

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

NOTICE OF FILING

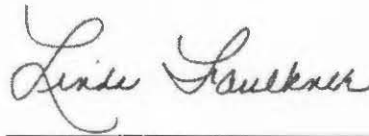
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on December 16, 2014 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on December 16, 2014 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on December 16, 2014.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: http://psc.ky.gov/av_broadcast/2014-

00051/2014-00051 16Dec14 Inter.asx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 19th day of December 2014.



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

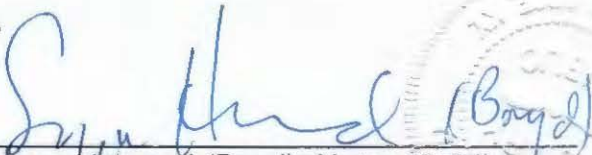
AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR THE SIX-MONTH) CASE NO. 2014-00051
BILLING PERIOD ENDING DECEMBER 31, 2013 AND)
THE PASS THROUGH MECHANISM FOR ITS)
SIXTEEN MEMBER DISTRIBUTION COOPERATIVES)

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on December 16, 2014. Hearing Log, Exhibit, Exhibit List, and Witness List are included with the recording on December 16, 2014.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of December 16, 2014.
4. The "Exhibit List" attached to this Certificate correctly lists the Exhibit introduced at the Hearing of December 16, 2014.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the December 16, 2014 and the time at which each occurred.

Given this 18th day of December, 2014.


Sonya Harward (Boyd), Notary Public
State at Large

My commission expires: August 27, 2017



Session Report - Detail

2014-00051_16Dec2014

East Kentucky Power Cooperative, Inc. and Its Member Cooperatives

Date:	Type:	Location:	Department:
12/16/2014	Other	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Jim Gardner

Witness: Michelle Herrman - South Kentucky RECC; Debbie Martin - Shelby Energy; Isaac Scott - EKPC

Clerk: Sonya Harward

Event Time	Log Event
9:59:16 AM	Session Started
9:59:19 AM	Session Paused
10:06:09 AM	Session Resumed
10:06:11 AM	Chairman Armstrong - Opening Remarks Note: Harward, Sonya Also introduces Vice Chairman Gardner.
10:07:47 AM	Atty. David Samford for EKPC and South Kentucky RECC
10:08:12 AM	Atty. Don Prather for Shelby Energy
10:08:58 AM	Atty. Jonathan Beyer for the PSC Note: Harward, Sonya PSC Staff Ron Handziak and Errol Wagner
10:09:18 AM	Confirmed that Public Notice has been given.
10:09:27 AM	Confirmed that there are no outstanding motions.
10:09:35 AM	Call for Public Comment Note: Harward, Sonya No Pulic present for comments at this time.
10:10:07 AM	Witness Isaac Scott, EKPC, takes the stand and is sworn in. Note: Harward, Sonya Pricing Manager for EKPC
10:10:57 AM	Atty. Samford Direct Exam of Witness Scott Note: Harward, Sonya Witness accepts pre-filed testimony as still accurate.
10:11:16 AM	Atty. Beyer Cross Exam of Witness Scott Note: Harward, Sonya Asking Witness to explain the current method for determining the Member Cooperative's over- or under-recovery developed.
10:15:13 AM	Atty. Beyer to Witness Scott Note: Harward, Sonya Asks Witness to discuss some of the issues that the current methodology creates for some of the Member systems.
10:20:21 AM	Atty. Beyer to Witness Scott Note: Harward, Sonya Asking Witness if EKPC or it's Members were involved in the creation of this methodology.
10:21:49 AM	Atty. Beyer to Witness Scott Note: Harward, Sonya Asking Witness to describe the new or proposed methodology since there has been discussion about revising the old methodology.
10:24:07 AM	Atty. Beyer to Witness Scott Note: Harward, Sonya Asking Witness if the revised system will alleviate some of the over/under swings.
10:24:30 AM	Atty. Beyer to Witness Scott Note: Harward, Sonya Asking Witness about Since Inception Model, and his understanding of KRS 278.225, regarding two-year limitation period for backbilling.
10:25:56 AM	Atty. Beyer to Witness Scott Note: Harward, Sonya Asking if Members could potentially go back to 2005 under the Since Inception Model, since this is when they started the environmental surcharge.
10:26:59 AM	Vice Chairman Gardner Cross Exam of Witness Scott Note: Harward, Sonya Asking Witness about the 12-month period and if its on a rolling basis.

10:27:34 AM	Vice Chairman Gardner to Witness Scott Note: Harward, Sonya	Asking for clarification about the mechanism in regards to the amortization.
10:28:27 AM	Atty. Samford Re-Direct Exam of Witness Scott Note: Harward, Sonya	Asking Witness to elaborate on a previous response regarding amortization.
10:31:32 AM	Witness Scott dismissed from the stand.	
10:31:45 AM	Witness Michelle Herrman, South Kentucky RECC, takes the stand and is sworn in. Note: Harward, Sonya	Vice President of Finance for South Kentucky RECC
10:32:44 AM	Atty. Samford Direct Exam of Witness Herrman Note: Harward, Sonya	Witness accepts pre-filed testimony as still accurate.
10:32:59 AM	Atty. Beyer Cross Exam of Witness Herrman Note: Harward, Sonya	Referencing South Kentucky RECC's Response to Staff's Third Request for Information, Item 8.d., regarding its interpretation of a PSC Order in Case No. 2009-00039.
10:36:25 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking if South Kentucky RECC was aware of the issue concerning the incorrect calculations of over/under recovery.
10:37:09 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness why this issue wasn't presented to the Commission before now in other 6-month or 2-year review cases.
10:38:23 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness about the Since Inception Model, regarding South Kentucky RECC proposing to go back to 2005 in calculating the surcharge.
10:39:36 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness why Since Inception would only need to go back to 2012.
10:42:15 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness about her knowledge of KRS 278.225, regarding the two-year limitation period on backbilling, and the Commission's existing practice of limiting backbilling to two years.
10:42:58 AM	Atty. Samford - Objection Note: Harward, Sonya	The question may need to be answered in a legal brief following the Hearing.
10:44:18 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Referencing South Kentucky RECC's Response to Staff's Fourth Request for Information, Item 3.c.
10:50:29 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Referencing Witness's Testimony, p. 4, lines 4-8, and South Kentucky RECC's Response to Staff's Fourth Request for Information, Item 3.b., regarding difference in under recovery in document.
10:53:54 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness if South Kentucky RECC accepts the revised method described earlier by Witness Scott.
10:54:15 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness what the impact would be to South Kentucky RECC if the Since Inception Model was not approved in this case.
10:57:13 AM	Atty. Beyer to Witness Herrman Note: Harward, Sonya	Asking Witness when the write-off would occur if necessary.
10:57:41 AM	Vice Chairman Gardner Cross Exam of Witness Herrman Note: Harward, Sonya	Asking Witness about what EKPC and South Kentucky RECC prepare in order to bill the members.

10:59:23 AM	Vice Chairman Gardner to Witness Herrman Note: Harward, Sonya	Asking Witness about her comment regarding eliminating the over and under recovery, the two approaches to recovery, and if South Kentucky RECC agrees with what EKCP proposes.
11:00:46 AM	Vice Chairman Gardner to Witness Herrman Note: Harward, Sonya	Asking Witness about her example of balancing a checkbook, and if an exhibit has been prepared that shows what would happen with a given balance and working forward to figure what the end balance would be.
11:03:06 AM	Exhibit 1 - SKRECC Note: Harward, Sonya	South Kentucky RECC, Summary of Schedule A of June 18 Informal Conference
11:03:38 AM	Witness Herrman Note: Harward, Sonya	Witness explains the Exhibit.
11:09:39 AM	Atty. Samford Re-Direct Exam of Witness Herrman Note: Harward, Sonya	Asking Witness to elaborate more on her response about the amount of environmental surcharge the Utility is seeking.
11:10:08 AM	Atty. Beyer Re-Cross Exam of Witness Herrman Note: Harward, Sonya	Asking Witness if the mechanism is not changed, would South Kentucky RECC include that amount in future cases. If so, why would the Commission need to write it off next year?
11:12:03 AM	Witness Herrman dismissed from the stand.	
11:12:20 AM	Break	
11:12:30 AM	Session Paused	
11:21:02 AM	Session Resumed	
11:21:09 AM	Witness Debbie Martin, Shelby Energy, takes the stand and is sworn in. Note: Harward, Sonya	President/CEO of Shelby Energy
11:22:01 AM	Atty. Prather Direct Exam of Witness Martin Note: Harward, Sonya	Witness accepts pre-filed testimony as still accurate.
11:22:25 AM	Atty. Beyer Cross Exam of Witness Martin Note: Harward, Sonya	Referencing Shelby Energy's Response to Staff's Fourth Request for Information, Item, 4.b., regarding transition to a single pass-through factor for a revenue month.
11:23:35 AM	Atty. Beyer to Witness Martin Note: Harward, Sonya	Asking Witness for the factor that was provided for the November billing month.
11:24:10 AM	Atty. Beyer to Witness Martin Note: Harward, Sonya	Asking Witness when rate was filed with the Commission.
11:25:06 AM	Atty. Beyer to Witness Martin Note: Harward, Sonya	Referencing Shelby Energy's Response to Staff's Fourth Request for Information, Item 4.a., Exhibit B, regarding how October 25 can be the first billing date.
11:28:45 AM	Atty. Beyer to Witness Martin Note: Harward, Sonya	Asking Witness if Shelby Energy is proposing to change the surcharge factor billed to customers with cycle 3.
11:29:13 AM	Witness Martin dismissed from the stand.	
11:29:25 AM	Briefs due January 6, 2015	
11:30:03 AM	Hearing Adjourned	
11:30:09 AM	Session Paused	
11:31:43 AM	Session Ended	



Exhibit List Report

2014-00051_16Dec2014

East Kentucky Power Cooperative,
Inc. and Its Member Cooperatives

Name:

Description:

Exhibit 1 - SKRECC

South Kentucky RECC, Summary of Schedule A of June 18 Informal Conference

South Kentucky RECC

Summary of Schedule A of June 18 Informal Conference

<u>Review Periods</u>	<u>South Kentucky</u>	<u>PSC Case Numbers & Amounts</u>	
	(Over)/Under Cumulative	Case Number	Amounts Approved
July 2005 thru Dec 2005	(\$23,652)	2006-00131	(\$23,652)
Jan 2006 thru Jun 2007	(\$74,242)	2007-00378	(\$50,590)
July 2007 thru Dec 2008	(\$224,380)	2009-00039	(\$150,137)
Jan 2009 thru Jun 2009	(\$190,708)	2009-00317	\$33,672
July 2009 thru Dec 2009	\$226,447	2010-00021	(\$73,044)
Jan 2010 thru Jun 2010	\$133,333	2010-00319	\$0
Jul 2010 thru Dec 2010	\$1,694,324	2011-00032	\$1,560,991 (Fully amortized during period of case 2012-00486)
Jan 2011 thru Jun 2012	(\$36,180)	2012-00486	(\$1,730,504) (Began Amortizing in mechanism in Jul 13)
July 2012 thru Dec 2012	\$133,187	2013-00140	\$169,367 (No amortizations)
Jan 2013 thru Jun 2013	(\$227,577)	2013-00324	(\$360,764) (No amortizations)
July 2013 thru Dec 2013	\$881,647	2014-00051	\$1,734,559 (Change in period without amortizations is 40,240 (881,647 + 852,912= \$1,734,559)
	\$ 1,730,504		\$1,734,559
	(36,180)		(40,240)
	<u>\$ 1,694,324</u>		<u>\$1,694,319</u>