

# Goss ■ Samford PLLC



Attorneys at Law

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OCT 18 2013

**PUBLIC SERVICE  
COMMISSION**

October 18, 2013


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

Re: PSC Case No. 2013-00324

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the responses of East Kentucky Power Cooperative, Inc., (“EKPC”) to the Commission’s Appendix B First Information Requests, contained in the Commission’s Order dated September 18, 2013, and the Prepared Testimony of Isaac S. Scott on behalf of EKPC. Documents contained in this filing are also being filed on behalf of EKPC’s member systems.

Very truly yours,

*Mark David Goss* 

Mark David Goss  
Counsel

Enclosures

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OCT 18 2013

PUBLIC SERVICE  
COMMISSION

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

**In the Matter of:**

**AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF EAST )  
KENTUCKY POWER COOPERATIVE, INC. )  
FOR THE TWO-YEAR BILLING PERIOD )  
ENDING JUNE 30, 2013 AND THE PASS )  
THROUGH MECHANISM FOR ITS SIXTEEN )  
MEMBER DISTRIBUTION COOPERATIVES )**

**CASE NO.  
2013-00324**

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED SEPTEMBER 18, 2013**

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO.**

**PUBLIC SERVICE COMMISSION REQUEST DATED 09/18/13**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the information requests contained in Appendix B to the Order of the Public Service Commission ("PSC") in this case dated September 18, 2013. Each response with its associated supportive reference materials is individually tabbed.



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

**In re the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF EAST KENTUCKY</b>	)	
<b>POWER COOPERATIVE, INC. FOR THE</b>	)	<b>CASE NO.</b>
<b>TWO-YEAR BILLING PERIOD ENDING</b>	)	<b>2013-00324</b>
<b>JUNE 30, 2013 AND THE PASS THROUGH</b>	)	
<b>MECHANISM FOR ITS SIXTEEN MEMBER</b>	)	
<b>DISTRIBUTION COOPERATIVES</b>	)	

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

**Filed: October 18, 2013**

1 **Q. Please state your name, business address, and occupation.**

2 A. My name is Isaac S. Scott and my business address is East Kentucky Power Cooperative,  
3 Inc. ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391. I am the Manager  
4 of Pricing for EKPC.

5 **Q. Please state your education and professional experience.**

6 A. I received a B.S. degree in Accounting, with distinction, from the University of Kentucky  
7 in 1979. After graduation I was employed by the Kentucky Auditor of Public Accounts,  
8 where I performed audits of numerous state agencies. In December 1985, I transferred to  
9 the Kentucky Public Service Commission ("Commission") as a public utilities financial  
10 analyst, concentrating on the electric and natural gas industries. In August 2001, I  
11 became manager of the Electric and Gas Revenue Requirements Branch in the Division  
12 of Financial Analysis at the Commission. In this position I supervised the preparation of  
13 revenue requirement determinations for electric and natural gas utilities as well as  
14 determined the revenue requirements for the major electric and natural gas utilities in  
15 Kentucky. I retired from the Commission effective August 1, 2008. In November 2008,  
16 I became the Manager of Pricing at EKPC.

17 **Q. Please provide a brief description of your duties at EKPC.**

18 A. As Manager of Pricing, I am responsible for rate-making activities which include  
19 designing and developing wholesale and retail electric rates and developing pricing  
20 concepts and methodologies. I report directly to the Director of Regulatory and  
21 Compliance Services.

22 **Q. What is the purpose of your testimony in this proceeding?**

23 A. The purpose of my testimony is to describe how EKPC and its Member Systems have  
24 applied the environmental surcharge mechanism in a reasonable manner during the

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

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

6 A. Pursuant to the Commission's September 18, 2013 Order, EKPC is preparing testimony  
7 on behalf of each Member System. The Member Systems are: Big Sandy Rural Electric  
8 Cooperative Corporation ("RECC"), Blue Grass Energy Cooperative Corporation, Clark  
9 Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers RECC, Fleming-  
10 Mason Energy Cooperative, Grayson RECC, Inter-County Energy Cooperative  
11 Corporation, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen  
12 Electric Cooperative, Salt River Electric Cooperative Corporation, Shelby Energy  
13 Cooperative, Inc., South Kentucky RECC, and Taylor County RECC. EKPC is also  
14 providing Response 2 to the Commission Staff's First Request for Information ("Staff's  
15 First Request").

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

18 A. Yes. Ernest W. Huff has provided emission allowance information to Response 3 to the  
19 Staff's First Request. Frank J. Oliva, Director of Finance and Treasurer, has provided the  
20 debt and average interest rate information to Responses 5 and 6 to the Staff's First  
21 Request.

22 **Q. Previous Commission Orders required EKPC and its Member Systems to**  
23 **incorporate certain provisions into the calculation of the monthly environmental**  
24 **surcharge factors. Please comment on how EKPC and the Member Systems have**

1 **addressed the most significant aspects of these Orders during the period under**  
2 **review.**

3 A. A brief description of each component of the environmental surcharge calculation,  
4 applied consistently with Commission Orders, is discussed below.

5 • **Compliance Plan Projects**

6 EKPC currently has 13 projects in its Environmental Compliance Plan. These  
7 projects were approved by the Commission in Case Nos. 2004-00321, 2008-00115,  
8 and 2010-00083. The monthly environmental surcharge reports, incorporated by  
9 reference in this case, show the capital costs for these projects.

10 • **Base/Current Method**

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

14 • **Actual Emission Allowance Expense**

15 EKPC included only actual SO<sub>2</sub> and NO<sub>x</sub> emission allowance expense in the monthly  
16 filings.

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

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

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

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<sup>1</sup> MESF is the Monthly Environmental Surcharge Factor; CESF is the Current Environmental Surcharge Factor; and BESF is the Base Environmental Surcharge Factor.



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

3 • **Rate of Return**

4 EKPC's rate of return consists of two components: the average cost of debt on its  
5 environmental compliance plan projects and a Times Interest Earned Ratio ("TIER")  
6 component. The rate of return used during the period under review is 6.786%, which  
7 was approved by the Commission in Case No. 2011-00032. In that case, the  
8 Commission approved EKPC's request to incorporate a TIER of 1.50 in the  
9 determination of the rate of return. EKPC proposes no change to the TIER  
10 component of the rate of return in this proceeding.

11 EKPC is proposing a rate of return of 6.063% in this proceeding, as shown in  
12 Response 5 to the Staff's First Request. EKPC's proposed rate of return is consistent  
13 with the Settlement Agreement approved in Case No. 2004-00321, which provided  
14 that the rate of return on compliance-related capital expenditures would be updated to  
15 reflect current average debt cost as of the end of each six-month review period. This  
16 review covers the six-month billing period ending June 30, 2013. In Request 5 of the  
17 Staff's First Request EKPC was directed to provide information concerning the  
18 average debt cost as of May 31, 2013. While EKPC is providing the requested  
19 information, it is also including in Response 5 to the Staff's First Request the same  
20 average debt cost information as of June 30, 2013, which is the end of the current  
21 review period. EKPC is proposing that the rate of return approved in this proceeding  
22 reflect the average debt cost as of June 30, 2013.

23 EKPC would like to request the Commission provide a clarification concerning the  
24 appropriate date that constitutes the end of the surcharge review period. The

1 Settlement Agreement does not indicate whether the expense month or the billing  
2 month is considered the end of the surcharge review period. In Case Nos. 2012-  
3 00486<sup>2</sup> and 2013-00140,<sup>3</sup> EKPC proposed that the current average debt cost as of the  
4 last billing month in the surcharge review period be used to determine the rate of  
5 return. The Commission accepted EKPC's proposal in both cases. In the current  
6 review, Request 5 of the Staff's First Request asked for the current average debt cost  
7 as of May 31, 2013, the last expense month in the review period. Consistent with  
8 previous reviews, EKPC is proposing that the current average debt cost as of June 30,  
9 2013 be utilized to determine the rate of return. The use of the billing month would  
10 provide the most current debt cost information and EKPC believes this is a reasonable  
11 approach. EKPC requests the Commission clarify that the last billing month  
12 constitutes the end of the surcharge review period for the determination of current  
13 average debt cost.

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

15 EKPC has continued to use a 12-month rolling average for O&M expenses associated  
16 with the compliance plan projects. For those instances where the change in the level  
17 of O&M expenses exceeded 10 percent, EKPC has provided an explanation. These  
18 explanations are provided in Response 4 to the Staff's First Request.

19 • **Pass-Through Mechanism**

20 The environmental surcharge factors computed for retail customers were billed by  
21 EKPC's Member Systems at approximately the same time as EKPC billed the  
22 Member Systems at wholesale. The calculation of the monthly factors for each  
23 Member System was provided in the monthly reports filed with the Commission.

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<sup>2</sup> See the August 2, 2013 Order in Case No. 2012-00486, pages 3 and 4.

<sup>3</sup> See the September 17, 2013 Order in Case No. 2013-00140, pages 3 and 4.

1 EKPC and the Member Systems adhered to these and all other requirements and  
2 provisions of the Commission's Orders for the period under review.

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

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

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

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

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

15 A. Yes. The over- or under-recovery amounts for each Member System are shown in  
16 Response 2 to the Staff's First Request.

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

19 A. As approved in the Commission's November 5, 2010 Order in Case No. 2010-00021, the  
20 Member Systems propose that the over- or under-recovery amounts be amortized over a  
21 period of six months beginning in the first month after the Commission's Order in this  
22 proceeding.

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

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

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

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

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

5 A. No, changes to the Member System tariffs are not required.

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

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

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

11 A. Yes. As previously discussed in my Direct Testimony, EKPC proposes an updated rate  
12 of return of 6.063%. This updated rate of return reflects an average debt cost as of June  
13 30, 2013 of 4.042% and a TIER of 1.50. The determination of the average debt cost as of  
14 June 30, 2013 is shown in Response 5 to the Staff's First Request.

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

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

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

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

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

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

7 First, like the environmental surcharge mechanisms approved for Kentucky Utilities  
8 Company, Louisville Gas and Electric Company, and Kentucky Power Company, the  
9 environmental costs included in EKPC's revenue requirement represent both investment  
10 costs and energy costs. As a general matter, investment costs are usually reflected in  
11 demand charges while energy costs are reflected in the energy charge. Because both  
12 investment costs and energy costs make up the environmental costs, a roll-in of the  
13 surcharge into base rates is more complicated than the roll-in performed in a two-year  
14 fuel adjustment clause proceeding. In the two-year fuel adjustment clause proceeding,  
15 only energy costs are rolled into the energy charge of base rates. If EKPC is required to  
16 roll-in its environmental surcharge into its wholesale base rates, it believes the roll-in will  
17 have to be allocated to both the demand and energy charges. Included in the response to  
18 Item 7 is a rough allocation of the calculated roll-in amount between demand and energy  
19 components.

20 Ideally, such an allocation should be performed utilizing a cost-of-service study.  
21 However, there has not been any time in this review proceeding for EKPC to undertake a  
22 cost-of-service study that would provide a reasonable allocation of an environmental  
23 surcharge roll-in into demand and energy related components. The belief that a cost-of-  
24 service study should be the basis for allocating a surcharge roll-in between demand and

1 energy rate components is the primary reason why EKPC believes a roll-in of  
2 environmental costs should occur at the time of a wholesale base rate case proceeding.  
3 Including a roll-in as part of a wholesale base rate case would allow for the allocation of  
4 environmental costs in a manner consistent with other costs through the utilization of a  
5 cost-of-service study. EKPC notes that the Commission has accepted the argument that a  
6 surcharge roll-in should be undertaken as part of a base rate case in previous  
7 environmental surcharge reviews.<sup>4</sup>

8 The second reason concerns how the change in the wholesale base rates would be  
9 reflected in the Member Systems' retail base rates. When the Commission approved the  
10 environmental surcharge mechanism for EKPC and the corresponding pass-through  
11 mechanism for the Member Systems, there was no discussion of how or when retail base  
12 rates would be adjusted to reflect the change in the wholesale base rates resulting from  
13 the surcharge roll-in. Clearly any adjustment to the retail base rates should be  
14 accomplished in the same proceeding as the roll-in to wholesale base rates and both  
15 changes in the base rates become effective at the same time. If a surcharge roll-in was  
16 required as part of the two-year review case, EKPC believes the necessary adjustments to  
17 the retail base rates need to correspond as closely as possible to the change in the  
18 wholesale base rates. The change in the wholesale demand-related base rates should be  
19 reflected in the corresponding retail customer charges and demand base rates. The  
20 change in the wholesale energy-related base rates should be reflected in the  
21 corresponding retail energy base rates. However, as a surcharge roll-in during the two-  
22 year review to the wholesale base rates would not be cost-of-service based, neither would  
23 the corresponding adjustment to the retail base rates be cost-of-service based.

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<sup>4</sup> See the August 19, 2008 Order in Case No. 2007-00381, page 6; the January 28, 2010 Order in Case No. 2009-00317, page 5; and the August 2, 2013 Order in Case No. 2012-00486, pages 5 and 6.

1 From May 2011 through August 2012, EKPC undertook a detailed rate design project  
2 that looked closely at cost-of-service study results and the potential impacts on the  
3 Member Systems. The Member Systems participated in numerous discussions held  
4 during this period. One of the topics discussed extensively was whether or not the  
5 environmental surcharge should be rolled into the wholesale base rates in conjunction  
6 with a base rate proceeding. While there was a difference of opinion among the Member  
7 Systems concerning whether there should be a roll-in, the Member Systems were in  
8 general agreement that a roll-in should only take place during a base rate proceeding.  
9 As with a roll-in to its wholesale base rates, EKPC believes that the corresponding  
10 adjustment to retail base rates should be performed in conjunction with a base rate  
11 proceeding and not as part of a two-year surcharge review. The amount of the roll-in  
12 each Member System receives as a result of the change in wholesale base rates would be  
13 cost-of-service based. If the Member System elected to do so, it could file its own base  
14 rate case in conjunction with EKPC's proceeding and reflect its portion of the roll-in  
15 through its own cost-of-service study allocations.

16 A final reason is related to the disclosure of the cost of environmental compliance to  
17 retail customers. EKPC's currently approved environmental compliance plan contains 13  
18 projects and the monthly surcharge filings reflect the investment costs and operating  
19 expenses associated with those projects. The monthly cost of environmental compliance  
20 will be known to EKPC even if there is a roll-in of the surcharge revenue requirement  
21 into wholesale base rates. As there to date has been no roll-in of the environmental  
22 surcharge into base rates, the Member Systems' monthly surcharge pass-through factors  
23 serve as a means to disclose to the retail customer the cost of environmental compliance  
24 for the approved projects. However, if there were a roll-in, a significant portion of the

1 EKPC monthly surcharge factor would be collected through wholesale base rates and the  
2 corresponding Member Systems' monthly surcharge pass-through factors would be  
3 reduced. The monthly surcharge pass-through factors would no longer easily disclose to  
4 retail customers the full cost of environmental compliance for the approved projects.  
5 Several of the Member Systems believe it is important that retail customers be aware of  
6 the full cost of environmental compliance for the approved projects and the impact this  
7 compliance cost has on the monthly retail bill. Consequently, until an acceptable method  
8 can be developed to continue the disclosure of the full cost of environmental compliance,  
9 EKPC and the Member Systems believe roll-in should not be undertaken as part of the  
10 two-year review proceeding.

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

12 **A.** Yes it does.



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

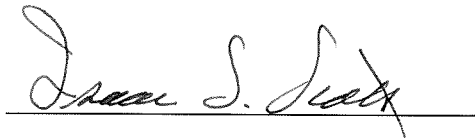
AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
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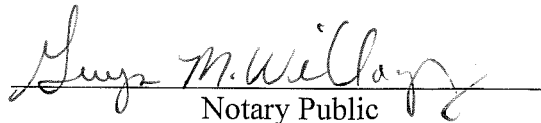
AFFIDAVIT

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Isaac S. Scott, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_

Subscribed and sworn before me on this 18<sup>th</sup> day of October, 2013.

  
Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013  
NOTARY ID #409352









**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 1**

**RESPONSIBLE PARTY:**           **Isaac S. Scott**

**Request 1.**           This question is addressed to EKPC. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the applicable billing period. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for the additional over- or under-recovery.

**Response 1.**           Please see page 2 of this response. Because EKPC utilizes a one-month “true-up” adjustment, there is no additional over- or under-recovery amount that needs to be recognized for the two-year review.

**East Kentucky Power Cooperative, Inc. Environmental Surcharge Report**  
**Calculation of Current Month Environmental Surcharge Factor (CESF)**  
**and (Over)/Under Recovery Calculation**

Line	Description	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
1	<b>E(m) = RORB + OE - BAS</b>									
2	Rate Base	\$791,603,750	\$791,586,157	\$791,261,899	\$790,570,375	\$788,190,054	\$785,966,301	\$784,322,355	\$781,870,913	\$780,625,771
3	Rate Base / 12	\$65,966,979	\$65,965,513	\$65,938,492	\$65,880,865	\$65,682,504	\$65,497,192	\$65,360,196	\$65,155,909	\$65,052,148
4	Rate of Return	6.786%	6.786%	6.786%	6.786%	6.786%	6.786%	6.786%	6.233%	6.086%
5	Return on Rate Base (RORB)	\$4,476,519	\$4,476,420	\$4,474,586	\$4,470,875	\$4,457,215	\$4,444,639	\$4,435,343	\$4,061,168	\$3,959,074
6	Operating Expenses (OE)	\$5,356,842	\$5,547,404	\$5,537,216	\$5,833,971	\$5,893,469	\$5,942,544	\$5,727,181	\$5,849,039	\$5,894,652
7	By-Product and Emission Allowance Sales (BAS)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$9,833,361	\$10,023,824	\$10,011,802	\$10,304,647	\$10,350,684	\$10,287,184	\$10,162,524	\$9,910,207	\$9,853,726
8a	<b>Prior Periods Adjustments</b>									
9	Member System Allocation Ratio for the Month (Form 3.0)	99.98%	99.15%	99.26%	99.32%	99.30%	99.26%	98.82%	98.08%	97.96%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$9,733,060	\$9,938,621	\$9,937,715	\$10,234,575	\$10,278,229	\$10,211,059	\$10,042,606	\$9,719,931	\$9,652,710
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$4,796	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12a	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$9,733,060	\$9,943,417	\$9,937,715	\$10,234,575	\$10,278,229	\$10,211,059	\$10,042,606	\$9,719,931	\$9,652,710
12b	1-month true up adjustment	(\$831,017)	(\$1,707,678)	(\$2,199,026)	(\$1,217,017)	(\$1,234,075)	\$1,213,387	\$849,365	\$259,954	\$159,178
12c	E(m)= Ln 12a + Ln 12 b	\$8,902,043	\$8,235,739	\$7,738,689	\$9,017,558	\$9,044,154	\$11,424,446	\$10,891,971	\$9,979,885	\$9,811,888
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$60,940,515	\$61,036,219	\$61,369,693	\$62,741,205	\$63,362,180	\$63,567,835	\$63,744,918	\$63,286,351	\$63,323,375
14	CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	14.61%	13.49%	12.61%	14.37%	14.27%	17.97%	17.09%	15.77%	15.49%
15	BESF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	MESF	14.61%	13.49%	12.61%	14.37%	14.27%	17.97%	17.09%	15.77%	15.49%
17	Authorized Recovery Amount: Line 13 x Line 16	\$8,902,043	\$8,235,739	\$7,738,689	\$9,017,558	\$9,044,154	\$11,424,446	\$10,891,971	\$9,979,885	\$9,811,888
18	Environmental Surcharge Revenues Billed	\$12,806,499	\$11,101,069	\$9,452,756	\$8,972,764	\$7,804,171	\$8,194,789	\$11,164,492	\$10,732,793	\$9,968,962
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	(\$1,707,678)	(\$2,199,026)	(\$1,217,017)	(\$1,234,075)	\$1,213,387	\$849,365	\$259,954	\$159,178	\$10,923
20	Cumulative (Over)/Under	(\$1,707,678)	(\$3,906,704)	(\$5,123,721)	(\$6,357,796)	(\$5,144,409)	(\$4,295,044)	(\$4,035,090)	(\$3,875,912)	(\$3,864,989)





**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 2**

**RESPONSIBLE PARTY:**           **Isaac S. Scott**

**Request 2.**           This question is addressed to EKPC. For each of the 16 member distribution cooperatives, prepare a summary schedule showing the distribution cooperative's pass-through revenue requirement for the months corresponding with the two-year review. Include the two months subsequent to the billing period included in the applicable review period. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for the additional over- or under recovery.

**Response 2.**           Please see pages 2 through 17 of this response for the calculation of each Member Systems' cumulative over- or under-recovery for the last six-month period in the two-year review. The first three six-month periods that are part of this two-year review were examined by the Commission in Case Nos. 2012-00486 and 2013-00140. In those review cases the Commission found the respective over- or under-recoveries reasonable and authorized the Member Systems to amortize the respective over- or under-recovery over a six-month period. As stated in testimony in this proceeding and as approved by the Commission in Case No. 2012-00021, EKPC's Member Systems propose to amortize the cumulative over- or under-recovery over a six-month period.

**Big Sandy RECC - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 252,597	\$ 262,290	\$ (9,693)	\$ (9,697)
Feb-13	\$ 211,782	\$ 224,558	\$ (12,776)	\$ (22,473)
Mar-13	\$ 202,506	\$ 209,020	\$ (6,514)	\$ (28,987)
Apr-13	\$ 167,875	\$ 167,825	\$ 50	\$ (28,937)
May-13	\$ 164,640	\$ 163,272	\$ 1,368	\$ (27,569)
Jun-13	\$ 227,647	\$ 232,220	\$ (4,573)	\$ (32,142)
Jul-13	\$ 227,908	\$ 239,167	\$ (11,259)	\$ (43,401)
Aug-13	\$ 198,761	\$ 215,797	\$ (17,036)	\$ (60,437)

Cumulative 6-months (Over)/Under Recovery	\$ (32,142)
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Monthly Recovery (per month for six months)	\$ (5,357)
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<b>Blue Grass Energy - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 1,222,566	\$ 1,483,751	\$ (261,185)	\$ (261,189)
Feb-13	\$ 1,038,448	\$ 1,306,719	\$ (268,271)	\$ (529,461)
Mar-13	\$ 994,865	\$ 1,026,636	\$ (31,771)	\$ (561,232)
Apr-13	\$ 854,459	\$ 922,811	\$ (68,352)	\$ (629,584)
May-13	\$ 875,486	\$ 814,948	\$ 60,538	\$ (569,046)
Jun-13	\$ 1,218,100	\$ 899,137	\$ 318,963	\$ (250,083)
Jul-13	\$ 1,174,321	\$ 1,260,553	\$ (86,232)	\$ (336,316)
Aug-13	\$ 1,078,891	\$ 1,206,446	\$ (127,555)	\$ (463,870)

Cumulative 6-months (Over)/Under Recovery	\$ (250,083)
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Monthly Recovery (per month for six months)	\$ (41,681)
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**Clark Energy Coop - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 509,117	\$ 514,085	\$ (4,968)	\$ (4,968)
Feb-13	\$ 441,978	\$ 470,270	\$ (28,292)	\$ (33,260)
Mar-13	\$ 374,592	\$ 364,529	\$ 10,063	\$ (23,197)
Apr-13	\$ 355,186	\$ 332,878	\$ 22,308	\$ (889)
May-13	\$ 290,153	\$ 286,476	\$ 3,677	\$ 2,789
Jun-13	\$ 290,221	\$ 310,227	\$ (20,006)	\$ (17,217)
Jul-13	\$ 410,507	\$ 424,184	\$ (13,677)	\$ (30,894)
Aug-13	\$ 403,218	\$ 416,838	\$ (13,620)	\$ (44,514)

Cumulative 6-months (Over)/Under Recovery	\$ (17,217)
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Monthly Recovery (per month for six months)	\$ (2,869)
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<b>Cumberland Valley Electric - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 471,376	\$ 653,915	\$ (182,539)	\$ (182,539)
Feb-13	\$ 393,396	\$ 436,094	\$ (42,698)	\$ (225,237)
Mar-13	\$ 386,379	\$ 393,627	\$ (7,248)	\$ (232,486)
Apr-13	\$ 323,432	\$ 298,076	\$ 25,356	\$ (207,129)
May-13	\$ 319,521	\$ 317,959	\$ 1,562	\$ (205,567)
Jun-13	\$ 437,112	\$ 350,428	\$ 86,684	\$ (118,883)
Jul-13	\$ 416,024	\$ 436,855	\$ (20,831)	\$ (139,714)
Aug-13	\$ 382,917	\$ 416,273	\$ (33,356)	\$ (173,070)

Cumulative 6-months (Over)/Under Recovery	\$ (118,883)
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Monthly Recovery (per month for six months)	\$ (19,814)
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**Farmers RECC - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 455,755	\$ 561,505	\$ (105,750)	\$ (105,750)
Feb-13	\$ 385,984	\$ 479,207	\$ (93,223)	\$ (198,973)
Mar-13	\$ 364,919	\$ 390,765	\$ (25,846)	\$ (224,819)
Apr-13	\$ 320,079	\$ 319,422	\$ 657	\$ (224,162)
May-13	\$ 326,114	\$ 315,735	\$ 10,379	\$ (213,783)
Jun-13	\$ 499,391	\$ 345,934	\$ 153,457	\$ (60,326)
Jul-13	\$ 466,162	\$ 491,870	\$ (25,708)	\$ (86,033)
Aug-13	\$ 432,240	\$ 487,937	\$ (55,697)	\$ (141,730)

Cumulative 6-months (Over)/Under Recovery	\$ (60,326)
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Monthly Recovery (per month for six months)	\$ (10,054)
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Fleming-Mason - Calc of (Over)/Under - All Others

Fleming-Mason - Calc of (Over)/Under - Sch C + Spec Contracts				Fleming-Mason - Calc of (Over)/Under - All Others						
	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under	EKPC Invoice Month recorded on Member's Books	Billed to Retail Consumer & Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under	Fleming-Mason Total (Over)/Under	
Jan-13	470,890	470,890	0	0	421,500	548,427	(126,927)	(126,927)	(126,927)	
Feb-13	418,909	418,909	0	0	361,984	181,073	180,911	53,984	53,984	
Mar-13	357,791	357,791	0	0	338,635	271,508	67,127	121,111	121,111	
Apr-13	417,176	417,176	0	0	286,382	205,728	80,654	201,765	201,765	
May-13	465,198	465,198	0	0	277,833	325,138	(47,305)	154,460	154,460	
Jun-13	520,237	520,237	0	0	379,397	308,993	70,404	224,864	224,864	
Jul-13	471,434	471,434	0	0	376,583	492,872	(116,289)	108,575	108,575	
Aug-13	469,773	469,773	0	0	338,342	357,492	(19,150)	89,426	89,426	
Cumulative 6-months (Over)/Under Recovery				\$ -	Cumulative 6-months (Over)/Under Recovery				\$ 224,864	\$ 224,864
Monthly Recovery (per month for six months)				\$ -	Monthly Recovery (per month for six months)				\$ 37,477	\$ 37,477

<b>Grayson RECC - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 255,641	\$ 267,698	\$ (12,057)	\$ (12,057)
Feb-13	\$ 218,798	\$ 212,892	\$ 5,906	\$ (6,151)
Mar-13	\$ 206,664	\$ 177,584	\$ 29,080	\$ 22,929
Apr-13	\$ 174,900	\$ 158,740	\$ 16,160	\$ 39,089
May-13	\$ 175,775	\$ 188,114	\$ (12,339)	\$ 26,750
Jun-13	\$ 241,146	\$ 259,985	\$ (18,839)	\$ 7,911
Jul-13	\$ 241,843	\$ 234,962	\$ 6,881	\$ 14,792
Aug-13	\$ 211,525	\$ 218,956	\$ (7,431)	\$ 7,361

Cumulative 6-months (Over)/Under Recovery	\$ 7,911
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Monthly Recovery (per month for six months)	\$ 1,319
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<b>Inter-County ECC - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 524,638	\$ 569,706	\$ (45,068)	\$ (45,068)
Feb-13	\$ 462,359	\$ 471,224	\$ (8,865)	\$ (53,933)
Mar-13	\$ 394,389	\$ 386,761	\$ 7,628	\$ (46,305)
Apr-13	\$ 372,890	\$ 346,328	\$ 26,562	\$ (19,743)
May-13	\$ 291,750	\$ 282,734	\$ 9,016	\$ (10,727)
Jun-13	\$ 282,513	\$ 299,089	\$ (16,576)	\$ (27,303)
Jul-13	\$ 402,857	\$ 409,993	\$ (7,136)	\$ (34,439)
Aug-13	\$ 392,801	\$ 394,959	\$ (2,158)	\$ (36,597)

Cumulative 6-months (Over)/Under Recovery	\$ (27,303)
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Monthly Recovery (per month for six months)	\$ (4,551)
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**Jackson Energy Coop - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 932,727	\$ 980,633	\$ (47,906)	\$ (47,906)
Feb-13	\$ 780,847	\$ 796,964	\$ (16,117)	\$ (64,023)
Mar-13	\$ 757,949	\$ 651,964	\$ 105,985	\$ 41,962
Apr-13	\$ 604,668	\$ 568,681	\$ 35,987	\$ 77,949
May-13	\$ 593,945	\$ 597,950	\$ (4,005)	\$ 73,945
Jun-13	\$ 824,323	\$ 848,901	\$ (24,578)	\$ 49,366
Jul-13	\$ 799,784	\$ 839,984	\$ (40,200)	\$ 9,166
Aug-13	\$ 732,359	\$ 667,712	\$ 64,647	\$ 73,813

Cumulative 6-months (Over)/Under Recovery	\$ 49,366
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Monthly Recovery (per month for six months)	\$ 8,228
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**Licking Valley RECC - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 261,392	\$ 281,271	\$ (19,879)	\$ (19,879)
Feb-13	\$ 220,474	\$ 217,823	\$ 2,651	\$ (17,227)
Mar-13	\$ 211,292	\$ 194,973	\$ 16,319	\$ (908)
Apr-13	\$ 179,972	\$ 169,140	\$ 10,832	\$ 9,924
May-13	\$ 175,702	\$ 176,842	\$ (1,140)	\$ 8,784
Jun-13	\$ 239,788	\$ 249,273	\$ (9,485)	\$ (701)
Jul-13	\$ 241,896	\$ 256,289	\$ (14,393)	\$ (15,094)
Aug-13	\$ 212,327	\$ 211,666	\$ 661	\$ (14,433)

Cumulative 6-months (Over)/Under Recovery	\$ (701)
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Monthly Recovery (per month for six months)	\$ (117)
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<b>Nolin RECC - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 704,094	\$ 743,319	\$ (39,225)	\$ (39,225)
Feb-13	\$ 601,885	\$ 594,290	\$ 7,595	\$ (31,630)
Mar-13	\$ 569,781	\$ 541,782	\$ 27,999	\$ (3,632)
Apr-13	\$ 491,579	\$ 497,129	\$ (5,550)	\$ (9,181)
May-13	\$ 516,052	\$ 510,210	\$ 5,842	\$ (3,340)
Jun-13	\$ 712,587	\$ 723,823	\$ (11,236)	\$ (14,575)
Jul-13	\$ 684,372	\$ 716,736	\$ (32,364)	\$ (46,939)
Aug-13	\$ 647,268	\$ 708,841	\$ (61,573)	\$ (108,512)

Cumulative 6-months (Over)/Under Recovery	\$ (14,575)
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Monthly Recovery (per month for six months)	\$ (2,429)
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Owen Electric Cooperative - Calculation of (Over)/Under - Gallatin					
Gallatin Bill					
Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)	Owen Total (Over)/Under
Jan-13	\$ 532,128	\$ 532,128	\$ -	\$ -	\$ (195,905)
Feb-13	\$ 455,694	\$ 455,694	\$ -	\$ -	\$ (312,036)
Mar-13	\$ 444,336	\$ 444,336	\$ -	\$ -	\$ (261,609)
Apr-13	\$ 419,659	\$ 419,659	\$ -	\$ -	\$ (207,077)
May-13	\$ 583,221	\$ 583,221	\$ -	\$ -	\$ (173,013)
Jun-13	\$ 682,184	\$ 682,184	\$ -	\$ -	\$ (117,550)
Jul-13	\$ 594,450	\$ 594,450	\$ -	\$ -	\$ (240,634)
Aug-13	\$ 582,148	\$ 582,148	\$ -	\$ -	\$ (223,257)
Cumulative 6-months (Over)/Under Recovery					\$ -
Monthly Recovery (per month for six months)					\$ -

Owen Electric Cooperative - Calculation of (Over)/Under - Sch B					
Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)	Owen Total (Over)/Under
Jan-13	\$ 141,691	\$ 166,610	\$ (24,919)	\$ (24,919)	\$ (170,893)
Feb-13	\$ 120,080	\$ 141,691	\$ (21,611)	\$ (46,530)	\$ (170,893)
Mar-13	\$ 120,309	\$ 124,363	\$ (4,054)	\$ (50,584)	\$ (170,893)
Apr-13	\$ 143,519	\$ 120,309	\$ 23,210	\$ (27,374)	\$ (170,893)
May-13	\$ 158,219	\$ 143,519	\$ 14,700	\$ (12,674)	\$ (170,893)
Jun-13	\$ 183,585	\$ 341,804	\$ (158,219)	\$ (170,893)	\$ (170,893)
Jul-13	\$ 176,165	\$ 176,165	\$ -	\$ (170,893)	\$ (170,893)
Aug-13	\$ 153,813	\$ 153,813	\$ -	\$ (170,893)	\$ (170,893)
Cumulative 6-months (Over)/Under Recovery					\$ (170,893)
Monthly Recovery (per month for six months)					\$ (28,482)

Owen Electric Cooperative - Calculation of (Over)/Under - All Others					
Mo/Yr	EKPC Invoice Month recorded on Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)	Owen Total (Over)/Under
Jan-13	\$ 948,196	\$ 1,119,182	\$ (170,986)	\$ (170,986)	\$ (195,905)
Feb-13	\$ 819,198	\$ 913,717	\$ (94,519)	\$ (265,506)	\$ (312,036)
Mar-13	\$ 754,889	\$ 700,419	\$ 54,480	\$ (211,025)	\$ (261,609)
Apr-13	\$ 673,629	\$ 642,307	\$ 31,322	\$ (179,703)	\$ (207,077)
May-13	\$ 735,672	\$ 716,308	\$ 19,364	\$ (160,339)	\$ (173,013)
Jun-13	\$ 1,026,702	\$ 813,021	\$ 213,681	\$ 53,343	\$ (117,550)
Jul-13	\$ 1,030,973	\$ 1,154,057	\$ (123,084)	\$ (69,741)	\$ (240,634)
Aug-13	\$ 957,832	\$ 940,554	\$ 17,378	\$ (52,364)	\$ (223,257)
Cumulative 6-months (Over)/Under Recovery					\$ 53,343
Monthly Recovery (per month for six months)					\$ 8,890

<b>Salt River RECC - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 992,980	\$ 1,331,363	\$ (338,383)	\$ (338,383)
Feb-13	\$ 838,638	\$ 983,020	\$ (144,382)	\$ (482,765)
Mar-13	\$ 794,292	\$ 815,757	\$ (21,465)	\$ (504,230)
Apr-13	\$ 707,371	\$ 647,526	\$ 59,845	\$ (444,384)
May-13	\$ 786,461	\$ 741,107	\$ 45,354	\$ (399,030)
Jun-13	\$ 1,124,715	\$ 889,283	\$ 235,432	\$ (163,599)
Jul-13	\$ 1,073,045	\$ 1,207,070	\$ (134,025)	\$ (297,624)
Aug-13	\$ 1,017,925	\$ 1,120,703	\$ (102,778)	\$ (400,402)

Cumulative 6-months (Over)/Under Recovery	\$ (163,599)
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Monthly Recovery (per month for six months)	\$ (27,266)
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<b>Shelby Energy Coop - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 411,872	\$ 473,496	\$ (61,624)	\$ (61,624)
Feb-13	\$ 353,146	\$ 399,395	\$ (46,249)	\$ (107,874)
Mar-13	\$ 332,335	\$ 350,243	\$ (17,908)	\$ (125,781)
Apr-13	\$ 308,181	\$ 299,025	\$ 9,156	\$ (116,625)
May-13	\$ 317,210	\$ 303,353	\$ 13,857	\$ (102,768)
Jun-13	\$ 432,194	\$ 399,054	\$ 33,140	\$ (69,628)
Jul-13	\$ 407,660	\$ 450,714	\$ (43,054)	\$ (112,682)
Aug-13	\$ 387,875	\$ 384,038	\$ 3,837	\$ (108,846)

Cumulative 6-months (Over)/Under Recovery	\$ (69,628)
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Monthly Recovery (per month for six months)	\$ (11,605)
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<b>South Kentucky RECC - Calculation of (Over)/Under</b>
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	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 1,269,258	\$ 1,589,913	\$ (320,655)	\$ (320,655)
Feb-13	\$ 1,078,259	\$ 1,329,661	\$ (251,402)	\$ (572,057)
Mar-13	\$ 1,037,739	\$ 1,047,048	\$ (9,309)	\$ (581,366)
Apr-13	\$ 841,539	\$ 919,482	\$ (77,943)	\$ (659,309)
May-13	\$ 836,616	\$ 812,306	\$ 24,310	\$ (634,999)
Jun-13	\$ 1,156,480	\$ 882,245	\$ 274,235	\$ (360,764)
Jul-13	\$ 1,121,811	\$ 1,216,380	\$ (94,569)	\$ (455,333)
Aug-13	\$ 1,041,807	\$ 1,170,195	\$ (128,388)	\$ (583,721)

Cumulative 6-months (Over)/Under Recovery	\$ (360,764)
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Monthly Recovery (per month for six months)	\$ (60,127)
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**Taylor County RECC - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-13	\$ 524,411	\$ 521,366	\$ 3,045	\$ 3,045
Feb-13	\$ 452,069	\$ 475,905	\$ (23,836)	\$ (20,791)
Mar-13	\$ 386,253	\$ 375,561	\$ 10,692	\$ (10,099)
Apr-13	\$ 369,997	\$ 383,250	\$ (13,253)	\$ (23,352)
May-13	\$ 307,848	\$ 318,559	\$ (10,711)	\$ (34,063)
Jun-13	\$ 314,390	\$ 323,333	\$ (8,943)	\$ (43,006)
Jul-13	\$ 450,006	\$ 463,697	\$ (13,691)	\$ (56,697)
Aug-13	\$ 432,343	\$ 459,754	\$ (27,411)	\$ (84,108)

Cumulative 6-months (Over)/Under Recovery	\$ (43,006)
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Monthly Recovery (per month for six months)	\$ (7,168)
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**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 3**

**RESPONSIBLE PARTY:** Ernest W. Huff

**Request 3a.** This question is addressed to EKPC. For Refer to Form 2.3, Inventory and Expense of Emission Allowances, for each of the expense months covered by the applicable billing period.

- (a) For the sulfur dioxide ("SO<sub>2</sub>") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
- (b) For the nitrogen oxide ("NO<sub>x</sub>") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
- (c) Explain how the purchases of allowances in the expense months covered by the applicable billing periods comply with EKPC's emissions allowance strategy plan.

**Response 3a-c.** (a) No purchases were made during the period of July 1, 2011, through June 30, 2013. SO<sub>2</sub> allowances in the amount of 39,390 are recorded each January, which are allocated to EKPC by EPA for use in covering its actual emissions. In addition to this allocation, for the years of 2012, 2013, and 2014, EKPC transfers 1,000 additional allowances from future years to the current year to reflect later vintage years of prior purchases that become useable in the current year. The total of these two quantities, recorded from 2012 through 2014, is 40,390

allowances. Under the Clean Air Interstate Rule trading program, each Title IV SO<sub>2</sub> allowance issued for 2010 through 2014 will be used for compliance at a two-to-one ratio and authorize ½ ton of SO<sub>2</sub> emissions. EKPC records its amounts in equivalent tons of emissions, thereby, reducing the amount recorded each January from 40,390 allowances to 20,195 equivalent tons of emissions.

(b) No purchases of NO<sub>x</sub> allowances were made during the period of July 1, 2011, through June 30, 2013. NO<sub>x</sub> allowances totaling 11,725 are allocated to EKPC by EPA each year and these are recorded in January of each year.

(c) EKPC monitors the number of tons of SO<sub>2</sub> and NO<sub>x</sub> emitted from its generating stations. Based on these measured emissions, the projected generation, and allowances allocated to EKPC by EPA, EKPC projects the number of SO<sub>2</sub> and NO<sub>x</sub> allowances that will be needed to be held at the end of each year in order to comply with state and federal emissions limitations. In general, EKPC endeavors to purchase emission allowances in a planned cost-effective manner, utilizing dollar-cost-averaging, to hold in inventory a sufficient number of allowances to cover anticipated utilization of SO<sub>2</sub> and NO<sub>x</sub> allowances. Beginning in 2009, the Clean Air Interstate Rules (CAIR) have requirements for seasonal as well as annual NO<sub>x</sub> allowances. Final rules for the Clean Air Transport Rules (CATR), later recognized as Cross State Air Pollution Rule (CSAPR), had an effective compliance date of January 1, 2012, which has been delayed indefinitely since the D.C. Circuit Court remanded the rule back to EPA for revision or replacement and is set to rehear the case later this year. Since it is unknown whether any allowance banks (inventory) will be allowed to carry forward into a new program, EKPC has modified its purchasing strategy in the short term to reduce its allowance inventory as much as possible until new rules are in place.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 4**

**RESPONSIBLE PARTY:**            **Isaac S. Scott**

**Request 4.**            This question is addressed to EKPC. Refer to Form 2.5, Operating and Maintenance Expenses, for the December 2012 to May 2013 expense months. For each of the expense-account numbers listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

**Response 4.**            Please see pages 2 through 12 of this response.

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period January - June 2013

501010 - SP03	Fuel Coal Gilbert	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 105,480	\$ 110,262	\$ 135,789	\$ 37,738	\$ 185,284	\$ 93,887	\$ 94,798
	Expense Dollars Change	\$	\$ 4,782	\$ 25,527	\$ (98,050)	\$ 147,546	\$ (91,397)	\$ 912
	Percent Change		4.53%	23.15%	-72.21%	390.97%	-49.33%	0.97%

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

501010 - SP04	Fuel Coal Spurlock 4	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 128,934	\$ 114,765	\$ 130,464	\$ 107,409	\$ 88,019	\$ -	\$ 125,663
	Expense Dollars Change	\$	\$ (14,169)	\$ 15,699	\$ (23,055)	\$ (19,390)	\$ (88,019)	\$ 125,663
	Percent Change		-10.99%	13.68%	-17.67%	-18.05%	-100.00%	100.00%

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

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 16,731	\$ 24,465	\$ 21,110	\$ 19,639	\$ 21,559	\$ 14,506	\$ 17,380
	Expense Dollars Change	\$	\$ 7,734	\$ (3,355)	\$ (1,471)	\$ 1,920	\$ (7,053)	\$ 2,874
	Percent Change		46.23%	-13.71%	-6.97%	9.78%	-32.71%	19.81%

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

512000 - CPxx	Mtc of Cooper (Unit 2 AQCS)	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 23,213	\$ 46,695	\$ 31,184	\$ 14,427	\$ 44,785	\$ 153,599	\$ 18,633
	Expense Dollars Change	\$	\$ 23,482	\$ (15,511)	\$ (16,757)	\$ 30,358	\$ 108,814	\$ (134,966)
	Percent Change		101.16%	-33.22%	-53.74%	210.43%	242.97%	-87.87%

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

512000 - SP01	Mtce of Boiler Plant Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 11,422	\$ 4,956	\$ 7,954	\$ 25,134	\$ 46,288	\$ 81,258	\$ 297,498
	Expense Dollars Change	\$	\$ (6,466)	\$ 2,998	\$ 17,180	\$ 21,154	\$ 34,970	\$ 216,240
	Percent Change		-56.61%	60.49%	215.99%	84.16%	75.55%	266.12%

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

January - Project 03330 - Increase in Contractor payments of \$1.3K and an Increase in EKPC payroll and benefits of \$1.1K.

Project 03501 - Decrease in Contractor expenses of \$8.0K and a Decrease in EKPC payroll and benefits of \$1.0K.

February - Project 03330 - Decrease in Contractor expenses of \$1.8K and an Increase in EKPC payroll and benefits of \$3.0K.

Project 03501 - Increase in Contractor expenses of \$1.7K and a Increase in EKPC payroll and benefits of \$0.1K.

**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

March - Project 03330 - Increase in Contractor expenses of \$1.3K and a Decrease in EKPC payroll and benefits of \$4.1K.  
 Project 03501 - Increase in Contractor expenses of \$16.2K and an Increase in EKPC payroll and benefits of \$1.1K.  
 Vacuum and Hydro-Blast Cleaning  
 Labor to erect and dismantle scaffolding for Ash Line Stock  
 Adjustment to accruals to match actual resulted in an Increase of \$2.7K.

April - Project 03330 - Decrease in Contractor expenses of \$1.1K, Increase in Materials of \$19.8K and a Decrease in EKPC payroll and benefits of \$1.5K.  
 Material: Insulator, Support  
 Project 03501 - Decrease in Contractor expenses of \$6.6K, Increase in Materials of \$0.2K and an Increase in EKPC payroll and benefits of \$14.5K.  
 Adjustment to accruals to match actual resulted in a Decrease of \$4.1K.

May - Project 03330 - Increase in Contractor expenses of \$14.4K, Decrease in Materials of \$14.4K and an Increase in EKPC payroll and benefits of \$0.2K.  
 Rent, erect and disassemble scaffolding  
 Material: Insulator, Support  
 Project 03501 - Increase in Contractor expenses of \$44.0K, Increase in Materials of \$0.1K and a Decrease in EKPC payroll and benefits of \$13.8K.  
 Supervision, labor and equipment for vacuum and Hydro-Blast Services  
 Adjustment to accruals to match actual resulted in an Increase of \$4.5K.

June - Project 03330 - Increase in Contractor payments of \$240.3K, Decrease in Materials of \$6.6K and an Increase in EKPC payroll and benefits of \$2.3K.  
 Material and labor for precipitator repair  
 Project 03501 - Decrease in Contractor payments of \$18.6K, Decrease in Materials of \$0.1K and an Increase in EKPC payroll and benefits of \$1.9K.  
 AIG Tuning and Air Heater Leakage Test  
 Adjustment to accruals to match actual resulted in a Decrease of \$3.0K.

512000 - SP02	Mtce of Boiler Plant Spurlock 2	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 47,142	\$ 11,137	\$ 19,769	\$ 7,367	\$ (4,771)	\$ 7,058	\$ 18,224
	Expense Dollars Change		\$ (36,005)	\$ 8,632	\$ (12,402)	\$ (12,138)	\$ 11,829	\$ 11,166
	Percent Change		-76.38%	77.51%	-62.73%	-164.76%	-247.94%	158.20%

Project 03501 is for Spurlock 2 SCR maintenance.

January - Project 03501 - Decrease in Contractor expenses of \$38.7K, Increase in Materials of \$1.5K and a Decrease in EKPC payroll and benefits of \$4.3K.  
 Vacuum and Hydro-Blast Cleaning  
 Delusion Air Skid B Fan Dismantle and Clean  
 Adjustment to accruals to match actual resulted in an Increase of \$5.5K.

February - Project 03501 - Increase in Contractor expenses of \$0.1K, Increase in Materials of \$11.0K and an Increase in EKPC payroll and benefits of \$3.1K.  
 Material: Core Field Heater Kit  
 Adjustment to accruals to match actual resulted in a Decrease of \$5.5K.

March - Project 03501 - Decrease in Contractor expenses of \$3.2K, Decrease in Materials of \$12.5K and a Decrease in EKPC payroll and benefits of \$3.8K.  
 Material: Core Field Heater Kit  
 Adjustment to accruals to match actual resulted in an Increase of \$7.1K.



**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

April - Project 03501 - Decrease in Contractor expenses of \$0.1K and an Increase in EKPC payroll and benefits of \$1.2K.  
Adjustment to accruals to match actual resulted in a Decrease of \$13.2K.

May - Project 03501 - Decrease in EKPC payroll and benefits of \$0.7K.  
Adjustment to accruals to match actual resulted in an Increase of \$12.5K.

June - Project 03501 - Increase in Contractor payments of \$16.6K and a Decrease in EKPC payroll and benefits of \$0.2K.  
Adjustment to accruals to match actual resulted in a Decrease of \$5.2K.

512000 - SP03	Maintenance of Boiler Plant Gilbert	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	424,883	210,448	137,056	1,848,179	758,250	146,290	147,394
	Expense Dollars Change		(214,435)	(73,392)	1,711,123	(1,089,929)	(611,960)	1,104
	Percent Change		-50.47%	-34.87%	1248.48%	-58.97%	-80.71%	0.75%

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

January - Project 03206 - Decrease in Contractor expenses of \$2.5K, Increase in Materials of \$23.5K and an Increase in EKPC payroll and benefits of \$18.4K.  
Labor, materials and equipment for refractory repairs

Rent, erect and disassemble scaffolding  
Vacuum and Hydro-blast Cleaning boilers  
Material: Bag, Filter and Filter Elements

Project 03350 - Decrease in Contractor expenses of \$371.0K, Decrease in Materials of \$0.1K and an Increase in EKPC payroll and benefits of \$5.1K  
Rent, erect and disassemble scaffolding  
Vacuum Services for Baghouse  
Materials and labor to insulate  
Adjustment to accruals to match actual resulted in an Increase of \$112.2K.

February - Project 03206 - Increase in Contractor expenses of \$20.8K, Increase in Materials of \$11.4K and a Decrease in EKPC payroll and benefits of \$22.7K  
Labor, materials and equipment for bag changeouts

Rent, erect and disassemble scaffolding

Project 03350 - Increase in Contractor expenses of \$4.9K, Increase in Materials of \$23.1K and an Increase in EKPC payroll and benefits of \$1.1K  
Material: Disc Assembly, Mixer Paddle, Ellips 9 Disc Set and Valve, Optipow 110V, 60Hz  
Adjustment to accruals to match actual resulted in a Decrease of \$111.9K.

March - Project 03206 - Increase in Contractor expenses of \$1,176.9K, Increase in Materials of \$97.5K and an Increase in EKPC payroll and benefits of \$76.2K  
Membrane Kits

Material and labor to Rebuild and Test Blower on line 3

Material and labor to Rebuild Blower on line 2

Material and labor to repair Blower bearings, seals and resurface shaft

Rental, erect and disassemble scaffolding

Material: Plow Support with fittings and plows, Ceramic Paddle Kit 11" Lg, 2-1/2" Vent Valve with air cylinder

Project 03350 - Increase in Contractor expenses of \$279.2K, Increase in Materials of \$45.7K and an Increase in EKPC payroll and benefits of \$15.0K.  
Vacuum and Hydro-blast Cleaning baghouse  
Material: Disc Assembly, Mixer Paddle, Ellips 9 Disc Set  
Adjustment to accruals to match actual resulted in an Increase of \$20.7K.

**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

April - Project 03206 - Decrease in Contractor expenses of \$794.2K, Decrease in Materials of \$98.8K and a Decrease in EKPC payroll and benefits of \$69.6K  
 Vacuum Services for Boiler and Baghouse  
 Material: Plow Support with fittings and plows, Ceramic Paddle Kit 11" Lg, 2-1/2" Vent Valve with air cylinder  
 Project 03350 - Decrease in Contractor expenses of \$20.0K, Decrease in Materials of \$68.1K and a Decrease in EKPC payroll and benefits of \$18.2K  
 Vacuum and Hydro-blast Cleaning baghouse  
 Material: Disc Assembly, Mixer Paddle, Ellips 9 Disc Set  
 Adjustment to accruals to match actual resulted in a Decrease of \$21.1K.

May - Project 03206 - Decrease in Contractor expenses of \$291.9K, Decrease in Materials of \$35.2K and a Decrease in EKPC payroll and benefits of \$0.3K  
 Labor and Material to Repack Joints  
 Rent, erect and disassemble scaffolding  
 Material: Seal Disc 8" (TE Gate Valve)

Project 03350 - Decrease in Contractor expenses of \$286.6K, Increase in Materials of \$1.0K and a Decrease in EKPC payroll and benefits of \$1.4K  
 Vacuum and Hydro-blast Cleaning baghouse  
 Adjustment to accruals to match actual resulted in an Increase of \$2.4K.

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	132,841	133,526	67,260	792,643	(603,219)	110,358	52,112
	Expense Dollars Change		685	(66,266)	725,383	(1,395,862)	713,577	(58,246)
	Percent Change		0.52%	-49.63%	1078.48%	-176.10%	-118.29%	-52.78%

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

February - Project 03206 - Increase in Contractor expenses of \$14.7K, Decrease in Materials of \$8.0K and an Increase in EKPC payroll and benefits of \$2.0K.  
 Rent, erect and disassemble scaffolding  
 Project 03350 - Decrease in Contractor expenses of \$0.3K, Increase in Materials of \$4.7K and a Decrease in EKPC payroll and benefits of \$1.8K  
 Adjustment to accruals to match actual resulted in a Decrease of \$77.6K.

March - Project 03206 - Increase in Contractor expenses of \$676.9K, Increase in Materials of \$7.3K and a Decrease in EKPC payroll and benefits of \$2.8K  
 Rent, erect and disassemble scaffolding  
 LS3 and LS4 Surge Bin Cone Liner  
 Material and labor to install Rod End Bearings  
 Labor to inspect Airheater  
 Vacuum Services for Boiler  
 Project 03350 - Increase in Contractor expenses of \$25.7K, Decrease in Materials of \$6.1K and an Increase in EKPC payroll and benefits of \$6.4K  
 Vacuum and Hydro-blast cleaning baghouse  
 Dilution Air Flow Meter Repair  
 Adjustment to accrual to match actual resulted in an Increase of \$18.1K.

April - Project 03206 - Decrease in Contractor expenses of \$1,357.8K, Decrease in Materials of \$3.7K and an Increase in EKPC payroll and benefits of \$3.6K  
 Reducer 150:1 Worm Gear Drive  
 Rent, erect and disassemble scaffolding

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period January - June 2013

Material: Seal wear rings, Oil shaft seal and Upper bearing shim set  
 Project 03350 - Decrease in Contractor expenses of \$27.8K, Increase in Materials of \$30.7K and a Decrease in EKPC payroll and benefits of \$0.2K  
 Vacuum and Hydro-blast cleaning baghouse  
 Material: Membrane Filter Bags, Butterfly Lugged Valve  
 Adjustment to accrual to match actual resulted in a Decrease of \$40.7K.

May - Project 03206 - Increase in Contractor expenses of \$654.4K, Increase in Materials of \$26.2K and an Increase in EKPC payroll and benefits of \$13.5K  
 Accrue Unmatched PO Receipts \$652.9  
 Material: Shaft Assembly Plug 17"  
 Project 03350 - Increase in Contractor expenses of \$20.4K, Decrease in Materials of \$19.5K and a Decrease in EKPC payroll and benefits of \$6.0K  
 Rent, erect and disassemble scaffolding  
 Vacuum and Hydro-blast cleaning baghouse  
 Material: 2- Vent Valves 2-1/2"  
 Adjustment to accrual to match actual resulted in an Increase of \$24.7K.

June - Project 03206 - Increase in Contractor expenses of \$9.0K, Decrease in Materials of \$16.6K and a Decrease in EKPC payroll and benefits of \$17.3K  
 Material: 4 - Filter Elements  
 Project 03350 - Decrease in Contractor expenses of \$14.7K, Decrease in Materials of \$14.2K and a Decrease in EKPC payroll and benefits of \$2.5K  
 Bearing Adapter  
 Rent, erect and disassemble scaffolding  
 Adjustment to accrual to match actual resulted in a Decrease of \$1.8K.

512000 - SP21	Mtce of Boiler Plant Scrubber 1	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 65,125	\$ 84,069	\$ 63,101	\$ 41,782	\$ 193,593	\$ 165,530	\$ 9,959
	Expense Dollars Change		\$ 18,944	\$ (20,968)	\$ (21,319)	\$ 151,811	\$ (28,063)	\$ (155,571)
	Percent Change		29.09%	-24.94%	-33.79%	363.34%	-14.50%	-93.98%

January - Decrease in Contractor expenses of \$17.5K, Increase in Materials of \$1.0K and a Decrease in EKPC payroll and benefits of \$5.7K.  
 Rental, Erect and Disassembly of Scaffolding  
 Labor and material to waterblast unit #1 scrubber ABS (absorbers)  
 Labor to remove expansion joints  
 Material: Wingjet agitator impeller, throat bushings  
 Adjustment to accrual to match actual resulted in an Increase of \$41.1K.

February - Increase in Contractor expenses of \$11.0K, Increase in Materials of \$1.0K and an Increase in EKPC payroll and benefits of \$7.4K  
 Adjustment to accrual to match actual resulted in a Decrease of \$40.3K.

March - Increase in Contractor expenses of \$32.5K, Decrease in Materials of \$53.5K and a Decrease in EKPC payroll and benefits of \$2.9K  
 Actuator, Electric Motor  
 DPharp Gauge Pressure Transmit

**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

Flowservice Mechanical Seal  
Material: Single Cartridge Mechanical Pump Seal returned to inventory  
Adjustment to accrual to match actual resulted in an Increase of \$2.6K.

April - Decrease in Contractor expenses of \$16.0K, Increase in Materials of \$156.9K and an Increase in EKPC payroll and benefits of \$19.7K  
Rental, Erect and Disassembly of Scaffolding  
Material: Wingjet Agitator Impeller, Mechanical Seal 3/8", Metric Bearing Assembly  
Adjustment to accrual to match actual resulted in a Decrease of \$8.8K.

May - Increase in Contractor expenses of \$76.6K, Decrease in Materials of \$101.6K and a Decrease in EKPC payroll and benefits of \$12.0K  
Rental, Erect and Disassembly of Scaffolding  
Hydro-Blast and Vacuum Services  
Material: Mechanical Seal 3/8", Metric Bearing Assembly (Returned to inventory)  
Adjustment to accrual to match actual resulted in an Increase of \$8.8K.

June - Decrease in Contractor expenses of \$91.5K, Decrease in Materials of \$75.2K and an Increase in EKPC payroll and benefits of \$14.7K  
Rental, Erect and Disassembly of Scaffolding  
Material and Labor to repair and coat impeller, wingjet and agitator  
Material: Wingjet Agitator Impeller (Returned to inventory), Throat Bushing  
Adjustment to accrual to match actual resulted in a Decrease of \$3.6K.

512000 - SP22	Mfce of Boiler Plant Scrubber 2	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ (95,612)	\$ 363,870	\$ 134,828	\$ 197,174	\$ 106,417	\$ 279,358	\$ 69,337
	Expense Dollars Change		\$ 459,482	\$ (229,042)	\$ 62,346	\$ (90,757)	\$ 172,941	\$ (210,021)
	Percent Change		-480.57%	-62.95%	46.24%	-46.03%	162.51%	-75.18%

January - Increase in Contractor expenses of \$102.4K, Increase in Materials of \$4.9K and an Increase in EKPC payroll and benefits of \$15.6K  
Rental, erect and disassemble of scaffolding  
Vibration Monitoring Services  
Adjustment to accrual to match actual resulted in an Increase of \$336.6K.

February - Increase in Contractor expenses of \$97.8K, Decrease in Materials of \$3.2K and an Increase in EKPC payroll and benefits of \$11.5K  
Rental, erect and disassemble of scaffolding  
Fan Impeller  
Vibration monitoring services  
Repair Mechanical Seal  
Material and labor to install conduit and wiring  
Adjustment to accrual to match actual resulted in a Decrease of \$335.1K.

March - Increase in Contractor expenses of \$40.9K, Decrease in Materials of \$0.4K and an Increase in EKPC payroll and benefits of \$5.2K  
Rental, erect and disassemble of scaffolding

**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

Repair Lightning Mixer Model 50  
Inspect unit 2 scrubber wesp  
Material and labor to install conduit and wiring  
Vibration monitoring services  
Adjustment to accrual to match actual resulted in an increase of \$16.6K.

April - Decrease in Contractor expenses of \$20.7K, Decrease in Materials of \$17.9K and a Decrease in EKPC payroll and benefits of \$24.5K  
Rental, erect and disassemble of scaffolding  
Fabricate 60' of Bottom Guide  
Cooling Fan Flange Motor  
Vibration monitoring services  
Material: Throat Bushing (Returned to Inventory)  
Adjustment to accrual to match actual resulted in a Decrease of \$27.7K.

May - Increase in Contractor expenses of \$139.1K, Increase in Materials of \$20.7K and a Decrease in EKPC payroll and benefits of \$3.6K  
Vibration monitoring services  
Repair Lightning Mixer Model 50  
Material and labor to repair Actuator Valve  
Rental, erect and disassemble of scaffolding  
Material: 2- Single Cartridge Mechanical Seals and 4- Actuators  
Adjustment to accrual to match actual resulted in an Increase of \$16.7K.

June - Decrease in Contractor expenses of \$218.1K, Increase in Materials of \$16.0K and a Decrease in EKPC payroll and benefits of \$3.8K  
Vibration monitoring services  
Rental, erect and disassemble of scaffolding  
Adjustment to accrual to match actual resulted in a Decrease of \$4.1K.

**Air Permit Fees**

		Dec	Jan	Feb	Mar	Apr	May	Jun
<b>50621</b>	<b>Misc Stm Pwr Env - Dale</b>							
	Expense Dollars	\$ 281,095	\$ -	\$ -	\$ -	\$ -	\$ 9,135	\$ 24,038
	Expense Dollars Change		\$ (281,095)	\$ -	\$ -	\$ -	\$ 9,135	\$ 14,903
	Percent Change		-100.00%					
<b>50631</b>	<b>Misc Stm Pwr Env - Cooper</b>							
	Expense Dollars	\$ 405,870	\$ -	\$ -	\$ 16,400	\$ (1,066)	\$ 12,934	\$ (11,174)
	Expense Dollars Change		\$ (405,870)	\$ -	\$ 16,400	\$ (17,466)	\$ 14,000	\$ (24,108)
	Percent Change		-100.00%					
<b>50645</b>	<b>Misc Stm Pwr Env - Spurlock</b>							
	Expense Dollars	\$ 429,514	\$ 36	\$ 31,102	\$ (31,102)	\$ 61,794	\$ 136,710	\$ (92,754)
	Expense Dollars Change		\$ (429,478)	\$ 31,066	\$ (62,204)	\$ 92,896	\$ 74,916	\$ (229,464)
	Percent Change		-100.00%					

Air permit fees paid in December for Dale, Cooper and Spurlock for calendar 2012 emissions.

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period January - June 2013

Operating Expense- Ammonia

506001 - CPxx	Misc Stm Pwr Exp - Cooper	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 84,361	\$ 71,048	\$ 45,431	\$ 93,315	\$ 49,283	\$ 22,786	\$ 13,568
	Expense Dollars Change		\$ (13,313)	\$ (25,617)	\$ 47,884	\$ (44,032)	\$ (26,497)	\$ (9,218)
	Percent Change		-15.78%	-36.06%	105.40%	-47.19%	-53.77%	-40.45%

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

Operating Expense- Ammonia

506001 - CP22	Misc Stm Pwr Exp - Cooper Unit #2 AQCS	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 196,931	\$ 330,024	\$ 246,978	\$ 298,412	\$ 1,557,141	\$ 90,206	\$ 76,434
	Expense Dollars Change		\$ 133,093	\$ (83,047)	\$ 51,435	\$ 1,258,729	\$ (1,466,935)	\$ (13,772)
	Percent Change		67.58%	-25.16%	20.83%	421.81%	-94.21%	-15.27%

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

Operating Expense- Ammonia

506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 96,087	\$ 192,608	\$ 89,310	\$ 167,720	\$ 5,548	\$ 77,788	\$ 115,804
	Expense Dollars Change		\$ 96,521	\$ (103,298)	\$ 78,410	\$ (162,172)	\$ 72,240	\$ 38,017
	Percent Change		100.45%	-53.63%	87.80%	-96.69%	1302.08%	48.87%

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

Operating Expense- Ammonia

506001 - SP02	Misc Steam Power Exp - Spurlock 2	Dec	Jan	Feb	Mar	Apr	May	Jun
	Expense Dollars	\$ 97,221	\$ 32,720	\$ -	\$ (1)	\$ 2	\$ (1)	\$ (0)
	Expense Dollars Change		\$ (64,501)	\$ (32,720)	\$ (1)	\$ 3	\$ (3)	\$ 0
	Percent Change		-66.34%	-100.00%	#DIV/0!	-377.78%	-126.00%	-61.54%

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

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period January - June 2013

Operating Expense- Ammonia and Limestone

506001 - SP03	Misc Steam Power Expense- Gilbert	Dec	Jan	Feb	Mar	Apr	May	Jun
	Ammonia Expense	\$ (214,755)	\$ 381,248	\$ 55,461	\$ 93,159	\$ 293,928	\$ 49,922	\$ (168,235)
	Limestone Expense	\$ 267,170	\$ 341,461	\$ 311,643	\$ 15,669	\$ 315,542	\$ 330,494	\$ 223,910
	Limestone Tons Used	22,686	28,671	25,912	1,301	26,138	27,416	18,674
	Total Expense Dollars	\$ 52,415	\$ 722,709	\$ 367,105	\$ 108,828	\$ 609,470	\$ 380,416	\$ 55,675
	Expense Dollars Change	\$	\$ 670,294	\$ (355,605)	\$ (258,276)	\$ 500,642	\$ (229,054)	\$ (324,741)
	Percent Change		1278.82%	-49.20%	-70.35%	460.03%	-37.58%	-85.36%

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone.

January - Limestone expenses Increased by \$74.3K and Ammonia expenses Increased by \$596.0K.

February - Limestone expenses Decreased by \$29.9K and Ammonia expenses Decreased by \$325.7K

March - Limestone expenses Decreased by \$295.9K and Ammonia expenses Increased by \$37.7K  
 Unit outage from 3/2/13 - 3/30/13

April - Limestone expenses Increased by \$299.8K and Ammonia expenses Increased by \$200.7K.

May - Limestone expenses Increased by \$15.0K and Ammonia expenses Decreased by \$244.0K

June - Limestone expenses Decreased by \$106.6K and Ammonia expenses Decreased by \$218.1K

Operating Expense- Limestone and Magnesium

506001 - SP21	Misc Stm Pwr Exp- Spurlock 1	Dec	Jan	Feb	Mar	Apr	May	Jun
	Magnesium Expense	\$ (80,888)	\$ 106,784	\$ 9,102	\$ 11,974	\$ 78,681	\$ -	\$ 4,879
	Limestone Expense	\$ 94,928	\$ 95,829	\$ 98,901	\$ 55,155	\$ -	\$ -	\$ 104,667
	Limestone Tons Used	8,285	8,348	8,082	8,182	-	177	7,594
	Expense Dollars	\$ 14,040	\$ 202,613	\$ 108,003	\$ 67,129	\$ 78,681	\$ -	\$ 109,546
	Expense Dollars Change	\$	\$ 188,573	\$ (94,610)	\$ (40,874)	\$ 11,552	\$ (78,681)	\$ 109,546
	Percent Change		1343.11%	-46.69%	-37.85%	17.21%	-100.00%	100.00%

January - Limestone expenses Increased by \$0.9K and Magnesium expenses Increased by \$187.7K

February - Limestone expenses Increased by \$3.1K and Magnesium expenses Decreased by \$97.7K

March - Limestone expenses Decreased by \$43.7K and Magnesium expenses Increased by \$2.9K

**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

April - Limestone expenses Decreased by \$55.2K and Magnesium expenses Increased by \$66.7K  
Unit outage for 28 days

May - Magnesium expenses Decreased by \$76.7K.

June - Limestone expenses Increased by \$104.7 and Magnesium expenses Increased by \$4.9K.

**Operating Expense-Limestone and Magnesium**

506001 - SP22	Misc Stm Pwr Exp- Spurlock 2	Dec	Jan	Feb	Mar	Apr	May	Jun
	Magnesium Expense	\$ (170,166)	\$ 229,436	\$ 18,719	\$ 20,493	\$ (324,026)	\$ 26,057	\$ 23,215
	Limestone Expense	\$ 192,732	\$ 177,969	\$ 154,692	\$ 338,810	\$ 205,946	\$ 242,362	\$ 203,178
	Limestone Tons Used	16,821	15,503	12,640	17,386	13,938	17,553	14,741
	Expense Dollars	\$ 22,566	\$ 407,405	\$ 173,411	\$ 359,303	\$ (118,080)	\$ 268,418	\$ 226,393
	Expense Dollars Change	\$	\$ 384,839	\$ (233,994)	\$ 185,893	\$ (477,383)	\$ 386,498	\$ (42,025)
	Percent Change		1705.39%	-57.44%	107.20%	-132.86%	-327.32%	-15.66%

January - Limestone expenses Decreased by \$14.7K and Magnesium expenses Increased by \$399.6K.

February - Limestone expenses Decreased by \$23.3K and Magnesium expenses Decreased by \$210.7K.

March - Limestone expenses Increased by \$184.1K and Magnesium expenses Increased by \$1.8K.

April - Limestone expenses Decreased by \$132.9K and Magnesium expenses Decreased by \$344.5K.

May - Limestone expenses Increased by \$36.5K and Magnesium expenses Increased by \$350.1K.

June - Limestone expenses Decreased by \$39.2K and Magnesium expenses Decreased by \$2.8K.

**Operating Expense- Ammonia and Limestone**

506001 - SP04	Misc Stm Pwr Exp- Spurlock 4	Dec	Jan	Feb	Mar	Apr	May	Jun
	Ammonia Expense	\$ (301,545)	\$ 455,607	\$ 58,288	\$ 92,970	\$ (6,419)	\$ 53,192	\$ 70,007
	Limestone Expense	\$ 345,552	\$ 315,020	\$ 284,010	\$ 367,785	\$ 53,272	\$ 130,651	\$ 330,033
	Limestone Tons Used	29,344	26,372	23,616	30,539	4,419	10,859	27,523
	Expense Dollars	\$ 44,007	\$ 770,627	\$ 342,298	\$ 460,756	\$ 46,853	\$ 183,843	\$ 400,039
	Expense Dollars Change	\$	\$ 726,620	\$ (428,329)	\$ 118,457	\$ (413,903)	\$ 136,990	\$ 216,196
	Percent Change		1651.15%	-55.58%	34.61%	-89.83%	292.38%	117.60%

January - Limestone expenses Decreased by \$30.6K and Ammonia expenses Increased by \$757.1K.



**East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period January - June 2013**

February - Limestone expenses Decreased by \$31.0K and Ammonia expenses Decreased by \$397.3K.

March - Limestone expenses Increased by \$83.8K and Ammonia expenses Increased by \$34.7K.

April - Limestone expenses Decreased by \$314.5K and Ammonia expenses Decreased by \$99.4K.  
Unit outage from 4/06/13 - 5/19/13

May - Limestone expenses Increased by \$77.4K and Ammonia expenses Increased by \$59.6K.  
Unit outage from 4/06/13 - 5/19/13

June - Limestone expenses Increased by \$199.3K and Ammonia expenses Increased by \$16.8K.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 5**

**RESPONSIBLE PARTY:**            **Frank J. Oliva**

**Request 5.**            This question is addressed to EKPC. The Settlement Agreement approved in Case No. 2004-00321 provides that East Kentucky's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the surcharge review period. Provide the following information as of May 31, 2013:

- a.        The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance.
- b.        The debt cost for each debt issuance directly related to the projects in the approved compliance plan.
- c.        East Kentucky's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.50 Times Interest Earned Ratio ("TIER"). Include all supporting calculations showing how the weighted average debt cost was determined.

**Responses 5a-c.**        Please see pages 3 through 7 of this response for the average debt cost information as of May 31, 2013, as originally requested. In addition, please see pages 8 through 12 of this response for the average debt cost information as of June 30, 2013.

As noted in Mr. Scott's Direct Testimony, the Settlement Agreement did not specify whether the expense month or billing month should be considered as the conclusion of the surcharge review period. EKPC is proposing that the current average debt cost as of June

30, 2013 should be utilized to determine the rate of return. Using the average debt cost information as of the end of the billing month would provide the most current information. This approach is consistent with the rates of return the Commission has authorized for EKPC in the last two surcharge review cases. Also as noted in Mr. Scott's Direct Testimony, EKPC is requesting that the Commission provide a clarification of whether the expense month or the billing month constitutes the conclusion of a surcharge review period.

Weighted Average Cost of Debt - As of May 31, 2013

Project No.	Compliance Project	Loan Source (1)	CWIP	NBV 5/31/2013 (2)	Cost (3)	Weights (4)=(2)*(3)	Rate of Return (5) = (4)* 1.5
1	Gilbert (Environmental Portion)	Z-8		\$54,751,627	4.71%	0.334%	
2	Spurlock 1 - Precipitator	Y-8		\$16,825,676	4.92%	0.107%	
3	Spurlock 1 - SCR	Y-8		\$56,118,084	4.92%	0.358%	
4	Spurlock 2 - SCR	Y-8		\$28,085,016	4.92%	0.179%	
5	Dale 1&2 - Low Nox Burners	AH-8		\$1,034,710	2.43%	0.003%	
6	Spurlock 1 Low Nox Burners	AH-8		\$2,720,286	2.43%	0.009%	
7	Spurlock #2 Scrubber	AG-8		\$179,343,940	4.39%	1.020%	
8	Spurlock #1 Scrubber	AG-8		\$132,563,152	4.29%	0.737%	
9	Spurlock #4 (Environmental Portion)	AD-8		\$76,021,532	4.49%	0.443%	
9	Spurlock #4 (Ash Silo Portion)	AH-8		\$11,033,412	2.64%	0.038%	
10	Cooper, Spurlock, Dale CEMs	AH-8		\$1,910,618	2.43%	0.006%	
11	Air Quality Control System (CRP)	AL-8	\$0	\$210,727,639	2.95%	0.806%	6.060%
				\$771,135,692		4.040%	

12 Spurlock Landfill Expansion WOs OS314 and OS315 were funded with general funds.

13 Spurlock 2 Ductwork Replacement WO OS312 was funded with general funds.

<u>Y-8 30 year</u>	<u>Note Number</u>	<u>Current liability 05-31-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0720	20,436,718	4.460%	911,478
	H0725	20,633,431	4.819%	994,325
	H0730	20,538,123	4.950%	1,016,637
	H0750	20,778,567	5.091%	1,057,837
	H0755	20,809,078	5.149%	1,071,459
	H0760	20,764,840	5.065%	1,051,739
	H0765	20,736,231	5.011%	1,039,093
	H0770	22,473,805	5.149%	1,157,176
	H0885	5,501,640	4.890%	269,030
	H0960	9,592,464	4.338%	416,121
	H1005	3,725,958	4.306%	160,440
	11	185,990,856	4.92%	9,145,335

<u>Z-8 30 year</u>	<u>Note Number</u>	<u>Current liability 05-31-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0810	44,420,528	4.744%	2,107,310
	H0815	44,494,160	4.825%	2,146,843
	H0820	44,602,788	4.946%	2,206,054
	H0825	22,170,774	4.658%	1,032,715
	H0830	22,095,727	4.497%	993,645
	H0835	22,192,407	4.705%	1,044,153
	H0840	22,017,301	4.332%	953,789
	H0845	16,730,229	4.324%	723,415
	H0855	26,498,466	4.468%	1,183,951
	H0860	26,499,599	4.470%	1,184,532
	H0870	26,666,000	4.769%	1,271,702
	H0890	13,572,075	5.345%	725,427
	H0895	9,046,119	5.333%	482,430
	H0915	20,846,137	4.776%	995,612
	H0920	21,081,715	4.812%	1,014,452
	H1025	3,328,008	3.801%	126,498
	16	386,262,032	4.71%	18,192,527

<u>AD-8 30 year</u>	<u>Note Number</u>	<u>Current liability 05-31-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0925	46,989,444.58	4.821%	2,265,361
	H0930	23,472,234.36	4.736%	1,111,645
	H0935	46,908,655.52	4.669%	2,190,165
	H0940	23,376,363.69	4.384%	1,024,820
	H0945	46,897,364.72	4.648%	2,179,790
	H0955	46,874,147.19	4.605%	2,158,554
	H0965	7,481,505.76	4.396%	328,887
	H0975	18,694,613.33	4.355%	814,150
	H0980	18,697,520.03	4.368%	816,708
	H0985	23,415,846.98	4.527%	1,060,035
	H0990	23,477,017.83	4.754%	1,116,097
	H0995	23,441,941.11	4.623%	1,083,721
	H1000	7,379,315.12	4.298%	317,163
	H1010	23,366,027.54	4.347%	1,015,721
	H1015	23,382,208.24	4.405%	1,029,986
	H1020	6,779,616.47	2.846%	192,948
	H1030	23,126,780.82	3.651%	844,359
	H1065	13,680,947.81	4.252%	581,714
	H1215	1,753,066.96	3.954%	69,316
	H1275	1,647,729.40	2.369%	39,035
	20	450,842,347	4.49%	20,240,176

<u>AG-8 30 year</u> <u>Spurlock #2 Scrubber</u>	<u>Note</u> <u>Number</u>	<u>Current</u> <u>liability</u> <u>05-31-13</u>	<u>Interest</u> <u>Rate</u>	<u>Yearly</u> <u>Interest</u>
	H1035	33,254,650	3.988%	1,326,195
	H1040	23,831,854	4.374%	1,042,405
	H1045	23,835,225	4.391%	1,046,605
	H1050	23,877,020	4.605%	1,099,537
	H1055	38,203,232	4.605%	1,759,259
	H1060	23,876,057	4.600%	1,098,299
Split between Spur 1 & 2	H1070	10,813,116	4.262%	460,855
Split between Spur 1 & 2	H1115	1,562,515	4.175%	65,235
	H1130	5,700,897	3.990%	227,466
Split between Spur 1 & 2	H1170	10,271,918	4.508%	463,058
	H1190	866,077	3.922%	33,968
Split between Spur 1 & 2	H1220	3,169,586	3.954%	125,325
	H1320	424,925	2.432%	10,334
	13	199,687,072	4.39%	8,758,541

<u>AG-8 30 year</u> <u>Spurlock #1 Scrubber</u>	<u>Note</u> <u>Number</u>	<u>Current</u> <u>liability</u> <u>05-31-13</u>	<u>Interest</u> <u>Rate</u>	<u>Yearly</u> <u>Interest</u>
Split between Spur 1 & 2	H1070	12,995,872	4.262%	553,884
	H1075	23,776,506	4.100%	974,837
	H1085	23,849,613	4.464%	1,064,647
	H1100	23,870,070	4.569%	1,090,624
	H1095	23,835,027	4.390%	1,046,358
Split between Spur 1	H1105	6,906,950	4.142%	286,086
Split between Spur 1	H1110	561,312	4.194%	23,541
Split between Spur 1 & 2	H1115	17,470,964	4.175%	729,413
Split between Spur 1 & 2	H1170	3,524,075	4.508%	158,865
Split between Spur 1 & 2	H1220	4,550,099	3.954%	179,911
Split between Spur 1 & 2	H1320	2,456,808	2.432%	59,750
	11	143,797,297	4.29%	6,167,915



<u>AH-8 30 year</u>	<u>Note Number</u>	<u>Current liability 05-31-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H1090	1,913,582	4.396%	84,121
	H1200	410,723	3.913%	16,072
	H1280	24,660,752	2.302%	567,691
	H1285	23,836,639	2.338%	557,301
	H1305	12,923,737	2.510%	324,386
	H1310	7,011,000	2.393%	167,773
	F1325	0	3.338%	0
	7	70,756,433	2.43%	1,717,343

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<u>AL-8 30 year</u>	<u>Note Number</u>	<u>Current liability 05-31-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H1210	23,376,681	4.067%	950,730
	H1245	29,414,076	2.791%	820,947
	H1250	29,471,535	2.916%	859,390
	H1255	29,459,158	3.094%	911,466
	H1265	18,688,793	2.928%	547,208
	H1270	29,140,908	2.495%	727,066
	H1290	26,863,636	2.724%	731,765
	H1315	13,683,000	2.573%	352,064
	8	200,097,786	2.95%	5,900,635.32

Weighted Average Cost of Debt - As of June 30, 2013

	Loan Source (1)	CWIP	NBV 6/30/2013 (2)	Cost (3)	Weights (4)=(2)*(3)	Rate of Return (5) = (4)* 1.5
Compliance Project						
1	Gilbert (Environmental Portion)		\$54,609,415	4.71%	0.334%	
2	Spurlock 1 - Precipitator		\$16,773,905	4.92%	0.107%	
3	Spurlock 1 - SCR		\$55,945,413	4.92%	0.358%	
4	Spurlock 2 - SCR		\$28,004,543	4.92%	0.179%	
5	Dale 1&2 - Low Nox Burners		\$1,020,536	2.43%	0.003%	
6	Spurlock 1 Low Nox Burners		\$2,711,916	2.43%	0.009%	
7	Spurlock #2 Scrubber		\$179,570,763	4.39%	1.023%	
8	Spurlock #1 Scrubber		\$132,802,000	4.29%	0.740%	
9	Spurlock #4 (Environmental Portion)		\$75,845,963	4.49%	0.442%	
9	Spurlock #4 (Ash Silo Portion)		\$11,007,930	2.64%	0.038%	
10	Spurlock, Cooper& Dale CEM Equip		\$1,848,140	2.43%	0.006%	
11	Air Quality Control System (CRP)		\$209,512,376	2.95%	0.803%	
		\$0	\$769,652,900		4.042%	6.063%

NOTES:

Project #12 Spurlock Landfill Expansion WOs OS314 and OS315 were funded with general funds.

Project #13 Spurlock 2 Ductwork Replacement WO OS312 was funded with general funds.

<u>Y-8 30 year</u>	<u>Note Number</u>	<u>Current liability 06-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0720	20,436,718	4.460%	911,478
	H0725	20,633,431	4.819%	994,325
	H0730	20,538,123	4.950%	1,016,637
	H0750	20,778,567	5.091%	1,057,837
	H0755	20,809,078	5.149%	1,071,459
	H0760	20,764,840	5.065%	1,051,739
	H0765	20,736,231	5.011%	1,039,093
	H0770	22,473,805	5.149%	1,157,176
	H0885	5,501,640	4.890%	269,030
	H0960	9,592,464	4.338%	416,121
	H1005	3,725,958	4.306%	160,440
	11	185,990,856	4.92%	9,145,335

<u>Z-8 30 year</u>	<u>Note Number</u>	<u>Current liability 06-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0810	44,420,528	4.744%	2,107,310
	H0815	44,494,160	4.825%	2,146,843
	H0820	44,602,788	4.946%	2,206,054
	H0825	22,170,774	4.658%	1,032,715
	H0830	22,095,727	4.497%	993,645
	H0835	22,192,407	4.705%	1,044,153
	H0840	22,017,301	4.332%	953,789
	H0845	16,730,229	4.324%	723,415
	H0855	26,498,466	4.468%	1,183,951
	H0860	26,499,599	4.470%	1,184,532
	H0870	26,666,000	4.769%	1,271,702
	H0890	13,572,075	5.345%	725,427
	H0895	9,046,119	5.333%	482,430
	H0915	20,846,137	4.776%	995,612
	H0920	21,081,715	4.812%	1,014,452
	H1025	3,328,008	3.801%	126,498
	16	386,262,032	4.71%	18,192,527

<u>AD-8 30 year</u>	<u>Note Number</u>	<u>Current liability 06-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H0925	46,989,444.58	4.821%	2,265,361
	H0930	23,472,234.36	4.736%	1,111,645
	H0935	46,908,655.52	4.669%	2,190,165
	H0940	23,376,363.69	4.384%	1,024,820
	H0945	46,897,364.72	4.648%	2,179,790
	H0955	46,874,147.19	4.605%	2,158,554
	H0965	7,481,505.76	4.396%	328,887
	H0975	18,694,613.33	4.355%	814,150
	H0980	18,697,520.03	4.368%	816,708
	H0985	23,415,846.98	4.527%	1,060,035
	H0990	23,477,017.83	4.754%	1,116,097
	H0995	23,441,941.11	4.623%	1,083,721
	H1000	7,379,315.12	4.298%	317,163
	H1010	23,366,027.54	4.347%	1,015,721
	H1015	23,382,208.24	4.405%	1,029,986
	H1020	6,779,616.47	2.846%	192,948
	H1030	23,126,780.82	3.651%	844,359
	H1065	13,680,947.81	4.252%	581,714
	H1215	1,753,066.96	3.954%	69,316
	H1275	1,647,729.40	2.369%	39,035
	20	450,842,347	4.49%	20,240,176

<u>AG-8 30 year</u> <u>Spurlock #2 Scrubber</u>	<u>Note</u> <u>Number</u>	<u>Current</u> <u>liability</u> <u>06-30-13</u>	<u>Interest</u> <u>Rate</u>	<u>Yearly</u> <u>Interest</u>
	H1035	33,254,650	3.988%	1,326,195
	H1040	23,831,854	4.374%	1,042,405
	H1045	23,835,225	4.391%	1,046,605
	H1050	23,877,020	4.605%	1,099,537
	H1055	38,203,232	4.605%	1,759,259
	H1060	23,876,057	4.600%	1,098,299
Split between Spur 1 & 2	H1070	10,813,116	4.262%	460,855
Split between Spur 1 & 2	H1115	1,562,515	4.175%	65,235
	H1130	5,700,897	3.990%	227,466
Split between Spur 1 & 2	H1170	10,271,918	4.508%	463,058
	H1190	866,077	3.922%	33,968
Split between Spur 1 & 2	H1220	3,169,586	3.954%	125,325
	H1320	424,925	2.432%	10,334
	13	199,687,072	4.39%	8,758,541

<u>AG-8 30 year</u> <u>Spurlock #1 Scrubber</u>	<u>Note</u> <u>Number</u>	<u>Current</u> <u>liability</u> <u>06-30-13</u>	<u>Interest</u> <u>Rate</u>	<u>Yearly</u> <u>Interest</u>
Split between Spur 1 & 2	H1070	12,995,872	4.262%	553,884
	H1075	23,776,506	4.100%	974,837
	H1085	23,849,613	4.464%	1,064,647
	H1100	23,870,070	4.569%	1,090,624
	H1095	23,835,027	4.390%	1,046,358
Split between Spur 1	H1105	6,906,950	4.142%	286,086
Split between Spur 1	H1110	561,312	4.194%	23,541
Split between Spur 1 & 2	H1115	17,470,964	4.175%	729,413
Split between Spur 1 & 2	H1170	3,524,075	4.508%	158,865
Split between Spur 1 & 2	H1220	4,550,099	3.954%	179,911
Split between Spur 1 & 2	H1320	2,456,808	2.432%	59,750
	11	143,797,297	4.29%	6,167,915

<u>AH-8 30 year</u>	<u>Note Number</u>	<u>Current liability 06-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H1090	1,913,582	4.396%	84,121
	H1200	410,723	3.913%	16,072
	H1280	24,660,752	2.302%	567,691
	H1285	23,836,639	2.338%	557,301
	H1305	12,923,737	2.510%	324,386
	H1310	7,011,000	2.393%	167,773
	F1325	0	3.338%	0
	7	70,756,433	2.43%	1,717,343

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<u>AL-8 30 year</u>	<u>Note Number</u>	<u>Current liability 06-30-13</u>	<u>Interest Rate</u>	<u>Yearly Interest</u>
	H1210	23,376,681	4.067%	950,730
	H1245	29,414,076	2.791%	820,947
	H1250	29,471,535	2.916%	859,390
	H1255	29,459,158	3.094%	911,466
	H1265	18,688,793	2.928%	547,208
	H1270	29,140,908	2.495%	727,066
	H1290	26,863,636	2.724%	731,765
	H1315	13,683,000	2.573%	352,064
	8	200,097,786	2.95%	5,900,635.32



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 6**

**RESPONSIBLE PARTY:**           **Frank J. Oliva**

**Request 6.**           This question is addressed to EKPC. Provide the percentage of East Kentucky's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the May 2013 expense month.

**Response 6.**           As originally requested, the percentage as of May 2013 expense month is 0%. In addition, the percentage as of the June 2013 expense month is 0%. For both time periods, the debt issuances directly related to projects in the approved compliance plan are at a fixed interest rate.





**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2013-00324**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 09/18/13**  
**REQUEST 7**

**RESPONSIBLE PARTY:**           **Isaac S. Scott**

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

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

**Response 7a.**           As stated in the Direct Testimony of Isaac S. Scott, EKPC does not believe that any surcharge amounts should be incorporated into its existing base rates. However, EKPC has provided a calculation of the estimated roll-in amount, as shown on pages 5 and 6 of this response. The total estimated roll-in (revenue requirement) is \$120,177,068 and EKPC has further estimated that \$83,558,687 of the total would be assigned to demand and \$36,618,381 would be assigned to energy.

To determine this estimated roll-in, EKPC used the environmental compliance rate base as shown in the monthly surcharge report for the expense month of June 30, 2013, the last expense month included in the two-year review. This rate base was multiplied by the most recently approved rate of return of 6.786 percent to calculate the dollar return on rate base. Pollution control operating expenses reflect the actual balances for the twelve month period ending June 30, 2013. There were no proceeds from the sale of by-products or emission

allowances for the twelve months ending June 30, 2013 to include in the calculations. The sum of the dollar return on rate base and the pollution control operating expenses was multiplied by the member system allocation ratio for June 2013 of 98.82 percent to recognize that only the portion of the surcharge applicable to member sales would be rolled into base rates. This adjusted surcharge revenue requirement constitutes the estimated roll-in amount.

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

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

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

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

**Response 7c.** EKPC’s BESF as of June 30, 2013 was zero, as established by the Commission in Case No. 2009-00317. In the response to Request 7a, EKPC has provided a calculated amount of a base rate roll-in. If the Commission were to require EKPC to roll-in its environmental surcharge into base rates, based on the member system base rate revenues for the twelve months ending June 30, 2013, the BESF would be 15.70 percent. However, EKPC notes that it would need to recalculate the BESF based on the most recent twelve month revenue information following the Order in this proceeding. This recalculation is consistent with the approach followed by Louisville Gas and Electric Company and Kentucky Utilities Company when recalculating its BESF.

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

**Response 7d.** Although EKPC does not support incorporating the environmental surcharge revenue requirement into base rates as part of this proceeding, such a roll-in would not require the need to modify the surcharge mechanism or monthly surcharge reports utilizing the approved base/current mechanism. In conjunction with its recent cost of service and rate design studies, EKPC would note that it has reviewed the base/current approach incorporated in the Kentucky Power Company’s surcharge mechanism as a possible alternative. However, at this time EKPC is not proposing any change to the surcharge mechanism.

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

## 2013-00324 Request 7a

<b>Calculation of Revenue Requirement for Roll-in:</b>	Expense Month <u>06/30/2013</u>	References: <u>June 2013 Expense Month Filing</u>
Environmental Compliance Rate Base		
Eligible Pollution Control Plant	\$911,944,609	ES Form 2.1, column (2)
Eligible Pollution CWIP net of AFUDC	<u>\$6,030,580</u>	ES Form 2.1, column (4)
Subtotal	\$917,975,189	
Additions -		
Inventory - Spare Parts	\$0	ES Form 2.0
Inventory - Limestone	\$677,664	ES Form 2.2, column (6)
Inventory - Emission Allowances	\$1,076,257	ES Form 2.3
Cash Working Capital Allowance	<u>\$4,277,532</u>	ES Form 2.4
Subtotal	\$6,031,453	
Deductions -		
Accumulated Depreciation on Eligible Pollution Control Plant	<u>\$139,684,287</u>	ES Form 2.1, column (3)
Environmental Compliance Rate Base	\$784,322,355	
Rate of Return	<u>6.786%</u>	As of June 30, 2013 - end of review period
Return on Environmental Compliance Rate Base	<u>\$53,224,115</u>	
Pollution Control Operating Expenses		
12 Month O&M Expenses	\$34,220,256	ES Form 2.4, "Total" column
12 Month Depreciation and Amortization Expense	\$31,332,338	see page 6 of 6 of this response
12 Month Taxes Other Than Income Taxes	\$1,449,495	see page 6 of 6 of this response
12 Month Insurance Expense	\$844,047	see page 6 of 6 of this response
12 Month Emission Allowance Expense	\$541,840	see page 6 of 6 of this response
12 Month Surcharge Consultant Fee	<u>\$0</u>	
Total Pollution Control Operating Expenses	<u>\$68,387,976</u>	
Total Proceeds from By-Product and Emission Allowance Sales	<u>\$0</u>	
Total Environmental Surcharge Gross Revenue Requirement - Return on Environmental Compliance Rate Base	\$53,224,115	
Total Pollution Control Operating Expenses	\$68,387,976	
Total Proceeds from By-Product and Emission Allowance Sales	<u>\$0</u>	
	\$121,612,091	
Member System Allocation Ratio	98.82%	see page 6 of 6 of this response
Total Revenue Requirement for Roll-in	<u>\$120,177,068</u>	
<b>Calculation of BESF Reflecting Roll-in:</b>		
Total Revenue Requirement for Roll-in	\$120,177,068	
Member System Base Rate Revenues - excludes FAC and Environmental Surcharge Revenues	\$765,496,259	see page 6 of 6 of this response
BESF Reflecting Roll-in	<u>15.70%</u>	
<b>Allocation to Demand and Energy:</b>		
	<u>Demand Related</u>	<u>Energy Related</u>
Return on Environmental Compliance Rate Base	\$53,224,115	
Pollution Control Operating Expenses -		
12 Month O&M Expenses		\$34,220,256
12 Month Depreciation and Amortization Expense	\$31,332,338	
12 Month Taxes Other Than Income Taxes		\$1,449,495
12 Month Insurance Expense		\$844,047
12 Month Emission Allowance Expense		\$541,840
12 Month Surcharge Consultant Fee		<u>\$0</u>
Subtotal	<u>\$84,556,453</u>	<u>\$37,055,638</u>
Member System Allocation Ratio	98.82%	98.82%
Revenue Requirement to Recover Through - Demand Rates	<u>\$83,558,687</u>	
Energy Rates		<u>\$36,618,381</u>

**Pollution Control Operating Expenses**

Month	ES Form 2.1, columns 6, 7, and 8			ES Form 2.3
	Depreciation & Amortization	Taxes Other Than Income Taxes	Insurance Expense	Emission Allowance Expense
July 2012	\$1,627,088	\$115,369	\$70,930	\$74,460
August	\$2,609,126	\$115,369	\$70,930	\$66,219
September	\$3,017,624	\$115,370	\$70,929	\$38,503
October	\$2,637,740	\$115,369	\$70,929	\$48,632
November	\$2,682,280	\$115,640	\$70,929	\$65,907
December 2012	\$2,643,355	\$115,640	\$70,929	\$58,334
January 2013	\$2,711,771	\$112,977	\$70,929	\$34,608
February	\$2,664,716	\$128,752	\$70,929	\$29,694
March	\$2,713,261	\$128,752	\$70,929	\$31,605
April	\$2,670,258	\$128,752	\$70,929	\$33,369
May	\$2,694,079	\$128,752	\$70,929	\$38,635
June 2013	\$2,661,040	\$128,753	\$63,826	\$21,874
<b>Totals</b>	<b>\$31,332,338</b>	<b>\$1,449,495</b>	<b>\$844,047</b>	<b>\$541,840</b>

Note: There were no by-product or emission allowance sales proceeds for the twelve months ending June 30, 2013.

**Member System Allocation Ratio**

Month	Total Revenues from Member Systems Excluding Environ. Surch. [ES Form 3.0, col. 6]	Total Company Revenues Excluding Environ. Surch. [ES Form 3.0, col. 9]	Member System Allocation Ratio	Base Rate Revenues Member Systems [ES Form 3.0, col. 2]
	July 2012	\$68,319,855	\$70,318,172	97.16%
August	\$62,785,008	\$63,453,340	98.95%	\$65,923,601
September	\$54,257,913	\$54,419,432	99.70%	\$54,781,219
October	\$52,973,775	\$53,015,278	99.92%	\$53,354,514
November	\$65,167,453	\$65,391,351	99.66%	\$63,391,967
December 2012	\$70,312,985	\$70,752,044	99.38%	\$67,503,645
January 2013	\$75,982,658	\$76,147,527	99.78%	\$77,340,090
February	\$70,072,335	\$70,263,137	99.73%	\$70,448,807
March	\$71,155,992	\$71,610,832	99.36%	\$71,667,244
April	\$54,342,059	\$54,663,217	99.41%	\$53,457,726
May	\$57,426,659	\$58,287,188	98.52%	\$54,807,644
June 2013	\$62,142,325	\$65,767,012	94.49%	\$60,902,511
<b>Totals</b>	<b>\$764,939,017</b>	<b>\$774,088,530</b>	<b>98.82%</b>	<b>\$765,496,259</b>