

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF EAST)	
KENTUCKY POWER COOPERATIVE, INC. AND)	
ITS MEMBER DISTRIBUTION COOPERATIVES)	CASE NO.
FOR APPROVAL OF PROPOSED CHANGES TO)	2024-00101
THEIR QUALIFIED COGENERATION AND)	
SMALL POWER PRODUCTION FACILITIES)	
TARIFFS)	

CERTIFICATE

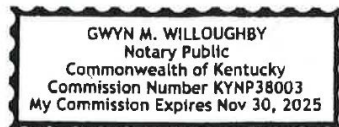
STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Denise Cronin, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the First Request for Information in the above-referenced case dated May 14, 2024, 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.

Denise Foster Cronin

Subscribed and sworn before me on this 29th day of May 2024.

Gwyn M. Willoughby
 Notary Public



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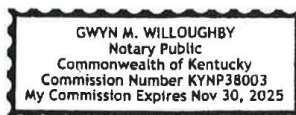
STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Chris Adams, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the First Request for Information in the above-referenced case dated May 14, 2024, 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.

Chris Adams

Subscribed and sworn before me on this 29th day of May 2024.

Gwyn M. Willoughby
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RESPONSES TO STAFF’S FIRST REQUEST FOR INFORMATION

TO EAST KENTUCKY POWER COOPERATIVE, INC.

DATED MAY 14, 2024

EAST KENTUCKY POWER COOPERATIVE, INC.
CASE NO. 2024-00101
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S REQUEST DATED MAY 14, 2024

REQUEST 1

RESPONSIBLE PARTY: Denise Foster Cronin

Request 1. Refer to the Application Letter, page 1. Explain how the proposed tariff structure change better aligns the tariff with the Public Utility Regulatory Policies Act (PURPA) regulation.

Response 1. The primary means by which EKPC has revised the tariff structure to better align the tariffs with PURPA is recognizing that a Qualifying Facility (“QF”) that is located behind the meter and directly serving its associated load (a “co-located QF” in the tariffs) only provides energy to EKPC when the QF’s output exceeds its co-located load. The prior tariffs would pay the applicable energy price for electric energy produced by the QF. However, PURPA requires an electric utility like EKPC to purchase only that energy which is made available by the QF to the utility. *See, e.g.*, 18 C.F.R. § 292.303(a) (“Each electric utility shall purchase . . . any energy and capacity which is made available from a qualifying facility.”). The revised tariff structure distinguishes between co-located QFs and grid-connected QFs in order to implement PURPA’s “made available” (sometimes referred to as “as available”) requirement. A co-located QF provides benefit to the load that it directly serves and only provides EKPC with benefit when it has any

“extra” energy above what is used by the load it serves. That extra energy is the energy that is “made available” to EKPC. Accordingly, rather than compensate such a QF for all energy *produced* by the QF – which would have included energy serving the retail load served directly by the QF behind the meter – EKPC has revised the tariff structure to compensate the QF only for energy *made available to EKPC* by the QF. In contrast to a co-located QF, a grid-connected QF is a QF that is directly connected to the transmission or distribution grid and that can offer all of the energy that it produces to EKPC for use by EKPC (e.g., to serve its Member-Owners’ load or to offer into the market). In that case, the “as available” approach appropriately compensates the QF for energy offered by the QF to EKPC.

In a similar way, the capacity pricing in the QF tariffs follows the distinction between co-located QFs and grid-connected QFs. Prior versions of EKPC’s PURPA tariffs distinguished between dispatchable QFs and non-dispatchable QFs. But as noted in the filing letter, the distinction between dispatchable QFs and non-dispatchable QFs is no longer recognized in the revised tariff structure. Instead, the QF capacity pricing focuses on whether the different types of QFs – co-located and grid-connected – provide value to EKPC. As explained in the filing, EKPC is a load-serving entity responsible for meeting the load obligations of its Member-Owners and, as such, must satisfy PJM’s capacity requirement obligations for the load on its Member-Owners’ systems (see also EKPC’s response to Request No. 2). EKPC’s obligations in that regard are not reduced for or by load co-located with and served by a behind-the-meter QF. Such co-located load already receives the full benefit of offsetting its retail costs, which includes costs related to existing capacity, up to the load’s monthly consumption. EKPC can receive from the co-located QF only that energy that is not used to serve the co-located load. Because EKPC’s capacity obligation is

not reduced by the energy provided by the co-located QF directly to the load that it serves, the co-located QF cannot be a capacity resource for EKPC. In short, the co-located QF resource cannot directly offset EKPC's capacity obligation associated with serving the capacity obligation of its Member-Owners. Therefore, the appropriate capacity payment to such a resource is \$0, as reflected in the revised tariff structure, and aligns with the PURPA requirement that an electric utility should be financially indifferent to its purchase of electric capacity and/or energy from a QF. *See, e.g., Small Power Production and Cogeneration Facilities; Regulations Implementing Section 210 of the Public Utility Regulatory Policies Act of 1978*, Order No. 69, Regs. Preambles, ¶ 30,128, at 30,871 (1980) ("Under the definition of 'avoided costs' . . . , the purchasing utility must be in the same financial position it would have been had it not purchased the qualifying facility's output.")¹

In contrast, a grid-connected QF can provide capacity value to EKPC. Such a QF therefore has the option of selling capacity, subject to the other terms and conditions in the tariffs (e.g., agreeing to bear the costs of any financial penalties imposed by PJM for non-performance, and providing associated credit assurance for any such penalties). A grid-connected QF would have the ability and willingness to assume the risk of any financial penalties associated with non-performance of its generating facility, if it chose to sell its capacity. Requiring a grid-connected QF to assume that risk appropriately avoids shifting the risk of non-performance (and, thus, financial penalties) to EKPC and the consumers served by EKPC and its Member-Owners. As a result, EKPC would be financially indifferent to the purchase of grid-connected QF capacity

¹ Because co-located QF generation does not offset EKPC's capacity obligation, payment by EKPC to the co-located QF for capacity serving the associated retail load would effectively result in a double payment obligation by EKPC – once for the QF's capacity, and second for the purchase in the PJM market of capacity associated with the load obligation. In that regard, EKPC would not be financially indifferent to the purchase of behind-the-meter QF capacity.

(because EKPC has mitigated its exposure to the risk of financial penalties for the QF's non-performance). Accordingly, the revised structure of the QF tariffs properly implements PURPA's requirement that electric utilities remain financially indifferent as to the purchase of QF capacity.

EAST KENTUCKY POWER COOPERATIVE, INC.
CASE NO. 2024-00101
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S REQUEST DATED MAY 14, 2024

REQUEST 2

RESPONSIBLE PARTY: Denise Foster Cronin

Request 2. Refer to EKPC's proposed Grid Connected Qualifying Facilities (QF) Tariffs.

Request 2a: Explain why a QF that elects to supply capacity to EKPC must be studied by PJM Interconnection, LLC (PJM) in its interconnection process.

Response 2a. EKPC supplies full requirements service to its 16 owner member distribution electric cooperatives. As such, it is obligated under the PJM Reliability Assurance Agreement to satisfy the capacity obligation associated with its full requirements service obligation. *See*, PJM Reliability Assurance Agreement (PJM RAA), Section 7.1. In accordance with Schedule 7 of the PJM RAA, EKPC elects to meet its obligations each Delivery Year by Self-Supply of Capacity Resources prior to the start of a Base Residual Auction and submits Sell Offers associated with each Capacity Resource in EKPC's portfolio, consisting of owned and bilaterally contracted Capacity Resources.

In order for resources to offset EKPC's capacity obligation in PJM, they must be offered into the capacity market auctions and receive a commitment through those auctions. To avoid double-paying for capacity, EKPC must offer its Capacity Resources, including capacity from any QFs that elect to provide capacity to EKPC, into the PJM capacity market in order to account for their contribution to satisfying EKPC's capacity obligation. Otherwise, if EKPC did not offer the capacity associated with the QF into the PJM capacity market, EKPC would pay capacity revenue to that QF yet the QF would not be recognized by PJM as offsetting EKPC's capacity obligation.

In order for a resource to be an eligible Capacity Resource, including any QF that would be used by EKPC to satisfy its capacity obligation, the resource must satisfy the requirements specified in the PJM RAA and PJM Manuals. See PJM RAA, Section 7.3. One requirement is for Generation Capacity Resources (a subset of Capacity Resources) to be deliverable to the total system load of PJM. See PJM RAA, Schedule 10. "Certification of deliverability means that the physical capability of the transmission network has been tested by the Office of the Interconnection and found to provide that service consistent with the assessment of available transfer capability as set forth in the PJM Tariff." *See, Id.*

Request 2b. Provide any PJM requirements that necessitate a study by PJM of a QF that is proposing to supply capacity to EKPC.

Response 2b.

PJM OATT, Part IV, Subpart G describes procedures for “small resources” of 20 MW or less to obtain Capacity Interconnection Rights, which would enable the resource to participate in the PJM capacity market and be used by load serving entities, like EKPC, to meet capacity obligations imposed by the PJM RAA. See, PJM OATT Section 110. (Sections 112A.2.1 and 112A.2.2. provide more detail about connecting to distribution facilities).

When a generation resource is accredited as deliverable through the applicable procedures in Part IV of the PJM OATT, it receives Capacity Interconnection Rights.

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REQUEST 3

RESPONSIBLE PARTY: Chris Adams

Request 3. Refer to the Application Letter, pages 2-3.

Request 3a. Provide the analysis that demonstrates that even though EKPC has not yet adopted a definitive plan to address the 2022 Integrated Resource Plan (IRP) projection of a capacity deficit need in winter 2028, it anticipates that the capacity resource addition will be a Reciprocating Internal Combustion Engine (RICE).

Response 3a. EKPC, in response to Commission Staff's First Request for Information, Item 1(a).2, projected a need for capacity of 18 MW beginning Winter 2028². This projection was based on EKPC's Board and RUS- approved 2022 Long-Term Load Forecast ("LTLF"). EKPC is currently developing a revised LTLF which will be used in EKPC's 2025 IRP, due to be filed at the Commission by April 1, 2025. It is expected, given the possible increase in commercial and industrial load plus anticipated residential load growth, that EKPC will need increased capacity

² In the Matter of *Electronic Tariff Filing Of East Kentucky Power Cooperative, Inc. And Its Member Distribution Cooperatives For Approval Of Proposed Changes To Their Qualified Cogeneration And Small Power Production Facilities Tariffs*, Case No. 2023-00153.

beginning with the 2028/2029 Winter period. In addition, EKPC believes that the increased penetration of renewable solar energy in the PJM market presents new challenges in unit commitment and dispatch **due to the intermittent output of solar generation**. For these reasons, EKPC needs to consider a generation unit that provides reliable capacity with swift and flexible dispatch characteristics. Both simple-cycle combustion turbines (“CT”) and reciprocating internal combustion engines (“RICE”) units provide these characteristics, however the RICE units hold the advantage over the CT units in several key areas. A RICE generation facility is made up of several smaller eighteen (18) to twenty (20) MW units to be bundled to the desired amount of total capacity while a CT is typically built as one large (200 MW or greater) unit. A RICE facility enables EKPC to properly size a facility to the expected need while also accounting for the economies of scale by installing several RICE engines simultaneously. Operating several RICE engines as opposed to a single CT provides mitigation against forced outages due to engine failure. For example, a CT may experience a failure within the turbine which would render the unit unable to operate. Alternatively, a RICE facility may experience a failure of a single engine, but the balance of the engines would remain available for dispatch. In addition, RICE engines are fully dispatchable in less than **five (5)** minutes, as opposed to a CT that commonly takes up to thirty (30) minutes to reach full output. Individual RICE engines can be dispatched to more closely match the load changes in 18 to 20 MW increments, EKPC has initial cost estimates and has begun its economic evaluation of alternatives. However, the studies are not complete and ready to share at this time. EKPC expects to complete its analysis soon and will provide that data in a Certificate of Public Convenience and Necessity (“CPCN”) filing.

Request 3b. Provide the relative cost, fuel type, and operating characteristics of the anticipated RICE capacity addition relative to other potential resources.

Response 3b. As previously stated, EKPC anticipates a capacity need in the 2028/2029 Winter season. As such, the only capacity resources that are feasible to site, permit, and install prior to that date is either a CT or RICE facility. The table below highlights the operating characteristics of the two technologies.

Comparison Table	CT	RICE
Dispatch Type	Peaker	Mid-load
Primary Fuel	Natural Gas	Natural Gas
Secondary/Backup Fuel	Fuel Oil	Fuel Oil
Power Output per Unit (MW)	200-260	18-20
Average Heat Rate (Btu/kWh)	9,300-9,500	8,500
Average Dispatch Cost at \$3/MMBtu (\$/MWh)*	27.9-28.5	25.5
Startup to Full Load time (minutes)	30	10
Estimated Capacity Factor (%)	10	50

*Assumes fuel costs only, excludes startup, no-load, and O&M

Request 3c. EKPC has multiple internal combustion engines located at various landfills across its service territory. If not provided above, explain whether the RICE would be a generator located at and fueled by landfill gas.

Response 3c. No, the RICE facility would not be located at a landfill nor would it utilize landfill gas. See Response 3a and 3b, above for details.

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REQUEST 4

RESPONSIBLE PARTY: Chris Adams

Request 4. Refer to the Application Letter, page 2. Refer also to Case No. 2023-00153, EKPC's response to Commission Staff's First Request for Information, Item 1(a).2

Request 4a. Provide an update to the table, EKPC Projected Capacity Needs (MW) that also includes any known large commercial and industrial additions that would increase load, any known large commercial and industrial loss of load, or changes in EKPC's forecasting methodology. If possible, also include in the response the name of the industrial or commercial customer that is being added to EKPC's system along with its capacity obligation.

Response 4a. This projection was based on EKPC's Board and RUS-approved 2022 Long-Term Load Forecast ("LTLF"). EKPC is currently developing a revised LTLF which will be used in EKPC's 2025 IRP. As such, the table provided in Case No. 2023-00153, response to Commission Staff's First Request for Information, Item 1(a).2 remains accurate. A copy of the table is provided below.

YEAR	Projected Peaks Long Term LF 2022		Planning Reserves		Capacity Required		Existing Capacity		Capacity Needs or Excess Gen	
	WIN	SUM	WIN	SUM	WIN	SUM	WIN	SUM	WIN	SUM
2024	3,349	2,558	0	77	3,349	2,635	3,434	3,132	85	497
2025	3,370	2,590	0	78	3,370	2,668	3,434	3,132	64	464
2026	3,400	2,603	0	78	3,400	2,681	3,434	3,132	34	451
2027	3,419	2,618	0	79	3,419	2,697	3,434	3,132	15	435
2028	3,452	2,640	0	79	3,452	2,719	3,434	3,132	(18)	413
2029	3,467	2,655	0	80	3,467	2,735	3,434	3,132	(33)	397
2030	3,484	2,669	0	80	3,484	2,749	3,434	3,132	(50)	383
2031	3,504	2,686	0	81	3,504	2,767	3,434	3,132	(70)	365
2032	3,535	2,708	0	81	3,535	2,789	3,434	3,132	(101)	343
2033	3,551	2,727	0	82	3,551	2,809	3,434	3,132	(117)	323
2034	3,578	2,748	0	82	3,578	2,830	3,434	3,132	(144)	302
2035	3,607	2,771	0	83	3,607	2,854	3,434	3,132	(173)	278
2036	3,651	2,803	0	84	3,651	2,887	3,434	3,132	(217)	245
2037	3,673	2,827	0	85	3,673	2,912	3,434	3,132	(239)	220
2038	3,704	2,854	0	86	3,704	2,940	3,434	3,132	(270)	192

Request 4b. According to the table, EKPC has an 18 MW capacity deficit starting in 2028 and its deficit increases every year thereafter. Explain how a RICE unit addresses EKPC's long-term winter capacity deficit.

Response 4b. A RICE facility can be sized to the appropriate capacity value to account for the anticipated need beginning in the 2028/2029 Winter season. Economies of scale must be accounted for, therefore installing a single eighteen (18) to twenty (20) MW RICE engine and subsequently adding engines to the facility as capacity needs grow is not feasible. However, installing a group of ten (10) to fourteen (14) engines for a total capacity of one-hundred and eighty (180) to two-hundred and eighty (280) MWs is feasible. When compared to the table in Request 4a, the addition of this volume of capacity is anticipated to meet the need for capacity until 2036 at a minimum and 2039 at a maximum, depending on the final installed capacity.

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REQUEST 5

RESPONSIBLE PARTY: Chris Adams

Request 5. Refer to Application, 20240329_03a-Supporting_Data_-_Avoided_Cost_Calculation_-_AC2024_-_SPP_5MW.xlsx and 20240329_03bSupporting_Data_-_Avoided_Cost_Calculation_-_AC2024_-_COGEN_20MW.xlsx. For the LoadForecast Tabs, explain how the load forecast was derived.

Response 5. The "LoadForecast" tab is derived from the EKPC 2022 Long-Term Load Forecast ("LTLF") which is approved by EKPC's Board of Directors and RUS. EKPC's load forecast is prepared every two years in accordance with EKPC's Rural Utilities Service (RUS) approved Work Plan. The Work Plan details the methodology used in preparing the projections. EKPC prepares the load forecast by working jointly with each owner-member to prepare its load forecast. The summation of these is the EKPC system forecast.

EAST KENTUCKY POWER COOPERATIVE, INC.
CASE NO. 2024-00101
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COMMISSION STAFF'S REQUEST DATED MAY 14, 2024

REQUEST 6

RESPONSIBLE PARTY: Chris Adams

Request 6. Refer to Application, 20240329_03a-Supporting_Data_-_Avoided_Cost_Calculation_-_AC2024_-_SPP_5MW.xlsx and 20240329_03bSupporting_Data_-_Avoided_Cost_Calculation_-_AC2024_-_COGEN_20MW.xlsx.

Request 6a. For the CapCosts Tabs, explain why there are no gas peaking or gas intermediate costs included in the analyses.

Response 6a. The spreadsheets referenced are intended to calculate avoided capacity rates of a single capacity resource, not analyze the capacity cost differences between two or more capacity technology types. The spreadsheets are used as templates for avoided cost calculation, and therefore the “peaking” and “intermediate” columns are included simply because those capacity types have been used in the past for avoided capacity cost calculations.

Request 6b. For the CapCosts Tabs, Cell U4. Explain the meaning of 216.

Response 6b. The calculation for avoided capacity cost must have an assumed capacity value in MW. The two-hundred and sixteen (216) MW value is the assumed total capacity of the RICE facility only for the purpose of this avoided cost calculation. This capacity value is equivalent to a RICE facility with twelve (12) engines installed, each with a nameplate capacity value of eighteen (18) MW.

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REQUEST 7

RESPONSIBLE PARTY: Chris Adams

Request 7. Refer to Application, 20240329_03a-Supporting_Data_-_Avoided_Cost_Calculation_-_AC2024_-_SPP_5MW.xlsx and 20240329_03bSupporting_Data_-_Avoided_Cost_Calculation_-_AC2024_-_COGEN_20MW.xlsx, AC Cost Tabs.

Request 7a. Confirm that P.W. of PMTS means present worth of payments. If not confirmed, explain what P.W. means.

Response 7a. Confirmed, "P.W. of PMTS" means present worth of payments.

Request 7b. If confirmed, refer to Columns AF and AG. In column AF, the formula for Total Annual Costs includes both total cost amounts and P.W. of PMTS amounts.

Response 7b. Column AF includes the present worth of the RICE facility, the transmission costs associated with the RICE facility, and the fixed annual operations and maintenance expense (O&M) for the RICE facility.

Request 7c. For the carrying charge rates, explain how EKPC derived a 6.00 percent interest rate, a 4.50 percent discount rate, and 2.50 percent depreciation rate. Provide all necessary justification for these percentages.

Response 7c. The 6.00 percent interest rate is based upon EKPC's credit facility, which is the quickest source of funding and most conservative interest cost. The RUS borrowing rate was approximately 4.50 percent at the time of this analysis. EKPC is a non-profit entity, so the Present Worth calculation assumes EKPC avoids borrowing at the long-term RUS borrowing rate. The 2.50 percent depreciation rate is based upon an estimated 40-year asset life.

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REQUEST 8

RESPONSIBLE PARTY: Chris Adams

Request 8. Refer to the Application, 02-SUPPORTING_DATA_-_CogenSPP_Market_participation_cost_-_7MAR24.xlsx.

Request 8a. Provide the breakdown of the ACES expense attributed to PJM fees.

Response 8a. EKPC is a founding Owner-Member of ACES Power Marketing. The agreement with ACES (see attached confidential document) is broken into two major categories. I Trading and Counterparty Controls and Risk Policies II. Portfolio Strategy and Management Based on the activities within each of these groups, EKPC has estimated that roughly forty (40) percent of membership fees paid annually to ACES are for market participation activities. Activities from both areas of the agreement are needed to actively engage in the PJM markets.

Request 8b. Provide the breakdown of the ACES expense in the same format as the MOCS expense provided on tab Dept. 132-Form 20.

Response 8b. EKPC does not have access to ACES expense data in the same format as tab “Dept 132-Form 20”, which is an internal EKPC document. The ACES expenses are listed on tab “Dept 066 AP Detail”, and the forty (40) percent allocation is applied to the total expense based on the list of services referenced in Response 8a.

Request 8c. For both the ACES expense and the MOCS expense, provide a breakdown of what the following categories consist of: Travel and Training and Other Miscellaneous.

Response 8c. EKPC cannot provide detail regarding travel and training or other miscellaneous expenses for ACES because EKPC is not privy to that data. The EKPC Market Operations Center (“MOC”) employs eleven (11) North American Electric Reliability Corporation (“NERC”) certified system operators. The NERC certification requires system operators to acquire continuing education hours to retain the certification. EKPC provides the required training at no cost to the system operators which accounts for the “Travel and Training” expense of \$20,897 in the “Dept 132 – Form 20” tab. The “Other Miscellaneous” expenses are those not classified as one of the other descriptions within the budget codes available. An example of an expense in this category is the required NERC certification renewal expense for the system operators.

Request 8d. Provide the current ACES contract.

Response 8d. Please see attached “ACES Contract” provided pursuant to Motion for Confidential Treatment.

EAST KENTUCKY POWER COOPERATIVE, INC.
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REQUEST 9

RESPONSIBLE PARTY: Chris Adams

Request 9. In Case No. 2023-00153, the Commission found that neither EKPC nor the Commission know which resource EKPC will procure as its next capacity resource, considering that is greatly dependent on the results of a specific request for proposal (RFP) and economic analysis, and therefore the Commission found that a combustion turbine (CT) is the best generic substitute as it is generally regarded as the least-cost Case No. 2024-00101 capacity resource, and it has variable sizing. Provide updated avoided capacity costs and QF rates based on a proxy CT.

Response 9. Please see spreadsheets, “DR1 - SCGT - 03-SUPPORTING DATA - Avoided Cost Calculation - AC2024 - SPP 5MW.xlsx” and “DR1 - SCGT - 03-SUPPORTING DATA - Avoided Cost Calculation - AC2024 - COGEN 20MW.xlsx”, for avoided capacity costs and associated QF rates based on the National Renewable Energy Laboratory (“NREL”) capital expenditure (“CapEx”) estimate for a simple-cycle combustion turbine (“CT”).