

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY FOR)	
ALTERATION OF CERTAIN EQUIPMENT AT THE)	CASE NO.
COOPER STATION AND APPROVAL OF A)	2013-00259
COMPLIANCE PLAN AMENDMENT FOR)	
ENVIRONMENTAL SURCHARGE COST)	
RECOVERY)	

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

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due by October 18, 2013. 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 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 the 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.

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

Careful attention shall 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 page 4, paragraph 13 of EKPC's verified application ("Application"), where EKPC states that its 2012 Integrated Resource Plan indicated a need for up to 300 MW of additional generating capacity by October 2015, driven largely by the need to comply with the Mercury and Air Toxics Standards ("MATS") regulation. If the project proposed in this case is approved and the 116-MW Cooper Unit 1 remains operational, EKPC is still expected to have a capacity deficit of approximately 184 MW by October 2015. Explain whether the cost of acquiring the additional 184 MW, in addition to the \$15 million requested in this case, would exceed the cost of other options available to EKPC to obtain 300 MW of capacity.

2. Refer to pages 4 and 5, paragraph 14 of the Application. Explain, for purposes of the Request for Proposal ("RFP"), how EKPC determined the thresholds for conventional projects at 50 MW or greater and renewable projects at 5 MW or greater.

3. Refer to page 6, paragraph 17 of the Application. The second bullet point states that "[a]dditional savings should be captured through efficiencies realized by

continuing to operate both Cooper #1 and Cooper #2.” Provide an explanation and quantification of the savings to be realized by the continued operation of Cooper Units 1 and 2.

4. Refer to page 7, paragraph 21 of the Application, which states that EKPC has submitted various federal and state permit applications for the proposed project. Identify the federal and state permits that have been applied in connection with the proposed project and state when in 2014 EKPC expects to have approval of these permits.

5. Refer to Exhibit 1a of the Application, page 4, concerning the initial evaluation procedure. Provide the work papers, in electronic format, used in analyzing the proposals during the initial evaluation process in arriving at the Short List.

6. Refer to Exhibit 1a of the Application, page 5. In the Capacity Credits section, the Brattle Group (“Brattle”) assigned capacity credits of 85 percent to renewable generation resources other than solar and wind generation. Fully explain how the 85 percent capacity credit was derived, including any analysis utilized to determine this capacity credit value.

7. Refer to Exhibit 1a of the Application, page 6. The first full paragraph states that “Brattle and EKPC selected six proposals for the Short List by identifying the proposal in each category with the highest NPV per MW-year. In addition, EKPC chose to include a seventh proposal in the Short List.”

a. Provide a list of the proposals in the Short List showing the net present value per MW-year for each proposal.

b. Provide the work papers, in electronic format, used in analyzing the Short List proposals.

8. Refer to page 6 of Exhibit 1a. In the Purchase of New Natural Gas Facility section it states that the project cost of the facility includes sales tax. Provide the rationale for including the sales tax and describe how the amount was calculated.

9. Refer to the last paragraph on page 13 of Exhibit 1a. Provide the cost details for the three alternative contract term proposals discussed in this paragraph.

10. Refer to Exhibit 1b of the Application, page 1. The last sentence of the first paragraph of the letter states that “[a]ll of the proposals were judged against the forward market to determine the value they each provided.” Provide this analysis.

11. Refer to Exhibit 1b of the Application, page 2. The last sentence states that EKPC reserves the ability to reassess the market through a new RFP. Describe any plans that EKPC has to issue a new RFP.

12. Refer to Exhibit 6 of the Application, the Direct Testimony of Jerry B. Purvis, page 4. At lines 1 and 2, it states that “[t]he proposed Project is designed to achieve compliance with the Regional Haze SIP PM emission limitation and the BART requirements for both Cooper Unit 1 and Unit 2....” State and describe in detail whether the proposed Cooper Unit 1 project improves, degrades, or has no impact on Cooper Unit 2’s compliance with the Regional Haze SIP PM emission limitation and BART requirements.

13. a. Refer to Exhibit 7 of the Application, the Direct Testimony of Julia J. Tucker (“Tucker Testimony”), page 4. Refer to lines 16 and 17, where Ms. Tucker states that “[i]t is possible that the 300 MW could be retired without any replacement

capacity, those impacts would be reflected in EKPC's cost to serve its load." It is further clarified in lines 17 through 19 that the replacement capacity became strictly an economic issue when EKPC joined PJM, and no longer had reliability impacts. Explain the meaning of these statements in detail.

b. The Tucker Testimony refers multiple times to an anticipated future capacity gap. In Case No. 2012-00169¹ the Commission noted that EKPC required a net 290 MWs less planning reserve capacity upon full integration into PJM. Other than from an economic standpoint, is the capacity gap still anticipated? Explain in detail.

14. Refer to page 9 of the Tucker Testimony.

a. Refer to lines 5 through 6, which state that splitting the 300 MW of capacity would decrease the risks associated with developing new capacity by spreading the technology and operational risks. Explain what is meant by this statement.

b. Refer to lines 14 and 15, where it is stated that the RFP process should be completed by the end of the third quarter of 2013. Provide the RFP results when they are completed.

15. Explain whether the proposed project will affect the type of fuel burned at Cooper Unit 1.

16. Refer to Exhibit 9 of the Application, the Direct Testimony of Block Andrews ("Andrews Testimony"). On page 3, lines 12 through 18, Mr. Andrews discusses Burns and McDonnell's comprehensive involvement in designing the Cooper Unit 2 Retrofit Air Pollution Project, approved by the Commission in Case No. 2008-

¹ 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).

00472 in May 2009. As an employee of Burns and McDonnell at the time the Cooper Unit 2 air-quality control system ("AQCS") was designed, what was Mr. Andrews' involvement in the initial Cooper Unit 2 AQCS proposal?

17. On page 5 of the Andrews Testimony, Mr. Andrews provides several justifications for combining the exhausts of Cooper Units 1 and 2. In lines 15 through 16, he observes that Cooper Unit 2 is functioning well and is capable of controlling additional exhaust gas flow.

a. When Burns and McDonnell performed the initial Cooper Unit 2 design, was the Unit 2 AQCS oversized?

b. At the time the Cooper Unit 2 AQCS was designed, was the eventual rerouting of the exhaust from Cooper 1 into Cooper 2 considered? If not, explain why this was not considered. If so, explain in detail why the tie-in was not made at that time.

18. Refer to page 6 of the Andrews Testimony, which discusses the methods that Burns and McDonnell, along with the vendor Andritz, utilized to confirm the ability of the Cooper Unit 2 AQCS to process the exhaust from both Cooper Units 1 and 2.

a. Provide further information and detail regarding the "physical flow model."

b. Explain in detail how the Andritz proprietary software interlaces with a physical flow model.

c. Mr. Andrews states that the analysis could not provide a definitive upper level of treatable exhaust gas. Is the AQCS bordering on its upper treatment limit level? Explain in detail.

d. Explain in detail the test utilizing the existing bypass on Cooper Unit 2 and the results of this test.

e. Discuss in detail the low load restrictions for Cooper Unit 1 in conjunction with the AQCS, and the consequences of forced outages on either Cooper Unit 1 or 2.

19. Refer to page 7, lines 9 through 11 of the Andrews Testimony, which discuss an increase in ash hauling to the landfill. What is the current state of the existing Cooper landfill? How will the increase in ash affect the landfill, and when is the landfill projected to reach capacity? Discuss in detail.

20. Refer to page 7, lines 16 and 17 of the Andrews testimony, which state that Andritz will guarantee emission and levels that will meet MATS and BART compliance limits. Provide a copy of this guarantee.

21. Refer to page 8 of the Andrews Testimony which refers to modifications of the ESP on Cooper Unit 1. Are there alterations in the actual ESP or its configuration? Describe in detail the nature and extent of these modifications.

22. Refer to page 9 of the Andrews Testimony which discusses back-pressure affecting the net output, but not gross output, of the ACQS system. Explain in detail the back-pressure issue.

23. Refer to page 10, lines 1 through 12 of the Andrews Testimony, which discuss the benefits of the multiple-contractor approach to execute the ACQS project. Explain in detail whether Burns and McDonnell will operate as the project engineer/construction manager coordinating work of multiple contractors.

24. Refer to page 11, lines 11 through 14 of the Andrews Testimony, which state that “[d]uring a scheduled unit outage, the new equipment will be tied into the system. From January 2016 through March 2016, the system will have startup, shakedown and commissioning prior to the expected MATS compliance date of April 16, 2016.” Provide a timeline for when the Cooper Units 1 and 2 will be out of service for the proposed Cooper Unit 1 project.

25. Refer to page 12, lines 4 and 5 of the Andrews testimony, where Burns and McDonnell estimate the AQCS cost at \$15 million, yet state that the cost will be further refined once specific vendor quotations are received.

a. Provide the date when the vendor quotes will be received and the cost refined.

b. After the quotations are received, evaluated, and contracts are awarded for the AQCS work, provide the refined cost.

26. Refer to Exhibit BA – 1 of the Andrews Testimony, the Cooper 1 Duct Reroute Project Definition Report (“Exhibit BA – 1”), page 9, Table 1-1. The Burns and McDonnell Project Milestones table anticipates a certificate of public convenience and necessity from the Commission by December 2013. With the hearing for this case scheduled for January 14, 2014, what ramifications will this setback have on other projects in the timeline?

27. Refer to page 13 of Exhibit BA – 1, Section 3.1., second full paragraph. Project how the compounded exhaust flow from Cooper Unit 1, combined with Cooper Unit 2, will affect the forecasted life of the Cooper Unit 2 AQCS. What is the projected life of the AQCS?

28. Refer to pages 28 and 40 of Exhibit BA – 1. On page 28, it states the proposed project will not impact the current plant staffing requirement. On page 40, labor costs are listed at \$52.30 per hour. Explain EKPC's staffing requirements for the proposed project with respect to the operation of the Cooper Units 1 and 2 generating units.

29. Refer to page 40 of Exhibit BA – 1. The table lists a 58 percent capacity factor for Cooper Unit 1. Explain the derivation of the capacity factor.

30. Refer to Exhibit 10 of the Application, the Direct Testimony of Isaac S. Scott ("Scott Testimony"), page 4, lines 11 and 12, which state that EKPC intends to finance the project through a Rural Utilities Service guaranteed loan. State when EKPC plans to apply for the loan, and the length of time expected for loan approval.

31. Refer to page 10, lines 1 through 7 of the Scott Testimony. Provide supporting calculations for the following amounts found in the first paragraph:

a. 0.43 percent increase in the environmental surcharge for all customers at wholesale;

b. 0.31 percent increase in the environmental surcharge at the retail level;

c. \$0.27 increase in the average residential customer's monthly bill.

Further reconcile these numbers with those stated in Exhibit 4.b.



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DATED OCT 04 2013

cc: Parties of Record

Case No. 2013-00259

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