



September 30, 2015

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

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SEP 30 2015

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2015-00281

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 August 31, 2015 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,

David S. Samford
Counsel

Enclosures

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 BILLING PERIODS ENDING)
JUNE 30, 2014 AND DECEMBER 31, 2014,)
TWO-YEAR BILLING PERIOD ENDING)
JUNE 30, 2015, AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)**

**CASE NO.
2015-00281**

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

Filed: September 30, 2015

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 and the pass through mechanism in a

1 reasonable manner during the periods under review. My testimony will also propose
2 updating the rate of return used in the environmental surcharge calculation. Finally, my
3 testimony will discuss EKPC's position concerning a roll-in of the environmental
4 surcharge into its wholesale base rates.

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

7 A. Pursuant to the Commission's August 31, 2015 Order, EKPC is preparing testimony on
8 behalf of each Member System. The Member Systems are: Big Sandy Rural Electric
9 Cooperative Corporation ("RECC"), Blue Grass Energy Cooperative Corporation, Clark
10 Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers RECC ("Farmers"),
11 Fleming-Mason Energy Cooperative, Grayson RECC, Inter-County Energy Cooperative
12 Corporation, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen
13 Electric Cooperative ("Owen"), Salt River Electric Cooperative Corporation, Shelby
14 Energy Cooperative, Inc., South Kentucky RECC, and Taylor County RECC. EKPC is
15 also providing Response 2 to the Commission Staff's First Request for Information
16 ("Staff's First Request").

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

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

23 **Q. Previous Commission Orders required EKPC to incorporate certain provisions into**
24 **the calculation of the monthly environmental surcharge factors. Please comment on**

1 **how EKPC has addressed the most significant aspects of these Orders during the**
2 **periods under 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 the two-year review period, EKPC has 15 projects in its
7 Environmental Compliance Plan. These projects were approved by the Commission
8 in Case Nos. 2004-00321,¹ 2008-00115,² 2010-00083,³ 2013-00259,⁴ and 2014-
9 00252.⁵ The monthly environmental surcharge reports, incorporated by reference in
10 this case, show the capital costs for these projects.

11 • **Base/Current Method**

¹ See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge*, Order, Case No. 2004-00321, (Ky. P.S.C., Mar. 17, 2005).

² See *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Approval of an Amendment to Its Environmental Compliance Plan and Environmental Surcharge*, Order, Case No. 2008-00115, (Ky. P.S.C., Sep. 29, 2008).

³ See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Amendment to Its Environmental Compliance Plan and Environmental Surcharge*, Order, Case No. 2010-00083, (Ky. P.S.C., Sep. 24, 2010).

⁴ See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for Alteration of Certain Equipment at the Cooper Station and Approval of a Compliance Plan Amendment for Environmental Surcharge Cost Recovery*, Order, Case No. 2013-00259, (Ky. P.S.C., Feb. 20, 2014).

⁵ See *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 Removal of Impounded Ash from William C. Dale Station for Transport to J.K. Smith and Approval of a Compliance Plan Amendment for Environmental Surcharge Recovery*, Order, Case No. 2014-00252, (Ky. P.S.C., Mar. 6, 2015).

1 The surcharge mechanism, as shown in EKPC's Rate ES – Environmental Surcharge,
2 reflects the base/current method through the formula $MESF = CESF - BESF$.⁶ As
3 shown in Response 1 to the Staff's First Request, EKPC's BESF is 0%.

4 • **Actual Emission Allowance Expense**

5 EKPC included only actual sulfur dioxide ("SO₂") and nitrogen oxide ("NO_x")
6 emission allowance expense in the monthly filings.

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

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

12 EKPC would note there has been a change in the Environmental Protection Agency
13 ("EPA") emission allowance program. EKPC's emission allowance inventories for
14 SO₂ and NO_x reflect operations under the Cross-State Air Pollution Rules ("CSAPR")
15 along with a continuation of the Acid Rain program. There were no changes in the
16 emission allowance programs until January 1, 2015, when the CSAPR rules began for
17 SO₂, seasonal or ozone NO_x, and annual NO_x. The previous SO₂ allowance balances
18 and dollars continue forward into the future since these are related to the Acid Rain
19 program. The previous NO_x allowance balances and dollars which were associated
20 with the previous Clean Air Interstate Rule ("CAIR") for ozone and annual NO_x were
21 eliminated. Under CSAPR, SO₂ and NO_x allowances are awarded annually with no
22 carry-forward of unused balances from prior programs or rules. The allowances

⁶ MESF is the Monthly Environmental Surcharge Factor; CESF is the Current Environmental Surcharge Factor; and BESF is the Base Environmental Surcharge Factor.

1 allocated to EKPC by the EPA under CSAPR have a dollar value of \$0, which is
2 consistent with the valuation afforded EPA allocated allowances under prior
3 programs.

4 EKPC's SO₂ inventory as of the end of the review period reflects the allowances from
5 the Acid Rain program. The NO_x inventory as of the end of the review period has a
6 \$0 balance as all the allowances were issued under CSAPR. The dollar value of
7 EKPC's seasonal and annual NO_x emission allowance inventory associated with
8 CAIR was written off. EKPC reflected this write-off in its monthly environmental
9 surcharge filing for the April 2015 expense month. The total amount written off was
10 \$5,043.⁷

11 • **Return on Construction Work in Progress ("CWIP"), Net of Allowance for**
12 **Funds Used During Construction**

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

15 • **Rate of Return**

16 EKPC's rate of return consists of two components: the average cost of debt on its
17 environmental compliance plan projects and a Times Interest Earned Ratio ("TIER")
18 component. Four rates of return were in effect during the periods under review. For
19 the expense month of June 2013, the rate of return was 6.786%, which was approved
20 by the Commission in Case No. 2011-00032.⁸ For the expense month of July 2013,
21 the rate of return was 6.233%, which was approved by the Commission in Case No.

⁷ See April 2015 monthly environmental surcharge filing, ES Form 2.3.

⁸ See *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 Billing Period Ending December 31, 2010; and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2011-00032, (Ky. P.S.C., Aug. 2, 2011).

1 2012-00486.⁹ For the expense months of August 2013 through March 2014, the rate
2 of return was 6.086%, which was approved by the Commission in Case No. 2013-
3 00140.¹⁰ For the expense months of April 2014 through May 2015, the rate of return
4 was 6.060%, which was approved by the Commission in Case No. 2013-00324.¹¹ In
5 each case, the Commission approved EKPC's request to incorporate a TIER of 1.50
6 in the determination of the rate of return. EKPC proposes no change to the TIER
7 component of the rate of return in this proceeding.

8 EKPC is proposing a rate of return of 6.045% in this proceeding, as shown in
9 Response 5 to the Staff's First Request. EKPC's proposed rate of return is consistent
10 with the Settlement Agreement approved in Case No. 2004-00321, which provided
11 that the rate of return on compliance-related capital expenditures would be updated to
12 reflect current average debt cost as of the end of each six-month review period. The
13 Commission clarified in its March 21, 2014 Order in Case No. 2013-00324 that the
14 expense month should constitute the end of an environmental surcharge review
15 period.

16 • **Operation and Maintenance ("O&M") Expenses**

17 EKPC has continued to use a 12-month rolling average for O&M expenses associated
18 with the compliance plan projects. For those instances where the change in the level

⁹ See *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 June 30, 2011, for the Six-Month Billing Periods Ending December 31, 2011 and June 30, 2012, and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2012-00486, (Ky. P.S.C., Aug. 2, 2013).

¹⁰ See *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 Billing Period Ending December 31, 2012 and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2013-00140, (Ky. P.S.C., Sep. 17, 2013).

¹¹ See *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 June 30, 2013 and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2013-00324, (Ky. P.S.C., Mar. 21, 2014).

1 of O&M expenses exceeded 10 percent, EKPC has provided an explanation. These
2 explanations are provided in Response 4 to the Staff's First Request. In addition,
3 EKPC has identified an adjustment to the filed monthly O&M expenses which is
4 discussed later in this testimony.

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

7 A. Yes. EKPC continues to use the amounts booked for the various cost categories included
8 in the surcharge calculation and these costs were actual costs and incurred in a prudent
9 manner.

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

11 A. Yes. However, as shown in Response 1 to the Staff's First Request, EKPC applied its
12 June 2013 under-recovery to the July 2013 expense month, which was billed in August
13 2013. Thus, from the normal operation of the surcharge mechanism, no adjustment is
14 needed in this proceeding to collect any under-recovery from the Member Systems.

15 EKPC has identified an error in certain O&M expenses reported in the monthly filings
16 which does require correction. While preparing the October 2014 expense month
17 surcharge filing, EKPC discovered that it had reported certain Spurlock 2 precipitator
18 O&M expenses as Spurlock 1 expenses. EKPC further determined that this error first
19 occurred in the January 2014 expense month filing and was continued in each monthly
20 filing until the discovery during the preparation of the October 2014 expense month
21 filing. EKPC started using the correct Spurlock 1 precipitator O&M expenses in the
22 October 2014 expense month and subsequent filings. However, EKPC did not correct the
23 monthly O&M expenses totals shown on ES Form 2.4.

1 Further, while preparing the response to Request 1 EKPC determined that the air permit
2 fees reported in the January 2014 expense month filing were incorrect. While the
3 correction to the environmental surcharge that EKPC included in the August 2014
4 expense month filing captured the air permit fee error, the full impact on the 12-month
5 average O&M expense calculation shown on ES Form 2.4 was not corrected.

6 **Q. Has EKPC determined the reason(s) for these errors?**

7 A. EKPC has determined that simple human error in retrieving information from the
8 numerous reports containing account balances was the reason these errors occurred.
9 EKPC personnel have refocused attention on the detailed accounting information to be
10 certain the correct account balances are reported in the filings.

11 **Q. You mentioned that EKPC had previously corrected discovered errors when
12 preparing monthly expense filings. Why did EKPC not correct the error related to
13 the Spurlock O&M expenses in the October 2014 expense month filing?**

14 A. At the time, EKPC believed that the Commission would be issuing its final Order in Case
15 No. 2014-00051 within a few months and opening a new surcharge review proceeding.
16 EKPC concluded it would be more appropriate to address the adjustment as part of the
17 new proceeding.

18 **Q. What is the amount of the adjustment EKPC proposes to make in this proceeding to
19 correct the noted errors?**

20 A. As shown in the response to Request 1, for the review period ending May 31, 2015,
21 EKPC has determined it over-recovered \$199,826. However, the impact of the errors
22 included in the 12-month averages of O&M expenses reported on ES Form 2.4 for the
23 expense months of June through August 2015 have resulted in a net under-recovery of
24 \$36,044. EKPC is proposing that it be allowed to recognize this post-review period

1 amount in the total adjustment proposed in this review. This results in a net over-
2 recovery of \$163,782.

3 **Q. How does EKPC propose to deal with the remaining months in the 12 month**
4 **average O&M schedule reported on ES Form 2.4 impacted by the identified errors**
5 **in expense month filings after the August 2014 expense month?**

6 A. EKPC proposes that beginning with the September 2015 expense month to include
7 corrected O&M totals for the remaining months impacted by the identified errors. This
8 will resolve the errors in those months.

9 **Q. How does EKPC propose to handle the net over-recovery in its surcharge**
10 **mechanism?**

11 A. EKPC proposes to include the total net over-recovery of \$163,782 as an adjustment on
12 Line 11 of ES Form 1.1 in the first month after the Commission's Order in this
13 proceeding.

14 **Q. Previous Commission Orders also required EKPC's Member Systems to**
15 **incorporate certain provisions into the calculation of the monthly pass-through**
16 **factors. Please comment on how the Member Systems have addressed the most**
17 **significant aspects of these Orders during the periods under review.**

18 A. Under the pass-through mechanism the environmental surcharge factors computed for
19 retail customers were billed by EKPC's Member Systems at approximately the same time
20 as EKPC billed the Member Systems at wholesale. The calculation of the monthly
21 factors for each Member System was provided in the monthly reports filed with the
22 Commission. EKPC and the Member Systems adhered to these and all other
23 requirements and provisions of the Commission's Orders for the periods under review.

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

3 A. Yes. The over- or under-recovery amounts for each Member System are shown in
4 Response 2 to the Staff's First Request. The determination of the over- or under-
5 recovery amounts have been performed utilizing the methodology followed in previous
6 surcharge review proceedings.

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

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

17 **Q. In Case No. 2014-00051 the Member Systems proposed a change in the methodology**
18 **utilized to determine the respective over- or under-recoveries during the review**
19 **period. While the Commission did not adopt the proposed change, it noted that the**
20 **Member Systems could propose a revised methodology in a future proceeding,**
21 **subject to the parameters discussed in the final Order. When it opened the current**
22 **review proceeding, the Commission again suggested that a revised methodology**

¹² See *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 Billing Period Ending December 31, 2009 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2010-00021, (Ky. P.S.C., Nov. 5, 2010).

1 **could be proposed. Are the Member Systems proposing a revised methodology to**
2 **determine the over- or under-recoveries during the review period?**

3 A. In Case No. 2014-00051, the Member Systems concluded that the amortization of over-
4 or under-recoveries determined in previous surcharge review proceedings were
5 inappropriately impacting the determination of the over- or under-recoveries in the
6 current surcharge review proceeding. The Member Systems are still convinced a
7 modification to the methodology used to determine the over- or under-recoveries is
8 needed.

9 The Member Systems have been considering alternatives and EKPC has been supportive
10 of these efforts. However, the Member Systems have not as yet reached a consensus on
11 the appropriate methodology. Any modification to the methodology will need to not only
12 address how to handle the amortization of prior over- or under-recoveries which occurred
13 during the current review period, but also be able to reconcile the results of the over- or
14 under-recovery determination with the accruals existing in the Member Systems'
15 accounting records.

16 The Member Systems would like to request that during the current review an informal
17 conference with the Commission Staff be held to discuss these issues and possible
18 solutions. EKPC and the Member Systems will file a request for such an informal
19 conference when a consensus approach has been reached.

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

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

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

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

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

3 A. No, at the present time no changes to the Member System tariffs are required. The
4 possible modification to the over- or under-recovery determination methodology should
5 not result in changes to the Member Systems' tariff sheets. However, if changes are
6 required they will be proposed at the appropriate time.

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

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

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

12 A. Yes. As previously discussed, EKPC proposes an updated rate of return of 6.045%. This
13 updated rate of return reflects an average debt cost as of May 31, 2015 of 4.030% and a
14 TIER of 1.50. The determination of the average debt cost as of May 31, 2015 is shown in
15 Response 5 to the Staff's First Request. EKPC notes that its interest rates were
16 essentially constant in the two previous cases and are decreasing as reported in this case.
17 While this is due in part to a favorable interest rate environment, EKPC's ability to build
18 equity is also a major contributor to this trend. Anytime that EKPC is able to reduce its
19 overall average cost of debt, it is reducing its costs to serve Members.

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

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

1 **Q. Does EKPC believe that its environmental surcharge should be rolled into its**
2 **wholesale base rates?**

3 A. No. While EKPC is providing the information related to a potential roll-in of the
4 environmental surcharge into the wholesale base rates in the response to Item 7, EKPC
5 does not believe it is appropriate at this time to roll its environmental surcharge into its
6 wholesale base rates.

7 **Q. Would you explain the reasons in support of EKPC's position?**

8 A. Yes. EKPC would initially note that whether or not there are amounts of environmental
9 costs incorporated into wholesale base rates, the effect on EKPC, the Member Systems,
10 and the retail ratepayer is that the total environmental revenue requirement should remain
11 the same. In addition, EKPC believes there are several reasons why a roll-in of the
12 environmental surcharge is not appropriate at this time.

13 First, like the environmental surcharge mechanisms approved for Kentucky Utilities
14 Company, Louisville Gas and Electric Company, and Kentucky Power Company, the
15 environmental costs included in EKPC's revenue requirement represent both investment
16 costs and energy costs. As a general matter, investment costs are usually reflected in
17 demand charges while energy costs are reflected in the energy charge. Because both
18 investment costs and energy costs make up the environmental costs, a roll-in of the
19 surcharge into base rates is more complicated than the roll-in performed in a two-year
20 fuel adjustment clause proceeding. In the two-year fuel adjustment clause proceeding,
21 only energy costs are rolled into the energy charge of base rates. If EKPC is required to
22 roll-in its environmental surcharge into its wholesale base rates, it believes the roll-in will
23 have to be allocated to both the demand and energy charges. Included in the response to

1 Item 7 is a rough allocation of the calculated roll-in amount between demand and energy
2 components.

3 Ideally, such an allocation should be performed utilizing a cost-of-service study.
4 However, there has not been any time in this review proceeding for EKPC to undertake a
5 cost-of-service study that would provide a reasonable allocation of an environmental
6 surcharge roll-in into demand and energy related components. The belief that a cost-of-
7 service study should be the basis for allocating a surcharge roll-in between demand and
8 energy rate components is the primary reason why EKPC believes a roll-in of
9 environmental costs should occur at the time of a wholesale base rate case proceeding.
10 Including a roll-in as part of a wholesale base rate case would allow for the allocation of
11 environmental costs in a manner consistent with other costs through the utilization of a
12 cost-of-service study. EKPC notes that the Commission has accepted the argument that a
13 surcharge roll-in should be undertaken as part of a base rate case in previous
14 environmental surcharge reviews.¹³

15 The second reason concerns how the change in the wholesale base rates would be
16 reflected in the Member Systems' retail base rates. When the Commission approved the
17 environmental surcharge mechanism for EKPC and the corresponding pass-through
18 mechanism for the Member Systems, there was no discussion of how or when retail base
19 rates would be adjusted to reflect the change in the wholesale base rates resulting from
20 the surcharge roll-in. Clearly any adjustment to the retail base rates should be

¹³ See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Power Company for the Six-Month Billing Periods Ending June 30, 2006 and December 31, 2006, and for the Two-Year Billing Period Ending June 30, 2007*, Order, Case No. 2007-00381, p. 6 (Ky. P.S.C., Aug. 19, 2008); See *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 June 30, 2009 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2009-00317, p. 5 (Ky. P.S.C., Jan. 28, 2010); also see the August 2, 2013 Order in Case No. 2012-00486, pages 5 and 6 and the March 21, 2014 Order in Case No. 2013-00324, page 6.

1 accomplished in the same proceeding as the roll-in to wholesale base rates and both
2 changes in the base rates become effective at the same time. If a surcharge roll-in was
3 required as part of the two-year review case, EKPC believes the necessary adjustments to
4 the retail base rates need to correspond as closely as possible to the change in the
5 wholesale base rates. The change in the wholesale demand-related base rates should be
6 reflected in the corresponding retail customer charges and demand base rates. The
7 change in the wholesale energy-related base rates should be reflected in the
8 corresponding retail energy base rates. However, as a surcharge roll-in during the two-
9 year review to the wholesale base rates would not be cost-of-service based, neither would
10 the corresponding adjustment to the retail base rates be cost-of-service based.

11 From May 2011 through August 2012, EKPC undertook a detailed rate design project
12 that looked closely at cost-of-service study results and the potential impacts on the
13 Member Systems. The Member Systems participated in numerous discussions held
14 during this period. One of the topics discussed extensively was whether or not the
15 environmental surcharge should be rolled into the wholesale base rates in conjunction
16 with a base rate proceeding. While there was a difference of opinion among the Member
17 Systems concerning whether there should be a roll-in, the Member Systems were in
18 general agreement that a roll-in should only take place during a base rate proceeding.

19 As with a roll-in to its wholesale base rates, EKPC believes that the corresponding
20 adjustment to retail base rates should be performed in conjunction with a base rate
21 proceeding and not as part of a two-year surcharge review. The amount of the roll-in
22 each Member System receives as a result of the change in wholesale base rates would be
23 cost-of-service based.

1 A final reason is related to the disclosure of the cost of environmental compliance to
2 retail customers. EKPC's currently approved environmental compliance plan contains 15
3 projects and the monthly surcharge filings reflect the investment costs and operating
4 expenses associated with those projects. The monthly cost of environmental compliance
5 will be known to EKPC even if there is a roll-in of the surcharge revenue requirement
6 into wholesale base rates. As there to date has been no roll-in of the environmental
7 surcharge into base rates, the Member Systems' monthly surcharge pass-through factors
8 serve as a means to disclose to the retail customer the cost of environmental compliance
9 for the approved projects. However, if there were a roll-in, a significant portion of the
10 EKPC monthly surcharge factor would be collected through wholesale base rates and the
11 corresponding Member Systems' monthly surcharge pass-through factors would be
12 reduced. The monthly surcharge pass-through factors would no longer easily disclose to
13 retail customers the full cost of environmental compliance for the approved projects.
14 Several of the Member Systems believe it is important that retail customers be aware of
15 the full cost of environmental compliance for the approved projects and the impact this
16 compliance cost has on the monthly retail bill. Consequently, until an acceptable method
17 can be developed to facilitate transparency with regard to full cost of environmental
18 compliance, EKPC and the Member Systems believe roll-in should not be undertaken as
19 part of the two-year review proceeding.

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

22 A. Yes. In my direct testimony filed in Case No. 2014-00051, I stated that EKPC was
23 requesting that the Commission issue its final Order in that case and future surcharge
24 review proceedings either within the first 10 days of the month or after the 21st day of the

1 month. My direct testimony explained the processing procedure for the monthly
2 surcharge factor filing and the critical processing period between the 11th and 20th of the
3 month. Nothing has changed concerning the processing procedure since the filing of my
4 previous direct testimony.

5 The Commission issued its final Order in Case No. 2014-00051 on August 25, 2015.
6 While the issuance of this Order accommodated EKPC's request, which was greatly
7 appreciated by EKPC, there was no mention of the timing request in the final Order.
8 EKPC respectfully renews its request concerning the timing of the issuance of the final
9 Order in this proceeding and all future surcharge review proceedings.

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

11 **A. Yes it does.**

**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 BILLING PERIODS ENDING)	
JUNE 30, 2014 AND DECEMBER 31, 2014,)	CASE NO.
TWO-YEAR BILLING PERIOD ENDING)	2015-00281
JUNE 30, 2015, 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 AUGUST 31, 2015**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2015-00281

PUBLIC SERVICE COMMISSION REQUEST DATED 08/31/15

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 August 31, 2015. 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.) CASE NO.
FOR THE TWO-YEAR BILLING PERIOD) 2013-00324
ENDING JUNE 30, 2013 AND THE PASS)
THROUGH MECHANISM FOR ITS SIXTEEN)
MEMBER DISTRIBUTION COOPERATIVES)

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 First Request for Information in the above-referenced case dated August 31, 2015, 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 30th day of September, 2015.

Gwyn M. Willoughby #5000144
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. FOR THE SIX-)
ONTH BILLING PERIODS ENDING) CASE NO.
JUNE 30, 2014 AND DECEMBER 31, 2014,) 2015-00281
TWO-YEAR BILLING PERIOD ENDING)
JUNE 30, 2015, 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 First Request for Information in the above-referenced case dated August 31, 2015, 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 30th day of September, 2015.

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) 2013-00324
ENDING JUNE 30, 2013 AND THE PASS)
THROUGH MECHANISM FOR ITS SIXTEEN)
MEMBER DISTRIBUTION COOPERATIVES)

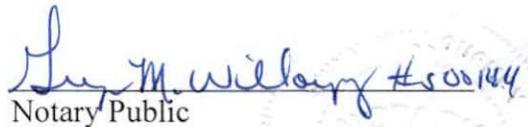
CERTIFICATE

STATE OF KENTUCKY)
COUNTY OF CLARK)

Thomas J. Stachnik, 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 First Request for Information in the above-referenced case dated August 31, 2015, 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.



Subscribed and sworn before me on this 30th day of September, 2015.


Notary Public



EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15

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 periods. 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 two-year review. Include all supporting calculations and documentation for the additional over- or under-recovery. Provide the schedule in Excel spreadsheet format with all cells and formulas intact and unprotected.

Response 1. Please see the response to Request 1 included on the attached CD. The response includes spreadsheets showing a) the calculation of E(m) as originally filed, the calculation of a corrected E(m), and a summary spreadsheet showing the total proposed adjustment for the periods under review. As discussed in Mr. Scott's direct testimony, EKPC is

proposing an adjustment of \$163,782 to be reflected in the first month's surcharge filing after the Commission's decision in this review.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15

REQUEST 2

RESPONSIBLE PARTY: Isaac S. Scott

Request 2. This question is addressed to EKPC. For each of the 16 Member Cooperatives, prepare a summary schedule showing the distribution cooperative's pass-through revenue requirement for the months corresponding with the two-year 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 two-year review. Include all supporting calculations and documentation for the additional over- or under-recovery. Provide the schedule in Excel spreadsheet format with all cells and formulas intact and unprotected.

Response 2. Please see the response to Request 2 included on the attached CD. The calculations follow the approach that has been previously utilized in surcharge review proceedings.

Concerning the amortization periods for the resulting over- or under-recoveries, Farmers and Owen have notified EKPC that they are proposing 12-month

amortization periods. The remaining Member Cooperatives have notified EKPC that they are proposing 6-month amortization periods.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15
REQUEST 3

RESPONSIBLE PARTY: Mark Horn

Request 3a. This question is addressed to EKPC. 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 period of December 1, 2013, through May 31, 2015.

(b) No NO_x purchases were made during the period of December 1, 2013, through May 31, 2015.

(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. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15
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 the December 2013 to May 2015 expense months. 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 31 of this response.

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period January 2014 - June 2014

501010 - SP03	Fuel Coal Gilbert	2013	2014		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun		
400-2610	Expense Dollars	\$ 114,887	\$ 104,567	\$ 145,802	\$ 130,600	\$ 62,825	\$ 62,825	\$ 8,018		
	Expense Dollars Change		\$ (10,320)	\$ 41,235	\$ (15,202)	\$ (67,775)	\$ -	\$ (54,807)		
	Percent Change		-8.98%	39.43%	-10.43%	-51.89%	0.00%	-87.24%		

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

501010 - SP04	Fuel Coal Spurlock 4	2013	2014		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun		
	Expense Dollars	\$ 119,578	\$ 132,830	\$ 145,802	\$ 32,650	\$ 94,238	\$ 118,029	\$ 124,358		
	Expense Dollars Change		\$ 13,252	\$ 12,972	\$ (113,152)	\$ 61,588	\$ 23,791	\$ 6,329		
	Percent Change		11.08%	9.77%	-77.61%	188.63%	25.25%	5.36%		

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

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	2013	2014		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun		
	Expense Dollars	\$ 11,440	\$ 5,774	\$ 7,312	\$ 19,354	\$ -	\$ 9,702	\$ 10,459		
	Expense Dollars Change		\$ (5,666)	\$ 1,538	\$ 12,041	\$ (19,354)	\$ 9,702	\$ 757		
	Percent Change		-49.53%	26.64%	164.67%	-100.00%	0.00%	7.80%		

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

512000 - CPxx	Mtc of Cooper (Unit 2 AQCS)	2013	2014		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun		
	Expense Dollars	\$ 12,107	\$ 50,140	\$ 27,935	\$ 66,979	\$ 169,514	\$ 3,389	\$ 58,387		
	Expense Dollars Change		\$ 38,033	\$ (22,206)	\$ 39,044	\$ 102,534	\$ (166,125)	\$ 54,998		
	Percent Change		314.14%	-44.29%	139.77%	153.08%	-98.00%	1622.88%		

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

January14-

Project 03350- Contractor payments decreased \$1k, EKPC Payroll & Benefits increased \$5.5k, Materials increased \$5.2k, Accruals decreased \$4.9k

Project 03351- Contractor payments increased \$0.7k, EKPC Payroll & Benefits decreased \$1.7k, Accruals decreased \$7.7k

Project 03520- Contractor payments increased \$0.1k, EKPC Payroll & Benefits decreased \$0.8k,

Adjustment to accruals to match actual resulted in an increase of \$42.6k

February14-

Project 03350- Contractor payments increased \$18.5k, EKPC Payroll & Benefits decreased \$0.8k, Materials decreased \$3.5k,

Project 03351- Contractor payments increased \$0.5k, EKPC Payroll & Benefits increased \$0.8k, Accruals decreased \$2k

Adjustment to accruals to match actual resulted in a decrease of \$35.7k

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2014 - June 2014

March14-

Project 03350- Contractor payments decreased \$17.6k, EKPC Payroll & Benefits increased \$5.5k,
 Project 03351- Contractor payments decreased \$4.2k, EKPC Payroll & Benefits increased \$7.6k, Materials increased \$4k, Accruals increased \$4k
 Adjustment to accruals to match actual resulted in an increase of \$39.7k

April14-

Project 03350- Contractor payments increased \$9.6k, EKPC Payroll & Benefits decreased \$0.3k, Materials increased \$1.7k,
 Project 03351- Contractor payments increased \$4.8k, EKPC Payroll & Benefits decreased \$2.6k, Materials decreased \$4k, Accruals decreased \$4k
 Adjustment to accruals to match actual resulted in an increase of \$97.3k

May14-

Project 03350- Contractor payments increased \$20k, EKPC Payroll & Benefits increased \$1.3k, Materials decreased \$1.7k,
 Project 03351- Contractor payments decreased \$3k, EKPC Payroll & Benefits decreased \$2k, Materials increased \$8.8k, Accruals increased \$2k
 Adjustment to accruals to match actual resulted in a decrease of \$191.5k

June14-

Project 03350- Contractor payments decreased \$27.3k, EKPC Payroll & Benefits increased \$1.9k, Materials increased \$4.9k,
 Project 03351- Contractor payments increased \$3.9k, EKPC Payroll & Benefits decreased \$1.2k, Materials decreased \$7.3k,
 Adjustment to accruals to match actual resulted in an increase of \$80.1k

512000 - SP01	Mtce of Boiler Plant Spurlock 1	2013		2014		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun			
	Expense Dollars	\$ 24,416	\$ (8,171)	\$ (548)	\$ 29,596	\$ 60,476	\$ (82,015)	\$ 6,378			
	Expense Dollars Change		\$ (32,587)	\$ 7,622	\$ 30,144	\$ 30,880	\$ (142,491)	\$ 88,393			
	Percent Change		-133.46%	-93.29%	-5497.89%	104.34%	-235.62%	-107.78%			

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

January14-

Project 03501- Contractor payments increased \$2.2k, EKPC Payroll & Benefits increased \$0.5k, Accruals decreased \$22.1k
 Project 03330- Contractor payments increased \$4.4k, EKPC Payroll & Benefits increased \$1.8k, Materials decreased \$0.4k, Accruals decreased \$4.4k
 Adjustment to accruals to match actual resulted in a decrease of \$14.6k

February14-

Project 03330- EKPC Payroll & Benefits decreased \$2.7k,
 Adjustment to accruals to match actual resulted in an increase of \$10.3k

March14-

Project 03501- EKPC Payroll & Benefits increased \$0.5k,
 Project 03330- Contractor payments increased \$12.6k, EKPC Payroll & Benefits increased \$0.5k, Materials increased \$0.3k, Accruals increased \$23.6k
 Adjustment to accruals to match actual resulted in a decrease of \$7.4k

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2014 - June 2014

April14-

Project 03501- Contractor payments increased \$8.5k, EKPC Payroll & Benefits decreased \$0.6k,
 Project 03330- Contractor payments decreased \$11.7k, EKPC Payroll & Benefits increased \$8.2k, Materials increased \$1.2k, Accruals increased \$46.2k
 Adjustment to accruals to match actual resulted in a decrease of \$20.9k

May14-

Project 03501- Contractor payments decreased \$17k, EKPC Payroll & Benefits decreased \$0.8k, Accruals increased \$8.7k
 Project 03330- Contractor payments decreased \$13.2k, EKPC Payroll & Benefits decreased \$7.9k, Materials decreased \$1.5k, Accruals decreased \$54.2k
 Adjustment to accruals to match actual resulted in a decrease of \$56.6k

June14-

Project 03501- Contractor payments increased \$8.5k, EKPC Payroll & Benefits increased \$0.3k, Accruals decreased \$8.7k
 Project 03330- Contractor payments increased \$10.9k, EKPC Payroll & Benefits decreased \$1.6k, Accruals decreased \$14.3k
 Adjustment to accruals to match actual resulted in an increase of \$75.9k

512000 - SP02	Mtce of Boiler Plant Spurlock 2	2013		2014		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun			
	Expense Dollars	\$ 39,539	\$ 205,745	\$ 14,761	\$ (2,256)	\$ 60,666	\$ 3,518	\$ 31,422			
	Expense Dollars Change		\$ 166,206	\$ (190,984)	\$ (17,017)	\$ 62,922	\$ (57,148)	\$ 27,903			
	Percent Change		420.36%	-92.83%	-115.28%	-2789.35%	-94.20%	793.12%			

Project 03330 is for the Spurlock 2 Electrostatic Precipitator and Project 03501 is for Spurlock 2 SCR maintenance.

January14-

Project 03501- Contractor payments decreased \$60.7k, EKPC Payroll & Benefits increased \$1.9k, Materials increased \$0.2k, Accruals increased \$21.3k
 Adjustment to accruals to match actual resulted in an increase of \$203.5k

February14-

Project 03501- Contractor payments increased \$2.1k, EKPC Payroll & Benefits increased \$1.9k, Materials decreased \$0.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$194.8k

March14-

Project 03501- Contractor payments increased \$1.6k, EKPC Payroll & Benefits decreased \$2.2k, Accruals increased \$1.3k
 Adjustment to accruals to match actual resulted in a decrease of \$17.7k

April14-

Project 03501- Contractor payments decreased \$1.6k, EKPC Payroll & Benefits decreased \$0.4k, Accruals decreased \$2.6k
 Project 03330- Contractor payments increased \$30.1k, EKPC Payroll & Benefits increased \$3.3k, Materials increased \$0.9k, Accruals decreased \$36.1k
 Adjustment to accruals to match actual resulted in an increase of \$69.3k

May14-

Project 03501- Contractor payments increased \$1.8k, EKPC Payroll & Benefits decreased \$0.6k, Accruals increased \$1.3k
 Adjustment to accruals to match actual resulted in a decrease of \$59.6k

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2014 - June 2014

June14-

Project 03501- Contractor payments decreased \$3.2k, EKPC Payroll & Benefits increased \$2.8k, Materials increased \$0.3k,
 Project 03330- Contractor payments decreased \$5.7k, EKPC Payroll & Benefits decreased \$0.6k, Materials increased \$0.6k,
 Adjustment to accruals to match actual resulted in an increase of \$34.3k

512000 - SP03	Maintenance of Boiler Plant Gilbert	2013	2014	2014	2014	2014	2014	2014
		Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	46,556	572,600	67,526	507,655	3,619,070	560,364	56,394
	Expense Dollars Change		526,044	(505,073)	440,128	3,111,416	(3,058,707)	(503,969)
	Percent Change		1129.92%	-88.21%	651.79%	612.90%	-84.52%	-89.94%

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

January14-

Project 03206- Contractor payments decreased \$0.4k, EKPC Payroll & Benefits increased \$5.4k, Materials decreased \$2.5k, Accruals increased \$2.7k
 Project 03350- Contractor payments decreased \$2.1k, EKPC Payroll & Benefits increased \$14.6k, Materials increased \$12.2k, Accruals increased \$1.4k
 Adjustment to accruals to match actual resulted in an increase of \$494.7k

February14-

Project 03206- Contractor payments decreased \$1.6k, EKPC Payroll & Benefits decreased \$0.1k, Materials decreased \$4.5k,
 Project 03350- Contractor payments increased \$4.5k, EKPC Payroll & Benefits decreased \$5.9k, Materials decreased \$8.4k,
 Adjustment to accruals to match actual resulted in a decrease of \$489k

March14-

Project 03206- Contractor payments increased \$17k, EKPC Payroll & Benefits increased \$25.1k, Materials increased \$405.7k,
 Project 03350- Contractor payments increased \$9.3k, EKPC Payroll & Benefits decreased \$11.2k, Materials decreased \$3.4k,
 Adjustment to accruals to match actual resulted in a decrease of \$2.4k

April14-

Project 03206- Contractor payments increased \$2,273.2k, EKPC Payroll & Benefits increased \$41k, Materials decreased \$295.2k,
 Project 03350- Contractor payments increased \$367.6k, EKPC Payroll & Benefits increased \$15.7k, Materials increased \$709.4k,
 Adjustment to accruals to match actual resulted in a decrease of \$0.3k

May14-

Project 03206- Contractor payments decreased \$2,059.1k, EKPC Payroll & Benefits decreased \$6.1k, Materials decreased \$133.4k,
 Project 03350- Contractor payments decreased \$232.4k, EKPC Payroll & Benefits increased \$21.9k, Materials decreased \$651.6k,
 Adjustment to accruals to match actual resulted in an increase of \$2.0k

June14-

Project 03206- Contractor payments decreased \$225.9k, EKPC Payroll & Benefits decreased \$59.6k, Materials increased \$23.7k,
 Project 03350- Contractor payments decreased \$159k, EKPC Payroll & Benefits decreased \$25.2k, Materials decreased \$59.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$569.8k

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period January 2014 - June 2014

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	2013	2014	2014	2014	2014	2014	2014
		Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	13,235	274,151	124,165	2,729,019	108,412	75,639	176,983
	Expense Dollars Change		260,916	(149,986)	2,604,854	(2,620,607)	(32,773)	101,345
	Percent Change		1971.41%	-54.71%	2097.90%	-96.03%	-30.23%	133.99%

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

January14-

Project 03206- Contractor payments increased \$12.6k, EKPC Payroll & Benefits increased \$0.1k, Materials increased \$32.7k, Accruals increased \$2.8k
 Project 03350- Contractor payments increased \$2.3k, EKPC Payroll & Benefits increased \$0.8k, Materials increased \$2.8k, Accruals increased \$1.8k
 Adjustment to accruals to match actual resulted in an increase of \$205k

February14-

Project 03206- Contractor payments increased \$25.9k, EKPC Payroll & Benefits decreased \$4.7k, Materials increased \$16.2k, Accruals increased \$0.1k
 Project 03350- Contractor payments increased \$16.4k, EKPC Payroll & Benefits decreased \$10k, Materials increased \$3.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$197.2k

March14-

Project 03206- Contractor payments increased \$1699.2k, EKPC Payroll & Benefits increased \$59.6k, Materials increased \$67.1k,
 Project 03350- Contractor payments increased \$696.7k, EKPC Payroll & Benefits increased \$31.3k, Materials increased \$53.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$2.3k

April14-

Project 03206- Contractor payments decreased \$1697.1k, EKPC Payroll & Benefits decreased \$38.4k, Materials decreased \$91.4k, Accruals increased \$0.1k
 Project 03350- Contractor payments decreased \$711.3k, EKPC Payroll & Benefits decreased \$22.5k, Materials decreased \$59.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$0.7k

May14-

Project 03206- Contractor payments decreased \$45.9k, EKPC Payroll & Benefits decreased \$24.2k, Materials increased \$4k, Accruals decreased \$0.3k
 Project 03350- Contractor payments increased \$3.4k, EKPC Payroll & Benefits increased \$0.7k, Materials increased \$8k,
 Adjustment to accruals to match actual resulted in an increase of \$21.5k

June14-

Project 03206- Contractor payments increased \$133.8k, EKPC Payroll & Benefits increased \$7.6k, Materials decreased \$3.5k, Accruals increased \$0.1k
 Project 03350- Contractor payments decreased \$10.2k, EKPC Payroll & Benefits decreased \$7.2k, Materials decreased \$7.9k,
 Adjustment to accruals to match actual resulted in a decrease of \$18.4k

512000 - SP21	Mnce of Boiler Plant Scrubber 1	2013	2014	2014	2014	2014	2014	2014
		Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 32,105	\$ 122,288	\$ 187,469	\$ 82,545	\$ 193,640	\$ 72,907	\$ 92,608
	Expense Dollars Change		\$ 90,183	\$ 65,181	\$ (104,925)	\$ 111,096	\$ (120,733)	\$ 19,701
	Percent Change		280.90%	53.30%	-55.97%	134.59%	-62.35%	27.02%

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2014 - June 2014

January14-

Project 03521- Contractor payments decreased \$1.7k, EKPC Payroll & Benefits decreased \$13.7k, Materials decreased \$8k, Accruals increased \$2.3k
 Adjustment to accruals to match actual resulted in an increase of \$111.3k

February14-

Project 03521- Contractor payments decreased \$66.3k, EKPC Payroll & Benefits decreased \$3.6k, Materials decreased \$38.3k,
 Adjustment to accruals to match actual resulted in an increase of \$172.8k

March14-

Project 03521- Contractor payments decreased \$66.3k, EKPC Payroll & Benefits decreased \$3.6k, Materials decreased \$38.3k,
 Adjustment to accruals to match actual resulted in an increase of \$3.3k

April14-

Project 03521- Contractor payments increased \$48.9k, EKPC Payroll & Benefits increased \$8.4k, Materials increased \$65.9k,
 Adjustment to accruals to match actual resulted in a decrease of \$12.1k

May14-

Project 03521- Contractor payments decreased \$93k, EKPC Payroll & Benefits increased \$15.6k, Materials decreased \$43.3k,

June14-

Project 03521- Contractor payments increased \$43.9k, EKPC Payroll & Benefits increased \$19.6k, Materials decreased \$44.8k,
 Adjustment to accruals to match actual resulted in an increase of \$1k

512000 - SP22	Mtce of Boiler Plant Scrubber 2	2013		2014		2014		2014	
		Dec	Jan	Feb	Mar	Apr	May	Jun	
	Expense Dollars	\$ 127,645	\$ 160,409	\$ 140,221	\$ 271,420	\$ 179,294	\$ 265,860	\$ 233,578	
	Expense Dollars Change		\$ 32,764	\$ (20,188)	\$ 131,199	\$ (92,127)	\$ 86,566	\$ (32,281)	
	Percent Change		25.67%	-12.59%	93.57%	-33.94%	48.28%	-12.14%	

January14-

Project 03521- Contractor payments decreased \$161.3k, EKPC Payroll & Benefits decreased \$25.2k, Materials decreased \$20.9k, Accruals increased \$2.9k
 Adjustment to accruals to match actual resulted in an increase of \$237.3k

February14-

Project 03521- Contractor payments increased \$92.9k, EKPC Payroll & Benefits increased \$6k, Materials decreased \$17.8k,
 Adjustment to accruals to match actual resulted in a decrease of \$101.3k

March14-

Project 03521- Contractor payments increased \$67.2k, EKPC Payroll & Benefits decreased \$4.3k, Materials increased \$59.6k,
 Adjustment to accruals to match actual resulted in an increase of \$8.7k

April14-

Project 03521- Contractor payments decreased \$79.6k, EKPC Payroll & Benefits increased \$6.6k, Materials increased \$3.9k,
 Adjustment to accruals to match actual resulted in a decrease of \$23k

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May14-

Project 03521- Contractor payments increased \$56k, EKPC Payroll & Benefits increased \$44.4k, Materials decreased \$11.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$2.6k

June14-

Project 03521- Contractor payments decreased \$49.2k, EKPC Payroll & Benefits increased \$19.3k, Materials decreased \$3.7k, Accruals decreased \$0.1k
 Adjustment to accruals to match actual resulted in an increase of \$1.4k

Air Permit Fees		2013	2014	2014	2014	2014	2014	2014
50621	Misc Stm Pwr Env - Dale	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 128,972	\$ 152,123	\$ -	\$ -	\$ 25,356	\$ 0	\$ -
	Expense Dollars Change		\$ 23,151	\$ (152,123)	\$ -	\$ 25,356	\$ (25,356)	\$ (0)
	Percent Change		17.95%	-100.00%	0.00%	0.00%	-100.00%	-100.00%
50631	Misc Stm Pwr Env - Cooper	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 333,376	\$ 78,295	\$ (3,153)	\$ 4,608	\$ -	\$ (568)	\$ 15,630
	Expense Dollars Change		\$ (255,081)	\$ (81,448)	\$ 7,761	\$ (4,608)	\$ (568)	\$ 16,198
	Percent Change		-76.51%	-104.03%	-246.15%	-100.00%	0.00%	-2853.22%
50645	Misc Stm Pwr Env - Spurlock	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 474,123	\$ (44,573)	\$ 36,156	\$ 20,760	\$ 29,053	\$ 37,657	\$ 6,647
	Expense Dollars Change		\$ (518,696)	\$ 80,729	\$ (15,396)	\$ 8,293	\$ 8,605	\$ (31,010)
	Percent Change		-109.40%	-181.12%	-42.58%	39.95%	29.62%	-82.35%

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

Operating Expense- Ammonia		2013	2014	2014	2014	2014	2014	2014
506001 - CPxx	Misc Stm Pwr Exp - Cooper	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 20,269	\$ 108,917	\$ 53,059	\$ 76,480	\$ -	\$ -	\$ 26,596
	Expense Dollars Change		\$ 88,648	\$ (55,857)	\$ 23,420	\$ (76,480)	\$ -	\$ 26,596
	Percent Change		437.36%	-51.28%	44.14%	-100.00%	0.00%	0.00%

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

Operating Expense- Ammonia		2013	2014	2014	2014	2014	2014	2014
506001 - CP22	Misc Stm Pwr Exp - Cooper Unit #2 AQCS	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 308,240	\$ 145,957	\$ 141,513	\$ 327,541	\$ -	\$ 92,877	\$ 152,534
	Expense Dollars Change		\$ (162,283)	\$ (4,444)	\$ 186,028	\$ (327,541)	\$ 92,877	\$ 59,657
	Percent Change		-52.65%	-3.04%	131.46%	-100.00%	0.00%	64.23%

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

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Operating Expense- Ammonia		2013	2014	2014	2014	2014	2014	2014
506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 47,353	\$ 148,725	\$ 62,610	\$ 96,202	\$ 62,552	\$ 75,623	\$ 64,275
	Expense Dollars Change		\$ 101,372	\$ (86,115)	\$ 33,592	\$ (33,649)	\$ 13,070	\$ (11,348)
	Percent Change		214.08%	-57.90%	53.65%	-34.98%	20.89%	-15.01%

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

Operating Expense- Ammonia		2013	2014	2014	2014	2014	2014	2014
506001 -SP02	Misc Steam Power Exp - Spurlock 2	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 50,223	\$ 161,368	\$ 70,199	\$ 107,863	\$ 70,134	\$ 84,789	\$ 72,066
	Expense Dollars Change		\$ 111,145	\$ (91,169)	\$ 37,664	\$ (37,728)	\$ 14,655	\$ (12,723)
	Percent Change		221.30%	-56.50%	53.65%	-34.98%	20.89%	-15.01%

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

Operating Expense- Ammonia and Limestone		2013	2014	2014	2014	2014	2014	2014
506001 - SP03	Misc Steam Power Expense- Gilbert	Dec	Jan	Feb	Mar	Apr	May	Jun
	Ammonia Expense	\$ 144,159	\$ (452,493)	\$ 393,961	\$ 47,064	\$ 30,749	\$ 37,086	\$ 31,584
	Limestone Expense	\$ 321,688	\$ 362,764	\$ 375,138	\$ 430,733	\$ 41,580	\$ 131,711	\$ 171,258
	Limestone Tons Used	26,861	29,945	30,773	35,285	3,400	10,740	13,988
	Total Expense Dollars	\$ 465,847	\$ (89,729)	\$ 769,099	\$ 477,797	\$ 72,328	\$ 168,797	\$ 202,842
	Expense Dollars Change		\$ (555,576)	\$ 858,828	\$ (291,302)	\$ (405,468)	\$ 96,469	\$ 34,044
	Percent Change		-119.26%	-957.13%	-37.88%	-84.86%	133.38%	20.17%

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.

January14- Limestone expenses increased by \$41.1k and Ammonia expenses decreased by \$596.7k

February14- Limestone expenses increased by \$12.4k and Ammonia expenses increased by \$846.5k

March14- Limestone expenses increased by \$55.6k and Ammonia expenses decreased by \$346.9k

April14- Limestone expenses decreased by \$389.2k and Ammonia expenses decreased by \$16.3k
Unit Outage from 04/05/14-04/30/14

May14- Limestone expenses increased by \$90.1k and Ammonia expenses increased by \$6.3k
Unit Outage from 05/01/14-05/05/14, 05/10/14-05/13/14

June14- Limestone expenses increased by \$39.5k and Ammonia expenses decreased by \$5.5k
Unit Outage from 06/01/14-06/12/14

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Operating Expense- Limestone and Magnesium		2013	2014	2014	2014	2014	2014	2014
506001 - SP21	Misc Stm Pwr Exp- Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	Jun
	Magnesium Expense	\$ 32,218	\$ 16,926	\$ 9,887	\$ 36,977	\$ 5,253	\$ 9,745	\$ 18,988
	Limestone Expense	\$ 66,638	\$ 105,737	\$ 107,386	\$ 118,760	\$ 79,716	\$ 242,955	\$ 213,019
	Limestone Tons Used	5,820	7,571	8,495	24,049	20,525	19,031	16,709
	Expense Dollars	\$ 98,856	\$ 122,663	\$ 117,274	\$ 155,736	\$ 84,969	\$ 252,700	\$ 232,007
	Expense Dollars Change		\$ 23,807	\$ (5,390)	\$ 38,463	\$ (70,767)	\$ 167,731	\$ (20,694)
	Percent Change		24.08%	-4.39%	32.80%	-45.44%	197.40%	-8.19%

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.

January14- Limestone expenses increased by \$39.1k and Magnesium expenses decreased by \$15.3k

March14- Limestone expenses increased by \$11.4k and Magnesium expenses increased by \$27.1k

April14- Limestone expenses decreased by \$39k and Magnesium expenses decreased by \$31.7k

May14- Limestone expenses increased by \$163.2k and Magnesium expenses increased by \$4.5k
Unit Outage from 05/04/14-05/06/14

Operating Expense-Limestone and Magnesium		2013	2014	2014	2014	2014	2014	2014
506001 - SP22	Misc Stm Pwr Exp- Spurlock 2	Dec	Jan	Feb	Mar	Apr	May	Jun
	Magnesium Expense	\$ 94,678	\$ (30,365)	\$ 20,572	\$ 69,592	\$ 19,696	\$ 15,928	\$ 19,350
	Limestone Expense	\$ 171,356	\$ 223,124	\$ 228,196	\$ 241,118	\$ 204,983	\$ 38,378	\$ 63,979
	Limestone Tons Used	14,965	16,852	18,051	4,288	1,800	3,004	5,021
	Expense Dollars	\$ 266,034	\$ 192,760	\$ 248,769	\$ 310,711	\$ 224,678	\$ 54,306	\$ 83,329
	Expense Dollars Change		\$ (73,274)	\$ 56,009	\$ 61,942	\$ (86,032)	\$ (170,372)	\$ 29,023
	Percent Change		-27.54%	29.06%	24.90%	-27.69%	-75.83%	53.44%

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.

January14- Limestone expenses increased by \$51.8k and Magnesium expenses decreased by \$125k

February14- Limestone expenses increased by \$5.1k and Magnesium expenses increased by \$50.9k

March14- Limestone expenses increased by \$12.9k and Magnesium expenses increased by \$49k
Unit Outage from 03/01/14-03/02/14, 03/08/14-03/13/14, 03/21/14-03/31/14

April14- Limestone expenses decreased by \$36.1k and Magnesium expenses decreased by \$49.9k
Unit Outage from 04/03/14-04/06/14, 04/10/14-04/30/14

May14- Limestone expenses decreased by \$166.6k and Magnesium expenses decreased by \$3.8k
Unit Outage from 05/08/14-05/31/14

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June14- Limestone expenses increased by \$25.6k and Magnesium expenses increased by \$3.4k
 Unit Outage from 06/01/14-06/18/14

Operating Expense- Ammonia and Limestone		2013	2014	2014	2014	2014	2014	2014
506001 - SP04	Misc Stm Pwr Exp- Spurlock 4	Dec	Jan	Feb	Mar	Apr	May	Jun
	Ammonia Expense	\$ 154,418	\$ (469,686)	\$ 420,667	\$ 41,431	\$ 27,155	\$ 32,700	\$ 27,886
	Limestone Expense	\$ 361,137	\$ 392,870	\$ 381,513	\$ 19,255	\$ 387,371	\$ 401,260	\$ 359,019
	Limestone Tons Used	30,155	32,432	31,296	1,576	31,607	32,713	29,313
	Expense Dollars	\$ 515,555	\$ (76,816)	\$ 802,181	\$ 60,686	\$ 414,526	\$ 433,960	\$ 386,905
	Expense Dollars Change		\$ (592,371)	\$ 878,996	\$ (741,494)	\$ 353,840	\$ 19,434	\$ (47,055)
	Percent Change		-114.90%	-1144.29%	-92.43%	583.07%	4.69%	-10.84%

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.

January14- Limestone expenses increased by \$31.7k and Ammonia expenses decreased by \$624.1k

February14- Limestone expenses decreased by \$11.4k and Ammonia expenses increased by \$890.4k

March14- Limestone expenses decreased by \$362.3k and Ammonia expenses decreased by \$379.2k
 Unit Outage from 03/01/14-03/29/14

April14- Limestone expenses increased by \$368.1k and Ammonia expenses decreased by \$14.3k

June14- Limestone expenses decreased by \$42.2k and Ammonia expenses decreased by \$4.8k

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501010 - SP03	Fuel Coal Gilbert	2014		2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec			
400-2610	Expense Dollars	\$ 8,018	\$ 111,565	\$ 117,696	\$ 115,377	\$ 105,243	\$ 85,820	\$ 129,702			
	Expense Dollars Change		\$ 103,547	\$ 6,131	\$ (2,319)	\$ (10,133)	\$ (19,424)	\$ 43,883			
	Percent Change		1291.43%	5.50%	-1.97%	-8.78%	-18.46%	51.13%			

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

501010 - SP04	Fuel Coal Spurlock 4	2014		2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec			
	Expense Dollars	\$ 124,358	\$ 65,522	\$ 66,204	\$ 120,086	\$ 105,243	\$ 128,729	\$ 129,702			
	Expense Dollars Change		\$ (58,836)	\$ 682	\$ 53,882	\$ (14,843)	\$ 23,486	\$ 973			
	Percent Change		-47.31%	1.04%	81.39%	-12.36%	22.32%	0.76%			

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

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	2014		2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec			
	Expense Dollars	\$ 10,459	\$ 9,053	\$ 9,567	\$ 18,035	\$ 6,797	\$ 13,453	\$ 12,171			
	Expense Dollars Change		\$ (1,405)	\$ 514	\$ 8,468	\$ (11,238)	\$ 6,656	\$ (1,282)			
	Percent Change		-13.44%	5.68%	88.51%	-62.31%	97.93%	-9.53%			

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

512000 - CPxx	Mtc of Cooper (Unit 2 AQCS)	2014		2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec			
	Expense Dollars	\$ 58,387	\$ 170,753	\$ 68,488	\$ 20,410	\$ 78,024	\$ 16,137	\$ 43,800			
	Expense Dollars Change		\$ 112,365	\$ (102,264)	\$ (48,079)	\$ 57,614	\$ (61,886)	\$ 27,662			
	Percent Change		192.45%	-59.89%	-70.20%	282.28%	-79.32%	171.42%			

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

July14-

Project 03350- Contractor payments increased \$0.3k, EKPC Payroll & Benefits decreased \$1.8k, Materials decreased \$1.1k,
 Project 03351- Contractor payments increased \$13.9k, EKPC Payroll & Benefits increased \$1.1k, Materials increased \$1.3k, Accruals increased \$2k
 Adjustment to accruals to match actual resulted in an increase of \$96.7k

August14-

Project 03350- Contractor payments decreased \$5k, EKPC Payroll & Benefits decreased \$2k, Materials decreased \$1.1k,
 Project 03351- Contractor payments decreased \$16.2k, EKPC Payroll & Benefits increased \$0.5k, Materials decreased \$2.8k, Accruals decreased \$4k
 Adjustment to accruals to match actual resulted in a decrease of \$71.6k

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September14-

Project 03350- Contractor payments increased \$43.2k, EKPC Payroll & Benefits decreased \$7.1k, Materials decreased \$2.7k,
 Project 03351- Contractor payments decreased \$5.6k, EKPC Payroll & Benefits decreased \$3.8k, Materials increased \$0.6k, Accruals increased \$2k
 Adjustment to accruals to match actual resulted in a decrease of \$75.3k

October14-

Project 03350- Contractor payments increased \$43.2k, EKPC Payroll & Benefits decreased \$7.1k, Materials decreased \$2.7k,
 Project 03351- Contractor payments decreased \$5.6k, EKPC Payroll & Benefits decreased \$3.8k, Materials increased \$0.6k, Accruals increased \$2k
 Adjustment to accruals to match actual resulted in an increase of \$31k

November14-

Project 03350- Contractor payments decreased \$45.2k, EKPC Payroll & Benefits increased \$2.7k,
 Project 03351- Contractor payments decreased \$0.2k, EKPC Payroll & Benefits increased \$0.6k, Materials decreased \$0.6k,
 Project 03520- EKPC Payroll & Benefits increased \$0.1k,
 Adjustment to accruals to match actual resulted in a decrease of \$19.3k

December14-

Project 03350- Contractor payments decreased \$0.2k, EKPC Payroll & Benefits increased \$3.2k, Materials increased \$0.1k, Accruals decreased \$1.2k
 Project 03351- Contractor payments increased \$11.2k, EKPC Payroll & Benefits decreased \$0.5k, Accruals increased \$1.2k
 Project 03520- EKPC Payroll & Benefits decreased \$0.2k,
 Adjustment to accruals to match actual resulted in an increase of \$14.1k

512000 - SP01	Mtce of Boiler Plant Spurlock 1	2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	Expense Dollars	\$ 6,378	\$ 4,836	\$ 14,771	\$ 18,422	\$ 265,897	\$ 916	\$ (438)	
	Expense Dollars Change		\$ (1,542)	\$ 9,935	\$ 3,651	\$ 247,475	\$ (264,981)	\$ (1,354)	
	Percent Change		-24.18%	205.44%	24.72%	1343.37%	-99.66%	-147.80%	

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

July14-

Project 03501- EKPC Payroll & Benefits decreased \$0.1k,
 Project 03330- Contractor payments increased \$2.2k, EKPC Payroll & Benefits decreased \$0.3k, Materials increased \$2.2k, Accruals decreased \$1.3k
 Adjustment to accruals to match actual resulted in an increase of \$4.2k

August14-

Project 03501- EKPC Payroll & Benefits decreased \$0.1k,
 Project 03330- Contractor payments decreased \$1.7k, EKPC Payroll & Benefits increased \$5.3k, Materials increased \$2.6k, Accruals increased \$7.1k
 Adjustment to accruals to match actual resulted in a decrease of \$3.3k

September14-

Project 03501- Contractor payments increased \$176.7k, EKPC Payroll & Benefits increased \$1.4k, Materials increased \$0.1k, Accruals increased \$1.2k
 Project 03330- Contractor payments increased \$160.3k, EKPC Payroll & Benefits decreased \$1.3k, Materials increased \$2.5k, Accruals increased \$10.9k
 Adjustment to accruals to match actual resulted in an increase of \$348.1k

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October14-

Project 03501- Contractor payments decreased \$89.8k, EKPC Payroll & Benefits increased \$1.6k, Materials decreased \$0.1k, Accruals increased \$1.3k
 Project 03330- Contractor payments decreased \$159.4k, EKPC Payroll & Benefits decreased \$1.3k, Materials decreased \$6.4k, Accruals decreased \$14.5k
 Adjustment to accruals to match actual resulted in an increase of \$516.1k

November14-

Project 03501- Contractor payments decreased \$85k, EKPC Payroll & Benefits decreased \$1.1k, Accruals decreased \$2.5k
 Project 03330- Contractor payments increased \$0.8k, EKPC Payroll & Benefits decreased \$2k, Materials decreased \$0.2k, Accruals decreased \$3.5k
 Adjustment to accruals to match actual resulted in a decrease of \$171.5k

December14-

Project 03501- Contractor payments increased \$34.1k, EKPC Payroll & Benefits decreased \$2.4k, Accruals increased \$0.1k
 Project 03330- Contractor payments increased \$1k, EKPC Payroll & Benefits increased \$2.1k, Materials decreased \$0.4k, Accruals decreased \$0.8k
 Adjustment to accruals to match actual resulted in a decrease of \$35.1k

512000 - SP02	Mtce of Boiler Plant Spurlock 2	2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	Expense Dollars	\$ 31,422	\$ 2,526	\$ 29,857	\$ 12,676	\$ 55,288	\$ 215,414	\$ 6,201	
	Expense Dollars Change		\$ (28,895)	\$ 27,331	\$ (17,181)	\$ 42,612	\$ 160,126	\$ (209,213)	
	Percent Change		-91.96%	1081.86%	-57.54%	336.17%	289.62%	-97.12%	

Project 03330 is for the Spurlock 2 Electrostatic Precipitator and Project 03501 is for Spurlock 2 SCR maintenance.

July14-

Project 03501- Contractor payments decreased \$0.7k, EKPC Payroll & Benefits decreased \$3k, Materials decreased \$0.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$24.9k

August14-

Project 03501- Contractor payments increased \$3.5k, EKPC Payroll & Benefits increased \$2k,
 Adjustment to accruals to match actual resulted in an increase of \$21.8k

September14-

Project 03501- EKPC Payroll & Benefits decreased \$0.7k, Materials increased \$0.1k,
 Adjustment to accruals to match actual resulted in a decrease of \$16.6k

October14-

Project 03501- Contractor payments increased \$34k, EKPC Payroll & Benefits increased \$8.1k, Materials increased \$4.4k,
 Adjustment to accruals to match actual resulted in an increase of \$3.9k

November14-

Project 03501- Contractor payments increased \$143.2k, EKPC Payroll & Benefits decreased \$9.3k, Materials decreased \$4.5k,
 Adjustment to accruals to match actual resulted in an increase of \$30.7k

December14-

Project 03501- Contractor payments decreased \$176.1k, EKPC Payroll & Benefits decreased \$0.2k, Materials increased \$0.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$33.2k

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512000 - SP03	Maintenance of Boiler Plant Gilbert	2014	2014	2014	2014	2014	2014	2014
		Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	56,394	123,080	208,829	107,632	223,987	238,740	244,622
	Expense Dollars Change		66,686	85,749	(101,197)	116,355	14,753	5,882
	Percent Change		118.25%	69.67%	-48.46%	108.10%	6.59%	2.46%

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

July14-

Project 03206- Contractor payments increased \$42.6k, EKPC Payroll & Benefits decreased \$1.2k, Materials decreased \$3.9k,
 Project 03350- Contractor payments increased \$13.2k, EKPC Payroll & Benefits decreased \$6k, Materials increased \$27.6k, Accruals decreased \$1.9k
 Adjustment to accruals to match actual resulted in a decrease of \$3.7k

August14-

Project 03206- Contractor payments increased \$21.9k, EKPC Payroll & Benefits increased \$18.6k, Materials increased \$35.6k,
 Project 03350- Contractor payments increased \$32.5k, EKPC Payroll & Benefits increased \$0.1k, Materials decreased \$27.6k, Accruals increased \$3.8k
 Adjustment to accruals to match actual resulted in an increase of \$0.8k

September14-

Project 03206- Contractor payments decreased \$48.5k, EKPC Payroll & Benefits decreased \$12.7k, Materials decreased \$11k,
 Project 03350- Contractor payments decreased \$26.4k, EKPC Payroll & Benefits decreased \$0.9k, Materials increased \$1.8k, Accruals decreased \$3.8k
 Adjustment to accruals to match actual resulted in an increase of \$3.9k

October14-

Project 03206- Contractor payments increased \$121.4k, EKPC Payroll & Benefits decreased \$4k, Materials decreased \$16.6k,
 Project 03350- Contractor payments increased \$3.9k, EKPC Payroll & Benefits increased \$9.8k, Materials decreased \$0.7k, Accruals increased \$3.8k
 Adjustment to accruals to match actual resulted in a decrease of \$1.2k

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	2014	2014	2014	2014	2014	2014	2014
		Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	176,983	202,065	640,365	60,546	158,628	63,553	32,615
	Expense Dollars Change		25,082	438,300	(579,819)	98,082	(95,076)	(30,937)
	Percent Change		14.17%	216.91%	-90.55%	162.00%	-59.94%	-48.68%

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

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July14-

Project 03206- Contractor payments decreased \$52.1k, EKPC Payroll & Benefits increased \$12.9k, Materials increased \$62.4k,
 Project 03350- Contractor payments increased \$1.1k, EKPC Payroll & Benefits increased \$9.3k, Materials increased \$1.5k,
 Adjustment to accruals to match actual resulted in a decrease of \$10k

August14-

Project 03206- Contractor payments increased \$469.1k, EKPC Payroll & Benefits increased \$28.3k, Materials decreased \$61.7k, Accruals increased \$0.1k
 Project 03350- Contractor payments decreased \$4.2k, Materials increased \$6.8k,
 Adjustment to accruals to match actual resulted in a decrease of \$123.5k

September14-

Project 03206- Contractor payments decreased \$481.1k, EKPC Payroll & Benefits decreased \$40.3k, Materials decreased \$51.9k, Accruals decreased \$0.1k
 Project 03350- Contractor payments increased \$4.2k, EKPC Payroll & Benefits decreased \$2.9k, Materials decreased \$7.8k,
 Adjustment to accruals to match actual resulted in an increase of \$0.1k

October14-

Project 03206- Contractor payments increased \$62.8k, EKPC Payroll & Benefits decreased \$10.6k, Materials increased \$33k,
 Project 03350- Contractor payments increased \$12.2k, EKPC Payroll & Benefits decreased \$10.2k, Materials increased \$11.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$0.3k

November14-

Project 03206- Contractor payments decreased \$113.8k, EKPC Payroll & Benefits increased \$17.3k, Materials increased \$21.4k, Accruals decreased \$0.1k
 Project 03350- Contractor payments decreased \$18.1k, EKPC Payroll & Benefits increased \$2.5k, Materials decreased \$4.7k,
 Adjustment to accruals to match actual resulted in a decrease of \$0.4k

December14-

Project 03206- EKPC Payroll & Benefits decreased \$21.1k, Materials decreased \$2.5k, Accruals decreased \$5.5k
 Project 03350- Contractor payments increased \$29.1k, EKPC Payroll & Benefits increased \$14.8k, Materials increased \$3.4k, Accruals decreased \$7.3k
 Adjustment to accruals to match actual resulted in a decrease of \$41.8k

512000 - SP21	Mtce of Boiler Plant Scrubber 1	2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	Expense Dollars	\$ 92,608	\$ 46,984	\$ 110,840	\$ 76,160	\$ 368,195	\$ 146,798	\$ 149,013	
	Expense Dollars Change		\$ (45,624)	\$ 63,856	\$ (34,680)	\$ 292,035	\$ (221,397)	\$ 2,215	
	Percent Change		-49.27%	135.91%	-31.29%	383.45%	-60.13%	1.51%	

July14-

Project 03521- Contractor payments decreased \$3.3k, EKPC Payroll & Benefits decreased \$41.5k, Materials decreased \$0.8k,

August14-

Project 03521- Contractor payments increased \$53.9k, EKPC Payroll & Benefits decreased \$5.8k, Materials increased \$15.3k,
 Adjustment to accruals to match actual resulted in an increase of \$0.5k

**East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
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September14-

Project 03521- Contractor payments increased \$306.3k, EKPC Payroll & Benefits increased \$5.6k, Materials increased \$20.1k,
Adjustment to accruals to match actual resulted in a decrease of \$366.7k

October14-

Project 03521- Contractor payments decreased \$419.5k, EKPC Payroll & Benefits decreased \$5.2k, Materials decreased \$15k,
Adjustment to accruals to match actual resulted in an increase of \$731.7k

November14-

Project 03521- Contractor payments increased \$131.9k, EKPC Payroll & Benefits increased \$9.5k, Materials decreased \$0.7k,
Adjustment to accruals to match actual resulted in a decrease of \$362.1k

512000 - SP22	Mtce of Boiler Plant Scrubber 2	2014		2014		2014		2014	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	Expense Dollars	\$ 233,578	\$ 388,610	\$ 178,230	\$ 271,204	\$ 527,307	\$ 494,235	\$ 37,758	
	Expense Dollars Change		\$ 155,031	\$ (210,379)	\$ 92,974	\$ 256,103	\$ (33,072)	\$ (456,477)	
	Percent Change		66.37%	-54.14%	52.17%	94.43%	-6.27%	-92.36%	

July14-

Project 03521- Contractor payments increased \$156.2k, EKPC Payroll & Benefits decreased \$38.1k, Materials increased \$36.8k, Accruals increased \$0.1k

August14-

Project 03521- Contractor payments decreased \$189.4k, EKPC Payroll & Benefits increased \$11.4k, Materials decreased \$34.1k, Accruals increased \$0.1k
Adjustment to accruals to match actual resulted in a decrease of \$1.6k

September14-

Project 03521- Contractor payments increased \$121.9k, EKPC Payroll & Benefits decreased \$32.9k, Materials increased \$9.7k, Accruals decreased \$0.1k
Adjustment to accruals to match actual resulted in a decrease of \$5.6k

October14-

Project 03521- Contractor payments increased \$101.3k, EKPC Payroll & Benefits increased \$1.2k, Materials increased \$144.3k,
Adjustment to accruals to match actual resulted in an increase of \$9.3k

December14-

Project 03521- Contractor payments decreased \$335.3k, EKPC Payroll & Benefits decreased \$13.1k, Materials decreased \$63.5k, Accruals decreased \$4.7k
Adjustment to accruals to match actual resulted in a decrease of \$40.2k

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Air Permit Fees		2014	2014	2014	2014	2014	2014	2014
50621	Misc Stm Pwr Env - Dale	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,945
	Expense Dollars Change	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,945
	Percent Change		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
50631	Misc Stm Pwr Env - Cooper	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 15,630	\$ 30,135	\$ -	\$ 18,636	\$ -	\$ 12,088	\$ 168,263
	Expense Dollars Change	\$ -	\$ 14,505	\$ (30,135)	\$ 18,636	\$ (18,636)	\$ 12,088	\$ 156,175
	Percent Change		92.80%	-100.00%	0.00%	-100.00%	0.00%	1291.97%
50645	Misc Stm Pwr Env - Spurlock	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 6,647	\$ 31,961	\$ 20,876	\$ 6,915	\$ 6,031	\$ 15,953	\$ 244,700
	Expense Dollars Change	\$ -	\$ 25,314	\$ (11,085)	\$ (13,961)	\$ (884)	\$ 9,922	\$ 228,747
	Percent Change		380.84%	-34.68%	-66.88%	-12.78%	164.50%	1433.88%

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

Operating Expense- Ammonia		2014	2014	2014	2014	2014	2014	2014
506001 - CPxx	Misc Stm Pwr Exp - Cooper	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 26,596	\$ 22,108	\$ 21,435	\$ 17,151	\$ 27,297	\$ 84,021	\$ 54,778
	Expense Dollars Change	\$ -	\$ (4,488)	\$ (673)	\$ (4,283)	\$ 10,145	\$ 56,725	\$ (29,244)
	Percent Change		-16.87%	-3.05%	-19.98%	59.15%	207.81%	-34.80%

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

Operating Expense- Ammonia		2014	2014	2014	2014	2014	2014	2014
506001 - CP22	Misc Stm Pwr Exp - Cooper Unit #2 AQCS	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 152,534	\$ 126,900	\$ 85,781	\$ 51,058	\$ 192,985	\$ 163,552	\$ -
	Expense Dollars Change	\$ -	\$ (25,633)	\$ (41,120)	\$ (34,723)	\$ 141,927	\$ (29,433)	\$ (163,552)
	Percent Change		-16.80%	-32.40%	-40.48%	277.97%	-15.25%	-100.00%

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

Operating Expense- Ammonia		2014	2014	2014	2014	2014	2014	2014
506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 64,275	\$ 71,485	\$ 46,809	\$ 47,345	\$ 55,809	\$ 41,829	\$ 181,061
	Expense Dollars Change	\$ -	\$ 7,210	\$ (24,676)	\$ 537	\$ 8,463	\$ (13,979)	\$ 139,232
	Percent Change		11.22%	-34.52%	1.15%	17.88%	-25.05%	332.86%

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

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
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506001 - SP02	Misc Steam Power Exp - Spurlock 2	2014	2014	2014	2014	2014	2014	2014
		Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 72,066	\$ 80,150	\$ 52,482	\$ 53,084	\$ 62,573	\$ 46,900	\$ 127,925
	Expense Dollars Change		\$ 8,084	\$ (27,668)	\$ 602	\$ 9,489	\$ (15,674)	\$ 81,025
	Percent Change		11.22%	-34.52%	1.15%	17.88%	-25.05%	172.76%

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

Operating Expense- Ammonia and Limestone		2014	2014	2014	2014	2014	2014	2014
506001 - SP03	Misc Steam Power Expense- Gilbert	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Ammonia Expense	\$ 31,584	\$ 42,489	\$ 30,525	\$ 30,785	\$ 34,888	\$ 28,110	\$ 63,148
	Limestone Expense	\$ 171,258	\$ 319,857	\$ 305,968	\$ 313,675	\$ 218,254	\$ 316,991	\$ 354,503
	Limestone Tons Used	13,988	26,180	25,085	25,757	17,964	26,220	29,465
	Total Expense Dollars	\$ 202,842	\$ 362,346	\$ 336,492	\$ 344,460	\$ 253,142	\$ 345,102	\$ 417,651
	Expense Dollars Change		\$ 159,504	\$ (25,854)	\$ 7,967	\$ (91,317)	\$ 91,959	\$ 72,549
	Percent Change		78.63%	-7.14%	2.37%	-26.51%	36.33%	21.02%

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.

July14- Limestone expenses increased by \$148.6k and Ammonia expenses increased by \$10.9k

October14- Limestone expenses decreased by \$95.4k and Ammonia expenses increased by \$4.1k
Unit Outage from 10/19/14-10/24/14, 10/30/14-10/31/14

November14- Limestone expenses increased by \$98.7k and Ammonia expenses decreased by \$6.8k
Unit Outage from 11/01/14-11/02/14

December14- Limestone expenses increased by \$37.5k and Ammonia expenses increased by \$35k

Operating Expense- Limestone and Magnesium		2014	2014	2014	2014	2014	2014	2014
506001 - SP21	Misc Stm Pwr Exp- Spurlock 1	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Magnesium Expense	\$ 18,988	\$ 22,580	\$ 6,380	\$ 17,715	\$ 15,612	\$ (39,020)	\$ 105,518
	Limestone Expense	\$ 213,019	\$ 203,012	\$ 143,028	\$ 122,023	\$ 93,763	\$ 147,551	\$ -
	Limestone Tons Used	16,709	15,966	11,278	9,625	7,407	11,694	-
	Expense Dollars	\$ 232,007	\$ 225,592	\$ 149,408	\$ 139,738	\$ 109,374	\$ 108,531	\$ 105,518
	Expense Dollars Change		\$ (6,414)	\$ (76,184)	\$ (9,670)	\$ (30,364)	\$ (843)	\$ (3,013)
	Percent Change		-2.76%	-33.77%	-6.47%	-21.73%	-0.77%	-2.78%

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.

July14- Limestone expenses decreased by \$10k and Magnesium expenses increased by \$3.6k

August14- Limestone expenses decreased by \$60k and Magnesium expenses decreased by \$16.2k

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October14- Limestone expenses decreased by \$28.3k and Magnesium expenses decreased by \$2.1k

Operating Expense-Limestone and Magnesium		2014	2014	2014	2014	2014	2014	2014
506001 - SP22	Misc Stm Pwr Exp- Spurlock 2	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Magnesium Expense	\$ 19,350	\$ 40,252	\$ 17,864	\$ 45,264	\$ 7,876	\$ 58,507	\$ 226,243
	Limestone Expense	\$ 63,979	\$ 142,597	\$ 124,770	\$ 117,491	\$ 64,585	\$ 44,181	\$ -
	Limestone Tons Used	5,021	11,214	9,838	9,267	5,103	3,510	-
	Expense Dollars	\$ 83,329	\$ 182,850	\$ 142,635	\$ 162,755	\$ 72,460	\$ 102,688	\$ 226,243
	Expense Dollars Change		\$ 99,521	\$ (40,215)	\$ 20,120	\$ (90,294)	\$ 30,228	\$ 123,554
	Percent Change		119.43%	-21.99%	14.11%	-55.48%	41.72%	120.32%

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.

July14- Limestone expenses increased by \$78.6k and Magnesium expenses increased by \$20.9k

August14- Limestone expenses decreased by \$17.8k and Magnesium expenses decreased by \$22.4k

September14- Limestone expenses decreased by \$7.3k and Magnesium expenses increased by \$27.4k

October14- Limestone expenses decreased by \$52.9k and Magnesium expenses decreased by \$37.4k

November14- Limestone expenses decreased by \$20.4k and Magnesium expenses increased by \$50.6k

Unit Outage from 11/02/14-11/13/14, 11/18/14-11/25/14

December14- Limestone expenses decreased by \$44.2k and Magnesium expenses increased by \$167.7k

Unit Outage from 12/01/14-12/31/14

Operating Expense- Ammonia and Limestone		2014	2014	2014	2014	2014	2014	2014
506001 - SP04	Misc Stm Pwr Exp- Spurlock 4	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Ammonia Expense	\$ 27,886	\$ 40,292	\$ 29,823	\$ 30,051	\$ 33,641	\$ 27,711	\$ 58,369
	Limestone Expense	\$ 359,019	\$ 195,888	\$ 213,325	\$ 424,199	\$ 348,377	\$ 460,686	\$ 433,500
	Limestone Tons Used	29,313	16,035	17,492	34,831	28,689	38,091	36,030
	Expense Dollars	\$ 386,905	\$ 236,180	\$ 243,148	\$ 454,250	\$ 382,018	\$ 488,397	\$ 491,869
	Expense Dollars Change		\$ (150,726)	\$ 6,968	\$ 211,102	\$ (72,231)	\$ 106,378	\$ 3,473
	Percent Change		-38.96%	2.95%	86.82%	-15.90%	27.85%	0.71%

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.

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July14- Limestone expenses decreased by \$163.1k and Ammonia expenses increased by \$12.4k
Unit Outage from 07/03/14-07/06/14, 07/12/14-07/20/14

September14- Limestone expenses increased by \$210.9k and Ammonia expenses increased by \$0.2k

October14- Limestone expenses decreased by \$75.8k and Ammonia expenses increased by \$3.6k
Unit Outage from 10/05/14-10/07/14

November14- Limestone expenses increased by \$112.3k and Ammonia expenses decreased by \$5.9k

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501010 - SP03	Fuel Coal Gilbert	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
400-2610	Expense Dollars	\$ 129,702	\$ 127,611	\$ 115,440	\$ 72,148	\$ -	\$ -	\$ 89,834
	Expense Dollars Change		\$ (2,091)	\$ (12,171)	\$ (43,292)	\$ (72,148)	\$ -	\$ 89,834
	Percent Change		-1.61%	-9.54%	-37.50%	-100.00%	0.00%	0.00%

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

501010 - SP04	Fuel Coal Spurlock 4	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 129,702	\$ 100,266	\$ 110,913	\$ 69,319	\$ 90,477	\$ 119,439	\$ 40,360
	Expense Dollars Change		\$ (29,436)	\$ 10,647	\$ (41,594)	\$ 21,158	\$ 28,962	\$ (79,079)
	Percent Change		-22.70%	10.62%	-37.50%	30.52%	32.01%	-66.21%

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

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 12,171	\$ 11,905	\$ 14,293	\$ 12,285	\$ -	\$ 8,351	\$ 11,877
	Expense Dollars Change		\$ (266)	\$ 2,388	\$ (2,008)	\$ (12,285)	\$ 8,351	\$ 3,526
	Percent Change		-2.18%	20.06%	-14.05%	-100.00%	0.00%	42.22%

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

512000 - CPxx	Mtc of Cooper (Unit 2 AQCS)	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 43,800	\$ 46,767	\$ 15,122	\$ 18,199	\$ 68,855	\$ 97,277	\$ 25,580
	Expense Dollars Change		\$ 2,968	\$ (31,645)	\$ 3,077	\$ 50,656	\$ 28,422	\$ (71,697)
	Percent Change		6.78%	-67.66%	20.35%	278.35%	41.28%	-73.70%

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

February15-

Project 03350- Contractor payments increased \$0.6k, EKPC Payroll & Benefits increased \$2.2k, Materials decreased \$1.3k, Accruals decreased \$0.1k
 Project 03351- Contractor payments increased \$0.2k, EKPC Payroll & Benefits increased \$1k, Materials increased \$0.3k, Accruals decreased \$0.1k
 Adjustment to accruals to match actual resulted in a decrease of \$34.4k

March15-

Project 03350- Contractor payments decreased \$0.6k, Materials increased \$1.1k,
 Project 03351- Contractor payments increased \$5.7k, EKPC Payroll & Benefits increased \$0.7k, Materials increased \$0.7k,
 Adjustment to accruals to match actual resulted in a decrease of \$4.5k

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For the Expense Period January 2015 - June 2015

April15-

Project 03350- Contractor payments increased \$2.6k, EKPC Payroll & Benefits increased \$2.4k, Materials decreased \$0.7k,
 Project 03351- Contractor payments decreased \$5.8k, EKPC Payroll & Benefits increased \$7.9k, Materials increased \$1.1k,
 Adjustment to accruals to match actual resulted in an increase of \$43.2k

May15-

Project 03350- Contractor payments increased \$50.3k, EKPC Payroll & Benefits decreased \$0.2k, Materials increased \$2.7k,
 Project 03351- Contractor payments increased \$0.1k, EKPC Payroll & Benefits decreased \$10.1k, Materials decreased \$2.1k,
 Adjustment to accruals to match actual resulted in a decrease of \$12.3k

June15-

Project 03350- Contractor payments decreased \$46.4k, EKPC Payroll & Benefits decreased \$1.2k, Materials decreased \$3.2k,
 Project 03351- Contractor payments increased \$2.7k, EKPC Payroll & Benefits increased \$4.9k, Materials increased \$0.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$28.7k

512000 - SP01	Mtce of Boiler Plant Spurlock 1	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ (438)	\$ 85,162	\$ (34,884)	\$ 14,157	\$ 3,532	\$ 22,299	\$ 19,330
	Expense Dollars Change		\$ 85,600	\$ (120,046)	\$ 49,041	\$ (10,625)	\$ 18,767	\$ (2,969)
	Percent Change		-19552.71%	-140.96%	-140.58%	-75.05%	531.30%	-13.31%

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

January15-

Project 03501- Contractor payments decreased \$40.2k, EKPC Payroll & Benefits increased \$1.2k, Accruals increased \$7k
 Project 03330- Contractor payments decreased \$1.8k, EKPC Payroll & Benefits decreased \$1.4k, Materials decreased \$0.1k, Accruals increased \$2k
 Adjustment to accruals to match actual resulted in an increase of \$118.9k

February15-

Project 03501- Contractor payments decreased \$0.4k, EKPC Payroll & Benefits increased \$0.5k, Accruals decreased \$1.3k
 Project 03330- EKPC Payroll & Benefits increased \$2k, Materials decreased \$0.2k, Accruals decreased \$1.3k
 Adjustment to accruals to match actual resulted in a decrease of \$119.3k

March15-

Project 03501- Contractor payments increased \$3.3k, EKPC Payroll & Benefits decreased \$1.7k, Accruals decreased \$3.4k
 Project 03330- EKPC Payroll & Benefits increased \$9k, Accruals increased \$0.4k
 Adjustment to accruals to match actual resulted in an increase of \$41.4k

April15-

Project 03501- Contractor payments increased \$1.4k, EKPC Payroll & Benefits increased \$2.1k, Accruals decreased \$2.5k
 Project 03330- Contractor payments decreased \$0.5k, EKPC Payroll & Benefits decreased \$14.2k, Accruals decreased \$0.4k
 Adjustment to accruals to match actual resulted in an increase of \$3.5k

May15-

Project 03501- Contractor payments decreased \$36.4k, EKPC Payroll & Benefits decreased \$0.3k, Accruals increased \$50.7k
 Project 03330- Contractor payments increased \$0.5k, EKPC Payroll & Benefits increased \$4.2k,
 Adjustment to accruals to match actual resulted in an increase of \$0.1k

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June15-

Project 03501- Contractor payments increased \$36.3k, EKPC Payroll & Benefits decreased \$1.5k, Accruals decreased \$52.1k
 Project 03330- Contractor payments increased \$13.5k, EKPC Payroll & Benefits decreased \$1.7k, Accruals decreased \$0.5k
 Adjustment to accruals to match actual resulted in an increase of \$3k

512000 - SP02	Mtce of Boiler Plant Spurlock 2	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 6,201	\$ 71,657	\$ 77,712	\$ 2,970	\$ 34,498	\$ 11,729	\$ 38,497
	Expense Dollars Change		\$ 65,456	\$ 6,055	\$ (74,743)	\$ 31,528	\$ (22,769)	\$ 26,769
	Percent Change		1055.55%	8.45%	-96.18%	1061.61%	-66.00%	228.23%

Project 03330 is for the Spurlock 2 Electrostatic Precipitator and Project 03501 is for Spurlock 2 SCR maintenance.

January15-

Project 03501- Contractor payments increased \$36.9k, EKPC Payroll & Benefits increased \$0.6k, Materials decreased \$0.3k, Accruals decreased \$0.4k
 Project 03330- Contractor payments decreased \$65.5k, EKPC Payroll & Benefits decreased \$4.1k, Materials decreased \$2.7k, Accruals increased \$32k
 Adjustment to accruals to match actual resulted in an increase of \$69k

March15-

Project 03501- Contractor payments decreased \$113.5k, EKPC Payroll & Benefits increased \$4.7k, Materials decreased \$0.2k,
 Project 03330- EKPC Payroll & Benefits decreased \$2.3k,
 Adjustment to accruals to match actual resulted in an increase of \$36.6k

April15-

Project 03501- Contractor payments decreased \$1.9k, EKPC Payroll & Benefits decreased \$4.1k, Materials decreased \$0.1k,
 Project 03330- Contractor payments increased \$6.6k, EKPC Payroll & Benefits increased \$6k, Materials increased \$10.6k,
 Adjustment to accruals to match actual resulted in an increase of \$10.6k

May15-

Project 03501- Contractor payments increased \$19.3k, EKPC Payroll & Benefits decreased \$0.4k,
 Project 03330- Contractor payments decreased \$6.6k, EKPC Payroll & Benefits decreased \$6.3k, Materials decreased \$2.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$26.5k

June15-

Project 03501- Contractor payments decreased \$10.8k, EKPC Payroll & Benefits increased \$0.9k,
 Project 03330- Contractor payments increased \$0.7k, EKPC Payroll & Benefits increased \$18.7k, Materials decreased \$7.7k,
 Adjustment to accruals to match actual resulted in an increase of \$25k

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512000 - SP03	Maintenance of Boiler Plant Gilbert	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	244,622	121,013	152,137	3,103,308	1,431,827	173,444	99,094
	Expense Dollars Change		(123,609)	31,124	2,951,170	(1,671,481)	(1,258,383)	(74,349)
	Percent Change		-50.53%	25.72%	1939.81%	-53.86%	-87.89%	-42.87%

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

January15-

Project 03206- Contractor payments decreased \$140.7k, EKPC Payroll & Benefits increased \$12.5k, Materials increased \$11.9k, Accruals increased \$43.1k

Project 03350- Contractor payments decreased \$64.1k, EKPC Payroll & Benefits increased \$7.1k, Materials increased \$7.4k, Accruals increased \$4.9k

Adjustment to accruals to match actual resulted in a decrease of \$5.7k

February15-

Project 03206- Contractor payments increased \$36.9k, EKPC Payroll & Benefits increased \$3.5k, Materials decreased \$7.2k, Accruals decreased \$18.5k

Project 03350- Contractor payments increased \$13.9k, EKPC Payroll & Benefits decreased \$4.3k, Materials increased \$1.9k, Accruals decreased \$1.9k

Adjustment to accruals to match actual resulted in a decrease of \$30.2k

March15-

Project 03206- Contractor payments increased \$2,255.3k, EKPC Payroll & Benefits increased \$66.6k, Materials increased \$294.4k, Accruals decreased \$0.9k

Project 03350- Contractor payments increased \$276.7k, EKPC Payroll & Benefits increased \$16.5k, Materials increased \$46.7k, Accruals decreased \$0.2k

Adjustment to accruals to match actual resulted in a decrease of \$3.9k

April15-

Project 03206- Contractor payments decreased \$1,327.2k, EKPC Payroll & Benefits increased \$2.1k, Materials decreased \$297.4k, Accruals increased \$1.7k

Project 03350- Contractor payments decreased \$50.2k, EKPC Payroll & Benefits decreased \$2.2k, Materials increased \$1.4k, Accruals increased \$0.3k

May15-

Project 03206- Contractor payments decreased \$915.1k, EKPC Payroll & Benefits decreased \$75.1k, Materials increased \$18.9k, Accruals decreased \$0.9k

Project 03350- Contractor payments decreased \$224.1k, EKPC Payroll & Benefits decreased \$7.1k, Materials decreased \$57.3k, Accruals decreased \$0.2k

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

June15-

Project 03206- Contractor payments decreased \$28.2k, EKPC Payroll & Benefits decreased \$9.1k, Materials decreased \$25.2k,

Project 03350- Contractor payments increased \$5.3k, EKPC Payroll & Benefits decreased \$3.9k, Materials decreased \$20.5k,

Adjustment to accruals to match actual resulted in an increase of \$7.3k

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	32,615	993,244	(408,071)	156,017	803,859	2,181,450	254,173
	Expense Dollars Change		960,628	(1,401,315)	564,089	647,842	1,377,591	(1,927,277)
	Percent Change		2945.32%	-141.08%	-138.23%	415.24%	171.37%	-88.35%

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

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2015 - June 2015

January15-

Project 03206- Contractor payments increased \$216.6k, EKPC Payroll & Benefits increased \$27.6k, Materials increased \$11.9k, Accruals increased \$6.7k
 Project 03350- Contractor payments decreased \$22.7k, EKPC Payroll & Benefits increased \$0.7k, Materials decreased \$9.6k, Accruals increased \$11.2k
 Adjustment to accruals to match actual resulted in an increase of \$718.2k

February15-

Project 03206- Contractor payments decreased \$79.2k, EKPC Payroll & Benefits decreased \$12.2k, Materials decreased \$12.4k, Accruals decreased \$1.1k
 Project 03350- Contractor payments increased \$18.8k, EKPC Payroll & Benefits decreased \$2.7k, Materials decreased \$0.9k, Accruals decreased \$3.8k
 Adjustment to accruals to match actual resulted in a decrease of \$1,307.8k

March15-

Project 03206- Contractor payments decreased \$65.7k, EKPC Payroll & Benefits increased \$6.9k, Materials increased \$7.1k, Accruals decreased \$0.8k
 Project 03350- Contractor payments increased \$1.8k, EKPC Payroll & Benefits decreased \$16.9k, Materials increased \$0.9k, Accruals decreased \$0.2k
 Adjustment to accruals to match actual resulted in an increase of \$631k

April15-

Project 03206- Contractor payments decreased \$16.7k, EKPC Payroll & Benefits decreased \$2.4k, Materials increased \$14.2k, Accruals increased \$1.7k
 Project 03350- Contractor payments decreased \$4.3k, EKPC Payroll & Benefits increased \$12.6k, Materials increased \$636.5k, Accruals increased \$0.8k
 Adjustment to accruals to match actual resulted in an increase of \$8.8k

May15-

Project 03206- Contractor payments increased \$1580.2k, EKPC Payroll & Benefits increased \$49.6k, Materials increased \$4.1k, Accruals decreased \$0.9k
 Project 03350- Contractor payments increased \$368k, EKPC Payroll & Benefits increased \$8.4k, Materials decreased \$629.2k, Accruals decreased \$0.6k
 Adjustment to accruals to match actual resulted in a decrease of \$1.9k

June15-

Project 03206- Contractor payments decreased \$1542.5k, EKPC Payroll & Benefits decreased \$27.5k, Materials decreased \$19.8k,
 Project 03350- Contractor payments decreased \$318.2k, EKPC Payroll & Benefits decreased \$7.3k, Materials decreased \$8.3k,
 Adjustment to accruals to match actual resulted in a decrease of \$3.7k

512000 - SP21	Mtce of Boiler Plant Scrubber 1	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 149,013	\$ 102,482	\$ 135,949	\$ 289,784	\$ 77,173	\$ 82,025	\$ 348,808
	Expense Dollars Change		\$ (46,531)	\$ 33,467	\$ 153,835	\$ (212,612)	\$ 4,852	\$ 266,784
	Percent Change		-31.23%	32.66%	113.16%	-73.37%	6.29%	325.25%

January15-

Project 03521- Contractor payments decreased \$88.6k, EKPC Payroll & Benefits decreased \$18.6k, Materials increased \$4.1k, Accruals increased \$2.5k
 Adjustment to accruals to match actual resulted in an increase of \$54.1k

February15-

Project 03521- Contractor payments increased \$89.2k, EKPC Payroll & Benefits increased \$0.7k, Materials decreased \$10.8k,
 Adjustment to accruals to match actual resulted in a decrease of \$45.6k

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2015 - June 2015

March15-

Project 03521- Contractor payments increased \$79.9k, EKPC Payroll & Benefits increased \$12.6k, Materials increased \$40.9k,
 Adjustment to accruals to match actual resulted in an increase of \$20.4k

April15-

Project 03521- Contractor payments decreased \$163.4k, EKPC Payroll & Benefits decreased \$12.9k, Materials decreased \$35.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$1.1k

June15-

Project 03521- Contractor payments increased \$270.1k, EKPC Payroll & Benefits increased \$6k, Materials increased \$12.8k,
 Adjustment to accruals to match actual resulted in a decrease of \$22.1k

512000 - SP22	Mtce of Boiler Plant Scrubber 2	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 37,758	\$ 89,997	\$ 191,718	\$ 199,113	\$ 138,181	\$ 196,116	\$ 208,673
	Expense Dollars Change		\$ 52,240	\$ 101,721	\$ 7,395	\$ (60,932)	\$ 57,935	\$ 12,557
	Percent Change		138.36%	113.03%	3.86%	-30.60%	41.93%	6.40%

January15-

Project 03521- Contractor payments decreased \$66.5k, EKPC Payroll & Benefits decreased \$29.3k, Materials increased \$49.5k, Accruals increased \$4.6k
 Adjustment to accruals to match actual resulted in an increase of \$93.9k

February15-

Project 03521- Contractor payments increased \$223.1k, EKPC Payroll & Benefits decreased \$11.2k, Materials decreased \$35.8k, Accruals increased \$0.2k
 Adjustment to accruals to match actual resulted in a decrease of \$74.6k

April15-

Project 03521- Contractor payments decreased \$36.6k, EKPC Payroll & Benefits decreased \$1.2k, Materials decreased \$18.7k,
 Adjustment to accruals to match actual resulted in a decrease of \$4.4k

May15-

Project 03521- Contractor payments increased \$9.9k, EKPC Payroll & Benefits decreased \$0.8k, Materials increased \$5.2k,
 Adjustment to accruals to match actual resulted in a decrease of \$1.7k

East Kentucky Power Cooperative, Inc.
 Environmental Surcharge Operating and Expense Month over Month Analysis
 For the Expense Period January 2015 - June 2015

Air Permit Fees		2014	2015	2015	2015	2015	2015	2015
50621	Misc Stm Pwr Env - Dale	Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 37,945	\$ 37,945	\$ -	\$ -	\$ -	\$ -	\$ -
	Expense Dollars Change		\$ (0)	\$ (37,945)	\$ -	\$ -	\$ -	\$ -
	Percent Change		0.00%	-100.00%	0.00%	0.00%	0.00%	0.00%
50631	Misc Stm Pwr Env - Cooper	Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 168,263	\$ 168,263	\$ -	\$ -	\$ -	\$ -	\$ -
	Expense Dollars Change		\$ (0)	\$ (168,263)	\$ -	\$ -	\$ -	\$ -
	Percent Change		0.00%	-100.00%	0.00%	0.00%	0.00%	0.00%
50645	Misc Stm Pwr Env - Spurlock	Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 244,700	\$ 342,287	\$ 145	\$ 61,379	\$ 27,557	\$ 52,577	\$ 32,221
	Expense Dollars Change		\$ 97,587	\$ (342,142)	\$ 61,234	\$ (33,823)	\$ 25,020	\$ (20,356)
	Percent Change		39.88%	-99.96%	42230.45%	-55.10%	90.80%	-38.72%

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

Operating Expense- Ammonia		2014	2015	2015	2015	2015	2015	2015
506001 - CPxx	Misc Stm Pwr Exp - Cooper	Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 54,778	\$ 47,417	\$ 80,300	\$ 17,163	\$ 21,375	\$ -	\$ 53,418
	Expense Dollars Change		\$ (7,360)	\$ 32,883	\$ (63,137)	\$ 4,211	\$ (21,375)	\$ 53,418
	Percent Change		-13.44%	69.35%	-78.63%	24.54%	-100.00%	0.00%

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

Operating Expense- Ammonia		2014	2015	2015	2015	2015	2015	2015
506001 - CP22	Misc Stm Pwr Exp - Cooper Unit #2 AQCS	Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ -	\$ 125,169	\$ 190,402	\$ 261,002	\$ 54,975	\$ 3,007	\$ 79,020
	Expense Dollars Change		\$ 125,169	\$ 65,232	\$ 70,600	\$ (206,027)	\$ (51,968)	\$ 76,013
	Percent Change		#DIV/0!	52.12%	37.08%	-78.94%	-94.53%	2527.63%

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

Operating Expense- Ammonia		2014	2015	2015	2015	2015	2015	2015
506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 181,061	\$ 95,919	\$ 58,969	\$ 51,138	\$ 44,053	\$ 37,043	\$ 69,540
	Expense Dollars Change		\$ (85,143)	\$ (36,950)	\$ (7,831)	\$ (7,085)	\$ (7,009)	\$ 32,496
	Percent Change		-47.02%	-38.52%	-13.28%	-13.85%	-15.91%	87.73%

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

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2015 - June 2015

506001 - SP02	Misc Steam Power Exp - Spurlock 2	2014	2015	2015	2015	2015	2015	2015
		Dec	Jan	Feb	Mar	Apr	May	June
	Expense Dollars	\$ 127,925	\$ 76,936	\$ 52,057	\$ 41,464	\$ 35,718	\$ 30,035	\$ 56,384
	Expense Dollars Change		\$ (50,988)	\$ (24,879)	\$ (10,593)	\$ (5,746)	\$ (5,683)	\$ 26,348
	Percent Change		-39.86%	-32.34%	-20.35%	-13.86%	-15.91%	87.73%

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

Operating Expense- Ammonia and Limestone		2014	2015	2015	2015	2015	2015	2015
506001 - SP03	Misc Steam Power Expense- Gilbert	Dec	Jan	Feb	Mar	Apr	May	June
	Ammonia Expense	\$ 63,148	\$ 48,598	\$ 31,001	\$ 16,388	\$ 6,142	\$ (232,848)	\$ 57,560
	Limestone Expense	\$ 354,503	\$ 358,752	\$ 338,387	\$ 4,343	\$ 24,027	\$ 279,860	\$ 258,459
	Limestone Tons Used	29,465	29,434	27,893	361	2,017	23,563	21,771
	Total Expense Dollars	\$ 417,651	\$ 407,350	\$ 369,387	\$ 20,732	\$ 30,169	\$ 47,012	\$ 316,019
	Expense Dollars Change		\$ (10,301)	\$ (37,963)	\$ (348,655)	\$ 9,438	\$ 16,842	\$ 269,007
	Percent Change		-2.47%	-9.32%	-94.39%	45.52%	55.83%	572.21%

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.

March15- Limestone expenses decreased by \$334k and Ammonia expenses decreased by \$14.6k
Unit Outage from 03/02/15-03/31/15

April15- Limestone expenses increased by \$19.7k and Ammonia expenses decreased by \$10.2k
Unit Outage from 04/01/15-04/09/15, 04/11/15-04/26/15

May15- Limestone expenses increased by \$255.8k and Ammonia expenses decreased by \$239k

June15- Limestone expenses decreased by \$21.4k and Ammonia expenses increased by \$290.4k

Operating Expense- Limestone and Magnesium		2014	2015	2015	2015	2015	2015	2015
506001 - SP21	Misc Stm Pwr Exp- Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	June
	Magnesium Expense	\$ 105,518	\$ 20,739	\$ 10,455	\$ 7,498	\$ 2,424	\$ 5,413	\$ 59,046
	Limestone Expense	\$ -	\$ 63,496	\$ 104,528	\$ 57,108	\$ 69,304	\$ 52,350	\$ 89,344
	Limestone Tons Used	-	15,017	8,419	10,609	9,475	8,159	6,801
	Expense Dollars	\$ 105,518	\$ 84,235	\$ 114,983	\$ 64,607	\$ 71,728	\$ 57,763	\$ 148,390
	Expense Dollars Change		\$ (21,283)	\$ 30,748	\$ (50,376)	\$ 7,121	\$ (13,964)	\$ 90,627
	Percent Change		-20.17%	36.50%	-43.81%	11.02%	-19.47%	156.89%

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.

January15- Limestone expenses increased by \$63.5k and Magnesium expenses decreased by \$84.8k

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2015 - June 2015

February15- Limestone expenses increased by \$41k and Magnesium expenses decreased by \$10.3k
Unit Outage from 02/01/15-02/11/15

March15- Limestone expenses decreased by \$47.4k and Magnesium expenses decreased by \$3k
Unit Outage from 03/06/15-03/09/15

April15- Limestone expenses increased by \$12.2k and Magnesium expenses decreased by \$5.1k
Unit Outage from 04/07/15-04/14/15

May15- Limestone expenses decreased by \$17k and Magnesium expenses increased by \$3k

June15- Limestone expenses increased by \$37k and Magnesium expenses increased by \$53.6k
Unit Outage from 06/01/15-06/07/15, 06/12/15-06/19/15

Operating Expense-Limestone and Magnesium		2014	2015	2015	2015	2015	2015	2015
506001 - SP22	Misc Stm Pwr Exp- Spurlock 2	Dec	Jan	Feb	Mar	Apr	May	June
	Magnesium Expense	\$ 226,243	\$ 24,632	\$ 32,415	\$ 13,431	\$ 31,901	\$ 49,597	\$ 166,329
	Limestone Expense	\$ -	\$ 225,121	\$ 193,010	\$ 214,836	\$ 178,211	\$ 165,776	\$ 57,122
	Limestone Tons Used	-	7,141	15,643	11,275	10,480	9,466	5,044
	Expense Dollars	\$ 226,243	\$ 249,753	\$ 225,425	\$ 228,267	\$ 210,111	\$ 215,373	\$ 223,451
	Expense Dollars Change		\$ 23,510	\$ (24,328)	\$ 2,842	\$ (18,156)	\$ 5,262	\$ 8,078
	Percent Change		10.39%	-9.74%	1.26%	-7.95%	2.50%	3.75%

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.

Operating Expense- Ammonia and Limestone		2014	2015	2015	2015	2015	2015	2015
506001 - SP04	Misc Stm Pwr Exp- Spurlock 4	Dec	Jan	Feb	Mar	Apr	May	June
	Ammonia Expense	\$ 58,369	\$ 63,090	\$ 31,857	\$ (329,353)	\$ 65,852	\$ 326,792	\$ (159,177)
	Limestone Expense	\$ 433,500	\$ 355,814	\$ 362,587	\$ 354,231	\$ 319,949	\$ 21,318	\$ 224,465
	Limestone Tons Used	36,030	29,245	29,889	29,598	26,844	1,792	18,902
	Expense Dollars	\$ 491,869	\$ 418,903	\$ 394,443	\$ 24,878	\$ 385,802	\$ 348,110	\$ 65,288
	Expense Dollars Change		\$ (72,966)	\$ (24,460)	\$ (369,565)	\$ 360,924	\$ (37,691)	\$ (282,822)
	Percent Change		-14.83%	-5.84%	-93.69%	1450.77%	-9.77%	-81.24%

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.

East Kentucky Power Cooperative, Inc.
Environmental Surcharge Operating and Expense Month over Month Analysis
For the Expense Period January 2015 - June 2015

January15- Limestone expenses decreased by \$77.7k and Ammonia expenses increased by \$4.7k
Unit Outage from 01/19/15-01/23/15

March15- Limestone expenses decreased by \$8.4k and Ammonia expenses decreased by \$361.2k

April15- Limestone expenses decreased by \$34.3k and Ammonia expenses increased by \$395.2k
Unit Outage from 04/04/15-04/08/15

June15- Limestone expenses increased by \$203.1k and Ammonia expenses decreased by \$486k
Unit Outage from 06/01/15-06/07/15

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15
REQUEST 5

RESPONSIBLE PARTY: Thomas Stachnik

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 May 31, 2015:

- 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. East Kentucky'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.
- d. Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

Responses 5a-d. Please see the response to Request 5 on the attached CD. EKPC is proposing a weighted average cost of debt of 4.030% based on the debt cost for each debt issuance directly related to the projects in the environmental compliance plan as of May 31, 2015. Using a weighted average cost of debt and a TIER of 1.50 produces a rate of return on the environmental compliance related capital expenditures of 6.045%.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15
REQUEST 6

RESPONSIBLE PARTY: Thomas Stachnik

Request 6. This question is addressed to EKPC. Provide the percentage of East Kentucky's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the May 2015 expense month.

Response 6. The percentage as of May 2015 expense month is 0%. The debt issuances directly related to projects in the approved compliance plan are at a fixed interest rate.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2015-00281
ENVIRONMENTAL SURCHARGE MECHANISM
RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 08/31/15
REQUEST 7

RESPONSIBLE PARTY: Isaac S. Scott

Request 7. This question is addressed to EKPC. KRS 278.183(3) provides that during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

Request 7a. Provide the surcharge amount that EKPC believes should be incorporated into its existing base rates. Include all supporting calculations, work papers, and assumptions.

Response 7a. As stated in Mr. Scott's direct testimony, EKPC does not believe that any surcharge amounts should be incorporated into its existing base rates. However, EKPC has provided a calculation of the estimated roll-in amount, as shown on the spreadsheets provided in the attached CD. The total estimated roll-in (revenue requirement) is \$112,622,985 and EKPC has further estimated that \$74,651,548 of the total would be assigned to demand and \$37,971,437 would be assigned to energy.

To determine this estimated roll-in, EKPC used the environmental compliance rate base as shown in the monthly surcharge report for the expense month of May 31, 2015, the last expense month included in the two-year review. This rate base was multiplied by the rate of return which was authorized as of May 31, 2015, which was 6.060%, to calculate the dollar return on rate base. Pollution control operating expenses reflect the actual balances for the twelve month period ending May 31, 2015. The O&M expenses and the cash working capital allowance reflect the corrections to the monthly surcharge filings discussed in Mr. Scott's direct testimony. There were no proceeds from the sale of by-products or emission allowances for the twelve months ending May 31, 2015 to include in the calculations. The sum of the dollar return on rate base and pollution control operating expenses was multiplied by the Member System allocation ratio for May 31, 2015 of 98.42% to recognize that only the portion of the surcharge applicable to Member sales would be rolled into base rates. This adjusted surcharge revenue requirement constitutes the estimated roll-in amount.

In preparing this response, EKPC has utilized the same approach it followed when it responded to Request 7a of the Commission Staff's First Data Request in Case No. 2012-00486.

Request 7b. The surcharge factor reflects a percentage of revenue approach, rather than a per-kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into EKPC's base rates. Include any analysis that EKPC believes supports its

position. Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

Response 7b. EKPC believes that the most appropriate approach for incorporating surcharge amounts into its base rates is through a traditional cost of service study performed during a base rate proceeding. EKPC has not performed a cost of service study in conjunction with this surcharge review proceeding. Absent a cost of service study, EKPC would propose allocating a portion of the revenue requirement to demand and a portion to energy, as shown in the response to Request 7a. EKPC has assigned the dollar return on compliance rate base and depreciation expense to the demand portion. The portion assigned to energy reflects the pollution control operating expenses minus the depreciation expense.

Request 7c. Provide the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, work papers, and assumptions.

Response 7c. EKPC's BESF as of May 31, 2015 was zero, as established by the Commission in Case No. 2009-00317. In the response to Request 7a, EKPC has provided a calculated amount of a base rate roll-in. If the Commission were to require EKPC to roll-in its environmental surcharge into base rates, based on the Member System base rate revenues for the

twelve months ending May 31, 2015, the BESF would be 14.29%. However, EKPC notes that it would need to recalculate the BESF based on the most recent twelve month revenue information following the Order in this proceeding. EKPC believes this recalculation is consistent with the approach followed by Louisville Gas and Electric Company and Kentucky Utilities Company when recalculating its BESF.

Request 7d. Does EKPC believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into EKPC's existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

Response 7d. Although EKPC does not support incorporating the environmental surcharge revenue requirement into base rates as part of this proceeding, such a roll-in would not require the need to modify the surcharge mechanism or monthly surcharge reports utilizing the approved base/current mechanism. EKPC has considered from time to time the base/current approach incorporated in Kentucky Power Company's surcharge mechanism, specifically the Base Period Revenue Requirement component, as a possible alternative to the BESF. However, at this time EKPC is not proposing any change to the surcharge mechanism.

While a roll-in of the environmental surcharge revenue requirement into EKPC's wholesale base rates would not require a modification to the surcharge mechanism or monthly surcharge reports, such a roll-in would require the Member Systems to modify their retail base rates accordingly. No mechanism to accomplish a retail base rate change due to an environmental surcharge roll-in was established in conjunction with the approval of the environmental surcharge for EKPC or the pass-through mechanism for the Member Systems.

Request 7e. Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

Response 7e. The CD attached to this response includes all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.