

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF SOUTH KENTUCKY RURAL</b>	)	
<b>ELECTRIC COOPERATIVE CORPORATION</b>	)	<b>CASE NO.</b>
<b>FOR APPROVAL OF MASTER POWER PURCHASE</b>	)	<b>2018-00050</b>
<b>AND SALE AGREEMENT AND TRANSACTIONS</b>	)	
<b>THEREUNDER</b>	)	

**RESPONSES TO SOUTH KENTUCKY'S FIRST REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.**

**DATED APRIL 18, 2018**

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**APPLICATION OF SOUTH KENTUCKY RURAL )**  
**ELECTRIC COOPERATIVE CORPORATION ) CASE NO.**  
**FOR APPROVAL OF MASTER POWER PURCHASE ) 2018-00050**  
**AND SALE AGREEMENT AND TRANSACTIONS )**  
**THEREUNDER )**

**CERTIFICATE**

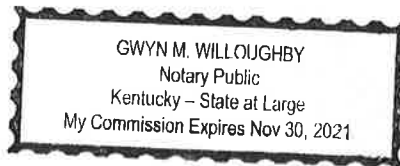
**STATE OF KENTUCKY )**  
**)**  
**COUNTY OF CLARK )**

Anthony S. Campbell, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the South Kentucky Rural Electric Cooperative Corporation's Information Requests in the above-referenced case dated April 18, 2018, 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.

*Anthony S. Campbell*

Subscribed and sworn before me on this 27<sup>th</sup> day of April 2018.

*Gwyn M. Willoughby #590567*  
Notary Public



**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

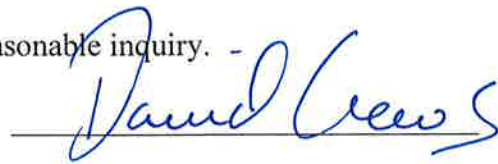
**In the Matter of:**

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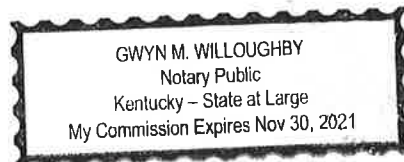
**STATE OF KENTUCKY )**  
**)**  
**COUNTY OF CLARK )**

David Crews, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the South Kentucky Rural Electric Cooperative Corporation's Information Requests in the above-referenced case dated April 18, 2018, 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.

  
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Subscribed and sworn before me on this 27<sup>th</sup> day of April 2018.

  
\_\_\_\_\_  
Notary Public





**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF SOUTH KENTUCKY RURAL</b>	)	
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<b>THEREUNDER</b>	)	

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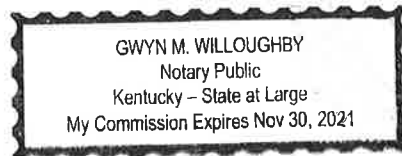
**STATE OF KENTUCKY )  
  )  
COUNTY OF CLARK )**

Don Mosier, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the South Kentucky Rural Electric Cooperative Corporation’s Information Requests in the above-referenced case dated April 18, 2018, 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 27<sup>th</sup> day of April 2018.

  
 \_\_\_\_\_  
 Notary Public



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**PRELIMINARY STATEMENT AND GENERAL OBJECTIONS**

1. East Kentucky Power Cooperative, Inc. (“EKPC”) objects to the Instructions incorporated in South Kentucky’s First Request for Information (“the Requests”) to the extent they are inconsistent with or broader than the Kentucky Rules of Civil Procedure and/or the administrative regulations applicable to this proceeding. By way of illustration only, and without limitation, EKPC objects to the “definition” of “EKPC” set forth in the Requests as overly broad, vague and unduly burdensome. While EKPC has undertaken to obtain responsive information and documents from its internal officers and staff, it has not sought individual production of information or documents from, for instance, “any member of” its various Board committees. As South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) is well aware, Board committees are comprised of representatives of EKPC’s owner-members and inasmuch as South Kentucky has sought direct discovery from these owner-members it is duplicative, unduly burdensome and unnecessary for EKPC to seek information from those entities for purposes of responding. Likewise, the suggestion that EKPC includes “any one acting as EKPC’s agent or otherwise on its behalf or at its direction,” is overly broad and unduly burdensome as it would literally require EKPC to seek information and documents from every vendor and third party who ever performs any function for EKPC.

2. EKPC has undertaken reasonable, good faith efforts to gather non-privileged, non-objectionable documents and information that are responsive to the requests of South Kentucky.

These efforts have been undertaken by EKPC in the context of South Kentucky having served more than 80 requests and subparts on EKPC to be responded to within nine (9) days, based on an expedited schedule that South Kentucky insisted upon in its application. To the extent any additional non-privileged, non-objectionable responsive documents are identified, they will be produced.

3. EKPC objects to the Requests to the extent that they seek information and/or documents subject to the attorney-client privilege, attorney work product doctrine, or other exemption from discovery. Production of any privileged or similarly protected document is not intended by EKPC. If such production occurs, that production is inadvertent and is specifically not intended to waive any applicable privilege.

4. EKPC objects to the Requests to the extent they seek documents and communications that reflect internal preparation of or discussion of pleadings and materials submitted into the record in this proceeding, as any such Request is beyond the scope of permissible discovery herein.

5. In making its responses, EKPC does not acknowledge that the documents or information requested or produced are either discoverable or admissible, and EKPC affirmatively reserves the right to object to further discovery and to the subject matter of requests, and to interpose appropriate objections to the introduction into evidence of any documents or information produced.

6. Certain documents or materials being provided herewith are excerpts from substantially larger documents that contain extraneous matters entirely unrelated to the subject matter of the information requests and this proceeding. In such instances, only the responsive portion of such documents are being produced, and extraneous non-responsive matters unrelated to the subject matter of the requests and this proceeding are redacted.

Notwithstanding the foregoing objections, and reserving same, EKPC responds as follows:



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 1**

**RESPONSIBLE PARTY:**           **Counsel**

**Request 1.**           Please produce all email communications sent or received by EKPC (as defined in the instructions) **during the period August 6, 2017 through September 1, 2017** that reference South Kentucky (as defined in the instructions) or that relate in any way to Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU.

**Response 1.**           Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. Notwithstanding the foregoing objection, responsive documents that, after a reasonable, good faith effort EKPC has identified as responsive and not subject to attorney-client privilege or work product protection, are produced herewith as Attachment SK 1, 3 & 5 and Attachment SK 5.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 2**

**RESPONSIBLE PARTY:**           **Counsel**

**Request 2.**           Identify and describe all meetings held or conversations occurring **during the period August 6, 2017 through September 1, 2017** at which any one of the following items was discussed—South Kentucky (as defined in the instructions), Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU—and at which one or more of the following individuals were present—Mr. Anthony Campbell, Mr. Don Mosier, Mr. Michael McNalley and Mr. David Crews. For all such meetings or conversations, describe all statements made (regardless by whom) concerning South Kentucky (as defined in the instructions) or Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU.

**Response 2.**           Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. It is impossible for EKPC to identify any and every “conversation” where any one of the identified individuals was

present where any one of the words or topics identified may have been mentioned. Notwithstanding the foregoing objection, after a reasonable investigation, inquiry and review of available documentation, EKPC states as follows: See Tony Campbell testimony, p. 12-18, emails produced in response to these requests, and the documents produced herein. See Attachment SK 2, 4 & 6.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 3**

**RESPONSIBLE PARTY: Counsel**

**Request 3.** Please produce all email communications sent or received by EKPC (as defined in the instructions) **during the period September 2, 2017 through November 27, 2017** that reference South Kentucky (as defined in the instructions) or that relate in any way to Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU.

**Response 3.** Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. Notwithstanding the foregoing objection, responsive documents that, after a reasonable, good faith effort EKPC has identified as responsive and not subject to attorney-client privilege or work product protection, are produced herewith as Attachment SK 1, 3 & 5 and Attachment SK 5.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 4**

**RESPONSIBLE PARTY:**           **Counsel**

**Request 4.**           Identify and describe all meetings held or conversations occurring **during the period September 2, 2017 through November 27, 2017** at which any one of the following items was discussed—South Kentucky (as defined in the instructions), Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU—and at which one or more of the following individuals were present—Mr. Campbell, Mr. Mosier, Mr. McNalley and Mr. Crews. For all such meetings or conversations, describe all statements made (regardless by whom) concerning South Kentucky (as defined in the instructions) or Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU.

**Response 4.**           Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. It is impossible for EKPC to identify any and every “conversation” where any one of the identified individuals was

present where any one of the words or topics identified may have been mentioned. Notwithstanding the foregoing objection, after a reasonable investigation, inquiry and review of available documentation, EKPC states as follows: See Tony Campbell testimony, p 12-18, the emails produced in response to these requests, and the documents produced herein. See Attachment SK 2, 4 & 6.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 5**

**RESPONSIBLE PARTY: Counsel**

**Request 5.** Please produce all email communications sent or received by EKPC (as defined in the instructions) **during the period November 28, 2017 through February 23, 2018** that reference South Kentucky (as defined in the instructions) or that relate in any way to Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU.

**Response 5.** Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. Notwithstanding the foregoing objection, responsive documents that, after a reasonable, good faith effort EKPC has identified as responsive and not subject to attorney-client privilege or work product protection, are produced herewith as Attachment SK 1, 3 & 5 and Attachment SK 5.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 6**

**RESPONSIBLE PARTY: Counsel**

**Request 6.** Identify and describe all meetings held or conversations occurring **during the period November 28, 2017 through February 23, 2018** at which any one of the following items was discussed—South Kentucky (as defined in the instructions), Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU—and at which one or more of the following individuals were present—Mr. Campbell, Mr. Mosier, Mr. McNalley and Mr. Crews. For all such meetings or conversations, describe all statements made (regardless by whom) concerning South Kentucky (as defined in the instructions) or Amendment 3, the MOU or the potential or actual exercise of rights by South Kentucky under Amendment 3 and/or the MOU.

**Response 6.** Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. It is impossible for EKPC to identify any and every “conversation” where any one of the identified individuals was



present where any one of the words or topics identified may have been mentioned. Notwithstanding the foregoing objection, after a reasonable investigation, inquiry and review of available documentation, EKPC states as follows: See Tony Campbell testimony, p. 12-18, the emails produced in response to these requests, and the documents produced herein. See Attachment SK 2, 4 & 6.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 7**

**RESPONSIBLE PARTY: Don Mosier**

**Request 7.** Please identify and describe the terms of all power purchase agreements (for energy, capacity or both) where Morgan Stanley Capital Group was a counterparty and with which Mr. Mosier has familiarity by virtue of his professional experience, as described in page 1, lines 6-22. For any such agreements, include the counterparty and the term if Mr. Mosier recalls them.

**Response 7.** EKPC has not transacted with Morgan Stanley Capital Group ("Morgan Stanley") since Mr. Mosier joined the company in 2010. Prior to joining EKPC, Mr. Mosier, in his ten-year tenure as Vice President of Ameren Energy Marketing, oversaw a number of bilateral structured and commodity trading transactions with Morgan Stanley. The terms and conditions of those wholesale transactions are confidential and the agreements are not in the possession of EKPC.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 8**

**RESPONSIBLE PARTY: Don Mosier**

**Request 8.** Reference page 4, lines 7-11 of Mr. Mosier’s testimony. Please provide the basis for the statement that South Kentucky faces a “high degree of regulatory, market and economic risk” as a result of the Alternate Source not being tied contractually to a specific resource. Please include all supporting documents and analyses corresponding with this statement.

**Response 8.** See Mosier extensive testimony, page 6-9. See also EKPC’s responses to the Commission Staff’s First Request for Information, Item 2. In addition, see Attachment SK 8.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 9**

**RESPONSIBLE PARTY: Don Mosier**

**Request 9.** Reference page 4, lines 11-14 of Mr. Mosier's testimony. Please provide the basis for the statements that "the product that is subject to this Application is generally illiquid" and that it is "not easily hedged by Morgan Stanley" beyond a 3-5 year timeframe. Please include all supporting documents and analyses corresponding with this statement.

**Response 9.** The term "illiquid" is used when there are fewer buyers and sellers for the type of products that are at issue in this case. In addition to and a byproduct of this lack of liquidity, market price visibility is significantly reduced which makes hedging transactions more difficult. These concepts are generally accepted in industry practice and Mr. Mosier's understanding of these industry concepts is the product of his unique and extensive industry training and background. [See also: Mosier email of February 1, 2018 produced in response to Request 5].

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 10**

**RESPONSIBLE PARTY: Don Mosier**

**Request 10.** Reference page 5, lines 1-5 of Mr. Mosier's testimony. Please describe in detail all of Mr. Mosier's experiences with Morgan Stanley Capital Group that provide the factual basis for these statements.

**Response 10.** Mr. Mosier has visited on several occasions with Morgan Stanley at its facilities and witnessed, firsthand, its facilities, resources, and capabilities. As also noted above in response to Request 7, in Mr. Mosier's ten-year tenure as Vice President of Ameren Energy Marketing, he oversaw a number of bilateral structured and commodity trading transactions with Morgan Stanley. In addition to Morgan Stanley, Mr. Mosier has directed and/or transacted hundreds of structured transactions and thousands of short-term commodity trades with similarly capable counterparties.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 11**

**RESPONSIBLE PARTY: Don Mosier**

**Request 11.** Reference page 5, lines 12 and 13 of Mr. Mosier’s testimony. Please provide the basis for the statement: “The current market in PJM for baseload energy is well below what South Kentucky is paying Morgan Stanley.” Please include all supporting documents and analyses corresponding with this statement.

**Response 11.** EKPC, itself and through its agent, Alliance for Cooperative Energy Services (“ACES”), has routine access to broker and electronic market price quotations for the period indicated. South Kentucky, through its consultant EnerVision (and Morgan Stanley), would have similar market visibility and should easily verify Mr. Mosier’s statement contemporaneous with the timing of the transactions under review in this case.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 12**

**RESPONSIBLE PARTY: Don Mosier**

**Request 12.** Reference page 5, lines 13-16 of Mr. Mosier's testimony. Please explain how the price South Kentucky is paying Morgan Stanley for energy has any impact on mitigation of the loss of load?

**Response 12.** As stated in Mr. Mosier's testimony, taking near term action at current market prices that are well below what South Kentucky is seeking permission to pay in this case, and substantially below the all-in costs under the Wholesale Power Contract ("WPC"), would indeed lock in a loss for EKPC relative to the seasonal opportunities that avail themselves.

**Request 12a.** Is it EKPC's position that its owner-members would be better off if EKPC took no action to replace lost load associated with the Alternate Source designation, as opposed to action at a price lower than what it charges South Kentucky currently?

**Response 12a.** These are not the only two options. As addressed in prior testimony, there are various manners by which EKPC can attempt to mitigate rate increase impact due to load loss.

However, if the hypothetical options were the only two alternatives presented, it would be better to not try to replace the entire load, or all of it, at a fixed price, based on today's wholesale market prices.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 13**

**RESPONSIBLE PARTY: Don Mosier**

**Request 13.** How many wholesale purchase power agreements (for energy, capacity or both) is EKPC a party to at present and under which EKPC is a purchaser. For each such agreement, please produce the analyses that EKPC performed for these power purchase agreements that ensure a high likelihood that EKPC would benefit from the transaction.

**Response 13.** The only Purchase Power Agreements we currently have are Southeastern Power Administration ("SEPA") purchases. These date back to the beginning of the SEPA program. EKPC began taking hydropower from SEPA in the 1970's. Any analysis that EKPC might be able to find in its archives would not be relevant to today's market.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 14**

**RESPONSIBLE PARTY: Don Mosier**

**Request 14.** Reference is made to page 7, lines 16 of Mr. Mosier's testimony. Please identify and describe the referenced internal governance and produce any documents that set forth this internal governance.

**Response 14.** EKPC's obligations and responsibilities to its Board and its owner-members are exercised through its extensive governance infrastructure and Board and administrative programs that are designed to identify, monitor, and quantify a myriad of risk exposures that are inherent in the operations of a generating and transmitting electric utility. EKPC, as part of its daily operations, manages those risks, follows and implements controls and procedures to ensure appropriate levels of oversight for those risks, and develops required hedging strategies to address those risks, with attendant regulatory oversight. These responsibilities are set forth in the charters to EKPC's Board Risk Oversight Committee, the Board Strategic Issues Committee, and the Board Governance Committee, which are attached hereto as Attachment SK 14. In addition, all Board and Administrative policies promulgated by the EKPC Board and Management reflect EKPC's ardent discipline to manage risk and South Kentucky's CEO and Director on East Kentucky's

Board each have access to all of this material. Further, South Kentucky's Director on the EKPC Board, has a fiduciary duty to EKPC and its Board to abide by these internal governance responsibilities.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 15**

**RESPONSIBLE PARTY: Counsel**

**Request 15.** Reference is made to page 7, lines 17 of Mr. Mosier's testimony. Please identify and describe the referenced environmental compliance responsibilities. If there are documents setting forth internal governance for these responsibilities, please produce.

**Response 15.** Objection: EKPC objects to this request on the grounds that the request is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that is relevant to the subject matter of this proceeding or the Commission's review of and action on South Kentucky's application or the relief requested therein. Notwithstanding the foregoing objection, after a reasonable investigation, inquiry and review of available documentation, EKPC states as follows: See Response to Request 17 below.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 16**

**RESPONSIBLE PARTY: Don Mosier**

**Request 16.** Reference is made to page 10, lines 6-16 of Mr. Mosier's testimony. Please confirm that EKPC is admitting here its view that the capacity hedge component of South Kentucky's agreement with Morgan Stanley is not governed by Amendment 3 or the MOU.

**Response 16.** Yes, that is correct.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 17**

**RESPONSIBLE PARTY: Don Mosier**

**Request 17.** Reference is made to page 8, lines 7-13 of Mr. Mosier's testimony.

**Request 17a.** Please produce all forecasts made by or for EKPC respecting changes in environmental law from March 1, 2011 to present. If these forecasts are performed more frequently than on an annual basis, production of a representative forecast for the given year is adequate.

**Response 17a.** South Kentucky, through its Director on EKPC's Board (who is also a member of EKPC's Board Risk Oversight Committee) and its CEO (who is also a member of EKPC's Governance Committee), has full and complete knowledge of the extensive evaluation, assessment, forecasting, and risk balancing that EKPC undertakes with regard to environmental laws and regulations in place and those proposed on the state and federal levels in order to construct, operate, and maintain its fleet of assets in accordance with all applicable laws. To require EKPC to produce certain presentations or forecasts would be a significant burden. Those evaluations (which, I use synonymously as "forecasts"), both from a legal basis and an operational

one, are embedded and inherent in practically every Board and Committee meeting and occupy a significant amount of staff time in between. Moreover, they also occupy a substantial portion of EKPC's legal budget to accomplish this critical task, utilizing internal counsel and staff, as well as outside counsel, with specific Kentucky and national expertise (air, water, and waste). In addition, EKPC engages consultants with significant national legislative experience. In today's climate, and the climate over the last ten years, every electric utility with generating assets has been performing similar evaluations.

Many of the evaluations and presentations provided to EKPC's Board and Committees in this area were, and are, provided under attorney client privilege on many levels, are highly confidential, and would be impractical, if not impossible, to produce in a week to South Kentucky. Most importantly, it is not EKPC's burden to establish the degree to which EKPC exercises its legal duties. This Commission already knows the high degree to which EKPC evaluates environmental compliance and puts compliance into practice arm in arm with the Kentucky Energy and Environmental Cabinet under which this Commission sits. The burden to demonstrate to the Commission how the assets applicable to this Morgan Stanley contract for the next 20 years will supply energy under the same degree of environmental compliance control and regulatory oversight is South Kentucky's. It is also South Kentucky's burden, not EKPC's, to demonstrate that with this degree of environmental control and regulatory oversight, this contract with Morgan Stanley is just and reasonable to the ratepayers of Kentucky and not duplicative and unnecessary. This is South Kentucky's burden alone. EKPC carries its own burden for escalating

environmental costs with the Commission at every step in which these costs are incurred and permitted to pass through the surcharge mechanism or otherwise.

**Request 17b.** If there are no such forecasts, please explain whether the reference was to forecasts that are available for purchase, available as part of a subscription or affiliation or status or membership (including, but not limited to, membership in PJM), or otherwise generally available publicly.

**Response 17b.** It is impossible to identify all subscriptions, memberships and resources utilized by EKPC. See Response to Request 17a, however.



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 18**

**RESPONSIBLE PARTY: Don Mosier**

**Request 18.** Reference is made to page 8, lines 7-13 of Mr. Mosier's testimony.

**Request 18.** Please produce all projections made by or for EKPC of coal and natural gas pricing from May 2007 to present. If these projections are performed more frequently than on an annual basis, production of a representative projection for the given year is adequate.

**Response 18a.** Please see Case Nos. 2009-00106,<sup>1</sup> 2012-00149,<sup>2</sup> and 2015-00134<sup>3</sup> and specifically Table 8.(3)(b)(12) in each filing.

**Request 18b.** If there are no such projections, please explain whether the reference was to projections that are available for purchase, available as part of a subscription or affiliation or status

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<sup>1</sup> See *In the Matter of 2009 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.* Case No. 2009-0016, Filing dated April 22, 2009.

<sup>2</sup> See *In the Matter of 2012 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.* Case No. 2012-00149, Filing dated April 20, 2012.

<sup>3</sup> See *In the Matter of The 2015 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.* Case No. 2015-00134, Filing dated April 21, 2015.

or membership (including, but not limited to, membership in PJM), or otherwise generally available publicly.

**Response 18b.** See Response to Request 18a.

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**PSC CASE NO. 2018-00050**

**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 19**

**RESPONSIBLE PARTY: Don Mosier**

**Request 19.** Reference is made to page 8, line 17 of Mr. Mosier's testimony. Please identify all facilities (as that term is used by Mr. Mosier) that EKPC has in place to hedge against changes in federal and state environmental laws.

**Response 19.** See Response to Request 17a.

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**REQUEST 20**

**RESPONSIBLE PARTY:**           **Counsel**

**Request 20.**           Provide EKPC's unredacted response to the Commission Staff's Second Request for Information, Request 4 in Case No. 2017-00376, submitted February 16, 2018.

**Response 20.**           EKPC objects to this request as the information is in no way related to the subject of this proceeding. The response to the Commission Staff's Second Request for Information, Request 4 in Case No. 2017-00376 is the net present value analysis of the costs associated with two alternatives EKPC considered for compliance with the Disposal of Coal Combustion Residuals from Electric Utilities Rule and the Effluent Limitation Guidelines and Standards for the Steam Electric Power Generating Point Source Category. This analysis in no way is related to the evaluation of whether or not the proposed Morgan Stanley transaction is reasonable.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 21**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 21.** Provide EKPC's latest long range financial forecast, 10 years or longer, that has been approved by the Board of Directors and that was distributed to the owner-members of EKPC. If not evident from the forecast, please also indicate the date the forecast was distributed to the owner-members.

**Response 21.** The last long-range financial forecast approved by EKPC's Board of Directors is the 2015 Twenty-Year Financial Forecast, 2015-2034. This forecast was approved by the Board of Directors on April 7, 2015. South Kentucky provided a copy of this forecast in its response to EKPC's Supplement Request for Information, Item 1.

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REQUEST 22**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 22.** Provide EKPC's asset balances as of December 31, 2017, for each of the following: (a) cash, (b) special deposits, (c) temporary cash investments, and (d) cushion of credit.

**Response 22.** Please see EKPC's response to Item 53 of this request for subparts (a) through (c). The cushion of credit balance as of December 31, 2017 was \$506,144,584.

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REQUEST 23**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 23.** Provide calculations from EKPC's last rate case showing the cost breakdown of the energy charge for Rate Schedule E into the following components: fuel expenses, variable O&M expenses, fixed O&M expenses, depreciation expenses, margins (income).

**Response 23.** There were no calculations provided in EKPC's last rate case showing the cost breakdown of the energy charge for Rate Schedule E into the components identified in this request. In addition, the rates authorized by the Commission in that rate case were the result of settlement negotiations and such a detailed breakdown was not part of the settlement.

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**REQUEST 24**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 24.** Provide all documents produced in the last 36 months by or for EKPC that compare EKPC's financial or operating performance to other Generation and Transmission Cooperatives.

**Response 24.** EKPC neither produced nor requested the production of comparisons of its financial or operating performance to other Generation and Transmission Cooperatives.



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**REQUEST 25**

**RESPONSIBLE PARTY:**           **Mike McNalley**

**Request 25.**           Reference is made to page 12, lines 18 and 19 of Mr. Mosier's testimony and page 15, lines 12 and 16 of Mr. McNalley's testimony. If EKPC were to see a 10% to 13% annual escalation in NITS charges, could EKPC absorb those costs without the need for a rate increase?

**Response 25.**           EKPC cannot speculate as to whether it could or could not absorb annual increases in Network Integration Transmission Service ("NITS") charges without first evaluating all its costs and revenues. The determination of the need for a base rate increase is based on numerous financial factors and not just the single increase in one component of cost. EKPC would note that it has not sought an increase in its base rates since 2011. Thus, by controlling costs and taking advantage of opportunities to improve sales and lower costs, EKPC has managed to absorb cost increases from its operations, including NITS charges.

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**REQUEST 26**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 26.** Reference is made to page 12, lines 18 and 19 of Mr. Mosier's testimony and page 15, lines 12 and 16 of Mr. McNalley's testimony. Please explain why EKPC believes a cumulative escalation of greater than 1000% is realistic for NITS charges over the 20-year term. Please also explain what impact such escalation would have on EKPC rates to members.

**Response 26.** EKPC has identified the historic changes in NITS charges between the 2012-2013 and the 2017-2018 periods. These changes range from 8.7 percent to 19.0 percent, with a 5-year average of 13.1 percent. These historic trends clearly show that the escalation factor utilized by EnerVision in the net present value analysis was seriously understated. This is the best estimate available, and therefore it is realistic. The impact of NITS increases on EKPC rates is discussed in the response to Request 25.

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REQUEST 27**

**RESPONSIBLE PARTY: Counsel**

**Request 27.** Produce a copy of Board Policy No. 305. If Board Policy No. 305 was changed or modified at any time between its adoption in March 2004 up to its rescission in April 2016, please produce the changed or modified version or versions and indicate when the change or modification was made.

**Response 27.** Please see Attachment SK 27.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 28**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 28.** In the 12 months prior to South Kentucky giving notice of its Alternate Source designation, had EKPC undertaken any analysis in support of a future base rate increase, such as a cost of service study? If so, please describe EKPC's efforts in this respect and produce all related analyses.

**Response 28.** While EKPC continually monitors its financial performance, in the 12 months prior to South Kentucky giving notice of its Alternate Source designation EKPC did not undertake any formal analysis in support of a future base rate increase, such as a cost of service study.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 29**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 29.**           Reference is made to page 4, lines 21-24 of Mr. Campbell's testimony. Please provide the complete factual basis for Mr. Campbell's statement that Amendment 3 "was principally drafted by RUS for the primary purpose of extending the existing term of the Wholesale Power Contract", including but not limited to discussions between Mr. Campbell and representatives of RUS.

- a.       If not encompassed in the foregoing question, please also explain the intent or motivation of RUS for including Amendment 3.
- b.       Did RUS participate in any way in the development and drafting of the MOU? If the answer is yes, please explain in detail how RUS participated.
- c.       If any document or documents also are responsive to this request, please produce those documents.

**Response 29.**           Information responsive to the requests herein are reflected in the documents produced herewith. While I was not at EKPC during the negotiation and implementation of Amendment 3, I have been provided a historical summary of the genesis of Amendment 3, which

includes conversations with present and past Board members who were Board members at the time Amendment 3 was executed and the review of Board minutes from the period when Amendment 3 was implemented. A sampling of those Board minutes is attached hereto (but these are not to be construed as fully exhaustive). See Attachment SK 29 & 31 (all parts).

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**REQUEST 30**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 30.**           Reference is made to page 6, lines 5-10 of Mr. Campbell's testimony.

**Request 30a.**           Please identify the owner-member referenced here (i.e., for the 2010 election).

**Response 30a.**        Jackson Energy Cooperative ("Jackson").

**Request 30b.**        Please produce all documents relating to or reflecting the suggestions that Mr. Campbell references.

**Response 30b.**        See Documents produced.

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**REQUEST 31**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 31.**           Reference is made to page 6, lines 10-11 of Mr. Campbell's testimony.  
Please produce all documents relating to the referenced "extensive discussions".

**Response 31.**           See the attachments included in the Response to Request 29.



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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 32**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 32.**           Reference is made to page 7, lines 1-2 of Mr. Campbell's testimony. Please identify the three owner-members of EKPC referenced here.

**Response 32.**           Jackson, Owen Electric Cooperative ("Owen"), and Salt River Electric Cooperative Corporation ("Salt River").

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**REQUEST 33**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 33.**           Reference page 10, lines 15-19, of Mr. Campbell’s Direct Testimony. Provide a copy of all Commission orders or other documents—or reference to the appropriate Commission docket(s)—wherein the Commission has provided EKPC “significant encouragement” to make “steel on the ground” investments.

**Response 33.**           Please see the citation included in Mr. Campbell’s Direct Testimony at footnote 6. Specifically, the Commission stated in that Order, “The Commission believes it is important to maintain the limitation for recovery through the FAC of ‘non-economy energy purchases’ in order to incentivize utilities to keep outages to a minimum and *to have sufficient capacity to meet load.*” (emphasis added) In that case, the Commission denied EKPC’s recovery through the FAC mechanism of purchased power costs of \$8,538,787.

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**REQUEST 34**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 34.**           Reference is made to page 16, lines 4-6. Please state when Mr. Campbell first learned of each of the three owner-members' preparations to sign purchase power agreements, and provide all known details about such preparations, including but not limited to supply amount to be purchased, whether it involved energy or capacity or both, and the term.

**Response 34.**           Notices from Owen, Salt River, and Jackson would have been EKPC's first indication of those cooperatives' intent to purchase from a third party. Each provided notice that it was purchasing from PJM. The notices provide the requested information and have been produced. See Attachment SK 34.

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**REQUEST 35**

**RESPONSIBLE PARTY: Anthony S. Campbell**

**Request 35.** Reference is made to page 16, lines 11-12 of Mr. Campbell's testimony.  
Please produce any documents evidencing the statement "I raised this concern to South Kentucky."

**Response 35.** See Attachment SK 35, 36 & 37.

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**REQUEST 36**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 36.**           Reference is made to page 20, lines 18-21 of Mr. Campbell's testimony. Please produce all documents evidencing the referenced adamant advocacy. If there are no documents, please identify all instances where such advocacy took place.

**Response 36.**           See Attachment SK 35, 36 & 37.

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REQUEST 37**

**RESPONSIBLE PARTY:           Anthony S. Campbell**

**Request 37.**           Reference is made to page 20, line 24 through page 21, line 3 of Mr. Campbell's testimony. Please produce all documents evidencing the referenced vocal advocacy. If there are no documents, please identify all instances where such vocal advocacy took place.

**Response 37.**           See Attachment SK 35, 36 & 37.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 38**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 38.** Produce the printouts of all production cost modeling runs undertaken by or on behalf of EKPC by which it has analyzed what the potential impact on EKPC's fuel and variable operation and maintenance expenses would be, assuming that South Kentucky's petition is approved. For any such runs, please identify the production cost modeling software used to perform the analyses.

**Response 38.** EKPC has not analyzed the proposed South Kentucky transaction utilizing production cost modeling runs. The estimated cost impacts discussed by EKPC were based on a review of 12 months of actual historic South Kentucky bills.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 39**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 39.** Produce the printouts of all production resource optimization modeling runs (of the type used by or on behalf of EKPC in connection with its Integrated Resource Plan filed with the Commission) showing the long-range impact on EKPC's capacity and DSM resources with and without the South Kentucky load corresponding to the Alternate Source designation.

**Response 39.** EKPC has not performed any optimization modeling to account for South Kentucky's proposed load modification. EKPC will file its next IRP with the Commission in April, 2019, and, in the event South Kentucky's petition is approved, that transaction will be taken into account in that filing.

**Request 39a.** For any such runs, please identify the resource planning optimization model software used to perform the analyses.

**Response 39a.** See Response to Request 39.



**Request 39b.** Also provide any present value revenue requirement analyses undertaken by EKPC reflecting its future capacity and DSM resources with and without the South Kentucky load corresponding to the Alternate Source designation.

**Response 39b.** EKPC has not analyzed the proposed South Kentucky transaction utilizing production resource optimization modeling runs. EKPC has not prepared any present value revenue requirement analyses of the proposed South Kentucky transaction. Please also see the Response to Request 38.

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**REQUEST 40**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 40.** Describe what effect South Kentucky's proposed Alternate Source designation would have on EKPC's future capacity resource and DSM requirements, if the petition is approved by the Commission.

**Response 40.** EKPC has not modeled the impact of the proposed Morgan Stanley transaction which would become effective on June 1, 2019 on its future capacity resource and DSM requirements.

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REQUEST 41**

**RESPONSIBLE PARTY:** Mike McNalley

**Request 41.** Reference Page 5, lines 17-20 of Mr. McNalley's Direct Testimony.

**Request 41a.** Identify which variable costs "will be avoided by no longer needing" to supply the load.

**Response 41a.** An example would be fuel costs to generate the electricity that South Kentucky would have purchased from EKPC. If EKPC is delivering 508,080 MWh per year less, then EKPC would not be generating this energy or burning the fuel.

**Request 41b.** Identify the "remaining variable costs" that cannot be avoided and "will have to be recovered."

**Response 41b.** An example would be maintenance expense, which includes some avoidable amounts due to less run hours on the generators and some non-avoidable costs such as maintenance that is time-based (as opposed to run-hours based) and maintenance staff costs.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 42**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 42.** Reference page 9, lines 1-12, of Mr. McNalley's testimony. Assuming EKPC no longer must serve South Kentucky's load corresponding to its Alternate Source designation as of June 1, 2019:

**Request 42a.** When would EKPC be required to file a base rate increase and what would be the amount of the increase?

**Response 42a.** The timing and amount depend on the entire financial outlook, rather than any single issue. However, this load has such a large impact that it is likely EKPC would need a base rate increase very close to June 1, 2019.

**Request 42b.** In what percentages would the FAC and the ES increase and when would those percentage increases be effective?

**Response 42b.** Without a specific determination of the change in FAC costs or the ES revenue requirement, it is difficult to accurately state the percentage change in either the FAC or ES. The FAC would also be impacted by the loss of 508,080 MWh in annual sales and the ES would be impacted by the reduction in average Member Revenues. The impacts on the FAC and ES would be seen in the first month after the effective date of the transaction, and would reflect the full effect after the first year.

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REQUEST 43**

**RESPONSIBLE PARTY:** Mike McNalley

**Request 43.** Reference page 9, lines 9-12, of Mr. McNalley's testimony.

**Request 43a.** Provide a detailed definition of the term "non-bypassable rate", including the principal characteristics of such a rate.

**Response 43a.** EKPC may evaluate new rate designs with the intent of preventing future cost shifting as a result of Amendment 3 notices or similar actions. These might take the form of a fixed monthly capital recovery charge, for example, or other rate design(s) intended to ensure that owner-members pay their fair share of all long-term cost commitments EKPC makes to serve their load. This effort is in preliminary internal discussion stages; substantial additional research and analyses will be necessary, followed by board authorization, prior to making any proposal to the Commission. EKPC's efforts in rate design would be to ensure that all owner-members are treated fairly and pay appropriately designed legal rates so that cost shifting and stranded costs are avoided or at least minimized. Thus, any proposed change to our rate design would apply to all owner-members.

**Request 43b.** Provide an example of a non-bypassable rate being used by EKPC today.

**Response 43b.** An example of a non-bypassable rate currently being used by EKPC today would be the substation charge.

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**REQUEST 44**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 44.** Provide MM-1, MM-2 and MM-3 in their native format and all associated workpapers.

**Response 44.** Excel spreadsheets and workpapers are attached; see Attachment SK 44 – Exhibit MM-1. Consistent with South Kentucky's pending request for confidential treatment of its response to EKPC's First Information Request, Item 26, the Excel spreadsheets that constitute MM-2 and MM-3 are treated as confidential and filed separately.



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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 45**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 45.** Provide the annual kWh, 12-month billing demands (sum of monthly billing demands), annual revenue (billings), and average annual price paid by each owner-member during the calendar year 2017 under Rate E.

**Response 45.** Please see Attachment SK 45 & 54a – December 2017 Report 330.

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**REQUEST 46**

**RESPONSIBLE PARTY:** Mike McNalley

**Request 46.** Indicate whether the average price per kWh paid by each owner-member during 2017 is exactly the same for each cooperative under Rate E. If not, then provide a detailed explanation for why the price paid by each owner-member is not the same.

**Response 46.** The rates EKPC charges for demand, energy, FAC, environmental surcharge, metering point, and substation charges are the same for each owner-member under Rate E. All of the owner-members during 2017 utilized the Rate E2 option. However, the average price per kWh paid by each owner-member is not exactly the same. This is due to several factors. Rate E is applicable to all power usage at the load center not subject to the provisions of the other rate offerings of EKPC. The mix of residential, commercial, and industrial customers served by the owner-members will be different and the load factors for each owner-member will reflect that mix. The mix and load factors will affect the average price calculations shown under Rate E. In addition, EKPC has four different levels for substation charges. The number and size of substations varies between owner-members and the corresponding substation charges are included in the Rate E schedule provided in response to Request 45. Lastly, from time to time customers are subject to power factor penalties, which are also reflected in the total charges under Rate E.

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REQUEST 47**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 47.** Please provide the projected wholesale power costs and the projected transmission costs for each owner-member of EKPC for the years 2018-2038. If EKPC states that this information is unavailable, please provide the requested information for the years that EKPC has it available.

**Response 47.** EKPC has not projected the wholesale power costs and projected transmission costs for *each owner-member* of EKPC for the stated period, nor is it under an obligation to create such projections for purposes of responding to a request for information. For the most recent Board-approved cost projections for the EKPC system in total, please see the 2015 Twenty-Year Financial Forecast 2015-2034.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 48**

**RESPONSIBLE PARTY:** Mike McNalley

**Request 48.** Reference page 14, lines 5-12, of Mr. McNalley's testimony. Please explain what EKPC believes an appropriate escalator for an agency fee would be?

**Response 48.** South Kentucky first provided its initial listing of four minimum items to be included in the agency agreement in its response to the Commission Staff's First Request for Information, Item 16. It later expanded this list to 14 items in its response to EKPC's Supplemental Data Request, Item 4. Consequently, determining the "appropriate" escalation factor cannot be performed at this time. However, it clearly is unreasonable to assume the agency fee would not change during the 20-year period. Assuming a fixed agency fee for the period would likely result in cost-subsidization of South Kentucky's agency agreement by the other owner-members.

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**REQUEST 49**

**RESPONSIBLE PARTY:**            **Mike McNalley**

**Request 49.**            Reference page 15, lines 1-2, of Mr. McNalley's testimony. In the 2015 Long Range Financial Forecast, the FAC is projected to change from a credit to a charge in year 2019 and increase each year for the remainder of the forecast. Please explain why Mr. McNalley determined it appropriate to nevertheless adjust the base energy rates in MM-2 and MM-3 to reflect an FAC credit for all years.

**Response 49.**            The 2015 Long Range Financial Forecast, like any financial forecast, reflects the conditions and assumptions relevant at the time it was prepared. The 2015 Long Range Financial Forecast was adopted by EKPC's Board of Directors over three years ago on April 7, 2015. That forecast reflected among other things the then-current estimates of the costs of compliance with environmental rules (including the Clean Power Plan), the amortization of the Smith 1 regulatory asset, and the implementation of a capacity market benefit mechanism. It did not reflect the purchase of the Bluegrass generating station, which was completed at the end of 2015. As operating conditions and assumptions change, so will the results of any future financial

forecasts. To assume that the expectations expressed in the 2015 Long Range Financial Forecast are today relevant to cost projections beginning in 2020 is not appropriate.

In modeling the potential cost savings South Kentucky could expect from the proposed Morgan Stanley transaction, EKPC believes that it is more appropriate to consider the actual fuel costs rather than simply escalating the base fuel costs incorporated into existing base energy rates. For the FAC expense months of July 2009 through February 2018, EKPC has experienced a negative FAC factor in all but 18 of the 104 expense months. Absent a detailed analysis of expected fuel and market prices, which South Kentucky did not undertake, EKPC believes it is reasonable to recognize historic performance. It certainly would be more reasonable than relying on a financial forecast which is already 3 years old.

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**REQUEST 50**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 50.** Reference page 15, lines 1-2, of Mr. McNalley's testimony. Please explain why Mr. McNalley determined it appropriate to add the FAC, while excluding the Environmental Surcharge (ES), from MM-2 and MM-3?

**Response 50.** In order to accurately portray EKPC's actual fuel costs, it is necessary to look at both the base fuel cost incorporated into the energy rates and the FAC factors. Thus, it was appropriate to recognize the FAC in the net present value analysis. The Environmental Surcharge is a separate and distinct cost recovery mechanism which does not involve EKPC's actual fuel costs. Therefore, there was no need to include the Environmental Surcharge when considering EKPC's actual fuel costs. It should also be noted that South Kentucky did not include the Environmental Surcharge in its net present value analysis.

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PSC CASE NO. 2018-00050

## RESPONSE TO INFORMATION REQUEST

## SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18

## REQUEST 51

RESPONSIBLE PARTY: Mike McNalley

**Request 51.** Please provide EKPC's MWh sales for the months December 2016 through March 2017.

**Response 51.** EKPC is providing the total MWh sales to the owner-members for all of 2016, 2017, and the first three months of 2018. The sales do not include the MWh sales in steam service nor do they include off-system sales. It should be remembered that these are actual sales and have not been weather normalized.

Month	2016	2017	2018
January	1,369,810	1,200,768	1,497,149
February	1,165,352	969,106	1,035,671
March	961,796	1,045,449	1,125,672
April	882,708	862,982	
May	901,296	926,435	
June	1,049,182	1,001,513	
July	1,146,737	1,151,833	
August	1,167,877	1,059,986	
September	980,675	908,150	
October	847,426	909,531	
November	951,103	1,001,173	
December	1,248,995	1,300,306	



**EAST KENTUCKY POWER COOPERATIVE, INC.**

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 52**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 52.** Please provide EKPC's MWh sales for the months December 2017 through March 2018.

**Response 52.** Please see the Response to Request 51.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

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**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 53**

**RESPONSIBLE PARTY: Mike McNalley**

**Request 53.** Provide a copy of EKPC’s Form 1 for the calendar year 2017, as filed with the Federal Energy Regulatory Commission (“FERC”). If the 2017 Form 1 has not been filed with the FERC, please provide EKPC’s current draft of the document.

**Response 53.** EKPC does not file the FERC Form 1 with FERC. It does file the FERC Form 1 with the Commission. Please see Attachment SK 53 – 2017 FERC Form 1.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**  
**REQUEST 54**

**RESPONSIBLE PARTY:**           **Mike McNalley**

**Request 54.**           For each owner-member served under Rate Schedule B, C, D, E, provide the following information by owner-member and rate schedule:

**Request 54a.**           The Environmental Surcharge billings to the owner-member during calendar year 2017;

**Response 54a.**           Please see the schedules from the December 2017 billing invoices which are provided as an attachment to the Response to Request 45. Also note there is no Rate Schedule D – the Rate D reference in EKPC's tariff is to a rider for interruptible service.

**Request 54b.**           The net revenues (R(m) as defined in the Environmental Surcharge) from the owner-member during the calendar year 2017; and

**Response 54b.**           EKPC does not calculate R(m) at the level of detail as described in this request. As defined in EKPC's tariffs, R(m) is defined as "the average monthly revenue, including

base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve (12)-months ending with the current expense month.” R(m) is not calculated by rate schedule nor by individual owner-member. Attached as page 3 of 3 to this response is a copy of ES Form 3.0 from the monthly surcharge filing for the December 2017 expense month that shows the determination of R(m). All the owner-members, including South Kentucky, receive a copy of the monthly surcharge filings.

**Request 54c.** The total kWh billed to the owner-member (per rate schedule) during the corresponding 2017 calendar year.

**Response 54c.** Please see the Response to Request 54a.

**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Report  
Monthly Average Revenue Computation of R(m)**

Form 3.0

**For the Expense Month Ending December 31, 2017**

Revenues from Member Systems						Total Company Revenues		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Month	Base Rate Revenues	Fuel Clause Revenues	Environmental Surcharge Revenues	Total (2)+(3)+(4)	Total Excluding Environmental Surcharge (5)-(4)	Off-System Sales	Total (5)+(7)	Total Excluding Environmental Surcharge (8)-(4)
Jan-17	\$ 74,488,327	\$ (3,861,613)	\$ 11,962,514	\$ 82,589,228	\$ 70,626,714	\$ 6	\$ 82,589,234	\$ 70,626,720
Feb-17	\$ 61,436,126	\$ (3,847,684)	\$ 6,465,992	\$ 64,054,434	\$ 57,588,442	\$ 37,794	\$ 64,092,228	\$ 57,626,236
Mar-17	\$ 64,833,449	\$ (7,703,370)	\$ 7,015,772	\$ 64,145,851	\$ 57,130,079	\$ 61,483	\$ 64,207,334	\$ 57,191,562
Apr-17	\$ 51,015,792	\$ (4,155,458)	\$ 7,385,191	\$ 54,245,525	\$ 46,860,334	\$ 11	\$ 54,245,536	\$ 46,860,345
May-17	\$ 55,749,075	\$ (4,882,575)	\$ 7,847,085	\$ 58,713,585	\$ 50,866,500	\$ 988,756	\$ 59,702,341	\$ 51,855,256
Jun-17	\$ 61,112,093	\$ (5,032,635)	\$ 11,149,952	\$ 67,229,410	\$ 56,079,458	\$ 140,607	\$ 67,370,017	\$ 56,220,065
Jul-17	\$ 69,930,630	\$ (7,466,838)	\$ 11,328,230	\$ 73,792,022	\$ 62,463,792	\$ 1,355	\$ 73,793,377	\$ 62,465,147
Aug-17	\$ 64,597,425	\$ (5,596,422)	\$ 10,484,453	\$ 69,485,456	\$ 59,001,003	\$ 258,468	\$ 69,743,924	\$ 59,259,471
Sep-17	\$ 53,612,530	\$ (6,329,610)	\$ 7,524,262	\$ 54,807,182	\$ 47,282,920	\$ 831,869	\$ 55,639,051	\$ 48,114,789
Oct-17	\$ 52,872,978	\$ (2,409,185)	\$ 8,857,196	\$ 59,320,989	\$ 50,463,793	\$ 21,754	\$ 59,342,743	\$ 50,485,547
Nov-17	\$ 58,931,411	\$ (3,268,982)	\$ 11,428,536	\$ 67,090,965	\$ 55,662,429	\$ 147,326	\$ 67,238,291	\$ 55,809,755
Dec-17	\$ 76,026,550	\$ (2,994,783)	\$ 13,062,314	\$ 86,094,081	\$ 73,031,767	\$ 991	\$ 86,095,072	\$ 73,032,758
<b>Totals</b>	<b>\$ 744,606,386</b>	<b>\$ (57,549,155)</b>	<b>\$ 114,511,497</b>	<b>\$ 801,568,728</b>	<b>\$ 687,057,231</b>	<b>\$ 2,490,419</b>	<b>\$ 804,059,147</b>	<b>\$ 689,547,650</b>
Average Monthly Member System Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.					\$57,254,769			
Member System Allocation Percentage for Current Month (Environmental Surcharge excluded from Calculations): Column (6) / Column (9) =								99.64%

**EAST KENTUCKY POWER COOPERATIVE, INC.**

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**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 55**

**RESPONSIBLE PARTY:**            **Mike McNalley**

**Request 55.**            For the calendar year 2017, provide the amount of Environmental Surcharge revenue that was allocated to off-system sales, the net revenue (i.e., R(m) as defined in the Environmental Surcharge), and the kWh corresponding to the off-system sales.

**Response 55.**            Environmental Surcharge revenues are not allocated to off-system sales and R(m) is not calculated for off-system sales. However, a portion of the monthly total surcharge revenue requirement, E(m), is allocated to off-system sales. Each month, EKPC identifies its off-system sales revenues on ES Form 3.0. The off-system sales revenues are included in the determination of the total company revenues, which in turn is used to determine the Member System Allocation Percentage. The Member System Allocation Percentage is then applied to the total surcharge revenue requirement, E(m), for the month to determine the portion of E(m) that will be billed to the owner-members. This calculation is shown on ES Form 1.1, which all the owner-members, including South Kentucky, receive a copy of each month. For 2017 the Member System Allocation Percentage ranged between 99.20 percent and 99.64 percent, with an average of 99.44 percent. This means that between 0.80 percent and 0.36 percent of the monthly E(m) was

allocated to off-system sales. As reported in FERC Form 1, the total off-system sales for 2017 were 548,528,000 kWh.

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**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 56**

**RESPONSIBLE PARTY: David Crews**

**Request 56.** Reference is made to page 8, lines 11-16, of the testimony of Mr. Mark Stallons. State whether EKPC views the notice of election amendment by Owen Electric (from September 1, 2019 to March 1, 2020) as a permissible action under the MOU? If so, please cite the provision of the MOU permitting same. Please also provide a copy of the amendment received by EKPC from Owen Electric.

**Response 56.** Neither Amendment 3 nor the Memorandum of Understanding (“MOU”) provide for revisions or waivers to a notice in this manner. However, if an owner-member requested a revision to a notice, it is within the authority of the Board to waive a notice requirement or allow a notice to be revised. Also, see Attachment SK 56.



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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 57**

**RESPONSIBLE PARTY: David Crews**

**Request 57.** Please identify the provision in either Amendment 3 or the MOU that requires South Kentucky to become a member of PJM. If there is no such provision, please confirm (a) that EKPC is requiring South Kentucky to become a member of PJM as a result of its Alternate Source designation, and (b) explain why EKPC is requiring South Kentucky to become a member of PJM.

**Response 57.** Please see EKPC's response to the Commission Staff's First Request for Information, Request 4.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 58**

**RESPONSIBLE PARTY: David Crews**

**Request 58.** Please state whether EKPC would permit South Kentucky to engage an agent other than EKPC, for purposes of the Alternate Source, if the petition is approved. If EKPC's response is no, please explain why not.

**Response 58.** The MOU requires EKPC to act as the agent for Alternate Sources that are delivered by the transmission system. To change this provision would require a revision to the MOU which, in turn, would require Board approval by all 16 owner-members.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

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**RESPONSE TO INFORMATION REQUEST**

**SOUTH KENTUCKY’S FIRST REQUEST FOR INFORMATION DATED 04/18/18  
REQUEST 59**

**RESPONSIBLE PARTY:** Mike McNalley

**Request 59.** Please provide a quantification of the annual costs, by cost type, that have been shifted to EKPC’s owner-members as a result of the Alternate Source designations made prior to South Kentucky’s notice under Amendment 3 and the MOU.

**Response 59.** The six Alternate Source notices occurring prior to South Kentucky’s November 28, 2017 notice reflected the following load reductions and delivery dates:

Owner-Member	Project	MW	Delivery Date
Farmers	Federal Mogul DG	3.6	2005
Jackson	Irvine LFGTE	1.6	10/2013
Salt River	Lock 7	2.0	2013
Jackson	Dupree Energy Sys	1.0	03/2015
Farmers	Glasgow LFGTE	1.0	11/2015
Owen	Owen Office	2.0	2016

The total load represented by the six Alternate Source notices was 11.2 MW. None of the four owner-members submitting these notices utilized their full 5 percent load share and none of the notices involved a purchased power agreement. The notices involved landfill gas generating projects, distributed generation projects, and renewable source generation. Given the size of the

individual Alternate Source notices and the anticipated delivery dates, the impacts of any cost shifting would have been minor, manageable and within the original intended use of Amendment 3.

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**SOUTH KENTUCKY'S FIRST REQUEST FOR INFORMATION DATED 04/18/18**

**REQUEST 60**

**RESPONSIBLE PARTY: David Crews**

**Request 60.** Reference pages 10-11 of the testimony of Mr. Stallons. Does EKPC agree with the statement that the 18-month notice of cancellation provision in Amendment 3 and the MOU can be waived?

**Request 60a.** If so, please explain the basis for that view.

**Response 60a.** The notice to be discussed is a notice that is for an Alternate Source that is greater than 5 MWs. For an Alternate Source greater than 5 MWs, a notice period of 18 months is required per Section 4.B of the MOU. Notice to cancel an Alternate Source and return to the load to the Wholesale Power Contract ("WPC") is addressed in Section 4.D of the MOU and for an Alternate Source greater than 5 MWs requires a minimum of 18 months' notice. South Kentucky has given a notice that it will serve 58 MWs of its load with a PJM power supply. Mr. Stallons' comments speak to the circumstance that should the Commission not approve the Morgan Stanley contracts, South Kentucky could be subject to market pricing in PJM without the protection of a contract to hedge its load. If South Kentucky desired and gave notice to bring the load back under the WPC after a rejection of the Morgan Stanley contract by the Commission, a

strict interpretation of the MOU would leave South Kentucky in the PJM market subject to market risk starting June 1, 2019 for a period defined by the time between November 28, 2017 and the date when South Kentucky provides EKPC notice to return the load to the WPC. Our interpretation of Mr. Stallons' comments is that he believes the EKPC Board would certainly consider allowing South Kentucky to withdraw its notice of November 28, 2017 and continue to take service under the WPC without subjecting South Kentucky to PJM market risk. A deviation from the MOU could require all 16 owner-member boards to approve or it may be able to be approved by a unanimous EKPC Board.

**Request 60b.** Please produce any email correspondence between EKPC and Owen Electric Cooperative relating to the waiver of the 18-month notice of cancellation provision.

**Response 60b.** Please see the material provided in response to Request 34 for all correspondence between EKPC and Owen related to the notice.

**Request 60c.** Please describe all discussions between EKPC and Owen Electric Cooperative relating to the waiver of the 18-month notice of cancellation provision.

**Response 60c.** EKPC is not aware of any discussions between EKPC and Owen related to the waiver of the 18-month notice of cancellation provision.