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March 31, 2020

VIA EMAIL & HAND DELIVERY

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

Re: PSC Case Nos. 2015-00267 – Bluegrass Station Annual Report

Dear Mr. Chandler:

Pursuant to the Commission's December 1, 2015 Order in Case No. 2015-00267, in which the Commission approved East Kentucky Power Cooperative, Inc's ("EKPC") requests to acquire the Bluegrass Station and to assume the evidences of indebtedness associated with the acquisition, enclosed please find a copy of EKCP's 2020 Bluegrass Station Annual Operating Report. Please file this in the post-case correspondence file. A paper copy will be tendered to the Commission within thirty (30) days of lifting the existing state of emergency relating to the COVID-19 coronavirus.

Very truly yours,

A handwritten signature in blue ink that reads "David S. Samford".

David S. Samford

Enclosure

Bluegrass Generating Station 2019 Annual Operating Report

In 2019, East Kentucky Power Cooperative's, Inc's. (EKPC) Bluegrass Generating Station (Bluegrass) successfully operated for 949.54 hours, produced 147,001 gross megawatts and 145,829 net megawatts of generation; experienced 18.36 unplanned outage hours; and performed to an overall average net heat rate of 11,042.65 (BTU/KWH).

Bluegrass Unit 1 successfully operated 373.48 hours, generated 57,565 gross megawatts and 57,130 net megawatts; experienced 11.23 hours of unplanned outage hours; performed to an average net heat rate of 11,041.76 (BTU/KWH); and successfully started 55 times with no failed starts. Bluegrass Unit 1 experienced three (3) unplanned/forced outage events:

- Unplanned, forced outage of 1.15 hours due to a failed relay.
- Unplanned, forced outage of 4.57 hours due to the loss of feedback to a gas valve.
- Unplanned, forced outage for 5.52 hours due to transmission constraints.

Bluegrass Unit 2 successfully operated 406.91 hours, generated 63,128 gross megawatts and 62,580 net megawatts; experienced 7.13 hours of unplanned outage hours; performed to an average net heat rate of 11,037.65 (BTU/KWH); and successfully started 59 times with no failed starts.

Bluegrass Unit 2 experienced two unplanned/forced outage events:

- Unplanned, forced outage of 1.15 hours due to a failed relay.
- Unplanned, forced outage of 5.98 hours due to transmission constraints.

Bluegrass Unit 3 successfully operated 169.15 hours, generated 26,308 gross megawatts and 26,119 net megawatts; experienced no unplanned outages; performed to an average net heat rate of 11,056.90 (BTU/KWH); and successfully started 29 times with no failed starts. Bluegrass Unit 3 experienced no unplanned/forced outage events.

EKPC budgeted \$26.1 million for capital expenditures for equipment in 2019, and spent \$24.5 million of this allocation. This reduction was due to the decision to delay the Bluegrass Unit 3 major turbine inspection until 2020 (\$3.7 million), and to pull \$2.1 million from the 2020 budget forward into 2019 for the construction of backup fuel facilities, the Dual Fuel project approved by the Kentucky Public Service Commission in Case No. 2018-00202 .

Bluegrass has budgeted \$51.3 million for capital expenditures in 2020. The increase in capital expenditures over 2019 is due primarily to the Dual Fuel project, which has a total estimated cost of \$62.8 million. The budgeted portion for the Dual Fuel project in 2020 is \$34.4 million, which will mostly be incurred during the second half of the year. The project will provide Bluegrass with a back-up fuel option in the event of a natural gas line interruption. Another reason for the increase in capital expenses over 2019 is the need for major turbine inspections on all three Bluegrass units (total project budget of \$18 million, of which \$16.8 million is expected to be spent in 2020).

The 2020 Bluegrass budget also includes \$2 million for emergent, insulation, and outage support for the Dual Fuel project under the Regulatory Asset Project Code.

Bluegrass budgeted \$5.1 million (excluding fuel) in 2019 for O&M expenses, and had expenditures of \$3.9 million. The variance was due to delaying Bluegrass Unit 3 Hot Gas Path Inspection and all three units' Inlet Strut Modifications until 2020, which accounted for \$1.2 million. Bluegrass has budgeted \$4.8 million (excluding fuel) for O&M expenses in 2020.

Bluegrass budgeted \$9.7 million for fuel in 2019 and had expenditures of \$4.4 million.

Bluegrass' budget for fuel in 2020 is \$98k.

Bluegrass performed various maintenance activities to increase availability and reliability of the facility. These maintenance activities included, but were not limited to, third-party independent calibration of all critical instrumentation, the rebuilding of CT-2 and CT-3 starting system's torque converters, the replacement of worn exhaust expansion joints on all three units, and modernization of the turbine CO₂ fire protection system on all three units.

Environmental Update

Bluegrass resources compliance planning is covered by this section to meet the requirements of the Clean Air Act amendments of 1990 (CAA) and the Clean Water Act (CWA). Bluegrass is currently in compliance with the following CAA and CWA Rules:

- Affordable Clean Energy Rule; Fossil Fuel Only;
- New Source Performance Standards (NSPS);
 - NSPS GHG for New, Modified and Reconstructed Fossil Fueled Units;
- Title IV of the CAA and the rules governing pollutants that contribute to Acid Deposition (Acid Rain program);
- Title V operating permit requirements (Title V);
- Summer ozone trading program requirements promulgated after EPA action on Section 126 petitions and the Ozone SIP Call (Summer Ozone program);
- Clean Air Interstate Rule (CAIR) (Phased Out 12/31/15);

- Stationary Combustion Turbines: National Emission Standards for Hazardous Air Pollutants (NESHAP);
- Stationary Gas and Combustion Turbines: New Source Performance Standards (NSPS);
- Cross State Air Pollution Rule (CSAPR);
- National Ambient Air Quality Standards (NAAQS) for Sulfur Dioxide (SO₂), Nitrogen Dioxide (NO₂), Carbon Monoxide (CO), Ozone, Particulate Matter (PM), Particulate Matter 2.5 microns or less (PM 2.5) and Lead;
- Clean Water Act, and
 - National Pollution Discharge Elimination System (NPDES) as delegated by the EPA to Kentucky Pollution Discharge Elimination System (KPDES).