

# **OWEN** *Electric*

A Touchstone Energy Cooperative



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PUBLIC SERVICE  
COMMISSION

**Case No.  
2015-00213**

**COMMISSION STAFF'S SECOND REQUEST FOR  
INFORMATION**

**OWEN ELECTRIC COOPERATIVE, INC.**

**8205 Hwy 127 N**

**PO Box 400**

**Owenton, KY 40359**

**502-484-3471**

**CRAWFORD & BAXTER, P.S.C.**

ATTORNEYS AT LAW  
523 Highland Avenue  
P.O. Box 353  
Carrollton, Kentucky 41008

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James M. Crawford  
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August 28, 2015

Mr. Jeffrey Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

RE: **Case No. 2015-00213**

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, and original and ten copies of the responses of Owen Electric Cooperative, Inc. ("Owen Electric") to the Commission Staff's Second Request for Information, dated August 20, 2015.

Additionally, please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the responses of Owen Electric to the Attorney General's Supplemental Data Requests, dated August 19, 2015.

Very truly yours,

  
James M. Crawford

Enclosures

cc: Hon. Jennifer Hans  
Hon. Mike Kurtz

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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC )  
 COOPERATIVE, INC. FOR A CERTIFICATE OF )  
 PUBLIC CONVENIENCE AND NECESSITY FOR ) CASE NO. 2015-00213  
 THE CONSTRUCTION OF A TWO MEGAWATT )  
 DISTRIBUTED GENERATION FACILITY IN )  
 OWEN COUNTY, KENTUCKY )

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF OWEN )

Mark A. Stallons, being duly sworn, states that he has supervised the preparation of the response of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information to Owen Electric Cooperative, Inc. dated August 20, 2015, in the above-referenced case, 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.



Subscribed and sworn before me on this 27th day of August 2015.

*Melissa K Moore*  
 Notary Public



**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2015-00213**

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO OWEN  
ELECTRIC COOPERATIVE, INC. DATED 8/20/2015**

**REQUEST 1**

**RESPONSIBLE PARTY: Mark A. Stallons**

**Request 1:** Refer to the response to Item 4 of Commission Staff's Initial Request for Information ("Staff's First Request").

- a. Refer to the response to Item 4.b., page 9 of 9. Reconcile the annual fuel costs and annual savings shown on this page for the selected distributed generation ("DG") facility with the amounts provided in response to Item 11 of Staff's First Request, page 3 of 7.
- b. Refer to the response to Item 4.c. Provide the heat rate referred to in this response.

**Response 1a:** The annual fuel costs and corresponding annual savings reflected in the response to Item 4.b., page 9 of 9, were based on an assumption of \$4/MMbtu of natural gas. As indicated in the response to Item 4a, page 2 of 9, of Staff's First Request, each bidder was asked to provide a fuel estimate based on \$4/MMbtu. This allowed Owen Electric to evaluate the bids using like assumptions. The amounts provided in the response to Item 11 of Staff's First Request, page 3 of 7, were refined using the NYMEX index.

**Response 1b:** The heat rate is 8.055 MMbtu/MWh.

**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2015-00213**

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ELECTRIC COOPERATIVE, INC. DATED 8/20/2015**

**REQUEST 2**

**RESPONSIBLE PARTY: Mark A. Stallons**

**Request 2:** Refer to the response to Item 7 of Staff's First Request. Provide a copy of the system impact study upon its completion.

**Response 2:** The system impact study is not complete at the time of this filing. Owen Electric will provide the study, when available, as a supplement to this response.

OWEN ELECTRIC COOPERATIVE, INC.

PSC CASE NO. 2015-00213

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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO OWEN  
ELECTRIC COOPERATIVE, INC. DATED 8/20/2015

REQUEST 3

RESPONSIBLE PARTY: Mark A. Stallons

**Request 3:** Refer to the response to Item 10 of Staff's First Request.

- a. Refer to the response to 10.b. The response states, "The energy generated from the DG project will not be sold. Rather, it will reduce the amount of energy purchased from EKPC." Explain whether this statement means that the energy produced by the DG facility will displace power purchased from East Kentucky Power Cooperative, Inc. ("EKPC") and therefore will be sold to Owen Electric's retail customers, but will not result in an increase in retail sales. If not, explain what is meant by the statement.
- b. Refer to the response to Item 10.d. Given the response, confirm that the savings to be realized from the DG facility is principally due to the avoidance of EKPC's non-fuel charges.

**Response 3a:** Yes, the energy produced by the DG facility will displace power purchased from EKPC and will be sold to Owen Electric's retail members. Energy from the DG facility will have no effect on retail sales.

**Response 3b:** Given the assumptions used in the response to Item 10.d., Owen Electric's savings are realized from non-fuel charges. However, we expect fuel prices to vary at times, which could be either over or under EKPC's base fuel costs. Additionally, EKPC's base fuel

costs are a composite of coal, natural gas, and purchased power sources as opposed to strictly natural gas sources.



**OWEN ELECTRIC COOPERATIVE, INC.**

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ELECTRIC COOPERATIVE, INC. DATED 8/20/2015**

**REQUEST 4**

**RESPONSIBLE PARTY: Mark A. Stallons**

**Request 4:** Refer to the response to Item 11 of Staff's First Request.

- a. State whether the Annual Operating Costs calculated on page 3 include the \$400 per month customer charge referenced in Carrollton Utilities' General Service Rate (I2) Industrial tariff ("Carrollton I2 tariff") provided on page 3 of Exhibit MAS-3 of the Application .
- b. State whether the \$.50 per Mmbtu "Intrastate Charge" shown at the top of page 5 is intended to be the Interstate Pipeline Rate Component referenced in the Carrollton I2 tariff provided on page 3 of Exhibit MAS-3 of the Application. If so, state whether this is a Texas Gas Transmission ("Texas Gas") charge, and indicate whether this amount was provided by Carrollton Utilities or a Texas Gas tariff sheet. If not, provide the basis for the charge.
- c. Explain why Owen Electric applied a 3 percent multiplier to the \$1.00 per Mmbtu Local & Intrastate Charges cost.
- d. State whether Owen Electric is aware that the Annual Energy Outlook 2015 published by the Energy Information Administration indicates higher projected natural gas costs for the years included in the discounted cash flow analysis than the NYMEX Futures-based amounts used in Owen Electric's calculations.



**Response 4a:** Owen Electric considers the \$400 per month customer charge to be adequately accounted for in the conservative natural gas estimates reflected.

**Response 4b:** Owen Electric's response to Item 11, page 5 of 7, should be labeled interstate charge versus intrastate charge. This \$.50/MMbtu is an estimate received from Carrollton Utilities based on what these costs would be.

**Response 4c:** Owen Electric applied a 3% annual escalation in these charges to yield a conservative result.

**Response 4d:** While Owen Electric is aware that forecasts vary among agencies, it used the NYMEX futures index because Carrollton Utilities uses the NYMEX for its gas price forecasting.