

Goss ■ Samford PLLC



Attorneys at Law

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MAR 25 2013

PUBLIC SERVICE
COMMISSION

March 25, 2013

HAND DELIVERED

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2013-00046

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and four copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the information requests contained in the Appendix to the Commission's Order dated March 11, 2013.

Very truly yours,

Mark David Goss
Counsel

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

EAST KENTUCKY POWER COOPERATIVE,)	
INC.'S MOTION OR AN EXTENSION OF TIME)	CASE NO.
TO FILE AMENDMENTS TO SPECIAL)	2013-00046
CONTRACTS FOR INTERRUPTIBLE LOAD)	

RESPONSES TO COMMISSION STAFF'S
REQUEST FOR INFORMATION IN APPENDIX TO ORDER
DATED MARCH 11, 2013

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

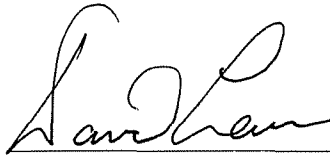
In re the Matter of:

EAST KENTUCKY POWER COOPERATIVE,)
INC.'S MOTION OR AN EXTENSION OF TIME) **CASE NO.**
TO FILE AMENDMENTS TO SPECIAL) **2013-00046**
CONTRACTS FOR INTERRUPTIBLE LOAD)

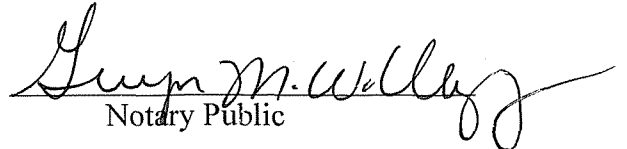
CERTIFICATE

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 Public Service Commission Staff's Requests for Information contained in Appendix in the above-referenced case dated March 11, 2013, 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 25th day of March 2013.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

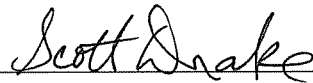
In re the Matter of:

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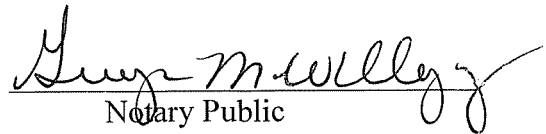
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Scott Drake, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in Appendix in the above-referenced case dated March 11, 2013, 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 25th day of March 2013.



Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

EAST KENTUCKY POWER COOPERATIVE,)
INC.'S MOTION OR AN EXTENSION OF TIME) CASE NO.
TO FILE AMENDMENTS TO SPECIAL) 2013-00046
CONTRACTS FOR INTERRUPTIBLE LOAD)

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in Appendix in the above-referenced case dated March 11, 2013, 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.

Ann F. Wood

Subscribed and sworn before me on this 25th day of March 2013.

Geary M. Willey
Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00046
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13

REQUEST 1

RESPONSIBLE PARTY: David Crews/Scott Drake

Request 1. Refer to the proposed revisions to tariff Section DSM-3(a), the Direct Load Control Program. State the reasons for including the following provision in the Residential and Commercial programs: "If the appliances noted above are controlled or interrupted during the time of EKPC's monthly billing peak, no additional monetary adjustments will be made. If the appliances noted above are not controlled or interrupted during the time of EKPC's monthly billing peak, then EKPC will credit the Member System's bill by an amount which represents the savings that would have occurred had the control or interruption been made."

Response 1. EKPC currently operates its load control switches each month. EKPC's Owner Members recognize a reduction in their demand charge resulting from the operation of the load control switches. Even with EKPC's integration into PJM, load control switches will provide benefit to EKPC's customers by reducing EKPC's need for future capacity and EKPC's plans to continue support the load control program. In EKPC's justification for integrating into PJM, EKPC explained that PJM is summer peaking and that EKPC is winter peaking. EKPC also explained that reliability would be enhanced by integrating into PJM. One of the ways that reliability is enhanced is that EKPC will be part of a much larger Balancing Authority (BA) and that EKPC can participate in PJM Demand Response Programs. Being a part of a larger BA means that the likelihood of an event that would require EKPC to operate load control will be smaller than in a stand-alone BA.

As stated above, EKPC's Owner Members recognize a demand charge reduction when EKPC operates load control. EKPC and its Owner Members will serve as the aggregator for any participation in PJM efficiency of load control programs as stipulated by the Commission and EKPC plans to participate in PJM's Emergency Demand Response Program. As EKPC engages in the PJM Emergency Demand Response Program, EKPC plans to change its practice from operating load control switches monthly to operating when PJM calls for them within the Emergency Demand Response Program and when the real time market spikes to reduce cost to our owner members. When EKPC no longer operates the load control switches on a monthly basis as has been its historical practice, its Owner Members will essentially see a higher bill. The proposed change to this tariff will flow the benefit the Owner Members have historically experienced resulting from monthly operation of load control switches to the Owner Members so they will not experience a higher bill. If EKPC does not flow these benefits back to its Owner Members the incentive to install load control switches will be diminished.

The cost justification for EKPC's programs has been based on EKPC's avoided cost and EKPC believes that its avoided cost continues to be the appropriate justification for their efficiency and load control programs. Participation in the PJM market with these assets allows EKPC to maximize the value of these programs to its Owner Members.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00046
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13
REQUEST 2

RESPONSIBLE PARTY: David Crews/Ann F. Wood

Request 2. Is the language quoted in question No. 1 intended to be in place only temporarily until EKPC establishes a rate mechanism to pass through to its member cooperatives all PJM revenues and expenses?

Response 2. Yes. The treatment described in the proposed tariff revision will be in place at least until EKPC establishes a rate mechanism referenced in Ordering paragraph 1 of the final Order in Case No. 2012-00169. The treatment described in the proposed tariff revision is expected to be in place from June 2013 to May 2016. As of June 1, 2016, EKPC will participate in PJM's Base Residual Auction and will begin passing through the capacity benefits to its member cooperatives through the established rate mechanism at that time.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00046

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13

REQUEST 3

RESPONSIBLE PARTY: David Crews/Scott Drake

Request 3. How much revenue does EKPC expect to receive annually from PJM for bidding into the Demand Response market, and will this revenue automatically flow through to its member cooperatives absent the language quoted in question No. 1? If yes, explain how this will be done.

Response 3. The last Base Residual Auction was for the 2015-2016 delivery, and capacity cleared at \$118.54/MW-day. With the planned closing of many older coal-fired power plants in the PJM area due to EPA regulations, it is reasonable to assume those values will increase. The benefits associated with bidding the switches into the PJM capacity market will be returned to EKPC's member systems through the rate mechanism referenced in Ordering paragraph 1 of the final Order in Case No. 2012-00169.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00046

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13

REQUEST 4

RESPONSIBLE PARTY: Scott Drake

Request 4. For each month of 2012, provide the amount of benefits received by each member cooperative in reduced kW's of billing demand and in dollars as a result of EKPC's operating the load-control switches.

Response 4. EKPC does not maintain the monthly benefit amount by each member cooperative, but does maintain annual benefits as provided on page 2 of this response. In order to calculate a monthly benefit, EKPC prepared the chart on page 3 of this response titled "Direct Load Control Savings per Switch, by Weather Year." This chart calculates the savings per year from 2002 through 2012 based on actual weather. The average as calculated provides the savings for an average weather year. From this calculation, EKPC estimated the monthly savings as reflected on the chart on page 3 of this response titled "Direct Load Control Savings per Switch, per Month." Please note that this monthly information is a typical weather year only and does not specifically reflect 2012 information.

Direct Load Control Switch Values - Annual

Owner-Member	Annual Benefit AC	Annual Benefit WH	TOTAL Annual Benefit
Big Sandy RECC	\$1,718	\$7,971	\$9,689
Blue Grass Energy	\$39,237	\$86,030	\$125,267
Clark Energy	\$2,856	\$8,353	\$11,209
Cumberland Valley EI	\$5,095	\$9,116	\$14,211
Farmers RECC	\$9,148	\$20,861	\$30,009
Grayson RECC	\$2,799	\$7,674	\$10,473
Inter-County Energy	\$13,800	\$23,066	\$36,865
Jackson Energy	\$4,632	\$17,045	\$21,677
Licking Valley RECC	\$733	\$1,738	\$2,472
Nolin RECC	\$12,757	\$29,468	\$42,225
Owen EC	\$42,529	\$49,630	\$92,159
Salt River Electric	\$20,149	\$25,355	\$45,504
Shelby Energy	\$579	\$1,018	\$1,597
South Kentucky RECC	\$24,685	\$44,138	\$68,823
Taylor County RECC	\$1,235	\$2,629	\$3,864
Fleming-Mason Energy	Currently transitioning to AMI system		

Direct Load Control Savings per Switch, by Month

Month	Billing Demand (kw)		Rate E Option 1 (\$)		Rate E Option 2 (\$)	
	Water Heater	Air Conditioner	Water Heater	Air Conditioner	Water Heater	Air Conditioner
1	0.896	0.000	\$7.16	\$0.00	\$5.39	\$0.00
2	0.860	0.000	\$6.87	\$0.00	\$5.18	\$0.00
3	0.852	0.000	\$6.81	\$0.00	\$5.13	\$0.00
4	0.612	0.000	\$4.89	\$0.00	\$3.68	\$0.00
5	0.330	0.461	\$2.64	\$3.68	\$1.99	\$2.77
6	0.303	0.633	\$2.42	\$5.06	\$1.82	\$3.81
7	0.316	0.709	\$2.52	\$5.67	\$1.90	\$4.27
8	0.296	0.752	\$2.37	\$6.01	\$1.78	\$4.52
9	0.329	0.578	\$2.63	\$4.61	\$1.98	\$3.48
10	0.587	0.074	\$4.69	\$0.59	\$3.53	\$0.45
11	0.789	0.000	\$6.30	\$0.00	\$4.75	\$0.00
12	0.873	0.000	\$6.98	\$0.00	\$5.26	\$0.00
Total	7.043	3.206	\$56.27	\$25.62	\$42.40	\$19.30

Direct Load Control Savings per Switch, by Weather Year

Weather Year	Billing Demand (kw)		Rate E Option 1 (\$)		Rate E Option 2 (\$)	
	Water Heater	Air Conditioner	Water Heater	Air Conditioner	Water Heater	Air Conditioner
2002	6.930	3.822	\$55.37	\$30.54	\$41.72	\$23.01
2003	6.960	2.607	\$55.61	\$20.83	\$41.90	\$15.69
2004	6.999	2.616	\$55.92	\$20.90	\$42.13	\$15.75
2005	7.166	3.408	\$57.26	\$27.23	\$43.14	\$20.52
2006	6.987	3.068	\$55.83	\$24.52	\$42.06	\$18.47
2007	6.973	3.565	\$55.71	\$28.49	\$41.97	\$21.46
2008	6.979	3.019	\$55.76	\$24.12	\$42.01	\$18.17
2009	7.456	2.116	\$59.58	\$16.91	\$44.89	\$12.74
2010	7.115	3.266	\$56.85	\$26.10	\$42.83	\$19.66
2011	6.906	3.807	\$55.18	\$30.42	\$41.58	\$22.92
2012	7.002	3.976	\$55.95	\$31.77	\$42.15	\$23.94
Average	7.043	3.206	\$56.27	\$25.62	\$42.40	\$19.30

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00046
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13
REQUEST 5

RESPONSIBLE PARTY: **Scott Drake**

Request 5. By member cooperative, provide the number of water-heater switches, the number of air-conditioner and heat-pump switches, and the number of pool-pump switches operated by EKPC.

Response 5. Please see page 2 of this response for the number of water heater switches and the number of air-conditioner/heat pump switches, by member cooperative, as of December 31, 2012. Although offered in the direct load control program tariff, there are no pool pump switches installed on the EKPC system.

Installed Switches		
Owner-Member	Installed Switches AC	Installed Switches WH
Big Sandy RECC	89	188
Blue Grass Energy	2033	2029
Clark Energy	148	197
Cumberland Valley EI	264	215
Farmers RECC	474	492
Grayson RECC	145	181
Inter-County Energy	715	544
Jackson Energy	240	402
Licking Valley RECC	38	41
Nolin RECC	661	695
Owen EC	1660	882
Salt River Electric	1044	598
Shelby Energy	30	24
South Kentucky RECC	1279	1041
Taylor County RECC	64	62
Fleming-Mason Energy	Currently transitioning to AMI system	

Notes: Switch counts provided by UPA as of 12/31/12

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00046
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13
REQUEST 6

RESPONSIBLE PARTY: Scott Drake

Request 6. For each type of load-control switch referenced in question No. 5, state the maximum number of hours of interruption permissible under the proposed tariff per year, per month, and per day.

Response 6. The proposed tariff change for hours of interruption is based on the PJM Demand Response Limited Capacity Market rules. EKPC plans to offer the DLC switch capacity into the PJM capacity market. EKPC needed to modify its existing DLC tariff to conform to the PJM market rules because PJM requires a possible control of up to 6 hours for a single control event during June, July, August, or September. EKPC's existing tariff establishes a maximum 4 hour control for water heaters per control event. The proposed tariff changes the control hours in the months of June through September for up to 6 hours. EKPC and the Owner-Members do not anticipate consumer water heating issues when PJM requires a full 6 hour control because the control event will occur only on an extreme hot summer evening.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2013-00046

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13

REQUEST 7

RESPONSIBLE PARTY: Scott Drake

Request 7. Explain why EKPC cannot continue to operate the load-control switches each month to reduce its monthly billing peak as it has in the past.

Response 7. The PJM capacity market requires EKPC to stand ready to operate for a maximum of ten PJM-called control events from June through September. Controlling monthly in addition to the PJM-called events has minimal financial benefit to EKPC. If EKPC were to continue to operate load control switches monthly to reduce EKPC's peak and in the PJM Demand Response market, the inconvenience to customers may drive customers to exit the load control programs. Therefore, EKPC does not plan to control appliances for capacity reasons other than for the possible ten PJM-called control events.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00046
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13
REQUEST 8

RESPONSIBLE PARTY: David Crews/Ann F. Wood

Request 8. Provide an example of the accounting entries that EKPC would make each month to reflect the credit to be paid to the member cooperatives if the load control switches are not operated during EKPC's monthly billing peak.

Response 8. EKPC plans to credit the member cooperatives' bills if the load control switches are not operated during EKPC's monthly billing peak. This will be a reduction to EKPC's member sales (debit account 447) and a corresponding reduction to accounts receivable (credit account 142). As indicated in the response to Request 9, EKPC does not intend to alter any statistical reporting on the members' bills.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2013-00046
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S INFORMATION REQUEST DATED 03/11/13
REQUEST 9

RESPONSIBLE PARTY: David Crews/Ann F. Wood

Request 9. If the load control switches are not operated during EKPC's monthly billing peak, will EKPC's monthly statistical reports reflect its monthly peak demand as actually incurred, or as adjusted after the peak demand credit?

Response 9. For statistical reporting purposes, EKPC would reflect its monthly peak demand as the peak demand that actually occurred.