COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE	)	
APPLICATION OF THE FUEL ADJUSTMENT	)	
CLAUSE OF EAST KENTUCKY POWER	)	CASE NO.
COOPERATIVE INC, FROM NOVEMBER 1,	)	2019-00003
2016 THROUGH OCTOBER 31, 2018	)	

RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

TO EAST KENTUCKY POWER COOPERATIVE, INC.

DATED MARCH 11, 2019

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2019-00003

PUBLIC SERVICE COMMISSION REQUEST DATED 03/11/19

East Kentucky Power Cooperative, Inc. (“EKPC”) hereby submits responses to the second request for information of the Public Service Commission (“PSC") in this case dated March 11, 2019. Each response with its associated supportive reference materials is individually bookmarked.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY POWER COOPERATIVE INC, FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018	)))))	**CASE NO. 2019-00003**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Mark Horn, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information dated March 11, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Mark Horn

Subscribed and sworn before me on this 25th day of March 2019.

Gwyn M. Willoughby #578567
Notary Public

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY POWER COOPERATIVE INC, FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018	)))))	**CASE NO. 2019-00003**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information dated March 11, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Isaac S. Scott

Subscribed and sworn before me on this 25th day of March 2019.

Gwyn M. Willoughby #590567
Notary Public

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY POWER COOPERATIVE INC, FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018	)))))	**CASE NO. 2019-00003**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information dated March 11, 2019, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Julia J. Tucker

Subscribed and sworn before me on this 25th day of March 2019.

Gwyn M. Willoughby #590567
Notary Public

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2019-00003

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 1
RESPONSIBLE PARTY: Mark Horn

Request 1. Refer to the response to Commission Staff's First Request for Information (Staff's First Request), Item 1.

Request 1a. All of the Cooper unit's contracted coal continues to come from only one supplier. Describe any action taken by EKPC since the prior Fuel Adjustment Clause (FAC) review case[1] to diversify its coal procurement for Cooper.

Response 1a. The long–term, or anchor, coal supply contract for Cooper Station ("Cooper") is the proper hedge based on the long-term projected burn updated monthly. The physical coal inventory at Cooper typically grows during the spring and fall shoulder months to the target inventory range of 40 to 60 days, at max burn, going into the summer and winter peaks. If the actual burn is anticipated to exceed the projected burn, then EKPC will procure additional tons of coal as needed from the spot market. EKPC's Fuel & Emissions department takes

[1] Case No. 2018-00217, *Electronic Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2017 Through April 30, 2018* (Ky. PSC Dec 3, 2018).

proactive action by maintaining lines of communication with potential coal suppliers that would augment supplier diversification for Cooper as needed. In the 2018 summer and 2018/2019 winter, Cooper received spot coal from six (6) different coal suppliers on purchase orders in addition to the anchor contract. If the projected burn for the summer and winter peaks does not develop, the anchor coal supply contract supplier has the ability, with notice from EKPC, to load the committed coal into railcars for Spurlock Power Station ("Spurlock"). Flexibility in coal supply is a key component to the fuel procurement strategy for Cooper given its dispatch variability.

Request 1b. Explain why the percentage of spot purchases exceeds contract purchases for Cooper and Spurlock Units 1 and 2.

Response 1b. The spot purchases exceed the contract purchases for Cooper and Spurlock Units 1 and 2 during the review period because the actual coal burn exceeded the projected coal burn during the 2017/2018 winter and again during the 2018 summer for these generation assets. The spot purchases were necessary to maintain the targeted physical coal stockpile levels. Spurlock received the spot tons over a shorter delivery period because extensive, widespread, and long-term flooding impacted barge deliveries January through April 2018. These spot purchases provided an adequate fuel resource for EKPC's generating units and enabled EKPC to continue to generate power for the lowest cost possible for its owner-members. These spot purchases were made in compliance with EKPC's Policies, Strategies, and Procedures. Spurlock

Units 3 and 4 typically have a higher capacity factor and a more predictable dispatch, thus less exposure to the spot market.

Request 1c. Explain if EKPC is concerned with the amount of spot purchases over contract purchases during the period under review.

Response 1c. EKPC is not concerned with the amount of spot purchases over the contract purchases during the period under review. It is not normal to have a strong winter followed by a strong summer. Neither is it normal to have widespread unfavorable river conditions that impact barge loadings, barge transportation, and barge unloadings for four consecutive months. Nevertheless, EKPC complied with its Hedging Policy and was able to manage the physical coal inventories and all commitments during the period under review. EKPC's controls are effective. In fact, during EKPC's monthly utility benchmarking regarding delivered fuel price, in June 2018 EKPC had the lowest price compared to 16 of its peers.

EAST KENTUCKY POWER COOPERATIVE, INC.

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FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19

REQUEST 2

RESPONSIBLE PARTY: Mark Horn

Request 2. Refer to the response to Staff's First Request, Item 2, page 2 of 4 and page 3 of 4, column (f) for Contract No. 824 and No. 832. Explain the +$.25/ ton trucking part of the charge.

Response 2. The +$.25/ton trucking part of the charge is a trucking fuel surcharge that is only applicable if diesel fuel average monthly price escalates above the negotiated base. This coal price adjustment is a trucking surcharge applicable to the trucking of the coal from the mines to the dock where the barges are loaded. In each of the referenced coal supply contracts the trucking surcharge will be added to the billing price as long as the cost of diesel fuel remains above $3.009 per gallon. All calculations for the trucking surcharge will be made based on the diesel fuel price using the U.S. Energy Information Administration On-Road Diesel-National Average-Monthly index based on the preceding month. If the diesel fuel price is below $3.009 per gallon, there is no surcharge. The trucking fuel surcharge was applied to Contract No. 824 and No. 832 for each month of the period under review.

EAST KENTUCKY POWER COOPERATIVE, INC.
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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 3
RESPONSIBLE PARTY: Mark Horn

Request 3. Refer to the response to Staff's First Request, Item 5, page 2 of 3. Provide an explanation for the Test Purchase reasoning given.

Response 3. Cooper management wanted to test an alternate coal quality that does not meet the typical coal specification to determine if the lower quality coal would have any measureable impact on plant operations. EKPC would evaluate whether procuring a lower quality coal for Cooper could lower the plant's dispatch cost. EKPC made an oral coal-supply solicitation for off-spec coal, but no coal was available and, therefore, no proposals were evaluated. A test, emergency, or economy spot purchase may not have a fuel evaluation tabulation sheet. The current coal contract supplier did state it had 2,000 tons of coal available that was lower in Btu/lb. and higher in ash content than the plant specification that could serve as a small test in July 2018. The test coal was $4.23 per ton lower than the current contract price and approximately $18.00 per ton less than the current spot market for Cooper's typical coal at the time. Any coal accepted on the test purchase order would apply and satisfy tonnage commitments for the existing contract.

EAST KENTUCKY POWER COOPERATIVE, INC.
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 4
RESPONSIBLE PARTY: Mark Horn

Request 4. Refer to the response to Staff's First Request, Item 9. Provide details on when EKPC last audited any of its fuel or transportation contracts.

Response 4. EKPC has not audited fuel or transportation contracts in the sense of an investigative audit of a cost-plus contract where the Buyer would audit the supplier's mining costs, reclamation costs, or other costs recoverable through the final price because EKPC does not utilize those type of cost-plus contracts. In EKPC's market based contracts, EKPC will review the financial records of the fuel or transportation provider as part of the due diligence process and EKPC will audit requests for compensation from Governmental Impositions stemming from the Mine Improvement and New Energy Response Act of 2006 (MINER Act). The last coal price adjustment related to a Governmental Imposition claim was audited and processed in June 2018 for calendar year 2017.

EAST KENTUCKY POWER COOPERATIVE, INC.
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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 5
RESPONSIBLE PARTY: Isaac S. Scott

Request 5. Refer to the response to Staff's First Request, Item 22, page 1 of 5.

Request 5a. Provide a table listing the Fuel, Sales, and FAC factor rate for each expense month for the 24 months under review.

Response 5a. Please see the following table.

Expense Month	Fuel Fm	Sales Sm	FAC Factor
November 2016	$24,821,709	946,826,738 kWh	$0.02622 / kWh
December 2016	$33,601,990	1,248,809,872 kWh	$0.02691 / kWh
January 2017	$31,311,745	1,196,786,531 kWh	$0.02616 / kWh
February 2017	$22,024,059	968,121,799 kWh	$0.02275 / kWh
March 2017	$26,381,697	1,043,768,098 kWh	$0.02528 / kWh
April 2017	$21,237,091	855,652,816 kWh	$0.02482 / kWh
May 2017	$23,045,237	918,647,642 kWh	$0.02509 / kWh
June 2017	$23,559,503	997,714,387 kWh	$0.02361 / kWh
July 2017	$28,417,688	1,144,230,174 kWh	$0.02484 / kWh
August 2017	$24,425,142	1,057,217,273 kWh	$0.02310 / kWh
September 2017	$22,580,855	900,021,762 kWh	$0.02509 / kWh
October 2017	$22,116,132	903,260,380 kWh	$0.02448 / kWh
November 2017	$25,398,205	998,000,640 kWh	$0.02545 / kWh
December 2017	$34,525,397	1,296,194,676 kWh	$0.02664 / kWh
January 2018	$49,359,579	1,498,360,460 kWh	$0.03294 / kWh
February 2018	$27,132,349	1,034,022,558 kWh	$0.02624 / kWh
March 2018	$29,120,824	1,129,105,396 kWh	$0.02579 / kWh
April 2018	$24,755,032	958,245,678 kWh	$0.02583 / kWh
May 2018	$26,889,442	1,002,403,215 kWh	$0.02682 / kWh
June 2018	$22,389,910	1,068,368,403 kWh	$0.02096 / kWh
July 2018	$24,698,308	1,129,887,147 kWh	$0.02186 / kWh
August 2018	$24,173,577	1,081,843,903 kWh	$0.02234 / kWh
September 2018	$23,531,555	979,527,159 kWh	$0.02402 / kWh
October 2018	$23,348,353	964,649,734 kWh	$0.02420 / kWh

The information to compile this table was taken from the monthly FAC filings EKPC files with the Commission, pursuant to 807 KAR 5:056, Section 1(9), which the Commission's February 11, 2019 Order incorporated by reference into the record of this proceeding.

Request 5b. Confirm that the average total FAC for the 24 months under review is $0.02523 per kWh.

Response 5b. As stated in the last sentence of the second paragraph on page 1 of 5 in the response to Request 22, the average total FAC for the 24 months under review is $0.02523 / kWh.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2019-00003

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 6
RESPONSIBLE PARTY: Mark Horn

Request 6. Refer to the Direct Testimony of Mark Horn, page 3. Provide the steps EKPC has taken to address B & W Resources, lnc.'s shortfall of tonnage for the Cooper Power Station.

Response 6. EKPC increased the frequency of phone calls, office visits, and mine visits with B & W Resources, Inc., to address its shortfall of tonnage for Cooper and to encourage delivery performance. After the test burn was conducted on a lower quality coal, as addressed in Response 3, above, the coal supply contract was amended to increase the maximum daily ash content provision from 12 percent to 14 percent and reduce the delivered price of coal by $1.00 per ton. The ash content on a monthly basis remained at 12 percent. The daily ash specification was relaxed to increase the supplier's ability to make deliveries that would be within the contract specification. As of March 2019, the shortfall of tonnage or arrearage for Cooper has been fully remedied.

EAST KENTUCKY POWER COOPERATIVE, INC.
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FUEL ADJUSTMENT CLAUSE
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 7
RESPONSIBLE PARTY: Julia J. Tucker

Request 7. Refer to the Direct Testimony of Julia Tucker, page 2. For the total period under review, provide details on the PJM implemented changes and exactly how EKPC was able to meet the requirements.

Response 7. For the period under review, PJM has implemented three significant business rule changes.

1. **Capacity Performance ("CP") Product and Performance Assessment Interval ("PAI") implementation**

The Polar Vortex of 2014 drove PJM Interconnection, LLC. ("PJM") and its Members to develop stronger incentives to encourage investment for better generator performance throughout the Regional Transmission Organization ("RTO"). On June 1, 2016, PJM implemented CP, a pay-for-performance system that penalizes those resources that do not respond to a PAI event and distributes the penalty money to those that over-perform. PJM states that the CP market has led to a considerable decrease in forced generator outages in 2018 when compared to the polar vortex of 2014. EKPC has performed during the few CP events that have occurred on the PJM system.

EKPC ensures compliance with good maintenance practices so plants are ready and able to perform when needed. In addition, EKPC employs several CP risk mitigation measures at its natural gas-fired combustion turbines at its JK Smith Station ("JK Smith") and Bluegrass Generation Station ("Bluegrass"). All units at JK Smith (Units 1 through 7, 9 and 10) have access to two major natural gas pipeline suppliers: Tennessee Gas Pipeline and Texas Eastern Transmission Company. JK Smith has the ability to separate and isolate blocks of units, allowing a block of units to operate off one pipeline, while the other block operates off the second pipeline. JK Smith Units 1 through 7 also have the ability to operate using fuel oil stored on-site (this is known as dual-fuel capability). While Bluegrass does not currently have access to a secondary natural gas pipeline, EKPC is in the process of converting Bluegrass to dual-fuel capability with on-site fuel-oil backup. EKPC has also obtained CP insurance for its generating units.

2. Intra-Day Offer ("IDO") Optionality

The IDO allows generation resources the option of updating their energy price offers within the operating day, not just in the day-ahead energy offers. This optionality was created to ease concerns between the traditional power-day (current day HE 1-24) and gas-day (current Day HE 10 – next day HE 10), and allow PJM to accurately dispatch units based on the most recent gas price offers. PJM implemented IDO on November 1, 2017. EKPC makes a choice by the 15th of each month on whether or not it will participate in the IDO for the next month. EKPC has participated during the months that gas price volatility has historically been an issue.

3. Five-Minute Generator Resource Settlements

FERC Order 825 requires PJM to settle energy transaction at the same interval at which it dispatches energy. For Generators, that interval is every 5 minutes, while the interval for load is every hour. PJM implemented Five-Minute Generator Settlements on April 1, 2018. Generation resources were given the option to allow PJM to calculate the 5-minute data using its State Estimator, or to provide PJM with revenue-quality 5-minute meter data. EKPC chose to provide 5-minute meter data for all of its generation assets. EKPC has not incurred any issues with providing the data to date.

EAST KENTUCKY POWER COOPERATIVE, INC.

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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 03/11/19
REQUEST 8
RESPONSIBLE PARTY: Mark Horn

Request 8. For the period under review, describe how often the severance tax on Kentucky coal effects EKPC's decision to purchase coal mined in Kentucky.

Response 8. For the period under review, the severance tax on Kentucky coal did not affect EKPC's decision to purchase coal mined in Kentucky. The Coal Incentive Tax Credit and Clean Coal Incentive Credit were evaluated.