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September 29, 2014

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

Re: PSC Case No. 2014-00051

Dr. Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and five copies of the responses of South Kentucky to the Commission's informal conference of September 4, 2014, and my prepared testimony in support of the Since Inception recovery calculation model, on behalf of South Kentucky Rural Electric Cooperative Corporation.

Sincerely,

A handwritten signature in blue ink that reads 'Michelle Herrman'.

Michelle Herrman
Vice President of Finance

RECEIVED

SEP 30 2014

PUBLIC SERVICE
COMMISSION

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)	CASE NO.
SIX-MONTH BILLING PERIOD ENDING)	2014-00051
DECEMBER 31, 2013 AND THE PASS THROUGH)	
MECHANISM FOR ITS SIXTEEN MEMBER)	
DISTRIBUTION COOPERATIVES)	

DIRECT TESTIMONY OF MICHELLE D. HERRMAN
ON BEHALF OF SOUTH KENTUCKY RECC

Filed: September 29, 2014

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **OCCUPATION.**

3 A. Michelle Herrman, 925 N. Main Street, Somerset, Kentucky 42503, Vice
4 President of Finance for South Kentucky Rural Electric Cooperative.

5 **Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL**
6 **EXPERIENCE.**

7 A. I hold a Bachelor's Degree from Syracuse University in Mathematics, as well as a
8 Master's Degree in Business Administration from Phillips University. I also
9 maintain the two following certifications: Certified Public Accountant (CPA) and
10 Professional in Human Resources (PHR). I served on active duty in the United
11 States Air Force, leaving the service as the rank of Captain. My field of specialty
12 was Contracting at the base level. After leaving military service, I worked in
13 public accounting for a small accounting firm specializing in auditing of
14 government and not for profit entities. After eight years in public accounting, I
15 moved to the private sector and served as the Chief Financial Officer for the Boys
16 and Girls Clubs of Greater Cincinnati. In 2011, I was hired at Owen Electric
17 Cooperative and served as their Controller until accepting my current position
18 with South Kentucky Rural Electric Cooperative as Vice President of Finance in
19 August 2013.

20 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT**
21 **SOUTH KENTUCKY RECC.**

22 A. As Vice President of Finance, I am responsible for the oversight of the
23 accounting, information technology, warehouse functions and the regulatory

1 affairs components of the cooperative. The overarching responsibility is the
2 financial oversight of the Cooperative.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
4 **PROCEEDING?**

5 A. To provide information to support our request for a change in the calculation and
6 reporting of the over/under recovery for the environmental surcharge to
7 incorporate the amounts paid and the amounts billed since the inception of the
8 environmental surcharge for South Kentucky Rural Electric Cooperative (“South
9 Kentucky”) in this review case.

10 **Q. HAS SOUTH KENTUCKY PROVIDED DETERMINATIONS OF ITS**
11 **OVER/UNDER RECOVERY FOR THE CURRENT REVIEW PERIOD?**

12 A. Yes. In the response to the Commission Staff’s First Data Request dated March
13 6, 2014, South Kentucky indicated that the under-recovery for the six month
14 review period was \$1,109,224. In our response to information requested at the
15 June 18, 2014, informal conference, South Kentucky indicated that the under-
16 recovery since the inception of the environmental surcharge pass-through
17 mechanism was \$881,647. It should be noted that in each of South Kentucky’s
18 responses to data requests where calculations were requested, South Kentucky has
19 consistently referred to the under-recovery of \$881,647 as the amount that South
20 Kentucky has determined as it’s under-recovery for the review period.

21

1 **Q. PLEASE INDICATE WHICH OVER/UNDER RECOVERY AMOUNT**
2 **SOUTH KENTUCKY BELIEVES IS THE REASONABLE AMOUNT FOR**
3 **THE CURRENT REVIEW PERIOD.**

4 A. South Kentucky believes that the under-recovery amount of \$881,647 is the just
5 and reasonable amount for the current review period. This amount represents the
6 historical difference between the environmental surcharge billed to retail
7 consumers and expenses paid since inception of the surcharge from July 2005 to
8 December 2013.

9 **Q. WOULD YOU EXPLAIN WHY SOUTH KENTUCKY BELIEVES THIS IS**
10 **THE REASONABLE OVER/UNDER RECOVERY AMOUNT FOR THE**
11 **CURRENT REVIEW PERIOD?**

12 A. KRS 278.183 established the ability for utilities to recover costs of compliance
13 with environmental requirements as mandated by the Federal Clean Air Act and
14 was designed to make the utility whole. The current structure of the 16 member
15 distribution cooperatives who receive their power from the East Kentucky Power
16 Corporation ("EKPC"), are passed on EKPC's environmental costs as a factor
17 applied to their monthly power bill. This billing is then passed on to the member.
18 Due to the transferring of information, there is a lag in the billing to the member.
19 Similarly, the billing is passed on to the member in the form of a percentage of
20 revenue and by its design is not a one to one pass through. Thus, this causes a
21 rolling over/under recovery amount for the Cooperative that is not necessarily tied
22 solely to a current review period, but rather to past and current review periods;
23 hence, the past operation of the environmental surcharge. KRS 278.183,

1 paragraph 3 contains specific language that allows for the review of the past
2 operations of the environmental surcharge of each utility and recovery of just and
3 reasonable amounts.

4
5 We believe the Since Inception amount is just and reasonable because this amount
6 is directly verifiable by actual billings from EKPC and actual billings to South
7 Kentucky's retail consumers. Simply put, this calculation is the net sum of the
8 total of the amounts paid to EKPC less billings to the consumers for the surcharge
9 since inception. Alternate calculations do not produce the same result. If one
10 were to reconcile their checking account by only looking at the current month
11 inflows and outflows, one would either overdraw their account or have more
12 funds available than realized. Hence, the beginning balance is a critical part of
13 the reconciliation and further illustrates why the Since Inception look-back is
14 pertinent.

15
16 As has been demonstrated in our previous testimony, the way that the
17 cooperatives have been reporting our over/under recoveries has been flawed and
18 has caused unintended consequences. By example, when we review the way that
19 the current review period has been reported in Commission Staff's First Data
20 Request dated March 6, 2014, we are reporting an under-recovery of \$1,109,224.
21 This amount only takes into consideration actual amounts paid to EKPC and
22 actual amounts billed to the Cooperative's consumers for the six-month period
23 only. This amount is overstated, as the reporting mechanism that has been in

1 place for reporting the costs has treated each review period separately with no
 2 factor being included for past over/under recoveries collected during the review
 3 period. South Kentucky has an over-recovery since inception of the surcharge
 4 from July 2005 through June 2013 of \$227,577. When the current review period
 5 activity is combined with the over-recovery since inception of the surcharge, from
 6 July 2005 through June 2013, the net under-recovery is \$881,647. This figure can
 7 be traced back to the actual sum total of the payments to EKPC and to South
 8 Kentucky's billings to the consumers.

**South Kentucky RECC
 Amounts Paid and Billed to Members per Case Number**

	Paid EKP	Billed Members	Difference
<i>Case No. 2006-00131</i>	\$ 2,789,756	\$ 2,084,678	\$ 705,078
<i>Case No. 2007-00378</i>	\$ 8,642,665	\$ 8,999,338	\$ (356,673)
<i>Case No. 2009-00039</i>	\$ 8,043,265	\$ 7,968,250	\$ 75,015
<i>Case No. 2009-00317</i>	\$ 3,656,202	\$ 3,734,402	\$ (78,200)
<i>Case No. 2010-00021</i>	\$ 3,298,600	\$ 3,417,372	\$ (118,772)
<i>Case No. 2010-00319</i>	\$ 4,610,062	\$ 4,703,176	\$ (93,114)
<i>Case No. 2011-00032</i>	\$ 5,175,295	\$ 3,614,304	\$ 1,560,991
<i>Case No. 2012-00486</i>	\$ 15,570,960	\$ 17,301,464	\$ (1,730,504)
<i>Case No. 2013-00140</i>	\$ 6,517,031	\$ 6,347,664	\$ 169,367
<i>Case No. 2013-00324</i>	\$ 6,219,891	\$ 6,580,656	\$ (360,765)
<i>Case No. 2014-00051 *</i>	\$ 6,578,966	\$ 5,469,742	\$ 1,109,224
Total	\$ 71,102,693	\$ 70,221,046	\$ 881,647

** case pending*

9
 10 In its historical review of the surcharge, South Kentucky has noted an omission
 11 that is impacting the historical under-recovery amount. As highlighted in our
 12 response to the Commission's Third Data Request, question 8d, the reporting
 13 months for the over/under recovery amount changed from Case Number 2009-
 14 00317, First Data Request, Request 2, page 16 of 17, for the month of June 2009.
 15 The monthly (over)/under for June 2009 of (\$102,395) is the difference between

1 the May 2009 expense from EKPC of \$480,465 and the June 2009 amount billed
 2 to retail consumers of \$582,860. In July 2009 the monthly (over)/under of
 3 (\$66,051) is the result of July 2009 expense billed from East Kentucky Power
 4 Cooperative of \$562,242 less the July 2009 amount billed to retail consumers of
 5 \$628,293. This change in the calculation is carried forward as seen in Case
 6 Number 2010-00021, First Data Request, Request 2, page 16 of 17, and all
 7 subsequent review cases. Please see below for further illustration.

Power Bill Date	EKPC (power bills)	South Kentucky (billed to mems)	monthly	(over)/under cumulative	
December-08	\$647,799				
January-09	\$784,179	\$680,225	(\$32,426)	(\$32,426)	
February-09	\$722,685	\$697,828	\$86,351	\$53,925	
March-09	\$622,408	\$671,236	\$51,449	\$105,374	
April-09	\$510,538	\$566,009	\$56,399	\$161,774	Cumulative 6-month
May-09	\$480,465	\$536,244	(\$25,706)	\$136,067	(Over)/Under Recovery
June-09		\$582,860	(\$102,395)	\$33,672	Case No. 2009-00317 \$ 33,672
June-09	\$535,927		\$535,927	\$535,927	
July-09	\$562,242	\$628,293	(\$66,051)	(\$66,051)	
August-09	\$602,525	\$609,518	(\$6,993)	(\$73,044)	
September-09	\$549,447	\$663,886	(\$114,439)	(\$187,483)	
October-09	\$531,528	\$553,552	(\$22,024)	(\$209,507)	Cumulative 6-month
November-09	\$393,253	\$598,616	(\$205,363)	(\$414,870)	(Over)/Under Recovery
December-09	\$659,605	\$363,508	\$296,097	(\$118,772)	Case No. 2010-00021 \$ (73,044)

9 This change resulted in the June 2009 expense of \$535,927 not being included in
 10 either of the above cited review cases nor has it been included in subsequent
 11 review cases. Thus, the \$535,927 has not been included in any past recovery
 12 amounts. Therefore, \$535,927 of South Kentucky's Since Inception under-
 13 recovery of \$881,647 is attributed to the expense for June 2009, with the
 14 remainder attributed to other periods.

15
 16 Since the inception of the environmental surcharge, South Kentucky has recorded
 17 the monthly difference between the payment to EKPC and the amount billed to

1 our members as an entry on the general ledger in account 142.32- Accounts
2 Receivable-Environmental Surcharge. The balance in this account at December
3 31, 2013, was a debit balance of \$881,647. If the outcome of this review case
4 indicates that the Since Inception Model is not allowed, then in accordance with
5 revenue recognition principles the receivable will need to be adjusted to the
6 allowed amount. This may result in a reduction to the receivable and the offset
7 reduction in revenue. This will impact the member and the Cooperative by a loss
8 in margins and ultimately, we believe, would not fulfill the spirit and intent of
9 KRS 278.183.

10 **Q. PREVIOUS TWO-YEAR REVIEWS OF THE PASS-THROUGH**
11 **MECHANISM FOUND SOUTH KENTUCKY CALCULATIONS OF**
12 **OVER/UNDER RECOVERY AMOUNTS TO BE REASONABLE.**
13 **WOULD YOU EXPLAIN WHY SOUTH KENTUCKY BELIEVES A**
14 **CALCULATION OF AN OVER/UNDER RECOVERY AMOUNT IN THIS**
15 **PROCEEDING THAT COVERS PERIODS ALREADY REVIEWED AND**
16 **FOUND REASONABLE SHOULD BE ALLOWED?**

17 A. The previous reporting mechanism only accounted for review of the amounts
18 South Kentucky paid to EKPC and amounts South Kentucky billed to the member
19 for the period of review. The reporting mechanism did not allow for the inclusion
20 of the effect of the collection of prior over/under recovery amounts in the review
21 period. Thus, the historical over/under recovery amounts were lost. This caused
22 the unintended consequence of the allowed recovery amounts to be overstated or
23 understated.

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As this overstatement or understatement has now been identified, it is just and reasonable to make the correction in the current review period. If the correction is not made in the current review period, the recovery amount in this case will continue to be overstated or understated.

South Kentucky's reported amount using the current approved reporting mechanism is an under-recovery of \$1,109,224. This amount is greater than the historical under-recovery of \$881,647. If the former reporting mechanism is utilized, this will result in an overstatement in South Kentucky's under-recovery by \$227,577.

The Since Inception reporting mechanism allows for the correction of the previous overstatements or understatements and allows for future reporting periods to utilize the proposed exclusion of previous over/under recoveries reporting model.

Q. PROVIDE YOUR PROPOSED ALTERNATIVE OVER/UNDER RECOVERY CALCULATION SINCE INCEPTION.

A. See pages 11 through 15 of the testimony.

1 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

2 A. South Kentucky requests that the Since Inception Model be utilized for this
3 review period. The previous reporting mechanism caused the over/under
4 recoveries and the resulting approved case ordered amounts to be either
5 overstated or understated. Since it is now known that the overstatements or
6 understatements occurred, South Kentucky asserts that it is just and reasonable to
7 make the correction during this current review period. The Since Inception
8 under-recovery for South Kentucky is \$881,647. This amount is less than the
9 reported under-recovery of \$1,109,224 as prescribed using the current
10 methodology.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

13

14

15

PROPOSED ALTERNATIVE CALCULATION

Following the existing filing format, the Since Inception Model would incorporate a factor for the past (Over)/Under recovery from July 2005 - June 2013, such as shown below.

**South Kentucky RECC - Calculation of (Over)/Under Since
Using Existing Calculation Method**

	EKPC Invoice 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)
July 2005- June 2013	\$64,523,727	\$64,751,304		\$ (227,577)
Jul-13	\$ 1,121,811	\$ 1,216,380	\$ (94,569)	\$ (322,146)
Aug-13	\$ 1,041,807	\$ 1,170,195	\$ (128,388)	\$ (450,534)
Sep-13	\$ 890,975	\$ 757,959	\$ 133,016	\$ (317,518)
Oct-13	\$ 842,623	\$ 643,795	\$ 198,828	\$ (118,690)
Nov-13	\$ 1,199,649	\$ 695,562	\$ 504,087	\$ 385,397
Dec-13	\$ 1,482,101	\$ 985,851	\$ 496,250	\$ 881,647
Jan-14	\$ 1,652,665	\$ 1,261,004	\$ 391,661	\$1,273,308
Feb-14	\$ 980,590	\$ 1,175,961	\$ (195,371)	\$1,077,937
Cumulative 6-months (Over)/Under Recovery				\$ 881,647
Monthly Recovery (per month for six months)				\$ 146,941

However, we believe that the exclusion of the previous over/under recoveries that were in effect during the review period should be shown. As such, we would propose adapting the Since Inception Model calculation to incorporate the exclusion of the previous over/under recoveries that were in effect during the current review period. We believe that this presentation accurately illustrates the under-recovery of \$40,240, exclusive of the previous recoveries that were in effect during the reporting period, for the period of July 2013 through December 2013. The resulting under-recovery Since Inception is the same- \$881,647.

**South Kentucky RECC - Proposed Calculation of (Over)/Under Since Inception
with the exclusion of previous over/under recoveries that were in effect during the review period**

	EKPC Invoice Recorded on Member's Books	Amortization of Previous (Over)/Under Recoveries		Net EKPC Invoice and Amortization of Previous (Over)/Under Recoveries	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
		CN 2012-00486	CN 2013-00140				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Balance Since Inception	July 2005 - June 2013 (excluding June 2009)					\$ 305,480	\$ 305,480
June 2009						\$ 535,927	\$ 841,407
Jul-13	\$1,121,811			\$1,121,811	\$ 1,216,380	\$ (94,569)	\$ 746,838
Aug-13	\$1,041,807			\$1,041,807	\$ 1,170,195	\$ (128,388)	\$ 618,450
Sep-13	\$ 890,975	\$ (288,417)		\$ 602,558	\$ 757,959	\$ (155,401)	\$ 463,049
Oct-13	\$ 842,623	\$ (288,417)	\$ 28,228	\$ 582,434	\$ 643,795	\$ (61,361)	\$ 401,688
Nov-13	\$1,199,649	\$ (288,417)	\$ 28,228	\$ 939,460	\$ 695,562	\$ 243,898	\$ 645,586
Dec-13	\$1,482,101	\$ (288,417)	\$ 28,228	\$1,221,912	\$ 985,851	\$ 236,061	\$ 881,647
Jan-14	\$1,652,665	\$ (288,417)	\$ 28,228	\$1,392,476	\$ 1,261,004	\$ 131,472	\$ 1,013,119
Feb-14	\$ 980,590	\$ (288,417)	\$ 28,228	\$ 720,401	\$ 1,175,961	\$ (455,560)	\$ 557,559

Cumulative 6-months (Over)/Under Recovery	\$ 881,647
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Monthly Recovery (per month for six months)	\$ 146,941
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<u>Since Inception (Over) Recovery July 2005 through June 2013</u> (\$305,480 + \$535,927 - (\$288,417 X 4) + (\$28,228 X 3) = (\$227,577)

<u>For Purpose of Comparison</u>	
Response to Staff's First Request, Request 2a:	
Cumulative 6-months (Over)/Under Recovery	\$1,109,224
Monthly Recovery	\$184,871

South Kentucky RECC
Impact on Average Residential Consumer's Bill

Average Residential Account:	Actual	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,077	\$92.01
Fuel Adjustment	-\$0.00390	-\$4.20
		\$100.63
*Environmental Monthly Chrg	7.82%	\$7.87
School Tax	3.00%	\$3.25
Total Monthly Bill		\$111.75

*Based on page 3 of 5 Rate

Average Residential Account:	6 Month Recovery	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,077	\$92.01
Fuel Adjustment	-\$0.00390	-\$4.20
		\$100.63
*Environmental Monthly Chrg	9.36%	\$9.42
School Tax	3.00%	\$3.30
Total Monthly Bill		\$113.35
	Impact	\$1.60

*Based on Rates on Page 3 & 4.

Additional Monthly Recovery of \$146,941 for six months

Over Recovery \$881,647/6

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
 Pass Through Mechanism Report for South Kentucky RECC

For the Month Ending February 2014

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amorization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col (3) x Col (7)		Col (8) + Col (9)			Col. (11) - Col. (12)		Col (10) / Col (14)
Sep-11	12.01%	0.00%	12.01%	\$ 5,845,122		\$ 5,845,122	\$ 6,915,662	\$ 830,571	\$ 260,165	\$ 1,090,736	\$ 9,536,854		\$ 9,536,854	\$9,352,003	11.64%
Oct-11	14.85%	0.00%	14.85%	\$ 5,673,946		\$ 5,673,946	\$ 7,006,173	\$ 1,040,417	\$ 260,165	\$ 1,300,582	\$ 7,318,628		\$ 7,318,628	\$9,351,070	13.91%
Nov-11	15.11%	0.00%	15.11%	\$ 6,632,354		\$ 6,632,354	\$ 7,099,874	\$ 1,072,791	\$ 260,165	\$ 1,332,956	\$ 8,039,947		\$ 8,039,947	\$9,404,788	14.25%
Dec-11	14.21%	0.00%	14.21%	\$ 7,829,382		\$ 7,829,382	\$ 6,933,485	\$ 985,248	\$ 260,165	\$ 1,245,413	\$ 9,438,041		\$ 9,438,041	\$9,402,480	13.24%
Jan-12	12.09%	0.00%	12.09%	\$ 8,445,069		\$ 8,445,069	\$ 6,786,606	\$ 820,501		\$ 820,501	\$ 11,260,653		\$ 11,260,653	\$9,288,986	8.73%
Feb-12	10.78%	0.00%	10.78%	\$ 7,494,679		\$ 7,494,679	\$ 6,735,803	\$ 726,120		\$ 726,120	\$ 10,885,650		\$ 10,885,650	\$9,064,730	7.82%
Mar-12	12.92%	0.00%	12.92%	\$ 5,833,422		\$ 5,833,422	\$ 6,683,282	\$ 863,480		\$ 863,480	\$ 9,070,418		\$ 9,070,418	\$8,986,989	9.53%
Apr-12	14.94%	0.00%	14.94%	\$ 5,039,236		\$ 5,039,236	\$ 6,654,446	\$ 994,174		\$ 994,174	\$ 7,707,437		\$ 7,707,437	\$8,892,189	11.06%
May-12	16.90%	0.00%	16.90%	\$ 5,774,776		\$ 5,774,776	\$ 6,674,610	\$ 1,128,009		\$ 1,128,009	\$ 7,695,942		\$ 7,695,942	\$8,941,421	12.69%
Jun-12	15.55%	0.00%	15.55%	\$ 6,377,242		\$ 6,377,242	\$ 6,651,811	\$ 1,034,357		\$ 1,034,357	\$ 8,221,562		\$ 8,221,562	\$8,943,727	11.57%
Jul-12	14.51%	0.00%	14.51%	\$ 7,269,717		\$ 7,269,717	\$ 6,630,839	\$ 962,135		\$ 962,135	\$ 9,657,844		\$ 9,657,844	\$9,091,963	10.76%
Aug-12	14.13%	0.00%	14.13%	\$ 6,554,562		\$ 6,554,562	\$ 6,564,126	\$ 927,511		\$ 927,511	\$ 9,929,869		\$ 9,929,869	\$9,063,570	10.20%
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,667	\$ 6,550,504	\$ 1,063,147		\$ 1,063,147	\$ 8,915,852		\$ 8,915,852	\$9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 6,548,619	\$ 1,150,592		\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 6,599,327	\$ 1,203,057		\$ 1,203,057	\$ 8,801,431		\$ 8,801,431	\$9,081,731	13.34%
Dec-12	14.61%	0.00%	14.61%	\$ 7,914,412		\$ 7,914,412	\$ 6,606,413	\$ 965,197		\$ 965,197	\$ 9,605,115		\$ 9,605,115	\$9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,605		\$ 8,687,605	\$ 6,626,625	\$ 893,932		\$ 893,932	\$ 11,917,064		\$ 11,917,064	\$9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854		\$ 840,854	\$ 12,507,964		\$ 12,507,964	\$9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,515		\$ 8,229,515	\$ 6,867,828	\$ 986,907		\$ 986,907	\$ 10,651,391		\$ 10,651,391	\$9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 5,856,204		\$ 5,856,204	\$ 6,935,908	\$ 989,754		\$ 989,754	\$ 10,003,319		\$ 10,003,319	\$9,608,619	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 6,943,240	\$ 1,247,700		\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 6,435,598		\$ 6,435,598	\$ 6,948,103	\$ 1,187,431		\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 6,564,126		\$ 6,564,126	\$ 6,889,304	\$ 1,086,443	\$ (288,417)	\$ 798,026	\$ 9,363,789		\$ 9,363,789	\$9,593,817	8.30%
Aug-13	15.49%	0.00%	15.49%	\$ 6,606,279		\$ 6,606,279	\$ 6,893,613	\$ 1,067,821	\$ (260,189)	\$ 807,632	\$ 9,466,625		\$ 9,466,625	\$9,555,214	8.42%
Sep-13	14.93%	0.00%	14.93%	\$ 5,751,961		\$ 5,751,961	\$ 6,899,471	\$ 1,030,091	\$ (260,189)	\$ 769,902	\$ 9,129,819		\$ 9,129,819	\$9,573,044	8.06%
Oct-13	16.69%	0.00%	16.69%	\$ 5,643,820		\$ 5,643,820	\$ 6,898,846	\$ 1,151,417	\$ (260,189)	\$ 891,228	\$ 7,646,594		\$ 7,646,594	\$9,593,921	9.31%
Nov-13	17.43%	0.00%	17.43%	\$ 7,187,844		\$ 7,187,844	\$ 6,894,429	\$ 1,201,699	\$ (260,189)	\$ 941,510	\$ 8,629,346		\$ 8,629,346	\$9,579,581	9.81%
Dec-13	14.54%	0.00%	14.54%	\$ 8,503,162		\$ 8,503,162	\$ 6,943,491	\$ 1,009,584	\$ (260,189)	\$ 749,395	\$ 10,585,938		\$ 10,585,938	\$9,661,316	7.82%
Jan-14	10.92%	0.00%	10.92%	\$ 11,366,310		\$ 11,366,310	\$ 7,166,716	\$ 782,605	\$ 28,228	\$ 810,833	\$ 12,851,992		\$ 12,851,992	\$9,739,227	8.39%
Feb-14	5.44%	0.00%	5.44%	\$ 8,979,796		\$ 8,979,796	\$ 7,248,947	\$ 394,343		\$ 394,343					4.05%

Notes:

South Kentucky Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.
 Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
 Pass Through Mechanism Report for South Kentucky RECC

For the Month Ending February 2014

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col. (3) x Col. (7)		Col. (8) + Col. (9)			Col. (11) - Col. (12)		Col. (10) Col. (14)
Sep-11	12.01%	0.00%	12.01%	\$ 5,845,122		\$ 5,845,122	\$ 6,915,662	\$ 830,571	\$ 260,165	\$ 1,090,736	\$ 9,536,854		\$ 9,536,854	\$9,352,003	11.64%
Oct-11	14.85%	0.00%	14.85%	\$ 5,673,946		\$ 5,673,946	\$ 7,006,173	\$ 1,040,417	\$ 260,165	\$ 1,300,582	\$ 7,318,628		\$ 7,318,628	\$9,351,070	13.91%
Nov-11	15.11%	0.00%	15.11%	\$ 6,632,354		\$ 6,632,354	\$ 7,099,874	\$ 1,072,791	\$ 260,165	\$ 1,332,956	\$ 8,039,947		\$ 8,039,947	\$9,404,788	14.25%
Dec-11	14.21%	0.00%	14.21%	\$ 7,829,382		\$ 7,829,382	\$ 6,933,485	\$ 985,248	\$ 260,165	\$ 1,245,413	\$ 9,438,041		\$ 9,438,041	\$9,402,480	13.24%
Jan-12	12.09%	0.00%	12.09%	\$ 8,445,069		\$ 8,445,069	\$ 6,786,606	\$ 820,501	\$ -	\$ 820,501	\$11,260,653		\$ 11,260,653	\$9,288,986	8.73%
Feb-12	10.78%	0.00%	10.78%	\$ 7,494,679		\$ 7,494,679	\$ 6,735,803	\$ 726,120	\$ -	\$ 726,120	\$10,885,650		\$ 10,885,650	\$9,064,730	7.82%
Mar-12	12.92%	0.00%	12.92%	\$ 5,833,422		\$ 5,833,422	\$ 6,683,282	\$ 863,480	\$ -	\$ 863,480	\$ 9,070,418		\$ 9,070,418	\$8,986,989	9.53%
Apr-12	14.94%	0.00%	14.94%	\$ 5,039,236		\$ 5,039,236	\$ 6,654,446	\$ 994,174	\$ -	\$ 994,174	\$ 7,707,437		\$ 7,707,437	\$8,892,189	11.06%
May-12	16.90%	0.00%	16.90%	\$ 5,774,776		\$ 5,774,776	\$ 6,674,610	\$ 1,128,009	\$ -	\$ 1,128,009	\$ 7,695,942		\$ 7,695,942	\$8,941,421	12.69%
Jun-12	15.55%	0.00%	15.55%	\$ 6,377,242		\$ 6,377,242	\$ 6,651,811	\$ 1,034,357	\$ -	\$ 1,034,357	\$ 8,221,562		\$ 8,221,562	\$8,943,727	11.57%
Jul-12	14.51%	0.00%	14.51%	\$ 7,269,717		\$ 7,269,717	\$ 6,630,839	\$ 962,135	\$ -	\$ 962,135	\$ 9,657,844		\$ 9,657,844	\$9,091,963	10.76%
Aug-12	14.13%	0.00%	14.13%	\$ 6,554,562		\$ 6,554,562	\$ 6,564,126	\$ 927,511	\$ -	\$ 927,511	\$ 9,929,869		\$ 9,929,869	\$9,063,570	10.20%
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,667	\$ 6,550,504	\$ 1,063,147	\$ -	\$ 1,063,147	\$ 8,915,852		\$ 8,915,852	\$9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 6,548,619	\$ 1,150,592	\$ -	\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 6,599,327	\$ 1,203,057	\$ -	\$ 1,203,057	\$ 8,801,431		\$ 8,801,431	\$9,081,731	13.34%
Dec-12	14.61%	0.00%	14.61%	\$ 7,914,412		\$ 7,914,412	\$ 6,606,413	\$ 965,197	\$ -	\$ 965,197	\$ 9,605,115		\$ 9,605,115	\$9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,605		\$ 8,687,605	\$ 6,626,625	\$ 893,932	\$ -	\$ 893,932	\$ 11,917,064		\$ 11,917,064	\$9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854	\$ -	\$ 840,854	\$12,507,964		\$ 12,507,964	\$9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,515		\$ 8,229,515	\$ 6,867,828	\$ 986,907	\$ -	\$ 986,907	\$ 10,651,391		\$ 10,651,391	\$9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 5,856,204		\$ 5,856,204	\$ 6,935,908	\$ 989,754	\$ -	\$ 989,754	\$ 10,003,319		\$ 10,003,319	\$9,608,619	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 6,943,240	\$ 1,247,700	\$ -	\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 6,435,598		\$ 6,435,598	\$ 6,948,103	\$ 1,187,431	\$ -	\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 6,564,126		\$ 6,564,126	\$ 6,889,304	\$ 1,086,443	\$ (288,417)	\$ 798,026	\$ 9,363,789		\$ 9,363,789	\$9,593,817	8.30%
Aug-13	15.49%	0.00%	15.49%	\$ 6,606,279		\$ 6,606,279	\$ 6,893,613	\$ 1,067,821	\$ (260,189)	\$ 807,632	\$ 9,466,625		\$ 9,466,625	\$9,555,214	8.42%
Sep-13	14.93%	0.00%	14.93%	\$ 5,751,961		\$ 5,751,961	\$ 6,899,471	\$ 1,030,091	\$ (260,189)	\$ 769,902	\$ 9,129,819		\$ 9,129,819	\$9,573,044	8.06%
Oct-13	16.69%	0.00%	16.69%	\$ 5,643,820		\$ 5,643,820	\$ 6,898,846	\$ 1,151,417	\$ (260,189)	\$ 891,228	\$ 7,646,594		\$ 7,646,594	\$9,593,921	9.31%
Nov-13	17.43%	0.00%	17.43%	\$ 7,187,844		\$ 7,187,844	\$ 6,894,429	\$ 1,201,699	\$ (260,189)	\$ 941,510	\$ 8,629,346		\$ 8,629,346	\$9,579,581	9.81%
Dec-13	14.54%	0.00%	14.54%	\$ 8,503,162		\$ 8,503,162	\$ 6,943,491	\$ 1,009,584	\$ (113,248)	\$ 896,336	\$ 10,585,938		\$ 10,585,938	\$9,661,316	9.36%
Jan-14	10.92%	0.00%	10.92%	\$ 11,366,310		\$ 11,366,310	\$ 7,166,716	\$ 782,605	\$ 28,228	\$ 810,833	\$ 12,851,992		\$ 12,851,992	\$9,739,227	8.39%
Feb-14	5.44%	0.00%	5.44%	\$ 8,979,796		\$ 8,979,796	\$ 7,248,947	\$ 394,343	\$ -	\$ 394,343					4.05%

Notes:

South Kentucky Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues. Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

	Monthly Amortization
Case 2012-00486	(\$288,417)
Case 2013-00140	\$28,228
Case 2014-00051	\$146,941
Monthly Total Amount	(\$113,248)

