

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

In the matter of: : CASE NO: 2018-00050

THE APPLICATION OF SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE CORPORATION
FOR APPROVAL OF MASTER POWER
PURCHASE AND SALE AGREEMENT
AND TRANSACTIONS THEREUNDER

**RESPONSE OF SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION TO COMMISSION STAFF'S
FIRST POSTHEARING REQUEST FOR INFORMATION**

Respectfully submitted,

/s/Matt Malone

Matthew R. Malone
William H. May, III.
Hurt, Deckard & May PLLC
127 West Main Street
Lexington, Kentucky 40507
(859) 254-0000 (office)
(859) 254-4763 (facsimile)
mmalone@hdmfirm.com
bmay@hdmfirm.com

Scott B. Grover (pro hac vice)
S. Michael Madison (pro hac vice)
Balch & Bingham, LLP
1710 Sixth Ave. North
Birmingham, Alabama 35203
(205) 251-8100
(205) 488-5660
sgrover@balch.com
mmadison@balch.com

Counsel for the Petitioner,

**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:

Kent A. Chandler, Esq.
Rebecca W. Goodman, Esq.
ASSISTANT ATTORNEYS GENERAL
Kent.Chandler@ky.gov
Rebecca.Goodman@ky.gov

W. Patrick Hauser, Esq.
W. PATRIC HAUSER, PSC
phauser@barbourville.com

Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
mkurtz@bkllawfirm.com

James M. Crawford, Esq.
Ruth H. Baxter, Esq.
Jake A. Thompson, Esq.
CRAWFORD & BAXTER, P.S.C.
Jcrawford@cbkylaw.com
Rbaxter@cbky.com
Jthompson@cbky.com

W. Jeffrey Scott, Esq.
Brandon M. Music, Esq.
W. JEFFREY SCOTT, P.S.C.
wjscott@windstream.net

Mark David Goss, Esq.
Goss Samford, PLLC
22365 Harrodsburg Road, Suite B325
Lexington, Kentucky 40504
mdgoss@gosssamfordlaw.com

James M. Miller, Esq.
R. Michael Sullivan, Esq.
SULLIVAN MOUNTJOY, PSC
jmiller@smlegal.com
msullivan@smlegal.com

John Doug Hubbard, Esq.
Jason P. Floyd, Esq.
FULTON, HUBBARD & HUBBARD, PLLC
jd@bardstown.com
jpf@bardstown.com

Clayton O. Oswald, Esq.
TAYLOR, KELLER & OSWALD, PLLC
coswald@tkolegal.com

Robert Spragens, Jr., Esq.
SPRAGENS & HIDGON, P.S.C.
rspragens@spragenhigdonlaw.com

David T. Royse, Esq.
RANDSDELL ROACH & ROYSE PLLC
david@rrrfirm.com

David A. Smart, Esq.
Roger R. Cowden, Esq.
EKPC
David.smart@ekpc.coop
Roger.cowden@ekpc.coop

This 29th day of May, 2018.

/s/Matt Malone
ATTORNEY FOR SKRECC

South Kentucky Rural Electric Cooperative Corporation

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Commission Staff's First Posthearing Request for Information

1. Confirm that the July 23, 2015 Memorandum of Understanding ("MOU") between East Kentucky Power Cooperative, Inc. ("EKPC") and EKPC Member Distribution Cooperatives was not submitted to Rural Utilities' Service ("RUS") for approval or, if the MOU was submitted to RUS for approval, provide a copy of RUS's approval or rejection of the MOU.

Response:

South Kentucky has confirmed that the Memorandum of Understanding and Agreement (Exhibit 2 to South Kentucky's application in this proceeding) was not submitted to RUS for approval. Amendment 3 to wholesale contract in place between EKPC and the member distribution cooperatives (Exhibit DH-1 to the rebuttal testimony of Mr. Holt) was submitted to and approved by the RUS. (See Exhibit 1 to South Kentucky's application in this proceeding.)

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Commission Staff's First Posthearing Request for Information

2. Provide a supplemental response to Commission Staff's First Request for Information, Item 13, that includes all costs and liabilities, other than the actual costs of purchasing energy and capacity, that South Kentucky could incur as a result of becoming a PJM Interconnection LLC ("PJM") member and purchasing energy and capacity from PJM.

Response:

South Kentucky has previously referenced PJM membership costs. In addition to membership costs, there would be the costs associated with administration of the alternate source and other agent-related services performed on South Kentucky's behalf by EKPC and/or EKPC's agent (e.g., ACES). Examples of these costs are listed in the Memorandum of Understanding and Agreement, paragraphs 5(E)(i), (iv), (vi) & (vii). South Kentucky also would ultimately be responsible for payments to PJM. As the question presumably implies, South Kentucky would have cost responsibility for the capacity hedge if the price of capacity warranted a payment from South Kentucky to Morgan Stanley Capital Group (however, the recently announced results of the 2021/2022 Reliability Pricing Model Base Residual Auction of \$140 translates into a payment to South Kentucky from Morgan Stanley Capital Group – see https://www.greentechmedia.com/articles/read/prices-spike-in-pjm-capacity-auction?utm_source=google&utm_medium=organic&utm_campaign=google_news#gs.eHJ993k) At this time, South Kentucky is unaware of any additional incremental costs or liabilities associated with PJM membership not otherwise captured here.

Although the question carves out actual costs associated with energy and capacity purchases, for clarity, the total wholesale price includes other, non-incremental cost components whose identification the question may be seeking. A list of those components can be found at Section 1, page 16 of the 2018 Quarterly State of the Market Report for PJM (see http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2018/2018q1-som-pjm.pdf).

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Commission Staff's Second Request for Information

3. Refer to the Rebuttal Testimony of Carter Babbit, page 15, lines 12-17. Provide the Net Present Value analysis containing the four changes in assumptions in Excel spreadsheet format with all cells and formulas unprotected and readily accessible.

Response:

See attachment PHPSC-1 filed confidentially – South Kentucky's Fifth Motion for Confidential Treatment accompanies this Response and as confidential information pervades the spreadsheet it is being filed pursuant to 807 KAR 5:001 § 13(2)(a)(3)(b).

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4. Provide a copy of EnerVision, Inc.s' May 10, 2018 presentation to South Kentucky's Board of Directors that Mr. Babbit referenced in his testimony at the May 15-17, 2018 hearing in this matter.

Response:

See attachment PHPSC-2.

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5. Refer to South Kentucky's response to EKPC's First Request, Item 28, which states that South Kentucky's agent will administer the Agreement with Morgan Stanley Capital. Explain South Kentucky's expected contractual obligations under an agency agreement, whether the agency agreement is with EKPC or any other entity.

Response:

South Kentucky expects the agent (be it EKPC or otherwise) to be responsible for scheduling delivery of the energy under the transaction, and for verifying the amount of energy delivered (as required by the agreement). South Kentucky also would expect the agent to handle capacity procurement and settlement obligations associated therewith. South Kentucky would be expected under the agreement to abide by the applicable terms and conditions of the energy and capacity transactions, and to compensate the agent for its services. At this time, South Kentucky expects the fee to be \$0.80 per MWh or approximately \$400,000.00 per year.