

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

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

CORRECTION TO DIRECT TESTIMONY

OF

JOHN WOLFRAM
PRINCIPAL
CATALYST CONSULTING LLC

ON BEHALF OF

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION
BLUE GRASS ENERGY COOPERATIVE CORPORATION
CLARK ENERGY COOPERATIVE, INC.
CUMBERLAND VALLEY ELECTRIC INC.
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
FLEMING-MASON ENERGY COOPERATIVE, INC.
GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION
INTER-COUNTY ENERGY COOPERATIVE CORPORATION
JACKSON ENERGY COOPERATIVE CORPORATION
LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
OWEN ELECTRIC COOPERATIVE INC.
SALT RIVER ELECTRIC COOPERATIVE CORPORATION
SHELBY ENERGY COOPERATIVE INC.
TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

FILED: May 12, 2018

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**CORRECTION TO DIRECT TESTIMONY
OF
JOHN WOLFRAM**

5 **I. INTRODUCTION**

6 **Q. Please state your name, business address, and position.**

7 A. My name is John Wolfram. I am the Principal of Catalyst Consulting LLC. My
8 business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

9 **Q. Did you file direct testimony in this case on April 12, 2018?**

10 A. Yes.

11 **Q. Do you want to provide two revisions to that testimony?**

12 A. Yes. The first revision pertains to the terms and conditions of the proposed Transaction
13 regarding default provisions, and the second revision is a clerical correction to the
14 tables provided in my testimony.

15 **Q. What is the first revision?**

16 A. On page 16 of my testimony, on lines 14-16, I stated that

17 "No matter how many times Morgan Stanley fails to deliver, so long as
18 Morgan Stanley pays the Replacement Price, South Kentucky has no right
19 to terminate the PPA."

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21 However, I have since noted that this statement is not entirely correct; Morgan
22 Stanley's failure to deliver without consequence is not unlimited. More specifically,
23 language is provided in the Application Exhibit 5 that amends Article 5 (regarding
24 Events of Default). Under the amendment to Section 5.1, accumulated events of failure
25 to deliver can result in a default under the contract. Specifically, the following quote
26 "Events of Default" was added in a new clause (i):

27 "(i) The unexcused failure of such Party to meet its obligation to deliver or
28 receive all or part of the Product, if such failure occurs continuously for a period

1 of ten (10) days after receipt of Notice of such failure (each such day after
2 receipt of Notice is a “Failure Day”) or through repeated occurrence cumulates
3 to thirty (30) Failure Days over any rolling one (1) year period.”
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5 As I understand it, this amendment means that Morgan Stanley may not fail to deliver
6 without consequence on an unlimited basis, as I originally indicated in my testimony,
7 but instead may fail to deliver up to 10 days in a row after notice of failure is provided,
8 or up to 30 times per year, before such failure qualifies as a default under the proposed
9 Transaction. This modification of my understanding of the default provisions does not
10 substantially alleviate my concerns on this point.

11 **Q. What is the second revision?**

12 A. On pages 21-22 of my testimony, I included two tables, identified as Table 2 and Table
13 3, to replicate data from Exhibit JW-2 to show the estimated cost shifts that the EKPC
14 Owner Members would experience as a result of the proposed Transaction. However,
15 while the total amounts listed in the bottom row of these tables are correct, the data for
16 the individual Owner Members listed in the other rows do not reflect the final
17 calculations, as they were correctly tabulated in Exhibit JW-2 to my testimony.
18 Therefore, I wish to provide the revised tables to reflect my final calculations as set
19 forth in Exhibit JW-2. The revised tables are set forth on the following page.

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Table 2.
Estimated Cost Shift to EKPC Owner Members (No FAC)

Owner Member	Base Rev Demand \$	Base Rev Energy \$	FAC \$	ES \$	Total Rev \$
BIG SANDY RECC	80,398	176,811	-	78,091	335,301
BLUE GRASS ENERGY	460,296	1,099,805	-	473,661	2,033,763
CLARK ENERGY COOP	156,248	342,747	-	151,500	650,494
CUMBERLAND VALLEY ELECTRIC	154,467	354,062	-	154,394	662,923
FARMERS RECC	169,331	419,960	-	178,914	768,205
FLEMING MASON RECC	354,224	1,060,038	-	429,383	1,843,646
GRAYSON RECC	86,291	206,251	-	88,819	381,361
INTER-COUNTY ECC	173,767	369,381	-	164,905	708,053
JACKSON ENERGY COOP	319,710	696,194	-	308,438	1,324,342
LICKING VALLEY RECC	86,119	201,952	-	87,461	375,533
NOLIN RECC	266,595	620,163	-	269,228	1,155,986
OWEN EC	678,986	1,984,883	-	808,776	3,472,645
SALT RIVER RECC	394,219	987,078	-	419,375	1,800,672
SHELBY ENERGY COOP	154,594	429,301	-	177,276	761,171
SOUTH KENTUCKY RECC	463,756	430,191	-	271,411	1,165,357
TAYLOR COUNTY RECC	190,917	470,262	-	200,740	861,920
TOTAL	4,189,920	9,849,080	-	4,262,372	18,301,372

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Table 3.
Estimated Cost Shift to EKPC Owner Members (With FAC)

Owner Member	Base Rev Demand \$	Base Rev Energy \$	FAC \$	ES \$	Total Rev \$
BIG SANDY RECC	80,398	176,811	(43,263)	78,091	292,038
BLUE GRASS ENERGY	460,296	1,099,805	(262,411)	473,661	1,771,352
CLARK ENERGY COOP	156,248	342,747	(83,932)	151,500	566,563
CUMBERLAND VALLEY ELECTRIC	154,467	354,062	(85,535)	154,394	577,388
FARMERS RECC	169,331	419,960	(99,120)	178,914	669,086
FLEMING MASON RECC	354,224	1,060,038	(237,881)	429,383	1,605,765
GRAYSON RECC	86,291	206,251	(49,206)	88,819	332,155
INTER-COUNTY ECC	173,767	369,381	(91,358)	164,905	616,695
JACKSON ENERGY COOP	319,710	696,194	(170,876)	308,438	1,153,465
LICKING VALLEY RECC	86,119	201,952	(48,454)	87,461	327,079
NOLIN RECC	266,595	620,163	(149,154)	269,228	1,006,832
OWEN EC	678,986	1,984,883	(448,066)	808,776	3,024,579
SALT RIVER RECC	394,219	987,078	(232,336)	419,375	1,568,336
SHELBY ENERGY COOP	154,594	429,301	(98,212)	177,276	662,959
SOUTH KENTUCKY RECC	463,756	430,191	(150,363)	271,411	1,014,994
TAYLOR COUNTY RECC	190,917	470,262	(111,211)	200,740	750,709
TOTAL	4,189,920	9,849,080	(2,361,379)	4,262,372	15,939,993

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1 The data in these revised tables matches the data that was originally and correctly
2 provided in Exhibit JW-2.

3 **Q. Does this conclude the corrections to your testimony?**

4 **A. Yes, it does.**