

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**ATTORNEY GENERAL’S SUPPLEMENTAL DATA REQUESTS**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Data Requests to South Kentucky Rural Electric Cooperative Corporation [hereinafter “SKRECC”] to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for SKRECC with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification

of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books,

schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR  
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*Certificate of Service and Filing*

Counsel certifies that an original and ten (10) photocopies of the foregoing were served and filed by hand delivery to Ms. Gwen Pinson, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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This 27<sup>th</sup> day of March, 2018



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Assistant Attorney General

1. Reference the response to AG 1-5. Provide copies of any and all due diligence reviews SKRECC may have conducted pertaining to additional environmental risk and additional environmental costs.
2. Refer to SKRECC's responses to Staff 1-5 (a) wherein SKRECC answered that, "[t]he Alternate Source is not tied to a specific generating unit or units within PJM," and its response to AG 1-5, wherein SKRECC answered that, "South Kentucky recognized that it faces the same or essentially similar risk whether it purchases power from Morgan Stanley, EKPC or any other energy provider."
  - a. Explain in complete detail how SKRECC has the information available to know that the environmental costs for the Alternate Source is the same or essentially similar risk as it would face if it purchased power from EKPC or any other energy provider.
  - b. Confirm that differently fueled generators have different environmental concerns, and thus different "environmental costs" as defined in the confirmation letters cited.
  - c. Confirm that SKRECC has no belief, understanding, or knowledge about the generation fuel or environmental compliance of the Alternate Source(s) in the Morgan Stanley transaction.
  - d. Explain, in complete detail what SKRECC means when it states, "Changes in laws and regulations, for example, changes in environmental law, are applicable to PJM." Any response should provide a detailed explanation of how any and all environmental laws apply to PJM.
3. Refer to SKRECC's response to AG 1-5 (c), particularly where SKRECC states that the incurrence of additional environmental costs "alone does not provide a basis to terminate the proposed transaction."
  - a. Confirm that SKRECC is unable to reasonably anticipate "additional environmental costs" arising under the proposed transaction.
  - b. Confirm that SKRECC is unable to determine any difference between the additional environmental costs if it continues to purchase energy from EKPC or through the proposed transaction.
4. Reference the response to AG 1-8. Does SKRECC believe RUS approval would be necessary as a pre-condition to obtaining any "additional line of credit"? If so, how long does SKRECC anticipate will be required to obtain such approval?
5. Refer to SKRECC's response to AG 1-9 (d). Is it SKRECC's position that there is no risk in the long-term viability of the capacity transaction wherein Morgan Stanley defaults? Explain any answer in complete detail.

6. Refer to SKRECC's response to AG 1-10. The response provided did not detail an answer to the second part of the request. What does SKRECC believe the most likely causes of default or early termination are for Morgan Stanley Capital Group?
  - a. Any cause of default should also indicate whether SKRECC has taken steps to mitigate the impact of such an occurrence, with details how SKRECC has planned or gone about doing so.
  - b. A response that "South Kentucky does not anticipate a default or early termination by Morgan Stanley" is not an adequate response, as most entities do not enter into 20-year transactions with an expectation that the other parties will default.
7. If SKRECC's Application is approved as filed, provide all studies, estimates or projection of the effect on the financial credit metric and borrowing costs of SKRECC.
8. Refer to SKRECC's response to Staff 1-6. In the event of a default wherein SKRECC must purchase energy from a different alternate source or the market, state whether SKRECC will be obligated to take all 58 MWs of energy in every hour, or if it can choose to take delivery of a lesser amount as needed. Any response should assume the Commission approved this Application as filed.
9. State whether SKRECC has any special contract with customers. If so, provide the names of such special contract customers.
  - a. Has SKRECC conducted any study on the effect, either with rates or services, of those special contract customers should the Commission approve this Application as filed? If so, provide all such studies or analysis. If no studies have been conducted, why not?
  - b. Do any special contract customers identified above have contracts dealing with DSM or Energy Efficiency? If so, identify said customers.