

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

<b>ELECTRONIC JOINT APPLICATION OF EAST</b>	)	
<b>KENTUCKY POWER COOPERATIVE, INC. AND</b>	)	
<b>INTER-COUNTY ENERGY COOPERATIVE</b>	)	<b>CASE NO.</b>
<b>CORPORATION FOR APPROVAL OF AN</b>	)	<b>2020-00193</b>
<b>INDUSTRIAL POWER AGREEMENT WITH</b>	)	
<b>ECONOMIC DEVELOPMENT RIDER AND</b>	)	
<b>RENEWABLE ENERGY PURCHASES</b>	)	

**RESPONSES TO ATTORNEY GENERAL’S SUPPLEMENTAL REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
AND INTER-COUNTY COOPERATIVE, INC.**

**DATED AUGUST 27, 2020**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF EAST )
KENTUCKY POWER COOPERATIVE, INC. AND )
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CORPORATION FOR APPROVAL OF AN )
INDUSTRIAL POWER AGREEMENT WITH )
ECONOMIC DEVELOPMENT RIDER AND )
RENEWABLE ENERGY PURCHASES )

CASE NO.
2020-00193

CERTIFICATE

STATE OF KENTUCKY )
)
COUNTY OF CLARK )

David Crews, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Attorney General's Supplemental Request for Information in the above-referenced case dated August 27, 2020, 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.

[Handwritten signature of David Crews]

Subscribed and sworn before me on this 9th day of September, 2020.

[Handwritten signature of Notary Public]

Notary Public - #590567
Commission expires - 11/30/2021

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

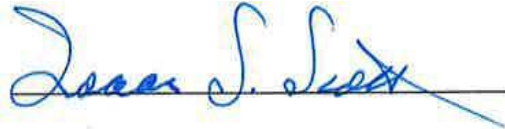
**ELECTRONIC JOINT APPLICATION OF EAST )  
KENTUCKY POWER COOPERATIVE, INC. AND )  
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INDUSTRIAL POWER AGREEMENT WITH )  
ECONOMIC DEVELOPMENT RIDER AND )  
RENEWABLE ENERGY PURCHASES )**

**CASE NO.  
2020-00193**

**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 Attorney General’s Supplemental Request for Information in the above-referenced case dated August 27, 2020, 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 9<sup>th</sup> day of September, 2020.



Notary Public - #590567  
Commission expires - 11/30/2021

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2020-00193**

**RESPONSE TO INFORMATION REQUEST**

**ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST DATED 08/06/2020**

**REQUEST 1**

**RESPONSIBLE PARTY: David Crews**

**Request 1.** Reference the response to AG DR 1-12, and the application in general. If EKPC should ever cease participating as a member of PJM (whether on an RPM basis, or as a member in general), explain whether that would increase the projected costs for transmission and Financial Transmission Rights. If so, explain whether such additional costs would flow exclusively to Diageo, or the general ratepayer base.

**Response 1.** EKPC cannot directly answer this question as it requires knowledge of future conditions and circumstances that are impossible to adjudge with a degree of confidence that would permit anything approaching an informed decision. Obviously, a decision to withdraw from PJM is the reciprocal of the decision to join PJM and would warrant a study that is comparable to the study EKPC performed prior to joining PJM. EKPC files an annual report with the PSC quantifying the prior year's benefits of being a PJM member and the total benefits since joining PJM. To date those reports have shown that EKPC, its Owner-Member Cooperatives ("owner-members") and End-use Retail Members ("retail members") have experienced benefits

that exceed those estimated in the studies EKPC relied upon in making the decision to integrate into PJM.

The question recognizes that there can be congestion risk associated with a Power Purchase Agreement (“PPA”) that could be detrimental to EKPC. While Diageo will participate in the RFP process to secure renewable power supplies, the contract grants EKPC the sole right to choose the successful bidder. Concerns associated with congestion and settlements of a PPA that would be detrimental to EKPC drove responsibility for selecting the successful bidder to be placed on EKPC. The RFP for the renewable power supply has been released and it proposes delivery/settlement at the EKPC load zone or settlement at the AEP/Dayton hub (“AD hub”) which historically has settled at prices comparable to the EKPC load zone. Delivery/Settlement in the EKPC zone reduces the congestion risk and facilitates EKPC’s management of the congestion risk using FTRs. Should a future study show that it would be economically desirable for EKPC to withdraw from PJM, delivery/settlement in the EKPC zone would translate into delivery into the EKPC Balancing Authority upon a withdrawal. Should EKPC choose a PPA that is settled at the AD hub, EKPC’s withdrawal from PJM would not impair the transactions from being settled at the AD hub. A settlement at the AD hub would not require transmission to be purchased.

EKPC plans to address congestion risk by taking delivery on the EKPC transmission system or at LMP points in PJM that have a well-established correlation to the EKPC Zonal price. Should

EKPC withdraw from PJM, EKPC would be able to take delivery or settle the PPA transactions without causing harm to the balance of the EKPC retail members.

**Request 1a.** In the event that EKPC changes its participation in PJM from the current RPM basis to an FRR participant, would that require modifications to the proposed agreement, or perhaps an entirely new agreement? Explain.

**Response 1a.** Should EKPC elect to use the FRR construct to meet its PJM capacity obligation instead of the centralized RPM capacity market, EKPC would still be able to use FTRs to hedge its energy market congestion risk.

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2020-00193**

**RESPONSE TO INFORMATION REQUEST**

**ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST DATED 08/06/2020**

**REQUEST 2**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 2.** In its Response to AG DR 1-1, EKPC states that, “[t]he design of the East Kentucky Power Cooperative Inc. (“EKPC”) Green Tariff assures that there is no subsidization of the Green Tariff participants by non-participants.” However, EKPC’s Green Tariff is not the only tariff through which power will be supplied according to the proposal. “Power will be supplied to Diageo by Inter-County pursuant to its Rate G – Large Industrial Customer; Rate Renewable Energy Program; Rate CS – Community Solar Power Generation; and Rate Economic Development Rider. Power will be supplied to Inter-County Energy by EKPC under EKPC’s Rate G – Special Electric Contract Rate; Rate H – Wholesale Renewable Energy Program; Rate CS – Community Solar; and Rate EDR – Economic Development Rider.” See Joint Application at 6.

**Request 2a.** Given that the proposal utilizes “an innovative combination of several existing tariffed rates to develop a tailored structure that best serves Diageo’s needs without harming the rates or services of others,” fully discuss whether the net result of the proposal under all of the aforementioned tariffs and riders results in a subsidization of Diageo by other ratepayers.

**Response 2a.** EKPC and Inter-County do not believe that the net result of the proposal under all of the aforementioned tariffs and riders would result in a subsidization of Diageo by other ratepayers. The base rates that EKPC will charge Inter-County and Inter-County will charge Diageo under the respective Rate G tariffs have been found by the Commission to be the fair, just, and reasonable rates for service.

Concerning the Economic Development Rider (“EDR”), when EKPC sought approval of the Rider it acknowledged that for each EDR special contract it would be required to demonstrate that the discounted rate exceeds margin cost recovery through a current marginal cost-of-service study. EKPC has complied with that requirement in this Application by the filing of the marginal cost analysis contained in Exhibit 4. In addition, EKPC is required to file an annual report showing the revenues received from each EDR customer and the marginal cost for that customer as well as demonstrate during rate proceedings through a cost-of-service analysis that non-participating customers are not adversely affected by the EDR. When EKPC’s EDR was approved in 2014, the Commission stated it would be “able to closely monitor EKPC’s use of approved EDR contracts and their effects on non-participating customers through the process outlined in Admin. 327.”<sup>1</sup>

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<sup>1</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Economic Development Rider*, Order, Case 2014-00034, p. 8 (Ky. P.S.C. June 20, 2014).



EKPC would note that when the Community Solar project and the accompanying tariffs were approved in 2016, the Commission observed that the project was designed so that it would not be meaningfully subsidized by non-participating customers.<sup>2</sup>

Concerning the Wholesale Renewable Energy Program tariff and the corresponding Rate Renewable Energy Program tariff, when Option B was added in 2020, the Commission found that “Because the participating retail customers receiving charges and credits under Option B continue to be subject to all other fixed and variable charges, non-participants will not bear any undue burden from EKPC’s proposal.”<sup>3</sup>

EKPC has taken great effort to design its tariffs to attract new load without creating a financial burden for existing load. Taking all the foregoing components into consideration, EKPC and Inter-County believe every effort has been made to avoid the subsidization of Diageo by other ratepayers.

**Request 2b.** Confirm that EKPC and Inter-County will recover the variable costs for providing service to Diageo, under the terms of the proposal.

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<sup>2</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Issuance of a Certificate of Public Convenience and Necessity, Approval of Certain Assumption of Evidences of Indebtedness and Establishment of a Community Solar Tariff*, Order, Case No. 2016-00269, p. 12 (Ky. P.S.C. Nov 22, 2016).

<sup>3</sup> See *In the Matter of Electronic Tariff Filing of East Kentucky Power Cooperative, Inc. to Implement a New Green Energy Option for Non-Residential Retail Customers*, Order, Case No. 2019-00378, p. 6 (Ky. P.S.C. Mar 25, 2020).

**Response 2b.** Confirmed. As shown in the marginal cost analysis in Exhibit 4 of the Application, the discounted demand and net energy rates exceed the marginal costs of providing service (the variable costs).

**Request 2c.** Confirm that the revenue generated under the proposal will contribute to the fixed costs of EKPC and Inter-County.

**Response 2c.** Confirmed. The amount that the discounted demand and net energy rates exceed the marginal costs of providing service will serve as a contribution to the fixed costs of EKPC and Inter-County.