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PUBLIC SERVICE
COMMISSION

April 4, 2014

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: PSC Case No. 2014-00051

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and seven copies of the responses of East Kentucky Power Cooperative, Inc., ("EKPC") to the Commission's Appendix B First Information Requests, contained in the Commission's Order dated March 6, 2014, and the Prepared Testimony of Isaac S. Scott on behalf of EKPC. Documents contained in this filing are also being filed on behalf of EKPC's member systems.

Very truly yours,

A handwritten signature in black ink that reads "David Samford" with a stylized flourish at the end.

David Samford
Counsel

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

**AN EXAMINATION BY THE PUBLIC SERVICE
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR THE)
SIX-MONTH BILLING PERIOD ENDING)
DECEMBER 31, 2013 AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)**

**CASE NO.
2014-00051**

**DIRECT TESTIMONY OF ISAAC S. SCOTT
ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.**

Filed: April 4, 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 Inc. ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391. I am the Manager
4 of 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?**

23 A. The purpose of my testimony is to describe how EKPC and its Member Systems have
24 applied the environmental surcharge mechanism in a reasonable manner during the

1 period under review. My testimony will also propose updating the rate of return used in
2 the environmental surcharge calculation.

3 **Q. Is EKPC preparing testimony and responding to data requests on behalf of its**
4 **member systems?**

5 A. Pursuant to the Commission's March 6, 2014 Order, EKPC is preparing testimony on
6 behalf of each Member System. The Member Systems are: Big Sandy Rural Electric
7 Cooperative Corporation ("RECC"), Blue Grass Energy Cooperative Corporation, Clark
8 Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers RECC, Fleming-
9 Mason Energy Cooperative, Grayson RECC, Inter-County Energy Cooperative
10 Corporation, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen
11 Electric Cooperative, Salt River Electric Cooperative Corporation, Shelby Energy
12 Cooperative, Inc., South Kentucky RECC, and Taylor County RECC. EKPC is also
13 providing Response 2(a) to the Commission Staff's First Request for Information
14 ("Staff's First Request").

15 **Q. Have other EKPC representatives provided responses to Commission Staff's First**
16 **Request for Information in this proceeding?**

17 A. Yes. Mark Horn, Manager of Fuel and Emissions, has provided emission allowance
18 information to Response 3 to the Staff's First Request. Susan Brooks, Director of
19 Finance and Treasurer, has provided the debt and average interest rate information to
20 Responses 5 and 6 to the Staff's First Request.

21 **Q. Previous Commission Orders required EKPC and its Member Systems to**
22 **incorporate certain provisions into the calculation of the monthly environmental**
23 **surcharge factors. Please comment on how EKPC and the Member Systems have**

1 addressed the most significant aspects of these Orders during the period under
2 review.

3 A. A brief description of each component of the environmental surcharge calculation,
4 applied consistently with Commission Orders, is discussed below.

5 • **Compliance Plan Projects**

6 As of the end of this review period, EKPC has 13 projects in its Environmental
7 Compliance Plan. These projects were approved by the Commission in Case Nos.
8 2004-00321, 2008-00115, and 2010-00083. The monthly environmental surcharge
9 reports, incorporated by reference in this case, show the capital costs for these
10 projects.

11 • **Base/Current Method**

12 The surcharge mechanism, as shown in EKPC's Rate ES – Environmental Surcharge,
13 reflects the base/current method through the formula $MESF = CESF - BESF$.¹ As
14 shown in Response 1 to the Staff's First Request, EKPC's BESF is 0%.

15 • **Actual Emission Allowance Expense**

16 EKPC included only actual SO₂ and NO_x emission allowance expense in the monthly
17 filings.

18 • **Return on Emission Allowance Inventory and Limestone Inventory**

19 EKPC has included a return on all environmental surcharge assets, including emission
20 allowances purchased for current and vintage years. This is addressed in Response 3
21 to the Staff's First Request. EKPC has also included a return on its limestone
22 inventory.

¹ MESF is the Monthly Environmental Surcharge Factor; CESF is the Current Environmental Surcharge Factor; and BESF is the Base Environmental Surcharge Factor.

1 • **Return on Construction Work in Progress (“CWIP”), Net of Allowance for**
2 **Funds Used During Construction (“AFUDC”)**

3 As approved in Case No. 2008-00115, EKPC has included a return on CWIP during
4 the period under review.

5 • **Rate of Return**

6 EKPC’s rate of return consists of two components: the average cost of debt on its
7 environmental compliance plan projects and a Times Interest Earned Ratio (“TIER”)
8 component. Three rates of return were in effect during the period under review. For
9 the expense month of June 2013, the rate of return was 6.786%, which was approved
10 by the Commission in Case No. 2011-00032. For the expense month of July 2013,
11 the rate of return was 6.233%, which was approved by the Commission in Case No.
12 2012-00486. For the remaining expense months in the review period, the rate of
13 return was 6.086%, which was approved by the Commission in Case No. 2013-
14 00140. In each case, the Commission approved EKPC’s request to incorporate a
15 TIER of 1.50 in the determination of the rate of return. EKPC proposes no change to
16 the TIER component of the rate of return in this proceeding.

17 EKPC is proposing a rate of return of 6.063% in this proceeding, as shown in
18 Response 5 to the Staff’s First Request. EKPC’s proposed rate of return is consistent
19 with the Settlement Agreement approved in Case No. 2004-00321, which provided
20 that the rate of return on compliance-related capital expenditures would be updated to
21 reflect current average debt cost as of the end of each six-month review period. The
22 Commission clarified in its March 21, 2014 Order in Case No. 2013-00324 that the
23 expense month should constitute the end of an environmental surcharge review
24 period.

1 • **Operation and Maintenance (“O&M”) Expenses**

2 EKPC has continued to use a 12-month rolling average for O&M expenses associated
3 with the compliance plan projects. For those instances where the change in the level
4 of O&M expenses exceeded 10 percent, EKPC has provided an explanation. These
5 explanations are provided in Response 4 to the Staff’s First Request.

6 • **Pass-Through Mechanism**

7 The environmental surcharge factors computed for retail customers were billed by
8 EKPC’s Member Systems at approximately the same time as EKPC billed the
9 Member Systems at wholesale. The calculation of the monthly factors for each
10 Member System was provided in the monthly reports filed with the Commission.
11 EKPC and the Member Systems adhered to these and all other requirements and
12 provisions of the Commission’s Orders for the period under review.

13 **Q. Were the environmental-related amounts included in the monthly surcharge**
14 **calculation based on booked costs?**

15 **A.** Yes. EKPC continues to use the amounts booked for the various cost categories included
16 in the surcharge calculation and these costs were actual costs and incurred in a prudent
17 manner.

18 **Q. Did EKPC incur any over- or under-recoveries during the period under review?**

19 **A.** Yes. However, as shown in Response 1 to the Staff’s First Request, EKPC applied its
20 December 2013 over-recovery to the January 2014 expense month, which was billed in
21 February 2014. Therefore, no adjustment is needed in this proceeding to collect any
22 under-recovery from the Member Systems.

23 **Q. Did the Member Systems incur any over- or under-recoveries during the review**
24 **period?**

1 A. Yes. The over- or under-recovery amounts for each Member System are shown in
2 Response 2(a) to the Staff's First Request.

3 **Q. How will the Member Systems reflect recovery of these over- or under-recovery**
4 **amounts?**

5 A. As approved in the Commission's November 5, 2010 Order in Case No. 2010-00021, the
6 majority of the Member Systems propose that the over- or under-recovery amounts be
7 amortized over a period of six months beginning in the first month after the
8 Commission's Order in this proceeding. However, as discussed by the Member Systems
9 in Response 2(b), two Member Systems are proposing a twelve month amortization
10 period. While EKPC does not have a position concerning the appropriate amortization
11 period for the Member Systems' over- or under-recovery, it believes the Member
12 Systems should be able to request different amortization periods when circumstances
13 warrant.

14 **Q. Does EKPC propose any changes to its surcharge mechanism?**

15 A. No, EKPC does not propose any changes to the surcharge mechanism.

16 **Q. Does EKPC propose any changes to its Rate ES – Environmental Surcharge tariff?**

17 A. No, EKPC does not propose any changes to its Rate ES tariff in this proceeding.

18 **Q. Are changes to the Environmental Surcharge tariff sheets for each of the Member**
19 **Systems required?**

20 A. No, changes to the Member System tariffs are not required.

21 **Q. Does EKPC propose to make any changes to its monthly environmental surcharge**
22 **filings?**

23 A. No, EKPC does not propose any changes to its monthly environmental surcharge filings
24 in this proceeding.

1 **Q. Has EKPC updated the rate of return to be used prospectively?**

2 A. Yes. As previously discussed, EKPC proposes an updated rate of return of 6.063%. This
3 updated rate of return reflects an average debt cost as of November 30, 2013 of 4.042%
4 and a TIER of 1.50. The determination of the average debt cost as of November 30, 2013
5 is shown in Response 5 to the Staff's First Request.

6 **Q. When does EKPC propose to apply the updated rate of return in its surcharge**
7 **calculations?**

8 A. EKPC proposes to use the updated rate of return in the surcharge calculations in the first
9 month following the Commission's final Order in this proceeding.

10 **Q. Does EKPC have a request concerning the timing of the issuance of the final Order**
11 **in this and future surcharge review proceedings?**

12 A. Yes, EKPC respectfully requests that the Commission issue its final Order in this and
13 future surcharge review proceedings either within the first 10 days of the month or after
14 the 21st day of the month. Each month EKPC not only prepares its environmental
15 surcharge calculation but also prepares the environmental surcharge factors for its
16 Member Systems' retail customers. The critical processing time for these calculations
17 falls between the 11th and 20th days of each month. During this processing time EKPC
18 personnel are engaged in gathering the necessary accounting data from various divisions
19 and the Member Systems, developing supporting documentation, finalizing the
20 calculation of the surcharge factors, reviewing the calculations for accuracy, and
21 submitting the surcharge factors for retail customers to the Member Systems for their
22 review and agreement. All these activities must be completed in time for EKPC to file its
23 monthly environmental surcharge calculation and the environmental surcharge factors for

1 retail customers with the Commission 10 days before the factors are scheduled to go into
2 effect.

3 As noted above, EKPC is proposing to use the updated rate of return in the surcharge
4 calculations in the first month following the Commission's final Order in this proceeding.
5 Traditionally, the Commission has also required that the amortization of any over- or
6 under-recoveries for the Member Systems begin in the first month after the date of the
7 final Order in a review proceeding. The issuance by the Commission of the final Order
8 in a review proceeding during this critical processing time between the 11th and 20th of
9 the month complicates the preparation of the monthly surcharge filing. Incorporating the
10 findings from a surcharge review final Order in addition to the numerous activities going
11 on during the critical processing time makes the preparation that much more difficult.
12 The closer the issuance of such a final Order to the 20th of a month, the greater the
13 difficulty in processing the monthly filing and accurately incorporating the Commission's
14 findings.

15 EKPC requests that, if at all possible, the Commission avoid issuing its final Order in
16 EKPC's surcharge review proceedings during the monthly critical processing period
17 between the 11th and 20th of the month.

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

19 **A. Yes it does.**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR THE TWO-YEAR BILLING PERIOD ENDING DECEMBER 31, 2013 AND THE PASS THROUGH MECHANISM FOR ITS SIXTEEN MEMBER DISTRIBUTION COOPERATIVES

CASE NO. 2014-00051

AFFIDAVIT

STATE OF KENTUCKY) 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.

[Handwritten signature of Isaac S. Scott]

Subscribed and sworn before me on this 4th day of April, 2014.

[Handwritten signature of Gwyn M. Willoughby]
Notary Public
GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017

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

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF EAST)	
KENTUCKY POWER COOPERATIVE, INC.)	CASE NO.
FOR THE TWO-YEAR BILLING PERIOD)	2014-00051
ENDING DECEMBER 31, 2013 AND THE PASS)	
THROUGH MECHANISM FOR ITS SIXTEEN)	
MEMBER DISTRIBUTION COOPERATIVES)	

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED MARCH 6, 2014**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO.

PUBLIC SERVICE COMMISSION REQUEST DATED 03/06/14

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the information requests contained in Appendix B to the Order of the Public Service Commission ("PSC") in this case dated March 6, 2014. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE
 COMMISSION OF THE ENVIRONMENTAL)
 SURCHARGE MECHANISM OF EAST)
 KENTUCKY POWER COOPERATIVE, INC.)
 FOR THE TWO-YEAR BILLING PERIOD)
 ENDING DECEMBER 31, 2013 AND THE PASS)
 THROUGH MECHANISM FOR ITS SIXTEEN)
 MEMBER DISTRIBUTION COOPERATIVES)

CASE NO.
2014-00051

CERTIFICATE

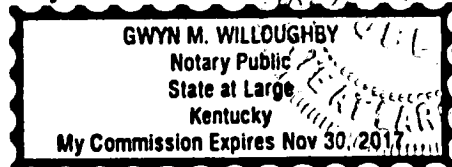
STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Susan E. Brooks, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in Appendix B in the above-referenced case dated March 6, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

S E Brooks

Subscribed and sworn before me on this 4th day of April, 2014.

Gwyn M. Willoughby
 Notary Public



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF EAST)
KENTUCKY POWER COOPERATIVE, INC.)
FOR THE TWO-YEAR BILLING PERIOD)
ENDING DECEMBER 31, 2013 AND THE PASS)
THROUGH MECHANISM FOR ITS SIXTEEN)
MEMBER DISTRIBUTION COOPERATIVES)

CASE NO.
2014-00051

CERTIFICATE

STATE OF KENTUCKY)
COUNTY OF CLARK)

Mark Horn, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in Appendix B in the above-referenced case dated March 6, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Mark Horn

Subscribed and sworn before me on this 4th day of April, 2014.

Gwyn M. Willoughby #500144
Notary Public
GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF EAST)	
KENTUCKY POWER COOPERATIVE, INC.)	CASE NO.
FOR THE TWO-YEAR BILLING PERIOD)	2014-00051
ENDING DECEMBER 31, 2013 AND THE PASS)	
THROUGH MECHANISM FOR ITS SIXTEEN)	
MEMBER DISTRIBUTION COOPERATIVES)	

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Requests for Information contained in Appendix B in the above-referenced case dated March 6, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Isaac S. Scott

Subscribed and sworn before me on this 4th day of April, 2014.

Gwyn M. Willoughby #500144
 Notary Public
 GWYN M. WILLOUGHBY
 Notary Public
 State at Large
 Kentucky
 My Commission Expires Nov 30, 2017

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2014-00051
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/06/14
REQUEST 1

RESPONSIBLE PARTY: Isaac S. Scott

Request 1. This question is addressed to EKPC. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the applicable billing period. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for the additional over- or under-recovery.

Response 1. Please see page 2 of this response. Because EKPC utilizes a one-month “true-up” adjustment, there is no additional over- or under-recovery amount that needs to be recognized for the two-year review.

East Kentucky Power Cooperative, Inc. Environmental Surcharge Report
Calculation of Current Month Environmental Surcharge Factor (CESF)
and (Over)/Under Recovery Calculation

Line	Description	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
1	E(m) = RORB + OE - BAS									
2	Rate Base	\$784,322,355	\$781,870,913	\$780,825,771	\$777,864,628	\$774,891,770	\$772,053,488	\$769,263,808	\$766,628,671	\$765,208,443
3	Rate Base / 12	\$65,360,198	\$65,155,909	\$65,052,148	\$64,822,052	\$64,574,314	\$64,337,790	\$64,105,317	\$63,885,723	\$63,787,370
4	Rate of Return	= 8.786%	6.233%	6.086%	8.086%	8.086%	6.086%	8.086%	8.086%	8.086%
5	Return on Rate Base (RORB)	+ \$4,435,343	\$4,061,168	\$3,959,074	\$3,945,070	\$3,929,993	\$3,915,598	\$3,901,450	\$3,888,085	\$3,880,882
6	Operating Expenses (OE)	+ \$5,727,181	\$5,649,039	\$5,894,652	\$5,734,458	\$5,640,969	\$5,556,818	\$5,616,078	\$5,475,458	\$5,568,661
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$10,162,524	\$9,910,207	\$9,853,728	\$9,679,528	\$9,570,961	\$9,472,414	\$9,517,527	\$9,363,541	\$9,449,543
8a	Prior Periods Adjustments									
9	Member System Allocation Ratio for the Month (Form 3.0)	98.82%	98.08%	97.96%	97.66%	97.35%	97.31%	97.38%	97.07%	96.42%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$10,042,608	\$9,719,931	\$9,652,710	\$9,453,025	\$9,317,331	\$9,217,608	\$9,268,168	\$9,089,189	\$9,111,250
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$15,228)	(\$1,228,338)
12a	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$10,042,606	\$9,719,931	\$9,852,710	\$9,453,025	\$9,317,331	\$9,217,608	\$9,268,168	\$9,073,981	\$7,882,912
12b	1-month true up adjustment	\$849,365	\$259,954	\$159,178	\$10,923	\$1,243,771	\$1,785,944	(\$38,274)	(\$1,988,304)	(\$4,319,018)
12c	E(m)= Ln 12a + Ln 12 b	\$10,891,971	\$9,979,885	\$9,811,888	\$9,463,948	\$10,561,102	\$11,003,550	\$9,231,894	\$7,087,657	\$3,563,894
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$63,744,918	\$63,288,351	\$83,323,375	\$63,407,283	\$63,273,985	\$83,130,838	\$63,477,665	\$64,909,870	\$65,572,526
14	CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	17.09%	15.77%	15.49%	14.93%	18.69%	17.43%	14.54%	10.92%	5.44%
15	BESF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
18	MESF	17.09%	15.77%	15.49%	14.93%	18.89%	17.43%	14.54%	10.92%	5.44%
17	Authorized Recovery Amount: Line 13 x Line 18	\$10,891,971	\$9,979,885	\$9,811,888	\$9,483,948	\$10,581,102	\$11,003,550	\$9,231,894	\$7,087,657	\$3,583,894
18	Environmental Surcharge Revenues Billed	\$11,164,492	\$10,732,793	\$9,968,982	\$8,568,117	\$7,878,004	\$10,597,378	\$12,989,854	\$13,550,912	\$8,534,820
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	\$259,954	\$159,178	\$10,923	\$1,243,771	\$1,785,944	(\$38,274)	(\$1,988,304)	(\$4,319,018)	(\$1,447,163)
20	Cumulative (Over)/Under	\$259,954	\$419,132	\$430,055	\$1,673,828	\$3,459,770	\$3,423,498	\$1,437,192	(\$2,881,826)	(\$4,328,989)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2014-00051
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/06/14
REQUEST 2

RESPONSIBLE PARTY: Isaac S. Scott

Request 2. This question is addressed to EKPC and each of the 16 member distribution cooperatives.

a. For each of the 16 member distribution cooperatives, prepare a summary schedule showing the distribution cooperative's pass-through revenue requirement for the months corresponding with the six-month review. Include the two months subsequent to the billing period included in the applicable review period. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for the additional over- or under recovery.

b. For each of the 16 member distribution cooperatives, provide an explanation of the factors that contributed to each individual member distribution cooperative's over- or under-recovery amount.

Response 2a. Please see pages 3 through 18 of this response for the calculation of each Member Systems' cumulative over- or under-recovery for the last six-month period in the two-year review. As stated in testimony in this proceeding, the majority of EKPC's Member Systems propose to amortize the cumulative over- or under-recovery over a six-month period. Please see the Member System responses to Request 2b for a discussion by those Member Systems proposing a twelve-month amortization period. EKPC does not have a position concerning the

appropriate amortization period for the Member Systems' over- or under-recovery, but believes the Member Systems should be able to request different amortization periods when circumstances warrant.

Response 2b. The responses to Request 2b are being filed individually by the Member Systems.

Big Sandy RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 227,908	\$ 239,167	\$ (11,259)	\$ (11,259)
Aug-13	\$ 198,761	\$ 215,797	\$ (17,036)	\$ (28,295)
Sep-13	\$ 168,681	\$ 179,019	\$ (10,338)	\$ (38,632)
Oct-13	\$ 158,523	\$ 176,417	\$ (17,894)	\$ (56,526)
Nov-13	\$ 245,935	\$ 263,431	\$ (17,496)	\$ (74,022)
Dec-13	\$ 293,062	\$ 309,444	\$ (16,382)	\$ (90,404)
Jan-14	\$ 320,957	\$ 339,033	\$ (18,076)	\$ (108,480)
Feb-14	\$ 192,109	\$ 181,624	\$ 10,485	\$ (97,995)

Cumulative 6-months (Over)/Under Recovery	\$ (90,404)
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Monthly Recovery (per month for six months)	\$ (15,067)
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Blue Grass Energy - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 1,174,321	\$ 1,260,553	\$ (86,232)	\$ (86,232)
Aug-13	\$ 1,078,891	\$ 1,206,446	\$ (127,555)	\$ (213,787)
Sep-13	\$ 930,331	\$ 857,634	\$ 72,697	\$ (141,090)
Oct-13	\$ 830,013	\$ 744,618	\$ 85,395	\$ (55,695)
Nov-13	\$ 1,155,358	\$ 778,842	\$ 376,516	\$ 320,821
Dec-13	\$ 1,436,079	\$ 1,098,832	\$ 337,247	\$ 658,068
Jan-14	\$ 1,521,555	\$ 1,361,922	\$ 159,633	\$ 817,701
Feb-14	\$ 972,154	\$ 1,312,461	\$ (340,307)	\$ 477,394

Cumulative 6-months (Over)/Under Recovery	\$ 658,068
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Monthly Recovery (per month for six months)	\$ 109,678
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Clark Energy Coop - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 410,507	\$ 424,184	\$ (13,677)	\$ (13,677)
Aug-13	\$ 403,218	\$ 416,838	\$ (13,620)	\$ (27,298)
Sep-13	\$ 359,458	\$ 404,454	\$ (44,996)	\$ (72,294)
Oct-13	\$ 306,036	\$ 338,408	\$ (32,372)	\$ (104,666)
Nov-13	\$ 281,105	\$ 350,640	\$ (69,535)	\$ (174,201)
Dec-13	\$ 415,135	\$ 493,427	\$ (78,292)	\$ (252,493)
Jan-14	\$ 519,631	\$ 625,138	\$ (105,507)	\$ (358,000)
Feb-14	\$ 559,178	\$ 644,892	\$ (85,714)	\$ (443,715)

Cumulative 6-months (Over)/Under Recovery \$ (252,493)

Monthly Recovery (per month for six months) \$ (42,082)

Cumberland Valley Electric - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 416,024	\$ 436,855	\$ (20,831)	\$ (20,831)
Aug-13	\$ 382,917	\$ 416,273	\$ (33,356)	\$ (54,187)
Sep-13	\$ 329,986	\$ 275,954	\$ 54,032	\$ (155)
Oct-13	\$ 308,426	\$ 262,679	\$ 45,747	\$ 45,592
Nov-13	\$ 449,675	\$ 297,199	\$ 152,476	\$ 198,068
Dec-13	\$ 544,950	\$ 435,317	\$ 109,633	\$ 307,701
Jan-14	\$ 583,838	\$ 572,762	\$ 11,076	\$ 318,777
Feb-14	\$ 341,990	\$ 398,088	\$ (56,098)	\$ 262,679

Cumulative 6-months (Over)/Under Recovery	\$ 307,701
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Monthly Recovery (per month for six months)	\$ 51,284
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Farmers RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 466,162	\$ 491,870	\$ (25,708)	\$ (25,708)
Aug-13	\$ 432,240	\$ 487,937	\$ (55,697)	\$ (81,405)
Sep-13	\$ 369,778	\$ 557,291	\$ (187,513)	\$ (268,918)
Oct-13	\$ 329,614	\$ 490,337	\$ (160,723)	\$ (429,640)
Nov-13	\$ 441,498	\$ 504,930	\$ (63,432)	\$ (493,072)
Dec-13	\$ 541,894	\$ 653,714	\$ (111,820)	\$ (604,892)
Jan-14	\$ 570,498	\$ 789,556	\$ (219,058)	\$ (823,951)
Feb-14	\$ 355,351	\$ 780,558	\$ (425,207)	\$ (1,249,157)

Cumulative 6-months (Over)/Under Recovery \$ (604,892)

Monthly Recovery (per month for twelve months) \$ (50,408)

Fleming-Mason - Calc of (Over)/Under - Sch C + Spec Contracts

Steam, C, G, H

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Jul-13	471,434	471,434	0	0
Aug-13	469,773	469,773	0	0
Sep-13	430,936	430,936	0	0
Oct-13	395,487	395,487	0	0
Nov-13	442,543	442,543	0	0
Dec-13	501,875	501,875	0	0
Jan-14	461,082	461,082	0	0
Feb-14	322,034	322,034	0	0

Fleming-Mason - Calc of (Over)/Under - All Others

E

	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under	Fleming-Mason Total (Over)/Under
	376,583	492,872	(116,289)	(116,289)	(116,289)
	338,342	357,492	(19,150)	(135,439)	(135,439)
	292,067	309,261	(17,194)	(152,633)	(152,633)
	269,090	252,215	16,875	(135,758)	(135,758)
	391,510	310,302	81,208	(54,550)	(54,550)
	495,606	545,556	(49,950)	(104,500)	(104,500)
	526,132	627,675	(101,543)	(206,043)	(206,043)
	334,034	287,933	46,101	(159,941)	(159,941)

Cumulative 6-months (Over)/Under Recovery \$ -

Cumulative 6-months (Over)/Under Recovery \$ (104,500)

\$ (104,500)

Monthly Recovery (per month for six months) \$ -

Monthly Recovery (per month for six months) \$ (17,417)

\$ (17,417)

Grayson RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 241,843	\$ 234,962	\$ 6,881	\$ 6,881
Aug-13	\$ 211,525	\$ 218,956	\$ (7,431)	\$ (550)
Sep-13	\$ 182,445	\$ 172,401	\$ 10,044	\$ 9,494
Oct-13	\$ 166,161	\$ 203,924	\$ (37,763)	\$ (28,269)
Nov-13	\$ 244,702	\$ 295,344	\$ (50,642)	\$ (78,911)
Dec-13	\$ 297,351	\$ 337,194	\$ (39,843)	\$ (118,754)
Jan-14	\$ 314,173	\$ 297,536	\$ 16,637	\$ (102,117)
Feb-14	\$ 193,626	\$ -	\$ 193,626	\$ 91,509

Cumulative 6-months (Over)/Under Recovery \$ (118,754)

Monthly Recovery (per month for six months) \$ (19,792)

Inter-County ECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 402,857	\$ 409,993	\$ (7,136)	\$ (7,136)
Aug-13	\$ 392,801	\$ 394,959	\$ (2,158)	\$ (9,294)
Sep-13	\$ 361,805	\$ 408,578	\$ (46,773)	\$ (56,067)
Oct-13	\$ 309,310	\$ 321,587	\$ (12,277)	\$ (68,344)
Nov-13	\$ 286,732	\$ 353,563	\$ (66,831)	\$ (135,175)
Dec-13	\$ 428,807	\$ 512,731	\$ (83,924)	\$ (219,099)
Jan-14	\$ 537,124	\$ 662,575	\$ (125,451)	\$ (344,550)
Feb-14	\$ 598,089	\$ -	\$ 598,089	\$ 253,539

Cumulative 6-months (Over)/Under Recovery \$ (219,099)

Monthly Recovery (per month for six months) \$ (36,516)

Jackson Energy Coop - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 799,784	\$ 839,984	\$ (40,200)	\$ (40,200)
Aug-13	\$ 732,359	\$ 667,712	\$ 64,647	\$ 24,447
Sep-13	\$ 626,419	\$ 558,627	\$ 67,792	\$ 92,239
Oct-13	\$ 594,070	\$ 570,747	\$ 23,323	\$ 115,562
Nov-13	\$ 888,776	\$ 811,186	\$ 77,590	\$ 193,152
Dec-13	\$ 1,070,921	\$ 1,112,651	\$ (41,730)	\$ 151,422
Jan-14	\$ 1,171,927	\$ 976,269	\$ 195,658	\$ 347,081
Feb-14	\$ 694,483	\$ -	\$ 694,483	\$ 1,041,564

Cumulative 6-months (Over)/Under Recovery \$ 151,422

Monthly Recovery (per month for six months) \$ 25,237

Licking Valley RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 241,896	\$ 256,289	\$ (14,393)	\$ (14,393)
Aug-13	\$ 212,327	\$ 211,666	\$ 661	\$ (13,732)
Sep-13	\$ 182,066	\$ 172,562	\$ 9,504	\$ (4,227)
Oct-13	\$ 171,401	\$ 201,686	\$ (30,285)	\$ (34,512)
Nov-13	\$ 254,419	\$ 277,233	\$ (22,814)	\$ (57,326)
Dec-13	\$ 306,483	\$ 342,544	\$ (36,061)	\$ (93,387)
Jan-14	\$ 324,411	\$ 330,513	\$ (6,102)	\$ (99,489)
Feb-14	\$ 198,047	\$ 179,673	\$ 18,374	\$ (81,115)

Cumulative 6-months (Over)/Under Recovery \$ (93,387)

Monthly Recovery (per month for six months) \$ (15,564)

Nolin RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 684,372	\$ 716,736	\$ (32,364)	\$ (32,364)
Aug-13	\$ 647,268	\$ 708,841	\$ (61,573)	\$ (93,937)
Sep-13	\$ 561,666	\$ 623,479	\$ (61,813)	\$ (155,750)
Oct-13	\$ 498,116	\$ 590,920	\$ (92,804)	\$ (248,554)
Nov-13	\$ 667,728	\$ 774,399	\$ (106,671)	\$ (355,225)
Dec-13	\$ 837,054	\$ 978,879	\$ (141,825)	\$ (497,051)
Jan-14	\$ 892,511	\$ 1,031,319	\$ (138,808)	\$ (635,859)
Feb-14	\$ 565,566	\$ -	\$ 565,566	\$ (70,293)

Cumulative 6-months (Over)/Under Recovery \$ (497,051)

Monthly Recovery (per month for six months) \$ (82,842)

Owen Electric Cooperative - Calculation of (Over)/Under - Gallatin				
<i>Gallatin Bill</i>				
	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 594,450	\$ 594,450	\$ -	\$ -
Aug-13	\$ 582,148	\$ 582,148	\$ -	\$ -
Sep-13	\$ 480,526	\$ 480,526	\$ -	\$ -
Oct-13	\$ 433,252	\$ 433,252	\$ -	\$ -
Nov-13	\$ 569,315	\$ 569,315	\$ -	\$ -
Dec-13	\$ 609,310	\$ 609,310	\$ -	\$ -
Jan-14	\$ 484,733	\$ 484,733	\$ -	\$ -
Feb-14	\$ 340,150	\$ 340,150	\$ -	\$ -
Cumulative 6-months (Over)/Under Recovery				\$ -
Monthly Recovery (per month for twelve months)				\$ -

Owen Electric Cooperative - Calculation of (Over)/Under - Sch B				
<i>B</i>				
	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 176,165	\$ 176,165	\$ -	\$ -
Aug-13	\$ 153,813	\$ 153,813	\$ -	\$ -
Sep-13	\$ 142,241	\$ 142,241	\$ -	\$ -
Oct-13	\$ 131,785	\$ 131,785	\$ -	\$ -
Nov-13	\$ 146,758	\$ 146,758	\$ -	\$ -
Dec-13	\$ 165,180	\$ 165,180	\$ -	\$ -
Jan-14	\$ 142,556	\$ 142,556	\$ -	\$ -
Feb-14	\$ 113,157	\$ 113,157	\$ -	\$ -
Cumulative 6-months (Over)/Under Recovery				\$ -
Monthly Recovery (per month for twelve months)				\$ -

Owen Electric Cooperative - Calculation of (Over)/Under - All Others					
<i>E</i>					
	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under	Owen Total (Over)/Under
Mo/Yr	(1)	(2)	(3)	(4)	
Jul-13	\$ 1,030,973	\$ 1,154,057	\$ (123,084)	\$ (123,084)	\$ (123,084)
Aug-13	\$ 957,932	\$ 940,554	\$ 17,378	\$ (105,706)	\$ (105,706)
Sep-13	\$ 818,365	\$ 1,311,869	\$ (493,504)	\$ (599,210)	\$ (599,210)
Oct-13	\$ 657,050	\$ 1,074,091	\$ (417,041)	\$ (1,016,252)	\$ (1,016,252)
Nov-13	\$ 878,717	\$ 1,132,304	\$ (253,587)	\$ (1,269,839)	\$ (1,269,839)
Dec-13	\$ 1,130,138	\$ 1,615,099	\$ (484,961)	\$ (1,754,800)	\$ (1,754,800)
Jan-14	\$ 1,146,577	\$ 1,799,696	\$ (653,119)	\$ (2,407,918)	\$ (2,407,918)
Feb-14	\$ 743,229	\$ 1,566,615	\$ (823,386)	\$ (3,231,304)	\$ (3,231,304)
Cumulative 6-months (Over)/Under Recovery				\$ (1,754,800)	\$ (1,754,800)
Monthly Recovery (per month for twelve months)				\$ (146,233)	\$ (146,233)

Please see Owen's response to Request 2(b), which includes an explanation supporting the use of a 12-month amortization period for the over-recovery.

Salt River RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 1,073,045	\$ 1,207,070	\$ (134,025)	\$ (134,025)
Aug-13	\$ 1,017,925	\$ 1,120,703	\$ (102,778)	\$ (236,803)
Sep-13	\$ 866,348	\$ 764,698	\$ 101,650	\$ (135,154)
Oct-13	\$ 708,346	\$ 686,228	\$ 22,118	\$ (113,036)
Nov-13	\$ 943,537	\$ 759,358	\$ 184,179	\$ 71,144
Dec-13	\$ 1,193,123	\$ 1,045,062	\$ 148,061	\$ 219,205
Jan-14	\$ 1,210,508	\$ 1,249,780	\$ (39,272)	\$ 179,932
Feb-14	\$ 785,705	\$ 992,825	\$ (207,120)	\$ (27,188)

Cumulative 6-months (Over)/Under Recovery	\$ 219,205
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Monthly Recovery (per month for six months)	\$ 36,534
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Shelby Energy Coop - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 407,660	\$ 450,714	\$ (43,054)	\$ (43,054)
Aug-13	\$ 387,875	\$ 384,038	\$ 3,837	\$ (39,218)
Sep-13	\$ 335,874	\$ 316,359	\$ 19,515	\$ (19,703)
Oct-13	\$ 302,599	\$ 300,133	\$ 2,466	\$ (17,237)
Nov-13	\$ 397,201	\$ 374,304	\$ 22,897	\$ 5,661
Dec-13	\$ 487,131	\$ 457,802	\$ 29,329	\$ 34,990
Jan-14	\$ 489,209	\$ 483,642	\$ 5,567	\$ 40,557
Feb-14	\$ 326,107	\$ -	\$ 326,107	\$ 366,664

Cumulative 6-months (Over)/Under Recovery	\$ 34,990
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Monthly Recovery (per month for six months)	\$ 5,832
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South Kentucky RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 1,121,811	\$ 1,216,380	\$ (94,569)	\$ (94,569)
Aug-13	\$ 1,041,807	\$ 1,170,195	\$ (128,388)	\$ (222,957)
Sep-13	\$ 890,975	\$ 757,959	\$ 133,016	\$ (89,941)
Oct-13	\$ 842,623	\$ 643,795	\$ 198,828	\$ 108,887
Nov-13	\$ 1,199,649	\$ 695,562	\$ 504,087	\$ 612,974
Dec-13	\$ 1,482,101	\$ 985,851	\$ 496,250	\$ 1,109,224
Jan-14	\$ 1,652,665	\$ 1,261,004	\$ 391,661	\$ 1,500,885
Feb-14	\$ 980,590	\$ -	\$ 980,590	\$ 2,481,475

Cumulative 6-months (Over)/Under Recovery \$ 1,109,224

Monthly Recovery (per month for six months) \$ 184,871

Taylor County RECC - Calculation of (Over)/Under

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 450,006	\$ 463,697	\$ (13,691)	\$ (13,691)
Aug-13	\$ 432,343	\$ 459,754	\$ (27,411)	\$ (41,102)
Sep-13	\$ 401,796	\$ 448,013	\$ (46,217)	\$ (87,319)
Oct-13	\$ 344,067	\$ 396,837	\$ (52,770)	\$ (140,089)
Nov-13	\$ 313,611	\$ 368,888	\$ (55,277)	\$ (195,366)
Dec-13	\$ 436,113	\$ 488,054	\$ (51,941)	\$ (247,307)
Jan-14	\$ 540,841	\$ 598,989	\$ (58,148)	\$ (305,455)
Feb-14	\$ 580,313	\$ 665,708	\$ (85,395)	\$ (390,850)

Cumulative 6-months (Over)/Under Recovery \$ (247,307)

Monthly Recovery (per month for six months) \$ (41,218)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2014-00051
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/06/14
REQUEST 3

RESPONSIBLE PARTY: Mark Horn

Request 3. This question is addressed to EKPC. For Refer to Form 2.3, Inventory and Expense of Emission Allowances, for each of the expense months covered by the applicable billing period.

- (a) For the sulfur dioxide ("SO₂") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
- (b) For the nitrogen oxide ("NO_x") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
- (c) Explain how the purchases of allowances in the expense months covered by the applicable billing periods comply with EKPC's emissions allowance strategy plan.

Response 3a-c. (a) No SO₂ purchases were made during the expense months of June 1, 2013, through November 30, 2013.

(b) No NO_x purchases were made during the expense months of June 1, 2013, through November 30, 2013.

(c) No purchases of allowances were made in the expense months covered by the applicable billing periods.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2014-00051
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/06/14
REQUEST 4

RESPONSIBLE PARTY: Isaac S. Scott

Request 4. This question is addressed to EKPC. Refer to Form 2.5, Operating and Maintenance Expenses, for each of the expense months covered by the applicable billing period. For each of the expense account numbers listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

Response 4. Please see pages 2 through 13 of this response.

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period July - December 2013

501010 - SP03	Fuel Coal Gilbert	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 94,798	\$ 89,851	\$ 97,001	\$ 99,410	\$ 65,295	\$ 75,135	\$ 114,887
	Expense Dollars Change		\$ (4,947)	\$ 7,150	\$ 2,409	\$ (34,115)	\$ 9,840	\$ 39,752
	Percent Change		-5.22%	7.96%	2.48%	-34.32%	15.07%	52.91%

Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

501010 - SP04	Fuel Coal Spurlock 4	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 125,663	\$ 119,105	\$ 123,458	\$ 121,501	\$ 79,805	\$ 108,121	\$ 119,578
	Expense Dollars Change		\$ (6,558)	\$ 4,353	\$ (1,957)	\$ (41,696)	\$ 28,316	\$ 11,457
	Percent Change		-5.22%	3.65%	-1.59%	-34.32%	35.48%	10.60%

Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 17,380	\$ 19,093	\$ 23,077	\$ 20,730		\$ -	\$ 11,440
	Expense Dollars Change		\$ 1,713	\$ 3,984	\$ (2,347)	\$ (20,730)	\$ -	\$ 11,440
	Percent Change		9.86%	20.87%	-10.17%	-100.00%		

Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

512000 - CPxx	Mtc of Cooper (Unit 2 AQCS)	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 18,633	\$ 12,877	\$ 56,599	\$ 33,165	\$ 30,880	\$ 21,117	\$ 12,107
	Expense Dollars Change		\$ (5,756)	\$ 43,722	\$ (23,434)	\$ (2,285)	\$ (9,763)	\$ (9,010)
	Percent Change		-30.89%	339.54%	-41.40%	-6.89%	-31.62%	-42.67%

Project 03350 is Bag House, Dry Scrub, SNCR & SCR, Project 03351 is Ammonia Handling System and Project 03520 is Common Scrubber Maintenance

July - Project 03350 - Increase in Contractor payments of \$0.3K and a Decrease in EKPC payroll and benefits of \$2.5K.

Project 03351 - Increase in Contractor payments of \$0.6K and a Decrease in Materials of \$4.6K and a Decrease in EKPC payroll and benefits of \$6.2K.

Project 03520 - Decrease in EKPC payroll and benefits of \$0.3K.

Adjustment to accruals to match actual resulted in an increase of \$6.9K.

August - Project 03350 - Increase in Contractor payments of \$4.0K and an Increase in EKPC payroll and benefits of \$10.8K.

Project 03351 - Increase in Contractor payments of \$9.8K and an Increase in EKPC payroll and benefits of \$2.9K.

Project 03520 - Increase in EKPC payroll and benefits of \$0.2K.

Adjustment to accruals to match actual resulted in an increase of \$16.0K.

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period July - December 2013

September - Project 03350 - Increase in Contractor payments of \$1.6K and an Increase in Materials of \$1.0K a decrease in EKPC payroll and benefits of \$10.1K.
 Project 03351 - Decrease in Contractor payments of \$1.2K and a Decrease in EKPC payroll and benefits of \$2.8K.
 Project 03520 - Increase in EKPC payroll and benefits of \$0.2K.
 Adjustment to accruals to match actual resulted in a decrease of \$12.1K.

November - Project 03350 - Increase in Contractor payments of \$0.3K and an Increase in EKPC payroll and benefits of \$4.9K.
 Project 03351 - Increase in contractor payments of \$0.4K and a Decrease in EKPC payroll and benefits of \$7.7K.
 Project 03520 - Decrease in EKPC payroll and benefits of \$0.1K.
 Adjustment to accruals to match actual resulted in a decrease of \$7.5K.

December - Project 03350 - Increase in Contractor payments of \$0.5K and a Decrease in EKPC payroll and benefits of \$5.0K.
 Project 03351 - Decrease in contractor payments of \$7.3K and an Increase in EKPC payroll and benefits of \$5.0K.
 Project 03520 - Increase in EKPC payroll and benefits of \$0.4K.
 Adjustment to accruals to match actual resulted in a decrease of \$2.6K.

512000 - SP01	Mtce of Boiler Plant Spurlock 1	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 297,498	\$ 107,996	\$ 16,948	\$ 4,314	\$ 47,471	\$ (2,992)	\$ 24,416
	Expense Dollars Change		\$ (189,502)	\$ (91,048)	\$ (12,634)	\$ 43,157	\$ (50,463)	\$ 27,408
	Percent Change		-63.70%	-84.31%	-74.55%	1000.39%	-106.30%	-916.04%

Project 03330 is for the Spurlock 1 Electrostatic Precipitator and Project 03501 is for Spurlock 1 SCR maintenance.

July - Project 03330 - Decrease in Contractor payments of \$153.7K and an Increase in Materials of \$1.2K an Increase in EKPC payroll and benefits of \$0.2K.
 Material and labor for precipitator repair
 Project 03501 - Decrease in Contractor expenses of \$36.8K and a Decrease in Materials of \$0.2K a Decrease in EKPC payroll and benefits of \$1.6K.
 AIG Tuning and Air Heater Leakage Test
 Adjustment to accruals to match actual resulted in an increase of \$1.4K.

August - Project 03330 - Decrease in Contractor expenses of \$89.9K and an Increase in EKPC payroll and benefits of \$0.3K.
 Material and labor for precipitator repair
 Project 03501 - Increase in Contractor expenses of \$0.8K and a Decrease in EKPC payroll and benefits of \$1.0K.
 Adjustment to accruals to match actual resulted in a decrease of \$1.2K.

September - Project 03330 - Decrease in Contractor expenses of \$12.3K and a Decrease in EKPC payroll and benefits of \$1.6K.
 Material and labor for precipitator repair
 Project 03501 - Increase in Contractor expenses of \$1.9K and a Decrease in EKPC payroll and benefits of \$1.0K.
 Adjustment to accruals to match actual resulted in an increase of \$0.4K.

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October - Project 03330 - Increase in Contractor expenses of \$22.4K and an Increase in EKPC payroll and benefits of \$0.9K.
 Project 03501 - Increase in Contractor expenses of \$0.8K and an Increase in EKPC payroll and benefits of \$1.1K.
 Adjustment to accruals to match actual resulted in an increase of \$18.0K.

November - Project 03330 - Decrease in Contractor expenses of \$17.6K and a Decrease in EKPC payroll and benefits of \$1.3K.
 Replace 8 TR Insulators
 Project 03501 - Increase in Contractor expenses of \$5.7K and a Decrease in EKPC payroll and benefits of \$0.1K.
 Adjustment to accruals to match actual resulted in a decrease of \$37.2K.

December - Project 03330 - Decrease in Contractor payments of \$4.5K, Increase in Materials of \$0.4K and an Increase in EKPC payroll and benefits of \$1.7K.
 Project 03501 - Increase in Contractor payments of \$11.1K and a Decrease in EKPC payroll and benefits of \$0.4K.
 SCR Catalyst Sample Test
 Adjustment to accruals to match actual resulted in an increase of \$19.1K.

512000 - SP02	Mtce of Boiler Plant Spurlock 2	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 18,224	\$ 16,821	\$ (12,825)	\$ 1,818	\$ 3,098	\$ 27,527	\$ 39,539
	Expense Dollars Change		\$ (1,403)	\$ (29,646)	\$ 14,643	\$ 1,280	\$ 24,429	\$ 12,012
	Percent Change		-7.70%	-176.24%	-114.18%	70.41%	788.54%	43.64%

Project 03501 is for Spurlock 2 SCR maintenance.

August - Project 03501 - Decrease in Contractor expenses of \$0.9K and a Decrease in EKPC payroll and benefits of \$1.2K.
 Adjustment to accruals to match actual resulted in a decrease of \$27.5K.

September - Project 03501 - Increase in Contractor expenses of \$0.3K and an Increase in EKPC payroll and benefits of \$0.3K.
 Adjustment to accruals to match actual resulted in an increase of \$14.0K.

October - Project 03501 - Decrease in Contractor expenses of \$0.3K and a Decrease in EKPC payroll and benefits of \$0.9K.

November - Project 03501 - Increase in Contractor expenses of \$21.1K, Increase in Materials of \$1.9K and an Increase in EKPC payroll and benefits of \$4.2K.
 Adjustment to accruals to match actual resulted in a decrease of \$2.8K.

December - Project 03501 - Increase in Contractor payments of \$18.5K, Decrease in Materials of \$1.9K and a Decrease in EKPC payroll and benefits of \$4.5K.
 SCR Catalyst Sample Test

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512000 - SP03	Maintenance of Boiler Plant Gilbert	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	147,394	123,020	150,760	217,183	39,145	247,942	46,556
	Expense Dollars Change		(24,374)	27,740	66,423	(178,038)	208,797	(201,386)
	Percent Change		-16.54%	22.55%	44.06%	-81.98%	533.39%	-81.22%

Project 03206 is for Spurlock 3 Boiler Pollution Control equipment and Project 03350 is for Spurlock 3 Bag House, SNCR and FDA equipment.

July - Project 03206 - Increase in Contractor expenses of \$10.4K, Decrease in Materials of \$6.6K and a Decrease in EKPC payroll and benefits of \$19.4K.

Supervision, Labor & Equipment to erect and dismantle scaffolding
Material and labor to rebuild 3A Fluidized Bed Ash Cooler (FBAC)
Vacuum out FBAC boxes

Project 03350 - Increase in Contractor expenses of \$18.4K, Decrease in Materials of \$22.6K and a Decrease in EKPC payroll and benefits of \$4.5K

Supervision, Labor & Equipment to erect and dismantle scaffolding
Labor to fabricate and install doors U3 SCU Inst. Boxes
Material and labor to fabricate ports for doors and install door for vacuum hose

August - Project 03206 - Decrease in Contractor expenses of \$73.7K, Increase in Materials of \$18.8K and an Increase in EKPC payroll and benefits of \$20.8K

Materials and labor to repack expansion joints
Supervision, Labor & Equipment to erect and dismantle scaffolding

Project 03350 - Increase in Contractor expenses of \$28.6K, Increase in Materials of \$23.6K and an Increase in EKPC payroll and benefits of \$4.0K

Supervision, Labor & Equipment to erect and dismantle scaffolding
Vacuuming Baghouse
Baghouse pulse tubes
Material: Disc Assembly, Mixer Paddle, Ellips 9 Disc Set and Valve, Optipow 110V, 60Hz
Adjustment to accruals to match actual resulted in an increase of \$5.6K.

September - Project 03206 - Increase in Contractor expenses of \$167.5K, Decrease in Materials of \$18.7K and a Decrease in EKPC payroll and benefits of \$23.6K

Material and labor for clamp support castings
Supervision, Labor & Equipment to erect and dismantle scaffolding

Project 03350 - Decrease in Contractor expenses of \$45.1K, Decrease in Materials of \$4.3K and a Decrease in EKPC payroll and benefits of \$2.4K.

Supervision, Labor & Equipment to erect and dismantle scaffolding
Labor to fabricate and install doors U3 SCU Inst. Boxes
Material and labor to fabricate ports for doors and install door for vacuum hose
Material: Disc Assembly, Mixer Paddle, Ellips 9 Disc Set and Valve, Optipow 110V, 60Hz
Adjustment to accruals to match actual resulted in a decrease of \$7.0K.

October - Project 03206 - Decrease in Contractor expenses of \$176.4K and a Decrease in Materials of \$2.3K.

Supervision, Labor & Equipment to erect and dismantle scaffolding
Vacuuming for unplanned outage
Material and Labor to repair FBAC
Material and Labor to repack expansion joints

Project 03350 - Increase in Contractor expenses of \$3.3K, Decrease in Materials of \$2.8K and a Decrease in EKPC payroll and benefits of \$2.3K

Adjustment to accruals to match actual resulted in an increase of \$2.5K.

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November - Project 03206 - Increase in Contractor expenses of \$194.5K, Increase in Materials of \$4.7K and an Increase in EKPC payroll and benefits of \$9.6K
 Material and Labor to repack expansion joints
 Vacuuming for unplanned outage
 Material to repair blower
 Project 03350 - Decrease in Contractor expenses of \$12.0K, Increase in Materials of \$5.1K and an Increase in EKPC payroll and benefits of \$1.8K
 Supervision, Labor & Equipment to erect and dismantle scaffolding
 Labor to fabricate and install doors U3 SCU Inst. Boxes
 Material and labor to fabricate ports for doors and install door for vacuum hose
 Adjustment to accruals to match actual resulted in an increase of \$5.1K.

December - Project 03206 - Decrease in Contractor expenses of \$196.3K, Increase in Materials of \$2.5K and a Decrease in EKPC payroll and benefits of \$5.7K
 Labor to clean FBAC boxes
 Supervision, Labor & Equipment to erect and dismantle scaffolding
 Inspect and repair ABB motor
 Project 03350 - Increase in Contractor expenses of \$6.7K and a Decrease in Materials of \$4.3K.
 Vacuum and Hydro-blast Cleaning baghouse
 Adjustment to accruals to match actual resulted in a decrease of \$4.3K.

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	52,112	78,667	61,321	88,884	345,890	64,921	13,235
	Expense Dollars Change		26,555	(17,346)	27,563	257,006	(280,969)	(51,686)
	Percent Change		50.96%	-22.05%	44.95%	289.15%	-81.23%	-79.61%

Project 03206 is for Spurlock 4 Boiler Pollution Control equipment and Project 03350 is for Spurlock 4 Bag House, SNCR and FDA equipment.

July - Project 03206 - Decrease in Contractor expenses of \$11.0K, Increase in Materials of \$2.5K and an Increase in EKPC payroll and benefits of \$0.1K
 Supervision, Labor & Equipment to erect and dismantle scaffolding
 Project 03350 - Increase in Contractor expenses of \$14.8K, Increase in Materials of \$7.5K and an Increase in EKPC payroll and benefits of \$12.2K
 Supervision, Labor & Equipment to erect and dismantle scaffolding
 Adjustment to accruals to match actual resulted in an increase of \$0.5K.

August - Project 03206 - Decrease in Contractor expenses of \$2.4K, Decrease in Materials of \$6.6K and an Increase in EKPC payroll and benefits of \$22.1K.
 Project 03350 - Decrease in Contractor expenses of \$17.3K, Decrease in Materials of \$7.5K and a Decrease in EKPC payroll and benefits of \$13.4K
 Vacuum and clean 601A mixer for screw replacement
 Vacuum and clean 602A and 602B mixers
 Vacuum Baghouse Floor
 Adjustment to accruals to match actual resulted in an increase of \$7.8K.

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September - Project 03206 - Increase in Contractor expenses of \$37.4K, Increase in Materials of \$6.6K and a Decrease in EKPC payroll and benefits of \$9.3K.

Fluidizers

Fluidizing element for trough

Labor and Material to fabricate and install metal shelter on fire hose to wash screens

Project 03350 - Decrease in Contractor expenses of \$4.8K, Increase in Materials of \$2.4K and an Increase in EKPC payroll and benefits of \$4.8K

Adjustment to accruals to match actual resulted in a decrease of \$9.5K.

October - Project 03206 - Increase in Contractor expenses of \$180.2K, Decrease in Materials of \$9.7K and an Increase in EKPC payroll and benefits of \$44.5K

Clean out 4A Bed Ash Silo

Labor and Material to repack expansion joints

Fluidizers

Supervision, Labor & Equipment to erect and dismantle scaffolding

Project 03350 - Increase in Contractor expenses of \$12.0K, Increase in Materials of \$9.1K and an Increase in EKPC payroll and benefits of \$16.9K

Vacuum ash piles from ground floor

Vacuum and clean 601A, 601B and 602B mixers

Vacuum Baghouse Floor

Adjustment to accruals to match actual resulted in an increase of \$4.0K.

November - Project 03206 - Decrease in Contractor expenses of \$199.2K, Increase in Materials of \$8.9K and a Decrease in EKPC payroll and benefits of \$66.7K

Provide vacuum services during outage

Supervision, Labor & Equipment to erect and dismantle scaffolding

Labor and Material to install platforms

Material to repair 4A Ash Bed

Project 03350 - Decrease in Contractor expenses of \$5.1K, Decrease in Materials of \$9.7K and a Decrease in EKPC payroll and benefits of \$12.5K

Rent, erect and disassemble scaffolding

Vacuum and Hydro-blast cleaning baghouse

Material: 2- Vent Valves 2-1/2"

Adjustment to accruals to match actual resulted in an increase of \$3.3K.

December - Project 03206 - Decrease in Contractor expenses of \$14.5K, Decrease in Materials of \$36.6K and an Increase in EKPC payroll and benefits of \$13.0K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Project 03350 - Decrease in Contractor expenses of \$9.1K, Decrease in Materials of \$1.7K and a Decrease in EKPC payroll and benefits of \$0.2K

Adjustment to accruals to match actual resulted in a decrease of \$2.6K.

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512000 - SP21	Mtce of Boiler Plant Scrubber 1	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 9,959	\$ 269,452	\$ 155,787	\$ 84,916	\$ 143,024	\$ 71,982	\$ 32,105
	Expense Dollars Change		\$ 259,493	\$ (113,665)	\$ (70,871)	\$ 58,108	\$ (71,042)	\$ (39,877)
	Percent Change		2605.61%	-42.18%	-45.49%	68.43%	-49.67%	-55.40%

July - Decrease in Contractor expenses of \$8.3K, Increase in Materials of \$92.5K and a Decrease in EKPC payroll and benefits of \$11.8K.

Material: Wingjet agitator impeller, throat bushings

Adjustment to accruals to match actual resulted in an increase of \$187.1K.

August - Increase in Contractor expenses of \$84.9K, Decrease in Materials of \$14.9K and a Decrease in EKPC payroll and benefits of \$1.7K

Supervision, Labor & Equipment to erect and dismantle scaffolding

480v Heater

80MM shaft clamping device

Labor for Unit 1 Scrubber switch

Materials: O-rings, Oil Seals

Adjustment to accruals to match actual resulted in a decrease of \$182.0K.

September - Decrease in Contractor expenses of \$81.8K, Increase in Materials of \$10.6K and an Increase in EKPC payroll and benefits of \$7.5K

Inspection of Unit 1 WESP outage

Gearbox replacement

Labor and Material for Unit 1 Scrubber switch

Material: Reducers

Adjustment to accruals to match actual resulted in a decrease of \$7.2K.

October - Increase in Contractor expenses of \$55.4K, Decrease in Materials of \$1.4K and an Increase in EKPC payroll and benefits of \$4.2K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Inspection of Unit 1 WESP outage

Adjustment to accruals to match actual resulted in a decrease of \$0.1K.

November - Decrease in Contractor expenses of \$47.3K, Decrease in Materials of \$14.5K and a Decrease in EKPC payroll and benefits of \$10.6K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Labor and Material for Unit 1 Scrubber switch

Adjustment to accruals to match actual resulted in an increase of \$1.4K.

December - Decrease in Contractor expenses of \$42.7K, Decrease in Materials of \$9.2K and an Increase in EKPC payroll and benefits of \$2.1K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Labor and Material for Unit 1 Scrubber switch

Adjustment to accruals to match actual resulted in an increase of \$9.9K.

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512000 - SP22	Mtce of Boiler Plant Scrubber 2	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 69,337	\$ 337,868	\$ 324,596	\$ 129,250	\$ 358,163	\$ 689,313	\$ 127,645
	Expense Dollars Change		\$ 268,531	\$ (13,272)	\$ (195,346)	\$ 228,913	\$ 331,150	\$ (561,668)
	Percent Change		387.28%	-3.93%	-60.18%	177.11%	92.46%	-81.48%

July - Increase in Contractor expenses of \$194.1K, Increase in Materials of \$7.7K and an Increase in EKPC payroll and benefits of \$9.2K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Vibration Monitoring Service

Inspection of Unit 2 WESP outage

Adjustment to accruals to match actual resulted in an increase of \$57.5K.

September - Decrease in Contractor expenses of \$120.6K, Decrease in Materials of \$35.4K and a Decrease in EKPC payroll and benefits of \$23.0K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Vibration Monitoring Service

Rotor Position 7

Hub Position 10

Inspection of Unit 2 WESP outage

Materials: O-ring, Gasket, Packing ring, Quad ring, Jamesbury ball valve

Adjustment to accruals to match actual resulted in a decrease of \$16.3K.

October - Increase in Contractor expenses of \$196.2K, Increase in Materials of \$26.5K and an Increase in EKPC payroll and benefits of \$4.9K.

Supervision, Labor & Equipment to erect and dismantle scaffolding

Rebuild SIRE-R2-7 Converter unit

Labor and Material to fabricate Scrubber 2

Oil Sample Analysis

Materials: True Union ball valve, Plan end PVC pipe, PVC slip adapter, PVC slip elbow

Adjustment to accruals to match actual resulted in an increase of \$1.3K.

November - Increase in Contractor expenses of \$236.5K, Increase in Materials of \$70.0K and an Increase in EKPC payroll and benefits of \$20.7K

Supervision, Labor & Equipment to erect and dismantle scaffolding

Labor and Materials to install conduit

Unit 2 Scrubber absorber tank

Material for transformers

Weekly rental of DSI system

Materials: Flexible Coupling, Olympus stylus tough, Duplex flat washers, Hex bolts

Adjustment to accruals to match actual resulted in an increase of \$4.0K.

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December - Decrease in Contractor expenses of \$462.3K, Decrease in Materials of \$76.3K and a Decrease in EKPC payroll and benefits of \$28.4K
 Supervision, Labor & Equipment to erect and dismantle scaffolding
 Labor to replace Unit 2 absorber
 Inspection of Unit 2 WESP outage
 Rebuild SIRE-R2-7 Converter unit
 Labor and Material to install conduit
 Vibration Monitoring System
 Materials: Duplex Hex nuts, Full Hex bolts, Duplex Flat Washers, Temperature Switch, Bunan O-rings, Flush Arm Bushing
 Adjustment to accruals to match actual resulted in an increase of \$5.3K.

Air Permit Fees

50621	Misc Stm Pwr Env - Dale	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 24,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,972
	Expense Dollars Change		\$ (24,038)	\$ -	\$ -	\$ -	\$ -	\$ 128,972
	Percent Change		-100.00%					
50631	Misc Stm Pwr Env - Cooper	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ (11,174)	\$ 40,805	\$ -		\$ 10,709	\$ 36,483	\$ 333,376
	Expense Dollars Change		\$ 51,979	\$ (40,805)	\$ -	\$ 10,709	\$ 25,774	\$ 296,893
	Percent Change		-465.18%	-100.00%			240.68%	813.78%
50645	Misc Stm Pwr Env - Spurlock	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ (92,754)	\$ 92,718	\$ 25,951	\$ 41,986	\$ 82,446	\$ 23,010	\$ 474,123
	Expense Dollars Change		\$ 185,472	\$ (66,767)	\$ 16,035	\$ 40,460	\$ (59,436)	\$ 451,113
	Percent Change		-199.96%	-72.01%	61.79%	96.37%	-72.09%	1960.51%

Air permit fees paid for Dale, Cooper and Spurlock for calendar 2013 emissions.

Operating Expense- Ammonia

506001 - CPxx	Misc Stm Pwr Exp - Cooper	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 13,568	\$ 26,523	\$ (269)	\$ 33,743	\$ 4,011	\$ -	\$ 20,269
	Expense Dollars Change		\$ 12,955	\$ (26,792)	\$ 34,012	\$ (29,732)	\$ (4,011)	\$ 20,269
	Percent Change		95.48%	-101.01%	-12643.87%	-88.11%	-100.00%	

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

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Operating Expense- Ammonia

506001 - CP22	Misc Stm Pwr Exp - Cooper Unit #2 AQCS	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 76,434	\$ 172,527	\$ 121,998	\$ 99,462	\$ -	\$ -	\$ 308,240
	Expense Dollars Change		\$ 96,093	\$ (50,529)	\$ (22,536)	\$ (99,462)	\$ -	\$ 308,240
	Percent Change		125.72%	-29.29%	-18.47%	-100.00%		

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

Operating Expense- Ammonia

506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 115,804	\$ 133,222	\$ 71,285	\$ 53,672	\$ 68,146	\$ 63,779	\$ 47,353
	Expense Dollars Change		\$ 17,418	\$ (61,937)	\$ (17,613)	\$ 14,474	\$ (4,367)	\$ (16,426)
	Percent Change		15.04%	-46.49%	-24.71%	26.97%	-6.41%	-25.75%

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

506001 - SP02	Misc Steam Power Exp - Spurlock 2	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ -	\$ 29,951	\$ 75,605	\$ 56,925	\$ 72,276	\$ 67,644	\$ 50,223
	Expense Dollars Change		\$ 29,951	\$ 45,654	\$ (18,680)	\$ 15,351	\$ (4,632)	\$ (17,421)
	Percent Change			152.43%	-24.71%	26.97%	-6.41%	-25.75%

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

Operating Expense- Ammonia and Limestone

506001 - SP03	Misc Steam Power Expense- Gilbert	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Ammonia Expense	\$ (168,235)	\$ 313,978	\$ 24,199	\$ 40,173	\$ 69,303	\$ 67,055	\$ 144,159
	Limestone Expense	\$ 223,910	\$ 241,514	\$ 246,734	\$ 147,724	\$ 261,120	\$ 204,383	\$ 321,688
	Limestone Tons Used	18,674	20,180	20,639	12,355	21,786	17,041	26,861
	Total Expense Dollars	\$ 55,675	\$ 555,492	\$ 270,933	\$ 187,897	\$ 330,423	\$ 271,438	\$ 465,847
	Expense Dollars Change		\$ 499,817	\$ (284,559)	\$ (83,036)	\$ 142,526	\$ (58,985)	\$ 194,409
	Percent Change		897.74%	-51.23%	-30.65%	75.85%	-17.85%	71.62%

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Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone.

July - Limestone expenses Increased by \$17.6K and Ammonia expenses Increased by \$482.2K.
 Unit outage from 7/1/13 - 7/06/13

August - Limestone expenses Increased by \$5.2K and Ammonia expenses Decreased by \$289.8K

September - Limestone expenses Decreased by \$99.0K and Ammonia expenses Increased by \$16.0K
 Unit outage from 9/21/13 - 9/29/13

October - Limestone expenses Increased by \$113.4K and Ammonia expenses Increased by \$29.1K.

November - Limestone expenses Decreased by \$56.7K and Ammonia expenses Decreased by \$2.2K
 Unit outage from 11/13/13 - 11/19/13

December - Limestone expenses Increased by \$117.3K and Ammonia expenses Increased by \$77.1K

Operating Expense- Limestone and Magnesium

506001 - SP21	Misc Stm Pwr Exp- Spurlock 1	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Magnesium Expense	\$ 4,879	\$ 11,690	\$ 6,059	\$ 14,651	\$ 18,301	\$ 33,307	\$ 32,218
	Limestone Expense	\$ 104,667	\$ 92,750	\$ 70,468	\$ 59,297	\$ 44,443	\$ 76,962	\$ 66,638
	Limestone Tons Used	7,594	7,436	5,689	5,111	5,759	6,112	5,820
	Expense Dollars	\$ 109,546	\$ 104,440	\$ 76,527	\$ 73,948	\$ 62,744	\$ 110,269	\$ 98,856
	Expense Dollars Change		\$ (5,106)	\$ (27,913)	\$ (2,579)	\$ (11,204)	\$ 47,525	\$ (11,413)
	Percent Change		-4.66%	-26.73%	-3.37%	-15.15%	75.74%	-10.35%

August - Limestone expenses Decreased by \$22.3K and Magnesium expenses Decreased by \$5.6K

October - Limestone expenses Decreased by \$14.9K and Magnesium expenses Increased by \$3.6K
 An adjustment decreasing limestone in the amount of \$22.5K was made in October

November - Limestone expenses Increased by \$32.6K and Magnesium expenses Increased by \$15.0K.

December - Limestone expenses Decreased by \$10.4K and Magnesium expenses Decreased by \$1.1K.

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Operating Expense-Limestone and Magnesium

506001 - SP22	Misc Stm Pwr Exp- Spurlock 2	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Magnesium Expense	\$ 23,215	\$ 47,324	\$ 28,834	\$ 31,825	\$ 50,291	\$ 49,352	\$ 94,678
	Limestone Expense	\$ 203,178	\$ 197,093	\$ 172,535	\$ 160,313	\$ 16,217	\$ 49,197	\$ 171,356
	Limestone Tons Used	14,741	15,803	13,929	13,818	14,101	3,907	14,965
	Expense Dollars	\$ 226,393	\$ 244,417	\$ 201,369	\$ 192,138	\$ 66,508	\$ 98,549	\$ 266,034
	Expense Dollars Change		\$ 18,024	\$ (43,048)	\$ (9,231)	\$ (125,630)	\$ 32,041	\$ 167,485
	Percent Change		7.96%	-17.61%	-4.58%	-65.39%	48.18%	169.95%

August - Limestone expenses Decreased by \$24.6K and Magnesium expenses Decreased by \$18.5K.

October - Limestone expenses Decreased by \$144.1K and Magnesium expenses Increased by \$18.5K.
 An adjustment decreasing limestone in the amount of \$147.7K was made in October

November - Limestone expenses Increased by \$33.0K and Magnesium expenses Decreased by \$0.9K.

December - Limestone expenses Increased by \$122.2K and Magnesium expenses Increased by \$45.3K.

Operating Expense- Ammonia and Limestone

506001 - SP04	Misc Stm Pwr Exp- Spurlock 4	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Ammonia Expense	\$ 70,007	\$ 78,057	\$ 13,616	\$ 43,183	\$ 68,023	\$ 66,038	\$ 154,418
	Limestone Expense	\$ 330,033	\$ 355,121	\$ 359,312	\$ 371,477	\$ 262,466	\$ 349,240	\$ 361,137
	Limestone Tons Used	27,523	29,670	30,057	31,062	21,906	29,120	30,155
	Expense Dollars	\$ 400,039	\$ 433,178	\$ 372,928	\$ 414,660	\$ 330,489	\$ 415,278	\$ 515,555
	Expense Dollars Change		\$ 33,139	\$ (60,250)	\$ 41,732	\$ (84,171)	\$ 84,789	\$ 100,277
	Percent Change		8.28%	-13.91%	11.19%	-20.30%	25.66%	24.15%

August - Limestone expenses Increased by \$4.2K and Ammonia expenses Decreased by \$64.5K.

September - Limestone expenses Increased by \$12.2K and Ammonia expenses Increased by \$29.6K.

October - Limestone expenses Decreased by \$109.0K and Ammonia expenses Increased by \$24.8K.
 Unit outage from 10/12/13 - 10/19/13

November - Limestone expenses Increased by \$86.7K and Ammonia expenses Decreased by \$2.0K.

December - Limestone expenses Increased by \$11.9K and Ammonia expenses Increased by \$88.4K.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2014-00051
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/06/14
REQUEST 5

RESPONSIBLE PARTY: Susan E. Brooks

Request 5. This question is addressed to EKPC. The Settlement Agreement approved in Case No. 2004-00321 provides that EKPC's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the surcharge review period. Provide the following information as of November 30, 2013:

- a. The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance.
- b. The debt cost for each debt issuance directly related to the projects in the approved compliance plan.
- c. EKPC's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.50 Times Interest Earned Ratio ("TIER"). Include all supporting calculations showing how the weighted average debt cost was determined.

Responses 5a-c. Please see pages 2 through 6 of this response for the average debt cost information as of November 30, 2013.

Weighted Average Cost of Debt

	Loan Source	CWIP	NBV 11/30/2013 (2)	Cost (3)	Weights (4)=(2)*(3)	Rate of Return (5) = (4)*
Compliance Project	(1)					
1 Gilbert (Environmental Portion)	Z-8		\$53,898,355	4.71%	0.335%	
2 Spurlock 1 - Precipitator	Y-8		\$16,515,048	4.92%	0.107%	
3 Spurlock 1 - SCR	Y-8		\$55,082,058	4.92%	0.358%	
4 Spurlock 2 - SCR	Y-8		\$27,602,179	4.92%	0.179%	
5 Dale 1&2 - Low Nox Burners	AH-8		\$949,665	2.48%	0.003%	
6 Spurlock 1 Low Nox Burners	AH-8		\$2,670,066	2.48%	0.009%	
7 Spurlock #2 Scrubber	AG-8		\$177,039,015	4.39%	1.025%	
8 Spurlock #1 Scrubber	AG-8		\$130,821,202	4.29%	0.740%	
9 Spurlock #4 (Environmental Portion)	AD-8		\$74,968,116	4.49%	0.444%	
9 Spurlock #4 (Ash Silo Portion)	AH-8		\$10,880,524	2.48%	0.036%	
10 Spurlock, Cooper& Dale CEM Equip	AH-8		\$1,535,751	2.48%	0.005%	
11 Air Quality Control System (CRP)	AL-8		\$205,930,943	2.95%	0.801%	
12 Spurlock Landfill Expansion	AH-8	\$6,042,899	\$0	2.48%	0.000%	
		<u>\$6,042,899</u>	<u>\$757,892,922</u>		4.042%	6.063%

NOTES:

Project #13 Spurlock 2 Ductwork Replacement WO OS312 was funded with general funds.

<u>Y-8 30 year</u>	<u>Note Number</u>	<u>Current liability 11-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0720	20,103,954	4.460%	896,636
	H0725	20,310,255	4.819%	978,751
	H0730	20,220,990	4.950%	1,000,939
	H0750	20,462,618	5.091%	1,041,752
	H0755	20,494,666	5.149%	1,055,270
	H0760	20,448,202	5.065%	1,035,701
	H0765	20,418,160	5.011%	1,023,154
	H0770	22,134,239	5.149%	1,139,692
	H0885	5,416,132	4.890%	264,849
	H0960	9,434,212	4.338%	409,256
	H1005	3,664,278	4.306%	157,784
	11	183,107,705	4.92%	9,003,785

<u>Z-8 30 year</u>	<u>Note Number</u>	<u>Current liability 11-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0810	43,961,712	4.744%	2,085,544
	H0815	44,040,031	4.825%	2,124,931
	H0820	44,155,611	4.946%	2,183,937
	H0825	21,938,862	4.658%	1,021,912
	H0830	21,859,089	4.497%	983,003
	H0835	21,961,865	4.705%	1,033,306
	H0840	21,775,766	4.332%	943,326
	H0845	16,546,481	4.324%	715,470
	H0855	26,213,472	4.468%	1,171,218
	H0860	26,214,676	4.470%	1,171,796
	H0870	26,391,579	4.769%	1,258,614
	H0890	13,443,842	5.345%	718,573
	H0895	8,960,495	5.333%	477,863
	H0915	20,631,830	4.776%	985,376
	H0920	20,866,132	4.812%	1,004,078
	H1025	3,288,594	3.801%	124,999
	16	382,250,037	4.71%	18,003,948

<u>AD-8 30 year</u>	<u>Note Number</u>	<u>Current liability 11-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0925	46,568,092.16	4.821%	2,245,048
	H0930	23,258,867.74	4.736%	1,101,540
	H0935	46,477,646.38	4.669%	2,170,041
	H0940	23,151,594.97	4.384%	1,014,966
	H0945	46,465,009.11	4.648%	2,159,694
	H0955	46,439,025.20	4.605%	2,138,517
	H0965	7,409,706.37	4.396%	325,731
	H0975	18,514,031.90	4.355%	806,286
	H0980	18,517,282.45	4.368%	808,835
	H0985	23,195,760.95	4.527%	1,050,072
	H0990	23,264,222.98	4.754%	1,105,981
	H0995	23,224,959.88	4.623%	1,073,690
	H1000	7,307,387.79	4.298%	314,072
	H1010	23,140,035.96	4.347%	1,005,897
	H1015	23,158,131.54	4.405%	1,020,116
	H1020	6,696,901.33	2.846%	190,594
	H1030	22,877,311.89	3.651%	835,251
	H1065	13,546,623.78	4.252%	576,002
	H1215	1,735,028.67	3.954%	68,603
	H1275	1,626,139.55	2.369%	38,523
	20	446,573,761	4.49%	20,049,458

<u>AG-8 30 year</u> <u>Spurlock #2 Scrubber</u>	<u>Note</u> <u>Number</u>	<u>Current</u> <u>liability</u> <u>11-30-13</u>	<u>Interest</u> <u>Rate</u>	<u>Yearly</u> <u>Interest</u>
	H1035	32,914,292	3.988%	1,312,622
	H1040	23,602,342	4.374%	1,032,366
	H1045	23,606,298	4.391%	1,036,553
	H1050	23,655,375	4.605%	1,089,330
	H1055	37,848,600	4.605%	1,742,928
	H1060	23,654,244	4.600%	1,088,095
Split between Spur 1 & 2	H1070	10,707,353	4.262%	456,347
Split between Spur 1 & 2	H1115	1,546,987	4.175%	64,587
	H1130	5,642,567	3.990%	225,138
Split between Spur 1 & 2	H1170	10,175,079	4.508%	458,693
	H1190	857,121	3.922%	33,616
Split between Spur 1 & 2	H1220	3,136,972	3.954%	124,036
	H1320	422,141	2.432%	10,266
	13	197,769,371	4.39%	8,674,578

<u>AG-8 30 year</u> <u>Spurlock #1 Scrubber</u>	<u>Note</u> <u>Number</u>	<u>Current</u> <u>liability</u> <u>11-30-13</u>	<u>Interest</u> <u>Rate</u>	<u>Yearly</u> <u>Interest</u>
Split between Spur 1 & 2	H1070	12,868,712	4.262%	548,465
	H1075	23,537,398	4.100%	965,033
	H1085	23,623,190	4.464%	1,054,539
	H1100	23,647,213	4.569%	1,080,441
	H1095	23,606,066	4.390%	1,036,306
Split between Spur 1	H1105	6,837,948	4.142%	283,228
Split between Spur 1	H1110	555,750	4.194%	23,308
Split between Spur 1 & 2	H1115	17,297,331	4.175%	722,164
Split between Spur 1 & 2	H1170	3,490,851	4.508%	157,368
Split between Spur 1 & 2	H1220	4,503,280	3.954%	178,060
Split between Spur 1 & 2	H1320	2,440,713	2.432%	59,358
	11	142,408,453	4.29%	6,108,269

<u>AH-8 30 year</u>	Note Number	Current liability <u>11-30-13</u>	Interest Rate	Yearly Interest
	H1090	1,894,051	4.396%	83,262
	H1200	406,214	3.913%	15,895
	H1280	24,318,183	2.302%	559,805
	H1285	23,507,209	2.338%	549,599
	H1305	12,749,456	2.510%	320,011
	H1310	6,962,463	2.393%	166,612
	H1325	3,833,015	3.338%	127,946
	7	73,670,591	2.48%	1,823,130

<u>AL-8 30 year</u>	Note Number	Current liability <u>11-30-13</u>	Interest Rate	Yearly Interest
	H1210	23,188,297	4.067%	943,068
	H1245	29,116,059	2.791%	812,629
	H1250	29,179,417	2.916%	850,872
	H1255	29,176,198	3.094%	902,712
	H1265	18,503,943	2.928%	541,795
	H1270	28,830,045	2.495%	719,310
	H1290	26,588,251	2.724%	724,264
	H1315	13,610,398	2.573%	350,196
	8	198,192,608	2.95%	5,844,845.19

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RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/06/14
REQUEST 6

RESPONSIBLE PARTY: Susan E. Brooks

Request 6. This question is addressed to EKPC. Provide the percentage of EKPC's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the November 2013 expense month.

Response 6. The percentage as of November 2013 expense month is 0%. The debt issuances directly related to projects in the approved compliance plan are at a fixed interest rate.