

# Goss ■ Samford PLLC



Attorneys at Law

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January 14, 2016

*VIA HAND DELIVERY*

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

RE: Case No. 2015-00267

Dear Mr. Derouen:

Pursuant to the Commission's January 12, 2016 Order concerning requests for confidential treatment, please find one original and ten copies of East Kentucky Power Cooperative, Inc. ("EKPC") revised pages reflecting as unredacted the information that has been denied confidential treatment. The information is from certain portions of EKPC's responses to the Commission Staff's Post Hearing Request for Information from the Hearing held on November 4, 2015 in the above referenced case.

If you have any questions or require additional information, please contact me.

Very truly yours,

*David S. Samford (by Roy L. Cudde)*

David S. Samford

Enclosures

cc: Parties of Record

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**POST HEARING INFORMATION REQUEST RESPONSE**

**POST HEARING INFORMATION REQUEST DATED 11/04/15**

**REQUEST 8**

**RESPONSIBLE PERSON: Mike McNalley**

**COMPANY: East Kentucky Power Cooperative, Inc.**

**Request 8.** Please provide the calculation to determine the extent to which EKPC's equity ratio will decline as a result of the acquisition of the Bluegrass Station.

**Response 8.** Please see the schedule below.

<b>East Kentucky Power Cooperative</b>			
	As of September 30, 2015 (Unaudited)	Adjustment: Bluegrass Purchase*	Estimated
Equity	\$ 543,281,924	\$ -	\$ 543,281,924
Assets (Adjusted)	\$ 3,367,495,356	\$ 128,750,000	\$ 3,496,245,356
Ratio	16.1%		15.5%
* Purchase is assumed to be 100% debt financed for this estimate. To the extent it is finance with available cash, the Adjustment would be reduced dollar-for-dollar and the equity ratio impact would be reduced.			

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2015-00267**  
**POST HEARING INFORMATION REQUEST RESPONSE**

**POST HEARING INFORMATION REQUEST DATED 11/04/15**  
**REQUEST 9**

**RESPONSIBLE PERSON:** Michelle K. Carpenter  
**COMPANY:** East Kentucky Power Cooperative, Inc.

**Request 9.** Please provide the journal accounting entries for the Bluegrass Station acquisition.

**Response 9.** It should be noted that Exhibit “B” circulated by Commission Staff represented the total cost of Bluegrass Station at December 31, 2002. While the \$192 million cited by Commission Staff was likely the appropriate cost of assets in 2002, this balance does not take into consideration additions and retirements of assets that occurred over the last thirteen years, while owned by two separate non-regulated entities. Given these entities were non-regulated, the transfer from Dynegy to LS Power did not follow FERC or RUS regulatory accounting guidance, and thus complicates the determination of original cost and related accumulated depreciation for these assets. Ideally, the journal entry that will ultimately be recorded by EKPC upon the completion of the purchase transaction should represent the “original cost” of assets and related accumulated depreciation that are in LS Power’s possession at the date of closing and transferred to

EKPC, accordingly. The RUS Uniform System of Accounts (RUS USoA) permits the purchaser to use estimates if actual information cannot be readily obtained. The original owner of the assets recognized impairments that were included in accumulated depreciation. If adequate information cannot be obtained regarding these impairments, EKPC will record accumulated depreciation based upon the lives of similar assets included in EKPC's most recent depreciation study. Also, EKPC has not yet obtained information to break out the original cost of transmission assets from total plant in-service. Therefore, EKPC may estimate the original cost of these assets at the time of the transaction. Given the fact that efforts are still being made to gather adequate information from the seller regarding these items, for the purposes of the below illustrative journal entries, EKPC will make the following assumptions:

- EKPC will only use account 101, Plant In-Service rather than the specific property accounts that will be affected by the final entry.
- Accumulated depreciation for assets of Dynegy origin will be estimated based upon a 36 year CT Unit life, which is consistent with similar assets within EKPC's most recent depreciation study.
- Accumulated depreciation for LS Power/Bluegrass acquired assets is based upon actual depreciation records.
- Accumulated depreciation was calculated through December 31, 2015.

**To Record Purchase (in thousands):**

<b>Account</b>	<b>Account Title</b>	<b>Debit</b>	<b>Credit</b>
102	Electric Plant Purchased or Sold	128,750	
131	Cash		128,750

**To Clear Account 102 – Plant Purchased or Sold (in thousands):**

<b>Account</b>	<b>Account Title</b>	<b>Debit</b>	<b>Credit</b>
101	Electric Plant In-Service	196,480	
154	Plant Materials and Operating Supplies	1,200	
108	Accumulated Depreciation		73,294
102	Electric Plant Purchased or Sold		128,750
114	Electric Plant Acquisition Adjustment	4,364	

**To Record Acquisition Costs and Clear to Plant (in thousands):**

<b>Account</b>	<b>Account Title</b>	<b>Debit</b>	<b>Credit</b>
102	Electric Plant Purchased or Sold	600	
183	Preliminary Survey & Investigation Charges		600
114	Electric Plant Acquisition Adjustment	600	
102	Electric Plant Purchased or Sold		600