

## Gwyn Willoughby

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**From:** David Crews  
**Sent:** Tuesday, November 28, 2017 10:04 AM  
**To:** Mike McNalley  
**Cc:** Don Mosier; Tony Campbell  
**Subject:** RE: Updated Amendment Three Notice

I don't have a lot of details about their contract at this time.

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**From:** Mike McNalley  
**Sent:** Tuesday, November 28, 2017 5:47 AM  
**To:** David Crews  
**Cc:** Don Mosier ; Tony Campbell  
**Subject:** Re: Updated Amendment Three Notice

Since this isn't tagged to a specific load or loads, how will we/they determine KWh, especially on peak days (polar vortex) - their system average?

This is a block purchase of 58 MWs 100% load factor. This is one of the things the MOU did to accommodate A3s.

Their physical supply will be from PJM. The transaction they do will hedge their physical supply. I don't know many details of the transaction. Dennis has told me they are looking at a 20 year deal with Morgan Stanley for the energy and a deal with Calpine for the capacity. That's all I know.

Are they going to have their own NERC compliance and MOC or are we contracting for that - and who wears those risks? Wouldn't it be easier and maybe cheaper to just have us buy a slice from the market and designate it to them? The MOU calls for us to handle the PJM part of the deal for them. I don't know if we will be part of the admin of the hedge. The whole A3 is a false economy because one saves at the expense of the other 15. The way we handle it now yields the lowest cost power supply for the 16.

Does ACES have a role in this? Yes – The MOC and ACES expense is captured in an admin fee.

They will need PSC permission to become a PJM member - I would bet Cicero applauds them for finding cheaper power but they and the other 15 will pay higher rates after our next rate case to compensate for the fixed charges that they bypass (if any) with this. They also could have some pretty significant price volatility to explain to the members and PSC. I think they have some risk on the hedge because it will essentially be a financial transaction and should it be more costly than their physical supply will they be able to pass it through the fuel clause.

I think this violates the intent of RUS in approving A3 - which was to allow for renewables on the distribution systems. But it probably doesn't violate the wording of A3.

Mike McNalley  
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On Nov 27, 2017, at 4:57 PM, David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)> wrote:

Latest draft notice from SK. Just a few minor changes from the red line I sent them back over the holiday.

I expect SK to give notice before the end of the week.

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**From:** Dennis Holt [<mailto:dholt@skrecc.com>]

**Sent:** Monday, November 27, 2017 3:46 PM

**To:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Subject:** Updated Amendment Three Notice

David,

Attached is the final draft of the EKPC notice for exercising our Amendment 3.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555