East Kentucky fails or refuses to furnish all or part of the requested information, East Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the response to Item 26.a. of the Commission's August 13, 2014 Request for Information ("August 13, 2014 Request").

a. State whether PJM Interconnection, Inc. ("PJM") requested or directed that the Dale units be winterized. If not, state whether and when, if applicable, PJM was made aware that the Dale units were winterized.

b. Identify and describe the benefits of winterizing the units.

c. Identify and describe the disadvantages of winterizing the units.

d. Given that East Kentucky is a winter peaking system, explain why the Dale units were winterized the winter prior to East Kentucky's joining PJM.

e. State whether East Kentucky has ever winterized any of its other generating units. If so, identify the units and the reasons they were winterized.

2. Refer to the response to Item 26.b.(1) of the August 13, 2014 Request, page 3 of 8, which states that East Kentucky makes only "economy purchases." Refer

also to page 4 of the Commission's May 2, 2002 Order in Case No. 2000-00496-B¹ which states:

We view "economy energy purchases" that are recoverable through an electric utility's FAC as purchases that an electric utility makes to serve native load, that displaces its higher cost of generation, and that have an energy cost less than the avoided variable generation cost of the utility's highest cost generating unit available to serve native load during that FAC expense month. [Emphasis added]

Explain how power purchases that have an energy cost greater than the avoided variable generation cost of the utility's highest-cost generating unit available to serve native load comport with this Commission description of "economy purchases."

3. Refer to the response to Item 26.b.(2) of the August 13, 2014 Request, page 5 of 8, which states, "Moreover, if the dicta in the Commission's Order in Case No. 2000-00496-B were to be applied in the PJM context, it would quite likely undermine the very purpose of the FAC regulation, which is to minimize fuel cost volatility for ratepayers."

a. Explain the basis for East Kentucky's statement that "the very purpose of the FAC regulation...is to minimize fuel cost volatility for ratepayers."

b. Explain how the Fuel Adjustment Clause ("FAC") regulation minimizes fuel cost volatility for ratepayers.

¹ Case No. 2000-00496-B, *An Examination by the Public Service Commission of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from May 1, 2001 to October 31, 2001* (Ky. PSC May 2, 2002).

c. State whether East Kentucky informed the Commission in Case No. 2012-00169,² or in any other case, of a concern with applying “the dicta in the Commission’s Order in 2000-00496-B” in the PJM context. If not, explain why East Kentucky did not so inform the Commission.

d. Explain whether East Kentucky believes that the FAC regulation should be applied to utilities that are members of regional transmission organizations (“RTO”) in a manner other than how it is applied to those that are not members of an RTO.

4. Refer to the response to Item 26.b.(3) of the August 13, 2014 Request. East Kentucky was requested to provide, for each month beginning November 2012 through April 2014, the amount of market power purchases included in the calculation of the FAC that were made in order to meet demand when all available East Kentucky generation was operating. East Kentucky responded that it purchases 100 percent of its load from PJM and “there were no times that the load exceeded the amount of generation available from PJM.” Provide the information requested for power purchases that were made when East Kentucky’s demand was in excess of the power produced from East Kentucky’s generating units.

5. Refer to the response to Item 26.b.(4) of the August 13, 2014 Request. East Kentucky was requested to provide, for each month beginning November 2012 through April 2014, the amount of market power purchases that would have been included in the calculation of the FAC if recovery of those purchases had been limited to

² Case No. 2012-00169, *Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC* (Ky. PSC Dec. 20, 2012).

the cost of East Kentucky's highest-cost generating unit available. East Kentucky stated, "Emergency Demand Response receives the highest dollar amount paid by PJM to serve load at that time, therefore, the energy charges from PJM to EKPC already reflect the highest cost generation unit available for EKPC to serve its load. There is no additional calculation."

a. Given that response, explain what the amounts shown in the response represent.

b. If the amounts provided in the response do not reflect, for each month beginning November 2012 through April 2014, the amount of market power purchases that would have been included in the calculation of the FAC if recovery of those purchases had been limited to the cost of East Kentucky's highest-cost generating unit available, provide the information requested.

6. Refer to the response to Item 26.c.(2) of the August 13, 2014 Request. State whether the entire amounts billed (or credited) in PJM codes 1375 and 2375 are included in the FAC calculation, or only a portion are included.

7. Refer to the response to Item 26.c.(3) of the August 13, 2014 Request, page 8 of 8.

a. Confirm that the table shows that had East Kentucky included PJM codes 1375 and 2375 in the calculation of the FAC for the June 2013 through December 2013 expense months, East Kentucky would have credited an additional \$522,754 to its member cooperatives. If this cannot be confirmed, explain what the table shows.

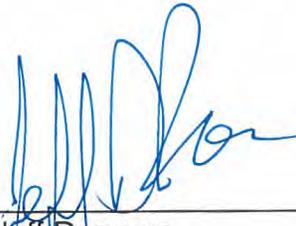
b. State whether East Kentucky believes that \$522,754 should be credited to fuel costs in the calculation of a future FAC in order to achieve consistency in the type of codes that are included in the FAC calculation. If not, explain why.

8. Refer to the response to Item 28 of the August 13, 2014 Request.

a. For each month beginning November 2012 through April 2014, provide the amount of market power purchases in excess of the power produced from East Kentucky's generating units that was included in the calculation of the FAC that were made during a planned outage.

b. For each month beginning November 2012 through April 2014, provide the amount of market power purchases in excess of the power produced from East Kentucky's generating units that would have been included in the calculation of the FAC if recovery of those purchases through the FAC had been limited to the cost of East Kentucky's highest-cost generating unit available.

c. East Kentucky states on page 2 that "EKPC is always utilizing what is deemed to be the most economic dispatch of resources regardless of whether or not it is owned generation or energy supplied from the market. EKPC's self-owned highest cost generation is no longer the measure to be utilized for this calculation." Has the Commission, through issuance of an Order, determined that East Kentucky's owned, highest-cost generation unit would no longer be used as the measure for this calculation? If so, provide the case number and date of the order. If not, explain the basis for East Kentucky's conclusion that its owned generation is no longer the measure to be used.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

SEP 26 2014

DATED _____

cc: Parties of Record

Case No. 2014-00226

Anthony S Campbell
President & CEO
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Honorable W. Jeffrey Scott
Attorney At Law
P.O. Box 608
311 West Main Street
Grayson, KENTUCKY 41143