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A T T O R N E Y S   A T   L A W

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February 23, 2018

RECEIVED

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PUBLIC SERVICE  
COMMISSION

*Via Hand-Delivery*

Ms. Gwen Pinson  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

Re:    The Application of South Kentucky Rural Electric Cooperative Corporation for  
Approval of Master Power Purchase and Sale Agreement and Transactions  
Thereunder - Case No. 2018-00050

Dear Gwen:

Please find enclosed for filing in the record of the above-referenced case an original and ten (10) copies of East Kentucky Power Cooperative, Inc.'s Motion to Intervene. Please return a file-stamped copy of this filing to my office.

Please do not hesitate to contact me if you have any questions or concerns.

Very truly yours,

RANDELL ROACH & ROYSE PLLC



David T. Royse

Enclosures

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

**In the Matter of:**

THE APPLICATION OF SOUTH KENTUCKY	)	
RURAL ELECTRIC COOPERATIVE CORPORATION	)	
FOR APPROVAL OF MASTER POWER PURCHASE	)	CASE NO. 2018-00050
AND SALE AGREEMENT AND TRANSACTIONS	)	
THEREUNDER	)	

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**MOTION FOR LEAVE TO INTERVENE BY  
EAST KENTUCKY POWER COOPERATIVE, INC.**

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East Kentucky Power Cooperative (“EKPC”), by counsel, in accordance with KRS 278.040(2) and 807 KAR 5:001, Section 4(11), and Kentucky Public Service Commission (the “Commission”) precedent, and for its Motion for Leave to Intervene in the above-styled proceeding, states as follows:

1. EKPC is a generating and transmission cooperative, which is organized under KRS Chapter 279 and generates, transmits, and sells wholesale electric service to sixteen Owner-Member distribution cooperatives (“owner-members”) in Kentucky, which in turn serve approximately 525,000 Kentucky homes, farms, commercial, and industrial establishments in eighty-seven (87) counties. EKPC’s mailing address is P.O. Box 707, Winchester, Kentucky 40392-0707 and its electronic mail address is psc/@ekpc.coop.

2. As a borrower of funds from the federal agency, the Rural Utilities Services (formerly the Rural Electrification Administration) (“RUS”), EKPC and its owner-members are required to enter into contracts for the purchase and sale of electricity as a precondition to RUS lending funds. Accordingly, on or about October 1, 1964, EKPC entered into separate Wholesale Power Contracts with each of its owner-members. Each of the Wholesale Power Contracts contained identical provisions and was subject to the approval of the RUS Administrator in accordance with various terms of the loan agreements in place between RUS and EKPC and RUS and the owner-members. Under those contracts, EKPC sells and delivers to each of the sixteen owner-members and each of the sixteen owner-members purchases and receives electric power for the operations of their respective retail electric system.

3. Until 2003, all owner-members were required to make all their electric purchases from EKPC. In 2003, each of the owner-member’s respective Wholesale Electric Power Contract was amended and approved by RUS to permit each of those owner-members the opportunity to obtain power and energy from non-EKPC sources subject to certain limitations and required procedures, with this amendment in each Wholesale Power Contract collectively known as “Amendment No. 3.”

4. On or about July 23, 2015, EKPC and each of the sixteen owner-members entered into a Memorandum of Understanding and Agreement Regarding Alternate Power Sources (the “MOU”), which provides the general blueprint by which the sixteen owner-members can pursue and contract with parties other than EKPC (“Alternate Source”) to satisfy a defined portion of their future power needs and includes provisions relating to, among other matters, limitations on the quantities of Alternate Source power that can be acquired, the length of the

terms for which the Alternate Source power can be acquired, and the notice that must be provided by an owner-member to EKPC prior to acquiring the Alternate Source power.

5. On January 31, 2018, one of EKPC's owner-members, South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed an Application with this Commission for an order approving a power purchase agreement it had entered into with Morgan Stanley Capital Group, Inc. ("Morgan Stanley") on December 19, 2017. Notice to EKPC by South Kentucky of the proposed purchase was provided on or about November 28, 2017, pursuant to the terms of the MOU.

6. Notice of the purchase agreement to EKPC and the other fifteen (15) owner-members has triggered a concern among various EKPC owner-members that South Kentucky's share of Alternate Source Power with regard to the other fifteen (15) owner-members will have an adverse financial impact on them. EKPC must treat all sixteen (16) owner-members fairly, and, accordingly, will attempt to mitigate any cost shifting impacts. Nevertheless, EKPC has an interest in ensuring that no action of an owner-member results in any negative cost-shifting impact in any unjust and unreasonable manner. Thus, EKPC intends to provide the PSC with the necessary financial and other information for it to be able to fully evaluate the proposed action.

7. KRS 278.040(2) provides that the Kentucky Public Service Commission has exclusive jurisdiction over the regulation of rates and service of utilities in the Commonwealth, including EKPC and its sixteen owner-members. Without question, South Kentucky's power purchase agreement with Morgan Stanley, will have an impact on the rates and service of EKPC and the other fifteen owner-members, and EKPC is uniquely positioned and qualified to discuss what the potential impact can and will be. Accordingly, it is highly appropriate, if

not necessary, for EKPC to intervene in this matter in order to assist the Commission and the other parties by providing testimony on the impacts, if any, the South Kentucky power purchase agreement with Morgan Stanley will have on the operations, rates, and service of EKPC and its owner-members.

8. South Kentucky bills and is billed by EKPC primarily in three rate classes: B, C, and E. Each of these rate classes has different attributes, demand and energy charges. Rate E, which has the highest energy rate and typically the lowest load factor, was used by South Kentucky to determine the costs it would avoid by use of the alternate supplier. However, a more appropriate calculation might begin with the highest load factor rate classes (B and C), and only when those are exhausted look to rate E. EKPC is well positioned to inform the PSC on this issue and on the consequent impacts to EKPC and the other 15 Owner-Member's costs and rates.

9. Further, 807 KAR 5:001, Section 4(11)(b) provides that "[t]he commission shall grant a person leave to intervene if the commission finds that he or she has made a timely motion for intervention and that he or she has a special interest in the case that is not otherwise adequately represented or that his or her intervention is likely to present issues or to develop facts that assist the commission in fully considering the matter without unduly complicating or disrupting the proceedings." As the wholesale power provider for its sixteen owner-members for decades, EKPC's special interest in this proceeding, which is not otherwise adequately represented, is the type of special and unique interest that 807 KAR 5:001 Section 4(11)(b) contemplates. EKPC will assist the Commission in fully evaluating the merits of whether to grant or deny South Kentucky's application by providing a unique insight into its entering into the PJM power markets and the impact on EKPC and its owner-members, both

in terms of potential benefits and risks. EKPC's role will purely be constructive in nature and its participation will not complicate or disrupt the proceedings nor unduly prejudice any party.

WHEREFORE, EKPC respectfully requests that it be allowed to intervene in this proceeding.

This 23<sup>rd</sup> day of February, 2018.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing was served on this 23<sup>rd</sup> day of February, 2018, via U.S. Mail, first class postage prepaid, upon the following:

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