

**Goss  
Samford**

ATTORNEYS AT LAW | PLLC

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PUBLIC SERVICE  
COMMISSION

May 6, 2016

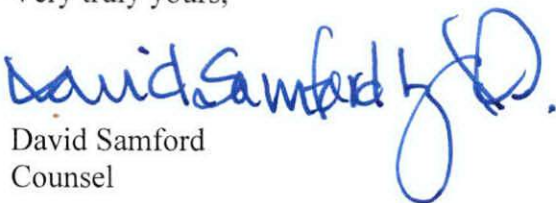
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

Re: PSC Case No. 2016-00144

Dear Acting Executive Director:

Please find enclosed for filing with the Commission in the above-referenced case, an original and seven 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 April 14, 2016, 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,

  
David Samford  
Counsel

Enclosures

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

**In the Matter of:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	<b>)</b>	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	<b>)</b>	
<b>SURCHARGE MECHANISM OF EAST</b>	<b>)</b>	
<b>KENTUCKY POWER COOPERATIVE, INC.</b>	<b>)</b>	<b>CASE NO.</b>
<b>FOR THE SIX-MONTH BILLING PERIOD</b>	<b>)</b>	<b>2016-00144</b>
<b>ENDING DECEMBER 31, 2015 AND THE PASS</b>	<b>)</b>	
<b>THROUGH MECHANISM FOR ITS SIXTEEN</b>	<b>)</b>	
<b>MEMBER DISTRIBUTION COOPERATIVES</b>	<b>)</b>	

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

**Filed: May 6, 2016**

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 and the pass through mechanism in a

reasonable manner during the period under review. My testimony will also propose updating the rate of return used in the environmental surcharge calculation.

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

A. Pursuant to the Commission's April 14, 2016 Order, EKPC is preparing testimony on behalf of each Member System. The Member Systems are: Big Sandy Rural Electric Cooperative Corporation ("RECC"), Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers RECC, Fleming-Mason Energy Cooperative, Grayson RECC, Inter-County Energy Cooperative Corporation, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen Electric Cooperative, Salt River Electric Cooperative Corporation, Shelby Energy Cooperative, Inc., South Kentucky RECC, and Taylor County RECC. EKPC is also providing Response 2 to the Commission Staff's First Request for Information ("Staff's First Request").

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

A. Yes. Mark Horn, Manager of Fuel and Emissions, has provided emission allowance information to Response 3 to the Staff's First Request. Thomas Stachnik, Treasurer and Director of Finance, has provided the debt and average interest rate information to Responses 5 and 6 to the Staff's First Request.

**Q. Previous Commission Orders required EKPC to incorporate certain provisions into the calculation of the monthly environmental surcharge factors. Please comment on how EKPC has addressed the most significant aspects of these Orders during the periods under review.**

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

3 • **Compliance Plan Projects**

4 As of the end of the six-month review period, EKPC has 15 projects in its  
5 Environmental Compliance Plan. These projects were approved by the Commission  
6 in Case Nos. 2004-00321,<sup>1</sup> 2008-00115,<sup>2</sup> 2010-00083,<sup>3</sup> 2013-00259,<sup>4</sup> and 2014-  
7 00252.<sup>5</sup> The monthly environmental surcharge reports, incorporated by reference in  
8 this case, show the capital costs for these projects.

9 • **Base/Current Method**

10 The surcharge mechanism, as shown in EKPC's Rate ES – Environmental Surcharge,  
11 reflects the base/current method through the formula  $MESF = CESF - BESF$ .<sup>6</sup> As  
12 shown in Response 1 to the Staff's First Request, EKPC's BESF is 0%.

13 • **Actual Emission Allowance Expense**

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<sup>1</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge*, Order, Case No. 2004-00321, (Ky. P.S.C., Mar. 17, 2005).

<sup>2</sup> See *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Approval of an Amendment to Its Environmental Compliance Plan and Environmental Surcharge*, Order, Case No. 2008-00115, (Ky. P.S.C., Sep. 29, 2008).

<sup>3</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Amendment to Its Environmental Compliance Plan and Environmental Surcharge*, Order, Case No. 2010-00083, (Ky. P.S.C., Sep. 24, 2010).

<sup>4</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for Alteration of Certain Equipment at the Cooper Station and Approval of a Compliance Plan Amendment for Environmental Surcharge Cost Recovery*, Order, Case No. 2013-00259, (Ky. P.S.C., Feb. 20, 2014).

<sup>5</sup> 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*, Order, Case No. 2014-00252, (Ky. P.S.C., Mar. 6, 2015).

<sup>6</sup> MESF is the Monthly Environmental Surcharge Factor; CESF is the Current Environmental Surcharge Factor; and BESF is the Base Environmental Surcharge Factor.

EKPC included only actual sulfur dioxide (“SO<sub>2</sub>”) and nitrogen oxide (“NO<sub>x</sub>”) emission allowance expense in the monthly filings.

- **Return on Emission Allowance Inventory and Limestone Inventory**

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

EKPC’s emission allowance inventories for SO<sub>2</sub> and NO<sub>x</sub> reflect operations under the Cross-State Air Pollution Rules (“CSAPR”) along with a continuation of the Acid Rain program. There were no changes in the emission allowance programs until January 1, 2015, when the CSAPR rules began for SO<sub>2</sub>, seasonal or ozone NO<sub>x</sub>, and annual NO<sub>x</sub>. The previous SO<sub>2</sub> allowance balances and dollars continue forward into the future since these are related to the Acid Rain program. The previous NO<sub>x</sub> allowance balances and dollars which were associated with the previous Clean Air Interstate Rule for ozone and annual NO<sub>x</sub> were eliminated. Under CSAPR, SO<sub>2</sub> and NO<sub>x</sub> allowances are awarded annually with no carry-forward of unused balances from prior programs or rules. The allowances allocated to EKPC by the Environmental Protection Agency under CSAPR have a dollar value of \$0, which is consistent with the valuation afforded EPA allocated allowances under prior programs.

EKPC’s SO<sub>2</sub> inventory as of the end of the review period reflects the allowances from the Acid Rain program. The NO<sub>x</sub> inventory as of the end of the review period has a \$0 balance as all the allowances were issued under CSAPR.

- **Return on Construction Work in Progress (“CWIP”), Net of Allowance for Funds Used During Construction**

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. Two rates of return were in effect during the periods under review. For  
7 the expense months of June and July 2015, the rate of return was 6.060%, which was  
8 approved by the Commission in Case No. 2013-00324.<sup>7</sup> For the expense months of  
9 August through November 2015, the rate of return was 6.063%, which was approved  
10 by the Commission in Case No. 2014-00051.<sup>8</sup> In each case, the Commission  
11 approved EKPC's request to incorporate a TIER of 1.50 in the determination of the  
12 rate of return. EKPC proposes no change to the TIER component of the rate of return  
13 in this proceeding.

14 EKPC is proposing a rate of return of 6.041% in this proceeding, as shown in  
15 Response 5 to the Staff's First Request. EKPC's proposed rate of return is consistent  
16 with the Settlement Agreement approved in Case No. 2004-00321, which provided  
17 that the rate of return on compliance-related capital expenditures would be updated to  
18 reflect current average debt cost as of the end of each six-month review period. The  
19 Commission clarified in its March 21, 2014 Order in Case No. 2013-00324 that the

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<sup>7</sup> See *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*, Order, Case No. 2013-00324, (Ky. P.S.C., Mar. 21, 2014).

<sup>8</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Period Ending December 31, 2013 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2014-00051, (Ky. P.S.C., Aug. 25, 2015).

1 expense month should constitute the end of an environmental surcharge review  
2 period.

3 • **Operation and Maintenance (“O&M”) Expenses**

4 EKPC has continued to use a 12-month rolling average for O&M expenses associated  
5 with the compliance plan projects. For those instances where the change in the level  
6 of O&M expenses exceeded 10 percent, EKPC has provided an explanation. These  
7 explanations are provided in Response 4 to the Staff’s First Request. In addition,  
8 EKPC has identified an adjustment to the filed monthly O&M expenses which is  
9 discussed later in this testimony.

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

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

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

16 A. Yes. However, as shown in Response 1 to the Staff’s First Request, EKPC applied its  
17 June 2015 under-recovery to the July 2015 expense month, which was billed in August  
18 2015. Thus, from the normal operation of the surcharge mechanism, no adjustment is  
19 needed in this proceeding to collect any under-recovery from the Member Systems.

20 EKPC has identified an error in certain O&M expenses reported in the monthly filings  
21 which does require correction. EKPC originally identified and discussed this error in its  
22 revised responses to the Commission Staff’s First Request for Information in Case No.



1 2015-00281,<sup>9</sup> the previous environmental surcharge review case. During a review of the  
2 O&M expenses included in the February 2016 environmental surcharge filing, EKPC  
3 became aware that there were errors in the amounts that had been reported in the previous  
4 month's surcharge filing. EKPC determined it was reasonable to review O&M expenses  
5 allowable for inclusion in the environmental surcharge for the expense months  
6 corresponding to revenues billed during 2015. This review revealed similar errors  
7 occurred in reported O&M expenses beginning with the December 2014 expense month  
8 and continuing through the February 2016 expense month.

9 The errors discovered during the review for any particular month were the result of  
10 inconsistent or incorrect query criteria used to generate reports to compile allowable  
11 O&M expenses for inclusion in the surcharge filing. EKPC personnel take very seriously  
12 the need to accurately report its surcharge eligible O&M expenses in the monthly  
13 surcharge filings. But there are numerous challenges to this effort. The surcharge  
14 eligible expenses are obtained from multiple accounting record sources rather than a  
15 single journal or ledger. Because of the specific nature of the compliance projects,  
16 eligible surcharge expenses must be located and identified by operating unit, department  
17 designations, and budget and project identifiers. Also, surcharge eligible expenses  
18 generally must be compiled during the first 15 days of the month, while the monthly  
19 closing of the accounting records is taking place. Adding to the complexity was the fact  
20 that due to staff turnover, three different staff members were responsible for preparing the

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<sup>9</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Periods Ending June 30, 2014 and December 31, 2014, Two-Year Billing Period Ending June 30, 2015, and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Case No. 2015-00281, Revised Responses to Commission Staff's First Request for Information to East Kentucky Power Cooperative, Inc. dated August 31, 2015 filed April 5, 2016.

O&M expenses for the surcharge in 2015, which led to inconsistency in how reports were generated.

**Q. Has EKPC determined the reason(s) for these errors?**

A. EKPC has determined that simple human error in retrieving information from the numerous reports containing account balances was the reason these errors occurred. As a result of the review, EKPC personnel have examined the processes for compiling surcharge eligible O&M expenses and have standardized and finalized the criteria for the queries to recognize the necessary operating unit, department, budget, and project identifiers. EKPC believes these actions will improve the process and ensure the completeness and accuracy of the surcharge eligible O&M expenses.

**Q. You stated these errors were originally noted in Case No. 2015-00281. How were these errors addressed by the Commission in the final Order in that case?**

A. In its April 8, 2016 final Order, the Commission authorized EKPC to collect an under-recovery of \$391,155 over the first two billing months following the date of that Order. This under-recovery reflected the effects of the identified errors through the end of the May 2015 expense month.

**Q. What is the amount of the adjustment EKPC proposes to make in this proceeding to correct the noted errors?**

A. Reflecting the Commission's decision in Case No. 2015-00281 and as shown in the response to Request 1, for the review period ending November 30, 2015, EKPC has determined it experienced a net under-recovery of \$249,182.

As discussed previously, EKPC determined that these errors impacted the expense months of December 2014 through February 2016. The Commission's decision in Case No. 2015-00281 addressed the net under-recovery covering the expense months of

December 2014 through May 2015. The net under-recovery determined in this case will cover the expense months of June through November 2015. The remaining effect of these errors covering the expense months of December 2015 through February 2016 will be addressed in the next surcharge review proceeding.

**Q. How has EKPC dealt with the remaining months in the 12 month average O&M schedule reported on ES Form 2.4 impacted by the identified errors in O&M expenses for the expense month filings after the February 2016 expense month?**

A. EKPC's surcharge mechanism utilizes a 12-month average of O&M expenses. Absent correction, errors existing in the current expense month will continue to impact the monthly surcharge calculations for the following 11 months.<sup>10</sup> Without a correction to the O&M expenses reported on ES Form 2.4, the effects of the errors identified in the June 2015 through February 2016 expense months will impact monthly surcharge calculations through January 2017. Therefore, beginning with the March 2016 expense month, EKPC included the corrected O&M expense totals on ES Form 2.4, which resolves the errors in subsequent months.<sup>11</sup>

**Q. How does EKPC propose to handle the net under-recovery in its surcharge mechanism?**

A. EKPC would like to collect the net under-recovery in a timely manner, but believes it needs to balance this desire by considering the impact the net under-recovery would have on its Member Systems and their customers. Therefore, EKPC proposes to include the

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<sup>10</sup> Errors in the O&M expenses reported on ES Form 2.4 impact the determination of the average monthly O&M expense included in the surcharge calculations and the determination of the cash working capital component of the environmental surcharge compliance rate base.

<sup>11</sup> EKPC included and noted this correction to ES Form 2.4 in the March 2016 expense month surcharge filing, which was submitted to the Commission on April 20, 2016.

total net under-recovery of \$249,182 as an adjustment on Line 11 of ES Form 1.1 in the first two months after the Commission's Order in this proceeding.

**Q. Previous Commission Orders also required EKPC's Member Systems to incorporate certain provisions into the calculation of the monthly pass-through factors. Please comment on how the Member Systems have addressed the most significant aspects of these Orders during the periods under review.**

A. Under the pass-through mechanism the environmental surcharge factors computed for retail customers were billed by EKPC's Member Systems at approximately the same time as EKPC billed the Member Systems at wholesale. The calculation of the monthly factors for each Member System was provided in the monthly reports filed with the Commission. EKPC and the Member Systems adhered to these and all other requirements and provisions of the Commission's Orders for the periods under review.

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

A. Yes. The over- or under-recovery amounts for each Member System are shown in Response 2 to the Staff's First Request. The determination of the over- or under-recovery amounts has been prepared utilizing the revised methodology approved by the Commission in Case No. 2015-00281 and as directed in the Staff's First Request.

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

A. As approved in the Commission's November 5, 2010 Order in Case No. 2010-00021,<sup>12</sup> the Member Systems propose that the over- or under-recovery amounts be amortized over

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<sup>12</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2009*

1 a period of six months beginning in the first month after the Commission's Order in this  
2 proceeding.

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

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

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

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

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

9 A. No changes to the Member System tariffs are required.

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

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

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

15 A. Yes. As previously discussed, EKPC proposes an updated rate of return of 6.041%. This  
16 updated rate of return reflects an average debt cost as of November 30, 2015 of 4.027%  
17 and a TIER of 1.50. The determination of the average debt cost as of November 30, 2015  
18 is shown in Response 5 to the Staff's First Request. EKPC notes that its interest rates in  
19 the three previous cases were either essentially constant or decreasing and are decreasing  
20 as reported in this case. While this is due in part to a favorable interest rate environment,  
21 EKPC's ability to build equity is also a major contributor to this trend. Anytime that

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*and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2010-00021, (Ky. P.S.C., Nov. 5, 2010).

1 EKPC is able to reduce its overall average cost of debt, it is reducing its costs to serve  
2 Members.

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

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

7 **Q. Does EKPC have a request concerning the timing of the issuance of the final Order**  
8 **in this surcharge review proceeding?**

9 A. Yes. EKPC is requesting that the Commission issue its final Order in this case either  
10 within the first 10 days of the month or after the 21<sup>st</sup> day of the month. This is due to the  
11 processing procedure for the monthly surcharge factor filing and the critical processing  
12 period between the 11<sup>th</sup> and 20<sup>th</sup> of the month.

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

14 A. Yes it does.

15

COMMONWEALTH OF KENTUCKY

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CASE NO.  
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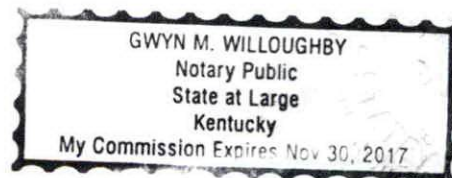
STATE OF KENTUCKY )  
COUNTY OF CLARK )

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.

Isaac S. Scott

Subscribed and sworn before me on this 16<sup>th</sup> day of May 2016.

Gwyn M. Willoughby  
Notary Public #500144



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<b>MEMBER DISTRIBUTION COOPERATIVES</b>	<b>)</b>	

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED APRIL 14, 2016**



**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2016-00144**

**PUBLIC SERVICE COMMISSION REQUEST DATED 04/14/16**

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 April 14, 2016. Each response with its associated supportive reference materials is individually tabbed.

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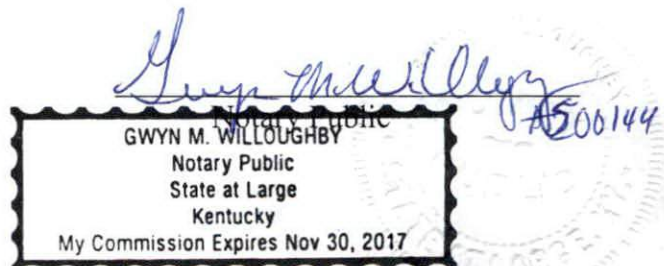
**CERTIFICATE**

**STATE OF KENTUCKY** )  
                                  )  
**COUNTY OF CLARK** )

Mark Horn, 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 Requests for Information contained in Appendix B in the above-referenced case dated April 14, 2016, 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.

Mark Horn

Subscribed and sworn before me on this 6<sup>th</sup> day of May, 2016.



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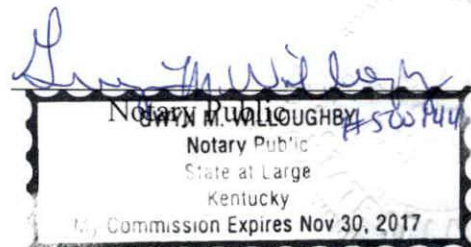
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Subscribed and sworn before me on this 6<sup>th</sup> day of May, 2016.



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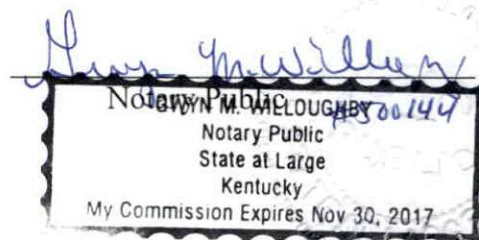
CERTIFICATE

STATE OF KENTUCKY    )  
                                  )  
COUNTY OF CLARK    )

Thomas J. Stachnik, 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 Requests for Information contained in Appendix B in the above-referenced case dated April 14, 2016, 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.

*R J Stachnik*

Subscribed and sworn before me on this 6th day of May, 2016.



**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2016-00144**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 04/14/16**  
**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 six-month review. Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

**Response 1.** Please see pages 3 through 5 of 5 of this response and the Request 1 files included on the attached CD. Page 3 of 5 shows the calculation of  $E(m)$  as originally filed. Page 4 of 5 shows the calculation of a corrected  $E(m)$ . Page 5 of 5 shows a summary spreadsheet showing the total proposed adjustment for the periods under review. The Request 1 files

included on the attached CD contains the Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible for these pages as well as all supporting calculation spreadsheets.

As discussed in Mr. Scott's direct testimony, EKPC is proposing a net under-recovery adjustment of \$249,182 to be reflected in the first two month's surcharge filings after the Commission's decision in this review.

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

Line	Description	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
1	<b>E(m) = RORB + OE - BAS</b>									
2	Rate Base	\$730,361,600	\$728,343,060	\$726,091,905	\$727,802,900	\$723,389,394	\$723,588,573	\$724,825,062	\$722,218,051	\$720,138,372
3	Rate Base / 12	\$60,863,467	\$60,695,255	\$60,507,659	\$60,650,242	\$60,282,449	\$60,299,048	\$60,402,088	\$60,184,838	\$60,011,531
4	Rate of Return	= 6.060%	6.060%	6.060%	6.063%	6.063%	6.063%	6.063%	6.063%	6.063%
5	Return on Rate Base (RORB)	+ \$3,688,326	\$3,678,132	\$3,666,764	\$3,677,224	\$3,654,925	\$3,655,931	\$3,662,179	\$3,649,007	\$3,638,499
6	Operating Expenses (OE)	+ \$5,831,498	\$5,810,411	\$5,775,713	\$6,639,124	\$6,579,058	\$6,678,372	\$5,303,735	\$6,187,310	\$5,754,902
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$9,519,824	\$9,488,543	\$9,442,477	\$10,316,348	\$10,233,983	\$10,334,303	\$8,965,913	\$9,836,317	\$9,393,401
8a	<b>Prior Periods Adjustments</b>									
9	Member System Allocation Ratio for the Month (Form 3.0)	98.42%	98.44%	98.29%	98.22%	98.25%	98.30%	98.19%	98.19%	98.27%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$9,369,411	\$9,340,522	\$9,281,010	\$10,132,717	\$10,054,888	\$10,158,620	\$8,803,630	\$9,658,279	\$9,230,895
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12a	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$9,369,411	\$9,340,522	\$9,281,010	\$10,132,717	\$10,054,888	\$10,158,620	\$8,803,630	\$9,658,279	\$9,230,895
12b	1-month true up adjustment	\$2,240,032	\$2,406,004	\$804,991	\$60,805	\$597,928	\$1,316,983	\$2,650,791	\$1,376,076	\$317,747
12c	E(m)= Ln 12a + Ln 12 b	\$11,609,443	\$11,746,526	\$10,086,001	\$10,193,522	\$10,652,816	\$11,475,603	\$11,454,421	\$11,034,355	\$9,548,642
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$64,164,567	\$63,687,886	\$63,404,857	\$62,713,216	\$62,409,586	\$61,985,342	\$60,910,915	\$59,971,069	\$59,673,859
14	CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	18.09%	18.44%	15.91%	16.25%	17.07%	18.51%	18.81%	18.40%	16.00%
15	BESF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	MESF	18.09%	18.44%	15.91%	16.25%	17.07%	18.51%	18.81%	18.40%	16.00%
17	Authorized Recovery Amount: Line 13 x Line 16	\$11,609,443	\$11,746,526	\$10,086,001	\$10,193,522	\$10,652,816	\$11,475,603	\$11,454,421	\$11,034,355	\$9,548,642
18	Environmental Surcharge Revenues Billed	\$6,977,388	\$10,804,452	\$11,685,721	\$9,488,073	\$8,876,539	\$8,002,025	\$10,099,527	\$11,136,674	\$14,096,141
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	\$2,406,004	\$804,991	\$60,805	\$597,928	\$1,316,983	\$2,650,791	\$1,376,076	\$317,747	(\$3,061,786)

**East Kentucky Power Cooperative, Inc. Environmental Surcharge Report**  
**Calculation of Current Month Environmental Surcharge Factor (CESF)**  
**and (Over)/Under Recovery Calculation (CORRECTED 05-16)**

Line	Description	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
1	<b>E(m) = RORB + OE - BAS</b>									
2	Rate Base	\$730,489,139	\$728,496,661	\$726,249,901	\$727,917,729	\$723,409,208	\$723,514,026	\$724,568,381	\$721,742,520	\$720,077,605
3	Rate Base / 12	\$60,874,095	\$60,708,055	\$60,520,825	\$60,659,811	\$60,284,101	\$60,292,835	\$60,380,698	\$60,145,210	\$60,006,467
4	Rate of Return	= 6.060%	6.060%	6.060%	6.063%	6.063%	6.063%	6.063%	6.063%	6.063%
5	Return on Rate Base (RORB)	+ \$3,688,970	\$3,678,908	\$3,667,562	\$3,677,804	\$3,655,025	\$3,655,555	\$3,660,882	\$3,646,604	\$3,638,192
6	Operating Expenses (OE)	+ \$5,916,523	\$5,912,812	\$5,881,043	\$6,715,677	\$6,592,268	\$6,628,674	\$5,132,615	\$5,870,289	\$5,714,390
7	By-Product and Emission Allowance Sales (BAS)	- \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	Sub-Total E(m)	\$9,605,493	\$9,591,720	\$9,548,605	\$10,393,481	\$10,247,293	\$10,284,229	\$8,793,496	\$9,516,893	\$9,352,582
8a	<b>Prior Periods Adjustments</b>									
9	Member System Allocation Ratio for the Month (Form 3.0)	98.42%	98.44%	98.29%	98.22%	98.25%	98.30%	98.19%	98.19%	98.27%
10	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$9,453,727	\$9,442,089	\$9,385,324	\$10,208,477	\$10,067,965	\$10,109,397	\$8,634,334	\$9,344,637	\$9,190,782
11	Adjustment for (Over)/Under Recovery, as applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12a	E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$9,453,727	\$9,442,089	\$9,385,324	\$10,208,477	\$10,067,965	\$10,109,397	\$8,634,334	\$9,344,637	\$9,190,782
12b	1-month true up adjustment	\$2,286,895	\$2,448,486	\$831,416	\$83,295	\$629,632	\$1,345,959	\$2,671,696	\$1,394,829	\$339,611
12c	E(m)= Ln 12a + Ln 12 b	\$11,740,622	\$11,890,575	\$10,216,740	\$10,291,772	\$10,697,597	\$11,455,356	\$11,306,030	\$10,739,466	\$9,530,393
13	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$64,164,567	\$63,687,886	\$63,404,857	\$62,713,216	\$62,409,586	\$61,985,342	\$60,910,915	\$59,971,069	\$59,673,859
14	CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	18.30%	18.67%	16.11%	16.41%	17.14%	18.48%	18.56%	17.91%	15.97%
15	BESF	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	MESF	18.30%	18.67%	16.11%	16.41%	17.14%	18.48%	18.56%	17.91%	15.97%
17	Authorized Recovery Amount: Line 13 x Line 16	\$11,740,622	\$11,890,575	\$10,216,740	\$10,291,772	\$10,697,597	\$11,455,356	\$11,306,030	\$10,739,466	\$9,530,393
18	Environmental Surcharge Revenues Billed	\$7,025,777	\$10,909,206	\$11,807,280	\$9,587,108	\$8,945,813	\$8,025,901	\$10,060,527	\$10,966,419	\$13,695,556
19	Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	\$2,448,486	\$831,416	\$83,295	\$629,632	\$1,345,959	\$2,671,696	\$1,394,829	\$339,611	(\$2,956,090)



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

*Source: Line 12c (As Filed and Corrected)*

<b>Expense Month</b>	<b>As Filed</b>	<b>Corrected</b>	<b>Difference</b>	<b>Cumulative Difference</b>
May-15	\$11,609,443	\$11,740,622	\$131,179	\$131,179
Jun-15	\$11,746,526	\$11,890,575	\$144,049	\$144,049
Jul-15	\$10,086,001	\$10,216,740	\$130,739	\$274,788
Aug-15	\$10,193,522	\$10,291,772	\$98,250	\$373,038
Sep-15	\$10,652,816	\$10,697,597	\$44,782	\$417,819
Oct-15	\$11,475,603	\$11,455,356	(\$20,247)	\$397,572
Nov-15	\$11,454,421	\$11,306,030	(\$148,390)	\$249,182
Dec-15	\$11,034,355	\$10,739,466	(\$294,889)	(\$45,707)
Jan-16	\$9,548,642	\$9,530,393	(\$18,249)	(\$63,957)
Total Proposed Adjustment			<u>\$249,182</u>	

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2016-00144**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 04/14/16**  
**REQUEST 2**

**RESPONSIBLE PARTY:** Isaac S. Scott

**Request 2.** This question is addressed to EKPC and the Member Cooperatives. 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 six-month review utilizing the revised methodology approved in Case No. 2015-00281.<sup>1</sup> 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 six-month review. Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

**Response 2.** Please see the response to Request 2 included on the attached CD. EKPC is providing the requested schedules on behalf of each of its Member Cooperatives. The

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<sup>1</sup> Case No. 2015-00281, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Periods Ending June 30, 2014 and December 31, 2014, for the Two-Year Billing Period Ending June 30, 2015, and the Pass Through Mechanism for its Sixteen Member Distribution Cooperatives (Ky. PSC Apr. 8, 2016).

calculations follow the revised methodology approved by the Commission in Case No. 2015-00281.

Concerning the amortization periods for the resulting over- or under-recoveries, all of the Member Cooperatives have notified EKPC that they are proposing 6-month amortization periods.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2016-00144**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 04/14/16**  
**REQUEST 3**

**RESPONSIBLE PARTY:**           **Mark Horn**

**Request 3.**           This question is addressed to EKPC. 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 SO<sub>2</sub> purchases were made during the period of June 1, 2015, through November 30, 2015.

(b) No NO<sub>x</sub> purchases were made during the period of June 1, 2015, through November 30, 2015.

(c) No purchases of allowances were made in the expense months covered by the applicable billing periods.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2016-00144**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 04/14/16**  
**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 each of the expense months covered by the applicable billing period. 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 11 of 11 of this response. Also please note that this analysis reflects the corrected Form 2.5 amounts rather than the as filed Form 2.5 amounts. The corrected Form 2.5 pages are included in the spreadsheets provided on the CD in the response to Request 1.

East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period June 2015 - December 2015

501010 - SP03	Fuel Coal Gilbert	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
400-2610	Expense Dollars	\$ -	\$ 89,834	\$ 90,922	\$ 99,739	\$ 62,172	\$ -	\$ 83,775	\$ 88,956
	Expense Dollars Change		\$ 89,834	\$ 1,088	\$ 8,817	\$ (37,567)	\$ (62,172)	\$ 83,775	\$ 5,181
	Percent Change		0.00%	1.21%	9.70%	-37.67%	-100.00%	0.00%	6.18%

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

501010 - SP04	Fuel Coal Spurlock 4	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 119,439	\$ 40,360	\$ 98,499	\$ 117,085	\$ 72,984	\$ 107,773	\$ 68,999	\$ 88,956
	Expense Dollars Change		\$ (79,079)	\$ 58,139	\$ 18,586	\$ (44,101)	\$ 34,789	\$ (38,774)	\$ 19,957
	Percent Change		-66.21%	144.05%	18.87%	-37.67%	47.67%	-35.98%	28.92%

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

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 8,351	\$ 39,750	\$ 47,405	\$ 39,750	\$ 40,250	\$ -	\$ 39,000	\$ -
	Expense Dollars Change		\$ 31,399	\$ 7,655	\$ (7,655)	\$ 500	\$ (40,250)	\$ 39,000	\$ (39,000)
	Percent Change		375.96%	19.26%	-16.15%	1.26%	-100.00%	0.00%	-100.00%

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

512000 - CPxx	Mtc of Cooper (Unit 2 AQCS)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 97,277	\$ 64,621	\$ 6,606	\$ 61,691	\$ 26,318	\$ 42,612	\$ 38,120	\$ 78,162
	Expense Dollars Change		\$ (32,656)	\$ (58,015)	\$ 55,085	\$ (35,373)	\$ 16,294	\$ (4,492)	\$ 40,042
	Percent Change		-33.57%	-89.78%	833.86%	-57.34%	61.91%	-10.54%	105.04%

Project 03350 is Bag House, Dry Scrub, SNCR & SCR, Project 03351 is Ammonia Handling System and Project 03520 is Common Scrubber Maintenance

June15-

Project 03350- Contractor payments decreased \$46.4k, EKPC Payroll & Benefits decreased \$1.2k, Materials decreased \$3.2k,  
Project 03351- Contractor payments increased \$2.7k, EKPC Payroll & Benefits increased \$4.9k, Materials increased \$0.2k,  
Adjustment to accruals to match actual resulted in an increase of \$10.4K.

July15-

Project 03350- Contractor payments decreased \$5.2k, EKPC Payroll & Benefits decreased \$0.6k, Materials increased \$0.1k,  
Project 03351- Contractor payments decreased \$2.6k, EKPC Payroll & Benefits decreased \$3.9k, Materials increased \$0.6k,  
Adjustment to accruals to match actual resulted in a decrease of \$46.4K.

August15-

Project 03350- Contractor payments increased \$40.9k, EKPC Payroll & Benefits increased \$1.8k, Materials increased \$2k,  
Project 03351- Contractor payments decreased \$0.2k, EKPC Payroll & Benefits decreased \$0.5k, Materials decreased \$0.4k,  
Adjustment to accruals to match actual resulted in an increase of \$11.4K.

September15-

Project 03350- Contractor payments decreased \$42.1k, EKPC Payroll & Benefits increased \$9.5k, Materials increased \$2.5k,  
Project 03351- EKPC Payroll & Benefits decreased \$1.2k, Materials decreased \$0.2k,  
Adjustment to accruals to match actual resulted in a decrease of \$3.9K.

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period June 2015 - December 2015**

**October15-**

Project 03350- Contractor payments increased \$1.1k, EKPC Payroll & Benefits decreased \$15.8k, Materials decreased \$4.5k,  
 Project 03351- EKPC Payroll & Benefits decreased \$0.3k, Materials decreased \$0.2k,  
 Adjustment to accruals to match actual resulted in an increase of \$36.0K.

**November15-**

Project 03350- Contractor payments increased \$2.1k, EKPC Payroll & Benefits increased \$4.9k, Materials increased \$0.1k,  
 Project 03351- EKPC Payroll & Benefits increased \$4.5k, Materials increased \$3k,  
 Adjustment to accruals to match actual resulted in a decrease of \$19.1K.

**December15-**

Project 03350- Contractor payments decreased \$1.4k, EKPC Payroll & Benefits increased \$3.2k, Materials increased \$1.6k, Accruals decreased \$1.7k  
 Project 03351- EKPC Payroll & Benefits decreased \$3k, Materials decreased \$3k, Accruals decreased \$1.4k  
 Adjustment to accruals to match actual resulted in an increase of \$45.7K.

512000 - SP01	Mtce of Boiler Plant Spurlock 1	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 22,299	\$ 23,205	\$ 16,051	\$ 10,794	\$ 34,271	\$ 350,252	\$ 144,350	\$ 19,907
	Expense Dollars Change		\$ 906	\$ (7,154)	\$ (5,257)	\$ 23,477	\$ 315,981	\$ (205,902)	\$ (124,443)
	Percent Change		4.06%	-30.83%	-32.75%	217.50%	922.01%	-58.79%	-86.21%

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

**July15-**

Project 03330- Contractor payments decreased \$7.2k, EKPC Payroll & Benefits increased \$2.4k, Materials increased \$0.5k,  
 Project 03501- Contractor payments increased \$6.5k, EKPC Payroll & Benefits increased \$0.1k, Materials increased \$0.2k,  
 Adjustment to accruals to match actual resulted in a decrease of \$9.7K.

**August15-**

Project 03330- Contractor payments decreased \$4.5k, EKPC Payroll & Benefits increased \$0.1k, Materials decreased \$0.5k,  
 Project 03501- Contractor payments decreased \$1k, Materials decreased \$0.2k,  
 Adjustment to accruals to match actual resulted in an increase of \$0.8K.

**September15-**

Project 03330- Contractor payments decreased \$2.4k, Materials increased \$5.7k,  
 Project 03501- Contractor payments increased \$12.6k, EKPC Payroll & Benefits increased \$0.9k, Materials increased \$7.2k,  
 Adjustment to accruals to match actual resulted in a decrease of \$0.5K.

**October15-**

Project 03330- Contractor payments increased \$250.1k, EKPC Payroll & Benefits increased \$7.8k, Materials decreased \$5.1k,  
 Project 03501- Contractor payments increased \$61.8k, EKPC Payroll & Benefits increased \$8.6k, Materials decreased \$7.2k,

**November15-**

Project 03330- Contractor payments decreased \$174.1k, EKPC Payroll & Benefits decreased \$7.7k, Materials decreased \$0.7k,  
 Project 03501- Contractor payments decreased \$66.4k, EKPC Payroll & Benefits decreased \$8k, Materials decreased \$0.1k,  
 Adjustment to accruals to match actual resulted in an increase of \$51.1K.

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period June 2015 - December 2015**

December15-

Project 03330- Contractor payments decreased \$106.9k, EKPC Payroll & Benefits decreased \$3.4k, Accruals decreased \$1.9k

Project 03501- Contractor payments increased \$34k, EKPC Payroll & Benefits increased \$1.4k, Materials increased \$0.6k, Accruals decreased \$0.9k  
Adjustment to accruals to match actual resulted in a decrease of \$47.3K.

512000 - SP02	Mtce of Boiler Plant Spurlock 2	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 11,729	\$ 22,933	\$ 1,716	\$ 13,612	\$ 5,600	\$ 45,410	\$ 339,970	\$ 275,447
	Expense Dollars Change		\$ 11,204	\$ (21,217)	\$ 11,896	\$ (8,012)	\$ 39,810	\$ 294,560	\$ (64,523)
	Percent Change		95.53%	-92.52%	693.24%	-58.86%	710.89%	648.67%	-18.98%

Project 03330 is for the Spurlock 2 Electrostatic Precipitator and Project 03501 is for Spurlock 2 SCR maintenance.

June15-

Project 03330- Contractor payments increased \$0.7k, EKPC Payroll & Benefits increased \$18.7k, Materials decreased \$7.7k,

Project 03501- Contractor payments decreased \$10.8k, EKPC Payroll & Benefits increased \$0.9k,  
Adjustment to accruals to match actual resulted in an increase of \$9.4K.

July15-

Project 03330- Contractor payments increased \$7.3k, EKPC Payroll & Benefits decreased \$24.4k, Materials decreased \$0.5k,

Project 03501- Contractor payments decreased \$8.6k, EKPC Payroll & Benefits decreased \$0.1k,  
Adjustment to accruals to match actual resulted in an increase of \$5.1K.

August15-

Project 03330- Contractor payments increased \$48.3k, EKPC Payroll & Benefits increased \$13.9k, Materials increased \$0.6k,

Project 03501- Contractor payments increased \$9k, EKPC Payroll & Benefits increased \$0.4k,  
Adjustment to accruals to match actual resulted in a decrease of \$60.3K.

September15-

Project 03330- Contractor payments decreased \$56.3k, EKPC Payroll & Benefits decreased \$8.8k, Materials decreased \$0.9k,

Project 03501- Contractor payments decreased \$8.5k, EKPC Payroll & Benefits increased \$1.2k,  
Adjustment to accruals to match actual resulted in an increase of \$65.3K.

October15-

Project 03330- Contractor payments increased \$0.7k, EKPC Payroll & Benefits increased \$3.9k, Materials increased \$5.5k,

Project 03501- Contractor payments increased \$36.4k, EKPC Payroll & Benefits decreased \$2.9k,  
Adjustment to accruals to match actual resulted in a decrease of \$3.8K.

November15-

Project 03330- Contractor payments increased \$579.7k, EKPC Payroll & Benefits decreased \$0.7k, Materials increased \$4.7k,

Project 03501- Contractor payments increased \$263.7k, EKPC Payroll & Benefits increased \$9.5k, Materials increased \$3.4k,  
Adjustment to accruals to match actual resulted in a decrease of \$565.7K.

December15-

Project 03330- Contractor payments decreased \$529k, EKPC Payroll & Benefits increased \$3.8k, Materials decreased \$6.3k, Accruals decreased \$2.3k

Project 03501- Contractor payments decreased \$31.7k, EKPC Payroll & Benefits decreased \$6.3k, Materials decreased \$3.4k, Accruals decreased \$1k  
Adjustment to accruals to match actual resulted in an increase of \$511.7K.



East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period June 2015 - December 2015

512000 - SP03	Maintenance of Boiler Plant Gilbert	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	173,444	96,558	115,470	145,774	310,547	226,255	156,901	190,525
	Expense Dollars Change		(76,886)	18,912	30,304	164,773	(84,292)	(69,354)	33,624
	Percent Change		-44.33%	19.59%	26.24%	113.03%	-27.14%	-30.65%	21.43%

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

June15-

Project 03206- Contractor payments decreased \$28.2k, EKPC Payroll & Benefits decreased \$9.1k, Materials decreased \$25.2k,  
Project 03350- Contractor payments increased \$5.3k, EKPC Payroll & Benefits decreased \$3.9k, Materials decreased \$20.5k,  
Adjustment to accruals to match actual resulted in an increase of \$4.7K.

July15-

Project 03206- Contractor payments decreased \$19.2k, EKPC Payroll & Benefits increased \$13.4k, Materials increased \$39.1k,  
Project 03350- Contractor payments decreased \$14.6k, EKPC Payroll & Benefits increased \$7.5k, Materials decreased \$0.2k,  
Adjustment to accruals to match actual resulted in a decrease of \$7.1K.

August15-

Project 03206- Contractor payments decreased \$20.4k, EKPC Payroll & Benefits increased \$12.6k, Materials decreased \$14.9k,  
Project 03350- Contractor payments increased \$4.4k, EKPC Payroll & Benefits increased \$20.9k, Materials increased \$26.5k,  
Adjustment to accruals to match actual resulted in a decrease of \$39.6K.

September15-

Project 03206- Contractor payments increased \$170.3k, EKPC Payroll & Benefits decreased \$3.8k, Materials decreased \$32.5k,  
Project 03350- Contractor payments decreased \$9.1k, EKPC Payroll & Benefits decreased \$3.7k, Materials increased \$44.5k,  
Adjustment to accruals to match actual resulted in a decrease of \$0.9K.

October15-

Project 03206- Contractor payments increased \$61.9k, EKPC Payroll & Benefits decreased \$37.1k, Materials decreased \$18.5k,  
Project 03350- Contractor payments increased \$1.6k, EKPC Payroll & Benefits decreased \$42.3k, Materials decreased \$50.5k,  
Adjustment to accruals to match actual resulted in an increase of \$0.6K.

November15-

Project 03206- Contractor payments decreased \$187k, EKPC Payroll & Benefits increased \$12.6k, Materials increased \$21.7k,  
Project 03350- Contractor payments increased \$5.6k, EKPC Payroll & Benefits increased \$13.8k, Materials increased \$1.3k,  
Adjustment to accruals to match actual resulted in an increase of \$62.6K.

December15-

Project 03206- Contractor payments increased \$210.3k, EKPC Payroll & Benefits increased \$13.6k, Materials increased \$3.7k, Accruals decreased \$13.1k  
Project 03350- Contractor payments decreased \$4.7k, EKPC Payroll & Benefits increased \$6k, Materials increased \$6k, Accruals decreased \$6.3k  
Adjustment to accruals to match actual resulted in a decrease of \$181.9K.

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	2,181,450	259,165	94,184	123,883	155,864	69,964	296,109	159,251
	Expense Dollars Change		(1,922,285)	(164,981)	29,699	31,981	(85,900)	226,145	(136,858)
	Percent Change		-88.12%	-63.66%	31.53%	25.82%	-55.11%	323.23%	-46.22%

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period June 2015 - December 2015**

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

**June15-**

Project 03206- Contractor payments decreased \$1542.5k, EKPC Payroll & Benefits decreased \$27.5k, Materials decreased \$19.8k,  
 Project 03350- Contractor payments decreased \$318.2k, EKPC Payroll & Benefits decreased \$7.3k, Materials decreased \$8.3k,  
 Adjustment to accruals to match actual resulted in an increase of \$1.3K.

**July15-**

Project 03206- Contractor payments decreased \$97.6k, EKPC Payroll & Benefits decreased \$35.9k, Materials increased \$39k,  
 Project 03350- Contractor payments decreased \$69.4k, EKPC Payroll & Benefits increased \$3.9k, Materials increased \$0.2k, Accruals increased \$0.1k  
 Adjustment to accruals to match actual resulted in a decrease of \$5.3K.

**August15-**

Project 03206- Contractor payments increased \$31.5k, EKPC Payroll & Benefits increased \$9.1k, Materials decreased \$43.7k,  
 Project 03350- Contractor payments increased \$29.7k, EKPC Payroll & Benefits decreased \$5.7k, Materials increased \$7.9k, Accruals decreased \$0.2k  
 Adjustment to accruals to match actual resulted in an increase of \$1.1K.

**September15-**

Project 03206- Contractor payments increased \$79.7k, EKPC Payroll & Benefits increased \$2.3k, Materials increased \$1.2k,  
 Project 03350- Contractor payments decreased \$32k, EKPC Payroll & Benefits decreased \$11.3k, Materials decreased \$8k, Accruals increased \$0.1k

**October15-**

Project 03206- Contractor payments decreased \$88.2k, EKPC Payroll & Benefits decreased \$10.4k, Materials decreased \$2k,  
 Project 03350- Contractor payments increased \$1.3k, EKPC Payroll & Benefits increased \$9.7k, Materials increased \$0.1k,  
 Adjustment to accruals to match actual resulted in an increase of \$3.6K.

**November15-**

Project 03206- Contractor payments increased \$124k, EKPC Payroll & Benefits increased \$11.8k, Materials increased \$54.8k,  
 Project 03350- Contractor payments increased \$4.5k, EKPC Payroll & Benefits decreased \$4.8k, Materials decreased \$0.1k,  
 Adjustment to accruals to match actual resulted in an increase of \$35.9K.

**December15-**

Project 03206- Contractor payments decreased \$34.6k, EKPC Payroll & Benefits increased \$9.1k, Materials decreased \$89.5k, Accruals decreased \$10k  
 Project 03350- Contractor payments increased \$12.3k, EKPC Payroll & Benefits increased \$5.6k, Materials decreased \$0.1k, Accruals decreased \$6.2k  
 Adjustment to accruals to match actual resulted in a decrease of \$23.5K.

512000 - SP21	Mtce of Boiler Plant Scrubber 1	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 82,025	\$ 367,022	\$ 35,203	\$ 68,544	\$ 137,282	\$ 409,054	\$ 140,984	\$ 75,098
	Expense Dollars Change		\$ 284,997	\$ (331,819)	\$ 33,341	\$ 68,738	\$ 271,772	\$ (268,070)	\$ (65,886)
	Percent Change		347.45%	-90.41%	94.71%	100.28%	197.97%	-65.53%	-46.73%

**June15-**

Project 03521- Contractor payments increased \$272.9k, EKPC Payroll & Benefits increased \$4.2k, Materials increased \$12.8k, Accruals decreased \$1k  
 Adjustment to accruals to match actual resulted in a decrease of \$3.9K.

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period June 2015 - December 2015**

**July15-**

Project 03521- Contractor payments decreased \$294k, EKPC Payroll & Benefits decreased \$4.2k, Materials decreased \$8.4k,  
Adjustment to accruals to match actual resulted in a decrease of \$25.2K.

**August15-**

Project 03521- Contractor payments increased \$23.3k, EKPC Payroll & Benefits decreased \$2.5k, Materials increased \$12.6k,  
Adjustment to accruals to match actual resulted in a decrease of \$0.1K.

**September15-**

Project 03521- Contractor payments increased \$23.6k, EKPC Payroll & Benefits increased \$10.7k, Materials increased \$34.5k,  
Adjustment to accruals to match actual resulted in a decrease of \$0.1K.

**October15-**

Project 03521- Contractor payments increased \$212.3k, EKPC Payroll & Benefits increased \$0.9k, Materials increased \$57.6k,  
Adjustment to accruals to match actual resulted in an increase of \$1K.

**November15-**

Project 03521- Contractor payments decreased \$149.6k, EKPC Payroll & Benefits decreased \$8k, Materials decreased \$109.4k,  
Adjustment to accruals to match actual resulted in a decrease of \$1.1K.

**December15-**

Project 03521- Contractor payments decreased \$64.2k, EKPC Payroll & Benefits decreased \$1.5k, Materials increased \$0.1k, Accruals decreased \$3.2k  
Adjustment to accruals to match actual resulted in an increase of \$2.9K.

512000 - SP22	Mtce of Boiler Plant Scrubber 2	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 196,116	\$ 203,814	\$ 245,863	\$ 135,578	\$ 126,675	\$ 121,068	\$ 513,789	\$ 384,361
	Expense Dollars Change		\$ 7,698	\$ 42,049	\$ (110,285)	\$ (8,903)	\$ (5,607)	\$ 392,721	\$ (129,428)
	Percent Change		3.93%	20.63%	-44.86%	-6.57%	-4.43%	324.38%	-25.19%

**July15-**

Project 03521- Contractor payments increased \$137.9k, EKPC Payroll & Benefits decreased \$10.5k, Materials decreased \$70.7k,  
Adjustment to accruals to match actual resulted in a decrease of \$14.7K.

**August15-**

Project 03521- Contractor payments decreased \$93.4k, EKPC Payroll & Benefits decreased \$4k, Materials decreased \$12k, Accruals decreased \$0.1k  
Adjustment to accruals to match actual resulted in a decrease of \$0.8K.

**November15-**

Project 03521- Contractor payments increased \$352.9k, EKPC Payroll & Benefits increased \$13.8k, Materials increased \$55.8k,  
Adjustment to accruals to match actual resulted in a decrease of \$29.8K.

East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period June 2015 - December 2015

December15-

Project 03521- Contractor payments decreased \$139.2k, EKPC Payroll & Benefits increased \$0.8k, Materials increased \$1.3k, Accruals decreased \$4.2k  
Adjustment to accruals to match actual resulted in an increase of \$11.9K.

**Air Permit Fees**

50621	Misc Stm Pwr Env - Dale	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ -	\$ -	\$ -	\$ -	\$ 28,540	\$ (1,172)	\$ -	\$ 13,975
	Expense Dollars Change		\$ -	\$ -	\$ -	\$ 28,540	\$ (29,712)	\$ 1,172	\$ 13,975
	Percent Change		0.00%	0.00%	0.00%	0.00%	-104.11%	-100.00%	0.00%
50631	Misc Stm Pwr Env - Cooper	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ -	\$ -	\$ 5,078	\$ 38,953	\$ -	\$ -	\$ 15,151	\$ 417,003
	Expense Dollars Change		\$ -	\$ 5,078	\$ 33,875	\$ (38,953)	\$ -	\$ 15,151	\$ 401,852
	Percent Change		0.00%	0.00%	667.09%	-100.00%	0.00%	0.00%	2652.31%
50645	Misc Stm Pwr Env - Spurlock	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 52,577	\$ 32,221	\$ 4,127	\$ 9,840	\$ 61,260	\$ 55,778	\$ 24,025	\$ 644,400
	Expense Dollars Change		\$ (20,356)	\$ (28,094)	\$ 5,713	\$ 51,420	\$ (5,482)	\$ (31,753)	\$ 620,375
	Percent Change		-38.72%	-87.19%	138.43%	522.56%	-8.95%	-56.93%	2582.21%

Air permit fees paid for Dale, Cooper and Spurlock for calendar 2015 emissions.

**Operating Expense- Ammonia**

506001 - CPxx	Misc Stm Pwr Exp - Cooper	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ -	\$ 53,418	\$ 8,148	\$ 56,851	\$ 4,098	\$ (135)	\$ 3,987	\$ 58,995
	Expense Dollars Change		\$ 53,418	\$ (45,270)	\$ 48,703	\$ (52,753)	\$ (4,233)	\$ 4,122	\$ 55,008
	Percent Change		0.00%	-84.75%	597.73%	-92.79%	-103.29%	-3053.33%	1379.68%

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	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 3,007	\$ 171,248	\$ 130,015	\$ 18,359	\$ -	\$ -	\$ 292,619	\$ 350,143
	Expense Dollars Change		\$ 168,241	\$ (41,233)	\$ (111,656)	\$ (18,359)	\$ -	\$ 292,619	\$ 57,524
	Percent Change		5594.45%	-24.08%	-85.88%	-100.00%	0.00%	0.00%	19.66%

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 June 2015 - December 2015

**Operating Expense- Ammonia**

506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 37,043	\$ 69,540	\$ 65,523	\$ 87,830	\$ 61,759	\$ 41,957	\$ 54,185	\$ 94,219
	Expense Dollars Change		\$ 32,497	\$ (4,017)	\$ 22,307	\$ (26,071)	\$ (19,802)	\$ 12,228	\$ 40,034
	Percent Change		87.73%	-5.78%	34.04%	-29.68%	-32.06%	29.14%	73.88%

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

506001 -SP02	Misc Steam Power Exp - Spurlock 2	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Expense Dollars	\$ 30,035	\$ 56,384	\$ 53,127	\$ 126,669	\$ 50,074	\$ 49,928	\$ 43,934	\$ 76,394
	Expense Dollars Change		\$ 26,349	\$ (3,257)	\$ 73,542	\$ (76,595)	\$ (146)	\$ (5,994)	\$ 32,460
	Percent Change		87.73%	-5.78%	138.43%	-60.47%	-0.29%	-12.01%	73.88%

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

**Operating Expense- Ammonia and Limestone**

506001 - SP03	Misc Steam Power Expense- Gilbert	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Ammonia Expense	\$ (232,848)	\$ 36,159	\$ 38,216	\$ (5,018)	\$ 33,332	\$ 24,199	\$ 30,786	\$ 48,895
	Limestone Expense	\$ 279,860	\$ 258,459	\$ 290,187	\$ 235,231	\$ 90,225	\$ 53,873	\$ 229,413	\$ 215,633
	Limestone Tons Used	23,563	21,771	24,413	19,828	7,616	5,245	19,238	18,689
	Total Expense Dollars	\$ 47,012	\$ 294,618	\$ 328,403	\$ 230,213	\$ 123,557	\$ 78,072	\$ 260,199	\$ 264,528
	Expense Dollars Change		\$ 247,606	\$ 33,785	\$ (98,190)	\$ (106,656)	\$ (45,485)	\$ 182,127	\$ 4,329
	Percent Change		526.69%	11.47%	-29.90%	-46.33%	-36.81%	233.28%	1.66%

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.

June- Limestone expenses decreased by \$21.4k and Ammonia expenses increased by \$269k

July- Limestone expenses increased by \$31.7k and Ammonia expenses increased by \$2.1k

August- Limestone expenses decreased by \$55k and Ammonia expenses decreased by \$43.2k

Unit Outage- 08/12/15-08/13/15

September- Limestone expenses decreased by \$145k and Ammonia expenses increased by \$38.3k

Unit Outage- 09/12/15-09/30/15

October- Limestone expenses decreased by \$36.4k and Ammonia expenses decreased by \$9.1k

Unit Outage- 10/01/15-10/24/15

November- Limestone expenses increased by \$175.5k and Ammonia expenses increased by \$6.6k

East Kentucky Power Cooperative, Inc.  
Environmental Surcharge Operating and Expense Month over Month Analysis  
For the Expense Period June 2015 - December 2015

Operating Expense- Limestone and Magnesium

506001 - SP21	Misc Stm Pwr Exp- Spurlock 1	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Magnesium Expense	\$ 5,413	\$ 13,049	\$ 2,009	\$ 15,774	\$ 17,049	\$ 20,712	\$ 11,686	\$ 10,866
	Limestone Expense	\$ 52,350	\$ 89,344	\$ 89,808	\$ 59,893	\$ 25,566	\$ 8,376	\$ 81,973	\$ 29,201
	Limestone Tons Used	8,159	7,225	7,254	4,838	2,071	681	6,684	2,383
	Expense Dollars	\$ 57,763	\$ 102,393	\$ 91,817	\$ 75,667	\$ 42,615	\$ 29,088	\$ 93,659	\$ 40,067
	Expense Dollars Change		\$ 44,630	\$ (10,576)	\$ (16,150)	\$ (33,052)	\$ (13,527)	\$ 64,571	\$ (53,592)
	Percent Change		77.26%	-10.33%	-17.59%	-43.68%	-31.74%	221.99%	-57.22%

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.

June- Limestone expenses increased by \$37k and Magnesium expenses increased by \$7.6k  
Unit Outage- 06/01/15-06/07/15, 06/14/15-06/19/15

July- Limestone expenses increased by \$0.5k and Magnesium expenses decreased by \$11k

August- Limestone expenses decreased by \$29.9k and Magnesium expenses increased by \$13.8k

September- Limestone expenses decreased by \$34.3k and Magnesium expenses increased by \$1.3k

October- Limestone expenses decreased by \$17.2k and Magnesium expenses increased by \$3.7k

November- Limestone expenses increased by \$73.6k and Magnesium expenses decreased by \$9k

December- Limestone expenses decreased by \$52.8k and Magnesium expenses decreased by \$0.8k

Operating Expense-Limestone and Magnesium

506001 - SP22	Misc Stm Pwr Exp- Spurlock 2	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Magnesium Expense	\$ 49,597	\$ 68,585	\$ 89,079	\$ 55,688	\$ 183,267	\$ 147,574	\$ 36,266	\$ 162,364
	Limestone Expense	\$ 165,776	\$ 57,122	\$ 182,337	\$ 179,680	\$ 157,050	\$ 159,152	\$ 33,482	\$ 142,570
	Limestone Tons Used	9,466	4,620	14,727	14,515	12,725	12,946	2,730	11,636
	Expense Dollars	\$ 215,373	\$ 125,707	\$ 271,416	\$ 235,368	\$ 340,317	\$ 306,726	\$ 69,748	\$ 304,934
	Expense Dollars Change		\$ (89,666)	\$ 145,709	\$ (36,048)	\$ 104,949	\$ (33,591)	\$ (236,978)	\$ 235,186
	Percent Change		-41.63%	115.91%	-13.28%	44.59%	-9.87%	-77.26%	337.19%

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.

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period June 2015 - December 2015**

June- Limestone expenses decreased by \$108.7k and Magnesium expenses increased by \$19k  
Unit Outage- 06/23/15-06/30/15

July- Limestone expenses increased by \$125.2k and Magnesium expenses increased by \$20.5k  
Unit Outage- 07/01/15-07/07/15, 07/10/15-07/26/15, 07/28/15-07/31/15

August- Limestone expenses decreased by \$2.7k and Magnesium expenses decreased by \$33.4k  
Unit Outage- 08/01/15-08/02/15, 08/04/15-08/25/15, 08/27/15-08/31/15

September- Limestone expenses decreased by \$22.6k and Magnesium expenses increased by \$127.6k

October- Limestone expenses increased by \$2.1k and Magnesium expenses decreased by \$35.7k

November- Limestone expenses decreased by \$125.7k and Magnesium expenses decreased by \$111.3k

December- Limestone expenses increased by \$109.1k and Magnesium expenses increased by \$126.1k

**Operating Expense- Ammonia and Limestone**

506001 - SP04	Misc Stm Pwr Exp- Spurlock 4	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Ammonia Expense	\$ 32,700	\$ 43,970	\$ 45,460	\$ 5,640	\$ 41,272	\$ 35,741	\$ 36,148	\$ 58,402
	Limestone Expense	\$ 401,260	\$ 224,465	\$ 330,542	\$ 244,155	\$ 276,824	\$ 287,277	\$ 203,856	\$ 302,131
	Limestone Tons Used	32,713	18,902	27,808	20,582	23,402	24,373	17,015	25,748
	Expense Dollars	\$ 433,960	\$ 268,435	\$ 376,002	\$ 249,795	\$ 318,096	\$ 323,018	\$ 240,004	\$ 360,533
	Expense Dollars Change		\$ (165,525)	\$ 107,567	\$ (126,207)	\$ 68,301	\$ 4,922	\$ (83,014)	\$ 120,529
	Percent Change		-38.14%	40.07%	-33.57%	27.34%	1.55%	-25.70%	50.22%

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.

June- Limestone expenses decreased by \$176.8k and Ammonia expenses increased by \$11.3k  
Unit Outage- 06/01/15-06/07/15

July- Limestone expenses increased by \$106.1k and Ammonia expenses increased by \$1.5k

August- Limestone expenses decreased by \$86.4k and Ammonia expenses decreased by \$39.8k  
Unit Outage- 08/22/15-08/29/15

September- Limestone expenses increased by \$32.7k and Ammonia expenses increased by \$35.6k

November- Limestone expenses decreased by \$83.4k and Ammonia expenses increased by \$0.4k  
Unit Outage- 11/12/15-11/20/15

December- Limestone expenses increased by \$98.3k and Ammonia expenses increased by \$22.3k

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2016-00144**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 04/14/16**  
**REQUEST 5**

**RESPONSIBLE PARTY:**           **Thomas J. Stachnik**

**Request 5.**           This question is addressed to EKPC. The Settlement Agreement approved in Case No. 2004-00321 provides that EKPC'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 November 30, 2015:

- 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.     EKPC'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.
- d.     Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.



**Responses 5a-d.** Please see the response to Request 5 on the attached CD. EKPC is proposing a weighted average cost of debt of 4.027% based on the debt cost for each debt issuance directly related to the projects in the environmental compliance plan as of November 30, 2015. Using a weighted average cost of debt and a TIER of 1.50 produces a rate of return on the environmental compliance related capital expenditures of 6.041%.

EKPC would note that on September 2, 2015 it filed Case No. 2015-00302, an application with the Commission seeking the creation of a regulatory asset for the William C. Dale Generating Station (“Dale Station”). In that application EKPC proposed to recover the regulatory asset through existing base rates and the environmental surcharge. On February 11, 2016 the Commission granted EKPC’s request to create regulatory assets for the Dale Station. The Commission directed that Dale Station projects be removed from the environmental surcharge mechanism and established as a separate regulatory asset. EKPC reflected this adjustment with the filing of its monthly environmental surcharge report on February 19, 2016.

The response to Request 5 includes debt associated with the Dale Station environmental surcharge projects. EKPC has not adjusted the calculation of the weighted average debt cost and the rate of return because as of November 30, 2015 the Commission had not issued its decision in Case No. 2015-00302.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2016-00144**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 04/14/16**  
**REQUEST 6**

**RESPONSIBLE PARTY:**            **Thomas J. Stachnik**

**Request 6.**            This question is addressed to EKPC. Provide the percentage of EKPC's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the November 2015 expense month.

**Response 6.**            The percentage as of November 2015 expense month is 0%. The debt issuances directly related to projects in the approved compliance plan are at a fixed interest rate.