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COMMISSION

March 29, 2013

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

Re: Case No. 2007-00165, Application of East Kentucky Power Cooperative, Inc. for an Order Approving a Pilot Real-Time Pricing Program for Large Commercial and Industrial Customers

Dear Mr. Derouen:

Please find attached the following information associated with the East Kentucky Power Cooperative, Inc. ("EKPC") Real Time Pricing ("RTP") Pilot Program:

- An original and five (5) copies of the third annual report of the RTP Pilot Program. This annual report is submitted pursuant to the Commission's February 1, 2008 Order in Case No. 2007-00165, Ordering Paragraph No. 2.
- An original and five (5) copies of a detailed evaluation of the RTP Pilot Program. This detailed evaluation is submitted pursuant to the Commission's February 1, 2008 Order in Case No. 2007-00165, Ordering Paragraph No. 3.
- An original and ten (10) copies of a joint application from EKPC, Blue Grass Energy Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Owen Electric Cooperative, Inc. requesting the Commission approve the cancellation and withdrawal of the wholesale and retail RTP Pilot Program tariffs.

EKPC is providing copies of the annual report, detailed evaluation, and joint application to the Office of the Attorney General and the Kentucky Industrial Utility Customers, Inc.

If there are questions about the report or additional information is needed, please contact Isaac Scott at (859) 745-9243.

Sincerely,

Mark David Goss
Counsel

Attachments

EAST KENTUCKY POWER COOPERATIVE, INC.

EVALUATION OF REAL TIME PRICING PILOT PROGRAM

CASE NO. 2007-00165

Filed March 29, 2013

EAST KENTUCKY POWER COOPERATIVE, INC.

**Response to Ordering Paragraph 3
Of the Commission's February 1, 2008 Order**

Case No. 2007-00165

Evaluation of Real Time Pricing Pilot Program

Pursuant to the Commission's February 1, 2008 Order in Case No. 2007-00165, East Kentucky Power Cooperative, Inc. ("EKPC") submits this detailed evaluation of the Real Time Pricing pilot program. EKPC is providing copies of this report to the Attorney General and the Kentucky Industrial Utility Customers, Inc.

EKPC's Real Time Pricing program, Schedule RTP-DA, was established as a three-year pilot program that was available to customers who would be able to benefit from hourly price signals and maintain a peak 15-minute demand of not less than 1,000 kW each month. Four Member Cooperatives¹ have participated in the pilot program. EKPC had estimated there were only 70 eligible customers among all the Member Cooperatives, but there have been no participants in the program.

During the three years of the pilot program, there have been informal discussions between potential participants and Member Cooperatives. While there were some potential participants interested in the concept, there were also concerns. The potential participants expressed concerns about:

- How the program would fit with production schedules;
- How the program could work without being a detriment to employee morale (adjustment to work shifts); and
- The general perception that the program was not worth the risks it posed to the potential participants.

EKPC's primary objective for the Real Time Pricing pilot program was to determine whether large customers would elect to use, take advantage of, and derive benefit from the Real Time Pricing mechanism. A secondary objective was to encourage participants to reduce demand during critical peak hours and shift variable demand to low peak hours. As there have been no participants during the three-year period, it would be tempting to conclude that large customers were not interested in taking advantage and benefiting from the Real Time Pricing mechanism. EKPC believes however that large customers recognized the risks they would be assuming under the program and concluded they were not interested in the additional risk. Participants in the program would have been responsible for managing a portion of their energy load on a daily basis. If they failed to commit the personnel and resources to manage that load, participants would likely experience higher bills than they normally would incur.

¹ The participating Member Cooperatives are Blue Grass Energy Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Owen Electric Cooperative.

EKPC's main program cost has been related to the maintenance of the Real Time Pricing website and the determination and posting of the day ahead prices. EKPC has reported program costs of \$9,160 in 2010, \$8,720 in 2011, and \$8,280 in 2012 for a total program cost of \$26,160. In a data response filed in Case No. 2007-00165, EKPC had estimated the annual hours devoted to calculating and monitoring the Real Time Prices and posting those prices to the website would be approximately 130 hours per year. EKPC has reported that its staff spent approximately 150 hours in 2010, 142 hours in 2011, and 134 hours in 2012 for these activities.

EKPC and the participating Member Cooperatives have reviewed the Real Time Pricing pilot program and believe that the program should not be made a permanent tariff offering. Even if the program was made permanent, EKPC and the participating Member Cooperatives believe the same concerns about Real Time Pricing would remain with potential eligible customers. EKPC notes that the Commission in December 2012 permitted KU and LG&E to cancel and withdraw their Real Time Pricing tariffs based on the fact that no eligible customers had participated in the program.

EKPC and the participating Member Cooperatives are filing with this evaluation a joint application requesting Commission approval to cancel and withdraw the wholesale and retail Schedule RTP-DA tariffs. As noted in the joint application, EKPC is not abandoning the concept of Real Time Pricing, and will be willing to consider a Real Time Pricing component in future special contracts if an industrial customer were interested in the option. EKPC notes that the utilization of special contracts for Real Time Pricing options is similar to the approach the Commission authorized for Big Rivers in Case No. 2007-00164. EKPC anticipates that if a special contract included a Real Time Pricing option, it would retain the form and structure of the mechanism described in Schedule RTP-DA, however, the market prices would be the appropriate market prices from the PJM market.