

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**ATTORNEY GENERAL’S INITIAL DATA REQUESTS TO EKPC**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Data Requests to East Kentucky Power Cooperative, Inc. [hereinafter “EKPC”] to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for EKPC with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity

that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, request clarification directly from Counsel for the Office of Attorney General.

(7) 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.

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

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or

otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, state: the identity of the person by whom it was destroyed or

transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR  
ATTORNEY GENERAL



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KENT A. CHANDLER  
REBECCA W. GOODMAN  
LAWRENCE W. COOK  
ASSISTANT ATTORNEYS GENERAL  
700 CAPITOL AVE., SUITE 20  
FRANKFORT KY 40601-8204  
(502) 696-5456  
FAX: (502) 573-1005  
[Kent.Chandler@ky.gov](mailto:Kent.Chandler@ky.gov)  
[Rebecca.Goodman@ky.gov](mailto:Rebecca.Goodman@ky.gov)  
[Larry.Cook@ky.gov](mailto:Larry.Cook@ky.gov)

1. Refer to the direct testimony of Mr. Don Mosier, pages 4-5.
  - a. What specific details, risks, benefits or assumptions does Mr. Mosier believe should have been included or considered in the contemplated empirical analyses?
  - b. In referencing the likelihood that Morgan Stanley has conducted analyses ensuring “that it will benefit from the transaction,” is it Mr. Mosier’s opinion that a series of transactions such as the instant Application is a zero-sum game, in that either of the parties can receive benefits, but not both? Explain your response in complete detail.
  
2. Refer to the direct testimony of Mr. Don Mosier, pages 9-10.
  - a. Explain why the confusion and unanswered questions pertaining to the purchase of firm capacity “are concerning to me and should concern this Commission.”
  - b. If Mr. Mosier believes there are inherent risks of the portion of the agreement, explain those risk and describe the most likely consequences to EKPC, South Kentucky RECC (“SKRECC”), or SKRECC’s customers.
  - c. Explain why the Capacity Confirm is unnecessary.
  
3. Refer to the direct testimony of Mr. Don Mosier, pages 6-7.
  - a. Does Mr. Mosier believe that a potential change in law such as, for example, increased regulatory requirements under the federal government’s Coal Combustion Residual Rule, or any provision in a state having jurisdiction over one or more of the generating sources producing power under the contemplated PPA, could, or likely may, cause SKRECC’s costs to increase under the PPA? Provide a discussion.
  
4. Refer to the direct testimony of Mr. Mike McNalley, pages 5 & 9-10.
  - a. Provide an estimated benefit to EKPC’s 16 cooperatives, individually, from the “mitigation actions in the ordinary course of business” over the next few years if the contemplated transaction is not approved.
    - i. Is it Mr. McNalley’s opinion that these benefits should be included in any “baseline” comparison SKRECC or the Commission conducts of the proposed transaction?
  
5. Refer to the direct testimony of Mr. Mike McNalley, page 9.
  - a. Explain the process involved should EKPC “undertake cost of service and rate design studies” as a result of the approval of the proposed transaction.
  - b. Confirm that upon a change in rate design, the “savings” SKRECC contemplates under the proposed transaction that are actually shifts in fixed

costs currently allocated to SKRECC, could diminish or disappear under a new allocation methodology.

- i. Is it Mr. McNalley's opinion that SKRECC has properly considered this possibility? Provide a discussion.
  - c. Provide an estimate of the costs involved with preparing the cost of service and rate design studies discussed in subpart (a) of this question, together with costs to address such issues in EKPC's next base rate case.
6. Refer to the direct testimony of Mr. Mike McNalley, page 14.
  - a. Explain how EKPC calculated the administration fee incorporated in its cogeneration tariffs.
  - b. Explain if there are any inherent differences between QFs taking under the cogeneration tariffs and SKRECC that may cause the administration fee to be different between them.
  - c. Provide and explain what a reasonable escalation assumption for the administration fee may be for 20 years.
  - d. Explain, and quantify if possible, the risk to SKRECC and its customers if the proposed transaction is approved but EKPC and SKRECC are unable to agree to an agency agreement and fee.
7. Reference the direct testimony of Messrs. Don Mosier and Mike McNalley generally.
  - a. Provide an approximate amount of "Environmental Costs" EKPC has expended over the time horizons of: the past 20 years, the past 10 years and the past 5 years. Any response should attempt to categorize the spending generally (i.e. ELG/CCR compliance, scrubbers, etc.).
  - b. Provide a brief explanation of how EKPC currently allocates environmental costs.
  - c. Provide a brief explanation of any contemplated methodologies that EKPC could use to allocate environmental costs if the proposed transaction is approved. Any response may consider whether other cooperatives have made amendment 3 elections or not.
  - d. State whether EKPC's estimates of cost impacts should the contemplated transaction be approved include the estimated \$262 million in new environmental costs as set forth in Case No. 2017-00376. If not, discuss how those new costs would be reallocated in the event the Commission should approve the contemplated transaction in the instant case.
  - e. Provide an exhibit identical to MM-2 and MM-3, but using EKPC's 5-year average escalation for the NITS transmission rates.

8. Reference the direct testimony of Messrs. Don Mosier, Mike McNalley, and Anthony Campbell generally.
  - a. Is EKPC aware of any agreements similar to the proposed transaction for a time period exceeding 15 years?
    - i. If so, provide citation to same.
  - b. If EKPC is aware of any examples of long-term agreements such as the one proposed, is it aware of whether they were intended to be cost-effective and whether or not the transactions were actually cost-effective. Conversely, is EKPC aware of any examples where similar long-term agreements were not cost-effective over the entire term, If so, please identify and discuss.
  - c. Does EKPC believe that the fact that Morgan Stanley does not disclose the location of the generation source(s) increases the risk of changes in environmental law? Provide a discussion.
  - d. Is it EKPC's understanding that it and its 16 owner-members are generally concerned about customers not paying their reasonable allocation of "fixed" costs, including generation, transmission and distribution "fixed" costs, such as in instances that may arise as a result of KRS 278.466?
    - i. Has EKPC or its personnel had any discussion with SKRECC personnel regarding KRS 278.466 or any revisions thereto within the last twelve (12) months?
    - ii. Is EKPC aware of any formal or informal position SKRECC has, or has taken, regarding any revision to KRS 278.466?
    - iii. Does EKPC believe Kentucky's current net metering law should be changed? If so, is the allocation of fixed costs one of its concerns?
  - e. Does EKPC believe the proposed transaction will more likely than not be cost-beneficial to SKRECC's customers? If not, why not?