

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY FOR)	
CONSTRUCTION OF AN ASH LANDFILL AT J.K.)	CASE NO.
SMITH STATION, THE REMOVAL OF IMPOUNDED)	2014-00252
ASH FROM WILLIAM C. DALE STATION FOR)	
TRANSPORT TO J.K. SMITH AND APPROVAL OF A)	
COMPLIANCE PLAN AMENDMENT FOR)	
ENVIRONMENTAL SURCHARGE RECOVERY)	

NOTICE OF FILING

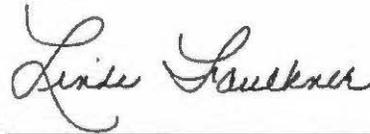
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on February 3, 2015 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on February 3, 2015 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 February 3, 2015.

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-

00252/2014-00252 03Feb15 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 10th day of February 2015.



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Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

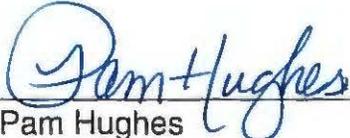
APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY FOR CONSTRUCTION)
OF AN ASH LANDFILL AT J.K. SMITH STATION, THE) CASE NO.
REMOVAL OF IMPOUNDED ASH FROM WILLIAM C. DALE) 2014-00252
STATION FOR TRANSPORT TO J.K. SMITH AND)
APPROVAL OF A COMPLIANCE PLAN AMENDMENT FOR)
ENVIRONMENTAL SURCHARGE RECOVERY)

CERTIFICATE

I, Pam Hughes, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on February 3, 2015. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on February 3, 2015.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of February 3, 2015.
4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of February 3, 2015.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of February 3, 2015 and the time at which each occurred.

Signed this 5th day of February, 2015.


Pam Hughes



Session Report - Detail

2014-00252 3FEB15

East Kentucky Power Cooperative, Inc.

Date:	Type:	Location:	Department:
2/3/2015	Other	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Jim Gardner
 Witness: Matt Clark; Don Mosier; Jerry Purvis; Isaac Scott; Ed Tohill
 Clerk: Pam Hughes

Event Time	Log Event
9:40:19 AM	Session Started
9:40:22 AM	Session Paused
10:03:37 AM	Session Resumed
10:03:40 AM	Chairman Armstrong Note: Hughes, Pam
10:04:53 AM	Introductions Note: Hughes, Pam
10:05:25 AM	Mark David Goss(EKPC) calls Don Mosier to witness stand Note: Hughes, Pam
10:06:28 AM	Mark David Goss (EKPC)direct exam of Mr Mosier Note: Hughes, Pam
10:07:33 AM	Public Comments Note: Hughes, Pam
10:08:56 AM	Will Matthews (Grayson)cross exam of Don Mosier Note: Hughes, Pam
10:12:37 AM	Mark David Goss(EKPC) objection to question Note: Hughes, Pam
10:14:26 AM	Will Matthews response to objection
10:15:51 AM	Chairman Armstrong response
10:16:10 AM	Will Matthews cross exam of Don Mosier Note: Hughes, Pam
10:18:11 AM	Will Matthews cross exam of Don Mosier Note: Hughes, Pam
10:19:50 AM	Will matthews cross exam of Don Mosier Note: Hughes, Pam
10:20:52 AM	Will Matthews cross exam of Don Mosier Note: Hughes, Pam
10:24:03 AM	Will Matthews cross exam of Don Mosier Note: Hughes, Pam
10:25:47 AM	Will Matthews cross exam of Don Mosier Note: Hughes, Pam
10:26:55 AM	Will Matthews cross exam of Don Mosier Note: Hughes, Pam
10:28:26 AM	Greg Dutton, AG office Note: Hughes, Pam
10:28:32 AM	Quang Nguyen cross exam of Don Mosier Note: Hughes, Pam

Preliminary remarks and introductions of the Commissioners

All attorney's introduce themselves:Mark David Goss, David Samford, and Evan Buckley (EKPC); Will Matthews(Grayson); Greg Dutton, Stephanie Kingsley,(AG); Quang Nguyen, Jonathan Beyer, (PSC)

Don Mosier Chief operating officer of EKPC

Witness is sworn in and adopts his testimony

No one present

pg. 2 of APP refers to astringent regulations, please explain. Questions about margins for 2014 and 2015.

objects to question about EKPC funding this project without charging rate payers

Itemizations of estimates

footnote 8 of App

Plan to buy adjacent land. What option did the Sierra Club want?

Truck fleet questioning and questions about violations in the past and how they were handled.

Qusetionong about soliciting bids.

Are you able to illiterate on environmental impact?

Questions about permits.

No questions

Questions about the primary driver of the plant.

10:30:33 AM Quang Nguyen cross exam of Don Mosier
Note: Hughes, Pam EKPC response to AG 1st data request Item 8

10:32:04 AM Mark David Goss redirect questions to Don Mosier
Note: Hughes, Pam Clarifying supplementing post hearing response

10:32:32 AM Quang Nguyen cross exam of Don Mosier
Note: Hughes, Pam Staff's 3rd DR item #2 2a

10:38:16 AM Quang Nguyen cross exam of Don Mosier
Note: Hughes, Pam allocations of RPM's across the generating fleet?

10:40:09 AM Quang Nguyen cross exam of Don Mosier
Note: Hughes, Pam Analysis of what EKPC is receiving and cost to EKPC if Dale units 3 & 4 weren't available.

10:42:38 AM Quang Nguyen cross exam of Don Mosier
Note: Hughes, Pam Item 5 a in Staff's 3rd DR last sentence of response

10:44:00 AM Vice Chair Gardner cross exam of Don Mosier
Note: Hughes, Pam Questions about MW used

10:45:30 AM Vice Chair Gardner cross exam of Don Mosier
Note: Hughes, Pam The coal ash rule selected option of subtitle D

10:47:22 AM Vice Chair Gardner cross exam of Don Mosier
Note: Hughes, Pam Questions about this construction season.

10:49:00 AM Vice Chair Gardner cross exam of Don Mosier
Note: Hughes, Pam Will relocation be complete in 2016 of transmission facilities

10:49:36 AM Vice Chair Gardner cross exam of Don Mosier
Note: Hughes, Pam FN 8 of APP

10:51:55 AM David Samford
Note: Hughes, Pam clarification of FN 8

10:52:00 AM Vice Chair Gardner cross exam of Don Mosier
Note: Hughes, Pam You stated that you were closing Dale 1 & 2 and idling 3 & 4. What is the difference?

10:53:29 AM Mark David Goss redirect to witness Mosier
Note: Hughes, Pam Questions about legal authority and Board of Directors to make decisions.

10:54:26 AM Mark David Goss redirect to Mosier
Note: Hughes, Pam Explain what happens between developing strategic issues then taking to the board of directors.

10:57:38 AM Mark David Goss redirect of Don Mosier
Note: Hughes, Pam exhibit 2 of APP

10:58:39 AM Mark David Goss redirect of Don Mosier
Note: Hughes, Pam 3rd paragraph on first page, who made motion to board to approve resolution?

10:59:47 AM Mark David Goss redirect of Don Mosier
Note: Hughes, Pam 2nd page of resolution.

11:01:27 AM Greg Dutton cross exam of Mosier
Note: Hughes, Pam Response to AG request to DR 1 item 8, insurance markets

11:03:04 AM Witness Mosier leaves the stand

11:03:15 AM David Samford calls Matt Clark to the stand
Note: Hughes, Pam Matt Clark -Senior Production Engineer at EKPC

11:03:37 AM Chairman Armstrong to witness Clark
Note: Hughes, Pam Chairman swears in Mr. Clark

11:04:51 AM Davis Samford tenders Mr Clark to cross examination

11:05:08 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Questions about consulting firms.

11:07:26 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Questions about cost of developing landfill, Bid process, and invitation to bid process

11:10:28 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Questions about relocation of transmission lines.

11:11:11 AM David Samford clarification

11:11:38 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Questions about cost to relocate transmission lines.

11:12:15 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Questions about outage to relocate lines and how will affect customers?

11:12:57 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Time frame for relocation to occur

11:14:11 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Smith landfill, how is it different than Dale?

11:15:42 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam How will you limit the fly ash from going into the River?

11:17:39 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam How is this process going to be monitored?

11:19:11 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam pg 11 of APP, total cost?

11:20:52 AM Will Matthews cross exam of Matt Clark
Note: Hughes, Pam Smith landfill, upsize?

11:22:30 AM Greg Dutton cross exam of Matt Clark
Note: Hughes, Pam Questions about the CCR rule

11:22:48 AM Greg Dutton cross exam of Matt Clark
Note: Hughes, Pam Questions about beneficial reuse of ash.

11:27:07 AM Quang Nguyen cross exam of Matt Clark
Note: Hughes, Pam PSC staff's initial DR item # 25

11:29:20 AM Quang Nguyen cross exam of Matt Clark
Note: Hughes, Pam Did EKPC receive any feedback about concerns

11:30:28 AM Quang Nguyen cross exam of Matt Clark
Note: Hughes, Pam Staff's DR 2 item 2

11:31:08 AM Quang Nguyen cross exam of Matt Clark
Note: Hughes, Pam Have there been any add'l comments since last DR?

11:32:00 AM Quang Nguyen cross exam of Matt Clark
Note: Hughes, Pam extension for Dale 3 & 4 , does it impact cost or schedule?

11:32:40 AM Vice Chair Gardner cross exam of Matt Clark
Note: Hughes, Pam page 7 of APP

11:34:47 AM Vice Chair Gardner cross exam of Matt Clark
Note: Hughes, Pam Smith landfill liner

11:36:53 AM Vice Chair Gardner cross exam of Matt Clark
Note: Hughes, Pam moving of existing transmission facilities

11:38:09 AM Vice Chair Gardner cross exam of Matt Clark
Note: Hughes, Pam explain the De-watering process

11:40:12 AM Vice Chair Gardner cross exam of Matt Clark
Note: Hughes, Pam does EKPC get paid for beneficial reuse?

11:41:37 AM Vice Chair Gardner cross exam of Matt Clark
Note: Hughes, Pam EKPC filed case before they selected alternatives for CCR, would EKPC still submitted the case if it was under subtitle C?

11:42:25 AM Will Matthews redirect of Matt Clark
Note: Hughes, Pam Questions about reclamation obligations.

11:43:03 AM Quang Nguyen redirect to Matt Clark

11:43:19 AM Will Matthew redirect of Matt Clark
Note: Hughes, Pam Questions regarding geological problems while excavating.

11:43:56 AM Quang Nguyen redirect of Matt Clark
Note: Hughes, Pam Questions regarding options of liners used.

11:48:32 AM Quanq Nguyen redirect of Matt Clark
Note: Hughes, Pam Questions as to when will EKPC begin the screening.

11:48:54 AM Vice Chair Gardner redirect of Matt Clark
Note: Hughes, Pam APP pg 17 structural fills?

11:50:49 AM witness Clark leaves the stand
Note: Hughes, Pam Chairman Armstrong gives a 10 minute break.

11:51:20 AM Session Paused

12:04:51 PM Session Resumed

12:05:02 PM Mark David Goss calls Edward Tohill
Note: Hughes, Pam Burns & McDonnell Engineering Co, inc.

12:05:08 PM Camera Lock Deactivated

12:05:23 PM Chairman Armstrong swears Mr Tohill in
Note: Hughes, Pam Of Burns & McDonnell Engineering Co, inc.

12:06:34 PM Mark Goss exam of witness Tohill
Note: Hughes, Pam No revisions to make to testimony, DR, adopts testimony,

12:07:27 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Questions about geological problems and permits to excavate and any concerns.

12:10:22 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Questions regarding firms doing the construction.

12:10:47 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Once project is underway, will your firm still be engaged in overseeing this?

12:12:33 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Cost of project, did your company develop all the alternatives? How did you come up with the costs for this project?

12:14:02 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam What things are still up in the air about the project?

12:15:13 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam If Smith needs to be expanded, how does this process occur?

12:16:05 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Questions about Permits from the state or federal government.

12:18:35 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Monitoring the removal of the coal ash.

12:20:10 PM Will Matthews cross exam of witness Tohill
Note: Hughes, Pam Question as to what made firm determine this is the best option for moving the coal ash.

12:20:44 PM Mark David Goss clarification

12:20:59 PM Quang Nguyen cross exam of Ed Tohill
Note: Hughes, Pam pg 22 of APP, paragraph 28 project cost

12:24:33 PM Vice Chair Gardner cross exam of Ed Tohill
Note: Hughes, Pam Questions about the line grading and capping

12:25:37 PM Witness Tohill leaves the stand

12:25:49 PM Mark David Goss calls Jerry Purvis to stand
Note: Hughes, Pam EKPC Director of Environmental Affairs

12:26:36 PM Chairman Armstrong swears witness Purvis in

12:27:39 PM Mark David Goss exam of witness Purvis
Note: Hughes, Pam No changes to testimony, responses, etc. Adopts testimony, responses, etc

12:28:31 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam pg 2 of APP EPA rules

12:30:22 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Questions about the impact of 2014 EPA rule

12:31:57 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Question pertaining to options. Out of the 8 options, is this one the most environmentally friendly?

12:33:39 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Did EKPC hire anyone else outside the company to assist in this process?

12:35:12 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Questions about environmental laws for moving ash.

12:36:34 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Questions about what the Sierra Club wanted done.

12:37:36 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Is the clean water act impacted by this?

12:38:15 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Questions about preference for liners used in this project.

12:40:23 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Do you see any environmental costs that are not included?

12:40:54 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam Questions about feasibility of expanding the Smith location.

12:41:57 PM Will Matthews cross exam of witness Purvis
Note: Hughes, Pam When does permit expire? Witness refers to Exhibit JPP 3

12:43:54 PM Greg Dutton cross exam of Witness Purvis
Note: Hughes, Pam CCR rule as far as beneficial reuse?

12:45:06 PM Greg Dutton cross exam of Witness Purvis
Note: Hughes, Pam Does EKPC pursue projects for beneficial reuse?

12:46:44 PM Greg Dutton cross exam of Witness Purvis
Note: Hughes, Pam Questions regarding any plan of EKPC to track and pursue beneficial reuse projects?

12:47:25 PM Greg Dutton cross exam of Witness Purvis
Note: Hughes, Pam CCR -coal ash can be used for structural fill going forward.

12:47:51 PM Greg Dutton cross exam of Witness Purvis
Note: Hughes, Pam Question concerning exhaust of trucks moving the ash.

12:49:25 PM Vice Chairman Gardner cross exam of Witness Purvis
Note: Hughes, Pam EPA rated Dale ash pond "fair" Are there any other landfills or ash ponds that EKPC has that are impacted by the CCR rule?

12:51:24 PM Vice Chairman Gardner cross exam of Witness Purvis
Note: Hughes, Pam EPA issued rule several yrs ago, as subtitle c.....when you filed the APP you didn't know the rule and the options included, would both of those comply with this project if it had come out of subtitle C?

12:54:41 PM Mark David Goss redirect witness Purvis
Note: Hughes, Pam Exhibit BP-2 explain what this is

12:55:49 PM Mark David Goss redirect witness Purvis
Note: Hughes, Pam Explains the Waste Management is on board with EKPC at this time.

12:56:40 PM Witness Purvis leaves the stand

12:56:53 PM Break for lunch

12:57:39 PM Session Paused

2:07:20 PM Session Resumed

2:07:35 PM David Samford calls Isaac Scott to stand
Note: Hughes, Pam EKPC Manager of pricing

2:07:58 PM Chairman Armstrong swears in Mr Scott

2:08:48 PM David Samford examination of witness Scott
Note: Hughes, Pam No changes to testimony

2:09:18 PM Will Matthews cross exam of witness Scott
Note: Hughes, Pam Questions pertaining to time frames of project.

2:10:34 PM Will Matthews cross exam of witness Scott
Note: Hughes, Pam Environmental surcharge questions.

2:11:24 PM Will Matthews cross exam of witness Scott
Note: Hughes, Pam Questions about the 2014 Margins.

2:12:49 PM Will Matthews cross exam of witness Scott
Note: Hughes, Pam Questions if EKPC can absorb the costs of this project without imposing the cost on ratepayers.

2:13:07 PM David Samford objects to questions

2:13:50 PM Will Matthews redirects question to Chairman

2:14:24 PM David Samford objects to this line of questioning.

2:16:59 PM Will Matthews cross exam of witness Scott
Note: Hughes, Pam Questions if EKPC undergo any discretionary projects in 2014

2:17:50 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam Characterize projects in EKPC environmental surcharge regarding Investments and plant and equipment.

2:18:58 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam Does EKPC earn a return on that investment?

2:20:09 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam Questions about cost estimates for each project.

2:21:16 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam pg 22 APP para 28 total direct cost, line item-ash removal and hauling

2:25:11 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam How would that long term benefit manifest itself in this project?

2:26:32 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam EKPC response to Staff's 1st DR item 30

2:28:52 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam APP Para 7, Hancock creek landfill

2:29:56 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam Questions about transporting ash from Dale to Hancock creek, how was expense done recorded in the books?

2:31:27 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam Questions earnings on the environmental surcharge?

2:33:18 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam Questions the long term benefit, and does it exceed the 10 years?

2:34:54 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam EKPC response to Staff's 1st DR item 30c

2:35:49 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam 2014-00432 Nguyen gives Mr Scott a copy of the APP

2:35:50 PM Exhibit PSC Exhibit 1
Note: Hughes, Pam APP 2014-00432

2:37:44 PM Quang Nguyen cross exam of witness Scott
Note: Hughes, Pam para 7 of APP 2014-00432

2:42:50 PM Witness Scott leaves the stand

2:43:02 PM Briefs due 2/17/15

2:46:19 PM Session Paused

2:50:24 PM Session Ended



Exhibit List Report

2014-00252 3FEB15

East Kentucky Power Cooperative,
Inc.

Name:

Description:

PSC Exhibit 1

2014-00432 Application of EKPC filed 12/10/2014

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 10 2014

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR AN ORDER APPROVING)
THE ESTABLISHMENT OF REGULATORY ASSETS)
FOR THE DEPRECIATION AND ACCRETION) CASE NO. 2014- 00432
EXPENSES ASSOCIATED WITH ASSET)
RETIREMENT OBLIGATIONS)

APPLICATION

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by counsel, pursuant to KRS 278.030(1), KRS 278.040(2), KRS 278.220 and other applicable law, and does hereby request the Kentucky Public Service Commission ("Commission") to approve the establishment of regulatory assets for the depreciation and accretion expenses associated with EKPC's Asset Retirement Obligations ("ARO"), respectfully stating as follows:

I. Applicant Information and General Filing Requirements

1. EKPC is an electric generation and transmission cooperative that provides electricity to approximately 525,000 retail customers. EKPC is owned by sixteen Members, all of whom are distribution cooperatives. EKPC owns four primary electric generation stations, including: the William C. Dale Generating Station ("Dale Station") in Ford, Kentucky; the John Sherman Cooper Generating Station ("Cooper Station") near Burnside, Kentucky; the H. L. Spurlock Generating Station ("Spurlock Station") near Maysville, Kentucky and the J. K. Smith Generating Station ("Smith Station") near Trapp, Kentucky. Altogether, EKPC currently has 2,929 megawatts (MWs) of wintertime net electric generating capacity in its fleet.

written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. An asset retirement cost represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost shall be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred.²

6. The RUS USoA requires that a utility initially record a liability for an ARO in Account 230 – Asset Retirement Obligations, and charge the associated asset retirement costs to the electric utility plant that gave rise to the legal obligation. The asset retirement cost is to be depreciated over the useful life of the related asset that gives rise to the obligation. In periods subsequent to the initial recording of the ARO, the utility shall recognize the period-to-period changes of the ARO that result from the passage of time due to the accretion of the liability by recording a debit to Account 411.11 – Accretion Expense, and a credit to Account 230. For any subsequent measurement changes to the initial liability for the legal obligation recorded in Account 230 for each specific ARO, the utility shall recognize said changes as an adjustment to the liability in Account 230 with a corresponding adjustment to the appropriate electric utility plant account. The utility shall on a timely basis monitor measurement changes of the AROs.³

7. During 2011, information became available to reasonably quantify AROs for asbestos at certain generating plants, which is required by law to be removed or contained if the plants are renovated or demolished. In March 2011, EKPC recognized and established an ARO liability of \$1,905,278 relating to asbestos abatement at Dale Station Units 1 and 2. During 2012 EKPC was able to quantify an ARO for asbestos abatement for Dale Station Units 3 and 4 and the Cooper Station.⁴ As of December 31, 2012, the ARO liability was \$4,875,498. During 2013

² Section 1767.15, General Instructions, subpart (y), Accounting for asset retirement obligations.

³ EKPC generally evaluates changes in the AROs annually.

⁴ EKPC does not believe there is any asbestos abatement issues associated with the Spurlock Station.

when the actual costs are being recovered, revenues and expenses will be inflated and thus overstate financial performance. Therefore, EKPC is requesting authorization from the Commission to reclassify the 2014 ARO-related depreciation and accretion expenses as regulatory assets with a total balance of \$6,352,607.⁶ EKPC is also requesting that all subsequent ARO-related depreciation and accretion expenses associated with the ARO balances at December 31, 2013 be recorded as regulatory assets. This treatment will defer recognition of these ARO expenses until recovery of the actual project costs is authorized, resulting in an appropriate matching of revenues and expenses in each accounting period.

10. EKPC has not established the requested regulatory assets on its books. EKPC acknowledges that prior Commission approval is required to establish the requested regulatory assets. At this time EKPC is requesting the regulatory asset treatment for accounting purposes only.

11. The Commission has previously authorized EKPC and other jurisdictional utilities to establish regulatory assets. The Commission has exercised its discretion to approve regulatory assets where a utility has incurred: (a) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (b) an expense resulting from a statutory or administrative directive; (c) an expense in relation to an industry sponsored initiative; or (d) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.⁷ EKPC believes its request to establish regulatory assets for the ARO-

⁶ The ARO-related depreciation expense of \$5,275,341 plus the accretion expense of \$1,077,266.

⁷ See *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages*, Order, Case No. 2008-00436, p. 4 (Ky. P.S.C., Dec.23, 2008). Also See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Amount Expended on Its Smith 1 Generating Unit*, Order, Case No. 2010-00449, p. 7 (Ky. P.S.C., Feb. 28, 2011).

regulatory assets in 2014 and entries for years subsequent to 2014 are shown in Exhibit 2 of this application.

15. Currently none of the assets associated with the AROs are included in EKPC's environmental surcharge. EKPC has pending before the Commission Case No. 2014-00252¹¹ wherein EKPC is seeking a Certificate of Public Convenience and Necessity for the Smith Special Waste Landfill and inclusion of the project in its environmental compliance plan and recovery through the environmental surcharge. This project includes the actual costs to relocate the ash pond contents from the Dale Station location to a special waste landfill at the Smith Station. The completion of that project will eventually settle the ARO liability associated with the Dale Station ash ponds with any gain or loss transferred to the ARO regulatory asset at the time of settlement. If the Commission grants EKPC's request to establish a regulatory asset for the ARO-related depreciation and accretion expenses, the portion of the regulatory asset associated with the Dale Station ash pond project included in Case No. 2014-00252 will be amortized as actual costs are recovered through the environmental surcharge. EKPC will request amortization and recovery mechanisms for the remaining ARO-related assets in future cases as actual projects are identified.

WHEREFORE, EKPC respectfully requests the Commission to authorize the establishment of a regulatory asset for the ARO-related depreciation and accretion expenses incurred during 2014 and subsequent years.

Done this 10th day of December, 2014.

¹¹ See *In the Matter of an Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for Construction of an Ash Landfill at J. K. Smith Station to Receive Impounded Ash from William C. Dale Station, and for Approval of a Compliance Plan Amendment for Environmental Surcharge Recovery*, Application, Case No. 2014-00252, (filed Sept. 8, 2014).

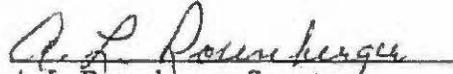
Exhibit 1

EKPC Board of Directors

Resolution dated June 2, 2014

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

Witness my hand and seal this 2nd day of June 2014.


A. L. Rosenberger, Secretary

Corporate Seal

Entries to Establish Regulatory Assets at Year-End in 2014

Account 1823xx – Other Regulatory Assets	\$5,275,341	
Account 4074xx – Regulatory Credits		\$5,275,341

To reverse the depreciation expense recorded during 2014 to the regulatory asset. The entry to Account 4074xx offsets the ARO-related depreciation expense recorded in Account 403800, Depreciation Expense – Asset Retirement Costs, and neutralizes the effect on EKPC's income statement.

Account 1823xx – Other Regulatory Assets	\$1,077,266	
Account 4074xx – Regulatory Credits		\$1,077,266

To reverse the accretion expense recorded during 2014 to the regulatory asset. The entry to Account 4074xx offsets the accretion expense recorded in Account 411100, Accretion Expense, and neutralizes the effect on EKPC's income statement.

Monthly Entries in Subsequent Years for Regulatory Assets

(Depreciation and Accretion Expense amounts from 2014 used for illustrative purposes only)

Account 403800 – Depreciation Exp., Asset Retirement Costs	\$444,769	
Account 108902 – Accumulated Depreciation, ARO		\$444,769

To record the monthly ARO-related depreciation expense.

Account 1823xx – Other Regulatory Assets	\$444,769	
Account 4074xx – Regulatory Credits		\$444,769

To reverse the monthly ARO-related depreciation expense to the regulatory asset. This entry neutralizes the effect of the ARO-related depreciation expense on EKPC's income statement.

Account 411100 – Accretion Expense	\$89,772	
Account 230002 – ARO, Steam		\$ 8,356
Account 230003 – ARO, Ash Ponds		\$81,416

To record the monthly accretion expense.

Account 1823xx – Other Regulatory Assets	\$89,772	
Account 4074xx – Regulatory Credits		\$89,772

To reverse the monthly accretion expense to the regulatory asset. This entry neutralizes the effect of the accretion expense on EKPC's income statement.