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MAY 22 2019

PUBLIC SERVICE
COMMISSION

May 22, 2019

Ms. Gwen Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RE: In the Matter of the Application of East Kentucky Power Cooperative, Inc. To Transfer Functional Control Of Certain Transmission Facilities To PJM Interconnection, Inc., PSC Case No. 2012-00169

Dear Ms. Pinson:

Pursuant to Ordering Paragraph No. 3 of the April 24, 2019 Order of the Kentucky Public Service Commission ("Commission") in Case No. 2012-00169, East Kentucky Power Cooperative, Inc. ("EKPC") wishes to file revised pages reflecting as unredacted the designated materials subject to EKPC's May 31, 2013 petition for confidential treatment which the Commission denied as moot.

Please contact me if you need any additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick Woods".

Patrick Woods
Director of Regulatory and Compliance Services

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May 31, 2013

VIA HAND DELIVERY

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

RE: *In the Matter of the Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC*, P.S.C. Case No. 2012-00169 - Annual Report of East Kentucky Power Cooperative, Inc.

Dear Mr. Derouen,

In accordance with the December 20, 2012 Order of the Kentucky Public Service Commission ("Commission") in the above-styled case, please accept this as the annual report of East Kentucky Power Cooperative, Inc. ("EKPC") regarding its participation in the PJM Interconnection, LLC ("PJM"). In accordance with the Order, I would request that you place this annual report in EKPC's company correspondence file.

I am pleased to report that the effort to become fully integrated into PJM on June 1, 2013 is on schedule and proceeding according to plan. At this point, we anticipate that there will be no operational issues associated with the formal transfer of functional control of certain of EKPC's transmission facilities to PJM. Moreover, we have been working steadfastly to assure that the "back office" aspects of the transition are smooth and seamless as well. The integration has been a great team effort and we are eager to make the formal transfer of functional control later this week. With regard to the four specific topics of interest in the Commission's December 20, 2012 Order, I can report as follows.

Transmission Rights Awarded and Purchased

The December 20, 2012 Order directs EKPC to set forth "in detail the amount of transmission rights awarded and purchased." As the Commission is aware, Transmission Rights are awarded in PJM to provide a market-based methodology for managing and mitigating congestion costs on the electric grid. As a load serving entity in PJM, EKPC will be awarded transmission rights that are commensurate with its relative participation in the PJM system. In the Planning Year 2013/2014 Annual Allocation, EKPC was allocated 1935.8 MW of Annual Revenue Rights (ARRs), for a total revenue of \$2.1 million. EKPC converted 776 MW of that total to Financial Transmission Rights (FTRs) by self-scheduling those ARRs in the Annual Auction to use as a hedge throughout the planning year, leaving \$645,807 available in ARR

revenue. In addition to self-scheduling in the Annual FTR Auction, EKPC also purchased an additional 358 MW of FTRs. As a result of the Annual Auction, EKPC was hedged overall 66% for the planning year. The June Monthly FTR auction recently occurred. During this auction, EKPC was able to purchase FTRs for June, July, August and each remaining quarter. EKPC purchased 1285.2 MW of FTRs for the year, at a total cost of \$55,744. EKPC is currently hedged 69% on average for the planning year, with June 2013 hedged to 94%.

Description of Hedging Plans and Strategies

The December 20, 2012 Order also directs EKPC to provide “a description of hedging plans and strategies to address transmission congestion and market prices for capacity and energy.” EKPC worked closely with ACES Power Marketing, LLC to develop the appropriate strategies to mitigate risk due to congestion and market prices for capacity and energy. The hedging strategy is to layer in the hedges over time which provides price diversity. There are four distinct opportunities for strategically adding hedges. EKPC’s strategy is to purchase up to 25% of the annual FTRs needed in the Long-Term auction, up to a total of 50% in the Annual auction, up to a total of 75% in the Balance of Year auction and up to 100 % in the Monthly auctions.

Prior Year’s Benefits and Costs of PJM Membership

EKPC is also required by the December 20, 2012 Order to “provide a breakdown by category of the prior year’s benefits and costs of PJM membership.” Given that EKPC has not yet integrated into PJM, there is nothing to report at this time.

Projection of Future Benefits and Costs Reflecting the Most Recent PJM Capacity Auction Results

Finally, the December 20, 2012 Order directs EKPC to provide “a projection of future benefits and costs reflecting the most recent PJM capacity auction results.” PJM announced the result of its Base Residual Auction (BRA) for the 2016/2017 delivery year on Friday, May 24, 2013. Due to a unique convergence of factors, the clearing price for the auction was approximately half of the consensus forecast. EKPC’s very preliminary analysis suggests that EKPC will realize \$5.6 million in benefit from the 2016/2017 BRA.

The fact that the clearing price was significantly lower than expected by virtually everyone in the industry suggests that the auction may have been influenced by external factors. PJM reports that 169,000 MWs of generation cleared the market representing a 21% reserve margin. There was a 90% increase in import offers into PJM compared to the 2015/2016 delivery year. There were 4,280 MWs of new gas fired generation bid into the market and 1,180 MWs of uprates. The projected load for 2016/2017 was flat from the 2015/2016 delivery year. There continues to be uncertainty with regard to federal environmental policy and the uncertainty frustrates the efforts of utilities to make long-term investment decisions regarding capacity. Moreover, the anticipated wave of generation retirements did not materialize in this auction, as the conventional wisdom suggested it would. This likely does not mean that utilities within the

Mr. Jeff Derouen
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PJM region have firmly decided to retain all of their older coal fired generating units, but rather that they are seeking to maintain the greatest amount of flexibility in the face of federal policy uncertainty. Since the purpose of the BRA is to provide directional guidance for capacity investments, the primary lesson of the auction would appear to be that there will be little financial incentive for the development of new generation resources within the PJM region.

On behalf of EKPC, we are pleased to address any further questions that the Commission might have with regard to the company's integration and participation in PJM. We continue to believe that participation in PJM will allow EKPC to realize long-term value for its Members. Please feel free to contact me if you need any additional information.

Sincerely,

Patrick Woods
Director, Regulatory & Compliance
Services

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FTR Position

Sink	Class	June	July	August	September	October	November	December	January	February	March	April	May
EKPC	OnPeak	1387.8	1190	1081	944.4	944.4	944.4	940	940	940	940	940	940
EKPC	OffPeak	1196	1041.9	1009	949	949	949	949	949	949	949	949	949
EKPC-DEOK	OnPeak	17.7	15.8	20.4	10	10	10	10	10	10	10	10	10
EKPC-DEOK	OffPeak	15.1	14.3	13	11	11	11	11	11	11	11	11	11

Energy Position

Sink	Class	June	July	August	September	October	November	December	January	February	March	April	May
EKPC	OnPeak	1581.1	1696.1	1647.3	1386.4	1198.1	1416.7	1760.4	1860.8	1691.4	1427	1228.5	1293
EKPC	OffPeak	1178.7	1311	1274.5	1153.6	1108	1392.9	1653.4	1817.5	1669.7	1486.8	1129	1069.8
EKPC-DEOK	OnPeak	17.7	20.2	20.3	16.5	20	16.5	17.7	21.4	21.6	17.2	18.1	18.5
EKPC-DEOK	OffPeak	15.1	15.5	15.4	13.6	14.5	15.9	16.6	16.9	18.2	17.2	14.5	15.9

Hedge %

Sink	Class	June	July	August	September	October	November	December	January	February	March	April	May
EKPC	OnPeak	88%	70%	66%	68%	79%	67%	53%	51%	56%	66%	77%	73%
EKPC	OffPeak	101%	79%	79%	82%	86%	68%	57%	52%	57%	64%	84%	89%
EKPC-DEOK	OnPeak	100%	78%	100%	61%	50%	61%	56%	47%	46%	58%	55%	54%
EKPC-DEOK	OffPeak	100%	92%	84%	81%	76%	69%	66%	65%	60%	64%	76%	69%

ARR Total Remaining after Self Scheduling

Source	Sink	ARR MW
Dale 3	EKPC	9
Smith 2	EKPC	121
Spurlock 1	EKPC	15.1
Spurlock 2	EKPC	456.5
Spurlock 3	EKPC	297.1
Spurlock 4	EKPC	250.4
Spurlock 1	EKPC-DEOK LOAD	2.7
Spurlock 2	EKPC-DEOK LOAD	5.6
Spurlock 3	EKPC-DEOK LOAD	2.3
RTEP B0328 SOURCE	PEPCO	0.1
Value of Remaining ARR		\$645,807