

# Goss • Samford PLLC

 Attorneys at Law

**RECEIVED**  
NOV 20 2013  
PUBLIC SERVICE  
COMMISSION

November 20, 2013

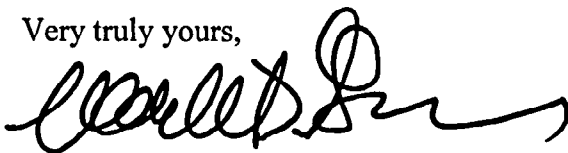
Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

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 six copies of the response of East Kentucky Power Cooperative, Inc., (“EKPC”) to the Commission’s Second Request for Information dated November 12, 2013.

Very truly yours,



Mark David Goss  
Counsel

Enclosures

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

**In the Matter of:**

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

**RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED NOVEMBER 12, 2013**

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

CERTIFICATE

STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information in the above-referenced case dated November 12, 2013, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Isaac S. Scott

Subscribed and sworn before me on this 20<sup>th</sup> day of November, 2013

Gene M. Wilcox  
Notary Public #580144  
Expires 11-30-17  
CLARK COUNTY, KY

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

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 11/12/13**  
**REQUEST 1**

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

**Request 1.**           Refer to the Company's response to Commission Staff's First Request for Information ("Staff's First Request"), Item 7.a., in which EKPC provided the estimated surcharge roll-in amount as of June 30, 2013, the last billing month in the current two-year review period. Provide the same information as of May 31, 2013, the last expense month in the current two-year review period.

**Response 1.**           Please see pages 2 and 3 of this response. In preparing this response, EKPC utilized the same approach it followed when it responded to the Staff's First Request, Item 7.a.

Calculation of Revenue Requirement for Roll-in:	Expense Month 05/31/2013	References: May 2013 Expense Month Filing
Environmental Compliance Rate Base		
Eligible Pollution Control Plant	\$910,676,247	ES Form 2.1, column (2)
Eligible Pollution CWIP net of AFUDC	\$6,030,580	ES Form 2.1, column (4)
Subtotal	<u>\$916,706,827</u>	
Additions -		
Inventory - Spare Parts	\$0	ES Form 2.0
Inventory - Limestone	\$721,760	ES Form 2.2, column (6)
Inventory - Emission Allowances	\$1,098,131	ES Form 2.3
Cash Working Capital Allowance	\$4,365,224	ES Form 2.4
Subtotal	<u>\$6,185,115</u>	
Deductions -		
Accumulated Depreciation on Eligible Pollution Control Plant	\$136,925,641	ES Form 2.1, column (3)
Environmental Compliance Rate Base	\$785,966,301	
Rate of Return	<u>6.786%</u>	As of May 31, 2013 - end of review period
Return on Environmental Compliance Rate Base	<u>\$53,335,673</u>	
Pollution Control Operating Expenses		
12 Month O&M Expenses	\$34,921,795	ES Form 2.4, "Total" column
12 Month Depreciation and Amortization Expense	\$30,298,386	see page 6 of 6 of this response
12 Month Taxes Other Than Income Taxes	\$1,436,111	see page 6 of 6 of this response
12 Month Insurance Expense	\$851,151	see page 6 of 6 of this response
12 Month Emission Allowance Expense	\$578,206	see page 6 of 6 of this response
12 Month Surcharge Consultant Fee	\$0	
Total Pollution Control Operating Expenses	<u>\$68,085,649</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	\$53,335,673	
Total Pollution Control Operating Expenses	\$68,085,649	
Total Proceeds from By-Product and Emission Allowance Sales	<u>\$0</u>	
	\$121,421,322	
Member System Allocation Ratio	99.26%	see page 6 of 6 of this response
Total Revenue Requirement for Roll-in	<u>\$120,522,804</u>	
<b>Calculation of BESF Reflecting Roll-in:</b>		
Total Revenue Requirement for Roll-in	\$120,522,804	
Member System Base Rate Revenues - excludes FAC and Environmental Surcharge Revenues	\$767,679,297	see page 6 of 6 of this response
BESF Reflecting Roll-in	<u>15.70%</u>	

**Allocation to Demand and Energy:**

	<u>Demand Related</u>	<u>Energy Related</u>
Return on Environmental Compliance Rate Base	\$53,335,673	
Pollution Control Operating Expenses -		
12 Month O&M Expenses		\$34,921,795
12 Month Depreciation and Amortization Expense	\$30,298,386	
12 Month Taxes Other Than Income Taxes		\$1,436,111
12 Month Insurance Expense		\$851,151
12 Month Emission Allowance Expense		\$578,206
12 Month Surcharge Consultant Fee		\$0
Subtotal	<u>\$83,634,059</u>	<u>\$37,787,263</u>
Member System Allocation Ratio	99.26%	99.26%
Revenue Requirement to Recover Through - Demand Rates	<u>\$83,015,167</u>	
Energy Rates		<u>\$37,507,637</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
June 2012	\$1,627,088	\$115,369	\$70,930	\$58,240
July	\$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 2013	\$2,694,079	\$128,752	\$70,929	\$38,635
<b>Totals</b>	<b>\$30,298,386</b>	<b>\$1,436,111</b>	<b>\$851,151</b>	<b>\$578,206</b>

Note: There were no by-product or emission allowance sales proceeds for the twelve months ending May 31, 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]
June 2012	\$60,017,329	\$60,203,124	99.69%	\$63,085,549
July	\$68,319,855	\$70,318,172	97.16%	\$71,917,291
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 2013	\$57,426,659	\$58,287,188	98.52%	\$54,807,644
<b>Totals</b>	<b>\$762,814,021</b>	<b>\$768,524,642</b>	<b>99.26%</b>	<b>\$767,679,297</b>