



EAST KENTUCKY POWER COOPERATIVE

**RECEIVED**

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PUBLIC SERVICE  
COMMISSION

November 18, 2004

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

Re: PSC Case No. 2004-00401

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission an original and six copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the Commission Staff's Data Requests in this case dated November 4, 2004.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Charles A. Lile".

Charles A. Lile  
Senior Corporate Counsel

Enclosures

Cc: Parties of Record

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

**In the Matter of:**

<b>THE TARIFF FILING OF EAST</b>	)	
<b>KENTUCKY POWER COOPERATIVE</b>	)	
<b>INC. TO ADD A NEW BILLING</b>	)	<b>CASE NO.</b>
<b>PROCEDURE TO ITS FUEL</b>	)	<b>2004-00401</b>
<b>ADJUSTMENT CLAUSE MECHANISM</b>	)	

**RESPONSES TO COMMISSION STAFF'S FIRST DATA REQUEST  
TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED NOVEMBER 4, 2004**



**EAST KENTUCKY POWER COOPERATIVE, INC**

**PSC CASE NO. 2004-00401**

**FUEL ADJUSTMENT CLAUSE BILLING MECHANISM**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/04/04**

**REQUEST 1**

**RESPONSIBLE PARTY:** William A. Bosta / Ann F. Wood

**REQUEST 1.** On a monthly basis, for 2003 and 2004, to date, provide a schedule that includes the following Fuel Adjustment Clause ("FAC") information:

- a. The actual FAC factor reported to the Commission.
- b. The amount of fuel cost recovered from the actual FAC factor.
- c. The FAC factor as it would have been reported if the proposed mechanism, with the FAC factor capped at 3 mills, had been in effect.
- d. The amount of fuel cost that would have been recovered if the proposed mechanism, with the FAC factor capped at 3 mills, had been in effect.
- e. The amount of fuel cost that would have been unrecovered if the proposed mechanism, with the FAC factor capped at 3 mills, had been in effect.
- f. The cumulative unrecovered fuel cost that would have been carried forward to the following month if the proposed mechanism, with the FAC factor capped at 3 mills, had been in effect.

**RESPONSE 1.** In response to this request, EKPC has provided two versions for consideration:

Attachment 1 provides the requested information in accordance with the proposal filed by EKPC on August 20, 2004. The attachment includes the effect of a 5 mill per kWh cap if the carry forward reaches \$10 million.

Attachment 2 provides the requested information with the cap remaining at 3 mills per kWh for the duration of the time period.

The attachments show, on a column-by-column basis, the responses to Items 1a through 1f.

**FAC CAP (Cap \$.003/kWh, \$.005/kWh)**

Expense Month	FAC Cost	FAC Base	FAC Factor as Reported	KWh	FAC \$	PSC 1b		Charges related to CAP	Unrecovered FAC \$	PSC 1e	PSC 1f	PSC 1c
	(1)	(2)	(3)=(1)-(2)	(4)	(5)=(3)*(4)	\$	0.003	(6)=-(4)*CAP	(7)=(5)-(6)	(8)=(8) Prior Mo + (7) Current Mo	(9)=(6)/(4)	
Nov-02	0.01460	0.01329	0.00131	854,480,516	1,119,369			1,119,369 (A)	-	-	-	0.00131
Dec-02	0.01438	0.01329	0.00109	1,043,371,282	1,137,275			1,137,275 (A)	-	-	-	0.00109
Jan-03	0.01953	0.01329	0.00624	1,179,210,540	7,358,274			3,537,632	3,820,642	3,820,642	3,820,642	0.00300
Feb-03	0.01782	0.01329	0.00453	994,396,058	4,504,614			2,983,188	1,521,426	5,342,068	5,342,068	0.00300
Mar-03	0.01575	0.01329	0.00246	823,327,450	2,025,386			2,469,982	(444,597)	4,897,471	4,897,471	0.00300
Apr-03	0.01731	0.01560	0.00171	694,778,517	1,188,071			2,084,336	(896,264)	4,001,207	4,001,207	0.00300
May-03	0.01574	0.01560	0.00014	683,241,583	95,654			2,049,725	(1,954,071)	2,047,136	2,047,136	0.00300
Jun-03	0.01394	0.01560	(0.00166)	741,675,865	(1,231,182)			815,954 (B)	(2,047,136)	-	-	0.00110
Jul-03	0.01677	0.01560	0.00117	891,773,942	1,043,376			1,043,376 (A)	-	-	-	0.00117
Aug-03	0.01890	0.01560	0.00330	920,232,662	3,036,768			2,760,698	276,070	276,070	276,070	0.00300
Sep-03	0.01785	0.01560	0.00225	723,633,955	1,628,176			1,904,246 (B)	(276,070)	-	-	0.00263
Oct-03	0.01625	0.01560	0.00065	721,926,221	469,252			469,252 (A)	-	-	-	0.00065
Nov-03	0.01939	0.01560	0.00379	796,573,418	3,019,013			2,389,720	629,293	629,293	629,293	0.00300
Dec-03	0.01908	0.01560	0.00348	1,072,369,285	3,731,845			3,217,108	514,737	1,144,030	1,144,030	0.00300
Jan-04	0.02215	0.01560	0.00655	1,164,835,069	7,629,670			3,494,505	4,135,164	5,279,195	5,279,195	0.00300
Feb-04	0.01961	0.01560	0.00401	1,066,202,336	4,275,471			3,198,607	1,076,864	6,356,059	6,356,059	0.00300
Mar-04	0.02025	0.01560	0.00465	881,143,707	4,097,318			2,643,431	1,453,887	7,809,946	7,809,946	0.00300
Apr-04	0.01980	0.01560	0.00420	757,188,344	3,180,191			2,271,565	908,626	8,718,572	8,718,572	0.00300
May-04	0.01879	0.01560	0.00319	817,929,409	2,609,195			2,453,788	155,407	8,873,979	8,873,979	0.00300
Jun-04	0.02093	0.01560	0.00533	854,293,311	4,553,383			2,562,880	1,990,503	10,864,482	10,864,482	0.00300
Jul-04	0.02046	0.01560	0.00486	922,151,350	4,481,656				(129,101)	10,735,381	10,735,381	0.00500
Aug-04	0.02239	0.01560	0.00679	881,707,245	5,986,792				1,578,256	12,313,637	12,313,637	0.00500
Sep-04	0.02087	0.01560	0.00527	790,008,989	4,163,347				213,302	12,526,939	12,526,939	0.00500

(A) Actual FAC factor as billed

(B) Amount needed to deplete carryforward

**FAC CAP (Cap \$0.003/kWh)**

Expense Month	FAC Cost	FAC Base	FAC Factor as Reported	KWh	FAC \$	Charge Related to CAP	Unrecovered FAC \$	Cumulative Carryforward of Unrecovered FAC \$	New FAC factor	PSC		
										PSC 1a	PSC 1b	PSC 1d
(1)	(2)	(3)=(1)-(2)	(4)	(5)=(3)*(4)	(6)=(4)*CAP	(7)=(5)-(6)	(8)=(8) Prior Mo + (7) Curr Mo	(9)=(6)/(4)				
Nov-02	0.01460	0.01329	0.00131	854,480,516	1,119,369	1,119,369 (A)	-	-	0.00131			
Dec-02	0.01438	0.01329	0.00109	1,043,371,282	1,137,275	1,137,275 (A)	-	-	0.00109			
Jan-03	0.01953	0.01329	0.00624	1,179,210,540	7,358,274	3,537,632	3,820,642	3,820,642	0.00300			
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Aug-03	0.01890	0.01560	0.00330	920,232,662	3,036,768	2,760,698	276,070	276,070	0.00300			
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Oct-03	0.01625	0.01560	0.00065	721,926,221	469,252	469,252 (A)	-	-	0.00065			
Nov-03	0.01939	0.01560	0.00379	796,573,418	3,019,013	2,389,720	629,293	629,293	0.00300			
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Mar-04	0.02025	0.01560	0.00465	881,143,707	4,097,318	2,643,431	1,453,887	7,809,946	0.00300			
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Jul-04	0.02046	0.01560	0.00486	922,151,350	4,481,656	2,766,454	1,715,202	12,579,684	0.00300			
Aug-04	0.02239	0.01560	0.00679	881,707,245	5,986,792	2,645,122	3,341,670	15,921,354	0.00300			
Sep-04	0.02087	0.01560	0.00527	790,008,989	4,163,347	2,370,027	1,793,320	17,714,675	0.00300			

(A) Actual FAC factor as billed  
(B) Amount needed to deplete carryforward





**EAST KENTUCKY POWER COOPERATIVE, INC**

**PSC CASE NO. 2004-00401**

**FUEL ADJUSTMENT CLAUSE BILLING MECHANISM**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/04/04**

**REQUEST 2**

**RESPONSIBLE PARTY: William A. Bosta/ Ann F. Wood**

**REQUEST 2.** Assume for this question that East Kentucky has \$5 million in unrecovered fuel costs at the end of a two-year review period. Explain how East Kentucky would propose to recover the unrecovered fuel costs. Include in the explanation whether East Kentucky would continue carrying forward the unrecovered balance under the 3-mill cap or recover it through an increased base fuel factor.

**RESPONSE 2.** In the event of a \$5 million level of unrecovered fuel cost, East Kentucky would begin to recover the unrecovered fuel costs in the next two-year period in two ways. First, the fuel basing point would be increased to reflect the higher level of fuel costs experienced during the two-year period. Two, East Kentucky would continue to use the three mill and five mill cap, as applicable.



**EAST KENTUCKY POWER COOPERATIVE, INC**

**PSC CASE NO. 2004-00401**

**FUEL ADJUSTMENT CLAUSE BILLING MECHANISM**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/04/04**

**REQUEST 3**

**RESPONSIBLE PARTY: William A. Bosta**

**REQUEST 3.** The proposed mechanism's effective date is November 1, 2004, which coincides with the first expense month of a new two-year FAC review period. If the proposed mechanism is not approved in time for use with the November 2004 expense month, state when East Kentucky would propose to begin using the mechanism.

**RESPONSE 3.** EKPC would propose to apply the mechanism during the first expense month following Commission approval.



**EAST KENTUCKY POWER COOPERATIVE, INC**

**PSC CASE NO. 2004-00401**

**FUEL ADJUSTMENT CLAUSE BILLING MECHANISM**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/04/04**

**REQUEST 4**

**RESPONSIBLE PARTY: William A. Bosta**

**REQUEST 4.** State whether, under the proposed mechanism, East Kentucky will absorb the carrying charges on unrecovered fuel costs.

**RESPONSE 4.** EKPC will absorb the carrying charges on unrecovered fuel costs.



**EAST KENTUCKY POWER COOPERATIVE, INC**

**PSC CASE NO. 2004-00401**

**FUEL ADJUSTMENT CLAUSE BILLING MECHANISM**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/04/04**

**REQUEST 5**

**RESPONSIBLE PARTY: Ann F. Wood**

**REQUEST 5.** Describe the documents or reports that East Kentucky plans to file to document its FAC billing calculation under the proposed mechanism. Provide an example of the monthly FAC report and backup FAC report if the proposed mechanism is approved.

**RESPONSE 5.** East Kentucky plans to continue to file the FAC reports currently being filed. Additionally, East Kentucky plans to file the schedule presented in PSC Request 1, Attachment 1.





**EAST KENTUCKY POWER COOPERATIVE, INC**

**PSC CASE NO. 2004-00401**

**FUEL ADJUSTMENT CLAUSE BILLING MECHANISM**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 11/04/04**

**REQUEST 6**

**RESPONSIBLE PARTY: William A. Bosta**

**REQUEST 6a.** Describe East Kentucky's discussions with its member cooperatives concerning the proposed billing mechanism.

**RESPONSE 6a.** The rise in FAC costs during the last year has been discussed extensively with EKPC's Member Systems. The idea of an alternative FAC billing mechanism was mentioned as early as March 2004. Several alternatives were considered and reviewed, culminating in the proposal sent to the Board of Directors in August for their approval.

**REQUEST 6b.** State whether the proposed mechanism was discussed with all the members and whether all members agree that the proposal is warranted.

**RESPONSE 6b.** Yes. The proposed mechanism was discussed in Board Committee meetings, and was considered fully and approved by the Board of Directors. Each Member System has representation on EKPC's Board of Directors. The attachment to Item 6d shows the Board Resolution (page 3) and the Board Agenda Item description (pages 4-5).

**REQUEST 6c.** Describe all alternative mechanisms proposed and identify the person or entity that made the proposal.

**RESPONSE 6c.** Several alternatives were considered. The first two alternatives would amortize any monthly under recovery over the next 6 months or next 12 months. Another alternative was to cap the FAC at 3 mills per kWh and amortize dollar amounts above the cap over 6 month periods. The EKPC proposal as filed on August 20 was ultimately recommended and approved by the Board. These alternatives were developed during discussions with EKPC Staff and Member System personnel. Mr. Eames and Mr. Bosta at EKPC were primarily responsible for development of the alternatives.

**REQUEST 6d.** Provide all correspondence, memoranda, presentations, electronic mail messages, and other documents in which the proposed mechanism or alternatives to the proposed mechanism were discussed.

**RESPONSE 6d.** Please see the attached information.

**Bill Bosta**

---

**From:** Kevin Osbourn  
**Sent:** Monday, August 23, 2004 4:40 PM  
**To:** Bill Bosta  
**Subject:** RE: FAC filing

just in case, how's this:

#### FAC filing

- The Fuel Adjustment Clause is a cost recovery mechanism authorized by the Kentucky Public Service Commission, which allows monthly increases or decreases in fuel costs to be included on your bill.
- The change in the monthly FAC factor depends upon fuel price changes, the weather, customer usage, and power purchases. Because natural prices have been rising rapidly, that has impacted **EKPC** and the cost for fuel to run generating equipment called "peakers," which run when temperatures are extremely hot or cold.
- EKPC has filed for permission to change the billing procedure on our FAC in order to create more certainty for our member systems and their customers and reduce the monthly variation in the fuel adjustment clause amount.
- We hope that this will assist our member systems and reduce the impact that the FAC has on both residential and commercial and industrial customers each month.

We have filed this as a tariff change at the PSC.

-----Original Message-----

**From:** Bill Bosta  
**Sent:** Monday, August 23, 2004 12:53 PM  
**To:** Kevin Osbourn  
**Cc:** Ann Wood  
**Subject:** RE: FAC filing

Kevin,

An important distinction here is that we are NOT changing the FAC calculation. Rather, we have filed for a "billing procedure" change on our tariff. We will continue to calculate the FAC in the very same manner as before. The difference now is that we will bill our member Systems a maximum FAC factor of 3 mills per kwh each month. If the calculated FAC factor is 4 mills per kwh, EKPC will only bill 3 mills per kwh and defer recovery of the difference until a future month. In a month when the FAC factor is only 2 mills per kwh, we'll bill the cap of 3 mills per kwh to recover that deferred amount.

Why do it? It helps smooth out the spikes we've been experiencing in our FAC factor and creates greater certainty to customers for budgeting purposes - particularly Member Systems' industrial customers. EKPC will be carrying the cost of the deferral, but it should not be significant.

Why should anyone care? It limits the FAC impact on your monthly bill. That affects everyone.

Bear in mind that we have filed this as a tariff change w/the Commission. I do not expect it to be a major issue at the Commission. You should not receive any media inquiries because I don't expect that there will be a case established.

11/8/2004

Thanks,

Bill

-----Original Message-----

**From:** Kevin Osbourn

**Sent:** Monday, August 23, 2004 12:26 PM

**To:** Bill Bosta

**Subject:** FAC filing

Bill,

I know we're filing for a change in the FAC calculation.\

Without going into all the complicated parts of the FAC recovery, what are some basic points you'd make about the filing if I get a media call. A few questions I would ask as a reporter are:

1. How are you changing the FAC recovery?
2. Why are you doing that?
3. What's the significance of it? (what's the bottom line and why should anyone care)

\*\*Please note that my email address has changed to kevin.osbourn@ekpc.coop\*\*

# Resolution

AUGUST

## APPROVAL OF MODIFICATION TO FUEL ADJUSTMENT CLAUSE BILLING MECHANISM

**Whereas**, EKPC's Fuel Adjustment Clause (FAC) has risen during the last two years as a result of increased reliance on purchased power, higher purchased power costs in the wholesale market, increased coal and gas prices and significantly higher levels of load on the EKPC system, and the FAC factor has also been volatile, resulting in uncertainties and difficulties in budgeting;

**Whereas**, A Fuel Clause Committee (the "Committee") which was formed to review why the costs have increased, and to propose an alternative that mitigates the effect on member systems, while continuing to be in compliance with the Fuel Adjustment Clause regulation, has met with the Public Service Commission Staff to discuss the matter and explore such alternatives;

**Whereas**, The Committee focused on developing a billing mechanism that would reduce the volatility in the FAC, while allowing EKPC to recover its actual allowable FAC costs over time; and

**Whereas**, The Committee has recommended a procedure whereby the monthly FAC billings would not exceed 3 mills per kWh, EKPC would carry forward the unrecovered dollar amount associated with the calculated FAC factor; and the unrecovered dollar amount would be recovered in subsequent months, as further described in the attached executive summary; now, therefore, be it:

**Resolved**, That the EKPC Board of Directors authorizes management to seek approval from the Public Service Commission for the proposed modification to the Fuel Adjustment Clause Billing Mechanism.

**TO:** Operations, Services & Support Committee and Board of Directors

**FROM:** Roy M. Palk *Ray M. Palk*

**DATE:** July 30, 2004

**SUBJECT:** Approval of Modification to Fuel Adjustment Clause Billing Mechanism (Executive Summary)

**KEY MEASURE(S)** Competitive and Reliable Energy

## Background

EKPC's Fuel Adjustment Clause (FAC) has risen during the last two years as a result of increased reliance on purchased power, higher purchased power costs in the wholesale market, increased coal and gas prices and significantly higher levels of load on the EKPC system. Not only has the FAC risen, the FAC factor has also been volatile, resulting in uncertainties and difficulties in budgeting.

A Fuel Clause Committee was formed to review why the costs have increased and to propose an alternative that mitigates the effect on member systems, while continuing to be in compliance with the Fuel Adjustment Clause regulation. Members of the Committee met with the Public Service Commission Staff to discuss the matter and explore such alternatives.

The Committee focused on developing a billing mechanism that would reduce the volatility in the FAC while allowing EKPC to recover its actual allowable FAC costs over time.

### Billing Mechanism

The Committee reviewed several alternatives and came to a consensus that a billing mechanism of a monthly cap with a carry forward provision is preferred. Under this alternative, the monthly FAC billing could not exceed 3 mills per kWh. In the event that the calculated FAC factor is in excess of 3 mills per kWh, EKPC would carry forward the unrecovered dollar amount associated with the calculated FAC factor. In subsequent months if the calculated FAC factor is less than 3 mills per kWh, any unrecovered carry forward dollar amounts would be added in to the calculated FAC costs for that month and recovered in that month (up to the cap of 3 mills per kWh). As a protection to EKPC, a provision to raise

the cap to 5 mills per kWh will be included if the unrecovered carry forward exceeds \$10 million. EKPC will absorb the carrying cost of the unrecovered FAC cost carry forward. Assuming an average carry forward of \$5,000,000, the carrying cost annually is approximately \$250,000.

The Public Service Commission Staff was amenable to considering some form of modification to the billing mechanism.

## Justification and Strategic Analysis

This recommendation is customer-oriented and supports the concept of competitive and reliable energy.

## Recommendation

Management recommends that the EKPC Board authorize management to seek approval from the Public Service Commission for the proposed modification to the FAC Billing Mechanism.

dge/bb/pg

**From:** Bill Bosta  
**nt:** Thursday, July 01, 2004 12:17 PM  
**cc:** David Eames  
**Subject:** FAC Info

Dave,

Try this language for the tariff sheet. I've also included the graph and table on the Cap.



FAC Billing Cap.xls EKPC TARIFF FAC  
Change-cap.DOC...

Bill

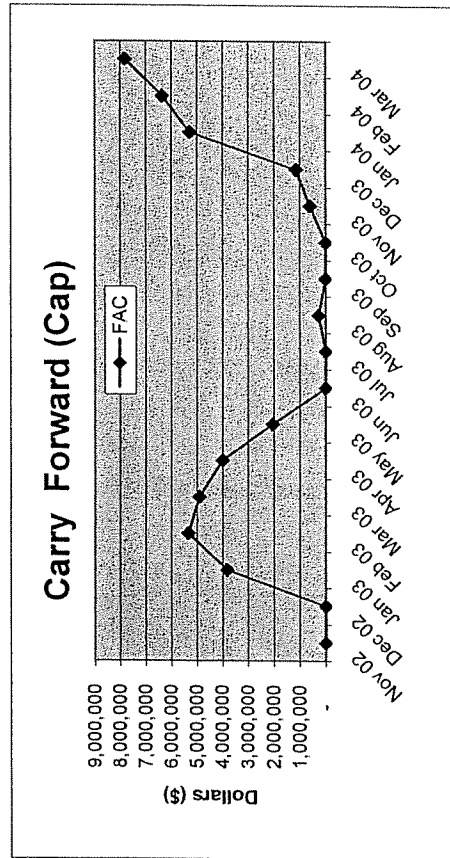
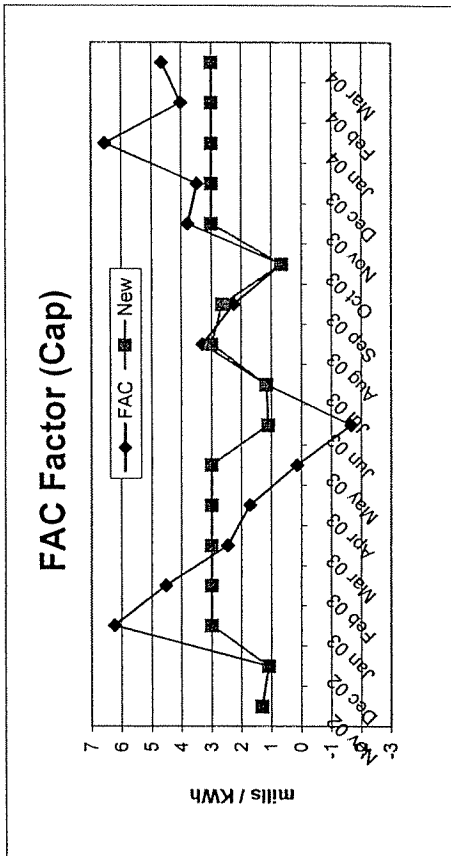
Bill Bosta  
Manager, Pricing  
EKPC



**FAC Levelized (Cap \$.003/KWh)**

	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03	Aug 03	Sep 03	Oct 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394	0.01677	0.01890	0.01785	0.01625
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00624	0.00453	0.00246	0.00171	0.00014	-0.00166	0.00117	0.00330	0.00225	0.00065
KWh	854,480,516	1,043,371,282	1,179,210,540	994,395,058	823,327,450	694,778,517	683,241,583	741,675,865	891,773,942	920,232,662	723,633,955	721,926,221
FAC \$	1,119,369	1,137,275	7,356,274	4,504,614	2,025,386	1,186,071	98,654	(1,231,182)	1,043,376	3,036,768	1,628,176	469,252
FAC base\$	11,356,046	13,866,404	15,671,708	13,215,524	10,942,022	10,838,545	10,658,569	11,570,143	13,911,673	14,355,630	11,288,690	11,262,049
0.003 Charge	1,119,369	1,137,275	3,537,632	2,983,188	2,469,982	2,084,336	2,049,725	815,954	1,043,376	2,760,698	1,904,246	469,252
Carry Forward \$	-	-	3,820,642	5,342,068	4,897,471	4,001,207	2,047,136	-	-	276,070	-	-
New FAC rate	0.01460	0.01438	0.01629	0.01629	0.01629	0.01860	0.01860	0.01670	0.01677	0.01860	0.01823	0.01625
New FAC factor	0.00131	0.00109	0.00300	0.00300	0.00300	0.00300	0.00300	0.00110	0.00117	0.00300	0.00263	0.00065

Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
0.01939	0.01908	0.02215	0.01961	0.02025
0.01560	0.01560	0.01560	0.01560	0.01560
0.00379	0.00348	0.00655	0.00401	0.00465
796,573,418	1,072,369,285	1,164,835,069	1,066,202,336	881,143,707
3,019,013	3,731,845	7,629,670	4,275,471	4,097,318
12,425,545	16,728,961	18,171,427	16,632,756	13,745,842
2,389,720	3,217,108	3,494,505	3,196,607	2,643,431
629,293	1,144,030	5,279,195	6,356,059	7,809,946
0.01860	0.01860	0.01860	0.01860	0.01860
0.00300	0.00300	0.00300	0.00300	0.00300



For Graphing:

EAST KENTUCKY POWER COOPERATIVE, INC.

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### Fuel Adjustment

1. The fuel clause shall provide for periodic adjustment per kWh of sales when the unit cost of fuel [F(m) / S(m)] is above or below the base unit cost of \$0.01560 per kWh [F(b) / S(b)]. The current monthly charges shall be increased or decreased by the product of the kWh furnished during the current month and the fuel adjustment rate for the preceding month where the fuel adjustment rate is defined below:

$$\text{Fuel Adjustment Rate} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all defined below:

2. Fuel cost (F) shall be the most recent actual monthly cost of:
  - (a) Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation and/or transmission outages, but less the cost of fuel related to substitute generation, plus
  - (b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, plus
  - (c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, also such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

DATE OF ISSUE May 8, 2003 DATE EFFECTIVE: Service rendered on and after May 1, 2003

ISSUED BY \_\_\_\_\_ TITLE President & Chief Executive Officer

EAST KENTUCKY POWER COOPERATIVE, INC.

---

**Fuel Adjustment (con't.)**

- (d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.
  - (e) All fuel costs shall be based on weighted average inventory costing.
3. Forced outages are all non-scheduled losses of generation or transmission which require (purchase of) substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of public enemy, the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.
  4. Sales (S) shall be kWh sold, excluding inter-system sales. Where for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility-used energy shall not be excluded in the determination of sales (S).
  5. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licenses.

**Billing Procedure**

EKPC will limit the Fuel Adjustment Rate to be charged to its members to \$0.00300 per kWh in any month. The \$0.00300 per kWh limit is compared to the monthly unit cost of fuel (Fm/Sm) minus the base unit cost of fuel (Fb/Sb). The base unit cost of fuel shall be the unit cost of fuel approved by and pursuant to the order of the Public Service Commission. In the event that the Fuel Adjustment Rate, as calculated in accordance with Section (1) above, is higher than \$0.00300 per kWh, EKPC will defer recovery of the difference in the calculated Fuel Adjustment Rate and \$0.00300 per kWh until the next month or, if not completely recovered, in succeeding months.

In the event that the cumulative carryforward of unrecovered costs exceeds \$10,000,000, EKPC reserves the right to temporarily increase the limit to \$0.00500 per kWh until the carryforward of unrecovered cost is eliminated.

**Bill Bosta**

---

**m:** Bill Bosta  
**it:** Friday, June 11, 2004 10:50 AM  
**To:** David Eames  
**Subject:** FAC Billing Procedure Info

Dave,

Attached below are the following items for your review:

FAC Billing Amort & Cap - This is the graph and spreadsheet analysis of the 6-mo. amortization and the cap. (two worksheets at bottom)

EKPC Tariff change-cap - This is the FAC Tariff language. I put a note at the bottom about changing the cap to 5 mills if our carryforward exceeded \$10 million; to remain in effect until the carryforward was reduced to \$5 million.

EKPC Tariff Change-amortization - This is the FAC language with the 1/6 amortization.

This is ready to go to the FAC subcommittee.



FAC Billing Amort & Cap.xls



EKPC TARIFF FAC Change-cap.DOC...



EKPC TARIFF FAC Change-amortiz...

Thanks,

Bill Bosta  
Manager, Pricing  
EKPC

6 mo. Amortization

For All Counties Served  
P.S.C. No. 28  
Original Sheet No. 2  
Canceling P.S.C. No. 27  
Original Sheet No. 2

EAST KENTUCKY POWER COOPERATIVE, INC.

**Fuel Adjustment**

1. The fuel clause shall provide for periodic adjustment per kWh of sales when the unit cost of fuel [F(m) / S(m)] is above or below the base unit cost of \$0.01560 per kWh [F(b) / S(b)]. The current monthly charges shall be increased or decreased by the product of the kWh furnished during the current month and the fuel adjustment rate for the preceding month where the fuel adjustment rate is defined below:

$$\text{Fuel Adjustment Rate} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all defined below:

2. Fuel cost (F) shall be the most recent actual monthly cost of:
  - (a) Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation and/or transmission outages, but less the cost of fuel related to substitute generation, plus
  - (b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, plus
  - (c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, also such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

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ISSUED BY \_\_\_\_\_ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in

Case No. 2002-00432 Dated April 23, 2003

For All Counties Served

P.S.C. No. 28

Original Sheet No. 3

Canceling P.S.C. No. 27

Original Sheet No. 3

EAST KENTUCKY POWER COOPERATIVE, INC.

**Fuel Adjustment (con't.)**

- (d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.
- (e) All fuel costs shall be based on weighted average inventory costing.
3. Forced outages are all non-scheduled losses of generation or transmission which require (purchase of) substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of public enemy, the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.
4. Sales (S) shall be kWh sold, excluding inter-system sales. Where for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility-used energy shall not be excluded in the determination of sales (S).
5. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licenses.

**Billing Procedure**

The calculated Fuel Adjustment Rate, as defined above, will be subject to change in each month as follows:

In the event that the calculated Fuel Adjustment Rate is positive, EKPC will determine the dollars associated with the calculated "positive" Fuel Adjustment Rate by subtracting the base period per unit cost (Fb/Sb) from the current period per unit cost (Fm/Sm), multiplied by current month kWh sales (Sm), and will recover those dollars equally in each month over a six-month period, beginning with the current month.. The resulting Fuel Adjustment Rate for each month will include, as applicable, recovery of costs incurred in prior periods.



In the event the calculated Fuel Adjustment Rate is negative, EKPC will use the rate, plus any costs incurred in prior periods that are subject to recovery, to determine the Fuel Adjustment Rate to be billed to Member Systems.

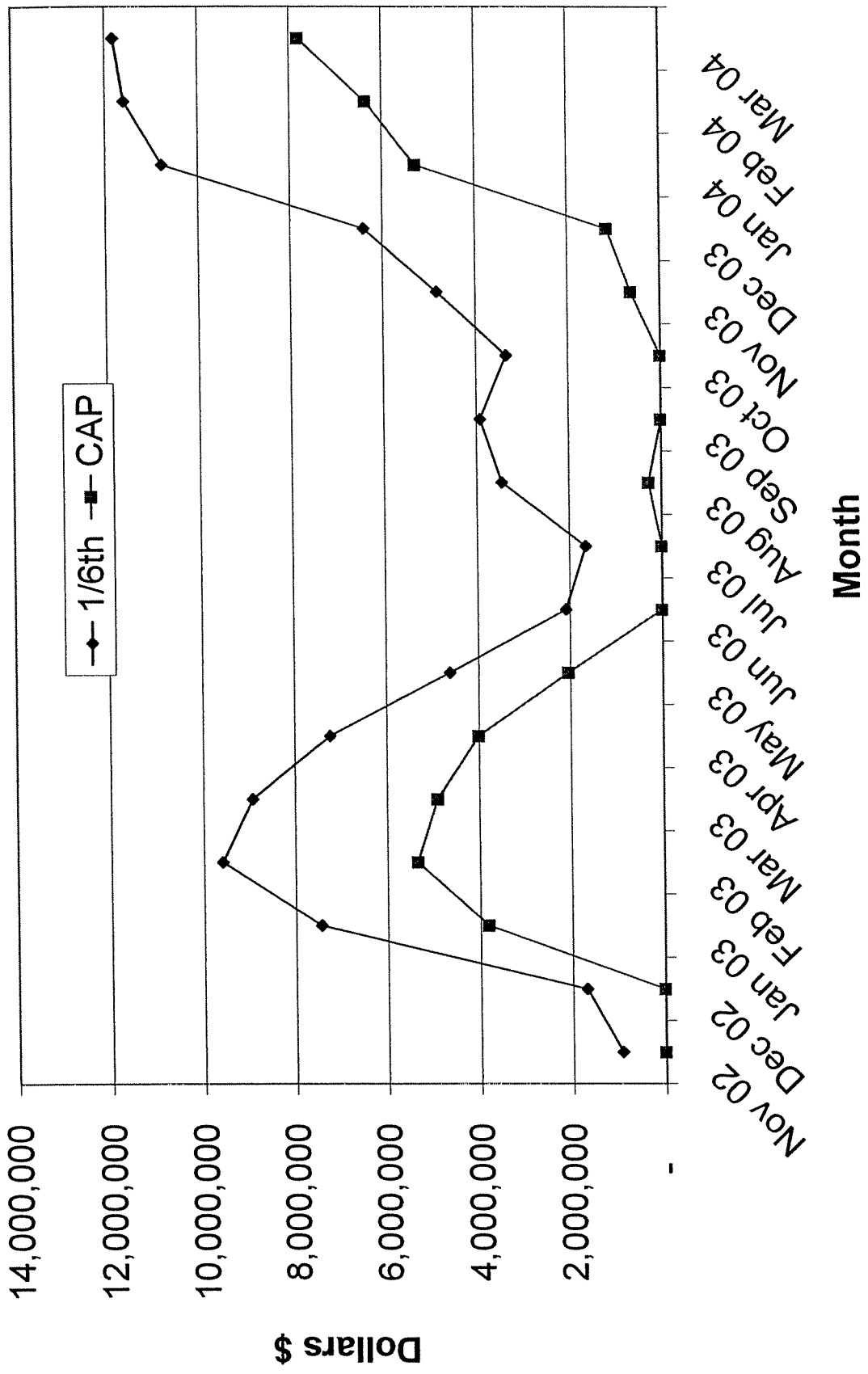
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**FAC Levelized (6 mo.)**

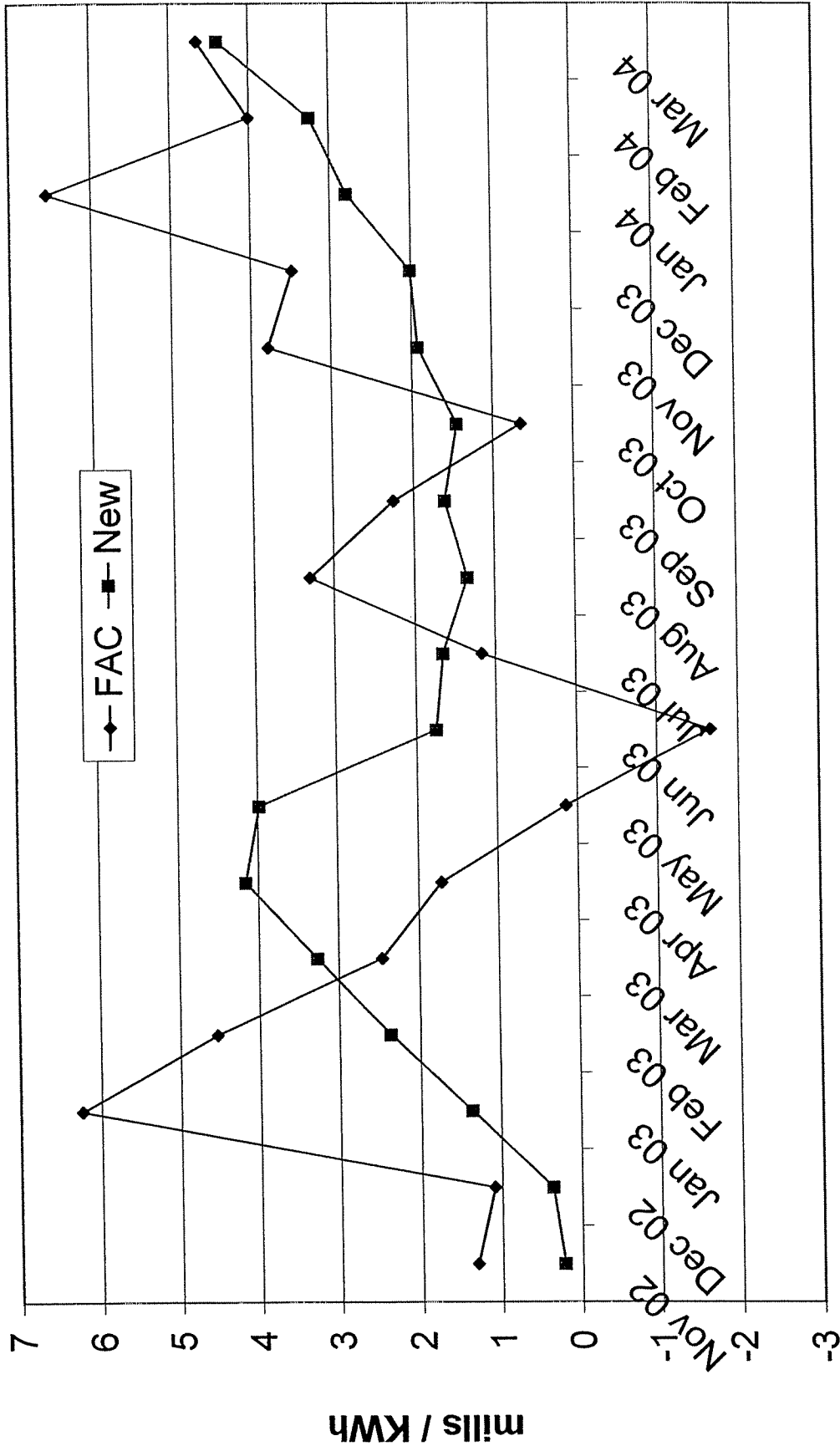
	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03	Aug 03	Sep 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394	0.01677	0.01890	0.01785
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00624	0.00453	0.00246	0.00171	0.00014	-0.00166	0.00117	0.00330	0.00225
KWh	854,480,516	1,043,371,282	1,179,210,540	994,395,058	823,327,450	694,778,517	683,241,583	741,675,865	891,773,942	920,232,662	723,633,955
FAC \$	1,119,369	1,137,275	7,358,274	4,504,614	2,025,386	1,188,071	95,654	(1,231,182)	1,043,376	3,036,768	1,628,176
FAC bases\$	11,356,046	13,866,404	15,671,708	13,215,524	10,942,022	10,838,545	10,658,569	11,570,143	13,911,673	14,355,630	11,288,690
Amortized \$	186,562	186,562	186,562	186,562	186,562	186,562	189,546	1,226,379	750,769	337,564	198,012
		189,546	189,546	189,546	189,546	189,546	189,546	1,226,379	750,769	337,564	198,012
			1,226,379	1,226,379	1,226,379	1,226,379	1,226,379	1,226,379	750,769	337,564	198,012
				750,769	750,769	750,769	750,769	750,769	337,564	198,012	15,942
					337,564	337,564	198,012	15,942	15,942	173,896	506,128
											271,363
Total \$	11,542,608	14,242,512	17,274,194	15,568,779	13,632,841	13,727,376	13,376,781	12,867,628	15,387,857	15,587,172	12,454,030
New FAC rate	0.01351	0.01365	0.01465	0.01566	0.01656	0.01976	0.01958	0.01735	0.01726	0.01694	0.01721
New FAC factor	0.00022	0.00036	0.00136	0.00237	0.00327	0.00416	0.00398	0.00175	0.00166	0.00134	0.00161
EKPC cost	932,808	761,167	5,755,787	2,151,359	(665,434)	(1,700,760)	(2,622,556)	(2,528,666)	(432,808)	1,805,225	462,836
Cumulative	932,808	1,693,975	7,449,763	9,601,121	8,935,687	7,234,927	4,612,369	2,083,702	1,650,895	3,456,120	3,918,956
Per Kwh	0.00109	0.00073	0.00488	0.00216	-0.00081	-0.00245	-0.00384	-0.00341	-0.00049	0.00196	0.00064



# Carry Forward (6 mo)



# FAC Factor (6 mo.)



Month

CAP

EAST KENTUCKY POWER COOPERATIVE, INC.

**Fuel Adjustment**

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Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all defined below:

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ISSUED BY \_\_\_\_\_ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in  
Case No. 2002-00432 Dated April 23, 2003

For All Counties Served  
P.S.C. No. 28  
Original Sheet No. 3  
Canceling P.S.C. No. 27  
Original Sheet No. 3

EAST KENTUCKY POWER COOPERATIVE, INC.

**Fuel Adjustment (con't.)**

- (d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.
- (e) All fuel costs shall be based on weighted average inventory costing.
3. Forced outages are all non-scheduled losses of generation or transmission which require (purchase of) substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of public enemy, the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.
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**Billing Procedure**

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In the event that the cumulative carryforward of unrecovered costs exceeds \$10,000,000, EKPC reserves the right to temporarily increase the limit to \$0.00500 per kWh until the carryforward of unrecovered cost is reduced to \$5,000,000. (Note, this provision is included to raise this issue w/the Committee.)

**FAC Levelized (Cap \$.003/KWh)**

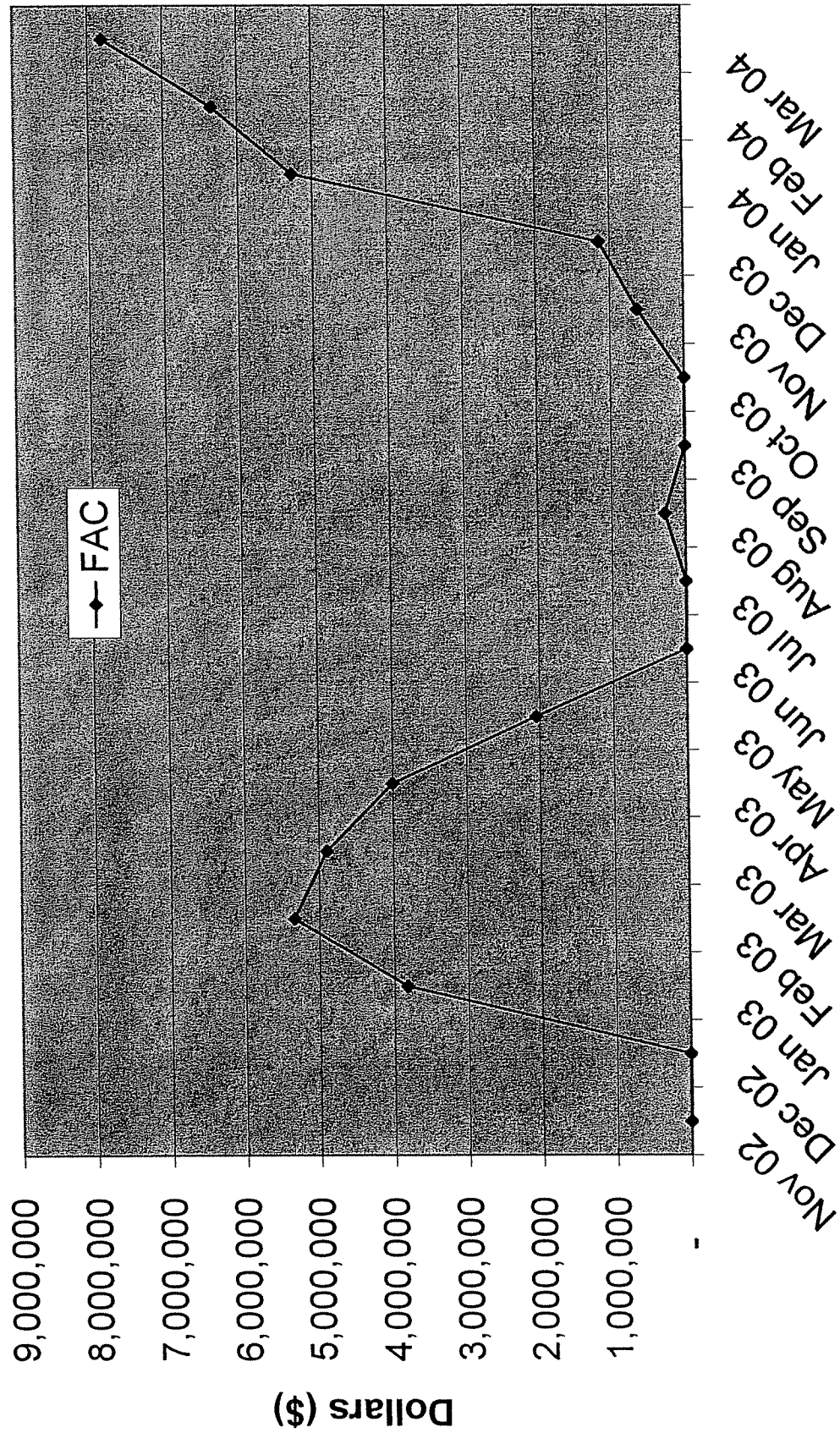
	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00624	0.00453	0.00246	0.00171	0.00014	-0.00166
KWh	854,480,516	1,043,371,282	1,179,210,540	994,396,058	823,327,450	694,778,517	683,241,583	741,675,865
FAC \$	1,119,369	1,137,275	7,358,274	4,504,614	2,025,386	1,188,071	95,654	(1,231,182)
FAC base\$	11,356,046	13,866,404	15,671,708	13,215,524	10,942,022	10,838,545	10,658,569	11,570,143
0.003 Charge	1,119,369	1,137,275	3,537,632	2,983,188	2,469,982	2,084,336	2,049,725	815,954
Carry Forward \$	-	-	3,820,642	5,342,068	4,897,471	4,001,207	2,047,136	-
New FAC rate	0.01460	0.01438	0.01629	0.01629	0.01629	0.01860	0.01860	0.01670
New FAC factor	0.00131	0.00109	0.00300	0.00300	0.00300	0.00300	0.00300	0.00110

CAP

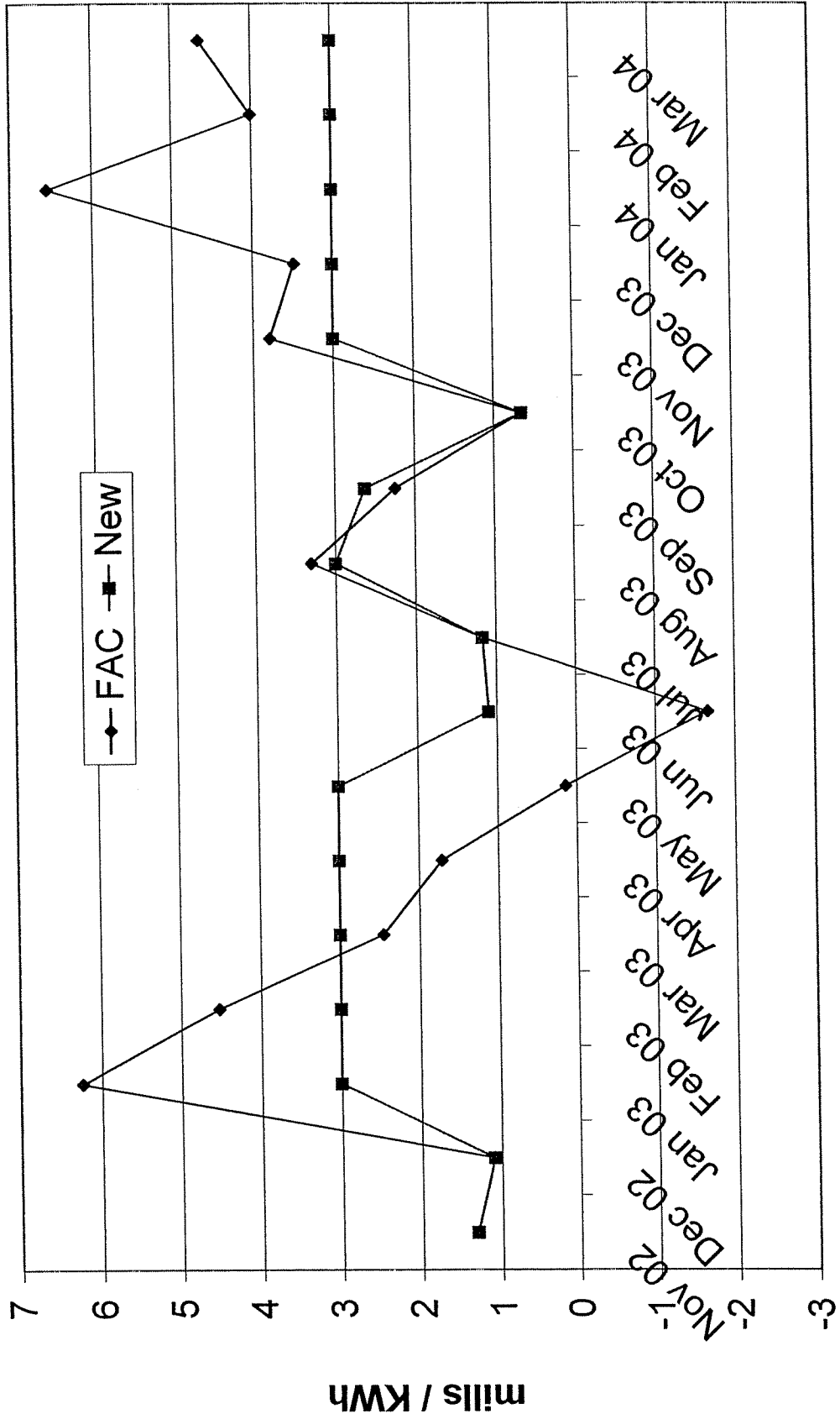


Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
0.01677	0.01890	0.01785	0.01625	0.01939	0.01908	0.02215	0.01961	0.02025
0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560
0.00117	0.00330	0.00225	0.00065	0.00379	0.00348	0.00655	0.00401	0.00465
891,773,942	920,232,662	723,633,955	721,926,221	796,573,418	1,072,369,285	1,164,835,069	1,066,202,336	881,143,707
1,043,376	3,036,768	1,628,176	469,252	3,019,013	3,731,845	7,629,670	4,275,471	4,097,318
13,911,673	14,355,630	11,288,690	11,262,049	12,426,545	16,728,961	18,171,427	16,632,756	13,745,842
1,043,376	2,760,698	1,904,246	469,252	2,389,720	3,217,108	3,494,505	3,198,607	2,643,431
-	276,070	-	-	629,293	1,144,030	5,279,195	6,356,059	7,809,946
0.01677	0.01860	0.01823	0.01625	0.01860	0.01860	0.01860	0.01860	0.01860
0.00117	0.00300	0.00263	0.00065	0.00300	0.00300	0.00300	0.00300	0.00300

# Carry Forward (Cap)

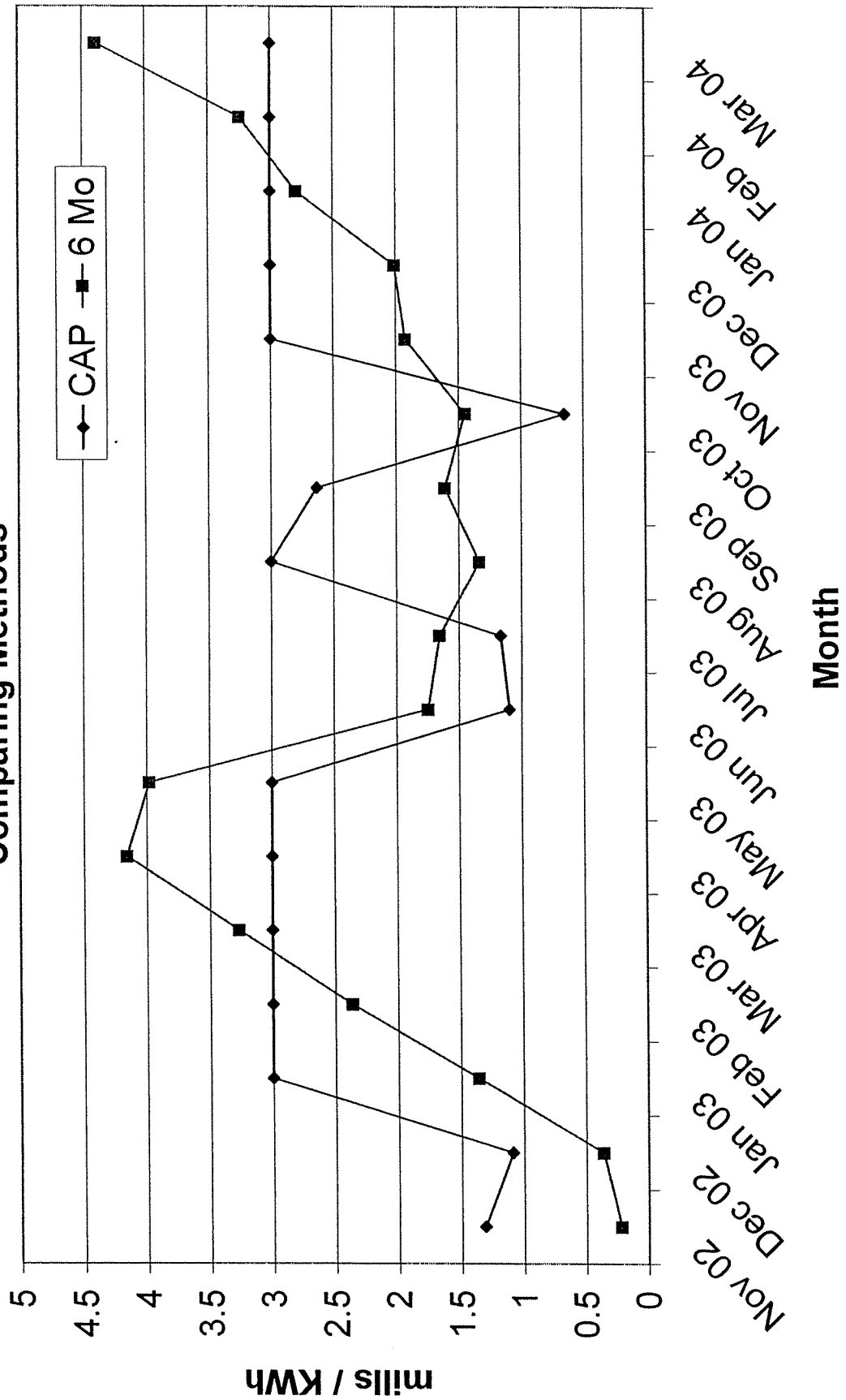


# FAC Factor (Cap)



# FAC Factor

## Comparing Methods



W. B.  
5/21/04

Dave,

As requested, Gary has analyzed two other alternatives on deferring the FAC costs. Both of these alternatives are somewhat complicated once you begin to look at them over time, but the first one is preferable.

- 1) CAP THE FAC INCREMENT AT \$3/MWH EACH MONTH. ROLL ANY CARRYFORWARD INTO THE NEXT MONTH(S) UNTIL ELIMINATED – BUT IN NO EVENT WILL THE FAC FACTOR BE MORE THAN \$3/MWH.**

This alternative produces the best result from several perspectives. As shown in the graph, it's less volatile than the 6 and 12 month amortization schedules developed last week and it has a lower cash flow effect, reaching \$7.8M, compared to \$12M (6-mo.) and \$19M (12 mo.). While it is similar in some respects to No. 2 below, by allowing immediate amortization of the dollars (if below the cap), we eliminate these underrecoveries faster yet still retain the cap.

- 2) CAP THE FAC AT \$3/MWH AND AMORTIZE \$ AMOUNTS ABOVE THE CAP OVER 6 MONTH PERIODS**

This alternative presents a problem administratively because there are many months where you cannot include the full amortization in the FAC cost calculation because of the \$3/MWH cap! As a result, we would need to keep track of when the first amortization is fully recovered and then the next and so on. The deferral reaches \$9.3 M by March 2004.

It looks like the two legitimate alternatives for consideration are the 6-month amortization developed last week and the \$3/MWH cap w/immediate amortization alternative (No. 1 above). Attached is a graph showing the cumulative deferrals under both alternatives.

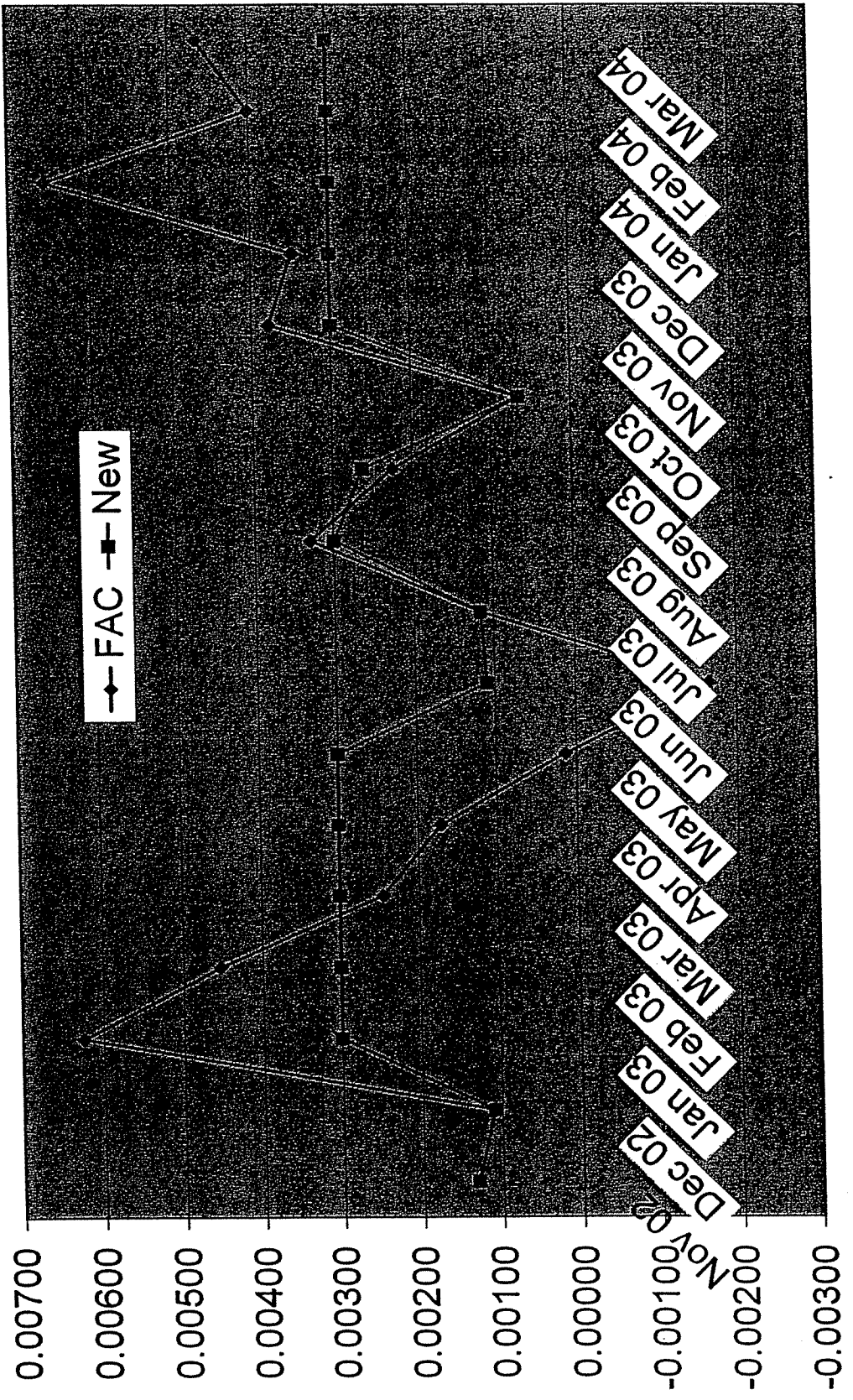
FAC Levelized (Cap \$.003/KWh)

	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00624	0.00453	0.00246	0.00171	0.00014	-0.00166
KWh	854,480,516	1,043,371,282	1,179,210,540	994,396,058	823,327,450	694,778,517	683,241,583	741,675,865
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0.003 Charge	1,119,369	1,137,275	3,537,632	2,983,188	2,469,982	2,084,336	2,049,725	815,954
Carry Forward \$	-	-	3,820,642	5,342,068	4,897,471	4,001,207	2,047,136	-
New FAC rate	0.01460	0.01438	0.01629	0.01629	0.01629	0.01860	0.01860	0.01670
New FAC factor	0.00131	0.00109	0.00300	0.00300	0.00300	0.00300	0.00300	0.00110

#1

Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
0.01677	0.01890	0.01785	0.01625	0.01939	0.01908	0.02215	0.01961	0.02025
0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560
0.00117	0.00330	0.00225	0.00065	0.00379	0.00348	0.00655	0.00401	0.00465
891,773,942	920,232,662	723,633,955	721,926,221	796,573,418	1,072,369,285	1,164,835,069	1,066,202,336	881,143,707
1,043,376	3,036,768	1,628,176	469,252	3,019,013	3,731,845	7,629,670	4,275,471	4,097,318
13,911,673	14,355,630	11,288,690	11,262,049	12,426,545	16,728,961	18,171,427	16,632,756	13,745,842
1,043,376	2,760,698	1,904,246	469,252	2,389,720	3,217,108	3,494,505	3,198,607	2,643,431
-	276,070	-	-	629,293	1,144,030	5,279,195	6,356,059	7,809,946
0.01677	0.01860	0.01823	0.01625	0.01860	0.01860	0.01860	0.01860	0.01860
0.00117	0.00300	0.00263	0.00065	0.00300	0.00300	0.00300	0.00300	0.00300

# FAC Factor





FAC Levelized (Cap \$.003/KWh -- 6 mo.)

	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394	0.01677
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00624	0.00453	0.00246	0.00171	0.00014	-0.00166	0.00117
KWh	854,480,516	1,043,371,282	1,179,210,540	994,396,058	823,327,450	694,778,517	683,241,583	741,675,865	891,773,942
FAC \$	1,119,369	1,137,275	7,358,274	4,504,614	2,025,386	1,188,071	95,654	(1,231,182)	1,043,376
FAC base\$	11,356,046	13,866,404	15,671,708	13,215,524	10,942,022	10,838,545	10,658,569	11,570,143	13,911,673
Charge	1,119,369	1,137,275	3,537,632	2,983,188	2,469,982	2,078,416	985,999	(340,837)	1,933,720
Carry Forward \$	-	-	3,820,642	5,342,068	4,897,471	4,007,127	3,116,782	2,226,437	1,336,093

CAP

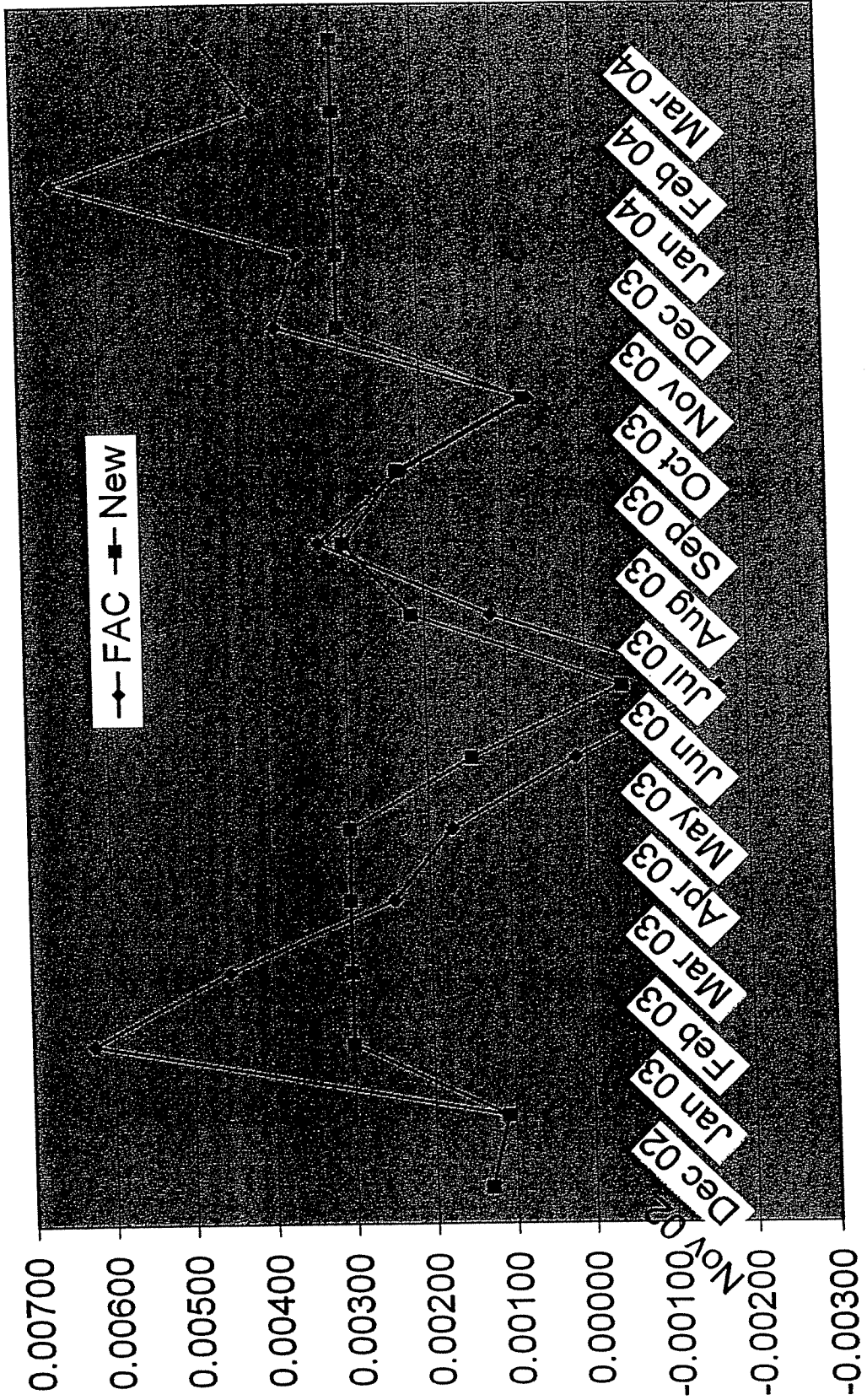
Amortized over Cap

New FAC rate	0.01460	0.01438	0.01629	0.01629	0.01629	0.01859	0.01704	0.01514	0.01777
New FAC factor	0.00131	0.00109	0.00300	0.00300	0.00300	0.00239	0.00144	-0.00046	0.00217

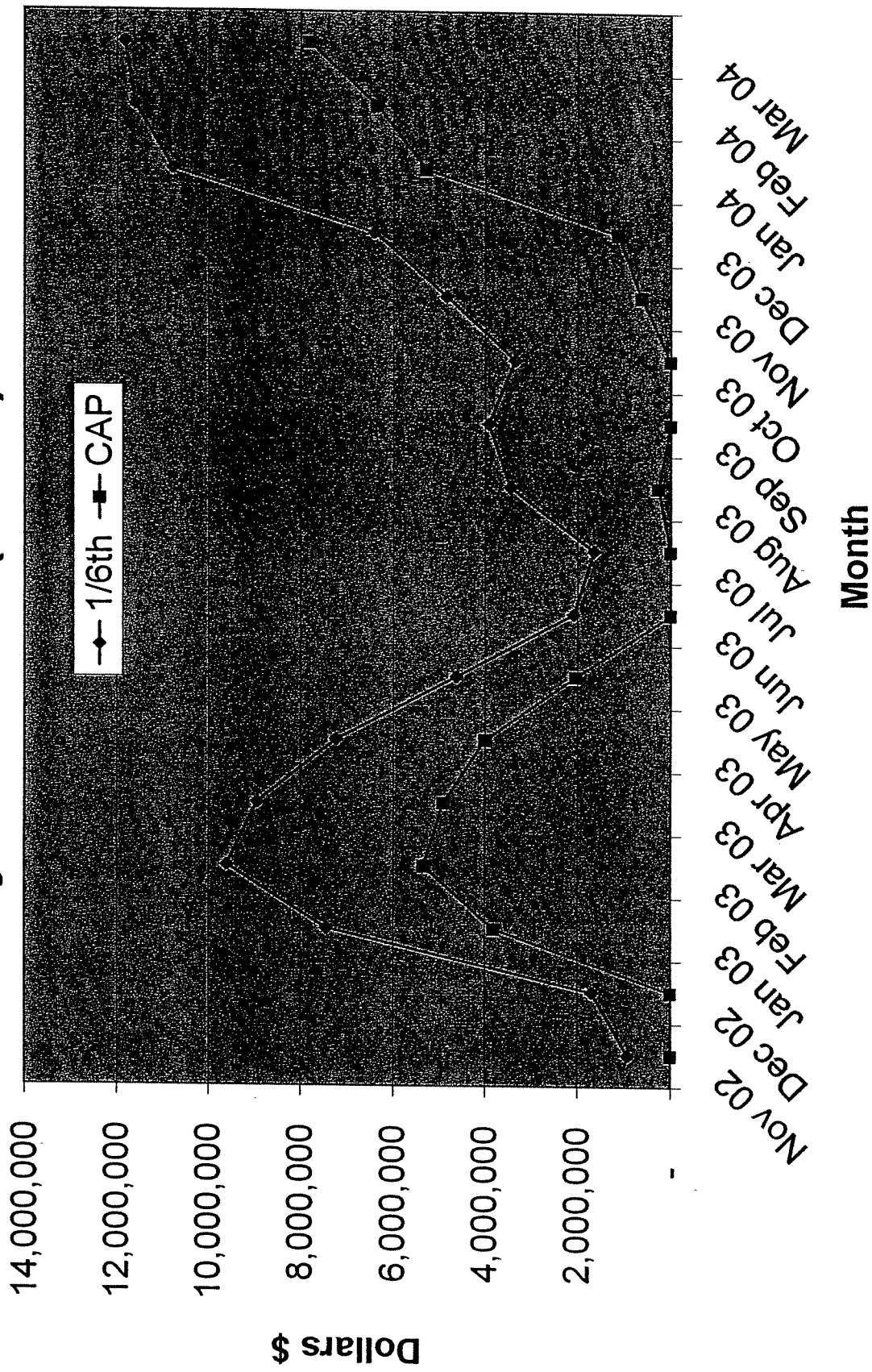
2



# FAC Factor



# Carry Forward (6 mo)

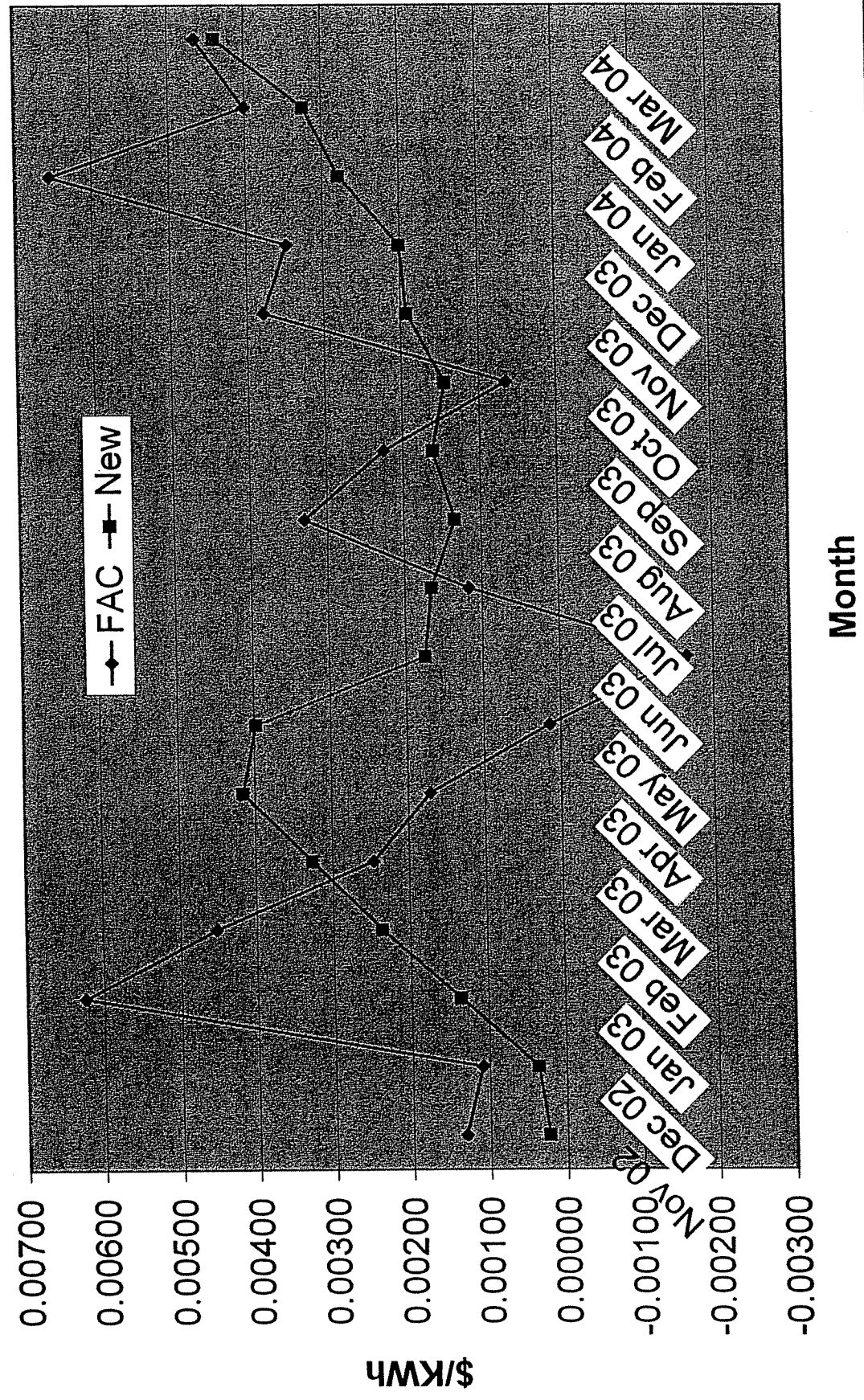


FAC Levelized (6 mo.)

	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03	Aug 03	Sep 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394	0.01677	0.01890	0.01785
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00824	0.00453	0.00246	0.00171	0.00014	-0.00166	0.00117	0.00330	0.00225
KWh	854,480,516	1,043,371,282	1,179,210,540	994,396,058	823,327,450	694,778,517	683,241,583	741,675,865	891,773,942	920,232,662	723,633,955
FAC \$	1,119,369	1,137,275	7,358,274	4,504,614	2,025,386	1,188,071	95,654	(1,231,182)	1,043,376	3,036,768	1,828,176
FAC base\$	11,356,046	13,866,404	15,671,708	13,215,524	10,942,022	10,838,545	10,668,569	11,570,143	13,911,673	14,355,630	11,288,690
Amortized \$	186,562	186,562	186,562	186,562	186,562	186,562	189,546	1,226,379	750,769	337,564	198,012
		189,546	189,546	189,546	189,546	189,546	189,546	1,226,379	750,769	337,564	198,012
			1,226,379	1,226,379	1,226,379	1,226,379	1,226,379	1,226,379	750,769	337,564	198,012
			750,769	750,769	750,769	750,769	750,769	750,769	337,564	198,012	15,942
			337,564	337,564	337,564	337,564	337,564	337,564	198,012	15,942	173,896
			198,012	198,012	198,012	198,012	198,012	15,942	15,942	173,896	506,128
											271,363
Total \$	11,542,608	14,242,512	17,274,194	15,568,779	13,632,841	13,727,376	13,376,781	12,867,628	15,387,857	15,587,172	12,454,030
New FAC rate	0.01351	0.01365	0.01465	0.01566	0.01656	0.01976	0.01958	0.01735	0.01726	0.01694	0.01721
New FAC factor	0.00022	0.00036	0.00136	0.00237	0.00327	0.00416	0.00398	0.00175	0.00166	0.00134	0.00161
EKPC cost	932,808	761,167	5,755,787	2,151,359	(665,434)	(1,700,760)	(2,622,558)	(2,528,666)	(432,808)	1,805,225	462,836
Cumulative	932,808	1,693,975	7,449,763	9,601,121	8,935,687	7,234,927	4,612,369	2,083,702	1,650,895	3,456,120	3,918,986
Per Kwh	0.00109	0.00073	0.00488	0.00216	-0.00081	-0.00245	-0.00384	-0.00341	-0.00049	0.00196	0.00064

	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
	721,926,221	796,573,418	1,072,369,285	1,164,835,069	1,066,202,336	881,143,707
	469,252	3,019,013	3,731,845	7,629,670	4,275,471	4,097,318
	11,262,049	12,426,545	16,728,961	18,171,427	16,632,756	13,745,842
15,942						
173,896	173,896	173,896	173,896			
506,128	506,128	506,128	506,128	506,128		
271,363	271,363	271,363	271,363	271,363	271,363	
78,209	78,209	78,209	78,209	78,209	78,209	78,209
	503,169	503,169	503,169	503,169	503,169	503,169
	621,974	621,974	621,974	621,974	621,974	621,974
				1,271,612	1,271,612	1,271,612
					712,579	712,579
						682,886
12,307,587	13,959,309	18,883,699	21,423,881	20,091,661	17,616,270	
0.01705	0.01752	0.01761	0.01839	0.01884	0.01999	
0.00145	0.00192	0.00201	0.00279	0.00324	0.00439	
(576,286)	1,486,249	1,577,107	4,377,216	816,567	226,890	
3,342,670	4,828,919	6,406,026	10,783,242	11,599,808	11,826,698	
-0.00080	0.00187	0.00147	0.00376	0.0077	0.00026	

# FAC Factor



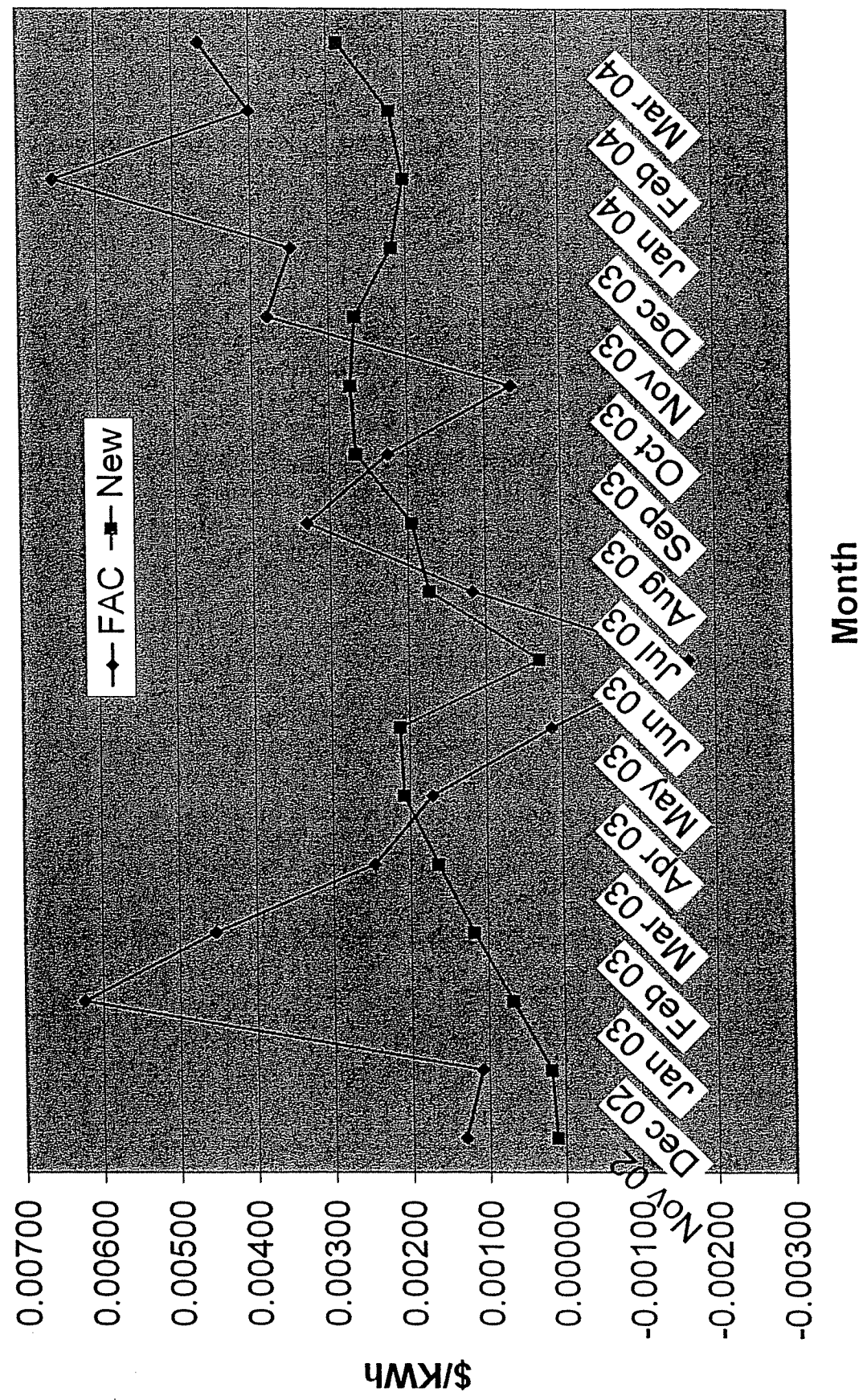
FAC Levelized (12 mo)

	Nov 02	Dec 02	Jan 03	Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03	Aug 03	Sep 03
FAC rate	0.01460	0.01438	0.01953	0.01782	0.01575	0.01731	0.01574	0.01394	0.01677	0.01890	0.01785
FAC base	0.01329	0.01329	0.01329	0.01329	0.01329	0.01560	0.01560	0.01560	0.01560	0.01560	0.01560
FAC factor	0.00131	0.00109	0.00624	0.00453	0.00246	0.00171	0.00014	-0.00166	0.00117	0.00330	0.00225
KWh	854,480,516	1,043,371,282	1,179,210,540	994,396,058	823,327,450	694,778,517	683,241,583	741,675,865	891,773,942	920,232,662	723,633,955
FAC \$	1,119,369	1,137,275	7,358,274	4,504,614	2,025,386	1,188,071	95,654	(1,231,182)	1,043,378	3,036,768	1,628,176
FAC base\$	11,356,046	13,866,404	15,671,708	13,215,524	10,942,022	10,838,545	10,658,569	11,570,143	13,911,673	14,355,630	11,288,690
Amortized \$	93,281	93,281	93,281	93,281	93,281	93,281	93,281	93,281	93,281	93,281	93,281
		94,773	94,773	94,773	94,773	94,773	94,773	94,773	94,773	94,773	94,773
			613,189	613,189	613,189	613,189	613,189	613,189	613,189	613,189	613,189
			375,385	375,385	375,385	375,385	375,385	375,385	375,385	375,385	375,385
				168,782	168,782	168,782	168,782	168,782	168,782	168,782	168,782
					99,006	99,006	99,006	99,006	99,006	99,006	99,006
						7,971	7,971	7,971	7,971	7,971	7,971
									86,948	86,948	86,948
										253,064	253,064
											135,681
Total \$	11,449,327	14,054,458	16,472,951	14,392,151	12,287,432	12,282,961	12,110,956	11,791,348	15,451,008	16,148,028	13,216,770
New FAC rate	0.01340	0.01347	0.01397	0.01447	0.01492	0.01768	0.01773	0.01590	0.01733	0.01755	0.01826
New FAC factor	0.00011	0.00018	0.00068	0.00118	0.00163	0.00208	0.00213	0.00030	0.00173	0.00195	0.00266
EKPC cost	1,026,089	949,221	6,557,031	3,327,986	679,976	(256,344)	(1,356,733)	(1,452,387)	(495,959)	1,244,369	(299,904)
Cumulative	1,026,089	1,975,310	8,532,340	11,860,327	12,540,303	12,283,958	10,927,225	9,474,838	8,978,879	10,223,248	8,923,344
Per Kwh	0.00120	0.00091	0.00556	0.00335	0.00083	-0.00037	-0.00199	-0.00196	-0.00056	0.00135	-0.00041



	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
	721,926,221	796,573,418	1,072,369,285	1,164,835,069	1,066,202,336	881,143,707
	489,252	3,019,013	3,731,845	7,629,670	4,275,471	4,097,318
	11,262,049	12,426,545	16,728,961	18,171,427	16,632,756	13,745,842
	93,281					
	94,773	94,773				
	613,189	613,189	613,189			
	375,385	375,385	375,385	375,385		
	168,782	168,782	168,782	168,782	168,782	
	99,006	99,006	99,006	99,006	99,006	99,006
	7,971	7,971	7,971	7,971	7,971	7,971
	86,948	86,948	86,948	86,948	86,948	86,948
	253,064	253,064	253,064	253,064	253,064	253,064
	135,681	135,681	135,681	135,681	135,681	135,681
	39,104	39,104	39,104	39,104	39,104	39,104
	251,584	251,584	251,584	251,584	251,584	251,584
			310,987	310,987	310,987	310,987
			635,806	635,806	635,806	635,806
				356,289	356,289	356,289
						341,443
	13,229,234	14,552,034	19,070,663	20,535,746	18,977,980	16,263,726
	0.01832	0.01827	0.01778	0.01763	0.01780	0.01846
	0.00272	0.00267	0.00218	0.00203	0.00220	0.00286
	(1,497,932)	893,525	1,390,143	5,265,351	1,930,248	1,579,434
	8,425,411	9,318,936	10,709,079	15,974,430	17,904,678	19,484,112
	-0.00207	0.00112	0.00130	0.00452	0.00181	0.00179

# FAC Factor



**Bill Bosta**

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**m:** Bill Bosta  
**at:** Tuesday, March 30, 2004 1:32 PM  
**To:** 'jbrowning@farmersrecc.com'; 'donschaefer@jacksonenergy.com';  
'bmarshall@owenelectric.com'; 'larryh@srelectric.com'; 'eaanderson@skrecc.com'  
**Cc:** David Eames; Charles Lile  
**Subject:** FAC Issues

Shown below is a list of FAC issues discussed this morning.

1) Double charging of demand-related costs through base rates and through the FAC. Managers are concerned that EK is recovering demand related costs in its purchased power component of its FAC costs. In recognition of this, Larry Hicks suggested that one alternative would be to take the monthly coincident peak in excess of installed capacity (if any) and multiply that amount by the "E" demand charge of \$5.22, and return this amount to member systems. Discussion about the mechanism occurred, such as a credit to the FAC or through a reduction to the demand charge (base rate) bill amount.

2) Explore the possibility of taking the using a rolling FAC factor instead of monthly actual. EK would defer recovery of FAC costs in excess of its fuel base for a period of six months instead of through immediate recovery. Dave Eames has spoken to the PSC Staff about this possibility but has not yet received feedback.

3) There is a general concern about the overall level of fuel costs incurred at EK. Recent escalation in the FAC cost has resulted in the question of whether EK is doing all it can to hold down FAC costs. Managers are concerned about communicating why recent increases have occurred.

4) Is there a way that larger customers could participate in a FAC cost cap through hedging. Industrial customers have expressed serious concern about FAC costs rising faster than the anticipated budget level. Concern about cross-subsidization between industrial and residential customers was noted.

5) Consider tying the application of the EK FAC cost to the time at which the Member system bills its customers. This would result in a one-time lag of 2-3 months wherein EK would bill a zero FAC factor to the Member systems.

6) Consider suggesting to the Commission Staff that a "waiver provision with good cause" be instituted in the FAC regulation to enable more flexibility in the application of the FAC.

Please review and feel free to add or delete to the list provided above. Just e-mail to me and I'll incorporate. We'll let you know of the PSC date as soon as we can.

Thanks,

Bill Bosta  
Manager, Pricing  
EKPC