Goss ▪ Samford PLLC

Attorneys at Law

David S. Samford
david@gosssamfordlaw.com
(859) 368-7740

March 20, 2015

Via Hand Delivery

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: The Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of Regulatory Assets for the Depreciation and Accretion Expenses Associated with Asset Retirement Obligations
PSC Case No. 2014-00432

Dear Mr. Derouen:

In accordance with the Commission's March 6, 2015 Order in the above-styled case, enclosed please find an original and ten (10) copies of the accounting entries which are required to be filed. In addition, enclosed for filing please find an original and ten (10) copies of East Kentucky Power Cooperative, Inc.'s Petition for Rehearing. Please return file-stamped copies of these documents to me.

Sincerely,

David S. Samford

Enclosures

M:\Clients\4000 - East Kentucky Power\3375 - Dale Ash Regulatory Asset\
Correspondence\Ltr. to Jeff Derouen - 150320.docx

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

PETITION FOR REHEARING

Comes East Kentucky Power Cooperative, Inc., ("EKPC") by and through counsel, pursuant to KRS 278.400, 807 KAR 5:001 Section 9, and other applicable law, and petitions the Kentucky Public Service Commission ("Commission") for rehearing of the Commission's order dated March 6, 2015, ("Commission Order"), denying EKPC's request to establish a regulatory asset for depreciation and accretion expenses associated with ash transfer costs for the Dale Station. In support of this Petition, EKPC respectfully states as follows:

I. Introduction

EKPC filed an Application on December 10, 2014, seeking approval to establish regulatory assets for the depreciation and accretion expenses associated with EKPC's asbestos and coal ash asset retirement obligations ("ARO"). No other party sought intervention. The Commission issued one set of data requests, to which EKPC tendered timely responses on January 5, 2015. An informal conference was held on January 21, 2015 and the case was submitted for a decision on the record thereafter. On March 6, 2015, the Commission issued an Order wherein it authorized the establishment of regulatory assets for the ARO-related depreciation and accretion expenses in 2014 and subsequent years, except for ARO-related depreciation and accretion expenses associated with the Dale Station ash transfer costs. EKPC seeks rehearing on the disallowance of the this portion of the requested regulatory asset because, in the absence of such relief, EKPC will be forced to allow a mismatch in expenses and revenues to exist on its books for four years and, as a result, will be forced to produce financial statements which tend to under- and then over-state the Company's actual financial performance. Moreover, EKPC fears that the accounting treatment prescribed in the March 6, 2015 Order will establish a precedent that is detrimental to EKPC and other Kentucky utilities that will also have to retire significant generation assets in light of new and future environmental regulations. EKPC desires to maintain consistency between its accounting and rate-making books and, to accomplish this, rehearing of the March 6, 2015 Order is necessary.

II. Background

As stated in its Application, as of December 31, 2013, EKPC had recorded on its books an ARO liability totaling \$32,238,032, which was composed of \$5,127,906 in AROs associated with asbestos abatement and \$27,110,126 in AROs associated with ash disposal sites.[1] The ARO liability balance at December 31, 2013 represented the present value of the preliminary estimated costs associated with asbestos abatement and ash disposal sites adjusted for applicable accretion expense. The AROs associated with ash disposal sites included \$22,815,608 for the Dale Station ash disposal site.[2] Consistent with the Rural Utilities Service Uniform System of Accounts ("RUS USoA"), EKPC also recorded on its books corresponding capitalized asset retirement costs in its utility plant accounts. It should be noted that these ARO-related assets also

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[1] *See* Application, p. 4.

[2] *See* EKPC's response to the Commission Staff's Initial Request for Information, dated October 9, 2014 in Case No. 2014-00252, Request 30(c). The ARO recorded for the Dale Station ash disposal site on December 1, 2013 was \$22,750,201. The first month of accretion expense for the ARO liability resulted in the balance of \$22,815,608 for the Dale Station ash disposal site.

represented the present value of the preliminary estimated costs associated with asbestos abatement and ash disposal sites. The capitalized asset retirement costs are to be depreciated over the useful life of the related asset that gave rise to the obligation.

In compliance with the RUS USoA, during 2014 EKPC recorded depreciation expense on the ARO-related assets and accretion expense on the ARO-related liabilities. For 2014, the ARO-related depreciation expense was $5,275,341 and the accretion expense was $1,077,265.[3] These expenses were included in EKPC's financial statements and reduced 2014 margins by $6,352,606.

In its Application, EKPC noted that RUS USoA accounting required it to recognize the ARO-related depreciation and accretion expense in the current period and in future periods prior to having the opportunity to recover any of the actual costs incurred to settle the AROs. EKPC stated this created a mismatch of revenue and expenses in its financial statements. To address this situation, EKPC requested that the Commission allow EKPC to reclassify the 2014 ARO-related depreciation and accretion expense as regulatory assets. EKPC also requested that all subsequent ARO-related depreciation and accretion expenses associated with the ARO balances as of December 31, 2013 be recorded as regulatory assets.

EKPC's request to establish regulatory assets for the ARO-related depreciation and accretion expenses was consistent with the RUS USoA definition of a regulatory asset. The RUS USoA defines a regulatory asset as an asset that results from rate actions of regulatory agencies, which arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the USoA but for it being probable that such items would be included in a different period for purposes of

[3] *See* Application, p. 4.

developing the rates the utility was authorized to charge for its utility services.[4] In addition, the Financial Accounting Standards Board Accounting Standards Codification Topic 980-410-25-2 suggests a regulated utility should recognize a regulatory asset or liability for differences in the timing of recognition of costs associated with an ARO and collection of such amounts through rates if it is probable that such amounts would be recovered. Of course, no regulatory asset or liability can be established without prior Commission approval.

While the Commission was considering this case, EKPC also had an application pending before the Commission seeking a certificate of public convenience and necessity ("CPCN") for the construction of the Smith Special Waste Landfill ("Smith Landfill"). EKPC also was seeking approval to amend its environmental compliance plan to recover the cost of the Smith Landfill and the costs to transfer impounded ash from the Dale Station to the Smith Landfill. This project was identified as Project No. 15 in EKPC's amended environmental compliance plan. Approval of the amended environmental compliance plan would permit cost recovery through EKPC's environmental surcharge mechanism.[5] The completion of the Dale Station ash handling and site reclamation aspects of Project No. 15 in 2017 would result in the settlement of the Dale ash disposal site ARO. The total estimated cost of Project No. 15 was $26,962,000 and consisted of three major components: construction of the Smith Landfill, reclamation of the Dale Ash site, and hauling the ash from Dale Station to the Smith Landfill. In its March 6, 2015 Order, the Commission found that EKPC should be permitted to capitalize the costs associated with the construction of the Smith Landfill and reclamation of the Dale Ash Ponds site, but required, for

[4] *See* 7 CFR Part 1767, Section 1767.10, Definitions.

[5] *See In the Matter of 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,* Case No. 2014-00252.

rate-making purposes, that the ash transfer costs should be expensed and recovered as incurred through the environmental surcharge.

The Commission also issued its decision in this proceeding on March 6, 2015. The Commission authorized the establishment of regulatory assets for the ARO-related depreciation and accretion expenses in 2014 and subsequent years, except for ARO-related depreciation and accretion expenses associated with the Dale ash transfer costs. In addition, the Commission ordered that EKPC should file within 14 days of the March 6, 2015 Order the accounting entries made on its books to effectuate the creation of the authorized regulatory assets.[6] The Commission also ordered that EKPC should file updated ARO calculations by location each year on December 31st, with the updated calculations being submitted at the same time EKPC files its annual report with the Commission. Finally, the Commission ordered EKPC to inform the Commission of any change of more than 10 percent in the ARO balances after 2014.

III. Request for Rehearing

EKPC respectfully submits that the Commission's decision denying regulatory asset treatment for the portion of the ARO-related depreciation and accretion expenses associated with the Dale Station ash disposal site inappropriately applies the accounting and rate-making treatments authorized in Case No. 2014-00252 for Project No. 15 to the accounting treatment for the previously established ARO. EKPC also perceives there may have been a misunderstanding as to the relationship between AROs and the projects developed to settle those AROs. Therefore, EKPC requests rehearing of the Commission's decision denying the regulatory asset treatment for the portion of the ARO-related depreciation and accretion expenses associated with the Dale Station ash disposal site. In addition, EKPC requests rehearing of the directives

[6] A copy of the filing made with the Commission in compliance with the Commission's March 6, 2015 Order is attached hereto as Exhibit 1.

contained in ordering paragraphs 4 and 5 of the Commission's March 6, 2015 Order. Finally, EKPC is providing the accounting entries required in ordering paragraph 3 as Exhibit 1 to this petition.

A. Regulatory Asset Treatment

As noted in the RUS USoA, an ARO represents a liability for the legal obligation associated with the retirement of a tangible long-lived asset that a company is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.[7] AROs are recorded at their present value in the period in which they are incurred and when the amount of the liability can be reasonably estimated. This means an ARO could be recorded as early as during the construction of the long-lived asset or at some other date. But the recording of an ARO occurs before the utility has undertaken a project or projects that will eventually result in the settlement of the ARO. The amount recorded as the ARO liability is based on the best available estimate of the costs expected to be incurred to satisfy the legal obligation. Likewise, the corresponding capitalized asset retirement costs recorded in the utility plant accounts reflect the best available estimate of the expected costs. It is important to note that these best estimates of expected costs do not represent specific projects. Further, these preliminary estimates can and do change as better information becomes available about the best methods to satisfy the legal obligation, and the costs and timing of those methods. In accordance with these accounting requirements, the Dale Station ash disposal site ARO liability and corresponding capitalized asset retirement cost were recorded on EKPC's books on December 1, 2013.

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[7]*See* 7 CFR Part 1767, Section 1767.15, General Instructions, subpart (y)(1), Accounting for asset retirement obligations.

The specific project that will eventually settle the Dale Station ash disposal site ARO is Project No. 15, which was the subject of the CPCN application and amended environmental compliance plan filing in Case No. 2014-00252. While EKPC had been evaluating options for dealing with the Dale Station ash for several years, it finalized its options in April 2014 and the EKPC Board of Directors approved Project No. 15 in May 2014.[8] EKPC filed its application in Case No. 2014-00252 in September 2014. The Commission's March 6, 2015 Order authorized EKPC to capitalize and amortize over 10 years the project costs associated with the construction of the Smith Landfill and the reclamation of the Dale Ash Ponds site, while the costs associated with the hauling of the ash from Dale Station to the Smith Landfill are to be expensed as incurred.[9]

The accounting for the ARO liabilities, corresponding capitalized asset retirement costs, and ARO-related depreciation and accretion expenses constitutes a set of transactions that are distinct and separate from the accounting and rate-making treatments authorized by the Commission for Project No. 15 in Case No. 2014-00252. The completion of Project No. 15 will result in the settlement of the Dale Station ash disposal site ARO and at that time the two distinct set of costs will be reconciled and gains or losses recognized in accordance with the RUS USoA.

EKPC believes it is neither necessary nor reasonable to apply the accounting and rate-making treatments authorized for Project No. 15 to the request to establish regulatory assets for the ARO-related depreciation and accretion expenses for the ARO balances as of December 31, 2013, including the Dale Station ash disposal site ARO. The ARO liabilities and corresponding assets have already been recorded on EKPC's books – as the RUS USoA required – for

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[8] *See* Case No. 2014-00252, Application Exhibit 2 (Board Resolution) and Exhibit 10, Direct Testimony of Ed Tohill, Exhibit ET-1.

[9] EKPC wishes to emphasize that it does not take issue with the Commission's approved accounting and rate-making treatment decisions for Project No. 15 in Case No. 2014-00252.

accounting purposes. The request to defer and record all ARO-related depreciation and accretion expenses as a regulatory asset would allow EKPC to properly match these expenses with the recovery of the actual costs incurred to settle the ARO, regardless of the recovery period. The prescribed accounting treatment would not be impacted by the discretionary rate-making treatment ordered by the Commission in Case No. 2014-00252, which EKPC does not contest.

To further illustrate, EKPC had requested to treat and recover the ash hauling costs from the Dale Station to the Smith Landfill like a capitalized cost and recover that cost through the environmental surcharge over a period of 10 years. While the Commission required those costs to be expensed, and authorized the recovery of that expense as incurred, either approach results in the full recovery of the costs in the future. The only difference between the two rate-making treatments is the pace by which the costs are recovered. However, without the requested regulatory asset accounting treatment in this case, ARO-related depreciation and accretion expenses for ash hauling are being systematically recognized in 2014, 2015 and subsequent periods, while the revenue recovery for actual ash hauling costs incurred will be recognized beginning in late 2015 through 2017 in amounts that will not properly match with the depreciation and accretion expenses.

As a result of the Commission's decision, \$2,149,889 of the 2014 total ARO-related depreciation and accretion expenses of \$6,352,606 remained on EKPC's financial statements and resulted in a corresponding reduction of 2014 margins. A similar impact to EKPC's financial statements and margins could be expected in 2015. While there would be some level of revenues resulting from the environmental surcharge recovery of actual Dale Station ash hauling expenses, the revenues would not match the expenses as that recovery would not be expected to begin until the latter half of 2015. There would also be a mismatch between the ARO-related depreciation and accretion expenses and the revenues from the environmental surcharge recovery of actual Dale Station ash hauling expenses during 2016 and 2017. The existence of the mismatch is misleading to the users of EKPC's financial statements, including those institutions that finance EKPC and regulatory agencies, because they will first see a period of depressed margins as ARO expenses are recognized, and later see a period of inflated margins as cost recovery revenues are recognized. Further, because of this mis-matching of revenue and expenses, a customer or group of customers could file a complaint arguing that EKPC was over-earning when in fact its earnings reflected revenues that recovered expenses from earlier years. Thus, the Commission's decision in this case produces the very situation EKPC had hoped to avoid when it requested the creation of regulatory assets for the ARO-related depreciation and accretion expenses.

EKPC respectfully submits that it is unreasonable to apply the rate-making treatment directed for the cost recovery of Project No. 15 to the request to establish regulatory assets for the ARO-related depreciation and accretion expenses associated with the ARO liabilities and capitalized asset retirement costs recorded on EKPC's books as of December 31, 2013. EKPC further notes that authorizing the requested regulatory assets will allow EKPC to match the ARO-related depreciation and accretion expenses with the cost recovery authorized for Project No. 15. As the ash hauling costs are expensed and recovered through the environmental surcharge, EKPC will be making corresponding adjustments to the balance recorded in the regulatory assets to recognize the cost recovery.

B. Ordering Paragraph 4 – Updated ARO Calculations

Ordering paragraph 4 states "EKPC shall file annually on December 31, based on any new or revised studies or reports, updated ARO calculations by location. The updated calculations shall be submitted at the same time EKPC files its annual report with the

Commission." EKPC notes that the ordering paragraph requires the filing of the same updated ARO calculations on two different dates – December 31st and the date EKPC's annual report is to be filed with the Commission, which is March 31st. EKPC also notes that the ordering paragraph is not clear as to whether the "updated ARO calculations by location" mean the AROs recorded on EKPC's books by type and location as of December 31, 2013 or all AROs as of the reporting date.

EKPC respectfully requests rehearing of this ordering paragraph. As the ARO-related depreciation and accretion expenses being afforded regulatory asset treatment are associated with the ARO balances by type and location as of December 31, 2013, EKPC believes the updated ARO calculations should be limited to that group of AROs. While EKPC will provide the requested calculations, it would suggest the ordering paragraph be revised to read as follows: "EKPC shall file annually updated ARO calculations reflecting any studies, reports, or change in other assumptions for the ARO balances by type and location as originally recorded at December 31, 2013. The annual update shall be based upon the balances as of December 31st of each year. The updated calculations shall be submitted at the same time EKPC files its annual report with the Commission."

C. Ordering Paragraph 5 – Reporting Changes in ARO Balances

The first paragraph on page 7 of the March 6, 2015 Order discusses a limitation to "projects approved in the instant case" and the monitoring of increases greater than 10 percent in the ARO balances after 2014. Ordering paragraph 5 appears to reflect this narrative and states that EKPC shall inform the Commission of any change of more than 10 percent in the ARO balances after 2014. EKPC is uncertain how to comply with the language contained on page 7 and ordering paragraph 5.

The first paragraph on page 7 states that "amounts should be limited to the projects approved in the instant case," which is confusing and appears to be incorrect. EKPC did not propose or submit a specific project or series of projects associated with the ARO balances as of December 31, 2013 for the Commission's approval in this proceeding. The ARO balances as of December 31, 2013 have been identified as reflecting estimated liabilities for legal obligations associated with the retirement of utility assets related to asbestos abatement and ash disposal sites by location. EKPC respectfully requests that the language in the March 6, 2015 Order be revised to delete the reference to approved projects and instead state the expenses afforded regulatory asset treatment in 2014 and subsequent years should be limited to the ARO balances by type and location as of December 31, 2013.

EKPC believes the language in the first paragraph on page 7 is also inconsistent with another portion of the Commission's March 6, 2015 Order. EKPC had requested that the Commission reclassify the 2014 ARO-related depreciation and accretion expense as regulatory assets and that all subsequent ARO-related depreciation and accretion expenses associated with the ARO balances by type and location on December 31, 2013 be recorded as regulatory assets. On page 6 of the March 6, 2015 Order the Commission found that, with the exception of the depreciation and accretion expenses associated with the ash transfer costs, the proposed regulatory assets should be approved. However, on in the first paragraph on page 7 of the March 6, 2015 Order, the Commission stated:

> While the Commission is hereby granting approval for depreciation and accretion expenses as regulatory assets in 2014 and subsequent years, those amounts should be limited to the projects approved in the instant case. Furthermore, the Commission should be informed of any increase of more than 10 percent in the ARO balances after 2014 to determine whether a formal proceeding may be necessary to address such changes. If future ARO balances increase by more than 10 percent, EKPC

> must file for supplemental authority to record the excess amounts in the ARO-related depreciation and accretion expenses.

An inconsistency exists because the Commission appears to approve EKPC's request to reclassify as regulatory assets the 2014 ARO-related depreciation and accretion expenses and all subsequent ARO-related depreciation and accretion expenses associated with the ARO balances by type and location on December 31, 2013, yet then states if the ARO balances after 2014 increase by more than 10 percent there may be a need for further formal proceedings and that EKPC must file for supplemental authority to record the "excess amounts" in the ARO-related depreciation and accretion expenses.

EKPC also believes the last two sentences in the first paragraph on page 7 are in conflict. The first of the two sentences indicates that if there has been an increase of more than 10 percent in the ARO balances after 2014, a determination will be needed as to whether a formal proceeding may be necessary to address the changes. Yet the second of the two sentences directs that if the increase is more than 10 percent, EKPC must file for supplemental authority to record the excess amounts in the ARO-related depreciation and accretion expenses. Using the same threshold, one sentence indicates it will have to be determined if a formal proceeding is needed and the other sentence requires the filing of a formal pleading. Further complicating matters is the fact the last two sentences were not incorporated into ordering paragraph 5 of the March 6, 2015 Order.

EKPC has concerns about the 10 percent threshold. If the 10 percent threshold were applied to the ARO balances as of December 31, 2013, this would mean any increases greater than $3,223,803 would require Commission notification. The ARO balances recorded by EKPC as of December 31, 2014 total $33,263,092, making the reporting threshold $3,326,309. Regardless of which balance is utilized, a threshold for this type of reporting in the $3,000,000 range would appear to be unnecessarily restrictive. A related concern is whether the 10 percent threshold is applied to changes from year to year or cumulative since 2014. EKPC would note that if the application is to be cumulative since 2014, it is very possible that the normal accretion activity could result in the ARO liability balances exceeding the 10 percent threshold within a few years.

Lastly, EKPC notes that while the first paragraph on page 7 of the March 6, 2015 Order states *increases* in the ARO balances after 2014 of more than 10 percent, ordering paragraph 5 states *any change* of more than 10 percent in the ARO balances after 2014.

EKPC will be responsive to the information needs the Commission may have concerning AROs, however, EKPC respectfully submits that the directives included in the first paragraph on page 7 and ordering paragraph 5 of the March 6, 2015 need clarification and possibly correction. Consequently, EKPC requests rehearing of these sections of the March 6, 2015 Order.

EKPC would suggest that in considering rehearing for this item, the focus should be on the ARO balances by type and location as of December 31, 2013. EKPC has previously stated that it understands that separate applications for regulatory asset treatment would be required for any other types of AROs or any other locations identified after the date of the Application in this proceeding.[10] EKPC wishes to reaffirm this commitment.

EKPC would also suggest that it appears the provision of annual updated ARO calculations by location will provide the Commission with essentially the same information concerning changes in the ARO balances as would be disclosed using the 10 percent threshold.

D. Negative Precedent

Finally, EKPC is concerned that the March 6, 2015 Order creates an inconsistency with existing Commission precedent and will complicate the ability of regulated utilities to predict

[10] *See* Response to the Commission Staff's Initial Request for Information dated December 24, 2014, Request 7a.

and plan how AROs will be treated for accounting purposes in the future. As the Commission pointed out in its Order, regulatory assets were granted for AROs on two prior occasions.[11] The March 6, 2015 Order does not address those cases in detail, however, and thereby creates a wrinkle in Kentucky utility law without providing an explanation as to the basis for which the distinction has been drawn. Given that EKPC and other utilities will have to retire generation assets in the future, the March 6, 2015 Order unnecessarily clouds the parameters in which associated accounting decision must be made. EKPC believes that this is likely an unintended consequence and respectfully requests the Commission to maintain consistency in Kentucky law by granting rehearing.

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests that the Commission issue an order granting EKPC's petition for rehearing on the matters described herein and granting EKPC all other relief requested or to which the law requires.

Respectfully submitted,

Mark David Goss
David S. Samford
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, Suite B-325
Lexington, KY 40504
(859) 368-7740
mdgoss@gosssamfordlaw.com
david@gosssamfordlaw.com

Counsel for East Kentucky Power Cooperative, Inc.

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[11] *See In the Matter of Application of Louisville Gas and Electric Company for an Order Approving an Accounting Adjustment to be Included in Earnings Sharing Mechanism Calculations for 2003,* Order, Case No. 2003-00426, p.6 (Ky. P.S.C., Dec. 23, 2003); *In the Matter of Application of Kentucky Utilities Company for an Order Approving an Accounting Adjustment to be Included in Earnings Sharing Mechanism Calculations for 2003,* Order, Case No. 2003-00427, p.6 (Ky. P.S.C., Dec. 23, 2003).

Exhibit 1
Accounting Entries Establishing Regulatory Assets
Pursuant to the Commission's March 6, 2015 Order

Account 182320	Other Regulatory Assets – Dale 1 & 2	$102,261.18	
Account 403800	Depreciation Exp. – Asset Retirement Costs		$85,597.17
Account 411100	Accretion Expense		$16,664.01

To establish the regulatory assets for the 2014 depreciation and accretion expenses related to the Dale 1 & 2 asbestos abatement ARO.

Account 182321	Other Regulatory Assets – Dale 3 & 4	$635,001.89	
Account 403800	Depreciation Exp. – Asset Retirement Costs		$560,658.56
Account 411100	Accretion Expense		$74,343.33

To establish the regulatory assets for the 2014 depreciation and accretion expenses related to the Dale 3 & 4 asbestos abatement ARO.

Account 182322	Other Regulatory Assets - Cooper	$23,871.78	
Account 403800	Depreciation Exp. – Asset Retirement Costs		$14,609.97
Account 411100	Accretion Expense		$9,261.81

To establish the regulatory assets for the 2014 depreciation and accretion expenses related to the Cooper asbestos abatement ARO.

Account 182330	Other Regulatory Assets – Dale	$2,711,912.84	
Account 403800	Depreciation Exp. – Asset Retirement Costs		$2,272,846.99
Account 411100	Accretion Expense		$439,065.85

To establish the regulatory assets for the 2014 depreciation and accretion expenses related to the Dale ash disposal site ARO.

Account 182332	Other Regulatory Assets – Spurlock	$503,052.78	
Account 403800	Depreciation Exp. – Asset Retirement Costs		$394,813.42
Account 411100	Accretion Expense		$108,239.36

To establish the regulatory assets for the 2014 depreciation and accretion expenses related to the Spurlock landfill ash disposal site ARO.

Account 182333	Other Regulatory Assets – Cooper	$226,617.35	
Account 403800	Depreciation Exp. – Asset Retirement Costs		$144,998.49
Account 411100	Accretion Expense		$81,618.86

To establish the regulatory assets for the 2014 depreciation and accretion expenses related to the Cooper landfill ash disposal site ARO.

EKPC would note that in the accounting entries included with the Application in this proceeding it had indicated the credits would be to Account 407.4 – Regulatory Credits. However, upon further examination of the RUS USoA, EKPC has determined that the credits should be to the applicable depreciation expense and accretion expense accounts. This is consistent with the accounting instructions provided for Account 182.3 – Other Regulatory Assets in the RUS USoA. Please see 7 CFR 1767, Section 1767.18 Assets and Other Debits, Account 182.3 Other Regulatory Assets, part B.