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MAR 13 2018

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

PUBLIC SERVICE
COMMISSION

In the matter of:

: CASE NO: 2018-00050

THE APPLICATION OF SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE CORPORATION
FOR APPROVAL OF MASTER POWER
PURCHASE AND SALE AGREEMENT
AND TRANSACTIONS THEREUNDER

**RESPONSE OF SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION TO FIRST REQUEST FOR INFORMATION FROM
DISTRIBUTION COOPERATIVES¹**

Respectfully submitted,



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Counsel for the Petitioner,

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

¹ The Distribution Cooperatives include Big Sandy Rural Electric Cooperative Corporation, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers Rural Electric Cooperative Corporation, Fleming-Mason Energy Cooperative, Inc., Grayson Rural Electric Cooperative Corporation, Inter-County Energy Cooperative Corporation, Jackson Energy Cooperative Corporation, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Owen Electric Cooperative, Inc., Shelby Energy Cooperative, Inc., and Taylor County Rural Electric Cooperative Corporation.

CERTIFICATE OF SERVICE

Pursuant to 807 KAR 5:001 Section 6, the undersigned certifies that consistent with 807 KAR 5:001 Section 4(8)(d)(3), a copy of this document has been electronically served upon the following:

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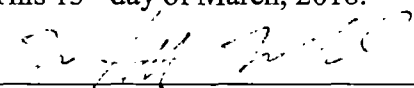
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This 13th day of March, 2018.



ATTORNEY FOR SKRECC

RECEIVED

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

MAR 13 2018

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

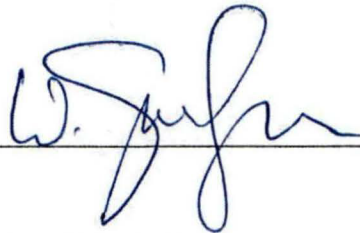
APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR APPROVAL OF MASTER POWER)
PURCHASE AND SALE AGREEMENT AND)
TRANSACTIONS THEREUNDER)

CASE NO.
2018-00050

VERIFICATION

STATE OF FLORIDA
COUNTY OF ST. JOHNS COUNTY

William Steven Seelye, being duly sworn, states that he has supervised the preparation of the Responses of South Kentucky RECC in the above-referenced case dated February 26, 2018, 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 the 5th day of March, 2018.



BRADLEY T. RING
MY COMMISSION # GG 025453
EXPIRES: September 29, 2020
Bonded Thru Budget Notary Services



Notary Public

My commission expires 9/29/2020.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

VERIFICATION

STATE OF KENTUCKY
COUNTY OF PULASKI

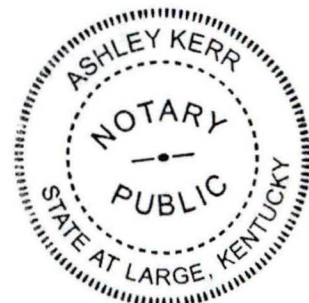
Dennis Holt, being duly sworn, states that he has supervised the preparation of the Responses of South Kentucky RECC in the above-referenced case dated February 26, 2018, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Dennis Holt

Subscribed and sworn before me on the 8th day of March, 2018.

Ashley Kerr
Notary Public

My commission expires 8/31/19.



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

VERIFICATION

STATE OF GEORGIA

COUNTY OF FULTON

Carter Babbit, being duly sworn, states that he has supervised the preparation of the Responses of South Kentucky RECC in the above-referenced case dated February 26, 2018, 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.



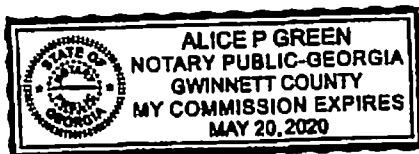
CARTER BABBIT

Subscribed and sworn before me on the 12th day of March, 2018



Notary Public

My commission expires May 20, 2020.



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

VERIFICATION

STATE OF KENTUCKY

COUNTY OF PULASKI

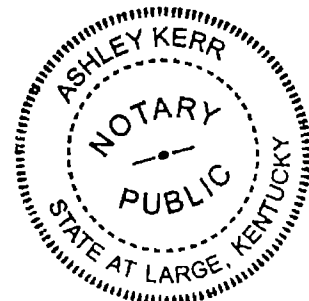
Michelle D. Herrman, being duly sworn, states that she has supervised the preparation of the Responses of South Kentucky RECC in the above-referenced case dated February 26, 2018, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle D. Herrman

Subscribed and sworn before me on the 8th day of March, 2018.

Ashley Kerr
Notary Public

My commission expires 8/31/19.



South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

1. Please provide a copy of each mortgage, indenture, and similar Document that is currently in effect between South Kentucky and any one or more of its creditors that is not already included as an attachment to Exhibit 19 to the Application.

Response:

Objection: South Kentucky objects to this request, as the requested information is not relevant to the subject matter of this proceeding or any related interest of the Distribution Cooperatives (not being members of South Kentucky). In this respect, none of the items encompassed by the request is affected by South Kentucky's Alternate Source designation or otherwise bears on the Commission's review of and action on South Kentucky's Application or the relief requested therein.

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

2. Please provide a copy of each loan agreement, credit agreement, and Document of similar nature that is currently in effect between South Kentucky and any one or more of the United States of America acting through the RUS, CFC, CoBank, and any creditor that is a party to a Document produced in response to the preceding information request.

Response:

Objection: South Kentucky objects to this request, as the requested information is not relevant to the subject matter of this proceeding or any related interest of the Distribution Cooperatives (not being members of South Kentucky). In this respect, none of the items encompassed by the request is affected by South Kentucky's Alternate Source designation or otherwise bears on the Commission's review of and action on South Kentucky's Application or the relief requested therein.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

3. Please provide a copy of each Document South Kentucky has provided to or received from the RUS, CFC or CoBank arising out of, related to or connected with South Kentucky seeking the approval or other consent of the RUS or any other creditor to South Kentucky entering into the PPA.

Response:

RUS has approved the PPA in accordance with their previous approval of both the Amendment #3 and the MOU. See Attachment DISTCOOP#3. This Attachment includes confidential information that is subject to a motion for confidential treatment. A redacted Public version and an unredacted Confidential version are being filed with the Commission.

Witness: Counsel (as to objection), Dennis Holt and Michelle Herrman

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

4. Please provide a copy of each Document South Kentucky has provided to or received from its board of directors, any secured creditor, any credit rating agency, EKPC, any EKPC member cooperative, PJM, Enervision, Inc., or Morgan Stanley Capital Group Inc. (or any of its subsidiaries or affiliates) that arises out of, is related to or is connected with any analysis by South Kentucky or any other person of the impact of the transaction represented by the PPA on South Kentucky, EKPC, any one or more EKPC member distribution cooperatives, or EKPC's wholesale rates for electric service to its member distribution cooperatives. With respect to the analysis in each such Document, please provide all assumptions, calculations, workpapers and supporting Documents used in that analysis, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

Objection: South Kentucky objects to this request as vague and overly broad, encompassing information not relevant to the subject matter of this proceeding or any related interest of the Distribution Cooperatives (not being members of South Kentucky), and encompassing information protected by the attorney-client privilege and work product doctrine. Without waiving the foregoing, reference is made to South Kentucky's Application and all exhibits, as well as Attachment DISTCOOP#4. This Attachment contains confidential information and is subject to a motion for confidential treatment. A redacted Public version and an unredacted Confidential version are being filed with the Commission. In addition, confidential information pervades several files associated with the Attachment. Those items are being filed with the Commission under seal.

Witness: Counsel (as to objection) and Dennis Holt

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

5. Please provide a copy of each Document South Kentucky has used in any presentation to its board of directors, any secured creditor, any credit rating agency, EKPC, any EKPC member cooperative, PJM, Enervision, Inc., or Morgan Stanley Capital Group Inc. (or any of its subsidiaries or affiliates) that arises out of, is related to or is connected with any analysis by South Kentucky or any other person of the impact of the transaction represented by the PPA on South Kentucky, EKPC, any one or more EKPC member distribution cooperatives, or EKPC's wholesale rates for electric service to its member distribution cooperatives.

Response:

Objection: South Kentucky objects to this request as vague and overly broad, and encompassing information not relevant to the subject matter of this proceeding or any related interest of the Distribution Cooperatives (not being members of South Kentucky). Without waiving the foregoing, reference is made to the response to Question 4.

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

6. In the process of analyzing and considering whether to enter into a transaction to meet a portion of its wholesale power requirements from a source other than EKPC, did the management or board of directors of South Kentucky consider the potential impact of a transaction on EKPC's wholesale rates, including but not limited to EKPC's environmental surcharge, and the extent to which such a transaction would shift EKPC's costs to the other member distribution cooperatives on the EKPC system?
 - a. If your response to this information request is "no," please explain why these factors were not considered by South Kentucky's management and board of directors.
 - b. If your response to this information request is "yes," please provide a copy of each Document provided or presented to or utilized by the management or board of directors of South Kentucky in connection with the consideration by them of any such potential impacts.

Response:

No analysis of the type described was undertaken. However, as explained in the response below, South Kentucky received assurances from EKPC that the Alternate Source designation could be mitigated.

- a. At the EKPC's Board Risk and Oversight Committee Meeting held on August 7, 2017, South Kentucky's Representative on the EKPC Board of Directors received assurances from EKPC CEO Tony Campbell that the impact of South Kentucky's Alternate Source designation could be mitigated through increased sales on EKPC's system or increased off-system sales or both.

South Kentucky's CEO requested a special meeting with Mr. Campbell after the quarterly manager's meeting on August 21, 2017, and specifically asked about the impact of the Alternate Source designation on EKPC and was informed that EKPC could mitigate the impact with increased sales on EKPC's system or increased off-system sales or both.

- b. On December 29, 2017, EKPC's Executive Assistant sent an e-mail on behalf of EKPC noting that they could mitigate the impact of the Alternate Source designation. See Attachment DISTCOOP#4.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

7. Please provide a copy of South Kentucky's wholesale power agreement(s) with EKPC, including but not limited to any amendments thereto and any interpretive agreements with EKPC relating to that wholesale power agreement.

Response:

South Kentucky's wholesale power agreement, amendments, and the MOU with EKPC are all identical to the other EKPC member cooperatives. Thus, this information should be readily available to Distribution Cooperatives. See also MOU, Section 0.3 (Application Ex. 3, p. 2).

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

8. Please refer to the testimony of Mr. Dennis Holt, page 13, lines 8 through 14.
- a. Have South Kentucky and EKPC concluded their negotiations on the business terms for EKPC acting as the market participant for South Kentucky? If so, please provide those terms. If not, please state whether those terms will be determined and submitted to the Commission prior to a decision in this proceeding.
 - b. Does South Kentucky agree that the agreement between it and EKPC for EKPC to act as market participant for South Kentucky in PJM requires approval of the Commission? If your response is "no," please explain in detail why Commission approval is not required.

Response:

- a. South Kentucky and EKPC have not yet finalized the referenced arrangement. South Kentucky also has not determined whether the terms of any such arrangement require Commission approval. Any decision regarding the same will be coordinated with EKPC.
- b. No. See response to part (a).

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

9. Please refer to the testimony of Mr. Dennis Holt, page 14, lines 14 through 20. Please provide a copy of all Documents upon which South Kentucky relied to conclude "that the significant savings it expects to realize far outweigh the potential risks" of the transactions contemplated in the PPA.

Response:

See Attachment DISTCOOP#4.

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

10. Please refer to the testimony of Ms. Michelle Herrman, page 11. Ms. Herrman describes the need for South Kentucky to establish an unsecured line of credit to meet potentially significant collateral requirements under the PPA.
- a. Has South Kentucky secured an agreement for that line of credit?
 - b. Please describe in detail how South Kentucky has determined the amount of the line of credit it requires to meet its potential collateral requirements under the PPA.
 - c. Does South Kentucky agree that the line of credit agreement will require Commission approval?
 - d. When is South Kentucky required to have the required line of credit in place and available to meet collateral requirements under the PPA?
 - e. What approvals must South Kentucky obtain from its existing creditors to enter into the required unsecured line of credit facility?

Response:

- a. No.
- b. South Kentucky has not determined if it will utilize a line of credit or any amount that will be required. Collateral needs are reset daily and are based upon current market values in effect at the time, the contract price and the remaining obligation of the purchases under the contract. Please reference the Collateral Annex (including Paragraph 10), Exhibit 6 of the Application for information on how the collateral amount is to be determined.
- c. Yes, if the line of credit exceeds a 24-month period.
- d. There is no requirement to have a line of credit in place. South Kentucky must be prepared to provide evidence of collateral upon the start date for the delivery of power by Morgan Stanley.

- e. South Kentucky requested approval from RUS as part of its request for approval of the PPA. RUS approval has been received on January 30, 2018. CFC has indicated that approval is not necessary. CoBank has indicated likewise, but has recently requested a copy of the proposed transaction to review for any material issues.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

11. Please refer to the testimony of Ms. Michelle Herrman, page 14.
 - a. Please describe in detail equity goals of South Kentucky's board of directors referred to on line 19, the plan for achieving those goals, and how the anticipated savings from the transactions contemplated in the PPA contribute to achieving those goals. Please provide a copy of any Documents that describe or otherwise reference those goals.
 - b. Please describe in detail the capital credit retirement plan that South Kentucky expects to fund with savings from the transactions contemplated in the PPA, and provide a copy of any Documents that describe or otherwise reference those goals.

Response:

- a. South Kentucky has adopted the attached policy, "Strategic Financial and Equity Management Plan." The defined equity goals are as follows:

South Kentucky shall achieve a minimum equity ratio (defined as Total Margins & Equity divided by Total Assets & Other Debits, as calculated by KRTA ratio #16) of 42% by December 31, 2017. Once the minimum equity ratio has been achieved, SKRECC shall maintain an equity ratio between 35% and 45%.

South Kentucky shall achieve a minimum equity ratio excluding equity in Investment in Associated Organizations Patronage Capital ("IAOPC") (defined as Total Margins & Equity less IAOPC, divided by Total Assets & Other Debits less IAOPC, as calculated by KRTA ratio # 17) of 27% by December 31, 2018. Once this minimum equity ratio excluding equity in IAOPC has been achieved, SKRECC shall maintain a level of between 27% and 30% thereafter.

Increased equity is achieved by either increasing margins through increased revenues or decreased expenses. Similarly, increases in equity are achieved through the use of internal funds versus borrowed funds to invest in utility plant assets. The anticipated savings from the transactions contemplated in the PPA are expected to assist in the increase in margins sufficient to meet South Kentucky's Operating TIER as allowed and to assist in cash flow to reduce future borrowings. The reduction in future borrowings will impact South Kentucky's member owners for many years, surpassing the end of the transactions contemplated in the PPA. See Attachment DISTCOOP#11.

- b. A capital credit retirement plan is currently being discussed. A draft policy is currently in review and being considered. See also Attachment DISTCOOP#11b.

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

12. Please produce any agreement between South Kentucky and EnerVision, Inc.

Response:

Objection: South Kentucky objects to this request, as the requested information is not relevant to the subject matter of this proceeding or any related interest of the Distribution Cooperatives (not being members of South Kentucky). In this respect, the information encompassed by the request is independent of South Kentucky's Alternate Source designation and does not bear on the Commission's review of and action on South Kentucky's Application or the relief requested therein.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

13. Please produce a copy of the Request for Proposal identified in paragraph 7 of South Kentucky's Application that was sent to potential counterparties.

Response:

See Attachment DISTCOOP#13.

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

14. Please produce all communications between South Kentucky and EKPC concerning (1) South Kentucky's decision to offer the RFP, and (2) the proposals received in response to the RFP.

Response:

There was no written communication from South Kentucky to EKPC concerning the RFP; however, South Kentucky informed EKPC that it could participate in the RFP.

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

15. Please produce all Documents related to South Kentucky's analysis and determination mentioned in paragraph 12 of its Application and the testimony of Mr. Dennis Holt at page 14, lines 14 through 20, that the power cost-savings it will realize from the PPA are substantial, and that the financial benefits anticipated to result by diversifying its power supply portfolio far outweigh the risks and obligations attendant to the subject transactions.

Response:

See Attachment DISTCOOP#4. This Attachment contains confidential information and is subject to a motion for confidential treatment. A redacted Public version and an unredacted Confidential version are being filed with the Commission. In addition, confidential information pervades several files associated with the Attachment. Those items are being filed with the Commission under seal.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

16. Pursuant to Amendment No. 3 and the MOU, please state and explain your computation of the rolling average of EKPC's coincident peak demand (measured in megawatts in 15 minute intervals and adjusted to include any interruptible load that was interrupted at the time of measurement) for the single calendar month with the highest peak demand occurring during each of the three twelve month periods immediately preceding South Kentucky's election to receive electric power and energy under the PPA. Please provide all assumptions, calculations, workpapers and supporting Documents used in this computation, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

South Kentucky utilized computations performed by EKPC and distributed at the May 2017 EKPC Board of Directors Meeting. South Kentucky only has these computations in PDF format. EKPC sent updated information to South Kentucky on February 7, 2018. See Attachment DISTCOOP#16.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

17. Pursuant to Amendment No. 3 and the MOU, please state and explain your computation of the rolling average of South Kentucky's coincident peak demand (measured in megawatts in 15 minute intervals and adjusted to include any interruptible load that was interrupted at the time of measurement) for the single calendar month with the highest peak demand occurring during each of the three twelve month periods immediately preceding South Kentucky's election to receive electric power and energy under the PPA. Please provide all assumptions, calculations, workpapers and supporting Documents used in this computation, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

Reference is made to the response to Question 16.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

18. Please state the proportional allotment of alternate-source power available to South Kentucky under the terms of its wholesale power agreements with EKPC and provide a copy of each Document prepared by, for, or on behalf of South Kentucky showing the calculation of the proportional allotment of alternate-source power available to South Kentucky under the terms of its wholesale power agreements with EKPC, and with respect to each such Document, provide all calculations, workpapers and supporting Documents, including all Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

Reference is made to the response to Question 16.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

19. Please state and explain your computation of the aggregate amount of the load of all Owner Members of EKPC being served with Alternate Sources (as that term is defined in the MOU), including the load of South Kentucky proposed to be served by the PPA, and what percentage this total load is of the rolling average of EKPC's coincident peak demand (measured in megawatts in 15 minute intervals and adjusted to include any interruptible load that was interrupted at the time of measurement) for the single calendar month with the highest peak demand occurring during each of the three twelve month periods immediately preceding South Kentucky's election to receive electric power and energy under the PPA. Please provide all assumptions, calculations, workpapers and supporting Documents used in this computation, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

South Kentucky's election of 58 MW is 1.9 percent of EKPC's three-year average coincident peak demand (58/2979.8), based on the information provided in response to Question 16.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

20. Please state and explain your computation of the average coincident peak demand in the annual aggregate of the load that South Kentucky proposes to obtain under the PPA. Please provide all assumptions, calculations, workpapers and supporting Documents used in this computation, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

Reference is made to the response to Question 16.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

21. Please describe in detail the load that will be served by the electric power and energy purchased by South Kentucky under the PPA, including but not limited to whether the load involves acquisition of new service territory currently served by another power supplier or municipal utility and whether the acquired territory must be served by Morgan Stanley as a condition to acquisition of the new load. Produce any applicable acquisition agreement.

Response:

The load to be served under the PPA will be South Kentucky's retail native load customers, excluding the industrial and commercial customers served directly by EKPC under EKPC's Schedule B and C rates pursuant to tri-party arrangements between EKPC, South Kentucky, and the individual customers. The load does not involve any acquisitions of new service territory currently served by another power supplier or municipal utility.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

22. Please describe in detail any other election of South Kentucky to receive electric power and energy from any source other than EKPC, and for each such election state the name of the party providing the electric power and energy and all relevant terms of the proposed transaction.

Response:

There are no other such elections.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

23. Please state South Kentucky's load factor for 2017. Please provide all assumptions, calculations, workpapers and supporting Documents used in this computation, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

The load factor for 2017 was 41.17%. See Attachment DISTCOOP#23.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
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24. Please state South Kentucky's energy in kWh and billing demands in kW for calendar year 2017, and include in your answer a breakdown of both energy and billing demands by month and by EKPC rate schedule (e.g., E, B, C, etc.).

Response:

Please see Attachment DISTCOOP#24.

South Kentucky Rural Electric Cooperative Corporation
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25. Please explain in detail your interpretation of how Amendment No. 3 and the MOU address load factor, and what load factor requirements, if any, are incorporated directly or indirectly in Amendment No. 3 and the MOU.

Response:

Neither Amendment 3 nor the MOU prescribes requirements concerning load factor. Furthermore, neither Amendment 3 nor the MOU specifies the type of generation supply that can or must be used in connection with an Alternate Source (e.g., high-capacity-factor baseload generating units, high-capacity-factor combined-cycle generating units, low-capacity-factor peaking generating units or otherwise).

**South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information**

26. Please state whether Amendment No. 3 and the MOU impose any restrictions on the load factor of your allowed purchases or otherwise place on you any requirements or restrictions regarding the load factor of allowed purchases. If your answer is yes, please describe any such requirements or restrictions. Please explain your answer in detail, including but not limited to citing all provisions of Amendment No. 3 and the MOU that support your answer.

Response:

No. Likewise, neither Amendment 3 nor the MOU place any restrictions on the capacity factor or type of generating capacity that can or must be used by an Alternate Source to supply power. Reference also is made to the response to Question 25.

South Kentucky Rural Electric Cooperative Corporation
Case No. 2018-00050
Distribution Cooperatives' First Request for Information

27. If your response to the preceding information request is that Amendment No. 3 and the MOU only pertain to demand values and not to energy values, please explain your position in detail, including but not limited to citing all provisions of Amendment No. 3 and the MOU that support your position.

Response:

Amendment 3 and the MOU speak for themselves. Reference also is made to the responses to Questions 25 and 26.

South Kentucky Rural Electric Cooperative Corporation
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28. Please provide any alternate analysis of costs avoided by South Kentucky through the purchase of power under the PPA, including but not limited to costs avoided using rate Classes B or C. Please provide all assumptions, calculations, workpapers and supporting Documents used in this computation, including but not limited to any Documents in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

South Kentucky has not performed any such analysis. Reference also is made to the response to Question 29.

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29. Please state all reasons that you used Class E, instead of Classes B or C, to calculate costs avoided by South Kentucky through purchase of power under the PPA.

Response:

Service under EKPC's Rates B and C is available to individual end-use customers with contracts for demands of 500 kW or greater. The "Applicability" sections of EKPC's Rates B and C specify a tri-party arrangement wherein the rates are "[a]pplicable to owner-member and retail members willing to contract for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW."

By exercising its right to obtain energy supplied from an Alternate Source, South Kentucky seeks to reduce the cost of providing electric service to its residential, commercial and industrial customers – customers that are not otherwise receiving significant rate reductions under EKPC's Rates B and C. South Kentucky thus conducted its analysis accordingly. Furthermore, to the best of South Kentucky's knowledge, the other EKPC members that have exercised Amendment 3 and the MOU have used Alternate Source power to reduce the costs of electric service under Rate E, and not costs associated with discounted service under Rates B, C, G or other special contract rates to individual industrial, commercial public authority customers.

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30. Please refer to the testimony of Mr. Carter Babbit ("Babbit") in Exhibit 18. Please provide all workpapers used to develop Exhibits CB-4 through CB-10 (including the exhibits themselves and all of the supporting data sources and calculations) in electronic Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.

Response:

Objection: South Kentucky objects to this request, as the requested information is not relevant to the interest of the Distribution Cooperatives (not being members of South Kentucky). South Kentucky also objects on the basis that, upon information and belief, certain of the Distribution Cooperatives are participating in solicitations, for which the data reflected in the requested items would provide pricing information of suppliers whose offers were not selected by South Kentucky, given these participating entities access to competitive market intelligence that, absent this proceeding, would be otherwise unknowable to them.

Without waiving the foregoing, South Kentucky is providing Attachment DISTCOOP#32. This Attachment contains confidential information and is subject to a motion for confidential treatment. As confidential information pervades the files associated with the Attachment, these items are being filed with the Commission under seal.

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31. Please refer to Babbit Exhibit CB-10. Please explain in detail how the values in the "Benefit vs Base Case (\$M)" column were derived.

Response:

The estimated annual costs associated with each proposal were compared to the EKPC base case. The Net Present Value (NPV) was calculated based on the resulting difference over the term of each specific proposal, using a 5 percent discount rate.

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32. Please refer to the testimony of Mr. Carter Babbit, page 11, lines 20-22. Please provide in electronic Excel spreadsheet format the complete set of PJM prices that were used to develop all cost comparison analyses.

Response:

The requested spreadsheet is included with the following PJM capacity prices for the referenced testimony: \$100.00 per MW-day for the 2019/20 capacity year and \$76.83 for the 2020/21 capacity year. See also Attachment DISTCOOP#32.

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33. Please refer to the testimony of Mr. Carter Babbit, page 14, lines 16-18. How did EnerVision develop or otherwise acquire PJM capacity price forecasts for the years in the cost comparison that follow 2021?

Response:

EnerVision did not develop or otherwise acquire PJM capacity price forecasts for the years in the cost comparison that follow 2021.

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34. Please refer to the testimony of Mr. Dennis Holt, page 13, lines 1-7. Did EnerVision include in its analyses all of the anticipated incremental costs that South Kentucky would incur pursuant to its membership in PJM? If not, why not? If so, please describe those costs and how they were incorporated into the cost comparisons, and provide a list of the particular PJM settlement schedules / charge types and the estimated amounts per year that were included for each charge type.

Response:

No. The anticipated costs, \$1,500 initially and \$5,000 annually, were deemed to be very small compared to the overall costs and benefits of the proposals and thus were not included in the analysis.

Witness: Dennis Holt and Michelle Herrman

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35. Please refer to the testimony of Mr. Dennis Holt, page 14, lines 14-20. Please list the “possible material risks associated with the transactions with the Morgan Stanley Group” that were considered. What quantification of these risks was developed for comparison against the “significant savings” which make South Kentucky “quite comfortable” that those savings outweigh the potential risks?

Response:

South Kentucky identified the following possible risks of the proposed transaction:

1. Market price decline on energy during the term of the proposed transaction and South Kentucky’s inability to re-price the proposed transaction to reflect a lower market price.
2. Changes within PJM in regard to new potential capacity and energy rules that could impact the overall value to be realized from the proposed transaction.
3. Changes in laws or regulations; for example, changes in environmental laws applicable to PJM, as well as its participants that could impact the overall value to be realized from the proposed transaction.
4. Variability in capacity pricing associated with the capacity hedge risk, to the extent that the final zonal price in PJM settles at a value higher than the Floating Price (i.e., the BRA Resource Clearing price).
5. Lack of PSC approval.
6. Failure of Morgan Stanley to perform under the proposed transaction and make good on its collateral obligations to make South Kentucky whole on the difference in price between the cost of energy under the proposed transaction and the cost of replacement power.
7. Cost risks associated with South Kentucky’s collateral obligations under the proposed transaction.

Witness: Dennis Holt and Michelle Herrman

South Kentucky feels these risks can be mitigated or are no more burdensome than the current risks with EKPC being our sole source provider.

Reference also is made to South Kentucky's response to Commission Staff Question #18.

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36. Please refer to the testimony of Ms. Michelle Hermann, page 4, lines 2-3. Please provide the annual projections for each of these financial metrics for 2018 through 2023 assuming that the proposed transaction is approved.

Response:

Ratio	2018	2019	2020	2021	2022	2023
TIER	2.31	1.64	2.45	2.18	1.58	1.56
OTIER	1.18	1.29	2.08	1.78	1.15	1.10
DSC	1.72	1.45	1.81	1.69	1.42	1.40
ODSC	1.24	1.31	1.65	1.52	1.25	1.22
MDSC	1.36	1.44	1.80	1.67	1.41	1.39

Witness: Counsel (as to objection) Michelle Herrman

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37. Please refer to the testimony of Ms. Michelle Herrmann, page 4, lines 2-3 and page 13, lines 8-12. If the 2017 estimated TIER is 2.46, and a rate increase may be deferred for four years from 2019 to 2023, did South Kentucky consider the possibility of proposing a rate reduction for this period to permit its members to directly benefit from the significant savings of the proposed transaction? If not, please explain in detail South Kentucky's reasons for not considering this possibility.

Response:

Objection: South Kentucky objects to this request, as the requested information is not relevant to the subject matter of this proceeding or any related interest of the Distribution Cooperatives (not being members of South Kentucky). In this respect, none of the items encompassed by the request is affected by South Kentucky's Alternate Source designation or otherwise bears on the Commission's review of and action on South Kentucky's Application or the relief requested therein. Without waiving the foregoing objection, South Kentucky makes reference to Ms. Herrman's testimony at page 14, lines 5-21 and the response to Question 11.