COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	CASE NO. 2021-00103

O R D E R

On April 6, 2021, East Kentucky Power Cooperative (EKPC) filed an application,[1] pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, requesting a wholesale rate adjustment that supported an increase in revenue by $48,983,937, but offered to limit the requested rate increase to $43,000,000 due to economic conditions in EKPC's Owner-Members' service territories, with the difference being achieved through reduction of certain costs. EKPC also requested approval of four regulatory assets, relief for reporting requirements, and tariff changes. EKPC's last wholesale rate adjustment was approved in 2011.[2]

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), Nucor Steel Gallatin, LLC (Nucor), and AppHarvest Morehead Farm, LLC (AppHarvest) were granted intervention status. By

[1] EKPC submitted its application on April 1, 2021. By letter dated April 5, 2021, EKPC was notified that its application was rejected for filing due to certain filing deficiencies. EKPC subsequently cured the deficiencies and the application was deemed filed as of April 6, 2021.

[2] Case No. 2010-00167, *Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates* (Ky. PSC Jan. 14, 2011).

Order entered April 13, 2021, the Commission established a procedural schedule that provided for multiple rounds of discovery, intervenor testimony, and rebuttal testimony. The Commission suspended the proposed rates up to and including October 5, 2021.

On July 29, 2021, the parties filed a Stipulation and Settlement Agreement (Settlement) between the parties that settled all issues. In the Settlement, the parties, among other things, requested that the final Order be timely issued so that the proposed rates could go into effect for service rendered on and after October 1, 2021. A formal hearing was held on August 13–14, 2021. EKPC responded to two post-hearing data requests. EKPC, Attorney General, Nucor, and AppHarvest filed post-hearing briefs. This matter now stands submitted for a decision.

LEGAL STANDARD

EKPC filed its application pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with statutory and case law, EKPC is allowed to charge its customers "only 'fair, just and reasonable rates.'"[3] Further, EKPC bears the burden of proof to show that the proposed rate increase is just and reasonable, under KRS 278.190(3).

Although the parties agreed to a unanimous Settlement and the parties may represent a diverse range of customer interests, the Commission cannot defer to the parties as to what constitutes fair, just and reasonable rates. The Commission must review the record, including the Settlement, and apply the Commission's expertise to make an independent decision as to the level of rates that should be approved.

[3] KRS 278.030; and *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

SETTLEMENT

The Settlement, attached to this Order as Appendix A, reflects the agreement of the parties concerning all issues raised in the case. The major provisions of the Settlement as they relate to EKPC's revenues and rates are as follows:

- EKPC's revenues should be increased by $38,343,000 with rates to be effective October 1, 2021, or when a final order is issued, whichever is later. The adjustments the parties agreed upon and resulted in the settled amount is shown in Exhibit A of the settlement[4] and is restated in the table below:

	Settlement Agreement
EKPC Requested Increase	
Required Revenue Increase Based On Original Filing	$ 48,983,937
Effects on Increase from Expense Adjustments	
Reflect Normalization of Generation Maintenance Expense	(6,591,884)
Reduce Amortization Period for General Plant Reserve Surplus to 5 Years	(1,914,124)
Reduce Interest Expense on Environmental CWIP Recovered Through ES	(2,315,000)
Total Adjustments to Company's Proposed TY Base RR	(10,821,008)
Adjusted Increase to Base Rates	$ 38,162,929[5]

- The revenue requirement would be allocated to the rate cases as follows:

Rate Class	Increase in Dollars	Percentage Increase
Rate E	$34,314,065	5.20%
Rate B	$1,548,673	2.60%
Rate C	$452,238	2.60%
Rate G	$663,320	2.60%
Contract Steam	$278,674	2.60%
Large Special Contract	$1,086,030	2.60%
Pumping Stations	$0	0.00%
Total	$38,343,000	

[4] Settlement (filed Jul. 29, 2021), Exhibit A at 12.

[5] The adjustments included in Exhibit A of the Settlement did not result in the exact required increase of $38,343,000 as stated in the total, and the Settlement did not address this topic.

- EKPC would be authorized to earn a 1.50 Times Interest Earned Ratio (TIER) for base rates

- EKPC would be authorized to earn a 1.475 TIER for its environmental surcharge (ES). All changes for depreciation rates, interest expense for construction work in progress (CWIP), and TIER would first be reflected in the monthly ES filing on November 19, 2021, for expense month October 2021.

- EKPC will record a generation maintenance regulatory asset or regulatory liability for 75 percent of the actual generation maintenance expense amounts in excess of or less than the $81,067,000 in base rates, beginning with calendar year 2022.

- The parties agreed to an earnings mechanism that would return excess margins to customers in the form of a bill credit if EKPC achieves a per book margin in excess of 1.40 TIER in any calendar year.

- EKPC's depreciation study, depreciation rates, and inclusion of interim retirement and terminal net salvage should be approved as filed.

- Agreement that the Commission should approve amortization of four regulatory assets as filed in the application.

- Agreement that the Commission should grant each of EKPC's requests for relief from certain filing requirements.

Summaries of each issue and the findings of the Commission are explained in detail below.

TEST PERIOD

EKPC proposed the 12-month period ending December 31, 2019, as the historic test year for determining the reasonableness of its proposed rates, as provided in 807 KAR 5:001, Section 16(4)–(5). None of the intervenors contested the use of this period as the test period.

The Commission finds that it is reasonable to use the 12-month period ending December 31, 2019, as the test period in this case because, due to the timing of EKPC's filing, the 12-month period ending December 31, 2019 is a feasible period to use for setting rates. Further, except for the adjustments approved in this Order, the revenues and expenses incurred during that period are neither unusual nor extraordinary. In using this historic test period, the Commission gave full consideration to appropriate known and measurable changes.

TIER

EKPC requested the Commission authorize a 1.50 TIER to allow it to maintain a target Debt Service Coverage (DSC) of 1.35, which allows for compliance with EKPC's lenders, support EKPC's credit ratings, and maintains financial strength.[6] The Settlement adopts EKPC's request, with the exception of the TIER on EKPC's ES, which the Settlement sets at 1.475 TIER.[7] The Commission finds that the TIER calculation for EKPC's base rates should be set to 1.50, which is a reasonable level to ensure EKPC retains its ability to meet its debt covenants and maintain its equity and cash flow to ensure financial stability in case of unforeseen circumstances. The Commission also finds that the reduced TIER of 1.475 for its ES is reasonable, because through the true-up mechanism from ES, the revenue generated by ES is generally considered more stable than revenue generated through base rates. Therefore, the Commission finds that the provisions of the Settlement regarding TIER are reasonable and should be approved.

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[6] Application, Exhibit 17, Direct Testimony of Thomas J. Stachnik (filed Apr. 1, 2021) at 23.

[7] Settlement at 3.

REVENUE REQUIREMENT ADJUSTMENTS

Operating Expense Adjustments

Normalize Generation Maintenance. In its application, EKPC included test-year expenses of $87,647,565 associated with major generation outage maintenance work.[8] The Attorney General/Nucor's witness, Lane Kollen, recommended that an adjustment be made to reduce the major generation outage expense to a normalized level based upon the average of the past five years.[9] Citing the reduction of generation maintenance expense to $76,334,481 in 2020,[10] Kollen stated that it is appropriate to normalize the expense because fluctuations occur due to the cyclical nature, timing, and scope of major generation outages and expenses.[11] As an example, EKPC's witness Isaac Scott argued that the reduction in generation maintenance expense occurred in 2020 because the COVID-19 pandemic forced the rescheduling of generation outages that would otherwise have taken place.[12] In addition, Scott stated that, as EKPC's generating fleet ages, increasing levels of maintenance expense will likely occur, and therefore a mix of historic and forecasted expense levels should be used in the event that a normalization adjustment is made.[13]

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[8] EKPC's Response to Attorney General/Nucor's First Request for Information (Attorney General/Nucor's First Request) (filed May 28, 2021), Items 2–19.

[9] Direct Testimony of Lane Kollen (Kollen Direct Testimony) (filed June 29, 2021) at 19.

[10] Kollen Direct Testimony at 18.

[11] *Id.*

[12] Rebuttal Testimony of Isaac S. Scott (Scott Rebuttal Testimony) (filed July 27, 2021) at 11.

[13] Scott Rebuttal Testimony at 12.

In the Settlement, the parties agreed to adopt the adjustment proposed by Lane Kollen, and normalize the generation maintenance expense over the five-year period from 2015 to 2019, resulting in a reduction in revenue of $6,591,883.[14] In addition, the Settlement included the creation of a mechanism by which EKPC will track its actual generation maintenance expenses and compare them to the normalized total of $81,067,839 million. In years when the actual expense exceeds the normalized total, EKPC will record a regulatory asset for 75 percent of the difference.[15] In years when the actual expense is less than the normalized total, EKPC will record a regulatory liability for 75 percent of the difference.[16] The Settlement provides that, in EKPC's next base rate case, the cumulative regulatory asset or liability will then be amortized and either recovered from or returned to EKPC's Owner-Members over a reasonable period.[17]

For the reasons set forth above, the Commission finds that a normalization adjustment to generation maintenance expense is appropriate, and that the period proposed by Lane Kollen is also appropriate. The Commission further finds that the Settlement terms related to the regulatory asset or liability are reasonable for the above reasons, and therefore approves EKPC's regulatory accounting treatment accordingly.

Plant Reserve Surplus. In the application, EKPC proposed to reduce depreciation expense in the test period before gross up by $(1,910,304) for a reserve adjustment for

[14] Settlement at 3–4.

[15] *Id.*

[16] *Id.*

[17] *Id.*

amortization on general plant reserve surplus.[18] The amortization of the proposed adjustment was based on a ten-year period recommended by EKPC's depreciation consultant, John Spanos.[19] Mr. Spanos explained that this period would achieve consistent amortization rates for existing and future assets.[20] The Attorney General and Nucor recommended the amortization period on the reserve adjustment be adjusted to five years, and stated that the proposed amortization period was inordinately long and that any overrecovery should be returned expeditiously to customers in the context of a requested base rate increase.[21] In the Settlement, the parties agreed to adjust the revenue requirement based on the five-year amortization period as proposed by the Attorney General and Nucor. As a result, the total revenue required from base rates would be reduced by $(1,914,124).

The Commission notes that while the argument that amortization periods should be in line with the average remaining lives of the amortization accounts is compelling, a period of ten years to return an overrecovery through base rates is excessive. Therefore, the Commission finds that the Settlement term regarding the plant reserve surplus is reasonable because a five-year amortization period is appropriate for the return of the general plant reserve surplus.

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[18] Application, Exhibit 13, Direct Testimony of Isaac S. Scott (Scott Direct Testimony) (filed Apr. 1, 2021), Exhibit ISS–1, Attachment 7, Workpaper 1.19, Depreciation Environmental Surcharge at 5.

[19] Application, Exhibit 15, Direct Testimony of John J. Spanos (Spanos Direct Testimony) (filed Apr. 1, 2021) at 13–16.

[20] Spanos Direct Testimony at 16.

[21] Kollen Direct Testimony at 34–35.

ES CWIP Interest Expense. EKPC proposed to remove Interest Expense of $(24,450,841)[22] from the test year for interest on long-term debt associated with projects that are being recovered through EKPC's ES mechanism. The Attorney General and Nucor recommended the Commission reduce the revenue requirement by $8,550,602 to remove interest expenses and associated TIER that were tied to CWIP projects also being recovered through the ES mechanism, and argued that if these expenses were approved in base rates, double recovery would occur.[23] In Mr. Scott's rebuttal testimony, which supports the amounts agreed upon in the Settlement, he agreed that an adjustment to remove interest expense on long-term debt associated with the CWIP amounts included in the ES should be made, but disagreed with the methodology employed by Mr. Kollen that imputed the long-term debt supporting surcharge assets only to the CWIP balance in the ES.[24] Mr. Scott recalculated the reduction using the interest rates of the credit facility as of June 30, 2020 to the CWIP balance included in the ES. The result of Mr. Scott's recalculation was $(2,317,925) after gross up.[25] This is consistent with the reduction agreed upon in the Settlement.

The Commission agrees that if no adjustment were made to reduce long-term interest expense related to the CWIP ES, then double recovery of interest expense would occur. The Commission concurs that the use of the interest rates of the credit facility as of June 20, 2020, is a reasonable method to determine the proper reduction to interest

[22] Scott Direct Testimony, Exhibit ISS–1, Schedule 1.02, Adjustments to Remove Environmental Surcharge from Base Rates.

[23] Kollen Direct Testimony at 46.

[24] Scott Rebuttal Testimony at 18.

[25] *Id.*

expense from base rates to be recovered through the ES. Therefore, the Commission finds the reduction of $(2,315,000) to the revenue requirement as agreed upon in the Settlement is reasonable and should be approved.

Salaries, Wages, and Related Payroll Tax Expense. EKPC proposed to increase test-year salaries and wages and associated payroll taxes by $4,261,906[26] and $404,848,[27] respectively, to reflect 2020 staffing levels and merit increases awarded with an effective date of June 2020. EKPC calculated its proposed adjustment by normalizing its payroll period ending September 18, 2020, over 12 months.[28] The Attorney General and Nucor argued that the annualization of a single payroll period was not known and measurable and failed to reflect any offsetting savings in contractor expenses achieved after the end of the test year. The Settlement makes no adjustment to salaries and wages or corresponding payroll.

In response to Commission Staff's Second Post-Hearing Request for Information, EKPC provided its actual salaries and wages for July 1, 2020, through June 20, 2021, in the format originally presented in the application for EKPC's proposed salaries and wages adjustment.[29] Based on the information presented in the response, the Commission finds that while the method of normalizing a single payroll period is not conventional ratemaking, the pro forma amounts requested in the application accurately reflect, in all material respects, current and expected conditions with regard to salaries and wages for

[26] Scott Direct Testimony, Exhibit ISS–1, Schedule 1.07, Adjustment to Normalize Wages and Salaries.

[27] Scott Direct Testimony, Exhibit ISS-1, Schedule 1.08, Adjustment to Normalize Payroll Taxes.

[28] Scott Direct Testimony at 19–20.

[29] EKPC's Response to Commission Staff's Second Post-Hearing Request for Information (filed Sept. 1, 2021), Item 1.

EKPC, and therefore are known and measurable. For this reason, the Commission finds that no further adjustment is required.

Other Post-Employment Benefits (OPEB). EKPC proposed to include test-year expenses of $3,280,634 associated with OPEB.[30] EKPC proposed an adjustment to reduce retiree medical insurance by $1,190,183 to reflect its estimate of the savings associated with moving away from a self-funded plan to a Medicare Advantage plan effective January 1, 2020.[31] The Attorney General and Nucor recommended that an additional adjustment be made to further reduce OPEB by $1,034,583 to reduce the expense to EKPC's 2020 actual expense of $1,057,933.[32] In rebuttal testimony, Mr. Scott proposed that the Commission reject Lane Kollen's proposed adjustment because he believes that going 12 months beyond the end of the test year is a violation of the matching principle.[33]

In the Settlement, the parties agreed to adopt the expense level originally proposed by EKPC. The Commission finds that the Settlement term regarding OPEB is reasonable because it reflects a fair middle ground between the historically low actual expense incurred in 2020 and the five-year average based on EKPC's post-hearing data response.[34]

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[30] EKPC's Response to Attorney General/Nucor's First Request, Item 57.

[31] Scott Direct Testimony, Exhibit ISS-1, Schedule 1.11, Adjustment to Retiree Medical Insurance Expense.

[32] Kollen Direct Testimony at 13.

[33] Scott Rebuttal Testimony at 10.

[34] EKPC's Response to Commission Staff's First Post-Hearing Request for Information (filed Aug. 23, 2021), Item 3.

Rate Case Expense. EKPC proposed to increase its test year expenses $320,000 for a three-year amortization of estimated expenses of $960,000, which would be incurred in relation to this proceeding.[35] On August 18, 2021, EKPC filed an updated report that it expended $742,494 for rate case expenses as of August 17, 2021, which included legal services, consultants' fees for a depreciation study, consultants' fees for EKPC's cost of service study and cooperation with consultants in the owner-member flow through proceedings, legal notices, and miscellaneous supplies.[36]

The Commission finds that, based on the summaries provided throughout the pendency of this case and a review of the supporting invoices, the amount detailed in EKPC's August 18, 2021 filing fairly represents the total costs to prepare and fully litigate this proceeding. Therefore, the Commission finds that rate case expense should be reduced to $724,494 amortized over three years, resulting in a test-year amortization expense of $241,498, a reduction of $78,502.

Request for Amortization of Regulatory Assets

The parties agreed that the Commission should approve amortization of four regulatory assets as filed in the application, which are set forth below:

Amortization of Cancelled Smith 1 Regulatory Asset. EKPC proposed to amortize and recover, for ratemaking purposes, its Cancelled Smith 1 regulatory asset and proposed to increase test-year amortization expense by $1,911,276, which it stated is

[35] Scott Direct Testimony at 31 and Exhibit ISS-1, Schedule 1.27, Amortize Rate Case Expenses.

[36] EKPC's Supplemental Response to Staff's First Request (filed Aug. 18, 2021), Item 39.c.

consistent with the stipulation agreement in Case No. 2015-00358 (2015 Settlement).[37] The adjustment was calculated based on the difference between the actual test-year amortization and an adjusted regulatory asset balance re-amortized over the remaining 63 months of the specified 120 months beginning January 1, 2017, set by the 2015 Settlement.[38] The Attorney General and Nucor proposed to decrease test-year amortization by $(3,493,669), based on the interpretation of the 2015 Settlement that the amortization period that remained for ratemaking purposes was 84 months, based on a 120 month amortization period and 36 months of recorded amortization.[39]

The Commission concludes that the 2015 Settlement is clear that the amortization period for the regulatory asset for ratemaking purposes was set for 10 years beginning January 1, 2017. However, EKPC's proposal to increase test-year expenses based on the adjusted balance of the regulatory asset as of December 31, 2019, is not appropriate. For accounting purposes, EKPC is amortizing the regulatory asset from January 1, 2017 until present. In order for the Commission's Order approving the 2015 Settlement to comply with accounting standards that require realization of revenue that offsets the amortization expense of a regulatory asset,[40] EKPC had to "realize certain PJM Capacity Market Benefits,"[41] alongside EKPC's amortization expense beginning January 1, 2017

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[37] Case No. 2015-00358, *Application of East Kentucky Power Cooperative, Inc. for Deviation from Obligation Resulting from Case No. 2012-00169* (filed Aug. 8, 2016), Exhibit A, Stipulation and Recommendation. *See also* Scott Direct Testimony at 26.

[38] Scott Direct Testimony, Exhibit ISS–1, Schedule 1.20, Adjustment to Amortize Smith 1 Regulatory Asset at 1.

[39] Kollen Direct Testimony at 36–38.

[40] ASC 980-340-25-1.

[41] 2015 Settlement at 3.

and the "Net PJM Capacity Market Benefit[s] . . . impact[ed] EKPC's margins in the appropriate accounting periods."[42] However, the 2015 Settlement noted that for the year in which EKPC's next rate case is brought, the 2015 Settlement would permit EKPC to "request an amortization adjustment" for the test year using both the actual results of EKPC's mitigation and salvage efforts during the period of January 1, 2017, through the end of the test period in the rate case, and the net PJM Capacity Market benefits starting with the 2016-2017 PJM Delivery year and concluding at the end of the test year, or the end of calendar year 2019.[43] The 2015 Settlement further clarifies that the requested amortization adjustment based on the 2019 PJM Capacity Market Benefit should only be reflected if the full Net PJM Capacity Market Costs are known and measurable.[44] If the 2019 PJM Capacity Market Costs are not known and measurable at the time of the filing of the rate case, then EKPC would request the amortization adjustment that reflects only the Net PJM Capacity Market Benefit realized through the end of the test period included in the rate case.[45] The Commission recognizes EKPC's request in its pending application as an attempt to comply with the terms of the 2015 Settlement. However, the Commission is not bound to approve EKPC's request simply because it was outlined in the 2015 settlement that EKPC was to make such a request in its next rate proceeding. Further, even though the 2015 Settlement does not explicitly discuss the issue of timing, the Commission believes that the terms of the 2015 Settlement were originally agreed to on

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[42] *Id.* at 4.

[43] *Id.* at 5–6.

[44] *Id.* at 6.

[45] *Id.*

the idea that EKPC would file its next base rate case prior to the end of calendar year 2019. Regardless, if the Commission were to approve the adjustment as proposed by EKPC, the resulting adjustment would allow EKPC to retroactively collect from customers the amortization already expensed for accounting purposes on EKPC's books and creates a mismatch of revenue collected and the actual expense incurred. The balance of a regulatory asset is not reduced by the corresponding revenue collected by EKPC, but rather, by realizing the associated amortization expense. To adjust the going forward amortization expense included in rates for the shortfall of EKPC's offsetting revenues would be a violation of the accounting standard that allows the creation of a regulatory asset only when it is probable that future revenues in an amount approximately equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes.[46] In short, because the amortization period began on January 1, 2017, the amortization expense should not be adjusted to recapture amortization expense already incurred or the shortfall of EKPC's offsetting revenues. Therefore, the Commission finds that EKPC's request to adjust its test-year amortization expense in its application is unreasonable and should be denied. In the converse, the proposal by the Attorney General and Nucor is also not reasonable because the period set for the ten-year amortization is clearly stated to commence on January 1, 2017, and therefore should not be extended.

For the historical test period ending December 31, 2019, the Commission finds, for the reasons set forth above, that the reasonable amortization expense, for ratemaking purposes, are the amounts actually expensed in the test year. Therefore, the

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[46] ASC 980-340-25-1.

Commission finds that the agreed upon revenue requirement in the Settlement should be reduced by $(1,915,099), which reflects the removal of the proposed pro forma adjustment made by EKPC, including gross up for the fees associated with the regulatory assessment.

Amortization of Dale Surcharge Projects 5 and 10. EKPC proposed to amortize and recover the Dale regulatory asset for Surcharge Projects 5 and 10, which are associated with EKPC's ES. In Case No. 2015-00302,[47] the Commission approved two regulatory assets for the 2015 retirement of Dale generation station: one for Dale assets recovered through base rates, and a second for Dale assets recovered through the ES. The Commission found that the ES-related regulatory asset should be deferred for potential recovery in EKPC's next base rate case, and that the decision would be made after fully examining the reasonableness of these costs in the context of the future rate case. EKPC proposed to amortize the $749,484 regulatory asset balance over two years, which increases test-year amortization expense by $374,742.[48]

Upon review of costs in the Dale Surcharge Projects 5 and 10, the Commission concludes that the costs are reasonable, and therefore finds that the proposed increase to amortization is reasonable and should be approved.

Amortization of Dale Station Asbestos Asset Retirement Obligations. EKPC requested to amortize its established regulatory asset for depreciation and accretion expenses associated with Dale generating station asbestos abatement and ash removal

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[47] Case No. 2015-00302, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Undepreciated Balance of the William C. Dale Generating Station* (Ky. PSC Feb. 11, 2016).

[48] Scott Direct Testimony, Exhibit ISS-1, Schedule 1.21, Adjustment to Amortize Dale Regulatory Asset for Surcharge Projects 5 and 10.

costs. EKPC stated that the Commission approved this asset in Case No. 2014-00432[49] and that EKPC has not previously requested recovery of this asset. EKPC explained that Dale was retired in 2015 and the asbestos abatement and ash removal costs have been settled, but the regulatory asset remains on EKPC's books. EKPC proposed to amortize the regulatory asset balance of $1,360,551 over a two-year period, which increases test-year amortization expense by $680,276.

Because the asbestos abatement and ash removal costs have been settled, the Commission finds the proposed increase to test-year amortization as described above is reasonable and should be approved.

Amortization of Spurlock 2019 Major Maintenance Expenses. EKPC requested to amortize 2019 major maintenance expenses at Spurlock generating station that EKPC recorded as a regulatory asset, which EKPC asserted is consistent with the Commission's December 20, 2019 Order in Case No. 2019-00146.[50] In that order, the Commission denied EKPC's request to establish regulatory asset(s) for present and future major maintenance expenses, and stated that the United States Department of Agriculture Rural Utilities Service (RUS) was the more appropriate regulatory authority to petition for departures from standard accounting practices.[51]

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[49] Case No. 2014-00432, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of Regulatory Assets for the Depreciation and Accretion Expenses Associated with Asset Retirement Obligations* (Ky. PSC Mar. 6, 2015).

[50] Case No. 2019-00146, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of Regulatory Assets for Present and Future Maintenance Expenses* (Ky. PSC Dec. 20, 2019), Order.

[51] *Id. at* 10.

EKPC explained that it subsequently received approval from the RUS on January 30, 2020, to record the regulatory asset with an eight-year amortization period.[52] EKPC explained that RUS advised EKPC to submit a request for specific projects rather than the broad authorizations that were requested in Case No. 2019-00146. EKPC established the regulatory asset balance of $7,244,184 at the end of the test year with an eight-year amortization period.[53] No Intervenor in this proceeding objected to EKPC's request for amortization.

In the December 20, 2019 Order in Case No. 2019-00146, the Commission denied EKPC's request to record regulatory assets for minor units of property and major maintenance expense each year without explicit prior Commission approval. Instead, the Commission instructed EKPC that the wide-ranging departure from ordinary accounting rules that EKPC was proposing to endeavor on should be sought from RUS, noting that RUS was the more appropriate authority to address departures from Uniform System of Accounts (USoA) as RUS has procedures per 7 C.F.R. 1767.13 for such requests. The Commission concludes that the evidence presented in this case, including letters EKPC issued to RUS, indicate that EKPC went to RUS initially in good faith to request a departure from the USoA (for the request envisioned by the Commission), but when that request was denied, EKPC further requested RUS approve the recognition of a regulatory asset. RUS approved this recognition under the standards set by the USoA. Upon RUS approval, EKPC booked the regulatory asset without the Commission's approval. The

[52] Application, Exhibit 14, Direct Testimony of Michelle K. Carpenter (filed Apr. 1, 2021) at 12, lines 5–7. Scott Direct Testimony at 30.

[53] Scott Direct Testimony, Exhibit ISS-1, Schedule 1.26, Amortize Spurlock 2019 Regulatory Asset for Major Maintenance at 1.

Commission never envisioned EKPC would seek ordinary regulatory deferral accounting for a single year's expense from RUS, nor did the Commission direct it to do so. There is a material difference between the request EKPC made to the Commission (and for which the Commission said RUS would be the better avenue for relief) and the one sought, and ultimately received, from RUS. EKPC's actions in booking the regulatory asset for 2019 expenses is in direct violation of the Commission's Order in Case No. 2016-00180, which put all jurisdictional utilities on notice that Commission authorization is required before a utility can record a regulatory asset for expenses that meet one or more of the four criteria the Commission uses to determine the reasonableness of a request to authorize the establishment of a regulatory asset.[54]

EKPC established and subsequently requested rate recognition of a regulatory asset that was never approved by the Commission. There are significant financial consequences for EKPC if the Commission denies EKPC's request to amortize or recover this regulatory asset. If EKPC were an investor-owned utility, then its shareholders would bear the financial burden of a denial to recover in the regulatory asset balance in rates. However, as a generation and transmission cooperative, the financial burden would fall on EKPC's Owner-Members and their retail customers if the Commission denied recovery of this regulatory asset balance. Because a denial of recovery of this regulatory asset would harm customers, the Commission reluctantly finds that it should approve, *ex post facto*, for ratemaking purposes, the booking and amortization associated with the

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[54] Case No. 2016-00180, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Two 2015 Major Storm Events* (Ky. PSC Nov. 3, 2016) at 9.

regulatory asset established for the Spurlock 2019 major maintenance expenses. However, this approval after the fact does not impact the reality that EKPC violated a Commission Order when it booked this regulatory asset without prior Commission approval. Therefore, the Commission also finds that a future, separate proceeding should be established, with EKPC's officers and directors named as parties, so that the issue of the violation of a Commission Order may be properly investigated.

Revenue Requirement Summary

After considering the pro forma adjustment to the amortization of the Cancelled Smith 1 regulatory asset in addition to the reduction of rate case expense to actual expenditures, EKPC's adjusted Required Revenue Increase from Base Rates is as follows:

	Commission Adjustments
Increase Stipulated in Settlement Proposal	$ 38,343,000
Decrease to Normalize Amortization Period of Smith 1 Regulatory Asset to Test Year Level	(1,911,276)
Decrease Rate Case Expense to Filed Actuals	(72,501)
Less: Gross Up	(3,968)
Required Revenue Increase from Base Rates	36,355,255

REVENUE ALLOCATION AND RATE DESIGN

Cost of Service Study (COSS) and Revenue Allocation

EKPC performed a COSS based on actual plant, expense, and revenue data for the 2019 test year together with pro forma test year adjustments. EKPC's COSS applies an Average and Excess Demand (AED) production cost allocation methodology as a means of classifying production plant and to allocate the demand-related production costs to rate classes. The Attorney General/KIUC's witness, Stephen J. Baron, filed testimony asserting that the filed COSS contained three errors. First, Mr. Baron stated that EKPC erroneously applied 15 minute coincident peak demands to allocate production demand and transmission costs for all rate classes except for Nucor, where 15-minute billing demands were applied.[55] Mr. Baron argued that hourly demands are the basis for generation and transmission planning and thus should be applied.[56] Second, Mr. Barron noted that the AED methodology was incorrectly applied to the COSS and this error resulted in double counting of the excess demand.[57] Third, Mr. Baron averred that the COSS failed to annualize the Nucor expansion.[58] This expansion was online for only one month of the 2019 test year, and EKPC used this one month as the peak expense allocator resulting in a larger expense being allocated to Nucor.[59] Baron also included recommendations to include the Fuel Adjustment Clause (FAC) and ES in the COSS as its removal fails to reflect the cost imbalances associated with different on-peak and off-peak usage patterns among the rate classes.[60]

In response, EKPC provided a revised COSS with adjustments made to correct for the three primary errors alleged by Mr. Baron, concurring that the revisions are consistent with industry and EKPC practice.[61] EKPC rejected the proposed adjustments regarding

[55] Direct Testimony of Stephen J. Baron (Baron Direct Testimony) (filed July 29, 2021) at 10.

[56] Baron Direct Testimony at 13.

[57] *Id.* at 19.

[58] *Id.* at 9.

[59] *Id.* at 25.

[60] *Id.* at 29; and Attorney General/Nucor's Post-Hearing Brief (filed Aug. 24, 2021) at 4–5.

[61] Rebuttal Testimony of Richard J. Macke (Macke Rebuttal Testimony) (filed July 28, 2021), Exhibit RJM-4.

the FAC and ES stating that it is not necessary or consistent with prior treatment of the standalone recovery mechanism of the FAC by the Commission.[62]

The results of the revised COSS illustrate the amount of cross-subsidization between the rate classes.[63] The revised COSS indicated no existing revenue requirement deficiency for Rates B, C, or TGP. The results for Rate G estimated a revenue deficiency. For Rate Class E, the COSS results indicated that approximately 95 percent of the increase was necessary to cover the cost to serve. The Settlement allocates 2.6 percent of the revenue increase to Rates B, C, and G, Special Contract, and Steam with the remaining revenue allocated to Rate E.

The Commission accepts EKPC's revised COSS and EKPC's proposal to use the AED method as a guide to determining revenue allocation. The Commission recognizes that the Settlement does not follow the COSS results and thus continues to allow for the alleged cross-subsidization between the rate classes. The Commission also recognizes that the class which benefits from the Settlement's revenue allocation, Rate Class E, contains the bulk of the sales and is comprised of residential and commercial end-use customers. Therefore, the Commission finds that, while the revenue allocation included in the Settlement does not necessarily align with the revised COSS, it reduces the increase to Rate E and this benefit will accrue to the majority of the end-use customers and the residential class, and therefore finds the Settlement revenue allocation to be reasonable.

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[62] Macke Rebuttal Testimony at 6.

[63] Macke Rebuttal Testimony, Exhibit RJM-4 at 17.

Consistent with the spirit of the Settlement, the Commission finds that the reduction in EKPC's Settlement revenue increase, as found reasonable elsewhere in this Order, should be allocated to Rate Class E with all other Rate Classes remaining unchanged from the allocation set forth in the Settlement. Based on the reduction in EKPC's Settlement revenue increase, the Commission finds that the revenue increase should be allocated as follows:

Line No.	Description	Present Rates Amount	Commission Adjustment Amount	Increase	As Percent
1		$	$	$	
2	**Totals Revenues by Rate**				
3	Rate B	59,815,719	61,364,392	1,548,673	2.6%
4	Rate C	17,153,311	17,605,550	452,238	2.6%
5	Rate E	664,081,280	696,480,246	32,326,320	4.9%
6	Rate G	25,516,274	26,179,595	663,320	2.6%
7	Contract	41,786,791	42,872,821	1,086,030	2.6%
8	Steam	10,716,264	10,994,937	278,674	2.6%
9	Rate TGP	6,349,849	6,349,849	-	0.0%
10	**Sub-Total COS Based Revenues**	825,419,487	863,762,487	36,355,255	4.4%
11	Rate H	49,170	49,170		0.0%
12	DSM Riders	(1,109,853)	(1,109,853)		0.0%
13	**Total Revenues by Rate**	824,358,804	862,701,804	$ 36,355,255	4.4%

Rate Design

The revised COSS illustrated that current demand rates are below cost to serve as compared to energy rates. EKPC proposed a 2:1 ratio for the percent increase to the demand rate to energy rate in order to maintain existing rate design as well as to remove some of the subsidization between the demand and energy rates.[64] EKPC maintained that the proposed rate design avoided rate distortion and possible erosion of EKPC Owner-Member's revenue margin that may result in the pass through of the wholesale rate increase to the Owner-Members.

[64] Application, Exhibit 16, Direct Testimony of Richard J. Macke (filed Apr. 1, 2021) at 18–19.

The Commission finds this proposed rate design to be reasonable as it recognizes the COSS results while balancing the impact upon its Owner-Members and maintains the rate design for Rate E.

OTHER ISSUES

Generation Maintenance Tracker

As discussed above, in the Settlement, the parties accepted the adjustment proposed by Attorney General/Nucor's witness, Lane Kollen, to normalize generation maintenance over a five-year period of 2015–2019. The parties also agreed to a generation maintenance tracking mechanism. EKPC will track and compare the annual actual generation maintenance expenses to the normalized expense in base rates ($81,067,000). If the annual actual expense is higher than the normalized expense, EKPC will record a regulatory asset for 75 percent of the difference. If the annual actual expense is lower than the normalized expense, EKPC will record a regulatory liability for 75 percent of the difference.

In support of the proposed mechanism, EKPC argued that the calculation of this mechanism is so straightforward that it would be a waste of Commission time and resources to have an annual docket for the generation maintenance expense tracking mechanism. Instead, EKPC would file an annual report whether it would record a regulatory asset or regulatory liability, with supporting calculation. In EKPC's next base rate case, the net accumulated balance would be amortized and either collected from or returned to EKPC Owner-Members.

The Commission is concerned that a wholesale approval of the General Maintenance Tracker as discussed and agreed upon in the Settlement limits Commission oversight of the regulatory asset/liability accounting that will occur as a result of the tracker. The Commission also recognizes that it has limited staff and resources to establish an annual case to determine the reasonableness of the accounting treatment of the expenditures that would be eligible for the mechanism.

Based upon a review of the case record, the Commission finds that the Generation Maintenance Tracker is reasonable and should be approved, but subject to the condition that EKPC should establish a separate regulatory asset account to record the annual entries. Further, the Commission reserves the right to review the generation maintenance expenses that are eligible for this mechanism when EKPC requests to amortize the regulatory asset or regulatory liability in its next base rate case.

Earnings Mechanism

In the Settlement, the parties agreed to an earning mechanism that would return excess margins to customers in the form of a bill credit if EKPC achieves a per book margin in excess of 1.40 TIER in any calendar year. EKPC proposed to file an annual report on or before April 30 each year with the calculation. The parties agreed that the earnings mechanism would remain in place until EKPC's next base rate case.

Also in the Settlement, the parties proposed to allocate the bill credit based upon the percentage of each rate class's total revenue. However, the Settlement was silent as to how the bill credits will be applied, such as by kWh sales or by the number of customer accounts. The Settlement was also silent to the frequency of the bill credit, specifically whether it is a monthly or annual bill credit.

Based upon the case record, the Commission finds that the proposed earnings mechanism is reasonable and should be approved as presented in the settlement. EKPC should file the annual filing as of April 30. At the time of the first filing, the Commission will initiate a proceeding to review the reasonableness and determine a reasonable frequency for a bill credit and how the bill credits will be applied to customer accounts.

Depreciation Rates

In the Settlement, the parties agreed that EKPC's depreciation study, depreciation rates, and inclusion of interim retirement and terminal net salvage should be approved as filed. EKPC's last depreciation study was conducted in 2005. In this proceeding, EKPC requested approval of its most recent deprecation study for plant as of December 31, 2019. The 2019 depreciation study including net terminal salvage, interim retirements, and revised service lives.

In rebuttal testimony, EKPC's witness, Mr. Spanos, explained that including net terminal salvage and interim retirements in depreciation is consistent with and approved by the Federal Energy Regulatory Commission's (FERC) USoA.[65] Mr. Spanos further explained that deferring such components results in intergenerational inequity, because those customers who received the benefit of the asset would not be the same customers who pay the cost of those assets.[66]

Also in rebuttal testimony, EKPC's witness, Craig A. Johnson, explained that the basis for the 35-year estimated service lives of Smith Units 1–3 is largely due to the limited availability of replacement parts.[67] Mr. Johnson further explained that there are only seven units similar to Smith Units 1–3 in operation. Mr. Johnson maintained the Smith

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[65] Rebuttal Testimony of John J. Spanos (Spanos Rebuttal Testimony) (filed July 28, 2021) at 2–4.

[66] Spanos Rebuttal Testimony at 5.

[67] Rebuttal Testimony of Craig A. Johnson (Johnson Rebuttal Testimony) (filed July 28, 2021) at 4–6.

Units 1–3 have reduced service lives because there is only one vendor, the original equipment manufacturer (OEM), that supports that type of unit and that the OEM does not manufacture all of the necessary parts of the unit.[68] Mr. Johnson also claimed that the frequency of dispatch of Smith Units 1–3 impacts its service life.[69] EKPC witnesses explained that the basis for the assigned 40-year service lives for Smith Units 4–10 and Bluegrass Station are consistent with the lifespan estimates for similar facilities used by other utilities and are appropriate, supported by an attached summary of the 2020 Form EIA-860 Data included with Mr. Spanos's rebuttal testimony.[70]

Based upon the case record, the Commission finds that the depreciation study is reasonable and should be approved because the methodology employed in the study is consistent with the FERC USoA definition of depreciation[71] and the USoA General Instruction 22-A.[72]

Relief from Reporting Requirements

The parties agreed that the Commission should grant EKPC's request for relief from certain filing requirements as follows:

1. Monthly financial reporting related to 12-month margins, budgets, TIER, DSC, and variable interest rates on loans that were established in Case Nos. 1995-

[68] Johnson Rebuttal Testimony at 4–5.

[69] *Id.* at 6.

[70] Spanos Rebuttal Testimony, Attachment_A-EIA_Data_through_2020.xlsx.

[71] Spanos Rebuttal Testimony at 2.

[72] *Id.* at 3.

00135[73] and 2006-00472.[74] EKPC asserted that the reports are no longer necessary based upon changed circumstances. EKPC explained that the purpose for filing the monthly reports was to monitor the impact of interest rate volatility, dating from 1995, and to monitor EKPC's financial condition, dating from 2007. EKPC contended that, since that time, its financial condition has been significantly improved, and therefore the need to monitor EKPC's monthly financial reporting no longer exists. EKPC asserted that variable interest rates no longer have the volatility present in 1995, and thus monitoring is no longer necessary.

2. Semi-annual reports summarizing the status of mitigation efforts to reduce the balance of the Smith 1 regulatory asset that was established in Case No. 2010-00449.[75] EKPC explained that the mitigation has been completed and that there are no more physical assets to sell or scrap. With nothing further to report, EKPC requests to be relieved of the reporting obligation.

3. Annual report of Dale Station Projects 5 and 10 regulatory assets, detailing the beginning balance, monthly carrying costs, monthly costs by account, and ending balance, that was established in Case No. 2015-00302.[76] EKPC explained that, because

[73] Case No. 1995-00135, *Application of East Kentucky Power Cooperative, Inc. for the Approval of Financing in the Amount of Approximately $6,734,000 for Transmission Facilities and System Improvements* (Ky. PSC May 26, 1995).

[74] Case No. 2006-00472, *General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.* (Ky. PSC Dec. 5, 2007).

[75] Case No. 2010-00449, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Amount Expended on Its Smith 1 Generating Unit* (Ky. PSC Feb. 28, 2011).

[76] Case No. 2015-00302, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Undepreciated Balance of the William C. Dale Generating Station* (Ky. PSC Feb. 11, 2016).

it seeks to recover the regulatory asset in this case, the need for the monthly report is extinguished if EKPC's request to amortize the regulatory asset is granted.

4. Annual report comparing actual benefits and costs derived from membership in PJM and projected benefits and costs if EKPC was not a member of PJM that was established in Case No. 2012-00169.[77] EKPC maintained that, given the passage of time since the reporting requirement was established, comparing the actual experience to speculation what would have happened if EKPC had not joined PJM is difficult to estimate based on transmission availability assumptions about potential purchases.

5. Annual report of prior calendar year interruptions or change in load of two industrial customers established in Case Nos. 2013-00174[78] and 2015-00422.[79] EKPC asserted that the reporting requirements were established to demonstrate that EKPC could follow its interruptible tariff and whether interruptions impacted the industrial customers. EKPC argued that, based upon successful implementation of interruptible tariffs, the reporting requirement is no longer necessary. Neither of the industrial customers filed an objection to the request.

[77] Case No. 2012-00169, *Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC* (Ky. PSC Dec. 20, 2012).

[78] Case No. 2013-00174, *Application of East Kentucky Power Cooperative, Inc. for Approval of a Special Contract between EKPC, Owen Electric Cooperative, and Gallatin Steel Company* (Ky. PSC Feb. 27, 2014).

[79] Case No. 2015-00422, *Application of East Kentucky Power Cooperative, Inc. for the Approval of a Special Contract* (Ky. PSC March 14, 2016).

6. Annual report on performance of Bluegrass Station that was established in Case No. 2015-00267.[80] EKPC asserted that this reporting requirement resulted from concerns about EKPC's risk exposure to potential penalties arising from PJM's capacity performance rules. EKPC argued that, based upon Bluegrass Station's performance and reliability since 2015, this requirement is no longer needed.

7. Annual report on the consideration given to price elasticity in the forecasted demand, energy, and reserve margin information already provided in relation to the annual resource assessment filed in compliance with Administrative Case No. 387.[81] EKPC maintained that the 2015 study that addresses the issue has not changed and is unlikely to change, and that filing the same information that is unlikely to change is redundant.

Based upon a review of the case record and being otherwise sufficiently advised, the Commission finds that EKPC established good cause to be relieved of the requested reporting requirements, with the exception of the requirement established in Case No. 2012-00169 regarding EKPC's membership in PJM and the requirement established in Case No. 2015-00267 regarding Bluegrass Station. The Commission concludes that the reporting requirements arising from Case Nos. 1995-00135, 2006-00472, 2010-00449, 2015-00302, 2013-00174, and 2015-00422, and from Administrative Case No. 387 have been rendered either unnecessary or moot based upon changed circumstances. By

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[80] Case No. 2015-00267, *Application of East Kentucky Power Cooperative, Inc. for Approval of the Acquisition of Existing Combustion Turbine Facilities from Bluegrass Generation Company, LLC at the Bluegrass Generating Station in Lagrange, Oldham County, Kentucky and For Approval of the Assumption of Certain Evidences of Indebtedness* (Ky. PSC Dec. 1, 2015).

[81] Administrative Case No. 387, *Electronic Review of the Adequacy of Kentucky's Generation Capacity and Transmission System* (Ky. PSC May 13, 2013), Letter from Commission Executive Director.

separate Order, the Commission will relieve all parties in Administrative Case No. 387 from the annual filing requirement related to price elasticity.

The Commission finds that EKPC's request to be relieved of the reporting requirement established in Case No. 2012-00169 regarding its membership in PJM should be denied. The Commission further finds that the reporting requirement should be revised and that, starting in 2022, EKPC should file an annual report identifying benefits and costs that accrue from its PJM membership and comparing these to benefits and costs if EKPC left PJM. This is because the benefits and costs of PJM membership should be monitored to ensure that EKPC Owner-Members, and the Owner-Members' retail customers, accrue actual net benefits from EKPC's PJM membership.

The Commission further finds the request to be relieved of the reporting requirement in Case No. 2015-00267 should be denied because the Commission's concern regarding the risk exposure continues to exist, and thus should be monitored.

Demand-Side Management Rider Mechanism

Consistent with requirements established in Case Nos. 2008-00408[82] and 2019-00059,[83] EKPC provided certain information regarding its demand-side management (DSM) programs. Utilities are required to include discussion of cost-effective energy efficiency (EE) resources in each rate case.

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[82] Case No. 2008-00408, *Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007* (Ky. PSC July 24, 2012).

[83] Case No. 2019-00059, *Demand–Side Management Filing of East Kentucky Power Cooperative, Inc.* (Ky. PSC Nov. 26, 2019). The Commission required EKPC to file testimony in its next base rate case supporting the value of the DSM programs to EKPC and supporting recovery of DSM program costs in base rates rather than a rider specific to each Owner–Member to address our concern that including DSM program costs in EKPC"s base rates was not transparent to Owner–Members' customers and could result in subsidization between the EKPC's Owner-Members.

EKPC explained that it evaluates new and existing EE resources or programs in the same manner as supply-side resources in its supply-side resource evaluation for EKPC's Integrated Resource Plan.[84] EKPC's current programs include Button-Up Weatherization, Touchstone Energy Home, Community Assistance Resources for Energy Savings, Heat Pump Retrofit, and Energy Star Manufactured Home.[85] EKPC asserted that these programs are cost-effective based upon the industry standard California Tests, specifically the Participant and Total Resource Cost Tests.[86] EKPC and its Owner-Members track costs, participation levels, improvement measures, and energy and demand savings through a Distributed Energy Resource software system.[87] EKPC claimed that they are continually evaluating new DSM technologies, specifically retail level Smart Grid initiatives, and recognize the benefits of a well-designed EE or demand response program.[88]

Regarding DSM cost recovery and program costs, EKPC reviewed the last six year's program costs and base rate recoveries. EKPC calculated that DSM program costs averaged $7,800,000 while cost recovery averaged $6,100,000.[89] EKPC noted that cost recovery was close to the $6,000,000 that was embedded in base rates in Case No. 2010-00167. However, DSM program costs varied from $3,700,000 to $10,800,000

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[84] Scott Direct Testimony at 4.

[85] For a complete description of each program, *see* Application, Exhibit 18, Direct Testimony of Scott Drake (Drake Direct Testimony) (filed Apr. 1, 2021) at 4–5.

[86] Drake Direct Testimony at 5.

[87] *See* Drake Direct Testimony, Exhibit GSD–1 for the most recent 2019 DSM Report.

[88] Drake Direct Testimony at 7.

[89] Scott Direct Testimony at 39–40.

during the six years because costs depended upon the programs offered, the cost structure of each program, and participation.[90] EKPC then reviewed the relative percentages of cost recovery and program costs by each Owner-Member to determine any possible subsidization. On average, for 10 of the 16 Owner-Members, the relative percentage of cost recovery dollars were within 1.5 percent of the program costs; for three Owner-Members, cost recovery was greater than program costs; and for three Owner-Members, program costs were greater than cost recovery.[91] EKPC maintained that, based on these results, although the possibility of subsidization between the Owner-Members is not eliminated, subsidization was not significant.[92]

EKPC asserted that because it cannot separately identify the residential load portion for Rate E for each Owner-Member, a rider was developed specific to each Owner-Member would present significant logistical issues.[93] Further, EKPC argued that a DSM program budget would have to be developed separately for each Owner-Member rather than holistically, which would be inefficient and more costly.[94] EKPC concluded that because subsidization is minimal, the increased complexity of the budgeting, the addition 16 separate riders and true-up mechanisms, and possible rate volatility do not

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[90] *Id.* at 40.

[91] *Id.* at 40–41.

[92] *Id.* at 41.

[93] *Id.* at 42.

[94] *Id.* at 42–43.

warrant a change in the current rate structure.[95] EKPC determined that recovery of DSM costs through base rates is still an appropriate, fair and reasonable approach.[96]

Based upon a review of the case record, the Commission finds that recovering DSM costs in base rates is reasonable given the increased costs and limited benefits associated with changing the process of DSM cost recovery. As an additional consideration, the Commission notes that, in their respective responses to discovery in their respective pass-through rate cases, the Owner-Members agreed with the current base rate recovery.[97] The Commission directs EKPC to continue evaluating appropriate DSM programs that will minimize the need for more expensive supply-side resources and to continue monitoring the DSM costs between the Owner-Members so that any subsidization continues to be minimal.

Tariff Changes

Rate C

In revising Rate B, EKPC added clarifying language to the Minimum Monthly Charge section clarifying that the fuel base per kWh included in the description is the fuel base established in the FAC.[98] EKPC later indicated that making the same change in Rate C would also provide clarity to the tariff.[99] The Commission finds that the Minimum

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[95] *Id.* at 43.

[96] *Id.*

[97] *See, e.g.,* Case No. 2021-00104, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment* (filed May 27, 2021), Big Sandy RECC Response to Commission Staff's First Request for Information, Item 1.

[98] Scott Direct Testimony at 35.

[99] EKPC's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 28, 2021), Item 1.

Monthly Charge section of Rate C should be revised to clarify that the fuel base per kWh included in the description is the fuel base established in the FAC.

Rate G

EKPC proposed to establish a minimum demand of 15,000 kW for Rate G, indicating that it has generally limited offering Rate G to owner-members and retail members with a minimum demand of 15,000 kW.[100] EKPC indicated that during its 2008 base rate case, it was advised by consultants that, based on the configuration of rates, the Rate G minimum demand should not go below 15,000 kW.[101] In preparing the instant proceeding, EKPC indicated that it realized that a minimum demand should be established for Rate G and they set the minimum demand at the level it had been following for the last decade or more.[102] EKPC stated that it made exceptions to the informal demand limit in the past and that if circumstances warranted, EKPC would still grant exceptions and work them into special contracts.[103] With EKPC indicating that it is willing to make exceptions to the minimum demand limit, the Commission concludes that instead of setting a limit in the tariff, such decisions should be made when negotiating a special contract. Therefore, the Commission finds that adding a minimum demand limit to the tariff is unreasonable and should be rejected.

EKPC also proposed to include a provision in Rate G that would allow for the possibility of a temporary waiver of the ratchet provision for new or expanding loads.[104]

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[100] Scott Direct Testimony at 36.

[101] EKPC's Response to Staff's Second Request, Item 19.

[102] *Id.*

[103] August 3, 2021 Hearing Video Transcript (HVT) at 11:36:08.

[104] Scott Direct Testimony at 36.

EKPC explained that new customers and existing customers expanding their operations usually experience an initial ramping up period of a year or more. During this period, the actual loads can fluctuate from month to month rather than showing a consistent build up. EKPC states that it is reasonable to temporarily waive the ratchet provisions during a customer's ramping up period to allow them to settle into normal operating conditions.[105]

While the Commission concludes that it may be reasonable to temporarily waive the ratchet provision for new customers or existing customers expanding their operations who will be served under Rate G, the Commission does not conclude that such a provision should be part of a tariff. Such waivers can be included in a special contract with a new customer or existing customer expanding their operations to be served under Rate G. Because these contracts must be filed with the Commission, the Commission can ascertain whether such a provision is reasonable on a case-by-case basis. For these reasons, the Commission finds that adding a provision to Rate G allowing for the possibility of a temporary waiver of the ratchet provision for new or expanding loads is unreasonable and should be rejected.

Finally, EKPC indicated that revising the Minimum Monthly Charge section of Rate G to clarify that the base fuel component included in the description is the fuel base established in the FAC would bring clarity to the tariff.[106] The Commission finds that the Minimum Monthly Charge section of Rate G should be revised to clarify that the base fuel component included in the description is the fuel base established in the FAC.

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[105] EKPC's Response to Staff's Second Request, Item 20.

[106] *Id.*, Item 3.

Rate H – Wholesale Renewable Energy Program

In its initial application in this proceeding, EKPC filed a revised Rate H, Wholesale Renewable Energy Program, to reflect the discontinuance of Rate A and a minor text revision in the Applicability section. EKPC later discovered that the version of Rate H filed with the application was the tariff that was in effect prior to March 25, 2020, which was when Rate H was amended and approved by the Commission in Case No. 2019-00378.[107] On May 20, 2021, EKPC made a Notice of Filing to replace the version of Rate H filed with the application with the correct version of Rate H. The Commission finds that the replacement of the version of Rate H filed with the application with the updated version of Rate H is reasonable and should be approved.

Wholesale Power Invoice

EKPC proposed to revise the Nucor Wholesale Power Invoice to provide for additional metering data points and the deletion of references to certain bill credits that will no longer be in effect. Specifically, EKPC indicated that the addition of "CPS1" and "12 Mo" were references to earlier contract provisions that are no longer in effect. Therefore, EKPC requested that the Commission permit it to withdraw the addition of those two items to the Nucor Wholesale Power Invoice. The Commission finds that EKPC's request to remove the references to "CPS 1" and "12 Mo" is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by EKPC are denied.

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[107] Case No. 2019-00378, *Electronic Tariff Filing of East Kentucky Power Cooperative, Inc. to Implement a New Green Energy Option for Non–Residential Retail Customers* (Ky. PSC Mar. 25, 2020).

2. The provisions in the Settlement, as set forth in Appendix A to this Order, are approved subject to the adjustments approved in this Order.

3. The rates and charges for EKPC, as set forth in Appendix B to this Order, are fair, just and reasonable rates for EKPC, and are approved for service rendered on and after October 1, 2021.

4. EKPC is authorized to amortize the Smith 1, Dale ES Projects 5 and 10, Dale Asbestos ARO, and Spurlock Maintenance regulatory assets as set forth in this Order.

5. EKPC is authorized to establish a Generation Maintenance Tracker as outlined in the Settlement, but, as a term of the establishment of the tracker, EKPC shall establish a separate regulatory asset account to record the annual entries. The Commission reserves the right to review the generation maintenance expenses that are eligible for this mechanism upon such time that EKPC requests to amortize the regulatory asset or regulatory liability in its next base rate case.

6. The earnings mechanism outlined in the Settlement is approved as filed. EKPC shall file its first annual filing no later than April 30. The Commission will initiate a proceeding at that time to review the reasonableness and determine a reasonable frequency for a bill credit and how the bill credits will be applied to customer accounts.

7. The depreciation study filed by EKPC in the application is approved and the service lives and salvage values therein are approved for EKPC's depreciable assets on and after the date of this Order.

8. EKPC’s request to be relieved of reporting requirements set forth in Case Nos. 1995-00135, 2006-00472, 2010-00449, 2015-00302, 2013-00174, and 2015-00422 is granted.

9. EKPC’s request to be relieved of price elasticity reporting requirements set forth in Administrative Case No. 387 is granted.

10. EKPC’s request to be relieved of reporting requirements established in Case No. 2012-00169 is denied. EKPC’s reporting requirement its PJM membership is modified as set forth above. Beginning in 2022, EKPC shall file a report by May 31 each year identifying benefits and costs that accrue from its PJM membership and comparing them to benefits and costs if EKPC left PJM.

11. EKPC’s request to be relieved of reporting requirements established in Case No. 2015-00267 is denied.

12. EKPC’s revised proposal to amend the Minimum Monthly Charge section of Rate C is approved.

13. EKPC’s proposal to establish a minimum demand of 15,000 kW for Rate G, is denied.

14. EKPC’s proposal to add a provision to Rate G allowing for the possibility of a temporary waiver of the ratchet provision for new or expanding loads is denied.

15. EKPC’s revised proposal to amend the Minimum Monthly Charge section of Rate G is approved.

16. EKPC’s revised proposal to replace the version of Rate H filed with the application with the updated version of Rate H is approved.

17. EKPC's revised proposal to remove the references to "CPS 1" and "12 Mo" is approved.

18. Except for the tariffs that have been modified or denied in this Order, EKPC's proposed tariffs as originally filed and revised by the Settlement are approved as filed.

19. EKPC shall continue to recover DSM costs in base rates.

20. Within 20 days of the date of this Order, EKPC shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs as set forth in this Order reflecting that they were approved pursuant to this Order.

21. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
SEP 30 2021 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Linda C. Bridwell

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00103 DATED SEP 30 2021

FORTY-FOUR PAGES TO FOLLOW

Stipulation and Settlement Agreement

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

JOINT STIPULATION, SETTLEMENT AGREEMENT AND RECOMMENDATION

On April 1, 2021, East Kentucky Power Cooperative, Inc. ("EKPC") tendered its Application with the Kentucky Public Service Commission ("Commission"), pursuant to KRS 278.180, KRS 278.190 and other applicable law, for an adjustment of its wholesale rates, approval of a depreciation study, amortization of certain regulatory assets and other general relief ("Application"). The Application was accepted for filing on April 6, 2021. Motions for intervention by the Attorney General ("AG"), Nucor Steel Gallatin ("Nucor") and AppHarvest Morehead Farm, LLC ("AppHarvest") were granted on March 5, 2021, March 25, 2021 and April 27, 2021, respectively. EKPC, the AG, Nucor and AppHarvest are collectively referred to herein as the "Parties." The Parties have filed testimony supporting their respective positions relating to EKPC's Application. The Parties and the Commission Staff have also engaged in substantial discovery of the Parties' respective positions by issuing numerous information requests to which the Parties have responded.

The Parties, representing diverse interests and viewpoints, have reached a complete settlement of all the issues raised in this proceeding and have executed this Joint Stipulation, Settlement Agreement and Recommendation ("Stipulation") for purposes of documenting and submitting their agreement to the Commission for consideration and approval. It is the intent and purpose of the Parties to express their agreement on a mutually satisfactory resolution of all issues in the instant proceeding.

The Parties understand that this Stipulation is not binding upon the Commission, but believe it is entitled to careful consideration by the Commission. The Parties agree that this Stipulation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding. The Parties request that the Commission issue an Order approving this Stipulation in its entirety pursuant to KRS 278.190, including the rate increase, rate structure, depreciation study, amortization of regulatory assets, relief from certain existing reporting obligations, approval of textual changes to tariffs and recovery of rate case expense as described herein. The request is based upon the belief that the Parties' participation in settlement negotiations and the materials on file with the Commission adequately support this Stipulation. Adoption of this Stipulation will eliminate the need for the Commission and the Parties to expend significant resources in litigation of this proceeding and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final Order herein.

NOW, THEREFORE, for and in consideration of the mutual premises set forth above and the terms and conditions set forth herein, the Parties agree as follows:

1. Revenue Increase: The Parties agree that EKPC's adjusted base rate revenue requirement is $481.565 million. This represents an increase of $38.343 million over the test year revenue that would be collected at current rates. A summary of the adjustments agreed to by the Parties to arrive at this revenue increase are set forth in Exhibit A to this Stipulation.

2. Revenue Allocation. The Parties agree that that the foregoing revenue requirement will be allocated as follows:

Rate Class	Increase in Dollars	Percentage Increase
Rate E	$34,314,065	5.20%
Rate B	$1,548,673	2.60%
Rate C	$452,238	2.60%
Rate G	$663,320	2.60%
Contract Steam	$278,674	2.60%
Large Special Contract	$1,086,030	2.60%
Pumping Stations	$0	0.00%
Total	$38,343,000	

3. Base Rate Times Interest Earned Ratio ("TIER") Ratio: The Parties agree that EKPC should be authorized to continue to earn a 1.50 TIER for base rates.

4. Environmental Surcharge: The Parties agree that EKPC's TIER for its environmental surcharge should be reduced to 1.475. The Parties further agree that all changes for depreciation rates, interest expense for Construction Work in Progress ("CWIP"), and TIER would first be reflected in the monthly surcharge filing for the Expense Month of October 2021, which will be filed with the Commission on November 19, 2021. The Parties understand that the adjustments to CWIP and TIER will reduce revenues collected by EKPC through the environmental surcharge by $7.1 million annually.

5. Generation Maintenance Regulatory Asset/Liability. The Parties agree that the normalized generation maintenance expense reflected in Exhibit A is $81.067 million per year. Beginning with calendar year 2022, and in each year thereafter, EKPC will track its actual generation maintenance expense and record a regulatory asset for seventy-five percent (75%) of all expenses in excess of the normalized amount and, if the actual annual generation maintenance expense is less than the normalized generation maintenance expense, record a regulatory liability for seventy-five percent (75%) of the difference between the actual annual generation maintenance

expense and the normalized generation maintenance expense. EKPC agrees to make an annual filing with the Commission (on or before April 30th of each year) which sets forth its calculation of any regulatory asset or liability recorded for the prior year, and including a cumulative net calculation of all such assets or liabilities. In EKPC's next base rate case, the cumulative regulatory asset or regulatory liability shall be amortized and either recovered from, or returned to, EKPC's Owner-Members as appropriate over a reasonable period of time.

6. Earnings Mechanism: The Parties agree that EKPC should return any excess margins to its Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit in the event that EKPC achieves per book margin in excess of a 1.40 TIER in any calendar year. Any excess margins will be returned to EKPC's Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit that is allocated based upon the percentage of each rate class's total revenue for the most recent calendar year. EKPC agrees to make an annual filing with the Commission which sets forth its calculations of margins and any required bill credit on or before April 30th of each year. This earnings mechanism will remain in place until EKPC's base rates are next adjusted. EKPC will file a tariff for Commission review within thirty (30) days of the Commission entering a final Order approving this Stipulation.

7. AppHarvest Matters:

a. Demand Response: EKPC agrees to work in good faith with AppHarvest to develop a demand response program whereby AppHarvest will be able to participate in PJM Interconnection, LLC's ("PJM") demand response program with EKPC acting as its Curtailment Service Provider. EKPC shall charge a reasonable administrative fee to cover its costs for any such program. The use of the term "demand response" in this section includes, but is not limited to, energy efficiency programs. Any program developed by AppHarvest and EKPC must be submitted to and approved by the Commission prior to being implemented.

b. AgriTech Tariff: EKPC agrees to work in good faith with AppHarvest to develop an AgriTech Tariff that considers the unique energy requirements of large scale indoor agricultural technology. In particular, but without limitation, the Parties will study whether a reasonable and cost-effective commercial and industrial energy efficient lighting program similar to the general commercial and industrial lighting demand side management program that was terminated by EKPC in 2019 may be reinstated in this context. Any AgriTech Tariff must be submitted to and approved by the Commission.

c. Pass-Through Rate Mechanism: Nothing in this Stipulation limits the ability of AppHarvest to litigate the issues it raised in the pass-through case filed by Fleming-Mason Energy Cooperative, Inc. and docketed by the Commission as Case No. 2021-00109.

8. TGP Special Contract: The Parties agree that EKPC shall inquire and consult with Fleming-Mason Energy Cooperative, Inc. and Taylor County Rural Electric Cooperative Corporation regarding the status and reasonableness of two Special Industrial Power Agreements with Tennessee Gas Pipeline Company.

9. Other Items: The Parties agree that, except as limited herein, all other requests in EKPC's Application should be approved, including, without limitation:

a. Depreciation Study: EKPC's depreciation study and related accounting treatments should be approved with an effective date for the new deprecation rates to be the same day that EKPC's new rates become effective.

b. Amortization of Certain Regulatory Assets: The four regulatory assets identified in EKPC's Application are acknowledged to be included within its revenue requirement and will be approved as proposed:

i. Cancellation of the Smith Unit 1 generation station authorized in Case No. 2010-00449, consistent with the provisions of the Stipulation Agreement approved in Case No. 2015-00358;

ii. Retirement of the William C. Dale Generation Station ("Dale Station"), specifically certain assets recovered through EKPC's environmental surcharge, pursuant to the Commission's Order in Case No. 2015-00302;

iii. Depreciation and accretion expense associated with the Dale Station asbestos abatement asset retirement obligation, pursuant to Case No. 2014-00432; and

iv. 2019 Major Maintenance expenses at the Spurlock generation station, as permitted by the Rural Utilities Service accounting treatment and consistent with the Commission's Order in Case No. 2019-00146.

c. Relief From Certain Existing Reporting Obligations: EKPC should no longer be required to make certain informational filings with the Commission that appear to be obsolete:

i. Monthly financial reporting relating to twelve (12) month margins, budgets, the calculation of twelve (12) month TIER and Debt Service Coverages ("DSC") and variable interest rates on outstanding loans;

ii. Semi-Annual reports summarizing the status of mitigation efforts to reduce the balance of the Smith 1 regulatory asset;

iii. Annual Report of Dale Station Projects 5 and 10 and Regulatory Asset Authority;

iv. Annual comprehensive report detailing transmission rights, hedging strategies, and PJM benefits and costs;

v. Annual report detailing the prior calendar year's interruptions or change in load of Nucor Gallatin Steel;

vi. Annual operating reports setting forth details of the performance of the Bluegrass Station;

vii. Annual report detailing the prior calendar year's interruption of AGC; and

viii. Annual report discussing the consideration given to price elasticity in the forecasted demand, energy and reserve margin information already provided in relation to the annual resource assessment filed in compliance with Administrative Case 387;

d. Tariff Changes: The Parties agree all proposed textual changes to EKPC's tariffs should be approved as set forth in the Application.

e. Rate Case Expense: The Parties agree that EKPC should be authorized to recover its reasonable rate case expense (final amount to be filed within fifteen days following the conclusion of any hearing on EKPC's Application) on an amortized basis over three (3) years.

10. Proof of Revenue: Attached to this Stipulation as Exhibit B are updated tariffs that reflect the revenue requirement and revenue allocation set forth herein. Attached to this Stipulation as Exhibit C are proof-of-revenue sheets, showing that the rates set forth in Attachment B, plus projected off-system sales, leased property income and other operating revenues, will generate the

revenue needed to recover the Company's test year revenue requirement to which the Parties have agreed.

11. Filing of Stipulation: Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission with a request to the Commission for consideration and approval of this Stipulation so that EKPC may begin billing under the approved adjusted rates for service rendered on and after October 1, 2021.

12. Commission Approval: The Parties to this Stipulation shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. Each Party hereto waives all cross-examination of the witnesses of the other Party hereto except in support of the Stipulation or unless the Commission fails to adopt this Stipulation in its entirety. Each Party further stipulates and recommends that the Notice of Intent, Notice, Application, direct testimony, rebuttal testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record. The Parties further agree and intend to support the reasonableness of this Stipulation before the Commission, and to cause their counsel to do the same in this proceeding and in any appeal from the Commission's adoption and/or enforcement of this Stipulation. If the Commission issues an order adopting this Stipulation in its entirety, each of the Parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

13. Effect of Non-Approval: If the Commission does not accept and approve this Stipulation in its entirety or imposes any additional conditions or requirements upon the signatory Parties, then: (a) any Party may elect, in writing docketed in this proceeding, within ten (10) days of such Commission Order, that this Stipulation shall be void and withdrawn by the Parties hereto from further consideration by the Commission and neither Party shall be bound by any of the

provisions herein; and (b) each Party shall have the right, within twenty (20) days of the Commission's Order, to file a petition for rehearing, including a notice of termination of and withdrawal from the Stipulation; and, (c) in the event of such termination and withdrawal of the Stipulation, neither the terms of this Stipulation nor any matters raised during the settlement negotiations shall be binding on any of the signatory Parties to this Stipulation or be construed against any of the signatory Parties. Should the Stipulation be voided or vacated for any reason after the Commission has approved the Stipulation and thereafter any implementation of the terms of the Stipulation has been made, then the Parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this Stipulation.

14. Commission Jurisdiction: This Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

15. Successors and Assigns: This Stipulation shall inure to the benefit of and be binding upon the Parties hereto, their successors and assigns.

16. Complete Agreement: This Stipulation constitutes the complete agreement and understanding among the Parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.

17. Implementation of Stipulation: For the purpose of this Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of EKPC are unknown and this Stipulation shall be implemented as written.

18. Admissibility and Non-Precedential Effect: Neither the Stipulation nor any of the terms set forth herein shall be admissible in any court or administrative agency, including the Commission, except insofar as such court or agency is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

19. No Admissions: Making and entering into this Stipulation shall not be deemed in any respect to constitute an admission by any Party that any computation, formula, allegation, assertion or contention made by any Party in these proceedings is true or valid. Nothing in this Stipulation shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of a Party.

20. Authorizations: The signatories hereto warrant that they have informed, advised, and consulted with the respective Parties hereto in regard to the contents of this Stipulation, and based upon the foregoing, are authorized to execute this Stipulation on behalf of the Parties hereto.

21. Commission Approval: This Stipulation is subject to the acceptance of and approval by the Commission.

22 Interpretation of Stipulation: This Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

23. Counterparts: This Stipulation may be executed in multiple counterparts.

24. Future Proceedings: Nothing in this Stipulation shall preclude, prevent or prejudice any Party hereto from raising any argument/issue or challenging any adjustment in any future rate case proceeding of EKPC.

IN WITNESS WHEREOF, this Stipulation has been agreed to and is effective as of this 29th day of July, 2021. By affixing their signatures below, the undersigned Parties respectfully request the Commission to issues its Order approving and adopting this Stipulation the Parties hereto have hereunto affixed their signatures.

EAST KENTUCKY POWER COOPERATIVE, INC.

BY: Anthony S Campbell
Anthony S. Campbell
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: ______________________________

TITLE: ______________________________

NUCOR STEEL GALLATIN

BY: ______________________________

TITLE: ______________________________

APPHARVEST MOREHEAD FARM, LLC

BY: ______________________________

TITLE: ______________________________

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BY: ______________________________
Anthony S. Campbell
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: John G. Horne II
John G. Horne, II
Executive Director, Office of Rate Intervention

NUCOR STEEL GALLATIN

BY: ______________________________

TITLE: ______________________________

APPHARVEST MOREHEAD FARM, LLC

BY: ______________________________

TITLE: ______________________________

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BY: ______________________________
Anthony S. Campbell
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: ______________________________

TITLE: ______________________________

NUCOR STEEL GALLATIN

BY: Mike P. Kurtz

TITLE: Counsel for NUCOR

APPHARVEST MOREHEAD FARM, LLC

BY: ______________________________

TITLE: ______________________________

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ATTORNEY GENERAL DANIEL CAMERON

BY: ______________________________

TITLE: ______________________________

NUCOR STEEL GALLATIN

BY: ______________________________

TITLE: ______________________________

APPHARVEST MOREHEAD FARM, LLC

BY: ______________________________

TITLE: Chief Financial Officer

Exhibit A

Summary of Revenue Adjustments

Amount (Millions)	Description
$48.984	Original Revenue Requirement Calculated by EKPC
($6.592)	Normalize Generation Maintenance over Five Most Recent Years (2015-2019)
($1.914)	General Plant Reserve Surplus Amortized Over 5 Years
($2.315)	Reduce Interest Expense on Environmental Construction Work in Progress Currently Being Recovered for the Spurlock CCR/ELG in the Environmental Surcharge Mechanism
$38.343	Adjusted Revenue Requirement Calculation Agreed to by Parties

Exhibit B

Revised Tariff Sheets

Rate B

Applicability

In all territories of owner-member cooperatives ("owner-members") of East Kentucky Power Cooperative, Inc. ("EKPC"). T T

Availability

Available to owner-members and end-use retail members ("retail members") willing to execute EKPC-approved contracts for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly contract demand shall be agreed between the owner-member and EKPC. The electric power and energy furnished hereunder shall be separately metered for each point of delivery. T

Monthly Rate

Demand Charge per kW of Contract Demand	$7.49	T I
Demand Charge per kW of Billing Demand in Excess of Contract Demand	$9.98	T
Energy Charge per kWh	$.039884	I

Billing Demand

The billing demand shall be the contract demand plus any excess demand. Excess demand occurs when the retail member's highest demand during the current month, coincident with EKPC's system peak (coincident peak), exceeds the contract demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen(15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein: T T

Months	Hours Applicable for Demand Billing - EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below: T

a. The product of the contract demand multiplied by the demand charge, plus
b. The product of the contract demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh as established in the Fuel Adjustment Clause.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY: Anthony S. Campbell

Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated _______ __, 2021.

Rate C

Applicability

In all territories of owner-member of EKPC. T

Availability

Available to owner-members and retail members willing to execute EKPC-approved contracts for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery. T

Monthly Rate

Demand Charge per kW of Billing Demand	$7.49	I
Energy Charge per kWh	$.039884	I

Billing Demand

The billing demand shall be the greater of (a) or (b) listed below: T

a. The contract demand; or T
b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing - EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

a. The product of the billing demand multiplied by the demand charge, plus
b. The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY: Anthony S. Campbell

Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated _______ __, 2021.

Rate E

Applicability

In all territories of owner-member of EKPC. T

Availability

Available to all owner-members of EKPC for all power usage at the load center not subject to the provisions of Rate B, Rate C, or Rate G of this tariff and special contract participants. The electric power and energy furnished hereunder shall be separately metered for each point of delivery. T T

Monthly Rate - Per Load Center

An owner-member may select either Option 1 or Option 2 of this section of the tariff to apply to all load centers. The owner-member must remain on a selected option for at least one (1) year and may change options, no more often than every twelve (12) months, after giving a minimum notice of two (2) months advance notice of an election to change options. T

	Option 1	Option 2	
Demand Charge per kW of Billing Demand	$8.52	$6.55	I
Energy Charge per kWh			
On-Peak kWh	$ .042956	$ .051527	I
Off-Peak kWh	$ .042378	$ .042802	I

On-peak and off-peak hours are provided below:

Months	On-Peak Hours - EPT	Off-Peak Hours – EPT
October through April	7:00 a.m. to 12:00 noon	12:00 noon to 5:00 p.m.
	5:00 p.m. to 10:00 p.m.	10:00 p.m. to 7:00 a.m.
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY: Anthony S Campbell

Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated _______ __, 2021.

Rate E (continued)

Billing Demand

The billing demand is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein: T

Months	Hours Applicable for Demand Billing – EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Billing demand applicable to this rate is equal to the load center's contribution to EKPC's system peak demand minus the actual demands of Rate B, Rate C, Rate G, and special contract participants coincident with EKPC's system peak demand. T

Billing Energy

Billing energy applicable to this rate is equal to the total energy provided at the load center minus the actual energy provided to Rate B, Rate C, Rate G, and special contract participants. T

Rate G

SPECIAL ELECTRIC CONTRACT RATE

Applicability N

In all territories of owner-member of EKPC.

Availability

Available to all owner-members and retail members willing to execute EKPC-approved contracts for demands of 15,000 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Character of Service

Three-phase 60 Hertz alternating current as specified in the special contract for purchased power. T

Monthly Rate

Demand Charge per kW of Billing Demand	$7.30	T I
Energy Charge per kWh	$ .037780	T I

Determination of Billing Demand

The billing demand shall be the greater of (a) or (b) listed below: T

a. The contract demand; or T

b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing – EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY: Anthony S Campbell
Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated _______ __, 2021.

Rate G (con't.)

Notwithstanding the foregoing, a special contract for purchased power may waive a demand ratchet for any new or expanding load for the period in which the new or expanded load has not yet been fully brought on-line or reached full production status. N

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

(a) The metering and substation charge, plus
(b) The product of the billing demand multiplied by the demand charge, plus
(c) The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh. T T

D

Rate ES – Environmental Surcharge

Applicability

In all territories of owner-members of EKPC. T

Availability

This rate schedule shall apply to EKPC Rates B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission. T

Rate

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

CESF = E(m) / R(m) MESF = CESF – BESF

MESF = Monthly Environmental Surcharge Factor
CESF = Current Environmental Surcharge Factor
BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

Definitions

1. E(m) = [(RB/12)(RORB) + OE – BAS + (Over)Under Recovery

where:

a. RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;

b. RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.475; R

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ISSUED BY: Anthony S Campbell

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Rate ES – Environmental Surcharge (continued)

c. OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;

d. BAS is the net proceeds from By-Products and Emission Allowance Sales, and;

e. (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment.

2. Total E(m) is multiplied by the "Member System Allocation Ratio" to arrive at Net E(m). The "Member System Allocation Ratio" is based on the ratio of the twelve (12)-month total revenue from sales to owner-members to which the Surcharge will be applied, ending with the current expense month, divided by the twelve (12)-month total revenue from sales to owner-members and off-system sales.

3. The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve (12)-months ending with the current expense month.

4. The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY: Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated _______ __, 2021.

Rate B

Applicability

In all territories of owner-member cooperatives ("owner-members") of East Kentucky Power Cooperative, Inc. ("EKPC").

Availability

Available to ~~all cooperative associations which are or shall be~~ owner-members ~~of EKPC~~ and *end-use retail members ("retail members") willing* to ~~which~~ execute EKPC-approved contracts ~~with the end-use retail members (retail member).~~ *for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly contract demand shall be agreed between the owner-member and EKPC.* The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

~~Applicability~~

~~Applicable to owner-members and retail members willing to contract for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly minimum demand shall be agreed between the owner-member and EKPC.~~

Monthly Rate

Demand Charge per kW of *Contract* ~~Minimum~~ Demand	$7.~~17~~ *.49*
Demand Charge per kW of Billing Demand in Excess of *Contract* ~~Minimum~~ Demand	$9.98
Energy Charge per kWh	$ .0~~38982~~ *39884*

Billing Demand

The billing demand ~~(kilowatt demand)~~ shall be the *contract* m~~inimum~~ demand plus any excess demand. Excess demand occurs when the retail member's highest demand during the current month, coincident with EKPC's system peak (coincident peak), exceeds the *contract* m~~inimum~~ demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing - EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

a. The product of the *contract* ~~minimum~~ demand multiplied by the demand charge, plus
b. The product of the *contract* ~~minimum~~ demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh *as established in the Fuel Adjustment Clause.*

DATE OF ISSUE: ~~January 7, 2020~~ *April 1, 2021*

DATE EFFECTIVE: Service rendered on and after ~~February 1, 2020~~ *May 1, 2021*

ISSUED BY: _________________________________
Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission
of Kentucky in Case No. ~~2019-00003~~ *2021-00103* dated ~~December 26, 2019~~ **_______ __***, 2021.*

Rate C

Applicability

In all territories of owner-members of EKPC.

Availability

Available to ~~all cooperative associations which are or shall be~~ owner-members *and retail members willing to* ~~of EKPC and which~~ execute EKPC-approved contracts ~~with the retail members.~~ *for demands of 500 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand.* The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

~~Applicability~~

~~Applicable to owner-members and retail members willing to contract for demand of 500 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand.~~

Monthly Rate

Demand Charge per kW of Billing Demand	$7.~~17~~ *.49*
Energy Charge per kWh	$.0~~38982~~ *39884*

Billing Demand

The ~~kilowatt~~ *billing* demand shall be the greater of (a) or (b) listed below:

a. The contract demand*; or*
b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing - EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

a. The product of the billing demand multiplied by the demand charge, plus
b. The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

Anthony S. Campbell,
President and Chief Executive Officer

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Rate E

Applicability

In all territories of owner-members of EKPC.

Availability

Available to all ~~cooperative associations which are or shall be~~ owner-members of EKPC *for all power usage at the load center not subject to the provisions of Rate B, Rate C, or Rate G of this tariff and special contract participants.* The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

~~**Applicability**~~

~~Applicable to all power usage at the load center not subject to the provisions of Rate A, Rate B, Rate C, or Rate G of this tariff.~~

Monthly Rate - Per Load Center

An owner-member may select either Option 1 or Option 2 of this section of the tariff to apply to all load centers. The owner-member must remain on a selected option for at least one (1) year and may change options, no more often than every twelve (12) months, after giving a minimum notice of two (2) months *advance notice of an election to change options*.

	Option 1	Option 2
Demand Charge per kW of Billing Demand	$~~7.99~~ *8.52*	$6.~~02~~ *55*
Energy Charge per kWh		
On-Peak kWh	$ .04~~1232~~ 2956	$ .0~~49379~~ *51527*
Off-Peak kWh	$ .04~~0654~~ *2378*	$ .04~~0654~~ *2802*

On-peak and off-peak hours are provided below:

Months	On-Peak Hours - EPT	Off-Peak Hours – EPT
October through April	7:00 a.m. to 12:00 noon	12:00 noon to 5:00 p.m.
	5:00 p.m. to 10:00 p.m.	10:00 p.m. to 7:00 a.m.
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.

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DATE EFFECTIVE: Service rendered on and after ~~February 1, 2020~~ *May 1, 2021*

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of Kentucky in Case No. ~~2019-00003~~ *2021-00103* dated ~~December 26, 2019~~ _______ __*, 2021.*

<u>Rate E (continued)</u>

<u>Billing Demand</u>

The billing demand ~~(kilowatt demand)~~ is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing – EPT
October through April	7:00 a.m. to 12:00 noon
	5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Billing demand applicable to this rate is equal to the load center's contribution to EKPC's system peak demand minus the actual demands of ~~Rate A,~~ Rate B, ~~and~~ Rate C*, Rate G, and special contract* participants coincident with EKPC's system peak demand.

<u>Billing Energy</u>

Billing energy applicable to this rate is equal to the total energy provided at the load center minus the actual energy provided to ~~Rate A,~~ Rate B, ~~and~~ Rate C*, Rate G, and special contract* participants.

DATE OF ISSUE: ~~October 2, 2017~~ *April 1, 2021*

DATE EFFECTIVE: Service rendered on and after ~~November 2, 2017~~ *May 1, 2021*

ISSUED BY: ______________________________
Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated ______ __, 2021.

Rate G

SPECIAL ELECTRIC CONTRACT RATE

Applicability

In all territories of owner-members of EKPC.

Availability

Available to all owner-members and retail members willing to execute EKPC-approved contracts for demands of 15,000 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Character of Service

Three-phase 60 Hertz alternating current as specified in the *special contract* ~~Agreement~~ for ~~P~~*p*urchased ~~P~~*p*ower.

Monthly Rate

Demand Charge *per kW* of Billing *Demand* ~~kW~~	$~~6.98~~ *7.30*
Energy Charge per ~~ALL~~ kWh	$ .03~~6947~~ *7780*

Determination of Billing Demand

The *billing* ~~kilowatt~~ demand shall be the greater of (a) or (b) listed below:

a. The contract demand*; or*

b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing – EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

DATE OF ISSUE: ~~January 7, 2020~~ *April 1, 2021*

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ISSUED BY: ______________________________
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of Kentucky in Case No. ~~2019-00003~~ *2021-00103* dated ~~December 26, 2019~~ ______ __*, 2021.*

Rate G (con't.)

Notwithstanding the foregoing, a special contract for purchased power may waive a demand ratchet for any new or expanding load for the period in which the new or expanded load has not yet been fully brought on-line or reached full production status.

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

(a) The metering and substation charge, plus
(b) The product of the billing demand multiplied by the demand charge, plus
(c) *The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.* ~~The result of: (Energy Rate minus EKPC's base fuel component in the Energy Rate) times Billing Demand times 400 hours.~~

~~**Power Factor Adjustment**~~

~~Refer to EKPC General Wholesale Power Tariffs, Power Factor Adjustment.~~

~~**Fuel Adjustment Clause**~~

~~Refer to EKPC General Wholesale Power Tariffs, Fuel Adjustment.~~

DATE OF ISSUE: ~~October 2, 2017~~ *April 1, 2021*

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ISSUED BY: ______________________________
Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated ________ __, 2021.

Rate ES – Environmental Surcharge

Applicability

~~Applicable to all rates in this tariff. This rate schedule shall apply to each owner-member.~~ *In all territories of owner-members of EKPC.*

Availability

This rate schedule shall apply to EKPC ~~r~~Rates ~~A,~~ B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

Rate

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

CESF = E(m) / R(m) MESF = CESF – BESF

MESF = Monthly Environmental Surcharge Factor
CESF = Current Environmental Surcharge Factor
BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

Definitions

1. E(m) = [(RB/12)(RORB) + OE – BAS + (Over)Under Recovery

where:

a. RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;

b. RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.~~50~~ *.475*;

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Rate ES – Environmental Surcharge (continued)

c. OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;

d. BAS is the net proceeds from By-Products and Emission Allowance Sales, and;

e. (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month “true-up” adjustment.

2. Total E(m) is multiplied by the “Member System Allocation Ratio” to arrive at Net E(m). The “Member System Allocation Ratio” is based on the ratio of the twelve (12)-month total revenue from sales to owner-members to which the Surcharge will be applied, ending with the current expense month, divided by the twelve (12)-month total revenue from sales to owner-members and off-system sales.

3. The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve (12)-months ending with the current expense month.

4. The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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ISSUED BY: ______________________________

Anthony S. Campbell,
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated ________ __, 2021.

Increase in Steam Service

Effective for Service Rendered on and after May 1, 2021 T
Pursuant to KPSC Order dated ______________, 2021 in Case No. 2021-00103 T

Rates

Description	Prior Contract Rate	Current Approved Rate	
Demand Charge	$577.15/mmbtu/month	$604.75/mmbtu/month	I
Energy Rate	$4.166/mmbtu	$4.266/mmbtu	I

Increase in Contract

Effective for Service Rendered on and after May 1, 2021 T
Pursuant to KPSC Order dated _____________, 2021 in Case No. 2021-00103 T

Rates

Description	Feb. 1, 2020 Contract Rate	Current Approved Rate	
Demand Charge – Billing Demand at or below 180 MW In On-Peak Periods [Paragraph 3(b)]	$ 6.92/kW/month	$ 7.15/kW/month	I
Interruptible Credit – 10 Minute Interruptible Demand Service [Paragraph 4(a)]	$ 6.22/kW/month	$ 6.22/kW/month	
Interruptible Credit – 90 Minute Interruptible Demand Service [Paragraph 4(b)]	$ 4.20/kW/month	$ 4.20/kW/month	
Energy Rate – Off-Peak [Paragraph 12]	$0.035477/kWh	$0.036139/kWh	I
Energy Rate – On-Peak [Paragraph 12]	$0.038905/kWh	$0.039567/kWh	I

Increase in Steam Service

Effective for Service Rendered on and after May 1, 2021
Pursuant to KPSC Order dated _____________, 2021 in Case No. 2021-00103

Rates

Description	Prior Contract Rate	Current Approved Rate
Demand Charge	$577.15/mmbtu/month	$~~577.15~~ *604.75*/mmbtu/month
Energy Rate	$4.166/mmbtu	$~~4.166~~ *4.266/*mmbtu

Increase in Contract

Effective for Service Rendered on and after May 1, 2021
Pursuant to KPSC Order dated _____________, 2021 in Case No. 2021-00103

Rates

Description	Feb. 1, 2020 Contract Rate	Current Approved Rate
Demand Charge – Billing Demand at or below 180 MW In On-Peak Periods [Paragraph 3(b)]	$ 6.92/kW/month	$ ~~6.92~~ *7.15* /kW/month
Interruptible Credit – 10 Minute Interruptible Demand Service [Paragraph 4(a)]	$ 6.22/kW/month	$ 6.22/kW/month
Interruptible Credit – 90 Minute Interruptible Demand Service [Paragraph 4(b)]	$ 4.20/kW/month	$ 4.20/kW/month
Energy Rate – Off-Peak [Paragraph 12]	$0.035477/kWh	$0.~~035477~~ *.036139* /kWh
Energy Rate – On-Peak [Paragraph 12]	$0.038905/kWh	$0.~~038905~~ *.039567* /kWh

Exhibit C

Proof of Revenues

East Kentucky Power Cooperative, Inc.

Revenue Summary by Rate Class
Present and Settlement Rate Revenues

Summary of Settlement Rate Change by Rate Schedule

Line No.	Description	Present Rates Amount	Settlement Rates Amount	Settlement Rates Increase	Settlement Rates As Percent
1		$	$	$	
2	**Totals Revenues by Rate**				
3	Rate B	59,815,719	61,364,392	1,548,673	2.6%
4	Rate C	17,153,311	17,605,550	452,238	2.6%
5	Rate E	664,081,280	698,395,345	34,314,065	5.2%
6	Rate G	25,516,274	26,179,595	663,320	2.6%
7	Contract	41,786,791	42,872,821	1,086,030	2.6%
8	Steam	10,716,264	10,994,937	278,674	2.6%
9	Rate TGP	6,349,849	6,349,849	-	0.0%
10	**Sub-Total COS Based Revenues**	825,419,487	863,762,487	38,343,000	4.6%
11	Rate H	49,170	49,170	-	0.0%
12	DSM Riders	(1,109,853)	(1,109,853)	-	0.0%
13	**Total Revenues by Rate**	824,358,804	862,701,804	38,343,000	4.7%

East Kentucky Power Cooperative, Inc.
Present and Settlement Rates

Line No.	Description		Units	Present Rates Rate	Present Rates Amount	Settlement Rates Rate	Settlement Rates Amount
1					$		$
2	**Rate B**						
3	*Metering Charge*	Meters	71	$0.00			$0.00
4	*Demand Charges*						
5	Demand Charge	CP kW	1,767,954	$7.17	12,676,230	$7.49	13,241,975
6	Excess Demand Charge	CP kW	59,568	$9.98	594,489	$9.98	594,489
7	Interruptible (400 Hrs)	CP kW	235,184	-$5.60	(1,317,030)	-$5.60	(1,317,030)
8	EDR Discount				(23,719)		(24,736)
9	*Energy Charges*				-		-
10	Energy Charge	kWh	1,090,848,453	$0.038982	42,523,454	$0.039884	43,507,400
11	Min kWh Adjustment	kWh	4,543,620	-$0.026240	(119,225)	-$0.026240	(119,225)
12	Sub-Total Base Rates				54,334,199		55,882,872
13	Net Buy Through Charge				77,890		77,890
14	Fuel Adjustment	kWh	1,086,304,833	-$0.002702	(2,935,048)	-$0.002702	(2,935,048)
15	Environmental Surcharge			16.200%	8,338,677	15.749%	8,338,677
16	**Total Rate B**				59,815,719		61,364,392
17							
18	**Rate C**						
19	*Metering Charge*	Meters	9	$0.00			$0
20	*Demand Charges*						
21	Demand Charge	CP kW	582,643	$7.17	4,177,550	$7.49	4,363,996
22	*Energy Charges*				-		
23	Energy Charge	kWh	294,670,389	$0.038982	11,486,841	$0.039884	11,752,634
24	Min kWh Adjustment	kWh	4,208,946	-$0.026240	(110,443)	-$0.026240	(110,443)
25	Sub-Total Base Rates				15,553,949		16,006,187
26	Fuel Adjustment	kWh	290,461,443	-$0.002684	(779,575)	-$0.002684	(779,575)
27	Environmental Surcharge			16.100%	2,378,938	15.624%	2,378,938
28	**Total Rate C**				17,153,311		17,605,550

East Kentucky Power Cooperative, Inc.
Present and Settlement Rates

Line No.	Description		Units	Present Rates Rate	Present Rates Amount	Settlement Rates Rate	Settlement Rates Amount
29	**Rate E**						
30	*Demand Charges*						
31	Demand Charge	CP kW	23,934,636	$6.02	144,086,507	$6.55	156,771,864
32	Power Factor Penalty	CP kW	15,979	$6.02	96,194	$6.55	104,662
33	*Energy Charges*						
34	On-Peak Energy Charge	kWh	4,998,176,543	$0.049379	246,804,960	$0.051527	257,542,958
35	Off-Peak Energy Charge	kWh	4,732,348,143	$0.040654	192,388,881	$0.042802	202,555,778
36	*Metering Charge*	Meters	328	$144.00	566,208	$151.20	594,518
37	*Sub-Station Charges*						
38	1000-2999 kVa	Subs	3	$1,088.00	39,168	$1,142.40	41,126
39	3000-7499 kVa	Subs	39	$2,737.00	1,280,916	$2,873.85	1,344,962
40	7500-14999 kVa	Subs	224	$3,292.00	8,848,896	$3,456.60	9,291,341
41	15000 kVa and Up	Subs	57	$5,310.00	3,632,040	$5,575.50	3,813,642
42	Sub-Total Base Rates				597,743,770		632,060,852
43	Special Adjustments				(117,842)		(117,842)
44	Fuel Adjustment	kWh	9,730,524,686	-$0.002698	(26,249,938)	-$0.002698	(26,252,956)
45	Environmental Surcharge			16.225%	92,705,290	15.303%	92,705,290
46	**Total Rate E**				664,081,280		698,395,345
47							
48	**Rate G**						
49	*Metering Charge*	Meters	1	$144.00	1,728	$151.20	$1,814.40
50	*Sub-Station Charges*	Subs	1	$5,310.00	63,720	$5,575.50	$66,906.00
51	*Demand Charges*						
52	Demand Charge	CP kW	797,497	$6.98	5,566,529	$7.30	5,821,728
53	Interruptible (200 Hrs)	CP kW	83,048	-$4.20	(348,802)	-$4.20	(348,802)
54	*Energy Charges*						
55	Energy Charge	kWh	485,775,112	$0.036947	17,947,933	$0.037780	18,352,584
56	Sub-Total Base Rates				23,231,109		23,894,231
57	Net Buy Through Charge				24,178		24,178
58	Fuel Adjustment	kWh	485,775,112	-$0.002710	(1,316,649)	-$0.002710	(1,316,451)
59	Environmental Surcharge			16.310%	3,577,636	15.846%	3,577,636
60	**Total Rate G**				25,516,274		26,179,595

East Kentucky Power Cooperative, Inc.
Present and Settlement Rates

Line No.	Description		Units	Present Rates Rate	Present Rates Amount	Settlement Rates Rate	Settlement Rates Amount
61	**Contract**						
62	*Metering Charge*	Meters	1	$0.00		$0.00	$0.00
63	*Demand Charges*						
64	Demand Charge	CP kW	1,906,996	$6.92	13,196,412	$7.15	13,635,021
65	Interruptible (10 Min)	CP kW	1,440,000	-$6.22	(8,956,800)	-$6.22	(8,956,800)
66	Interruptible (90 Min)	CP kW	286,996	-$4.20	(1,205,383)	-$4.20	(1,205,383)
67	*Energy Charges*				-		-
68	On-Peak Energy Charge	kWh	292,976,846	$0.038905	11,398,264	$0.039567	11,592,340
69	Off-Peak Energy Charge	kWh	684,368,004	$0.035477	24,279,324	$0.036139	24,732,668
70	Min kWh Adjustment	kWh	9,167,968	-$0.026240	(240,567)	-$0.026240	(240,567)
71	Sub-Total Base Rates				38,471,250		39,557,279
72	Load Following Charge				34,539		34,539
73	Net Buy Through Charge				148,228		148,228
74	Fuel Adjustment	kWh	968,176,882	-$0.002731	(2,638,182)	-$0.002731	(2,638,182)
75	Environmental Surcharge			16.130%	5,770,957	15.617%	5,770,957
76	**Total Gallatin**				41,786,791		42,872,821
77							
78	**Steam**						
79	*Metering Charge*	Meters	1	$0.00		$0.00	$0.00
80	*Demand Charges*						
81	Demand Charge	CP kW	397,389				
82	x MMBTU Conversion		0.00917				
83	x Steam Adjustment		1.01600	$577.15	2,136,440	$604.75	2,238,034
84	*Energy Charges*						
85	Energy Charge	kWh	195,836,964				
86	x MMBTU Conversion		0.00917				
87	x Steam Adjustment	kWh	1.01600	$4.166	7,605,674	$4.266	7,782,438
88	Sub-Total Base Rates				9,742,113		10,020,473
89	Fuel Adjustment	kWh	198,970,355	-$0.002662	(529,973)	-$0.002662	(529,659)
90	Environmental Surcharge			16.328%	1,504,124	15.848207%	1,504,124
91	**Total Steam**				10,716,264		10,994,937
92							
93	**Rate TGP**						
94	*Metering Charge*	Meters	-	$0.00		$0.00	
95	*Demand Charges*						
96	Demand Charge	CP kW	477,063	$1.75	834,860	$1.75	834,860
97	*Energy Charges (Averaged)*				-		-
98	On-Peak Energy Charge	kWh	84,629,228	$0.030160	2,552,749	$0.030160	2,552,749
99	Off-Peak Energy Charge	kWh	98,387,617	$0.022270	2,190,711	$0.022270	2,190,711
100	Sub-Total Base Rates				5,578,320		5,578,320
101	Net Buy Through Charge				218,754		218,754
102	Fuel Adjustment	kWh	183,016,845	$0.000000	-	$0.000000	-
103	Environmental Surcharge			9.909%	552,775	9.909%	552,775
104	**Total Rate TGP**				6,349,849		6,349,849

East Kentucky Power Cooperative, Inc.
Present and Settlement Rates

Line No.	Description		Units	Present Rates Rate	Present Rates Amount	Settlement Rates Rate	Settlement Rates Amount
105	**Rate E1 - RATE DESIGN ONLY -- THERE IS CURRENTLY NO LOAD ON THIS RATE**						
106	*Demand Charges*						
107	Demand Charge	CP kW	23,934,636	$7.99	191,237,740	$8.52	203,923,097
108	Power Factor Penalty	CP kW	15,979	$7.99	127,672	$8.52	136,141
109	*Energy Charges*						
110	On-Peak Energy Charge	kWh	4,998,176,543	$0.041232	206,084,815	$0.042956	214,701,930
111	Off-Peak Energy Charge	kWh	4,732,348,143	$0.040654	192,388,881	$0.042378	200,547,694
112	*Metering Charge*	Meters	328	$144.00	566,214	$151.20	594,524
113	*Sub-Station Charges*						
114	1000-2999 kVa	Subs	3	$1,088.00	39,168	$1,142.40	41,126
115	3000-7499 kVa	Subs	39	$2,737.00	1,280,916	$2,873.85	1,344,962
116	7500-14999 kVa	Subs	224	$3,292.00	8,848,896	$3,456.60	9,291,341
117	15000 kVa and Up	Subs	57	$5,310.00	3,632,040	$5,575.50	3,813,642
118	Sub-Total Base Rates				604,206,342		634,394,457
119	Special Adjustments		-		(117,842)		(117,842)
120	Fuel Adjustment	kWh	9,730,524,686	-$0.002698	(26,252,956)	-$0.002698	(26,252,956)
121	Environmental Surcharge		-		92,705,290	15.303%	92,705,290
122	**Total Rate E**				670,540,835		700,728,950

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00103 DATED SEP 30 2021

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

WHOLESALE POWER RATE SCHEDULE

Monthly Rate:

Metering Point Charge:

1. Applicable to each metering point and to each substation

2. Charge: $151.20

Substation Charge:

1. Applicable to each substation based on size

2. Charges:

1,000 to 2,999 kVa substation	$ 1,142.40
3,000 to 7,499 kVa substation	$ 2,873.85
7,500 to 14,999 kVa substation	$ 3,456.60
15,000 and over kVa substation	$ 5,575.50

SCHEDULE B

Monthly Rate:

Demand Charge per kW of Contract Demand	$ 7.49
Demand Charge per kW of Billing Demand in Excess of Contract Demand	$ 9.98
Energy Charge per kWh	$ 0.039884

SCHEDULE C

Monthly Rate:

Demand Charge per kW of Billing Demand	$ 7.49
Energy Charge per kWh	$ 0.039884

SCHEDULE E

Monthly Rate - Per Load Center:

Option 1

Demand Charge per kW of Billing Demand	$ 8.49
Energy Charge per kWh:	
On-Peak	$ 0.042591
Off-Peak	$ 0.042013

Option 2

Demand Charge per kW of Billing Demand	$ 6.52
Energy Charge per kWh:	
On-Peak	$ 0.051399
Off-Peak	$ 0.042674

SCHEDULE G

Monthly Rate:

Demand Charge per kW of Billing Demand	$ 7.30
Energy Charge per all kWh	$ 0.037780

SPECIAL CONTRACT – GALLATIN

Monthly Rate:

Demand Charge per kW of Billing Demand:	
Firm Demand	$ 7.15
10 Minute Interruptible Demand	$ (6.22)
90 Minute Interruptible Demand	$ (4.20)
Energy Charge per kWh:	
On-Peak Energy	$ 0.039567
Off-Peak Energy	$ 0.036139

SPECIAL CONTRACT - INLAND STEAM

Monthly Rate:

Demand Charge - MMBTU	$ 604.75
Energy Charge - MMBtu	$ 4.266

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