

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

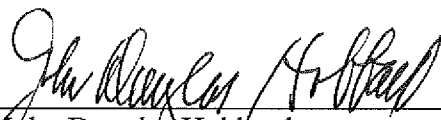
THE APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR) Case No. 2018-00050
APPROVAL OF MASTER POWER PURCHASE AND)
SALE AGREEMENT AND TRANSACTIONS THEREUNDER)

REPLY OF SALT RIVER ELECTRIC COOPERATIVE CORPORATION'S
TO EAST KENTUCKY POWER COOPERATIVE, INC.'S
MOTION TO STRIKE RESPONSE OF SALT RIVER ELECTRIC
COOPERATIVE CORPORATION'S RESPONSE TO MOTION TO STRIKE REPLY

Respectfully submitted,

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BY: 

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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 7 day of August, 2018:

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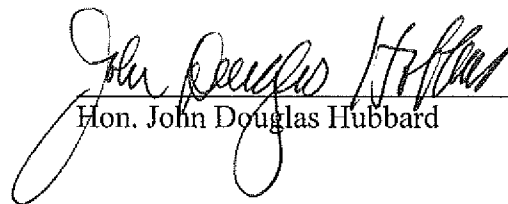
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Hon. John Douglas Hubbard

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This Brief is presented by Salt River Electric Cooperative Corporation (herein Salt River), pursuant to the Commission's Order of July 23, 2018 directing Salt River Electric to file its reply to responses to strike page 43, line 6 through page 55 due to EKPC's actions in regard to a resolution adopted by EKPC's board long after the proof was finished in this action.

The issues raised by EKPC in its Response to Salt River's Motion to Strike are:

1. That the meeting creating the resolution was not secret and improper because EKPC did not invite the counsel for each cooperative. However, they do not deny that trial counsel for the other parties of the matter pending before the commission, were not notified nor was there any showing that the general counsel for the various distribution cooperatives were notified. EKPC's excuse seems to be claiming that Salt River did the same thing by issuing an invitation to the managers and CEOs of all parties for them, who actually wrote the MOU which is in controversy in this matter to come together and see if they could come up with some suggestions or thoughts in making the MOU for Amendment 3 more workable.

Interestingly EKPC wants to claim Salt River's actions were unethical but EKPC's were justified. Our response to that very simply is that Salt River's invitation to the managers and CEOs was certainly not secret, that that group was the group who originally created and wrote the MOU. Despite the implication of EKPC none of those invited by SRECC were individual parties to the matter before the Public Service Commission. Point of fact, all of the members of the Board of Directors of EKPC are board members of their individual distribution cooperatives. If EKPC was just trying to get ideas they could share with the Commission that would be one thing. However, when they use those actions to create evidence that they want the Commission to believe shows everybody is in favor of what EKPC wants then we feel that they've crossed the line. That is the reason why a valid suggestion of EKPC was when it became evidence created as a resolution passed by the Board should be stricken. It should be noted that Salt River never had the meeting to which it had invited the CEOs and Managers.

East Kentucky's claim that we violated the ethics law we believe is erroneous, but it shows that they don't want to accept any responsibility for their actions but try just to throw mud at someone else.

2. Reply to Salt River's Response. Quite frankly we had trouble following EKPC's contention in regard to this section. First of all on page 4, first they start out by claiming that Amendment 3's maximum limitation of 5% of EKPC's load is a requirement of RUS. Certainly, if that came up during the testimony I missed it. But what we are talking about in our suggestions are ideas to be considered in working upon the problem that EKPC has helped create particularly by spending a million dollars fighting Grayson when Grayson wanted to avail itself of an alternate source.

EKPC suggests that Salt River fails to acknowledge that in the last several years that there have been substantial changes following the management audit and that EKPC has become incredibly competitive with LG and EKV in cost of service. Salt River certainly acknowledges that since the management audit and mainly with guidance and direction from the Commission, EKPC is trying to do better and is doing better to resolve the problem EKPC created. However, EKPC has yet to pay capital credits, still owes 2.9 billion dollars and we believe is destined to be asking for another rate increase within a year, and should spend more time working on its problems and less time bragging about how well it thinks it's doing. EKPC has reached a point with its equity that it should be paying capital credits. Unfortunately, the failure to do so can only lead to speculation that they are accumulating money to buy something.

We appreciate the quote part of the quote on page 5:

The directors of EKPC . . . have an obligation to either seek an increase or decrease in EKPC's base rates when the balance between low rates for end users and sufficiently high rates to EKPC viability falls out of equilibrium. Though there is a constant friction between these interests, it is on EKPC's board members voluntarily undertake.

Are things out of equilibrium when distribution coops can purchase electricity so much cheaper from the market? Are things out of equilibrium when EKPC does not seem to understand that you can save money by making cuts rather than constantly needing rate increases?

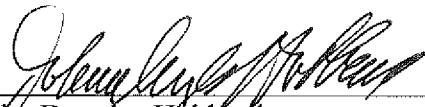
Lastly, EKPC claims they represent the views embraced by the EKPC family of cooperatives. First it is not EKPC's family of cooperatives. It is the group of distribution cooperatives that own EKPC. That seems to be a fact that for at least 50 years EKPC, gives only lip service to.

We strongly deny that the cooperative family would be breaking contracts and wasting its money to deny its family's contractual rights. The only one to benefit from denying South Kentucky its contractual rights getting rid of the alternate source right of Amendment 3 and MOU is east Kentucky Power Cooperative Inc.

Respectfully submitted,

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