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David S. Samford
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February 6, 2014

VIA HAND DELIVERY

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

RE: *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Approval of an Economic Development Rider, Case No. 2014-000*

Dear Mr. Derouen:

Enclosed for filing, please find one original and ten copies of the Application of East Kentucky Power Cooperative, Inc. ("EKPC") for approval of an Economic Development Rider. Please return file-stamped copies of these filings to my office. We respectfully request that the following party representing EKPC be included on the Commission's Service List:

Patrick C. Woods
East Kentucky Power Cooperative, Inc.
P.O. Box 707
Winchester, Kentucky 40392-0707

If you have any questions or require additional information, please contact me.

Very truly yours,

David S. Samford

Enclosure

cc: Hon. Jennifer B. Hans
Hon. Michael L. Kurtz
Secretary Larry Hayes

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 6 - 2014

In the Matter of:

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR APPROVAL)
OF AN ECONOMIC DEVELOPMENT RIDER)

CASE NO.
2014-000

APPLICATION

Comes now East Kentucky Power Cooperative, Inc. (“Applicant” or “EKPC”), by and through counsel, pursuant to 807 KAR 5:011, Section 6, and other applicable law, and for its Application requesting that the Kentucky Public Service Commission (“Commission”) enter an Order authorizing and approving Applicant’s new tariff sheet titled “Section EDR – Economic Development Rider” respectfully stating as follows:

1. EKPC’s mailing address is P. O. Box 707, 4775 Lexington Road, Winchester, Kentucky 40392-0707.
2. A copy of Applicant’s restated Articles of Incorporation and all amendments thereto were filed with the Commission in Case No. 1990-00197.
3. On February 10, 1989, the Commission opened Administrative Case 327 to examine its guidelines regarding economic development rates and to seek comments and recommendations on the use of these preferential rates. The Commission defined an economic development rate to be “a gas or electric rate discount offered to large commercial and industrial customers, which is intended to stimulate the creation of new jobs and capital investment both by encouraging existing customers to expand their operations and by improving the likelihood that

new large commercial and industrial customers” would locate in Kentucky.¹ In its Final Order, the Commission recognized the economic development value of these rate incentives and established 15 guidelines that should be considered when utilities filed special contracts that included economic development rates.²

4. On June 18, 2004, Duke Energy Kentucky (“Duke Energy”) filed Case No. 2004-00253,³ an application seeking approval of several economic development rate tariffs. Although the Commission had determined in Administrative Case No. 327 that economic development rates should be offered by special contract rather than through a tariff, Duke Energy contended that the absence of a tariffed economic development rate might discourage a new or existing customer from making further inquiry about the option particularly when utilities in other states did have similar incentive rates included in their tariffs. Duke Energy’s proposed economic development tariffs were determined to be consistent with the Commission’s guidelines established in Administrative Case No. 327, including the requirement for a special contract. In its April 19, 2005 Order in Case No. 2004-00253, the Commission approved Duke Energy’s proposed economic development rate tariffs. On August 26, 2010, the Kentucky Supreme Court affirmed the Commission’s decision and held that economic development rates are authorized under Kentucky law so long as the Commission determines that the preferential rate is reasonable.⁴

¹ See *Administrative Case No. 327, An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities*, Final Order, p. 1 (Ky. P.S.C. Sept. 24, 1990).

² See *id.*, pages 25-28, Findings 3 through 17.

³ See *In the Matter of the Application of The Union Light, Heat and Power Company for Approval of Its Proposed Economic Development Riders*, Case No. 2004-00253. Duke Energy was formerly known as The Union Light, Heat and Power Company.

⁴ See *Public Service Commission of Kentucky v. Commonwealth of Kentucky, ex. Rel. Conway*, 320 S.W.3d 660, 669 (Ky. 2010).

5. In addition to the economic development rate tariffs approved for Duke Energy, the Commission has approved economic development rate tariffs for the Louisville Gas and Electric Company, the Kentucky Utilities Company,⁵ and Atmos Energy Corporation.⁶ In each case, the proposed economic development rate tariff has been structured in accordance with the guidelines the Commission issued in Administrative Case No. 327.

6. As part of its Strategic Plan, EKPC has included economic development as one of eight strategic objectives. In conjunction with this renewed focus on economic development, EKPC hired a new Manager of Economic Development, who has been working with EKPC's Member Systems to encourage economic growth that meets the needs of their local communities. This application seeking approval to implement a wholesale Economic Development Rider ("EDR") is also a part of the renewed focus on economic development at EKPC.

7. Unlike the EDR tariffs approved for the investor-owned utilities, EKPC's proposed tariff will be used and relied upon by those Member Systems who desire to implement a corresponding EDR tariff for their retail customers. EKPC's EDR tariff should be regarded as a tool offered by EKPC to its Member Systems to further advance their economic development efforts. It is anticipated that many of EKPC's Member Systems will individually or collectively seek approval of their own EDR tariffs.

8. Attached as Applicant's Exhibit 1 is the Prepared Testimony of Isaac S. Scott, EKPC Pricing Manager. Mr. Scott's testimony discusses the development of the proposed EDR and how it is consistent with the guidelines established in Administrative Case No. 327.

⁵ See *In the Matter of the Application of Louisville Gas and Electric Company and Kentucky Utilities Company to Modify and Rename the Brownfield Development Rider as the Economic Development Rider*, Case No. 2011-00103, Final Order (Ky. P.S.C. Aug. 11, 2011).

⁶ See *In the Matter of Application of Atmos Energy Corporation for an Order Approving Economic Development Riders*, Case No. 2012-00066, Final Order (Ky. P.S.C. Aug. 27, 2012).

9. Attached as Applicant's Exhibit 2 is the Prepared Testimony of Rodney Hitch, EKPC's Economic Development Manager. Mr. Hitch's testimony will discuss EKPC's economic development business plan, economic conditions that are prevalent in the counties served by EKPC's Member Systems and how the proposed EDR tariff is intended to encourage economic development in those areas.

10. Attached as Applicant's Exhibit 3 is a tariff sheet for EKPC's Section EDR – Economic Development Rider.

11. Attached as Applicant's Exhibit 4 is a copy of the resolution of the EKPC Board of Directors from the regular board meeting of November 12, 2013 which authorized EKPC to seek approval of the Section EDR – Economic Development Rider.

12. Attached as Applicant's Exhibit 5 is a copy of the notice sent by EKPC to its Members pursuant to 807 KAR 5:011, Section 8(2)(a) notifying them of the filing of this Application. Also attached as Applicant's Exhibit 5 is an affidavit consistent with the requirements of 807 KAR 5:011, Section 8(3)(a).

WHEREFORE, Applicant respectfully requests the Commission to approve the proposed Section EDR – Economic Development Rider tariff sheet.

Respectfully submitted,



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	Case No.
OF AN ECONOMIC DEVELOPMENT RIDER)	2014-000

EXHIBIT 1

TESTIMONY OF
ISAAC S. SCOTT
PRICING MANAGER
EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: February 6, 2014

1 **Q. Please state your name, business address, and occupation.**

2 A. My name is Isaac S. Scott and my business address is East Kentucky Power Cooperative
3 (“EKPC”), 4775 Lexington Road, Winchester, Kentucky 40391. I am the Manager of
4 Pricing for EKPC.

5 **Q. Please state your education and professional experience.**

6 A. I received a B.S. degree in Accounting, with distinction, from the University of Kentucky
7 in 1979. After graduation I was employed by the Kentucky Auditor of Public Accounts,
8 where I performed audits of numerous state agencies. In December 1985, I transferred to
9 the Kentucky Public Service Commission (“Commission”) as a public utilities financial
10 analyst, concentrating on the electric and natural gas industries. In August 2001, I
11 became manager of the Electric and Gas Revenue Requirements Branch in the Division
12 of Financial Analysis at the Commission. In this position I supervised the preparation of
13 revenue requirement determinations for electric and natural gas utilities as well as
14 determined the revenue requirements for the major electric and natural gas utilities in
15 Kentucky. I retired from the Commission effective August 1, 2008. In November 2008,
16 I became the Manager of Pricing at EKPC.

17 **Q. Please provide a brief description of your duties at EKPC.**

18 A. As Manager of Pricing, I am responsible for rate-making activities which include
19 designing and developing wholesale and retail electric rates and developing pricing
20 concepts and methodologies. I report directly to the Director of Regulatory and
21 Compliance Services.

22 **Q. What is the purpose of your testimony in this proceeding?**

1 A. The purpose of my testimony is to discuss the development of EKPC’s proposed Section
2 EDR – Economic Development Rider and how the Rider is consistent with the guidelines
3 that were established in the Commission’s September 24, 1990 Order in Administrative
4 Case No. 327. I also discuss a corresponding Member Distribution Cooperative
5 (“Members”) proposed Section EDR – Economic Development Rider.

6 **Q. Why is EKPC proposing an Economic Development Rider at this time?**

7 A. In response to recommendations from the Liberty Management Audit,¹ EKPC undertook
8 a comprehensive examination of its core strategic areas, resulting in the 2011 Strategic
9 Plan. One of the eight adopted strategic objectives in that plan addresses economic
10 development. Through this strategic objective, EKPC has committed that it will build an
11 economic development capability that focuses on the economic sustainability of its
12 Members and their communities through job creation endeavors, load retention, and load
13 building opportunities. In working to achieve this strategic objective, EKPC committed
14 resources and hired a full-time manager of economic development in October 2011.
15 EKPC also determined it needed to examine tariff options and researched the economic
16 development riders approved for other Kentucky jurisdictional utilities. The proposed
17 Section EDR tariff included in this application is the result of that research.

18 **Q. What research did EKPC undertake in conjunction with the development of its**
19 **proposed Section EDR tariff?**

20 A. EKPC began with the Commission’s September 24, 1990 Order in Administrative Case
21 No. 327, specifically Findings No. 3 through 17. EKPC reviewed the case files, tariffs,

¹ Management Recommendation #1 states “Develop and implement strategic plans that address the company’s critical existing and forward-looking issues: asset mix and ownership, the optimum power supply portfolio including market power supply resources, appropriate financial strength and capital market access, and rate trajectory and competitive issues.” The Liberty Consulting Group, Final Report, p. 58, Section VI. Recommendations (Apr. 20, 2010).

1 and final orders for economic development riders approved for Duke Energy Kentucky
2 (“Duke Energy”),² Louisville Gas and Electric Company (“LG&E”),³ Kentucky Utilities
3 Company (“KU”),⁴ and Atmos Energy Corporation.⁵ EKPC reviewed information on the
4 Cabinet for Economic Development’s (“the Cabinet”) Kentucky Business Investment
5 (“KBI”) Program website relating to economic development activities and had numerous
6 discussions with the Cabinet’s leadership as well as local economic development
7 officials. EKPC also held several discussions with the Members.

8 **Q. Would you describe EKPC’s proposed Section EDR tariff?**

9 A. EKPC’s proposed Section EDR tariff is included in the application as Exhibit 3. The
10 proposed Section EDR would be available to Members’ non-residential customers served
11 or being served under EKPC’s Section B, C, E, or G rates.⁶ EKPC is proposing that
12 Section EDR be available for use by EKPC’s Members to promote growth by both new
13 and existing eligible non-residential customers. For existing customers, EKPC has
14 included a description of how the load eligible for the proposed Section EDR will be
15 determined using an approach similar to the one approved for LG&E and KU.

16 EKPC’s proposed tariff excludes from eligibility a customer that becomes “new”
17 solely from a change in ownership of an existing establishment. However, if that existing
18 establishment was already under a special contract with a Section EDR provision, the
19 rider would continue through the term of the special contract.

² See *In the Matter of Application of The Union Light, Heat and Power Company for Approval of Its Proposed Economic Development Riders*, Case No. 2004-00253. Duke Energy Kentucky was formerly known as The Union Light, Heat and Power Company.

³ See *In the Matter of Application of Louisville Gas and Electric Company and Kentucky Utilities Company to Modify and Rename the Brownfield Development Rider as the Economic Development Rider*, Case No. 2011-00103.

⁴ See *id.*

⁵ See *In the Matter of Application of Atmos Energy Corporation for an Order Approving Economic Development Riders*, Case No. 2012-00066.

⁶ Section B, C, and G rates are for industrial and commercial customers, while Section E is for all customer groups, including residential.

1 **Q. Would you describe the minimum load eligibility requirements contained in the**
2 **proposed Section EDR?**

3 A. EKPC noted in its review of the economic development riders approved for Duke
4 Energy, KU, and LG&E that the minimum average monthly billing load requirement was
5 1,000 kW for new and existing customers.⁷ EKPC originally considered using a
6 minimum average monthly billing load requirement of 1,000 kW as well. However, after
7 considering the economic conditions existing in the service territories of the Members
8 and discussing the minimum average monthly billing load requirement with the
9 Members, EKPC concluded that 1,000 kW was not a reasonable threshold to set for its
10 proposed Section EDR. EKPC and its Members determined that a two-level threshold
11 was the most appropriate approach for the minimum average monthly billing load
12 requirement. Initially, a new customer or an expanding existing customer would need to
13 contract for a minimum average monthly billing load of 500 kW.

14 In an effort to encourage the consideration of areas where unemployment has
15 traditionally been high, EKPC and its Members decided to offer a lower minimum load
16 level. If the new customer or expanding existing customer is located in a county
17 identified by the KBI Program as an “Enhanced Incentive County,” then the customer
18 would need to contract for only a minimum average monthly billing load of 250 kW. As
19 defined by the KBI Program, Kentucky counties designated as “Enhanced Incentive
20 Counties” must meet at least one of three established criteria, which are: 1) counties with
21 an average annual unemployment rate exceeding the state average annual unemployment
22 rate in the five preceding calendar years; 2) counties with an unemployment rate greater
23 than 200 percent of the statewide unemployment rate for the preceding year; and 3)

⁷The KU tariff requires 1,000 kVA instead of kW.

1 counties identified as one of the 60 most distressed counties based on a three part test
2 (three-year unemployment, education attainment, and road quality). The designation is
3 evaluated annually and for the 2013-2014 year 72 counties have been certified as
4 “Enhanced Incentive Counties.” Each of EKPC’s 16 Members serve at least one county
5 that has been designated an “Enhanced Incentive County.” EKPC would note that it is
6 only utilizing the “Enhanced Incentive County” as a means to objectively identify
7 locations where unemployment has been traditionally high. EKPC is not incorporating
8 any of the KBI program’s requirements into its determination of whether a customer
9 would qualify for the proposed Section EDR.

10 **Q. Would you describe the requirement of a minimum load factor contained in the**
11 **proposed Section EDR?**

12 A. During the discussions with the Members concerning the appropriate minimum load
13 requirement, the Members suggested that since the proposed minimum load was lower
14 there should be some required minimum load factor requirement. EKPC and the
15 Members recognized that offering an economic development rate to a customer just
16 meeting the minimum load requirement could attract businesses with poor load factors.
17 While desiring to encourage economic development in the respective service territories,
18 EKPC and the Members did not want to attract customers that would hurt the load factor
19 of EKPC or the individual Members. The selection of a 60 percent minimum load factor
20 was based on the parameters previously incorporated into EKPC’s rate design.

21 However, EKPC and the Members thought it necessary to recognize it was
22 unlikely that a new customer or an expanding existing customer would be able to achieve
23 the 60 percent load factor at the beginning of operations. Thus, for the first year of the

1 discount period the 60 percent minimum load factor requirement will be waived to
2 account for the fact that the customer would need time to build up to the minimum load
3 factor. EKPC further recognized that, during the remaining months of the applicable
4 discount period, it was possible that the customer would fail to meet the minimum load
5 factor in a given month. The proposed Section EDR therefore includes a mechanism to
6 permit a “grace period” where the customer who fails to meet the minimum load factor
7 requirement during the remaining months of the discount period would retain the demand
8 charge discount. This grace period does not have to be consecutive months. After the
9 grace period is exhausted, in any month during the remaining discount period where the
10 customer fails to achieve a 60 percent load factor, the customer will be billed at the full
11 demand charge. The remaining discount period will not be extended because a customer
12 failed to achieve the minimum load factor in a given month.

13 **Q. Why does EKPC’s EDR tariff not require the customer to include in its application**
14 **a certification that the customer has been qualified for benefits under the KBI**
15 **Program?**

16 A. EKPC considered including such a requirement and reviewed the KBI Program and the
17 requirements for qualifying for benefits under the KBI Program. EKPC concluded it
18 would be better to work with the Cabinet concerning the evaluation of potential
19 customers rather than requiring a certification that the customer had been qualified for
20 benefits under the KBI Program. As part of its renewed emphasis on economic
21 development, EKPC has focused on improving coordination with the Cabinet. EKPC
22 believes that its coordination and interaction with the Cabinet concerning potential
23 customers who may be eligible for the proposed Section EDR will be a more beneficial

1 approach than linking the tariff to specific criteria which may otherwise inadvertently
2 exclude good economic development prospects from participating.

3 **Q. Would you describe the discount period provision?**

4 A. Finding No. 14 in the Commission's September 24, 1990 Order in Administrative Case
5 No. 327 required that the term of an economic development rate contract should be for a
6 period twice the length of the discount period and the discount period was not to exceed
7 five years. EKPC considered only listing a five-year discount option in the proposed
8 Section EDR tariff; however, EKPC was concerned that potential customers might be
9 hesitant to agree to a 10-year contract. EKPC concluded that it was reasonable to
10 indicate to potential customers its willingness to consider different discount and contract
11 terms, but remain consistent with the guidelines from Administrative Case No. 327.
12 Therefore, the proposed Section EDR tariff includes options for discount periods of three
13 years, four years, and five years with corresponding contract terms of six years, eight
14 years, and 10 years. The applicable demand charge discounts are included in the
15 proposed Section EDR tariff for the three options.

16 **Q. Would you describe the provision concerning when the economic development rate
17 would be offered?**

18 A. Finding No. 5 in the Commission's September 24, 1990 Order requires that economic
19 development rates should only be offered during periods of excess capacity. The finding
20 further requires that utilities should demonstrate that the load expected to be served
21 during each year of the contract period will not cause the utility to fall below a reserve
22 margin that is considered essential for system reliability. EKPC understands that the
23 Commission's intent with this guideline is to require that a utility offering an economic

1 development rate must demonstrate that it expects to have excess capacity the entire year
2 and for every year the contract is in effect.

3 In 1990, the Commission was concerned that additional load resulting from
4 discounted rates should not create a need for new plant capacity. At the time the
5 September 24, 1990 Order in Administrative Case No. 327 was issued, the Commission
6 had just completed its inquiry into integrated resource planning for the purpose of
7 assuring ratepayers that all alternatives for a reliable, low-cost supply of electricity were
8 being considered by the major generating utilities serving Kentucky.⁸ The result of that
9 inquiry was the development of an administrative regulation governing the Integrated
10 Resource Planning (“IRP”) review process.⁹

11 In the 23 years since the Commission issued its Order in Administrative Case No.
12 327, the electric industry in Kentucky and the United States has significantly changed.
13 Due to environmental and market conditions, utilities manage their generating resources
14 more closely than ever before. The development of wholesale energy and capacity
15 markets, along with the advent of Regional Transmission Organizations, has allowed
16 utilities to increase the use of market purchases and thus diversify resource portfolios in
17 ways not imagined two decades ago. The IRP review allows the generating utilities to
18 demonstrate to the Commission Staff on a periodic basis the various alternatives
19 considered as the utilities plan to meet their load requirements.

20 Currently during any given year, EKPC will have months where it does have
21 excess capacity and in other months it would not. With the availability of market
22 purchases through PJM, EKPC believes it should be permitted to cover months when

⁸ See *In the Matter of An Inquiry into Kentucky's Present and Future Electric Needs and the Alternatives for Meeting Those Needs*, Administrative Case No. 308, Final Order (Ky. P.S.C. Aug. 8, 1990).

⁹ 807 KAR 5:058 was originally effective December 18, 1990 and amended effective July 21, 1995.

1 excess capacity does not exist with purchases specifically designated to covering the
2 customer with the economic development rate. That customer would then be required in
3 the special contract to pay for the market purchase. Therefore, EKPC is requesting that
4 the Commission recognize this arrangement as a slight, but inconsequential, deviation
5 from the Administrative Case No. 327 guidelines concerning when an economic
6 development rate can be offered. EKPC proposes that it and its Members be permitted to
7 offer the Section EDR tariff during either periods of excess capacity or the additional
8 capacity needs have been secured through a market purchase agreement, where the
9 customer will be responsible for the costs of the market purchase agreement.

10 **Q. In the proposed Section EDR tariff EKPC has included a definition of “new**
11 **customer” as one who becomes a customer of the Member on or after January 1,**
12 **2013. Could you explain the reasoning behind this definition?**

13 A. Yes. During 2013, while researching and developing the proposed Section EDR tariff,
14 EKPC and several Members have been in discussions with customers who have been
15 considering locating in the service territories of the Members. As discussions had been
16 ongoing while the proposed Section EDR tariff was in development, EKPC and its
17 Members wanted to offer a means that would give these customers the opportunity to be
18 eligible for the discount. If the proposed Section EDR tariff is approved, the discount for
19 any customer would be applied on a prospective basis.

20 **Q. Throughout your testimony you have noted how the proposed Section EDR tariff is**
21 **consistent with several of the findings listed in the September 24, 1990 Order in**
22 **Administrative Case No. 327. Are the requirements of all the findings incorporated**
23 **into the proposed Section EDR tariff?**

1 A. No, not all of the findings have been incorporated into the proposed Section EDR tariff,
2 primarily due to the nature of the finding.

3 **Q. Would you review each of the findings from the September 24, 1990 Order and**
4 **explain how the proposed Section EDR tariff is either consistent with the finding or**
5 **what EKPC's commitment is concerning the finding?**

6 A. Yes. The following sections address Finding Nos. 3 through 17 from the September 24,
7 1990 Order.

8 *Finding No. 3 – EDRs should be implemented by special contracts negotiated between*
9 *the utilities and their large commercial and industrial customers.* The proposed Section
10 EDR tariff requires a special contract with the customer, EKPC, and the EKPC Member
11 that is subject to the approval of the Commission. The proposed Section EDR tariff is
12 available to qualifying non-residential customers only.

13 *Finding No. 4 – An EDR contract should specify all terms and conditions of service*
14 *including, but not limited to, the applicable rate discount and other discount provisions,*
15 *the number of jobs and capital investment to be created as a result of the EDR, customer-*
16 *specific fixed costs associated with serving the customer, minimum bill, estimated load,*
17 *estimated load factor, and length of contract.* The proposed Section EDR tariff requires
18 the customer to submit an application that will include a description of the load, the
19 number of new employees anticipated, and the anticipated capital investment. The
20 available discount, discount period, and contract term are specifically addressed in the
21 proposed Section EDR tariff. The Section EDR tariff states that customer-specific fixed
22 costs will not be borne by EKPC's or the Member's other customers during the term of
23 the contract. EKPC agrees that the contract should specify all terms and conditions of

1 service and commits that any such contract will be consistent with the provisions of
2 Finding No. 4.

3 *Finding No. 5 – EDRs should only be offered during periods of excess capacity. Utilities*
4 *should demonstrate, upon submission of each EDR contract, that the load expected to be*
5 *served during each year of the contract period will not cause them to fall below a reserve*
6 *margin that is considered essential for system reliability. Such a reserve margin should*
7 *be identified and justified with each EDR contract filing. As discussed previously in my*
8 *testimony, EKPC is requesting a deviation from this guideline restricting the offering of*
9 *the proposed Section EDR tariff to only periods of excess capacity. As a member of PJM*
10 *Interconnection, LLC, EKPC commits to providing the reserve margin information as*
11 *part of any special contract filed in conjunction with the proposed Section EDR tariff.*

12 *Finding No. 6 – Upon submission of each EDR contract, a utility should demonstrate that*
13 *the discounted rate exceeds the marginal cost associated with serving the customer.*
14 *Marginal cost includes both the marginal cost of capacity as well as the marginal cost of*
15 *energy. In order to demonstrate marginal cost recovery, a utility should submit, with*
16 *each EDR contract, a current marginal cost-of-service study. A current study is one*
17 *conducted no more than one year prior to the date of the contract. EKPC commits that it*
18 *will provide a current marginal cost-of-service study with each special contract*
19 *associated with the proposed Section EDR tariff.*

20 *Finding No. 7 – Utilities with active EDRs should file an annual report with the*
21 *Commission detailing revenues received from individual EDR customers and the*
22 *marginal costs associated with serving those individual customers. EKPC commits to*

1 providing the required annual report on revenues received and marginal costs associated
2 with individual customers being served under the proposed Section EDR tariff.

3 *Finding No. 8 – During rate proceedings, utilities with active EDR contracts should*
4 *demonstrate through detailed cost-of-service analysis that nonparticipating ratepayers*
5 *are not adversely affected by the EDR customers.* EKPC commits to including this type
6 of cost-of-service analysis in its rate proceedings if special contracts associated with the
7 proposed Section EDR tariff are in effect.

8 *Finding No. 9 – All EDR contracts should include a provision providing for the recovery*
9 *of EDR customer-specific fixed costs over the life of the contract.* This provision is
10 incorporated into the proposed Section EDR tariff and EKPC commits that it will also be
11 included in the special contract.

12 *Finding No. 10 – The major objectives of EDRs are job creation and capital investment.*
13 *However, specific job creation and capital investment requirements should not be*
14 *imposed on EDR customers.* The application referenced in the proposed Section EDR
15 tariff requires the customer to indicate the anticipated number of new employees and
16 anticipated capital investment, but does not establish specific thresholds to be met.
17 EKPC’s EDR tariff focuses upon new load and growth of existing load. EKPC believes
18 that job creation and capital investment will result from the introduction of new load or
19 the growth of existing load.

20 *Finding No. 11 – All utilities with active EDR contracts should file an annual report to*
21 *the Commission providing the information as shown in Appendix A, which is attached*
22 *hereto and incorporated herein.* EKPC has reviewed Appendix A of the September 24,
23 1990 Order titled “Economic Development Rate Contract Report” and commits that it

1 will file such an annual report if there are active special contracts associated with the
2 proposed Section EDR tariff.

3 *Finding No. 12 – For new industrial customers, an EDR should apply only to load which*
4 *exceeds a minimum base level. For existing industrial customers, an EDR shall apply*
5 *only to new load which exceeds an incremental usage level above a normalized base*
6 *load. At the time an EDR contract is filed, a utility should identify and justify the*
7 *minimum incremental usage level and normalized base load required for an existing*
8 *customer or the minimum usage level required for a new customer. The proposed*
9 *Section EDR tariff requires that a new customer contract for a minimum average monthly*
10 *billing load of 500 kW over a 12 month period; however, if the new customer is located*
11 *in an “Enhanced Incentive County” the minimum average monthly billing load would be*
12 *250 kW over a 12 month period. For existing customers, the proposed Section EDR*
13 *tariff requires a minimum average monthly billing load of 500 kW over a 12 month*
14 *period, or 250 kW if the existing customer is located in an “Enhanced Incentive County”,*
15 *above the customer’s Economic Development Base Load (“ED Base Load”). The ED*
16 *Base Load is determined by averaging the customer’s previous three years monthly*
17 *billing loads. EKPC, the Member, and the customer must agree upon the ED Base Load,*
18 *any adjustments to the ED Base Load must be mutually agreed to by the parties, and once*
19 *established the ED Base Load will not be subject to variation. The ED Base Load will be*
20 *an explicit term in the special contract submitted to the Commission for approval.*

21 *Finding No. 13 – EDR contracts designed to retain the load of existing customers should*
22 *be accompanied by an affidavit of the customer stating that, without the rate discount,*
23 *operations will cease or be severely restricted. In addition, the utility must demonstrate*

1 *the financial hardship experienced by the customer.* EKPC was aware that this use of an
2 economic development rate was discussed in the September 24, 1990 Order, but did not
3 include it as a stated option in the proposed Section EDR tariff. Concerning the use of
4 economic development rates to retain the load of existing customers, the September 24,
5 1990 Order stated, “The Commission finds that EDRs used for the purpose of retaining
6 existing load should be strictly limited and closely monitored.”¹⁰ EKPC believes the
7 better use of its resources exists in encouraging new customers to locate in its Members’
8 service territories or encouraging existing customers to expand their current operations.
9 However, if EKPC and its Members conclude it was in their best interests to enter into a
10 special contract associated with the proposed Section EDR tariff that was designed to
11 retain the load of an existing customer, EKPC or the Member (as applicable) would
12 comply with the provisions of this guideline.

13 *Finding No. 14 – The term of an EDR contract should be for a period twice the length of*
14 *the discount period, with the discount period not exceeding five years. During the second*
15 *half of an EDR contract, the rates charged to the customer should be identical to those*
16 *contained in a standard rate schedule that is applicable to the customer’s rate class and*
17 *usage characteristics.* The proposed Section EDR tariff requires that the special contract
18 have a term of at least twice the length of the discount period. Discount periods of three
19 years, four years, and five years are offered. The discounts are applied to standard rate
20 schedules and after the discount period has expired the standard rate schedule would be in
21 full force.

22 *Finding Nos. 15 and 16 are applicable only to gas utilities and consequently are not*
23 *applicable to EKPC.*

¹⁰ Administrative Case No. 327, September 24, 1990 Order, page 20.

1 *Finding No. 17 – Comments submitted by the Cabinet or other interested parties*
2 *pertaining to EDR contracts should be filed with the Commission no more than 20 days*
3 *following the filing of an EDR contract by a utility.* The Cabinet was a party to
4 Administrative Case No. 327 and testified that the Cabinet could assist the Commission
5 in its review of economic development rate contracts by providing comments on each
6 filed contract and the individual merits of the potential economic development customers.
7 The Commission noted the involvement the Cabinet has in economic development issues
8 and believed that comments submitted by the Cabinet pertaining to economic
9 development rate contracts filed by utilities may be helpful and pertinent. Citing
10 administrative regulations requiring Commission action 30 days after the filing of a
11 special contract, the Commission directed that comments from the Cabinet or any other
12 interested party would be due no later than 20 days after the filing of the special contract.
13 Given the Cabinet’s continued involvement in economic development, EKPC will
14 commit to notifying the Cabinet whenever it becomes aware of the submission to the
15 Commission for approval of a special contract associated with the Section EDR tariff.

16 **Q. Do EKPC’s Members plan on filing corresponding Section EDR tariffs with the**
17 **Commission for approval?**

18 A. Each Member is considering whether it will file a corresponding Section EDR tariff. The
19 Members are not joint parties with this application due to the fact the Members would not
20 be able to satisfy the notice requirements of 807 KAR 5:011, Section 8 by the date of the
21 filing of EKPC’s application. We anticipate that any Member who decides to file a
22 corresponding Section EDR tariff will be cross-referencing this application in support of
23 the Member’s filing.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

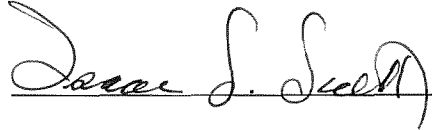
In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	CASE NO.
OF AN ECONOMIC DEVELOPMENT RIDER)	2014-000

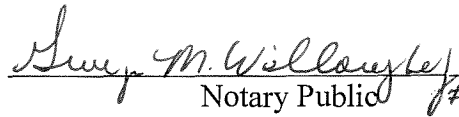
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STATE OF KENTUCKY)
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COUNTY OF CLARK)

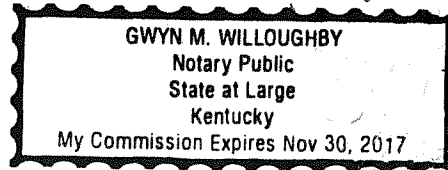
Isaac S. Scott, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



Subscribed and sworn before me on this 6th day of February, 2014.



Notary Public #58614





COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	Case No.
OF AN ECONOMIC DEVELOPMENT RIDER)	2014-000

EXHIBIT 2

TESTIMONY OF
RODNEY HITCH
CORPORATE MANAGER OF ECONOMIC DEVELOPMENT
EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: February 6, 2014

1 **Q. Please state your name, title and business address.**

2 A. My name is Rodney Hitch, I serve as the Corporate Manager of Economic Development
3 for East Kentucky Power Cooperative, Inc., (“EKPC”), located at 4775 Lexington Road,
4 Winchester Kentucky.

5 **Q. Please describe your duties as Corporate Manger of Economic Development.**

6 A. My responsibilities include a wide range of progressive and strategic initiatives to
7 improve economic development opportunities, load growth and improve the quality of
8 life in our 16 Members’ territories and the Commonwealth.

9 **Q. Please describe what “economic development” means for EKPC.**

10 A. Economic development generally refers to the sustained, concerted actions of policy
11 makers and communities that improve the economic well-being and quality of life by
12 creating and/or retaining jobs and investment that facilitate growth and provide a stable
13 tax base. While the number one priority and best practice to improve economic
14 development varies in different areas of Kentucky, a common understanding of all such
15 efforts is that improvements are needed in areas of education, workforce, taxes,
16 infrastructure, access, finance, entrepreneurship, regional partnerships, etc.

17 **Q. How has EKPC historically promoted and encouraged economic development?**

18 A. Since conception, EKPC and its 16 Members have worked diligently to provide low-cost,
19 reliable electricity and economic development services to improve the standard of living
20 for our customers. As a result of hard work and dedicated leadership, including
21 cooperative partnerships past to present, EKPC member-owner cooperatives now serve
22 over 525,000 customers in 87 Kentucky counties. EKPC has historically employed

1 economic development professionals that provided active leadership and participation
2 which clearly resulted in success for our territories and the Commonwealth.

3 In 2011 the EKPC Board of Directors recognized the need for a new company-
4 wide strategic vision to guide our utility well into the future. A system wide strategic
5 plan was approved that focused on eight specific objectives. One of these objectives is
6 improving our economic development program, thus expanding the Company's current
7 and future economic development activities.

8 **Q. How are you currently involved in fulfilling that strategic objective?**

9 A. Upon my hiring in the fall of 2012, we immediately began to develop a new business
10 plan focused on improving all areas of economic development for EKPC and to support
11 our 16 Members' local efforts. With current economic development requirements being
12 significantly different from those in the past, we set out to gain professional input and
13 advice. After months of one-on-one interviews and a two-day working retreat with
14 EKPC's executive leadership, Member cooperatives, and many local, state and federal
15 economic development professionals, a new economic development business plan was
16 developed.

17 **Q. Please describe EKPC's economic development business plan.**

18 A. Our economic development strategy is focused upon five key areas: (1) partnering with
19 the Commonwealth of Kentucky's economic development efforts; (2) developing
20 appropriate incentive programs and rates; (3) embracing technologies and financing
21 opportunities; (4) defining economic development strategies and tasks; and (5) educating
22 and training with leading economic development professionals. While all are important,

1 the first initiative is a clear reflection of the historical cooperative spirit that remains alive
2 and well at EKPC.

3 **Q. How will EKPC partner with the Commonwealth of Kentucky's economic**
4 **development efforts?**

5 A. EKPC will build and sustain an Economic Development department and capability that
6 aligns closely and productively with the Commonwealth, its successful initiatives and
7 many economic development organizations. To that end, we have refocused and
8 enhanced our supportive relationship with the Kentucky Cabinet for Economic
9 Development ("KCED"); the Kentucky Energy and Environment Cabinet; and the
10 Kentucky Tourism, Arts and Heritage Cabinet. Regular visits are made to Frankfort and
11 many communities across Kentucky to enhance relationships and offer support to proven
12 initiatives and actions to improve many areas of economic development. We also
13 regularly give presentations to educate participants on our new economic development
14 efforts across Kentucky.

15 EKPC is also a supporting member of the KCED and Kentucky United
16 recruitment activities. Due to tighter state budgets, we are proud to financially support
17 partnership recruitment and retention activities at locations all across the United States.
18 During 2013, 17 national locations were visited leading to enhanced or developed
19 relationships while providing information on a variety of opportunities our wonderful
20 state has to offer. These events provided access to over 350 company, consultants and
21 site selector representatives. Kentucky United and KCED partnerships working together
22 in this slowly improving economy are paying off, as most areas of Kentucky and many of
23 our Members are currently witnessing new and expanding interest in our territories. We

1 also assisted the KCED with a Request for Information (“RFI”) from 17 new investment
2 and/or employment projects, plus seven additional expansion projects. We currently
3 have nine projects managed by the KCED for potential investment and new jobs at
4 locations across our Members' territories. To comply with various project requirements,
5 EKPC also assisted several of its Members and communities with producing engineering
6 and basic geo-technical information quickly. We also recently completed several
7 infrastructure projects with extremely aggressive timelines ensuring the completion of
8 substantial private investment with projected matching employment.

9 **Q. What is EKPC doing to promote growth among existing customers?**

10 A. While we recognize the importance of recruiting new investment into the state and
11 territories, we must never fail to appreciate and assist the many companies which already
12 call Kentucky home. We must equally offer retention activities and support to our
13 current corporate partners that have been vitally important to our past and current
14 economy. Historically, at least 65% of our new economic growth comes from existing
15 companies already located in our state, and EKPC and its Members have responded to all
16 customers requesting a variety of assistance needs. We are currently supporting
17 negotiations with four (4) large key accounts in our Members’ territories for retention
18 and/or expansions in Kentucky. Along those lines, the KCED recently commended
19 EKPC’s initiative in finalizing a contract with an important Kentucky company. This
20 contract assisted the customer with much needed benefits and required them to maintain
21 long-term employment and investment benchmarks.

22 EKPC is working on future enhancements for retention and recruitment efforts by
23 each Member’s own economic development team. One of the clear initiatives developed

1 from our business plan is to produce a highly trained and united economic development
2 team working diligently in 87 Kentucky counties for the betterment of the
3 Commonwealth and our Members.

4 **Q. What types of economic activity are promoted in the economic development**
5 **initiatives promoted by EKPC?**

6 A. One very important avenue for retention and growth to existing companies is the
7 exporting of products. Kentucky's export activities are at an all-time high with aerospace
8 parts and products at \$3.8 billion (4th in nation), light vehicle production at \$4.4 billion,
9 \$11 billion in bilateral trade relationships, and \$314 million in bourbon exports. We are
10 also currently 3rd in the nation with air cargo shipments. EKPC recently supported
11 Governor Beshear, the Kentucky World Trade Center and the KCED's Canadian Trade
12 mission. EKPC has been asked to continue financial support for these types of missions
13 as well as encouraged to participate in future missions.

14 EKPC also supports many KCED events recognizing and expressing appreciation
15 for foreign investors. One such example is a co-sponsorship event held in Frankfort with
16 Governor Beshear and the KCED for executive representatives from 114 Japanese
17 companies who are already invested in the Commonwealth. This was a very well
18 received event and appreciated by the company representatives, and was also
19 economically productive, as many of these Kentucky companies are evaluating future
20 investments and/or expansions.

21 Likewise, the EKPC Envision Energy Savings program is also very beneficial in
22 our recruitment and retention efforts. Many companies take advantage of our qualified

1 staff's recommendations and programs, which include energy audits and incentives for
2 future cost savings.

3 **Q. Are incentives an important consideration for companies thinking about locating or**
4 **expanding a business in Kentucky?**

5 A. Yes. Site selection specialists across the globe work daily with companies seeking
6 locations where economic development incentives are offered. Incentives continue to
7 play a key part in the location decision-making process. EKPC's business plan clearly
8 identified the need to develop incentive programs and an economic development rider
9 ("EDR") to assist its Members in competing for new investment. To compete in today's
10 global selection process, we must develop incentives that allow us to be competitive with
11 not only our Kentucky-based utilities who already offer EDR incentives, but also out-of-
12 state and global competitors. Extensive discussion was held over many months with
13 EKPC's and Members' leadership to determine the best EDR incentive structure for
14 potential customers. We designed our EDR to be competitive, but also included
15 enhanced assistance for our service areas designated by the KCED as "Enhanced
16 Incentive" eligible counties.

17 **Q. What is an "Enhanced Incentive County"?**

18 A. In order for a county to receive this designation it must meet at least one of the three
19 following criteria: (1) counties with an average annual unemployment rate exceeding the
20 state average annual unemployment rate in the five preceding calendar years; (2) counties
21 with an unemployment rate greater than 200 percent of the statewide unemployment rate
22 for the preceding year; and (3) counties identified as one of the 60 most distressed

1 counties based on a three part test (three-year unemployment, education attainment and
2 road quality).

3 **Q. Are there any Enhanced Incentive Counties in the service territory served by**
4 **EKPC's Members?**

5 A. Every Member of EKPC serves an enhanced incentive county. Most of these counties
6 are located in the eastern part of Kentucky which is continuing to witness even higher
7 unemployment and a continuing economic downturn, mainly due to significant loss of
8 coal related employment and investment. These areas are currently receiving state and
9 national attention and support, mainly due to the leadership efforts of Governor Beshear
10 and U.S. Congressman Hal Rogers. "Shaping Our Appalachian Region," or SOAR, is an
11 initiative that EKPC and its Members fully support and in which they are actively
12 involved. EKPC's President and Chief Executive Officer, Tony Campbell, and I, were
13 asked to serve on the steering committee and as panelists for SOAR.

14 The SOAR initiative reinforces EKPC's need for an EDR incentive, allowing it to
15 offer basic incentive options for companies willing to invest in any EKPC Member
16 territories, but especially those counties identified as enhanced incentive or distressed
17 locations. A copy of the "Kentucky Business Incentive (KBI) Program Enhanced
18 Incentive Counties 2013-2014" map is attached as Exhibit RH-1.

19 **Q. How would you describe the economic condition in these areas?**

20 A. A recent report by the Central Appalachian Institute for Research and Development
21 ("CAIRD") identified many concerning statistics from the region and our eastern
22 territories. The 23 counties identified averaged only 61% of the United States per capita
23 income. Educational attainment levels were also below the national average: 80.4% for

1 high school graduates and 37.2% for Bachelor degrees. Unemployment stands at 16.8%
2 on average.

3 **Q. Will EKPC continue to support the SOAR effort?**

4 A. Yes. EKPC and its Members recently agreed to partner on SOAR with the KCED,
5 American Electric Power (“AEP”), and the Kentucky Association of Economic
6 Development (“KAED”). We will provide educational opportunities for business owners
7 and people interested in starting a business where partners will share information on
8 available assistance for entrepreneurs to help start and grow businesses. These
9 seminars/workshops will be held in Eastern Kentucky. The partners will coordinate and
10 advertise an event and assist in generating local interest. Utilities will also serve as a
11 local resource for connecting existing businesses with service providers who may be able
12 to help them grow on an ongoing basis.

13 This same partnership of stakeholders will work with the Area Development
14 Districts to host meetings regarding potential regional partnerships in Eastern Kentucky.
15 Counties with similar geographic and industrial interests will be invited to brainstorming
16 sessions where KAED will share information on other successful regional economic
17 development organizations as a catalyst for emerging regional leaders and joining of
18 resources. The KCED agrees to provide data on relevant industry clusters and market
19 strengths of regions and to participate in listening to and guiding the discussion.

20 The KCED and utilities will also meet with local government leaders and
21 industrial authorities regarding marketing potential for industrial parks and industrial sites
22 in Eastern Kentucky to facilitate development of a plan by the relevant local

1 organizations prioritizing expenditures and outlining specific needs for promotion of the
2 sites, including potential site certification.

3 EKPC will also assist the KCED in providing training on its new and improved
4 *Select Kentucky* website so that local economic developers and local governments can
5 market sites more effectively. This resource already links to local websites, but the
6 sharing of accurate information and adding newly-available information on the benefits
7 of those locations will be beneficial to the marketing of the region. The KCED will
8 continue to add information on sites already listed and will work with locals to list any
9 eligible sites previously omitted. Utilities will work to provide specific detailed
10 information with regard to site infrastructure and will review current site data for
11 accuracy.

12 In addition, EKPC and AEP have agreed to provide economic development
13 liaisons to their service areas that can facilitate some of the activities described above,
14 promote awareness of economic development opportunities, and use their resources to
15 evaluate and, in some cases, improve industrial sites with potential to create jobs.

16 As you can see we are looking at all areas of opportunity to assist our Members,
17 communities and the Commonwealth as a whole.

18 **Q. How does the EDR incentive that EKPC is proposing fit within the span of EKPC's**
19 **economic development efforts?**

20 A. This EDR incentive is needed for our company to be competitive in locating or
21 expanding projects. Without an EDR tariff, EKPC's economic development efforts will
22 not be as readily apparent to site selectors, company officials and others who rely upon
23 the internet to make initial recommendations to what locations to pursue for projects.

1 This EDR incentive is needed for our company to be competitive in locating or
2 expanding projects. Without an EDR tariff, EKPC's economic development efforts will
3 not be as readily apparent to site selectors, company officials and others who evaluate
4 and recommend potential locations based upon information and incentives offered on
5 websites and from state economic agencies. In today's economic development
6 environment, company and site selection specialist evaluate every incentive and penny
7 that may be saved. To be competitive we must be able to offer an EDR incentive.

8 **Q. How is EKPC pursuing the balance of its economic development business plan?**

9 A. To fulfill the goal of embracing innovative tools, technologies, and financing
10 opportunities, EKPC's marketing team produced a new website offering a variety of
11 economic information and resources promoting its infrastructure, Member territories and
12 Kentucky's economic assistance opportunities. EKPC is looking for additional ways to
13 improve its marketing and retention efforts by working with key accounts to promote
14 their contributions to the communities where they are located. A full page advertisement
15 promoting EKPC and its Members was also prominently placed in Kentucky's 2013 and
16 2014 Economic Development Magazines. This magazine, along with web based
17 information, is presented to over 5,000 companies, consultants and site selectors across
18 the globe. EKPC also continues to promote its Members' communities through media
19 outreach activities and developing promotional materials.

20 EKPC is seeking to define economic development strategies by clearly defining
21 RFI procedures and coordinating responses across all our Members. This has involved
22 the creation of an economic development committee that is comprised of four Member
23 CEO's. Economic initiatives and potential issues are closely evaluated by this

1 committee. EKPC also formed a system-wide economic development team involving all
2 16 Members.

3 EKPC's efforts with regard to networking, learning and training with leading
4 economic development professionals helps enhance our knowledge and networking
5 capabilities. The following is a list of current organizations in which EKPC holds
6 membership and leadership positions: National Rural Economic Development
7 Association, Southern States Economic Development Council, KAED – *Board*
8 *Member/Chair of Public Policy*, Kentucky Association of Manufacturers, Kentucky
9 United, Kentucky Institute for Economic Development, Leadership Kentucky, Southern
10 Kentucky Economic Development – *Board Member*, PRIDE – *Board Member*, SOAR –
11 *Committee Member*, Kentucky World Trade Association, and TENCO Workforce Board
12 – *Board Member*.

13 **Q. How imperative is it that EKPC be able to add an EDR incentive to its existing**
14 **tariff?**

15 A. This is one of EKPC's top priorities for 2014. I believe that getting the EDR incentive
16 approved for EKPC and those Members which choose to use it will be greatly beneficial
17 to supporting further economic development efforts.

18 **Q. Does this conclude your testimony?**

19 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

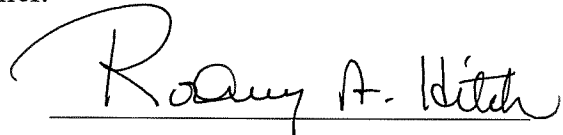
In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	CASE NO.
OF AN ECONOMIC DEVELOPMENT RIDER)	2014-000

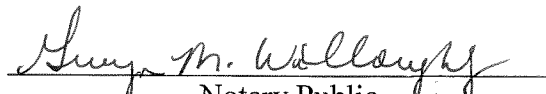
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STATE OF KENTUCKY)
)
COUNTY OF CLARK)

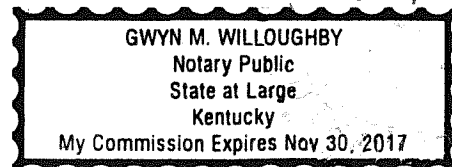
Rodney Hitch, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.



Subscribed and sworn before me on this 6th day of February, 2014.



Notary Public #500144





Kentucky Business Investment (KBI) Program Enhanced Incentive Counties (2013-2014)


ThinkKentucky.com
Cabinet for Economic Development


- | | | |
|----------------|---------------|---------------|
| 1 Adair* | 31 Harrison | 61 Pendleton |
| 2 Allen | 32 Hickman | 62 Perry |
| 3 Ballard | 33 Jackson | 63 Pike |
| 4 Bath | 34 Johnson | 64 Powell |
| 5 Bell | 35 Knott | 65 Pulaski** |
| 6 Boyle | 36 Knox | 66 Robertson |
| 7 Bracken | 37 Lawrence | 67 Rockcastle |
| 8 Breathitt | 38 Lee | 68 Russell |
| 9 Breckinridge | 39 Leslie | 69 Spencer*** |
| 10 Bullitt | 40 Letcher | 70 Taylor |
| 11 Butler | 41 Lewis | 71 Todd* |
| 12 Carroll | 42 Lincoln | 72 Trigg |
| 13 Carter | 43 Lyon | 73 Trimble |
| 14 Casey | 44 Magoffin | 74 Union*** |
| 15 Christian | 45 Marion | 75 Washington |
| 16 Clay | 46 Martin | 76 Wayne |
| 17 Clinton | 47 Mason | 77 Whitley |
| 18 Crittenden | 48 McCreary | 78 Wolfe |
| 19 Cumberland | 49 McLean | |
| 20 Edmonson | 50 Meade | |
| 21 Elliott | 51 Menifee | |
| 22 Estill | 52 Metcalfe | |
| 23 Fleming | 53 Monroe | |
| 24 Floyd | 54 Montgomery | |
| 25 Fulton | 55 Morgan | |
| 26 Garrard | 56 Muhlenberg | |
| 27 Grant | 57 Nelson | |
| 28 Grayson | 58 Nicholas | |
| 29 Green | 59 Owen** | |
| 30 Harlan | 60 Owsley | |

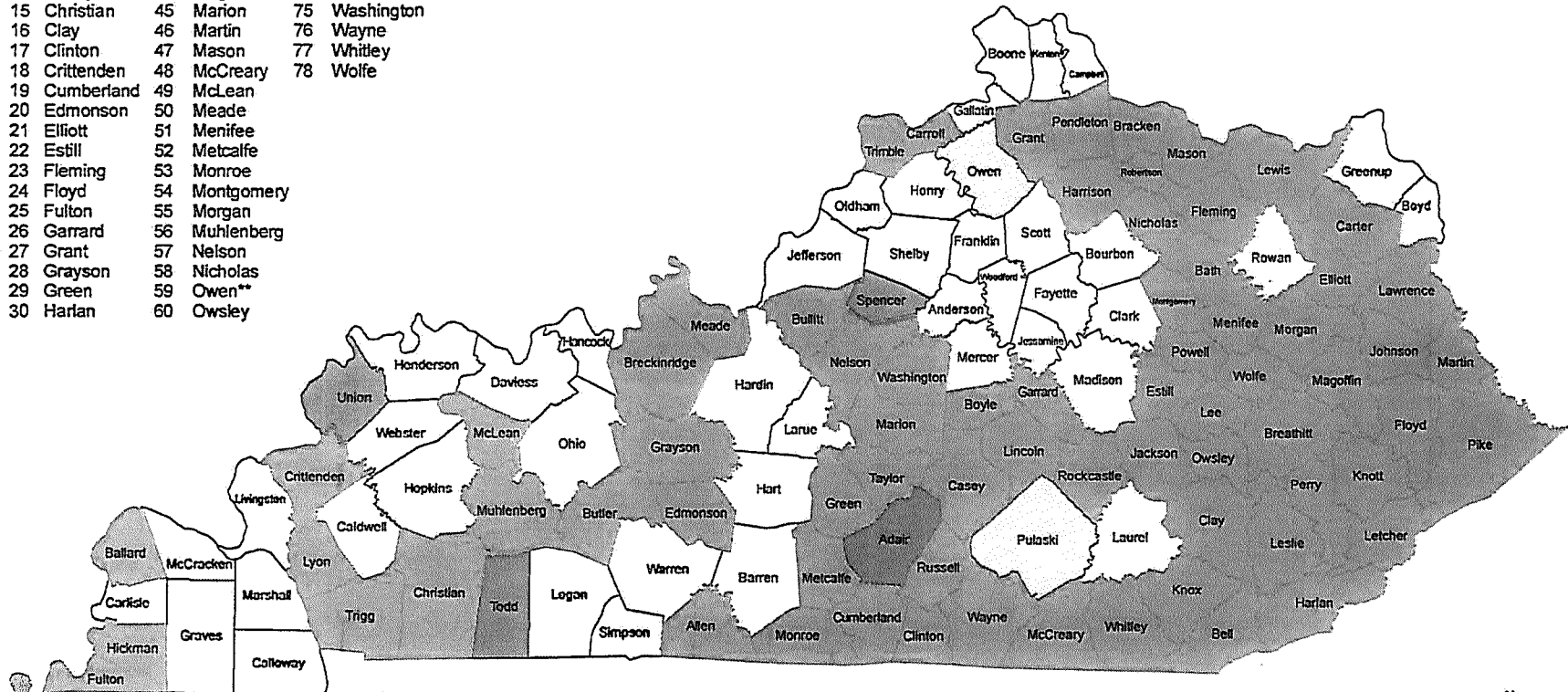
Enhanced Incentive Counties

 Certified as of June 30, 2013

 *Decertified as of June 30, 2013
(Projects must be finalized by June 30, 2016)

 **Decertified as of June 30, 2012
(Projects must be finalized by June 30, 2015)

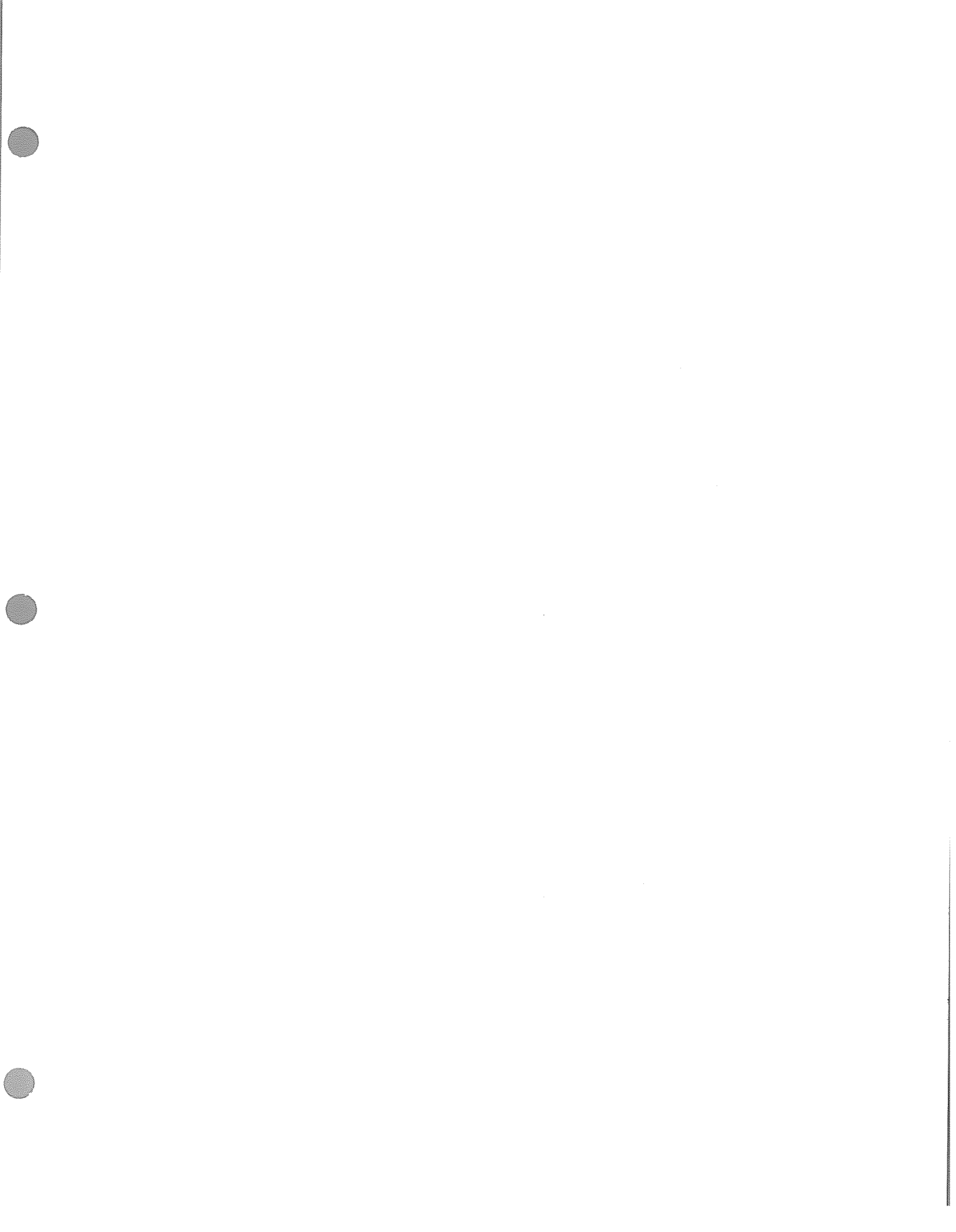
 ***Decertified as of June 30, 2011
(Projects must be finalized by June 30, 2014)



Minimum Wage Requirements:
Enhanced - \$9.06 (\$10.42 benefits)
Other - \$10.88 (\$12.51 benefits)



Map Date: 7/3/2013



EAST KENTUCKY POWER COOPERATIVE, INC.

Section EDR

Economic Development Rider

Applicability

The EDR is available in all service territories served by EKPC's Member Systems.

Availability

Available as a rider to qualifying non-residential customers of participating Member Systems who will be served or are being served under EKPC's Sections B, C, E, and G to encourage Economic Development as defined herein. Service under the EDR is conditional on approval of a special contract between EKPC, the participating Member System, and the qualifying non-residential customer for such economic development rate service filed with and approved by the Kentucky Public Service Commission ("Commission").

Economic Development

Service under EDR is available to:

- 1) New customers contracting for a minimum average monthly billing load of 500 kW over a 12 month period. If the new customer is locating in a Kentucky county that is identified by the Commonwealth of Kentucky as an "Enhanced Incentive County", then the minimum average monthly billing load will be 250 kW over a 12 month period.
- 2) Existing customers contracting for a minimum average monthly billing load increase of 500 kW over a 12 month period above their Economic Development Base Load ("ED Base Load"). If the existing customer is located in a Kentucky county that is identified by the Commonwealth of Kentucky as an "Enhanced Incentive County", then the minimum average monthly billing load increase will be 250 kW over a 12 month period. The ED Base load will be determined as follows:
 - a. The existing customer's ED Base Load will be determined by averaging the customer's previous three years' monthly billing loads. EKPC, the Member System, and the existing customer must agree upon the ED Base Load, and any adjustments to the ED Base Load must be mutually agreed to by the parties.
 - b. The ED Base Load shall be an explicit term of the special contract submitted to the Commission for approval before the customer can take service under the EDR. Once the ED Base Load's value is established, it will not be subject to variation or eligible for service under the EDR.
 - c. These provisions are not intended to reduce or diminish in any way EDR service already being provided to all or a portion of a customer's ED Base Load. Such EDR service would continue under the terms of the applicable special contract already existing between EKPC, the Member System, and the customer concerning the affected portion of the customer's ED Base Load.

DATE OF ISSUE February 6, 2014
Month / Date / Year

DATE EFFECTIVE Service rendered on and after March 10, 2014
Month / Date / Year

ISSUED BY *Anthony J. Campbell*
(Signature of Officer)

TITLE President and Chief Executive Officer

N



FOR ALL COUNTIES SERVED

P.S.C. NO. 34

ORIGINAL SHEET NO. ___

EAST KENTUCKY POWER COOPERATIVE, INC.

Section EDR (con't.)

- 3) A new or existing customer eligible for a minimum average monthly billing load between 250 kW and 500 kW may require a customer-specific meter installation. The cost of the customer-specific meter installation shall be recovered from the customer.
- 4) The new customer or existing customer must agree to maintain a minimum load factor of 60 percent during the majority of the months in the discount period, subject to the following parameters:
 - a. During the first 12 months of the discount period the 60 percent minimum load factor requirement will be waived.
 - b. During the remaining months of the discount period, the load factor will be determined each month. The new or existing customer may fail to achieve the 60 percent minimum load factor for no more than 1/6th of the remaining months of the discount period.
 - c. Failure to maintain the 60 percent minimum load factor in any month beyond the period described in part 4(b) above will result in the suspension of the discount to the Total Demand Charge for that month. The discount to the Total Demand Charge will resume in the month the 60 percent minimum load factor is achieved; however the discount will resume at the discount rate applicable to the month of the discount period.
- 5) A customer desiring service under the EDR must submit an application for service that includes:
 - a. A description of the new load to be served;
 - b. The number of new employees, if any, the customer anticipates employing associated with the new load; and
 - c. The capital investment the customer anticipates making associated with the EDR load.
- 6) Any EDR customer-specific fixed costs shall be recovered over the life of the special contract.
- 7) For purposes of this tariff, a new customer is defined as one who becomes a customer of the Member System on or after January 1, 2013.

N



DATE OF ISSUE February 6, 2014
Month / Date / Year

DATE EFFECTIVE Service rendered on and after March 10, 2014
Month / Date / Year

ISSUED BY *Anthony L Campbell*
(Signature of Officer)

TITLE President and Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

Section EDR (con't.)

Rate

The rate available under the EDR shall be in the form of a discount to the Total Demand Charge applicable to the customer. The Total Demand Charge is the sum of all demand charges, including any credits provided under any other demand-related rider, before the EDR discounts as described below are applied. A customer taking service under the EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the following discount options:

Discount Period	3 years	4 years	5 years
Required Minimum Contract Term	6 years	8 years	10 years
Discount to Total Demand Charge:			
First 12 consecutive monthly billings	30%	40%	50%
Next 12 consecutive monthly billings	20%	30%	40%
Next 12 consecutive monthly billings	10%	20%	30%
Next 12 consecutive monthly billings	0%	10%	20%
Next 12 consecutive monthly billings	0%	0%	10%

Terms and Conditions

- 1) EKPC and the Member System will only offer an EDR during either periods of excess capacity or the additional capacity needs have been secured, or are capable of being economically secured, through a market purchase agreement. If additional capacity has been secured through a market purchase, the customer will be responsible for the costs of the market purchase agreement. Upon submission of each EDR special contract, EKPC will demonstrate that the load expected to be served during each year of the contract period will not cause them to fall below a reserve margin that is considered essential for system reliability.
- 2) Service shall be furnished under the applicable standard rate schedule and this rider, filed as a special contract with the Commission, for a fixed term of at least two times the discount period and for such time thereafter under the terms stated in the applicable standard rate schedule. The discount period shall not be less than 3 years and not exceed 5 years. A greater term of contract or termination notice may be required because of conditions associated with a customer's requirements for service. Service shall be continued under the conditions provided for under the applicable standard rate schedule to which this rider is attached after the original term of the contract.

DATE OF ISSUE February 6, 2014
Month / Date / Year

DATE EFFECTIVE Service rendered on and after March 10, 2014
Month / Date / Year

ISSUED BY *Anthony J. Campbell*
(Signature of Officer)

TITLE President and Chief Executive Officer

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FOR ALL COUNTIES SERVED

P.S.C. NO. 34

ORIGINAL SHEET NO. ___

EAST KENTUCKY POWER COOPERATIVE, INC.

Section EDR (con't.)

3) The customer may request an EDR effective initial billing date that is no later than 12 months after the date on which EKPC and the Member System initiates service to the customer.

4) The EDR is not available to a new customer which results solely from a change in ownership of an existing establishment. However, if a change in ownership occurs after the customer enters into an EDR special contract, the successor customer may be allowed to fulfill the balance of the EDR special contract.

5) EKPC and the Member System may offer differing terms, as appropriate, under the special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer, subject to approval by the Commission.

N

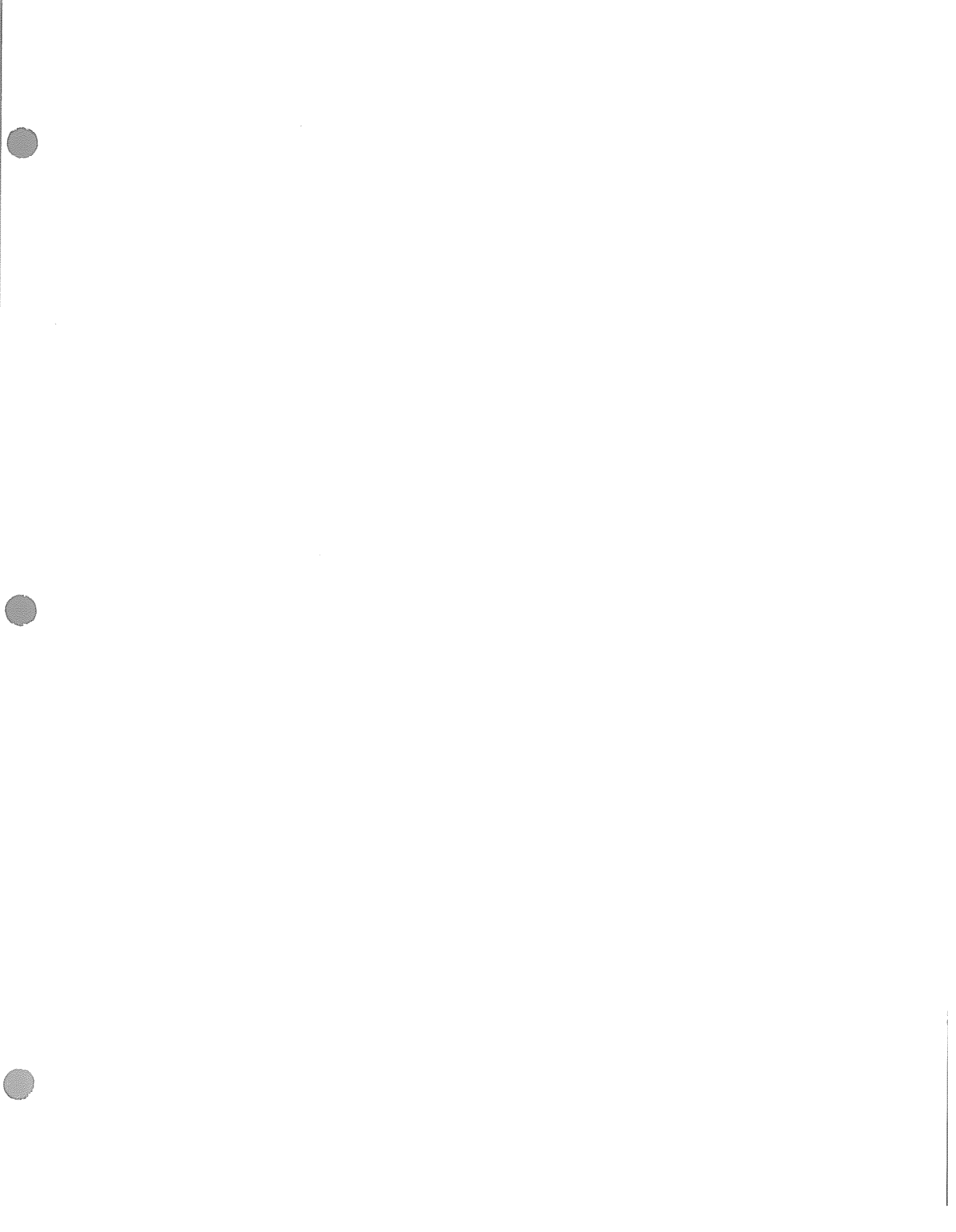


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ISSUED BY *Anthony S. Campbell*
(Signature of Officer)

TITLE President and Chief Executive Officer



**FROM THE MINUTE BOOK OF PROCEEDINGS
OF THE BOARD OF DIRECTORS OF
EAST KENTUCKY POWER COOPERATIVE, INC.**

At a regular meeting of the Board of Directors of East Kentucky Power Cooperative, Inc. held at the Headquarters Building, 4775 Lexington Road, located in Winchester, Kentucky, on Tuesday, November 12, 2013, at 9:30 a.m., EST, the following business was transacted:

Authorization to File an Application with the Kentucky Public Service Commission Seeking Approval of an Economic Development Rider Tariff

After review of the applicable information, a motion to approve the Authorization to File an Application with the Kentucky Public Service Commission Seeking Approval of an Economic Development Rider Tariff was made by Strategic Issues Committee Chairman Lonnie Vice and passed by the full Board to approve the following:

Whereas, East Kentucky Power Cooperative, Inc. (“EKPC”) has adopted a strategic objective that will build an economic development capability that focuses on the economic sustainability of its Members and their communities through job creation endeavors, load retention, and load building opportunities;


Whereas, That EKPC has determined a critical part of building this economic development capability is the necessity for EKPC to have an Economic Development Rider (“EDR”) tariff that provides an outline for the incentive EKPC is willing to offer potential new customers or expanding existing customers;

Whereas, After review and discussion of the applicable information, management and the Strategic Issues Committee recommend that EKPC be authorized to file an application with the Kentucky Public Service Commission seeking approval of an EDR tariff; now, therefore, be it

Resolved, That the EKPC Board of Directors (“Board”) hereby authorizes EKPC to seek all necessary regulatory approvals for an EDR tariff.

The foregoing is a true and exact copy of a resolution passed at a meeting called pursuant to proper notice at which a quorum was present and which now appears in the Minute Book of Proceedings of the Board of Directors of the Cooperative, and said resolution has not been rescinded or modified.

Witness my hand and seal this 12th day of November 2013.



A. L. Rosenberger, Secretary

Corporate Seal



EXHIBIT 5

Notice to Members and Affidavit

MEMORANDUM

TO: Member System CEO's

FROM: Anthony S. Campbell *A.S.C.*

DATE: February 3, 2014

SUBJECT: Notice of Application Seeking Approval of Section EDR – Economic Development Rider Tariff

EKPC plans to file an Application on or after February 6, 2014 seeking approval of the Section EDR – Economic Development Rider tariff. The proposed effective date for Section EDR will be at least 30 days after the date of filing the Application.

One of the eight adopted strategic objectives in the 2011 strategic plan addresses economic development. Through this strategic objective, EKPC has committed that it will build an economic development capability that focuses on the economic sustainability of its Members and their communities through job creation endeavors, load retention, and load building opportunities.

Part of the strategy supporting this commitment is the development and approval of an EDR tariff. Seeking approval of an EDR tariff would signal EKPC's commitment to promoting economic development within its Members' service territories. It would be a means to alert potential customers that EKPC was willing to consider such an option.

The proposed Section EDR offers a discount to the total demand charge applicable to the customer, based on existing tariff rate schedules. The discount is stated as a percentage that decreases 10% each year until exhausted. Three discount periods are offered: a 3-year discount starting with a 30% discount in the first year; a 4-year discount starting with a 40% discount in the first year; and a 5-year discount starting with a 50% discount in the first year.

A person may examine this tariff filing at the offices of EKPC located at 4775 Lexington Road, Winchester, Kentucky. This tariff filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at <http://psc.ky.gov>. Any comments regarding this tariff filing may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, P. O. Box 615, Frankfort, Kentucky 40602.

The discounts contained in this notice are the discounts proposed by EKPC but the Public Service Commission may order discounts that differ from the proposed discounts contained in this notice.

A person may submit a timely written request for intervention to the Public Service Commission, P. O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of the initial publication or mailing of the notice, the Commission may take final action on the tariff filing.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR APPROVAL)	CASE NO.
OF AN ECONOMIC DEVELOPMENT RIDER)	2014-000

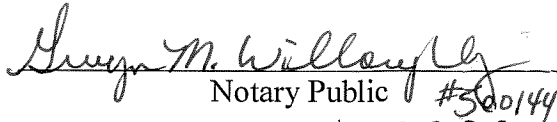
AFFIDAVIT

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

I, Anthony S. Campbell, being duly sworn, states that he has read the foregoing notice to Members and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief, and further states the notice was mailed to all Members on February 3, 2014.



Subscribed and sworn before me on this 6th day of February, 2014.


Notary Public #500144

