EAST KENTUCKY POWER COOPERATIVE

May 7, 2013

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

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PUBLIC SERVICE COMMISSION

Re: Case No. 2012-00169

Dear Mr. Derouen:

In accordance with Ordering paragraph 5 of the Commission's Order dated December 20, 2012 in the above-referenced case, please find enclosed for filing with the Commission East Kentucky Power Cooperative, Inc.'s ("EKPC") monthly status report relating to EKPC's integration into the PJM Interconnection, LLC ("PJM").

The following item is attached:

- Docket No. ER13-535-000—April 16, 2013—Filed a Motion To Answer and Answer of East Kentucky Power Cooperative in response to the Competitive Markets Coalition's Answer filed on April 9, 2013.

EKPC's final awards from the annual Financial Transmission Rights ("FTRs") auction, including all stages and rounds, resulted in EKPC receiving a total of 1,114 MW of FTRs for 2013/14 Delivery Year into the EKPC load sink. Of that total, 776 MW were self-scheduled from the allocated Auction Revenue Rights ("ARRs"). EKPC will purchase additional FTRs in the quarterly and monthly auctions to further hedge its load's exposure to congestion costs.

Please contact me if you have any questions.

Very truly yours,

Patrick C. Woods
Director, Regulatory and Compliance Services

Attachment

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)))	Docket No. ER13-535

MOTION FOR LEAVE TO ANSWER AND ANSWER OF EAST KENTUCKY POWER COOPERATIVE

Pursuant to Rules 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"),[1] East Kentucky Power Cooperative, Inc. ("EKPC") hereby moves for leave to respond to the Competitive Markets Coalition's ("CMC") Answer ("CMC Answer") filed on April 9, 2013 in the captioned proceeding.

I. MOTION FOR LEAVE TO ANSWER

Although the Commission's Rules of Practice and Procedure prohibit answers to answers, the Commission has accepted such answers when they assist the Commission in its decision-making process.[2] The CMC Answer is an unauthorized answer that clouds a unique issue raised by EKPC in its Protest. If the Commission accepts the CMC Answer, then it should also accept this Answer because it will assist the Commission in understanding EKPC's unique issue, correct a misunderstanding of EKPC's position by the CMC, and ensure a complete and accurate record in this case.

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[1] 18 C.F.R. §§ 385.212 and 385.213 (2012).

[2] *See, e.g., Entergy Services, Inc.*, 116 FERC ¶ 61,286 at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124 at P 11 (2006); *and PJM Interconnection, LLC*, 117 FERC ¶ 61,168 at P 29 (2006).

II. ANSWER

In its limited Protest, EKPC explained that the calculation determining whether a load serving entity ("LSE") is net-long should be based on the LSE's annual peak demand, not its summer peak demand.[3] EKPC is a winter-peaking utility. Most, if not all, other LSEs within PJM Interconnection, LLC ("PJM") are summer-peaking utilities. EKPC explained that a utility plans for its annual peak, not a seasonal peak. EKPC further explained that PJM's proposed Minimum Offer Price Rule ("MOPR") rule, in which the net-long calculation is based on a utility's summer peak, would have the unintended consequence of more strictly limiting EKPC than if the net-long rule calculation were based on a utility's annual peak.[4]

In its Answer, PJM acknowledged EKPC's unique concern as a winter-peaking self-supply LSE.[5] Therein, PJM agreed with EKPC that an LSE could be net-long relative to its summer peak, in part, because it has secured sufficient additional capacity to satisfy its winter peak.[6] PJM further explained that "obtaining enough capacity to meet a self-supply LSE's annual peak reflects prudent capacity planning—not an attempt at artificial price suppression."[7] Recognizing that its proposal would impose an unintended consequence, PJM stated in its Answer that it is agreeable to a modification in order to recognize the annual peak of a winter-peaking self-supply LSE.[8] If the proposal is so modified, EKPC's concern should be addressed.

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[3] EKPC Protest at 4.

[4] *Id.*

[5] Answer of PJM, LLC to Protests ("PJM Answer") filed April 9, 2013, at 24.

[6] *Id.*

[7] *Id.*

[8] *Id.*

EKPC responds briefly to the CMC Answer, which misconstrues EKPC's concern. The CMC challenges EKPC regarding the impact of the rule on a winter- versus summer-peaking utility. Without evidence or explanation, the CMC summarily concludes that EKPC's proposed correction, which is aimed at ensuring winter-peaking LSEs are not harmed, is unnecessary because, according to the CMC, PJM is generally summer-peaking and has sufficient capacity to cover the winter peak. [9] The CMC misses the point of EKPC's concern and its proposed correction.

The issue is not, as the CMC implies, whether PJM as a whole has enough capacity to accommodate the needs of EKPC as the only winter-peaking LSE in PJM. The issue here is whether it is just and reasonable to establish in the PJM Tariff a non-rebuttable presumption that new entry secured by a self-supply LSE to meet its winter peak is "uneconomic entry" requiring mitigation at 100% of Net CONE because it does not meet net-long thresholds based on summer-peaking assumptions.

Self-supply business models such as that of EKPC do not present a risk of market manipulation. In its Answer, PJM agreed with EKPC that an LSE's resource planning to meet its winter peak is "prudent" and does not reflect "an attempt at artificial price suppression."[10] The CMC provided no basis for its position challenging EKPC. In particular, the CMC did not explain why a sell offer below 100% of Net CONE by new entry resulting from prudent resource planning to meet a self-supply LSE's winter-peaking demand automatically results in price

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[9] CMC Answer at 11.

[10] PJM Answer at 24.

suppression just because it did not meet an administratively set threshold based on summer-peaking assumptions.

EKPC seeks fair treatment, not special treatment. Changing the summer-peak assumptions to annual-peak assumptions in the proposed calculation of the net-long thresholds will have no impact on other LSEs in PJM because their annual and summer peaks are one and the same. For every other utility in PJM, the summer peak is its annual peak. EKPC is asking nothing more than to have net-long calculation based on its annual peak as well.

III. CONCLUSIONS

For the foregoing reasons, the Commission should accept this Answer because it will aid the Commission in its understanding of a unique issue raised by EKPC in this proceeding. The Commission should also approve PJM's self-supply categorical exemption proposal, with a modification that the net-long calculation should be based on the self-supply LSE's annual peak demand, not its summer peak demand.

Respectfully submitted this 16th day of April, 2013.

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Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have on this 16th day of April 2013 caused a copy of the foregoing to be served upon all those listed in the official service list compiled by the Secretary in this Proceeding.

/s/ ______________________________

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