

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

In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY RURAL )  
ELECTRIC COOPERATIVE CORPORATION FOR ) Case No. 2018-00050  
APPROVAL OF MASTER POWER PURCHASE AND )  
SALE AGREEMENT AND TRANSACTIONS THEREUNDER )

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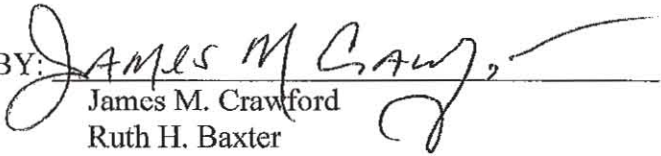
**RESPONSE OF OWEN ELECTRIC COOPERATIVE, INC.  
TO JACKSON ENERGY'S REQUESTS FOR INFORMATION**

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Respectfully submitted,

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CERTIFICATE OF SERVICE

Pursuant to 807 KAR 5:001 Section 6, the undersigned certifies that consistent with 807 KAR 5:001 Section 4(8)(d)(3), a copy of this document has been electronically served upon the following, on this the 27<sup>th</sup> day of April, 2018:

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Hon. James M. Crawford

Witness: Mark Stallons

**Owen Electric Cooperative, Inc.**

**Case No. 2018-00050**

**Jackson Energy's Request for Information**

1. Have you reviewed the filed testimony of the parties in this matter, and in particular the proposals put forward by East Kentucky Power Cooperative and others to reform Amendment 3 to the wholesale power contract and the memorandum of understanding among the parties concerning the amount of electricity that a distribution cooperative may purchase from an alternate source?

**Response:** Yes, I have reviewed the filed testimony of the parties in this PSC case.

Witness: Mark Stallons

**Owen Electric Cooperative, Inc.**

**Case No. 2018-00050**

**Jackson Energy's Request for Information**

2. If you have reviewed this testimony, do you have a recommendation for a solution to resolve the issues with Amendment 3 and the memorandum of understanding among the parties? If so, please state in detail what your recommendation may be.

**Response:** First, I was not involved in the drafting or adoption of Amendment 3, however I believe that document was not thoroughly thought through by its drafters and its provisions are inherently flawed and inequitable in that it allows large Alternate Source elections without any provision to reduce or eliminate the resultant cost-shifts to the other cooperatives. Further, I believe the proposed transaction by South Kentucky is unfair and inequitable in that it shifts fixed costs and Environmental Surcharge costs to the other Cooperatives, and should not be permitted. However, I realize South Kentucky is only attempting to do what they believe they are permitted to do pursuant to the terms of the flawed Amendment 3, and the MOU.

Second, I believe East Kentucky Power ("EKPC") and the sixteen distribution cooperatives can, and should, negotiate a reasonable resolution of the inequities inherent in Amendment 3 and the MOU. One such resolution could include limiting the size and/or type of Alternate Source elections under Amendment 3 and the MOU. Another such resolution could include requiring a cooperative who submits an Alternate Source election over a certain size threshold to pay the fixed costs and Environmental Surcharge costs that would otherwise be shifted to the other cooperatives by the election.

Finally, although I believe the proposed transaction by South Kentucky should not be permitted nor approved by this Commission, I believe EKPC and the sixteen (16) distribution Cooperatives should be given the opportunity to renegotiate the inequitable terms contained in the Amendment 3 and the MOU which have been highlighted by these proceedings.