

**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 INFORMATION REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.**

DATED MAY 7, 2019

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**

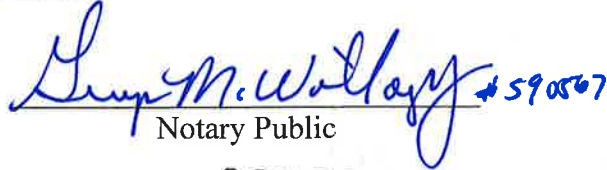
CERTIFICATE

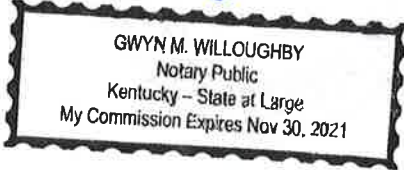
**STATE OF KENTUCKY)
)
COUNTY OF CLARK)**

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 Post Hearing Request for Information dated May 7, 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.



Subscribed and sworn before me on this 17th day of May 2019.


Notary Public



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

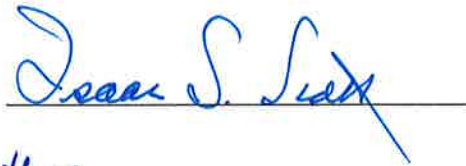
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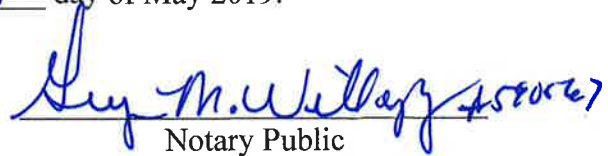
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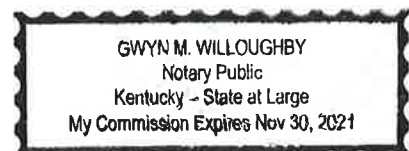
Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Post Hearing Request for Information dated May 7, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 7th day of May 2019.



Notary Public



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2019-00003

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 05/07/19

REQUEST 1

RESPONSIBLE PARTY: Mark Horn

Request 1. Provide the budget model or evaluation formula that EKPC utilizes to determine the overall cost of fuel in Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response 1. The evaluation model that EKPC utilizes is not in Excel spreadsheet format. It has been developed by EKPC personnel over time and utilizes proprietary program platforms that reside on EKPC's internal corporate network. EKPC is unable to provide the Commission with a copy of these production platforms. However, EKPC is willing to demonstrate the workings of the model to the Commission and its Staff at EKPC's offices at a mutually agreeable time. Alternatively, EKPC can demonstrate a sandbox version of the model at the Commission's offices via remote log-in to EKPC's corporate network.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2019-00003

FUEL ADJUSTMENT CLAUSE

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 05/07/19

REQUEST 2

RESPONSIBLE PARTY: Isaac S. Scott

Request 2. Refer to EKPC's response to Staff's First Request for Information, Item 22.

Request 2a. Refer to page 2 of 5. Expand upon why coal prices are expected to be higher for all Cooper and Spurlock units compared to the two-year review period.

Response 2a. EKPC's projected coal costs are calculated based on current contract pricing for future years combined with projected spot pricing. The spot pricing is based on various supply points. ACES Power Marketing ("ACES") provides the pricing for these points which is based on projections received by them from IHS Markit Ltd. IHS Markit Ltd. is a global information provider whose information expertise spans numerous industries including leading positions in finance, energy, and transportation.

Coal costs are affected in the future by company consolidation, increasing operating costs for more difficult mining situations, increasing exports, and more coal companies' selectiveness regarding increasing production. These factors, along with normal inflation and cost escalation,

have resulted in upward pressure on the expected price of coal as compared to the prices experienced during the two-year review period.

Request 2b. Refer to page 2 of 5. Explain why the expected price of purchased power is expected to be lower than in the review period. Provide a detailed explanation of the driving factors involved and how they affect the expected price of purchased power.

Response 2b. The expected price of purchased power reflects the market price estimates in PJM at the time EKPC's budget was developed. ACES provides EKPC with forward market prices from the closest liquid PJM trading hub to the EKPC Zone, which is AEP – Dayton (AD Hub). EKPC applied the forward market prices available at the time the budget was being developed, which created the price of purchased power included in the budgets for 2019 and 2020. The annual price for purchased power was used in the analysis performed to determine the representative month.

As stated in the response to Request 22, page 2 of 5, the expected price of purchased power was expected to be slightly lower than the prices experienced during the two-year review period. While numerous factors affect the PJM forward market prices, a significant factor is the price for natural gas. ACES provided to EKPC the forward natural gas prices from the NYMEX Henry Hub, and these values are consistent with the same vintage of market power prices used in the budget. Forward natural gas prices reflect a slightly downward trend when compared to historic

prices. As was noted in the response to Request 22, page 2 of 5, EKPC expected natural gas prices would be slightly lower than the prices experienced during the two-year review period.

Market price and natural gas price projections are based on “expected” conditions, which are based on normal weather patterns. The two-year historic period under review had a colder than normal winter season and a warmer than normal summer season during that time. Both of those conditions created market and gas prices higher than projected. Neither EKPC nor the industry as a whole, base budgets or base plan projections on weather extremes but rather on expected normal conditions. Therefore, prices reflected going forward are lower than those experienced in the review period. In addition to basing projections on normal weather expectations, the natural gas market reflects additional gas pipelines being completed in the early 2019 time frame and allowing more gas to flow to market and refill storage fields, thus keeping gas prices at or below recent price levels.