

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2017-00376**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 01/05/18**

**REQUEST 3**

**RESPONSIBLE PARTY: Don Mosier**

**Request 3.** Refer to the Mosier Testimony at page 15, lines 16-18. Explain in more detail the statement that the retirement of Spurlock Units 1 and 2 would result in EKPC losing its status as a net generator in PJM. Quantify the impacts, if any, of EKPC no longer being a net generator in PJM.

**Response 3.** As previously directed by the Commission, EKPC has sufficient resources to cover its winter peak load and a reasonable margin, all of which can be sold into the PJM capacity market. In PJM, EKPC must purchase enough capacity in the PJM capacity market to cover its summer peak load plus a margin. Since EKPC's winter load is significantly larger than its summer peak load, EKPC's net position in the PJM market is a surplus. EKPC sells the surplus into the PJM capacity market and creates a benefit to EKPC's members. EKPC reported in its annual filing to the PSC on July 31, 2017 that it estimated this benefit from surplus capacity sales to be [REDACTED] from June 1, 2016 through May 31, 2017. EKPC reported its estimate for this value to be [REDACTED] for its first ten years of operations in PJM. If EKPC retired over 800 MW of generation at the Spurlock plant without adding another resource to hedge EKPC's winter

demand and energy requirements, it would no longer have more generation to sell into the capacity market than what it would be required to purchase for its summer load requirements. The benefits realized by EKPC being a winter-peaking system in a summer-peaking market would be lost. EKPC would also have an unhedged energy position in the winter that would be detrimental to EKPC and its owner-members.