COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|---|---|---|
| ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF | ) ) ) ) ) ) | CASE NO. 2021-00103 |

NUCOR STEEL GALLATIN'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

1. Refer to the direct testimony of Stephen Baron (Baron Testimony), page 26, lines 1–8.

   a. If an annualization adjustment to align the costs and revenues is made for Nucor Gallatin, explain whether such an adjustment should be made for other industries who have either expanded or are new to the system and are known and measurable.

**RESPONSE:**

**The annualization adjustment for Nucor Gallatin is a very significant adjustment because of 1) its size, which is 15,000 kW 2) the fact that Nucor Gallatin is a single customer rate class and 3) the AED cost allocation methodology is based on a rate class's maximum demand, which occurred in December 2019, when the galvanizing line reached its highest operating load during the test year. These distinctions support the need for this adjustment to the cost of service study. Notwithstanding this, if there are other instances in which such an annualization of a new or expanded load is appropriate and would be a material impact on the cost of service results, Mr. Baron would agree that such an adjustment should be performed. Mr. Baron is not aware of any such material new or expanded loads that should be annualized.**

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NUCOR STEEL GALLATIN'S RESPONSE TO
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2. Refer to the Baron Testimony, page 26, lines 14–20. Provide an updated cost of service study which includes a pro forma adjustment for the revenues and expenses associated with the new galvanized expansion.

**RESPONSE:**

**Mr. Baron has not performed such an analysis. As discussed in his Direct Testimony, due to complexities of performing such an analysis, Mr. Baron determined that a reasonable result could be developed by removing the galvanizing load, revenues and expenses from the cost of service study. Mr. Baron believes that the analysis presented in his testimony provides a reasonable measure of the true cost responsibility and revenue deficiency of Nucor Gallatin and is consistent with a cost study that annualizes the galvanizing load, revenues and expenses.**

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3. Refer to the Baron Testimony, page 33, Table 5. Confirm that Revenue should be Expense.

**RESPONSE:**

**The word "Revence" should correctly be stated as "Revenue." The analysis compares the revenues paid by each rate class for base FAC and the FAC charge (1st column) to an allocation of the fuel and purchased energy expenses (FAC revenue requirement) that reflects on and off-peak usage and cost differences (column 2). The difference between the revenues paid by each rate class (column 1) and the cost reasonably attributed to each rate class (column 2) is the mismatch that is being accounted for in this cost of service adjustment.**

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NUCOR STEEL GALLATIN'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

4. Refer to the Baron Testimony, page 42, lines 10–16, and page 43, lines 1–3.
   a. Provide the cost support for the current interruptible credit of $6.22/kW-month.
   b. Explain whether the locational marginal pricing is more applicable for East Kentucky Power Cooperative (EKPC), Inc. than the PJM Net Cost of New Entry (CONE) given that EKPC is a reliability pricing model (RPM) participant and Kentucky Power Company is a fixed resource requirement (FRR) participant.

**RESPONSE:**

a. **The support for the current Nucor Gallatin 10-minute notice interruptible rate of $6.22/kW-month can be seen in EKPC witness Isaac Scott's Exhibit ISS-3, which develops the carrying cost of a combustion turbine. Mr. Scott's analysis shows that the avoided capacity cost associated with interruptible load for EKPC's tariffed 30-minute notice interruptible credit is $5.26/kW-month (the actual 30-minute notice credit is $5.60/kW-month). Since the Nucor Gallatin 10-minute notice interruptible load provides a higher level of value reflecting a quick start CT, it is reasonable to provide a higher interruptible credit to the customer. Nucor Gallatin also has 90-minute notice interruptible load, for which it receives a monthly credit of $4.20/kW-month, reflecting a lower value than the 30-minute notice interruptible service which receives a credit of $5.60/kW-month.**

   **In addition, the PJM 2022/23 Delivery Year Net CONE for EKPC supports a $6.60/kW-month interruptible credit. PJM publishes "Planning Period Parameters" for each Base Residual Auction. Attached is the 2022/23 Delivery Year information, which shows the development of Net CONE values for each PJM member. For EKPC, which is in PJM CONE Zone 3 (this zone includes the AEP Companies), the gross CONE cost per MW-year is $105,500. As can be seen, the Net CONE value for EKPC on an ICAP (installed capacity MW) basis is $216.92/MW-day. On a $/kW-month basis, this equates to $6.60/kW-month.**

b. **PJM Net CONE is specifically used in the development of the RPM rate used to set the capacity charges for RPM participants such as EKPC. The RPM rate, set at the Base Residual Auction and adjusted in Interim Auctions, is developed using a Variable Resource Requirement ("VRR") curve. Points on this VRR curve are based on Net CONE. On the other hand, the FRR participants, such as Kentucky Power Company, are assigned a capacity obligation based on PJM's reserve margin that is determined using a 1 day in 10-year reliability criterion. Net CONE is not a factor in this FRR capacity obligation. Therefore, using PJM Net CONE as a factor in state ratemaking is more appropriate for an RPM entity like EKPC than an FRR entity like Kentucky Power.**

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NUCOR STEEL GALLATIN'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

5. Refer to the Baron Testimony, page 43, lines 16–19.
    a. Provide the ten-minute interruptible load credit for Nucor.
    b. Provide the cost support for the current interruptible load credit.

**RESPONSE:**

**a. The 10-minute interruptible load credit for Nucor is $6.22/kW-month.**

**b. Please see the response to STAFF 1-4a.**

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In the Matter of:

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| ELECTRONIC APPLICATION OF EAST | ) | |
| KENTUCKY POWER COOPERATIVE, INC. FOR A | ) | CASE NO. |
| GENERAL ADJUSTMENT OF RATES, APPROVAL | ) | 2021-00103 |
| OF DEPRECIATION STUDY, AMORTIZATION OF | ) | |
| CERTAIN REGULATORY | ) | |
| ASSETS, AND OTHER GENERAL RELIEF | ) | |

NUCOR STEEL GALLATIN'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

**6. Refer to the direct testimony of Cathy Waddell, page 4, lines 9–19. Ms. Waddell states that the impact of the proposed increased will actually be double due to the Nucor's major expansion project that will double Nucor's plant size. Provide support to this assertion given that Nucor is also offered a differing economic development rate.**

**RESPONSE:**

The economic development rate for the plant expansion was approved by the Commission on February 26, 2021. That economic development credit is a fixed amount per MWh that will be applied to our total electric bill, which includes base rates. Because EKPC is proposing to raise our base rates by $3.38 million, our base rate increase once the plant load doubles will be approximately $6.76 million as stated in my testimony.

**AFFIDAVIT**

STATE OF GEORGIA )

COUNTY OF FULTON )

STEPHEN J. BARON, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

Stephen J. Baron

Stephen J. Baron

Sworn to and subscribed before me on this 19th day of July 2021.

Jessica K. Inman

Notary Public

JESSICA K INMAN
MY COMMISSION EXPIRES
NOTARY
PUBLIC
JULY 31, 2023
CHEROKEE COUNTY, GEORGIA

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

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| In the Matter: | : | |
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| THE ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES APPROVAL OF DEPRECIATION STUDY AMORTIZATION OF CERTAIN REGULATORY ASSETS AND OTHER GENERAL RELIEF | : : : : : | **Case No. 2021-00103** |

**AFFIDAVIT**

STATE OF Kentucky )
COUNTY OF Gallatin )

Cathy Waddell, being duly sworn, deposes and states: that the attached is her sworn testimony and that the statements contained are true and correct to the best of her knowledge, information and belief.

Cathy Waddell
Cathy Waddell

Subscribed and sworn to or affirmed before me
this 19 day of July, 2021.

Cheryl L Foster
Notary Public KYNP119

CHERYL L. FOSTER NOTARY PUBLIC STATE AT LARGE KENTUCKY