

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER	)	
COOPERATIVE, INC. FOR AN ORDER	)	
APPROVING THE ESTABLISHMENT OF	)	CASE NO.
REGULATORY ASSETS FOR THE DEPRECIATION	)	2014-00432
AND ACCRETION EXPENSES ASSOCIATED	)	
WITH ASSET RETIREMENT OBLIGATIONS	)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due within ten days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

EKPC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

EKPC fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, EKPC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, paragraph 6, where it states, "The asset retirement cost is to be depreciated over the useful life of the related asset that gives rise to the obligation."

a. Provide the remaining useful lives of the subject Asset Retirement Obligation ("AROs") in the instant case for the asbestos removal and the ash disposal sites.

b. Explain how the remaining useful lives were determined for the asbestos removal and the ash disposal sites.

2. Refer to the Application, paragraph 6, where it states, "The utility shall on a timely basis monitor measurement changes of the AROs." Provide the proposed schedule for the evaluation of changes of the AROs in the instant case.

3. Refer to the Application, paragraph 7, regarding asbestos abatement. Explain whether EKPC has any recourse through legal, insurance, or other means to recoup any of the costs associated with the asbestos abatement costs.

4. Refer to the Application, paragraph 7, the last sentence where it states the ARO associated with ash disposal sites is \$27,110,126. Also refer to the Application in Case No. 2014-00252,<sup>1</sup> page 11, where it states that Alternative 8, which is EKPC's selected alternative in that case, has a total cost of \$26,292,000. Explain the difference in the cost of the ARO associated with the ash disposal sites in the two cases.

5. Refer to the Application, paragraph 8, where it states, "Based on the monthly depreciation and accretion expense, at the end of 2014 the ARO-related depreciation expense will be \$5,275,341 and the accretion expense will be \$1,077,266." Explain how the accretion expense was determined and provide an example of how the accretion expense was determined for the asbestos removal and ash disposal projects.

6. Refer to the Application, paragraph 9, where it states, "EKPC believes the actual ARO settlement costs will be recoverable in rates or through the Environmental Surcharge mechanism when the projects are identified, costs are finalized, and the Commission has so authorized."

a. Identify the projects for which EKPC proposes to recover costs through the Environmental Surcharge Mechanism.

b. Provide the authority for, and reasons why, any costs listed in the response to part a. of this request are eligible for recovery through the Environmental Surcharge Mechanism.

7. Refer to the Application, paragraph 9, where it states, "EKPC is also requesting that all subsequent ARO-related depreciation and accretion expenses

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<sup>1</sup> Case No 2014-00252, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for Construction of an Ash Landfill at J.K. Smith Station, the Removal of Impounded Ash from William C. Dale Station for Transport to J.K. Smith and Approval of a Compliance Plan Amendment for Environmental Surcharge Recovery* (filed Sept. 8, 2014).

associated with the ARO balances at December 31, 2013 be recorded as regulatory assets.”

a. Confirm that EKPC is only referring to the ARO-related depreciation and accretion expenses in the instant case.

b. Provide a schedule, by month and year, showing all expected future amounts for ARO-related depreciation and accretion expenses related to the instant case.

8. Refer to the Application, paragraph 10, where EKPC states that it is requesting the regulatory asset treatment for accounting purposes only. Explain whether EKPC is also seeking approval to establish the offsetting regulatory liabilities as part of this proceeding.

9. Refer to the Application, Exhibit 1, where it states, “Resolved, that management is authorized to record a regulatory asset or assets for accretion and depreciation expenses associated with ARO’s and to initiate regulatory filings necessary to obtain regulatory asset treatment of such expenses for all AROs (asbestos and ash) recorded at December 31, 2013 and that such treatment be granted retroactive to January 1, 2014.”

a. Confirm that this statement is correct.

b. State whether there were any accretion and depreciation expenses associated with the ARO’s in the instant case for 2013. If so, provide the amounts.

c. Confirm that EKPC is requesting retroactive treatment for all accretion and depreciation expenses for the proposed regulatory asset in this proceeding.



10. State whether EKPC's depreciation rate(s) for the Dale ash ponds included a provision related to the cost of removal.

11. Identify and describe any factors that could impact the regulatory asset treatment proposed by EKPC in this case.



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Public Service Commission  
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DATED DEC 24 2014

cc: Parties of Record

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