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March 18, 2016

**RECEIVED**

**MAR 18 2016**

**PUBLIC SERVICE  
COMMISSION**

***Via Hand-Delivery***

Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Re: In the Matter of: The Application of East Kentucky Power Cooperative, Inc.  
For Deviation from Obligation Resulting from Case No. 2012-00169  
PSC Case No. 2015-00358

Dear Executive Director:

Please find enclosed for filing in the record of the above-referenced case one (1) redacted original and ten (10) redacted copies of East Kentucky Power Cooperative, Inc.'s *Notice of Filing and Adoption of Motion for Confidential Treatment filed February 26, 2016* ("Notice and Adoption"). Also enclosed in a separate sealed envelope marked confidential is one (1) copy of the Notice and Adoption with certain confidential information highlighted.

Please return a file-stamped copy of this filing to me, and please do not hesitate to contact me if you have any questions or concerns.

Very truly yours,



Mark David Goss

Enclosures

**RECEIVED**

**MAR 18 2016**

**PUBLIC SERVICE  
COMMISSION**

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

**IN THE MATTER OF:**

<b>APPLICATION OF EAST KENTUCKY POWER</b>	)	
<b>COOPERATIVE, INC. FOR DEVIATION</b>	)	<b>CASE NO.</b>
<b>FROM OBLIGATION RESULTING FROM</b>	)	<b>2015-00358</b>
<b>CASE NO. 2012-00169</b>	)	

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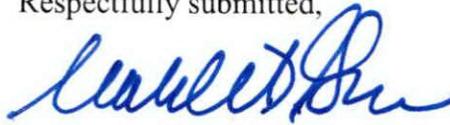
**NOTICE OF FILING  
and  
ADOPTION OF MOTION FOR CONFIDENTIAL TREATMENT  
FILED FEBRUARY 26, 2016**

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Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by counsel, and hereby tenders for filing in the above-captioned proceeding the attached supplemental response to a request for information concerning proposed capital credit allocation methodologies that was originally propounded by Kentucky Industrial Utility Customers, Inc., at the informal conference held herein on January 29, 2016. The attached supplemental response builds upon EKPC's initial response filed February 26, 2016, and contains similar proprietary, highly-sensitive calculations and estimations. For this reason, EKPC adopts and incorporates herein the February 26, 2016 Motion for Confidential Treatment filed contemporaneously with EKPC's initial response and makes the present filing subject to said Motion.

This 18<sup>th</sup> day of March, 2016.

Respectfully submitted,



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*Counsel for East Kentucky Power Cooperative, Inc.*

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing was served by depositing same into the custody and care of the U. S. Mail, postage pre-paid, on this 18<sup>th</sup> day of March, 2016, addressed to the following:

Michael L. Kurtz  
Jody M. Kyler Cohn  
Kurt J. Boehm  
Boehm, Kurtz & Lowry  
35 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

Rebecca Goodman, Assistant Attorney General  
Larry Cook, Assistant Attorney General  
Office of the Attorney General  
Office of Utility and Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204



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*Counsel for East Kentucky Power  
Cooperative, Inc.*

Additional Allocation Option for Capital Credit Payment  
PJM Capacity Market Benefit

After filing a pair of allocation options on February 26, 2016, EKPC was notified by KIUC that neither option reflected the suggestion KIUC had offered at the January 29, 2016 informal conference. This narrative reflects EKPC's understanding of KIUC's suggestion and the results that could be expected. As was noted in the earlier narrative, there are two primary issues: how to assign the payments by customer (rate) class, and how to ensure those payments pass through to individual retail customers fairly and appropriately.

Additional Option

Option C reflects the following approach:

- Determine EKPC Rate E allocation using total EKPC billing demand, exclusive of interruptible demand,<sup>1</sup> experienced in February 2015, the month of EKPC's system peak in 2015.
- Separate the Rate E allocation into residential and non-residential portions using the actual kWh sales reported by the Members for the most recently available calendar year (2014 data was used for this example).
- Determine a per customer monthly credit for residential customers; for all other customers determine a monthly credit per kWh.<sup>2</sup>

Allocations	
EKPC Rate E demand as percentage of total billing demand exclusive of interruptible load	91.543%
Separation of EKPC Rate E into Residential and Non-Residential Portions, based on kWh Sales	
Rate E Residential	76.186%
Rate E Non-Residential	23.814%

Allocation Example

EKPC has modeled the Option C allocation of capital credit payments for 2017, 2018, and 2019. The amounts are based on the annual capital credit payments indicated from EKPC's financial forecast and do not include any allowance for potential PJM penalties. For this modeling the

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<sup>1</sup> EKPC believes demand associated with interruptible service should be excluded from total billing demand when performing this allocation.

<sup>2</sup> All other customers reflect customers served under EKPC's Rates B, C, G, and Special Contracts as well as the non-residential portion of EKPC's Rate E.

**Redacted**

annual periods were used, but we could use a levelized approach across the three calendar years with a reserve for penalties.

Allocation Option C - Example			
	2017	2018	2019
Total Payout	██████████	██████████	██████████
EKPC Rate E allocation @ 91.543%	██████████	██████████	██████████
Residential Portion of EKPC Rate E @ 76.186%	██████████	██████████	██████████
Non-Residential Portion {Total Payout less Residential Portion}	██████████	██████████	██████████

Allocation Example – Possible Monthly Bill Credits

To complete the example, a calculation of possible monthly credits for the Residential and Non-Residential groups was performed. For Residential, a monthly per customer credit is calculated based on the average number of residential customers using Member data. For Non-Residential, a monthly credit per kWh is calculated based on Member actual kWh sales data.

Allocation Option C – Example – Possible Monthly Bill Credits			
	2017	2018	2019
Residential – per customer	████	████	████
Non-Residential – per kWh	██████████	██████████	██████████

In the earlier narrative, EKPC noted the second issue is identifying a method of paying the capital credits that is fair and appropriate for these payments. The concerns and observations offered in the earlier narrative are still valid but are not repeated here.

Comparison of Allocation Options

When comparing the allocation options, please be aware of the following:

- Options A and B allocate the entire capital credit payment using EKPC billing demand. Option C determines the portion of the capital credit payment that would be allocated to EKPC's Rate E using billing demand.
- Option A uses total EKPC billing demand for all of 2015. Options B and C use total EKPC billing demand experienced in February 2015, the month of EKPC's system peak in 2015. All three options exclude interruptible demand from the calculations.
- All three options separate the Rate E allocation between residential and non-residential customers using Member kWh sales data.

- Options A and B determine a monthly per kW credit for EKPC Rates B, C, G, and Special Contract customers, a monthly per customer credit for Rate E Residential customers, and a monthly per kWh credit for Rate E Non-Residential customers.
- Option C determines a monthly per meter credit for Rate E Residential customers and a monthly per kWh credit for all other customers (Rate B, C, G, Special Contract, and Rate E Non-Residential).
- Since the preparation of Options A and B, minor errors in the EKPC billing data were discovered and corrected. Option C reflects the corrected billing data.

The Rate E demand allocation is as follows: Option A – 86.869%; Option B – 91.544%; Option C – 91.543%. All three options allocated 76.186% of the Rate E allocation to Residential customers. While Options B and C utilized essentially the same demand allocation factor for Rate E, the use of a per kWh credit for all Non-Residential customers in Option C results in an assignment of the capital credit payout that differs from Option B for Non-Residential customers.

Please see the following tables for comparisons between the three options.

**Redacted**

Comparison of Allocation Options - Example			
2017 - [REDACTED]	Option A	Option B	Option C
Rate B	[REDACTED]	[REDACTED]	[REDACTED]
Rate C	[REDACTED]	[REDACTED]	[REDACTED]
Rate G	[REDACTED]	[REDACTED]	[REDACTED]
Special Contracts	[REDACTED]	[REDACTED]	[REDACTED]
Rate E Breakdown			
Residential	[REDACTED]	[REDACTED]	[REDACTED]
Commercial & Industrial	[REDACTED]	[REDACTED]	[REDACTED]
Public Streets & Highway Lighting	[REDACTED]	[REDACTED]	[REDACTED]
Other Public Authorities	[REDACTED]	[REDACTED]	[REDACTED]
Rounding	[REDACTED]	[REDACTED]	[REDACTED]
Total Rate E	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]

Comparison of Allocation Options - Example			
2018 - [REDACTED]	Option A	Option B	Option C
Rate B	[REDACTED]	[REDACTED]	[REDACTED]
Rate C	[REDACTED]	[REDACTED]	[REDACTED]
Rate G	[REDACTED]	[REDACTED]	[REDACTED]
Special Contracts	[REDACTED]	[REDACTED]	[REDACTED]
Rate E Breakdown			
Residential	[REDACTED]	[REDACTED]	[REDACTED]
Commercial & Industrial	[REDACTED]	[REDACTED]	[REDACTED]
Public Streets & Highway Lighting	[REDACTED]	[REDACTED]	[REDACTED]
Other Public Authorities	[REDACTED]	[REDACTED]	[REDACTED]
Rounding	[REDACTED]	[REDACTED]	[REDACTED]
Total Rate E	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]

Comparison of Allocation Options - Example			
2019 - [REDACTED]	Option A	Option B	Option C
Rate B	[REDACTED]	[REDACTED]	[REDACTED]
Rate C	[REDACTED]	[REDACTED]	[REDACTED]
Rate G	[REDACTED]	[REDACTED]	[REDACTED]
Special Contracts	[REDACTED]	[REDACTED]	[REDACTED]
Rate E Breakdown			
Residential	[REDACTED]	[REDACTED]	[REDACTED]
Commercial & Industrial	[REDACTED]	[REDACTED]	[REDACTED]
Public Streets & Highway Lighting	[REDACTED]	[REDACTED]	[REDACTED]
Other Public Authorities	[REDACTED]	[REDACTED]	[REDACTED]
Rounding	[REDACTED]	[REDACTED]	[REDACTED]
Total Rate E	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]

**Redacted**

Comparison of Allocation Options – Example – Possible Monthly Bill Credits			
2017	Option A	Option B	Option C
Rates B, C, G, and Special Contracts	█████ per kW	█████ per kW	██████████ per kWh
Rate E Residential	█████ per customer	█████ per customer	█████ per customer
Rate E Commercial & Industrial	██████████ per kWh	██████████ per kWh	██████████ per kWh
Rate E Public Street & Highway Lighting	██████████ per kWh	██████████ per kWh	██████████ per kWh
Rate E Other Public Authorities	██████████ per kWh	██████████ per kWh	██████████ per kWh

Comparison of Allocation Options – Example – Possible Monthly Bill Credits			
2018	Option A	Option B	Option C
Rates B, C, G, and Special Contracts	█████ per kW	█████ per kW	██████████ per kWh
Rate E Residential	█████ per customer	█████ per customer	█████ per customer
Rate E Commercial & Industrial	██████████ per kWh	██████████ per kWh	██████████ per kWh
Rate E Public Street & Highway Lighting	██████████ per kWh	██████████ per kWh	██████████ per kWh
Rate E Other Public Authorities	██████████ per kWh	██████████ per kWh	██████████ per kWh

Comparison of Allocation Options – Example – Possible Monthly Bill Credits			
2019	Option A	Option B	Option C
Rates B, C, G, and Special Contracts	█████ per kW	█████ per kW	██████████ per kWh
Rate E Residential	█████ per customer	█████ per customer	█████ per customer
Rate E Commercial & Industrial	██████████ per kWh	██████████ per kWh	██████████ per kWh
Rate E Public Street & Highway Lighting	██████████ per kWh	██████████ per kWh	██████████ per kWh
Rate E Other Public Authorities	██████████ per kWh	██████████ per kWh	██████████ per kWh