

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

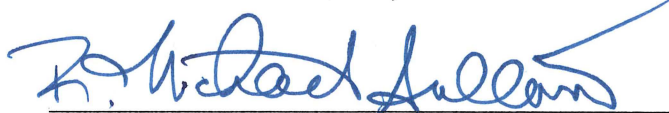
THE APPLICATION OF SOUTH KENTUCKY RURAL )  
ELECTRIC COOPERATIVE CORPORATION ) CASE NO.  
FOR APPROVAL OF MASTER POWER ) 2018-00050  
PURCHASE AND SALE AGREEMENT AND )  
TRANSACTIONS THEREUNDER )

RESPONSES TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION TO JOINT INTERVENORS

OF

JOINT INTERVENORS  
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.  
INTER-COUNTY ENERGY COOPERATIVE CORPORATION  
LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION  
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

SULLIVAN MOUNTJOY, PSC



James M. Miller  
R. Michael Sullivan  
100 St. Ann Street, P.O. Box 727  
Owensboro, KY 42302-0727  
(270) 926-4000 - telephone  
(270) 683-6694 - facsimile  
[jmiller@smlegal.com](mailto:jmiller@smlegal.com) - email  
[msullivan@smlegal.com](mailto:msullivan@smlegal.com) - email

Counsel for Joint Intervenors


COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**VERIFICATION**

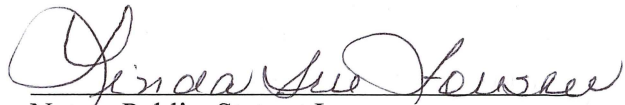
I, William T. Prather, President/CEO of Farmers Rural Electric Cooperative Corporation, verify, state and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.



William T. Prather

COMMONWEALTH OF KENTUCKY  
COUNTY OF BARREN

SUBSCRIBED AND SWORN TO before me by William T. Prather on this 24<sup>th</sup> day of April, 2018.



Notary Public, State at Large

My Commission Expires: 07-30-2019

Notary ID# 446566

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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


VERIFICATION

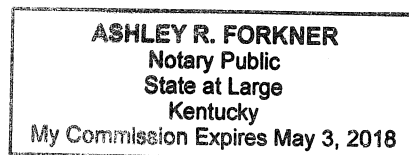
I, John Wolfram, verify, state and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

John Wolfram 

COMMONWEALTH OF KENTUCKY  
COUNTY OF Jefferson

SUBSCRIBED AND SWORN TO before me by John Wolfram on this 24 day of April, 2018.

  
Notary Public, State at Large  
My Commission Expires: 5/3/18  
Notary ID# 509784



DISTRIBUTION COOPERATIVES

IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050

Response to Commission Staff's First Request for Information, Item 1

April 27, 2018

1 Item 1) *Refer to the Direct Testimony of John Wolfram ("Wolfram*  
2 *Testimony"), page 13, lines 14-15. Mr. Wolfram suggests East Kentucky could*  
3 *design new base rates that would "properly compensate EKPC for serving South*  
4 *Kentucky's remaining load."*

5 a. *Explain what is meant by this statement.*

6 b. *Explain if Mr. Wolfram is suggesting that East Kentucky*  
7 *should design new rates to assign any or all of the stranded costs to only South*  
8 *Kentucky.*

9 Response)

10 a. The statement means that because of the magnitude of the proposed  
11 Transaction and its effects on EKPC's current billing determinants, EKPC could  
12 review its rate structure to ensure that wholesale demand and energy rates align  
13 well with its cost of service. The Transaction could cause EKPC's cost to serve to  
14 change measurably; the amounts of demand and energy proposed in the  
15 Transaction could be large enough to cause a shift in the relative allocation of  
16 demand and energy costs within and/or among the current rate classes.

17           If the Transaction is approved, it would be reasonable for EKPC to  
18 perform a cost of service study (“COSS”), after the Transaction has been effective  
19 for a period of time, in order to assess the impact that a Transaction of this  
20 magnitude would have on EKPC’s cost to serve. It is possible that a COSS could  
21 serve as the basis for a new rate design – one that differs from the current Rate  
22 E-2 offering – at some point over the twenty-year term of the Transaction.

23           b. Mr. Wolfram is not suggesting that. Because the proposed Transaction  
24 would affect EKPC’s overall cost of service, the statement about potential new  
25 rate design applies not only to South Kentucky but also to all of the Owner  
26 Members served under EKPC’s wholesale rate schedules.

27   **Witness)**     John Wolfram.

DISTRIBUTION COOPERATIVES

IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050

Response to Commission Staff's First Request for Information, Item 2

April 27, 2018

1 Item 2) *Refer to the Wolfram Testimony, page 15, lines 2 through 5.*  
2 *Explain in detail what "significant problems" are anticipated, the factors that*  
3 *determine whether and to what extent significant problems will arise, the*  
4 *likelihood of each significant problem identified, and the anticipated effect.*

5 Response) The cited testimony states: "[The] Alternate Source has not even  
6 been identified and is likely not subject to Commission jurisdiction; either of  
7 these could lead to significant problems over a twenty-year horizon as market,  
8 legal, regulatory, environmental, economic, technological, and societal conditions  
9 change. The uncertainty surrounding these changing conditions over such a long  
10 time period is unreasonably high."

11 Potential problems fall into two general categories – power availability  
12 and cost. Without specifying the particular Alternate Source unit(s), Morgan  
13 Stanley could face power scarcity problems, meaning that the necessary energy is  
14 simply not available in the market for delivery to South Kentucky, particularly  
15 during extreme conditions. There are corresponding cost risks, because during a  
16 system emergency when power becomes scarce, costs for power increase. Both

17 availability and cost risks can also increase for certain sources due to market rule  
18 changes, operating constraints (e.g., transmission outages that drive up  
19 congestion costs), or legal and environmental factors (e.g., new laws or  
20 regulations that increase the cost and/or decrease the availability of certain  
21 resources). It is difficult to estimate the likelihood of these risks.

22           With respect to the effect of these risks, because Morgan Stanley is  
23 offering a fixed energy price under the Transaction, it is Morgan Stanley and not  
24 South Kentucky that bears the immediate costs if any of these risks materialize.  
25 However, South Kentucky is not immune from all risk here. If any of these  
26 problems do materialize at substantial cost to Morgan Stanley, Morgan Stanley  
27 could be pressed to either seek to renegotiate the terms of the Transaction or  
28 default on the Transaction – either of which would adversely affect South  
29 Kentucky.

30   Witness)     John Wolfram.

DISTRIBUTION COOPERATIVES

IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050

Response to Commission Staff's First Request for Information, Item 3

April 27, 2018

1 **Item 3)** *Provide copies of all supporting calculations and documentation for*  
2 *the Wolfram Testimony and all schedules provided in your responses in Excel*  
3 *spreadsheet format with formulas intact and unprotected, and all rows and*  
4 *columns fully accessible.*

5 **Response)** Please see the files provided via electronic media with this response  
6 as "DC Attachment PSC#3-1, 2, 3, 5 and 6." A copy of "DC Attachment PSC#3-4"  
7 is attached hereto. The files that contain information subject to a Motion by  
8 South Kentucky for Confidential Treatment are provided separately.

9

#	File	Content
1	PSC 3-File 1-NITS-CONFID.xlsx	Support To Correct for PJM NITS Cost; Wolfram Direct p. 6, ¶ (1)(a).
2	PSC 3-File 2-PJM-1A-CONFID.xlsx	Support To Correct for PJM Schedule 1-A; Wolfram Direct p. 7, ¶ (1)(b).
3	PSC 3-File 3-PJM TE-CONFID.xlsx	Support To Correct for PJM Transmission Enhancement Charge; Wolfram Direct pp. 8-9, ¶ (3).
4	PSC 3-File 4-SOM Table TE.pdf	Support To Correct for PJM Transmission Enhancement Charge; Wolfram Direct pp. 8-9, ¶ (3); PJM State of the



		Market Report excerpt of 2016 and 2017 annual cost data.
5	PSC 3-File 5-PJM TE Wkst Dec17.xlsx	Support To Correct for PJM Transmission Enhancement Charge; Wolfram Direct pp. 8-9, ¶ (3); PJM Transmission Enhancement Worksheet Dec 2017.
6	PSC 3-File 6-Exhibit JW-2.xlsx	Support for Economic Impact Analysis; Exhibit JW-2 and references in Wolfram Direct pp.18-23.

10

11 Witness) John Wolfram.

**DISTRIBUTION COOPERATIVES**

**IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050**

**Response to Commission Staff's First Request for Information, Item 3**

**April 27, 2018**

1 **DC Attachment PSC#3-1 – Public Version**

2 This entire file (PSC 3–File 1–NITS–CONFID.xlsx) contains information that is  
3 subject to a Motion by South Kentucky for Confidential Treatment and a Second  
4 Motion by South Kentucky for Confidential Treatment.

**DISTRIBUTION COOPERATIVES**

**IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050**

**Response to Commission Staff's First Request for Information, Item 3**

**April 27, 2018**

1 **DC Attachment PSC#3-2 – Public Version**

2 This entire file (PSC 3–File 2–PJM-1A–CONFID.xlsx) contains information that  
3 is subject to a Motion by South Kentucky for Confidential Treatment and a  
4 Second Motion by South Kentucky for Confidential Treatment.

**DISTRIBUTION COOPERATIVES**

**IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050**

**Response to Commission Staff's First Request for Information, Item 3**

**April 27, 2018**

1 **DC Attachment PSC#3-3 – Public Version**

2 This entire file (PSC 3–File 3–PJM TE–CONFID.xlsx) contains information that  
3 is subject to a Motion by South Kentucky for Confidential Treatment and a  
4 Second Motion by South Kentucky for Confidential Treatment.

# **DC Attachment PSC#3-4**

## 2016 SOM Data

Table 1-9 Total price per MWh by category: Calendar Years 1999 through 2016<sup>59</sup>

Category	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh
Load Weighted Energy	\$34.07	\$30.72	\$36.65	\$31.60	\$41.23	\$44.34	\$63.46	\$53.35	\$61.66	\$71.13	\$39.05	\$48.35	\$45.94
Capacity	\$0.14	\$0.25	\$0.27	\$0.12	\$0.08	\$0.09	\$0.03	\$0.03	\$3.53	\$7.80	\$10.78	\$12.15	\$9.71
Transmission Service Charges	\$3.41	\$4.03	\$3.48	\$3.39	\$3.57	\$3.28	\$2.71	\$3.18	\$3.45	\$3.68	\$4.03	\$4.04	\$4.49
Transmission Enhancement Cost Recovery	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	\$0.06	\$0.11	\$0.20	\$0.27
PJM Administrative Fees	\$0.23	\$0.26	\$0.71	\$0.86	\$1.05	\$0.93	\$0.72	\$0.74	\$0.72	\$0.39	\$0.31	\$0.36	\$0.38
Reactive	\$0.26	\$0.29	\$0.22	\$0.20	\$0.24	\$0.26	\$0.26	\$0.29	\$0.29	\$0.34	\$0.36	\$0.45	\$0.41
Energy Uplift (Operating Reserves)	\$0.52	\$0.93	\$1.27	\$0.72	\$0.89	\$0.95	\$1.07	\$0.47	\$0.65	\$0.64	\$0.48	\$0.80	\$0.78
Regulation	\$0.15	\$0.39	\$0.53	\$0.42	\$0.50	\$0.51	\$0.80	\$0.53	\$0.63	\$0.70	\$0.34	\$0.36	\$0.32
Transmission Owner (Schedule 1A)	\$0.07	\$0.09	\$0.08	\$0.07	\$0.07	\$0.10	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
Black Start	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Day Ahead Scheduling Reserve (DASR)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$0.01	\$0.05
Synchronized Reserves	\$0.00	\$0.00	\$0.00	\$0.01	\$0.15	\$0.13	\$0.11	\$0.08	\$0.06	\$0.08	\$0.05	\$0.07	\$0.09
NERC/RFC	\$0.00	-\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	-\$0.00	\$0.01	\$0.01	\$0.02	\$0.02	\$0.02
Load Response	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03	\$0.06	\$0.05	\$0.01	\$0.01	\$0.01
Non-Synchronized Reserves	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RTO Startup and Expansion	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.06	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Transmission Facility Charges	\$0.01	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capacity (FRR)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.53
Emergency Load Response	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	\$0.02
Emergency Energy	\$0.07	\$0.02	\$0.00	\$0.00	\$0.02	\$0.00	\$0.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Price	\$38.92	\$36.98	\$43.22	\$37.39	\$47.83	\$50.66	\$69.30	\$58.82	\$71.19	\$85.00	\$55.66	\$66.93	\$63.21

Category	2012	2013	2014	2015	2016
	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh
Load Weighted Energy	\$35.23	\$38.66	\$53.14	\$36.16	\$29.23
Capacity	\$6.05	\$7.13	\$9.01	\$11.12	\$10.96
Transmission Service Charges	\$4.90	\$5.21	\$5.96	\$7.09	\$7.81
Transmission Enhancement Cost Recovery	\$0.34	\$0.36	\$0.41	\$0.51	\$0.52
PJM Administrative Fees	\$0.44	\$0.42	\$0.44	\$0.44	\$0.45
Reactive	\$0.46	\$0.76	\$0.40	\$0.37	\$0.39
Energy Uplift (Operating Reserves)	\$0.74	\$0.61	\$1.15	\$0.38	\$0.17
Regulation	\$0.26	\$0.25	\$0.33	\$0.23	\$0.11
Transmission Owner (Schedule 1A)	\$0.08	\$0.08	\$0.09	\$0.09	\$0.09
Black Start	\$0.04	\$0.14	\$0.08	\$0.08	\$0.08
Day Ahead Scheduling Reserve (DASR)	\$0.05	\$0.06	\$0.05	\$0.10	\$0.07
Synchronized Reserves	\$0.04	\$0.04	\$0.12	\$0.11	\$0.05
NERC/RFC	\$0.02	\$0.02	\$0.03	\$0.03	\$0.03
Load Response	\$0.02	\$0.01	\$0.03	\$0.02	\$0.01
Non-Synchronized Reserves	\$0.00	\$0.00	\$0.02	\$0.02	\$0.01
RTO Startup and Expansion	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00
Transmission Facility Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capacity (FRR)	\$0.52	\$0.11	\$0.20	\$0.13	\$0.00
Emergency Load Response	\$0.01	\$0.06	\$0.06	\$0.00	\$0.00
Emergency Energy	\$0.00	\$0.00	\$0.01	\$0.00	\$0.00
Total Price	\$49.22	\$53.93	\$71.50	\$56.88	\$49.99

<sup>59</sup> Note: The totals in this table include after the fact billing adjustments and may not match totals presented in past reports.

Table 1-10 Total price per MWh by category: Calendar Years 1999 through 2017<sup>58</sup>

Category	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh
Load Weighted Energy	\$34.07	\$30.72	\$36.65	\$31.60	\$41.23	\$44.34	\$63.46	\$53.35	\$61.66	\$71.13	\$39.05	\$48.35	\$45.94
Capacity	\$0.14	\$0.25	\$0.27	\$0.12	\$0.08	\$0.09	\$0.03	\$0.03	\$3.53	\$7.80	\$10.78	\$12.15	\$10.24
Capacity (FRR)	\$0.14	\$0.25	\$0.27	\$0.12	\$0.08	\$0.09	\$0.03	\$0.03	\$3.53	\$7.80	\$10.78	\$12.15	\$9.71
Transmission	\$3.49	\$4.13	\$3.56	\$3.46	\$3.64	\$3.38	\$2.80	\$3.27	\$3.55	\$3.83	\$4.22	\$4.33	\$4.86
Transmission Service Charges	\$3.41	\$4.03	\$3.48	\$3.39	\$3.57	\$3.28	\$2.71	\$3.18	\$3.45	\$3.68	\$4.03	\$4.04	\$4.49
Transmission Enhancement Cost Recovery	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	\$0.06	\$0.11	\$0.20	\$0.27
Transmission Owner (Schedule 1A)	\$0.07	\$0.09	\$0.08	\$0.07	\$0.07	\$0.10	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
Transmission Facility Charges	\$0.01	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ancillary	\$0.41	\$0.68	\$0.75	\$0.63	\$0.91	\$0.91	\$1.19	\$0.92	\$1.00	\$1.15	\$0.78	\$0.90	\$0.90
Reactive	\$0.26	\$0.29	\$0.22	\$0.20	\$0.24	\$0.26	\$0.26	\$0.29	\$0.29	\$0.34	\$0.36	\$0.45	\$0.41
Regulation	\$0.15	\$0.39	\$0.53	\$0.42	\$0.50	\$0.51	\$0.80	\$0.53	\$0.63	\$0.70	\$0.34	\$0.36	\$0.32
Black Start	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Synchronized Reserves	\$0.00	\$0.00	\$0.00	\$0.01	\$0.15	\$0.13	\$0.11	\$0.08	\$0.06	\$0.08	\$0.05	\$0.07	\$0.09
Non-Synchronized Reserves	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Day Ahead Scheduling Reserve (DASR)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$0.01	\$0.05
Administration	\$0.23	\$0.26	\$0.73	\$0.86	\$1.05	\$1.00	\$0.73	\$0.75	\$0.75	\$0.41	\$0.34	\$0.39	\$0.40
PJM Administrative Fees	\$0.23	\$0.26	\$0.71	\$0.86	\$1.05	\$0.93	\$0.72	\$0.74	\$0.72	\$0.39	\$0.31	\$0.36	\$0.37
NERC/RFC	\$0.00	-\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	-\$0.00	\$0.01	\$0.01	\$0.02	\$0.02	\$0.02
RTO Startup and Expansion	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.06	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Energy Uplift (Operating Reserves)	\$0.52	\$0.93	\$1.27	\$0.72	\$0.89	\$0.95	\$1.07	\$0.47	\$0.65	\$0.64	\$0.48	\$0.80	\$0.78
Demand Response	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03	\$0.06	\$0.05	\$0.01	\$0.03	\$0.03
Load Response	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03	\$0.06	\$0.05	\$0.01	\$0.01	\$0.01
Emergency Load Response	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.02	\$0.02
Emergency Energy	\$0.07	\$0.02	\$0.00	\$0.00	\$0.02	\$0.00	\$0.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Price	\$38.92	\$36.98	\$43.22	\$37.39	\$47.83	\$50.66	\$69.30	\$58.82	\$71.20	\$85.01	\$55.66	\$66.95	\$63.16

Category	2012	2013	2014	2015	2016	2017
	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh	\$/MWh
Load Weighted Energy	\$35.23	\$38.66	\$53.14	\$36.16	\$29.23	\$30.99
Capacity	\$6.57	\$7.24	\$9.21	\$11.25	\$10.96	\$11.23
Capacity (FRR)	\$0.52	\$0.11	\$0.20	\$0.13	\$0.00	\$0.00
Transmission	\$5.32	\$5.65	\$6.46	\$7.69	\$8.42	\$9.57
Transmission Service Charges	\$4.90	\$5.21	\$5.96	\$7.09	\$7.81	\$8.84
Transmission Enhancement Cost Recovery	\$0.34	\$0.36	\$0.41	\$0.51	\$0.52	\$0.64
Transmission Owner (Schedule 1A)	\$0.08	\$0.08	\$0.09	\$0.09	\$0.09	\$0.10
Transmission Facility Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ancillary	\$0.84	\$1.24	\$0.99	\$0.91	\$0.72	\$0.78
Reactive	\$0.46	\$0.76	\$0.40	\$0.37	\$0.38	\$0.44
Regulation	\$0.26	\$0.25	\$0.33	\$0.23	\$0.11	\$0.14
Black Start	\$0.04	\$0.14	\$0.08	\$0.08	\$0.09	\$0.09
Synchronized Reserves	\$0.04	\$0.04	\$0.12	\$0.11	\$0.05	\$0.06
Non-Synchronized Reserves	\$0.00	\$0.00	\$0.02	\$0.02	\$0.01	\$0.01
Day Ahead Scheduling Reserve (DASR)	\$0.05	\$0.06	\$0.05	\$0.10	\$0.07	\$0.05
Administration	\$0.46	\$0.45	\$0.46	\$0.46	\$0.47	\$0.52
PJM Administrative Fees	\$0.42	\$0.41	\$0.43	\$0.43	\$0.44	\$0.48
NERC/RFC	\$0.02	\$0.02	\$0.03	\$0.03	\$0.03	\$0.03
RTO Startup and Expansion	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00	\$0.00
Energy Uplift (Operating Reserves)	\$0.74	\$0.55	\$1.15	\$0.38	\$0.17	\$0.14
Demand Response	\$0.03	\$0.08	\$0.08	\$0.02	\$0.01	\$0.01
Load Response	\$0.02	\$0.01	\$0.03	\$0.02	\$0.01	\$0.01
Emergency Load Response	\$0.01	\$0.06	\$0.06	\$0.00	\$0.00	\$0.00
Emergency Energy	\$0.00	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00
Total Price	\$49.20	\$53.87	\$71.49	\$56.87	\$49.99	\$53.24

<<

Table 1-11 shows the inflation adjusted average price, by component of the total wholesale power price per MWh, for calendar years 1999 through 2017.<sup>59</sup>

58 Note: The totals in this table include after the fact billing adjustments and may not match totals presented in past reports.

59 US Consumer Price Index for all items, Urban Consumers (base period: January 1998), published by Bureau of Labor Statistics <<http://download.bls.gov/pub/time.series/cu/cu.data.1.AllItems>> (January 12, 2018).

DISTRIBUTION COOPERATIVES

IN THE MATTER OF: THE APPLICATION OF  
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION  
FOR APPROVAL OF MASTER POWER PURCHASE  
AND SALE AGREEMENT AND TRANSACTIONS THEREUNDER  
CASE NO. 2018-00050

Response to Commission Staff's First Request for Information, Item 4

April 27, 2018

1 Item 4) *Refer to the Direct Testimony of William T. Prather, page 6, lines*  
2 *10-15. Provide evidentiary support for the statement that Amendment 3 was*  
3 *required in connection with an East Kentucky financing case, and that “[t]he*  
4 *additional terms in Amendment No. 3, allowing purchase by a distribution*  
5 *cooperative of alternately-sourced power, represent concessions EKPC had to*  
6 *make to induce all its members to agree to extension of the terms of the*  
7 *wholesale power contracts.”*

8 **Response)** Please note that the cited testimony states that Amendment 3 was  
9 required in connection with an EKPC financing transaction, not a financing  
10 case. The document provided with this response and designated “DC  
11 Attachment PSC#4” includes the resolution dated October 23, 2003 of the  
12 Farmers’ Board of Directors stating that RUS required EKPC, as a condition to  
13 obtaining financing for construction of the Gilbert Generating Unit at the  
14 Spurlock Power Station and related transmission facilities, to obtain an  
15 extension of the wholesale power contracts from January 1, 2025 to January 1,  
16 2041. The resolution also notes that Amendment 3 provides, for the first time,



17 the ability for EKPC's owner-members to purchase power from alternate  
18 sources. Also, please refer to page 5, lines 5-10, of my testimony, where I  
19 mention the EKPC PowerPoint presentation filed by South Kentucky as part of  
20 "DC Attachment 4," which is part of the information for which South Kentucky  
21 seeks confidential treatment. I refer you to slides 5-8 of that PowerPoint  
22 presentation.

23 Witness) William T. Prather.

# **DC Attachment PSC#4**

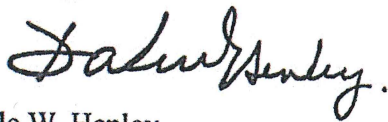
September 20, 2004

Jackie B. Browning  
President and CEO  
Farmers RECC  
P. O. Box 1298  
Glasgow, KY 42142-1298

Re: Amendment No. 3 – Wholesale Power Contract

Enclosed is your executed copy of Amendment No. 3 to the Wholesale Power Contract,  
approved by RUS.

Sincerely,



Dale W. Henley  
General Counsel

dwh/ln  
enclosure

**EXTENSION OF WHOLESALE POWER CONTRACT BETWEEN  
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
&  
EAST KENTUCKY POWER COOPERATIVE, INC.**

**Whereas**, On February 6, 2001, the East Kentucky Power Cooperative, Inc. ("EKPC") Board of Directors approved construction of the 268 MW E. A. Gilbert Generating Unit ("Gilbert") at the Spurlock Power Station in Mason County, Kentucky, for purposes of securing an economical long-term source of wholesale power for EKPC's 16 member-owners;

**Whereas**, On August 14, 2001, the EKPC Board of Directors approved a loan filing with the Rural Utilities Service ("RUS") for \$410,000,000 to finance Gilbert and related transmission facilities; and on April 8, 2003, this loan application was amended to increase the amount to \$434,000,000;

**Whereas**, RUS has informed EKPC that its approval of the loan package is conditioned on extension of the Wholesale Power Contracts ("WPC") through 2041;

**Whereas**, A document entitled Third Amendment to Wholesale Power Contract, as Amended, dated October 14, 2003, ("Amendment No. 3") was approved by the EKPC Board of Directors on October 14, 2003;

**Whereas**, Amendment No. 3 reaffirms two earlier Amendments, two Supplemental Agreements and a Memorandum of Understanding, and extends the term of the WPC from January 1, 2025 to January 1, 2041;

**Whereas**, Amendment No. 3 provides, for the first time, some flexibility to the member-owners' current obligation to secure all of their system power supply needs from EKPC;

**Whereas**, RUS has agreed to consider opportunities for member-owners outside the percentage limitations contained in Amendment No. 3 on a case-by-case basis; to make every effort to work with member-owners and EKPC to convert any member-owner's WPC, as amended, to a partial requirements contract within 24 months;

**Whereas**, RUS financing is the least cost option for Gilbert; and

**Whereas**, The EKPC Board of Directors has requested that each of its member-owners approve and execute Amendment No. 3 as soon as possible; now, therefore, be it

**Resolved**, That the Farmers Rural Electric Cooperative Corporation Board of Directors approves Amendment No. 3 to the WPC, as attached, and authorizes its execution subject to RUS review and approval.

###

I, Eddie Hatchett, Secretary of Farmers Rural Electric Cooperative Corporation, certify that the above resolution is an exact copy of the resolution adopted by the Board of Directors of Farmers Rural Electric Cooperative Corporation at its regular meeting held on October 23, 2003 at which meeting a quorum was present. I also hereby certify that said resolution has not been rescinded or modified.

Witness my hand and seal this 23<sup>rd</sup> day of October 2003.

*Eddie Hatchett*  
Eddie Hatchett, Secretary

000354

U.S. DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

RUS BORROWER DESIGNATION Kentucky 34 Baren

THE WITHIN Amendment No. 3 dated November 23, 2003 to the Wholesale Power Contract  
dated October 1, 1964 between East Kentucky Power Cooperative, Inc.  
and Farmer Rural Electric Cooperative Corporation

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE  
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE  
PURPOSES OF SUCH CONTRACT.

*Don M. My*  
FOR THE ADMINISTRATOR

DATED

*5/6/04*

AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT  
BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC. AND  
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

This Agreement dated the 23rd day of October, 2003, amends the Wholesale Power Contract dated October 1, 1964 between East Kentucky Power Cooperative, Inc. (hereinafter "Seller") and Farmers Rural Electric Cooperative Corporation (hereinafter "Member") as follows:

I. Numerical Section 1 of the Wholesale Power Contract shall be amended and restated to read in its entirety as follows:

1. General - The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which shall be required to serve the Member's load, including all electric power and energy required for the operation of the Member's system. Notwithstanding the foregoing, the Member shall have the option, from time to time, with notice to the Seller, to receive electric power and energy, from persons other than the Seller, or from facilities owned or leased by the Member, provided that the aggregate amount of all members' elections (measured in megawatts in 15-minute intervals) so obtained under this paragraph shall not exceed five percent (5%) of the rolling average of Seller's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the 3 twelve month periods immediately preceding any election by the Member from time to time, as provided herein and further provided that no Member shall receive more than fifteen percent (15%) of the rolling average of its coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the 3 twelve

month periods immediately preceding any election by the Member from time to time, as provided herein.

For any election made or cancelled under this Section, the following provisions shall apply:

a. During any calendar year, the Member may make or cancel any such election or elections by giving at least 90 days' notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or less, in the annual aggregate.

b. During any calendar year, the Member may make or cancel any such election or elections by giving at least 18 months or greater notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or more, in the annual aggregate

Upon the effective date of the Member's cancellation of any such election under this Agreement, the load or loads shall be governed by the all requirements obligations of the Seller and the Member in this Section, and notice of same shall be provided to the Rural Utilities Service ("RUS") by the member. Such loads which are transferred to Seller's all-requirements obligations shall not thereafter be switched by Member to a different power supplier.

c. Should any such election by Member involve the acquisition of new service territory currently served by another power supplier or municipal utility, Member shall provide evidence to Seller and RUS in the new Load Purchase Agreement that the acquired territory must be served by the current power supplier as a condition of the acquisition of the new load.

Seller will provide transmission, substation, and ancillary services without discrimination or adverse distinction with regard to rates, terms of service or availability of such service as between power supplies under paragraphs above and Member will pay charges therefore to Seller. Seller also agrees to allow, at Member's sole cost and expense, such additional interconnection as may be reasonably required to provide such capacity and energy as contemplated in the above paragraphs.

Member will be solely responsible for all additional cost associated with the exercise of elections under the above paragraphs including but not limited to administrative, scheduling, transmission tariff and any penalties, charges and costs, imposed by the Midwest Independent System Operator ("MISO") or other authorities.

II. Section 10 of the Wholesale Power Contract shall be restated as Section 11 and new Section 10 and Section 11 shall read in their entirety as follows:

10. Retail Competition - Seller and its subsidiaries, shall not, during the term of this contract, without the consent of the Member, (i) sell or offer to sell electric power or energy at retail within the Member's assigned or expanded geographic area, if any, established by applicable laws or regulations or (ii) provide or offer to provide retail electric service to any person which is a customer of the Member.

11. Term - This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until January 1, 2041, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Section 1 hereof, service hereunder and the obligation of the Member to pay therefore shall commence upon completion of the facilities necessary to provide service.



Executed the day and year first above mentioned.

EAST KENTUCKY POWER  
COOPERATIVE, INC.

BY: *Dulno Tollar*

ITS: CHAIRMAN OF THE BOARD

*Sam Kern*  
ATTEST, SECRETARY

FARMERS RURAL ELECTRIC  
COOPERATIVE CORPORATION

BY: *C. F. Martin*

ITS: Chairman

*Eddie Hatchett*  
ATTEST, SECRETARY

(H:Legal/misc/amend-3-wpc)