

**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)

**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION'S
INFORMATION REQUESTS TO EAST KENTUCKY POWER COOPERATIVE, INC.**

Comes now South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”), by and through counsel, and submits these information requests to East Kentucky Power Cooperative, Inc. (“EKPC”) to be answered by April 27, 2018, as specified in the Commission’s April 16, 2018 Order, and in accordance with the following:

1. The responses provided should first restate the questions asked and also identify the witness who will be prepared to answer questions concerning each request.
2. Please answer each designated part of each information request separately. If you do not have complete information with respect to any question, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
3. If you believe any request appears confusing, request clarification directly from counsel for South Kentucky.
4. These requests shall be deemed continuing so as to require further and supplemental responses if additional information within the scope of these requests is received or generated between the time of the response and the time of any hearing conducted hereon.

5. To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

6. To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout that would not be self-evident to a person not familiar with the printout.

7. For any document withheld on the basis of privilege, state the nature and legal basis for the privilege asserted.

8. For purposes of responding to these requests, the term "EKPC" shall be defined to include any member of EKPC's executive staff, financial leadership, operational leadership, board risk oversight committee, strategic issues committee, governance committee and audit committee, as well as any one acting as EKPC's agent or otherwise on its behalf or at its direction.

9. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document

(e.g., letter, memorandum, telegram, chart, etc.), code number thereof, or other means of identifying it and its present location and custodian. If any such document was, but is no longer in South Kentucky's possession or subject to its control, state what disposition was made of it, including the date of such disposition.

10. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.

11. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.

12. "South Kentucky" means petitioner South Kentucky Rural Electric Cooperative Corporation, and its agents, representatives, employees, officers, and directors.

13. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, considering or evaluating

a particular issue or situation, in whatever detail, whether or not the study of the issue or situation is in a preliminary stage, and whether or not the study discontinued prior to completion.

Respectfully submitted,

/s/Matt Malone

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**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

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:

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This 18th day of April, 2018.

/s/Matt Malone
ATTORNEY FOR SOUTH KENTUCKY

INFORMATION REQUESTS

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.
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.
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.
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.
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.
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.

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.
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.
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.
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.
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.
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?
 - a. 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?
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.

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.
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.
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.
17. Reference is made to page 8, lines 7-13 of Mr. Mosier's testimony.
 - a. 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.
 - b. 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.
18. Reference is made to page 8, lines 7-13 of Mr. Mosier's testimony.
 - a. 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.
 - b. 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 or membership (including, but not limited to, membership in PJM), or otherwise generally available publicly.
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.
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.
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.

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.
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).
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.
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?
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.
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.
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.
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.
30. Reference is made to page 6, lines 5-10 of Mr. Campbell's testimony.
- a. Please identify the owner-member referenced here (i.e., for the 2010 election).
- b. Please produce all documents relating to or reflecting the suggestions that Mr. Campbell references.
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".
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.
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.
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.
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."
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.
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.
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.

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.
 - a. For any such runs, please identify the resource planning optimization model software used to perform the analyses.
 - b. 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.
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.
41. Reference Page 5, lines 17-20 of Mr. McNalley's Direct Testimony.
 - a. Identify which variable costs "will be avoided by no longer needing" to supply the load.
 - b. Identify the "remaining variable costs" that cannot be avoided and "will have to be recovered."
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:
 - a. When would EKPC be required to file a base rate increase and what would be the amount of the increase?
 - b. In what percentages would the FAC and the ES increase and when would those percentage increases be effective?
43. Reference page 9, lines 9-12, of Mr. McNalley's testimony.
 - a. Provide a detailed definition of the term "non-bypassable rate", including the principal characteristics of such a rate.
 - b. Provide an example of a non-bypassable rate being used by EKPC today.
44. Provide MM-1, MM-2 and MM-3 in their native format and all associated workpapers.
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.

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.
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.
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?
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.
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?
51. Please provide EKPC's MWh sales for the months December 2016 through March 2017.
52. Please provide EKPC's MWh sales for the months December 2017 through March 2018.
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.
54. For each owner-member served under Rate Schedule B, C, D, E, provide the following information by owner-member and rate schedule:
 - a. The Environmental Surcharge billings to the owner-member during calendar year 2017;
 - b. The net revenues (R(m) as defined in the Environmental Surcharge) from the owner-member during the calendar year 2017; and
 - c. The total kWh billed to the owner-member (per rate schedule) during the corresponding 2017 calendar year.
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.

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.
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.
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.
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.
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?
 - a. If so, please explain the basis for that view.
 - b. Please produce any email correspondence between EKPC and Owen Electric Cooperative relating to the waiver of the 18-month notice of cancellation provision.
 - c. Please describe all discussions between EKPC and Owen Electric Cooperative relating to the waiver of the 18-month notice of cancellation provision.