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August 2, 2012

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

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**PUBLIC SERVICE
COMMISSION**

RE: *PSC Case No. 2012-00169*

In the Matter of: The Application of East Kentucky Power
Cooperative, Inc. to Transfer Functional Control of
Certain Transmission Facilities to PJM Interconnection, LLC

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the Response of East Kentucky Power Cooperative, Inc. ("EKPC") to Motion to Modify Procedural Schedule.

Sincerely,

Mark David Goss

Enc.

CC: Hon. Jennifer Hans
Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
Hon. Allyson K. Sturgeon
Hon. Kendrick R. Riggs
Hon. Duncan Crosby
Hon. Jason R. Bentley
Hon. Michael L. Kurtz

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|----------|----------------------------|
| THE APPLICATION OF EAST KENTUCKY |) | |
| POWER COOPERATIVE, INC. TO TRANSFER |) | |
| FUNCTIONAL CONTROL OF CERTAIN |) | CASE NO. 2012-00169 |
| TRANSMISSION FACILITIES TO |) | |
| PJM INTERCONNECTION, LLC |) | |

RESPONSE OF EAST KENTUCKY
POWER COOPERATIVE TO MOTION
TO MODIFY PROCEDURAL SCHEDULE

Comes East Kentucky Power Cooperative, Inc. ("EKPC"), by counsel, and tenders its response to the Motion to Modify Procedural Schedule filed by Intervenors, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies").

In support of this response, EKPC states as follows:

1. The Companies originally sought full intervention in this case because of their interconnectedness with EKPC and the fact that "the Commission's decision in that proceeding will ultimately have direct operational impacts on the Companies' transmission system...."¹ The Companies cited prior proceedings before the Commission in which EKPC sought and obtained intervention because of these same interconnections and the operational impact of the Companies' actions upon EKPC's system.² Based upon these same interconnections between the two systems, the Commission allowed the Companies' intervention in this case.³

¹ LGE/KU Petition for Intervention, May 10, 2012, at 3-4.

² LGE/KU Reply to Response of EKPC to Petition for Intervention, May 29, 2012, at 2-4, citing EKPC's Motion to Intervene in Case No. 2000-00095, the PowerGen transfer of control proceeding.

³ Order, June 13, 2012.

2. The Companies' instant motion to amend the procedural schedule is based upon the Companies' stated desire to "provide informed or meaningful testimony or comments on EKPC's proposed full PJM membership."⁴ The Companies claim that they cannot do this "without having the results of the studies EKPC has cited and has promised to provide to the Companies upon their completion."⁵ The Companies' request relates to two studies which are close to being completed:

- a) The Deliverability Study, which is being prepared by PJM, provides a power flow assessment of the EKPC system, which includes an assessment of interconnections with neighboring systems, and an assessment of EKPC's ability to deliver its generation resources to the PJM market during contingency conditions. The study evaluates EKPC generating units being dispatched at maximum output, and simulates contingencies to determine if any violations of voltage and thermal ratings occur. PJM is performing these studies for the summers of 2016 and 2017; and
- b) The Power Flow Analysis Study, which is being prepared by EKPC, evaluates the EKPC and LGE/KU systems during four periods (2012 summer, 2012-13 winter, 2016 summer, and 2016-17 winter conditions) to assess the anticipated effects of imports and exports of power between EKPC and PJM to simulate different market dispatches once EKPC fully integrates into PJM.

3. Because the Commission's Order allowing the Companies' intervention underscored the interconnectedness of the Companies' and EKPC's systems, and because all concerned have an

⁴ LG&E/KU Motion to Amend Procedural Schedule, July 27, 2012, at 4.

⁵ *Id.*

interest in ensuring that EKPC's full membership in PJM should do no harm to system reliability, EKPC understands and acknowledges the need for the Companies to have an adequate opportunity to review and consider these two reports. EKPC anticipates that these studies will be completed and produced to the parties and Commission by August 15, 2012. Therefore, EKPC does not object to the Companies' request for a modification of the procedural schedule to extend for two weeks beyond the filing of the last of these two reports the deadline for all Intervenors to offer testimony or comments.

4. EKPC rejects most of the remaining assertions made by the Companies. EKPC has offered, and continues to offer, evidence that the integration into PJM will not harm the reliable operation of its system or those of its neighboring utilities, including the Companies'. EKPC remains willing to continue the existence of the EKPC/TVA/LGE-KU Reserve Sharing Group ("RSG") and PJM has willingly accepted this fact and agreed to be EKPC's agent in the RSG such that PJM would treat a call for reserves from EKPC's RSG partners as a call on PJM and any reserves would come from PJM operating reserves. Moreover, the analysis performed to date has not demonstrated any way in which the Companies – or other utilities – will be harmed.

5. While the safety and reliability of the interconnections between EKPC and the Companies are clearly germane to EKPC's decision to join PJM as a full member, the Companies' continued insinuation that any cost impacts to their retail customers is an equally important consideration is unacceptable and should be disregarded by the Commission. In their second data requests, the Companies asked several questions which indicate their belief that EKPC is required to provide information regarding the impact that EKPC's full membership in PJM will have on the cost to provide service to the Companies' native load customers.⁶ As stated in its response to the

⁶ Companies' Supplemental Data Request 7, 12a and 12b.

Companies' Supplemental Data Request 7, EKPC does not accept the premise and is unaware of any statutory authority or Commission precedent, nor have the Companies cited the Commission to any such authority, holding that a utility must act in the best interests of the rate payers of another utility. Therefore, while EKPC recognizes the need to establish that no harm will result to the reliable and safe provision of electricity on any neighboring utility's system, its rate impact analysis has rightfully focused upon its own customers.

6. It bears emphasis that not only did the Companies tout their past experience and knowledge of Regional Transmission Organizations as the principal justification for their intervention in this case, they are currently market-participant members of both PJM and the Midwest ISO and signatories to PJM's Operating Agreement.⁷ In their Reply to the Response and Objection of EKPC to Petition for Full Intervention the Companies said it best: "... the Companies have extensive experience with PJM and MISO as market-participant members of both RTO's...."⁸ This "extensive experience" as a market-participant in PJM results in the unquestionable ability for the Companies to ascertain the retail rate impacts, if any, upon their native load customers resulting from EKPC's full membership in PJM. The Companies' assertion that somehow EKPC carries the burden to prove or disprove the precise rate impacts of EKPC's full membership in PJM upon the Companies' native load customers is not supported by any authority cited by the Companies' and is wholly inaccurate.

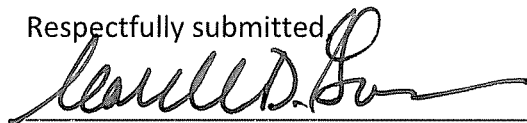
WHEREFORE, EKPC does not object to the Companies' motion to modify the Procedural Schedule to provide for a period of two weeks following receipt of the Deliverability Study and the Power Flow Analysis Study to provide comments or testimony.

⁷ EKPC Application, Exhibit 7 at 529. See also <http://www.pjm.com/about-pjm/member-services/member-list.aspx>.

⁸ Companies' Reply (May 29, 2012), at 6, footnote 17.

This 2nd day of August, 2012.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing Response to Motion to Modify Procedural Agreement was served upon the following persons by United States first class mail, postage prepaid, on the 2nd day of August, 2012:

Hon. Jennifer Hans
Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
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