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August 30, 2016

Via Hand-Delivery

Ms. Talina R. Mathews, Ph.D.
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

RECEIVED

AUG 30 2016

PUBLIC SERVICE COMMISSION

RE: In the Matter of: The Application of East Kentucky Power Cooperative, Inc. for Approval of an Industrial Power Agreement with Economic Development Rider, Case No. 2016-00316

Dear Ms. Mathews:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of East Kentucky Power Cooperative, Inc.'s ("EKPC") Application regarding the above-styled matter. EKPC has also provided copies of this application to the Kentucky Attorney General's Office and to the Kentucky Cabinet for Economic Development.

Please do not hesitate to contact me if you have any questions.

Sincerely,

David S. Samford

CC: Becky Goodman, Office of the Attorney General
Secretary Erik Dunnigan, Kentucky Cabinet for Economic Development

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER	)
COOPERATIVE, INC. FOR APPROVAL OF AN	) Case No. 2016-00316
INDUSTRIAL POWER AGREEMENT WITH ECONOMIC	)
DEVELOPMENT RIDER	)

APPLICATION

Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by counsel, and, for itself and on behalf of South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"), pursuant to 807 KAR 5:001 Section 14, 807 KAR 5:011 and other applicable law, and for its Application seeking approval of a special contract identified as "Industrial Power Agreement with Economic Development Rider". This special contract is submitted for Commission approval pursuant to the provisions of EKPC's Section EDR – Economic Development Rider tariff and South Kentucky's Schedule EDR – Economic Development Rider tariff and respectfully states as follows:

I. INTRODUCTION

1. In Case No. 2014-00034[1] EKPC sought approval of an Economic Development Rider ("EDR") tariff pursuant to the Commission's Order in Administrative Case No. 327.[2] The Commission found EKPC's EDR tariff was reasonable and was approved as proposed effective

[1] *See In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Economic Development Rider*, Order, Case No. 2014-00034 (Ky. P.S.C. June 20, 2014).

[2] *See In the Matter of An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities*, Order, Administrative Case No. 327 (Ky. P.S.C. Sept. 24, 1990).

June 20, 2014. South Kentucky filed its corresponding EDR tariff on September 17, 2014 and it became effective November 1, 2014. This is the first special contract executed since the approval of EKPC's and South Kentucky's current EDR tariffs. EKPC's last special contract including economic development rates was approved by the Commission in 1990.[3]

2. The Kroger Limited Partnership I ("Kroger") has decided to construct a new superstore in the Somerset, Kentucky area and the availability of the EDR encouraged Kroger to locate the new superstore in South Kentucky's service territory. The new superstore will be an approximate 125,000 square feet facility that will include a grocery store as well as apparel and home décor products. The new superstore represents an investment of $23.7 million and Kroger expects to hire 250 employees. As required by EKPC's and South Kentucky's EDR tariffs, Kroger submitted an application requesting service under the EDR. Kroger's request is attached to this Application as Exhibit 1.

II. FILING REQUIREMENTS

3. Pursuant to 807 KAR 5:001, Section 14(1), EKPC's mailing address is P. O. Box 707, Winchester, Kentucky 40392-0707 and its electronic mail address is psc@ekpc.coop. Counsel for EKPC should be served at the following email addresses: mdgoss@gosssamfordlaw.com, david@gosssamfordlaw.com and allyson@gosssamfordlaw.com.

4. Pursuant to 807 KAR 5:001, Section 14(2), EKPC is a Kentucky rural electric cooperative corporation established under KRS Chapter 279 and incorporated on July 9, 1941. EKPC is in good standing within and throughout the Commonwealth of Kentucky.

[3] *See In the Matter of Application of East Kentucky Power Cooperative for a Certificate of Public Convenience and Necessity to Construct Certain Steam Facilities in Mason County, Kentucky*, Order, Case No. 1990-00197 (Ky. P.S.C. Dec. 7, 1990).

5. South Kentucky is a Kentucky rural electric cooperative corporation established under KRS Chapter 279 and incorporated on October 13, 1938. South Kentucky's mailing address is P. O. Box 910, Somerset, Kentucky 42502 and its electronic mail address is kypscinfo@skrecc.com. South Kentucky is in good standing within and throughout the Commonwealth of Kentucky.

6. Kroger is an Ohio limited partnership with its principal offices at 1600 Ormsby Station Court, Louisville, Kentucky 40223. The new Somerset superstore will be located at 50 Stonegate Drive, Somerset, Kentucky 42501.

III. BACKGROUND

A. Overview of EKPC and South Kentucky

7. EKPC is a not-for-profit, Member-owned generation and transmission rural electric cooperative corporation with its headquarters in Winchester, Kentucky. EKPC provides wholesale electricity to its sixteen Member distribution cooperatives, which in turn serve approximately 525,000 Kentucky homes, farms and commercial and industrial establishments in eighty-seven (87) Kentucky counties.

8. In total, EKPC owns or purchases a total of approximately 2,955 MW of net summer generating capability and 3,257 MW of net winter generating capability. EKPC owns 2,940 circuit miles of high voltage transmission lines in various voltages and also owns the substations necessary to support this transmission line infrastructure. Currently, EKPC has seventy-four (74) free-flowing interconnections with its neighboring utilities. EKPC's transmission system is operated by PJM Interconnection, LLC ("PJM"), of which EKPC has been a fully-integrated member since June 1, 2013. PJM is a regional electric grid and market operator

with operational control of over 180,000 MW of regional electric generation. It operates the largest capacity and energy market in North America.

9. South Kentucky is a not-for-profit, Member-owned distribution rural electric cooperative corporation with its headquarters in Somerset, Kentucky. South Kentucky is one of the sixteen Member-owners of EKPC. South Kentucky serves approximately 66,700 customers in eleven (11) Kentucky counties.

B. Special Contract

10. Pursuant to the Commission's decision in Administrative Case No. 327 and the respective EDR tariffs, EKPC, South Kentucky, and Kroger have entered into a special contract that includes EDR provisions titled "Industrial Power Agreement with Economic Development Rider." South Kentucky will be billed under EKPC's Section B rate tariff and Kroger will be billed under South Kentucky's Schedule LP-3 – Large Power Rate 3 tariff. Kroger has selected a five-year EDR discount period which requires a total contract term of ten years. Paragraph 4 of the special contract includes the EDR provisions and is consistent with the EKPC and South Kentucky EDR tariffs. The special contract is attached to this Application as Exhibit 2.

11. Paragraph 4 of the special contract also includes an early termination clause. In Administrative Case No. 327 the Commission required that the term of EDR special contracts had to be twice the length of the discount period. There have been no indications that Kroger would not fulfill the full contract term. However, as the reductions to the demand charges during the discount period are significant, EKPC and South Kentucky believed it was necessary to include provisions that would encourage EDR customers to complete the full contract term.

12. The special contract will become effective upon the date of the Commission's Order approving the special contract. Consequently, the discount period will not begin until the

effective date and Kroger will not be billed at the reduced demand charges until that time. In order to minimize billing problems, EKPC would request that the Commission declare the effective date to be the first day of the month after the date of the Commission's Order approving the special contract. While acknowledging that the Commission will need time to review and evaluate the special contract, EKPC respectfully requests that the Commission undertake its review and evaluation in as prompt and timely a manner as its schedule will permit.

IV. COMPLIANCE WITH SEPTEMBER 24, 1990 ORDER IN ADMINISTRATIVE CASE NO. 327

13. In its September 24, 1990 Order the Commission ordered that when filing EDR contracts the jurisdictional gas and electric utilities were to comply with a set of findings enumerated in that Order. In compliance with that directive, EKPC, on behalf of itself and South Kentucky, provide the following information.

14. Consistent with Finding Number 3, EKPC, South Kentucky, and Kroger have entered into a special contract that contains EDR provisions.

15. Consistent with Finding Number 4, the special contract specifies all terms and conditions of service. Kroger has selected the five-year discount option as described in the EKPC and South Kentucky EDR tariffs, which provides for a 50 percent discount of the demand charge in the first year and a discount that declines by 10 percent in each of the subsequent years. Kroger anticipates hiring 250 employees at the new superstore and that superstore represents a capital investment of approximately $23.7 million. EKPC and South Kentucky have not identified any customer-specific fixed costs associated with serving Kroger, but the special contract provides that such costs would be recovered over the life of the special contract. The minimum bill will be determined in accordance with the provisions for a minimum bill contained in South Kentucky's Schedule LP-3 plus its fuel adjustment clause and environmental surcharge. The contract demand

for Kroger will initially be 600 kW and the special contract requires a minimum load factor of 60 percent in order for Kroger to receive the EDR discounts. The total term of the special contract is ten years.

16. Finding Number 5 directed that economic development rates should only be offered during periods of excess capacity. The Commission required that upon submission of each special contract utilities should demonstrate that the load expected to be served during each year of the contract period would not cause the utility to fall below a reserve margin that was considered essential for system reliability and that such a reserve margin should be identified and justified with each special contract filing. In its June 20, 2014 Order in Case No. 2014-00034 the Commission granted EKPC's request for deviation from the excess capacity guideline based on the EDR tariff provision stating that individual EDR customers would be responsible for the cost of market purchases made on their behalf.

17. PJM maintains an Installed Reserve Margin ("IRM") of 16.5 percent and EKPC is required to maintain / purchase its pro-rata share of this IRM. The diversity of EKPC's load as compared to the PJM load provides additional margin for EKPC. That is, the EKPC load at the time of the PJM peak is typically less than the EKPC peak load. Therefore, EKPC's relative percentage of reserve margin that it carries on its peak load is less than the PJM IRM. The typical EKPC capacity requirement, as defined by PJM, represents close to a 3 percent reserve margin on the EKPC projected summer peak. EKPC showed the expected required reserve margins based on this estimation in its 2015 Integrated Resource Plan.[4] As a participant in the PJM markets, EKPC sells all its generating resources into the market and purchases all its load requirements, including the reserve margin. Based on current conditions, EKPC does not believe it will be

[4] *See In the Matter of The 2015 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.*, Case No. 2015-00134, Integrated Resource Plan filed April 21, 2015 at p. 174.

necessary to make a specific market purchase to cover the new Kroger demand during the ten-year contract term. However, the special contract includes provisions to address a specific market purchase if needed.

18. Finding Number 6 required that upon submission of a special contract, a utility should demonstrate that the discounted rate exceeds the marginal cost associated with serving the customer. The Commission noted that marginal cost includes both the marginal cost of capacity as well as the marginal cost of energy. To demonstrate marginal cost recovery, the Commission required that a utility should submit a current marginal cost-of-service study which had been conducted no more than one year prior to the date of the special contract. As a member of PJM, EKPC's marginal cost to service its Members is in effect the costs incurred when purchasing its load requirements from the market. Attached to this Application as Exhibit 3 is an analysis of marginal costs for the twelve-month period ending May 31, 2016 and a determination of whether the offered discounted rate exceeds the marginal costs associated with serving Kroger.

19. Consistent with Finding Number 7 and the Commission's June 20, 2014 Order in Case No. 2014-00034, EKPC will file an annual report with the Commission detailing revenues received from individual EDR customers and the marginal costs associated with serving those customers. While preparing this Application, EKPC noted that neither the September 24, 1990 Order in Administrative Case No. 327 nor the June 20, 2014 Order in Case No. 2014-00034 stated when this annual report is due to be filed with the Commission. EKPC would propose that this annual report be filed at the same time as EKPC's annual financial report is filed with the Commission.

20. Consistent with Finding Number 8, during rate proceedings EKPC will demonstrate through a detailed cost-of-service analysis that nonparticipating ratepayers are not adversely affected by EDR customers.

21. Consistent with Finding Number 9 and EKPC's and South Kentucky's EDR tariffs, the special contract includes a provision providing for the recovery of EDR customer-specific fixed costs over the life of the special contract. At this time, EKPC and South Kentucky have not identified any EDR customer-specific fixed costs that need to be recovered.

22. While Kroger has indicated the number of new jobs and expected capital investment associated with the superstore, neither EKPC nor South Kentucky established minimum requirements for these items in order to be eligible for the EDR. This is consistent with Finding Number 10.

23. Consistent with Finding Number 11 and the Commission's June 20, 2014 Order in Case No. 2014-00034, EKPC will file an annual report with the Commission providing information about active EDR contracts in the format prescribed in the Orders. As was noted with Finding Number 7, the date this annual report is due to be filed with the Commission was not established in the Orders. EKPC would propose that this annual report also be filed at the same time as EKPC's annual financial report is filed with the Commission.

24. Finding Number 12 stated that for new industrial customers, an EDR should apply only to load which exceeded a minimum base level. The Commission required that at the time an EDR special contract was filed the minimum usage level required for a new customer was to be identified and justified. In Case No. 2014-00034 EKPC proposed to apply the EDR discounts to a qualifying new customer's entire load instead of an incremental load over a certain threshold amount. In the June 20, 2014 Order the Commission granted a waiver of the original requirement,

noting that all of the load of a new customer would be incremental usage over and above what was included in EKPC's last rate case and that EKPC's proposed load parameters as they related to applying the EDR discounts would not disadvantage other customers. The special contract with Kroger applies the EDR discounts to the entire new load.

25. Consistent with Finding Number 14, the discount period is for five years and the total term of the special contract is ten years. During the last five years of the special contract, Kroger will be charged the rates contained in South Kentucky's Schedule LP-3.

26. Finding Number 17 directed that comments submitted by the Kentucky Cabinet for Economic Development ("Cabinet") or other interested parties pertaining to EDR contracts were to be filed with the Commission no more than 20 days following the filing of an EDR contract by a utility. EKPC is providing the Cabinet and the Office of the Attorney General copies of this Application commensurate with the filing at the Commission.

27. Finding Numbers 13, 15, and 16 are not applicable to this special contract with Kroger.

V. COMMISSION APPROVAL OF FUTURE EDR SPECIAL CONTRACTS

28. As this is the first EDR special contract submitted for Commission approval under EKPC's and South Kentucky's EDR tariffs, this Application has been prepared and submitted as a formal case. However, EKPC is aware that the Commission has approved an EDR special contract which was submitted utilizing the Commission's electronic tariff filing system.[5] Thus EKPC seeks clarification concerning the appropriate process to follow when seeking approval of subsequent EDR special contracts. If a subsequent EDR special contract is based on existing rate

[5] On January 25, 2016 the Kentucky Utilities Company submitted an EDR contract with an existing customer utilizing the Commission's electronic tariff filing system. The submission included all the information required by the September 24, 1990 Order in Administrative Case No. 327. The submission was logged as TFS2016-00027. On February 24, 2016 the Commission accepted the EDR contract and it became effective on that date.

tariffs, EKPC's and the appropriate Member cooperative's EDR tariffs, and includes the same early termination clause as submitted in this Application, EKPC would propose that the special contract could be submitted for approval utilizing the Commission's electronic tariff filing system. The submission through the electronic tariff filing system would include all the information required by Finding Numbers 3 through 17 of the September 24, 1990 Order in Administrative Case No. 327. If the EDR special contract included terms and conditions that deviated from existing rate tariffs, deviated from the provisions of the applicable EDR tariffs, addressed the issue of early contract termination in a manner different than as proposed in this Application, or included other terms and conditions, EKPC would seek approval of that special contract through a formal case.

VI. CONCLUSION

WHEREFORE, on the basis of the foregoing, EKPC respectfully requests the Commission to enter an Order approving this Application and:

1) Approving the EDR special contract between EKPC, South Kentucky, and Kroger;
2) Establishing the effective date of the EDR special contract to be the first day of the month after the date of the Commission's Order approving the EDR special contract;
3) Approving EKPC's request to submit the Commission-required annual reporting for EDR special contracts at the same time its annual financial reports are due;
4) Clarifying whether subsequent EDR special contracts can be submitted to the Commission utilizing the Commission's electronic tariff filing system;
5) Granting the relief requested herein on or before January 31, 2017; and
6) Granting any other relief to which EKPC may be entitled.

This 30^{th} day of August, 2016.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
COUNTY OF CLARK)

Comes now Mike McNalley, Chief Financial Officer of East Kentucky Power Cooperative, Inc., in my official capacity, and, after being duly sworn, I do hereby solemnly swear that the averments set forth above are true and correct to the best of my knowledge and belief as of this 30th day of August, 2016.

Mike McNalley, Chief Financial Officer
East Kentucky Power Cooperative, Inc.

Signed before me, the NOTARY PUBLIC, by Mike McNalley, Chief Financial Officer of East Kentucky Power Cooperative, Inc., after being duly sworn, on this 30th day of August, 2016.

Gwyn M. Willoughby
NOTARY PUBLIC, Commission # 500144

My Commission Expires 11/30/17

GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017

Respectfully submitted,

Mark David Goss
David S. Samford
L. Allyson Honaker
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Counsel for East Kentucky Power Cooperative, Inc.

Index of Exhibits

Indirect Sourcing Department
1014 Vine Street, Cincinnati, OH 45202
Telephone (513) 762-4538
Fax (513) 762-4604

Via E-Mail Attachment
Mr. Dennis Holt
V.P. of Engineering and Operations
South Kentucky RECC
Somerset, Kentucky 42503

Re: The Kroger Co. (Kroger) – Request for Service and Economic Development Rider

Dear Mr. Holt:

South Kentucky RECC (South Kentucky) will be serving the new Kroger store in Somerset Kentucky. Kroger understands that South Kentucky offers an economic development rider (EDR) through its power provider - East Kentucky Power - that allows for a 50% discount on the demand charge for new loads for the first year. As Kroger will be a new load, Kroger hereby request service under the EDR, as well as under South Kentucky's Tariff Rate "LP-3," which the utility has indicated will be the lowest cost Tariff for the new Kroger Store.

To satisfy Section 5, Kroger submits the following information:

a. A description of the new load to be served: Kroger's Somerset store is a 125,000+ SF grocery store that includes other consumer goods, such as apparel and home décor products.
b. The number of new employees – 250 Associates.
c. The capital investment associated with the load - $23.7million.

Furthermore, Kroger has determined that its contract demand will be 600 KW.

Please forward the appropriate contracts to me for execution, and feel free to call me any time if you have any questions or needs. Thank you in advance for your prompt consideration of Kroger's request.

Sincerely,

Denis E. George
Coordinator – Indirect Sourcing

CC: Mr. Joe Hamilton and Mrs. Jessica Mattingly - Kroger Co.
Mr. Donnie Glover – South Kentucky

INDUSTRIAL POWER AGREEMENT

WITH ECONOMIC DEVELOPMENT RIDER

THIS AGREEMENT, made and entered into this 1st day of August, 2016, by and between **East Kentucky Power Cooperative, Inc.**, a Kentucky corporation with its principal offices at 4775 Lexington Road, Winchester, Kentucky 40391 ("EKPC"), **South Kentucky Rural Electric Cooperative Corporation**, a Kentucky corporation with its principal offices at 925-929 North Main Street, Somerset, Kentucky 42503 ("Cooperative"); and **Kroger Limited Partnership I**, an Ohio limited partnership with its principal offices at 1600 Ormsby Station Court, Louisville, Kentucky 40223 ("Customer").

WITNESSETH:

WHEREAS, Cooperative is a rural electric cooperative corporation providing retail electric service in Pulaski County, Kentucky; and

WHEREAS, Cooperative is a member of EKPC and purchases all of its wholesale electric power and energy requirements from EKPC pursuant to a Wholesale Power Contract dated October 1, 1964; and

WHEREAS, Customer is a member of Cooperative and purchases, or desires to purchase, retail electric power and energy needs from Cooperative, under the terms and conditions contained herein, to serve its Pulaski County, Kentucky store located at 50 Stonegate Drive, Somerset, Kentucky 42501 (hereinafter referred to as its "Store"); and

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions contained herein, the parties agree as follows:

1. **Term**. This Agreement shall become effective upon the date of the Order of the Kentucky Public Service Commission ("PSC") approving this Agreement, subject to the provisions of Paragraph 20 below. This Agreement shall continue in effect for a term of ten (10) years from said date and shall continue thereafter for additional one-year terms thereafter; provided, however, that the Agreement may be cancelled after the initial ten (10) year term by any party upon giving written notice of such termination at least sixty (60) days prior to the desired termination date.

2. **Rates and Charges.** Customer shall pay Cooperative monthly for power and energy made available under this Agreement in accordance with the rates, charges, and provisions defined herein and as modified, replaced, or adjusted from time to time and approved by the PSC. After one year the customer may choose any existing tariff that corresponds to this agreement and where they qualify. Such change will require ninety (90) days written notice to Cooperative. The Customer agrees that if they choose to change to an existing tariff they will remain on that tariff for one year.

For billing from EKPC to Cooperative, EKPC will provide wholesale electricity to Cooperative for Customer pursuant to the rates, charges, and provisions of EKPC's Rate Section B and EKPC's Section EDR – Economic Development Rider and where the billing demand shall be the minimum demand plus any excess demand as defined in EKPC's Rate Section B.

For billing from Cooperative to Customer, Cooperative will provide power and energy to the Customer pursuant to the rates, charges, and provisions of Cooperative's Rate Schedule LP-3 – Large Power Rate 3 and Cooperative's Schedule EDR – Economic Development Rider and where billing demand shall be the contract demand plus any excess demand as defined in Cooperative's Rate Schedule LP-3 – Large Power Rate 3 and Cooperative's Schedule EDR – Economic Development Rider.

3. **Availability of Power**. Subject to the other provisions of this Agreement, Cooperative shall make available to Customer, and Customer shall take and purchase from Cooperative, all of Customer's requirements for electric power and energy and related services for the operation of Customer's Store. The Point of Delivery for firm power and energy made available hereunder shall be the point at which Customer's Store facilities connect to Cooperative's facilities. The power and energy made available hereunder shall be in the form of 3-phase alternating current at a frequency of approximately sixty (60) hertz and at a nominal voltage of 277/480 kV at the metering point. The "Contract Demand" for service under this Agreement shall be 600 kW. Customer shall have the right to increase or decrease said levels of Contract Demand in increments not to exceed 1,000 kW by giving written notice one month prior to the date of the desired change. The Contract Demand shall not be reduced below 500 kW. The power and energy made available to Customer hereunder shall be delivered, taken, and paid for subject to the provisions of Paragraph 2 of this Agreement and Cooperative's Rate Schedule LP-3 – Large Power Rate 3 and Cooperative's Schedule EDR – Economic Development Rider, applicable to demands in excess of the Contract Demand, as approved by the PSC, and as modified from time to time by appropriate authority, copies of which are attached hereto and made a part hereof. In the event of any conflict between the provisions of this Agreement and said tariffs, the latter shall control.

4. **Economic Development Rider ("EDR")**. The Customer has submitted an application to the Cooperative requesting service under the provisions of the Cooperative's Schedule

EDR – Economic Development Rider. The Customer's Store is located in a Kentucky county that has been identified by the Commonwealth of Kentucky as an "Enhanced Incentive County" and is for a minimum average billing load equal to or in excess of the amount required by said EDR tariff. The Customer has represented that it plans to hire 250 employees and will have an approximate capital investment of $23,700,000.

a. **Discount Period and Discount Rate to Demand Charges.** The Customer has selected a five (5) year discount period option which requires a total contract term of ten (10) years. The discount period shall begin with the first complete billing month after the effective date of this Agreement. The discount to the total demand charge under this option will be:

First 12 consecutive monthly billings	50%
Next 12 consecutive monthly billings	40%
Next 12 consecutive monthly billings	30%
Next 12 consecutive monthly billings	20%
Final 12 consecutive monthly billings	10%

The discount shall be applied to the demand charges as stated in EKPC's Rate Section B and the resulting reduction shall be passed through to the Customer without any revision or adjustment by the Cooperative. The discount rates shall apply to both the demand charge for the contract demand and the demand charge for billing demand in excess of the contract demand. Any credits provided under any other demand-related rider shall be applied before the discounts as described above are applied. If during the discount period the Customer elects to take service under the terms and conditions of another tariff offered by the Cooperative that does not correspond to EKPC's Rate Section B, the discount shall be applied to the demand charges of the EKPC rate schedule that corresponds to the Cooperative's tariff offering.

b. **Load Factor.** The Customer agrees to maintain a minimum load factor of 60 percent during the months of the five (5) year discount period, subject to the following parameters:

(1) For the first 12 months of the discount period, the requirement to maintain a minimum load factor of 60 percent will be waived.

(2) For the remaining months of the discount period, the load factor will be determined each month. During the remaining months of the discount period, the Customer may fail to achieve the 60 percent minimum load factor for no more than eight (8) months. During those eight (8) months, the Customer will continue to receive the discount to the total demand charge. EKPC shall notify the Cooperative and the Cooperative shall notify the Customer of each month the Customer has failed to achieve the 60 percent minimum load factor yet continued to receive the discount to the total demand charge. The notification will include the calculation of the achieved load factor for the month.

Failure to maintain the 60 percent minimum load factor in any month beyond the eight (8) months described in part (2) above will result in the suspension of the discount to the total demand charge for that month. EKPC shall notify the Cooperative and the Cooperative shall notify the Customer in a month where the discount to the total demand charge has been suspended. The notification will include the calculation of the achieved load factor for the month in question. The discount to the total demand charge will resume in the next subsequent month the 60 percent minimum load factor is achieved. However, the discount will resume at the discount rate applicable to the month of the discount period and failure to meet the 60 percent minimum load factor in any month will not extend the discount period.

For purposes of this Agreement, load factor is defined by the formula

Load Factor = billed kWh / (billed kW x 730)

where billed kWh and billed kW shall be the energy usage and demand as billed by EKPC and 730 reflects the average number of hours in a month.

c. **Capacity Purchases**. The Customer agrees that EKPC and the Cooperative can only offer an EDR during either periods of excess capacity or the additional capacity needs have been secured or are capable of being economically secured through a market purchase agreement. If additional capacity is secured through a market purchase, then the Customer will be responsible for the costs of the market purchase agreement. The costs of the market purchase agreement will be disclosed separately on the Customer's monthly bill.

The determination of the cost associated with a market purchase will be based on EKPC's participation in the PJM Interconnection, LLC ("PJM") market. If the total load requirement for EKPC in any year is not increased with the inclusion of the Customer's load, there will be no purchase or arrangement for additional capacity and consequently no additional capacity charges for that year. If a purchase or arrangement for additional capacity is required, the cost will be based on the market conditions at the time of the specific PJM Incremental Auction when the Customer's load is first recognized. The cost will remain constant until the next PJM Incremental Auction, and could increase, decrease, or remain the same, depending on the results of each successive PJM Incremental Auction.

d. **Other Customer Specific Costs.** Any EDR customer-specific fixed costs shall be recovered over the life of the special contract.

e. **Minimum Bill.** The minimum bill will equal the minimum bill as defined in the Cooperative's Rate Schedule LP-3 – Large Power Rate 3 plus the cost of any applicable capacity purchases and other customer specific costs, as described previously in this Agreement. The Cooperative's fuel adjustment clause and environmental surcharge, as established in the Cooperative's tariffs, shall be added to any minimum bill.

f. **Early Termination.** In the event that the Customer ceases operations at the Store or otherwise stops taking service at the Store within the initial term of this Agreement, the Customer shall reimburse to EKPC and the Cooperative a portion of the EDR credits received by the Customer. The EDR credit reimbursement shall be due within 30 days from the date the Customer ceases operations at the Store or stops taking service at the Store. As used in this Agreement, EDR credits refers to the total dollar difference between the demand charges and environmental surcharge actually paid by the Customer compared to the demand charges and environmental surcharge that would have been paid without the EDR discount. If the Customer ceases operations at the Store or otherwise stops taking service at the Store during the first five (5) years of the initial term of this Agreement, the Customer shall reimburse 75 percent of the total EDR credits received by the Customer. If the Customer ceases operations at the Store or otherwise stops taking service at the Store during the final five (5) years of the initial term of this Agreement, the Customer shall reimburse 50 percent of the total EDR credits received by the Customer.

5. **Continuing Jurisdiction of the PSC**. The rates, terms and conditions of this Agreement for electric service shall be subject to modification or change by Order of the PSC, during the initial ten (10) year term and thereafter. The rates provided hereinabove shall be adjusted to reflect any PSC-approved changes in applicable tariff rates, including any FAC, Environmental Surcharge or changes in the base rates approved for EKPC and/or Cooperative on or after the effective date of this Agreement.

6. **Voltage Fluctuations.** Customer and Cooperative shall cooperate to see that Customer's load is operated in accordance with prudent utility practices, as defined in Paragraph 9 below. Customer agrees to operate its Store and facilities to reduce voltage fluctuations or harmonic distortions. Cooperative will notify Customer if its operations cause voltage fluctuations or harmonic distortions that result in interference with Cooperative's supply of service to other customers, and will attempt to identify and help Customer correct such problems. Any substantial deviation from past practices that would cause additional voltage fluctuations or harmonic distortions requires approval from Cooperative. If Customer fails to install and/or to operate the necessary facilities on its premises to correct the voltage fluctuations or harmonic distortions of its load, or to prevent such voltage fluctuations or harmonic distortions from interfering with Cooperative's supply of services to other customers, Cooperative shall have the right to deny service to Customer. Any voltage fluctuations or harmonic distortions shall be corrected within

twenty-four (24) hours after written notice from Cooperative to Customer stating the voltage fluctuation or harmonic distortion problems.

7. **Right of Access**. The duly authorized agents and employees of EKPC and/or Cooperative shall have access at all reasonable hours to the premises of Customer where equipment is owned by Cooperative or EKPC for the purpose of installing, repairing, inspecting, testing, operating, maintaining, renewing or exchanging any or all of their equipment which may be located on the premises of Customer for reading or testing meters, or for performing any other work incident to the performance of this Agreement. Customer shall not unreasonably withhold access from Cooperative and/or EKPC to access equipment or machinery owned by Cooperative or EKPC. The parties agree to take reasonable steps to protect the property of each other party located on its premises, and to permit no one to inspect or tamper with the wiring and apparatus of the other party except such other party's agents or employees, or persons authorized by law. It is agreed, however, that no party assumes the duty of inspecting the wiring or apparatus of any other party and shall not be responsible therefor.

8. **Right of Removal**. Any and all equipment, apparatus, devices, or facilities placed or installed, or caused to be placed or installed, by any of the parties hereto on or in the premises of another party shall be and remain the property of the party owning and installing such equipment, apparatus, devices, or facilities regardless of the mode or manner of annexation or attachment of real property of the other. Upon the termination of this Agreement, or any extension thereof, the owner thereof shall have the right to enter upon the premises of the other upon notice and approval of the other party and shall within a reasonable time remove all or any portion of such equipment, apparatus, devices,

or facilities, unless otherwise agreed by the parties at the time of such termination. As a part of any such removal, the owner shall perform restoration as required for any damage caused by said removal.

9. **Prudent Utility Practice**. EKPC and the Cooperative shall design, construct and operate its facilities in accordance with prudent electric utility practice in conformity with generally accepted standards for electric utilities in the Commonwealth of Kentucky, including the National Electric Safety Code, as adopted by the PSC. The Customer will adhere to, and comply with, all applicable building electric codes, statutes, rules and regulations and maintain their electrical facilities in a prudent and reasonable manner.

10. **Maintenance of Equipment**. EKPC and the Cooperative agree that it will at all times maintain its lines, equipment and other facilities in a safe operating condition in conformity with generally accepted standards for electric utilities in the Commonwealth of Kentucky, including the National Electrical Safety Code, as adopted by the PSC. The Customer will adhere to, and comply with, all applicable building electric codes, statutes, rules and regulations and maintain their electrical facilities in a prudent and reasonable manner.

11. **Billing and Payment**.

    a. **Regular Monthly Billing**. Cooperative will bill Customer each month for the cost of electric power and energy delivered to Customer during the preceding month.

    b. **Due Date**. Payment for electric power and energy furnished hereunder shall be due and payable at the office of Cooperative monthly in accordance with the provisions of Paragraphs 2 and 4. If Customer shall fail to pay any such bill as provided in said Schedules, Cooperative may discontinue delivery of electric power and energy hereunder ten (10) days following written notice to Customer of its intention to do so. Such discontinuance for non-payment shall not in any way affect the obligations of Customer to pay the minimum monthly charge provided in the attached Rate Schedules and Paragraph 4. All amounts unpaid when due shall be subject to a charge for late payment, as provided in the attached Rate Schedules, as applicable.

c. **Security**. Should Customer have two late payments within a 12-month period, Customer agrees to provide a form and amount of bill payment security acceptable to Cooperative, and payable to Cooperative, for the duration of the Agreement. The amount of payment security may be changed at the request of Cooperative to match any changes in load by Customer. Such payment security may be equal to, but shall not exceed two times the amount of Customer's average monthly bill. The payment security shall be promptly payable to Cooperative, upon demand, due to non-payment by Customer and in accordance with the conditions set forth in subsections (a) and (b) above.

12. **Meter Testing and Billing Adjustment**. Cooperative shall test and calibrate meters, or cause them to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. Cooperative shall also make, or cause to be made, special meter tests at any time during normal business hours at Customer's request. The costs of all tests shall be borne or provided for by Cooperative, provided, however, that if any special meter test made by Customer's request shall disclose that the meters are recording accurately Customer shall reimburse Cooperative for the cost of such test. Meters

registering not more than one (1) percent above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the period during which meter error is known to have existed, or if not known, for one-half the elapsed time since the last such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the parties shall agree as to the amount of kW Demand and energy furnished during such period. Such estimates shall be based on Customer's operating records for the period in question, historical load records and other pertinent data and records, and Cooperative shall render a bill to Customer therefore.

13. **Membership/Capital Credits**. Cooperative is a non-profit Kentucky corporation and Customer will benefit from any savings or reductions in cost of service in the same manner as any comparable customer as authorized by the Kentucky Revised Statutes, and by Cooperative's Articles of Incorporation and Bylaws; provided, however, Cooperative's Board of Directors may defer retirement of so much of the capital credited to patrons for any year which reflects capital credited to Cooperative by EKPC until EKPC shall have retired such capital credited to Cooperative. Customer shall participate in capital credits of Cooperative in accordance with the Kentucky Revised Statutes and Cooperative's Articles of Incorporation and Bylaws.

14. **Notices**. Any written notice, demand or request required or authorized under this Agreement shall be deemed properly given to or served on Cooperative if mailed to:

Donnie Glover
South Kentucky Rural Electric Cooperative Corporation
925-929 North Main Street
Somerset, Kentucky 42502

Any such notice, demand or request shall be deemed properly given or served on Customer if mailed to:

Louisville Division Facility Engineering Manager
Kroger Limited Partnership I
1600 Ormsby Station Court
Louisville, KY 40223

Any such notice, demand or request shall be deemed properly given or served on EKPC if mailed to:

David Smart, General Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
Winchester, KY 40391

Each party shall have the right to change the name of the person to whom, or the location where the notices are to be given or served by notifying the other party, in writing, of such change.

15. **Responsibility for Damages or Loss**. The electric power and energy supplied under this Agreement is supplied upon the express condition that after it passes the Point of Delivery it becomes the responsibility of Customer. Neither Cooperative nor EKPC shall be liable for loss or damage to any person or property whatsoever, and Customer agrees to indemnify and hold EKPC and/or Cooperative harmless for damages suffered by any individual or business entity resulting directly or indirectly from the use, misuse or presence of the said electric power and energy on Customer's premises, or elsewhere, after it passes the Point of Delivery, except where such loss or damage shall be shown to have been occasioned by the gross negligence of EKPC or Cooperative, their agents or employees.

16. **Continuity of Service**. Cooperative shall use reasonable diligence required of a public utility in Kentucky to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail, or become defective through acts of God, Governmental authority, action of the elements, public enemy, accident, strikes, labor trouble, or any other cause beyond the reasonable control of Cooperative, it shall not be liable therefor or for damages caused thereby. From time to time, electric supply interruption may be required to perform maintenance on equipment or machinery that cannot be maintained while energized. Cooperative and/or EKPC will endeavor to coordinate with Customer to minimize the impact for such an event.

17. **Successors in Interest – Assignment**. The terms and conditions of this Agreement shall inure to and be binding upon the parties, together with their respective successors in interest. No party to this Agreement may assign its rights hereunder without the consent of the other, which shall not be unreasonably withheld; except that Cooperative may assign this Agreement to the Rural Utilities Service ("RUS") and/or any other lenders to Cooperative without such consent.

18. **Force Majeure**. The obligations of either party to this Agreement shall be suspended during the continuance of any occurrence, beyond the affected party's control (a "force majeure"), which wholly or partially prevents the affected party from fulfilling such obligations, provided that the affected party gives notice to the other party of the reasons for its inability to perform within a reasonable time from such occurrence, is diligently seeking to cure said force majeure, and gives notice to the other party within a reasonable time of such cure. As used in this Section, the term force majeure shall include, but is not

limited to: acts of God; strikes, wars, acts of public enemy; riots; storms; floods; civil disturbances; explosions; failures of machinery or equipment; unavoidable disruptions in power deliveries from EKPC; or actions of federal, state or local governmental authorities, which are not reasonably within the control of the party claiming relief.

Notwithstanding the above provision, no event of force majeure shall relieve Customer of the obligation to pay the minimum monthly charge provided herein or in the attached rate schedule.

19. **Approvals**. The rates and charges for electrical service established hereunder are subject to approval by the PSC pursuant to Kentucky Revised Statutes, Chapter 278, and any necessary approvals by the RUS and the National Rural Utilities Cooperative Finance Corporation. The parties covenant to use their best efforts to forthwith seek and support such approvals for this Agreement by filing such papers, presenting such testimony and taking such other action as may be necessary or appropriate to secure the same.

20. **Modifications**. Any future revisions or modifications of this Agreement, except as provided in Paragraph 5, hereinabove, shall require the unanimous written approval of EKPC, Cooperative and Customer, and any necessary approvals by RUS, any other lenders to Cooperative, and the PSC.

21. **Miscellaneous**.

    a. **Headlines of Articles**. Headings of articles of this Agreement have been inserted for convenience only and shall in no way affect the interpretation of any term or provision hereof.

    b. **Severability**. Except where expressly stated otherwise the duties, obligations and liabilities of the parties are intended to be several and not joint or collective.

c. **Governing Law**. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky.

d. **Waivers**. Any waiver at any time by a party of its rights with respect to a default or with respect to any other matters arising on connection with this Agreement shall not be deemed a waiver with respect to any subsequent default or other matter.

e. **Prior Agreements**. The parties hereby acknowledge that this Agreement contains the entire agreement among the parties and supersedes all prior agreements and understandings related to the subject matter hereof.

f. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed an original.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives, as of the day and year first above written.

East Kentucky Power Cooperative, Inc., a Kentucky corporation:

BY: Anthony S Campbell
Printed Name: Anthony S. Campbell
TITLE: Pres. / CEO

South Kentucky Rural Electric Cooperative Corporation, a Kentucky corporation:

BY: Allen Anderson
Printed Name: Allen Anderson
TITLE: President / CEO

Kroger Limited Partnership I, an Ohio limited partnership
By: KRGP Inc., an Ohio corporation, its general partner:

BY: Calvin Kaufman
Printed Name: Calvin Kaufman
TITLE: Division President - Louisville

APPLICABLE TARIFFS

East Kentucky Power Cooperative, Inc.

Rate Section B

Section EDR – Economic Development Rider

South Kentucky Rural Electric Cooperative Corporation

Schedule LP-3 – Large Power Rate 3

Schedule EDR – Economic Development Rider

Section B

Availability

Available to all cooperative associations which are or shall be members of EKPC and which execute EKPC approved contracts with the ultimate consumers. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Applicability

Applicable to cooperative associations and ultimate consumers willing to contract for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly minimum demand shall be agreed between the cooperative association and EKPC.

Monthly Rate

Demand Charge per kW of Minimum Demand	\$7.17
Demand Charge per kW of Billing Demand in Excess of Minimum Demand	\$9.98
Energy Charge per kWh	\$ .042882

Billing Demand

The billing demand (kilowatt demand) shall be the minimum demand plus any excess demand. Excess demand occurs when the ultimate consumer's highest demand during the current month, coincident with EKPC's system peak (coincident peak), exceeds the minimum demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

Months	Hours Applicable for Demand Billing - EPT
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

(T)

Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

(a) The product of the minimum demand multiplied by the demand charge, plus
(b) The product of the minimum demand multiplied by 400 hours and the energy chargeper kWh minus the fuel base per kWh.

DATE OF ISSUE January 22, 2013
Month / Date / Year

DATE EFFECTIVE Service rendered on and after March 10, 2013
Month / Date / Year

ISSUED BY Anthony S Campbell
(Signature of Officer)

TITLE President and Chief Executive Officer

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
3/10/2013
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Section EDR

Economic Development Rider

N

Applicability

The EDR is available in all service territories served by EKPC's Member Systems.

Availability

Available as a rider to qualifying non-residential customers of participating Member Systems who will be served or are being served under EKPC's Sections B, C, E, and G to encourage Economic Development as defined herein. Service under the EDR is conditional on approval of a special contract between EKPC, the participating Member System, and the qualifying non-residential customer for such economic development rate service filed with and approved by the Kentucky Public Service Commission ("Commission").

Economic Development

Service under EDR is available to:

1) New customers contracting for a minimum average monthly billing load of 500 kW over a 12 month period. If the new customer is locating in a Kentucky county that is identified by the Commonwealth of Kentucky as an "Enhanced Incentive County", then the minimum average monthly billing load will be 250 kW over a 12 month period.
2) Existing customers contracting for a minimum average monthly billing load increase of 500 kW over a 12 month period above their Economic Development Base Load ("ED Base Load"). If the existing customer is located in a Kentucky county that is identified by the Commonwealth of Kentucky as an "Enhanced Incentive County", then the minimum average monthly billing load increase will be 250 kW over a 12 month period. The ED Base load will be determined as follows:
    a. The existing customer's ED Base Load will be determined by averaging the customer's previous three years' monthly billing loads. EKPC, the Member System, and the existing customer must agree upon the ED Base Load, and any adjustments to the ED Base Load must be mutually agreed to by the parties.
    b. The ED Base Load shall be an explicit term of the special contract submitted to the Commission for approval before the customer can take service under the EDR. Once the ED Base Load's value is established, it will not be subject to variation or eligible for service under the EDR.
    c. These provisions are not intended to reduce or diminish in any way EDR service already being provided to all or a portion of a customer's ED Base Load. Such EDR service would continue under the terms of the applicable special contract already existing between EKPC, the Member System, and the customer concerning the affected portion of the customer's ED Base Load.

DATE OF ISSUE July 1, 2014
Month / Date / Year

DATE EFFECTIVE Service rendered on and after June 20, 2014
Month / Date / Year

ISSUED BY Anthony S Campbell
(Signature of Officer)

TITLE President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2014-00034 dated June 20, 2014.

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
6/20/2014
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Section EDR (con't.)

3) A new or existing customer eligible for a minimum average monthly billing load between 250 kW and 500 kW may require a customer-specific meter installation. The cost of the customer-specific meter installation shall be recovered from the customer. N

4) The new customer or existing customer must agree to maintain a minimum load factor of 60 percent during the majority of the months in the discount period, subject to the following parameters:
   a. During the first 12 months of the discount period the 60 percent minimum load factor requirement will be waived.
   b. During the remaining months of the discount period, the load factor will be determined each month. The new or existing customer may fail to achieve the 60 percent minimum load factor for no more than 1/6th of the remaining months of the discount period.
   c. Failure to maintain the 60 percent minimum load factor in any month beyond the period described in part 4(b) above will result in the suspension of the discount to the Total Demand Charge for that month. The discount to the Total Demand Charge will resume in the month the 60 percent minimum load factor is achieved; however the discount will resume at the discount rate applicable to the month of the discount period.

5) A customer desiring service under the EDR must submit an application for service that includes:
   a. A description of the new load to be served;
   b. The number of new employees, if any, the customer anticipates employing associated with the new load; and
   c. The capital investment the customer anticipates making associated with the EDR load.

6) Any EDR customer-specific fixed costs shall be recovered over the life of the special contract.

7) For purposes of this tariff, a new customer is defined as one who becomes a customer of the Member System on or after January 1, 2013.

DATE OF ISSUE July 1, 2014
Month / Date / Year

DATE EFFECTIVE Service rendered on and after June 20, 2014
Month / Date / Year

ISSUED BY Anthony S. Campbell
(Signature of Officer)

TITLE President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky In Case No. 2014-00034 dated June 20, 2014.

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
6/20/2014
~~PURSUANT TO 807 KAR 5:011 SECTION 9 (1)~~

Section EDR (con't.)

Rate

The rate available under the EDR shall be in the form of a discount to the Total Demand Charge applicable to the customer. The Total Demand Charge is the sum of all demand charges, including any credits provided under any other demand-related rider, before the EDR discounts as described below are applied. A customer taking service under the EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the following discount options:

N

Discount Period	3 years	4 years	5 years
Required Minimum Contract Term	6 years	8 years	10 years
Discount to Total Demand Charge:			
First 12 consecutive monthly billings	30%	40%	50%
Next 12 consecutive monthly billings	20%	30%	40%
Next 12 consecutive monthly billings	10%	20%	30%
Next 12 consecutive monthly billings	0%	10%	20%
Next 12 consecutive monthly billings	0%	0%	10%

Terms and Conditions

1) EKPC and the Member System will only offer an EDR during either periods of excess capacity or the additional capacity needs have been secured, or are capable of being economically secured, through a market purchase agreement. If additional capacity has been secured through a market purchase, the customer will be responsible for the costs of the market purchase agreement. Upon submission of each EDR special contract, EKPC will demonstrate that the load expected to be served during each year of the contract period will not cause them to fall below a reserve margin that is considered essential for system reliability.
2) Service shall be furnished under the applicable standard rate schedule and this rider, filed as a special contract with the Commission, for a fixed term of at least two times the discount period and for such time thereafter under the terms stated in the applicable standard rate schedule. The discount period shall not be less than 3 years and not exceed 5 years. A greater term of contract or termination notice may be required because of conditions associated with a customer's requirements for service. Service shall be continued under the conditions provided for under the applicable standard rate schedule to which this rider is attached after the original term of the contract.

DATE OF ISSUE July 1, 2014
Month / Date / Year
DATE EFFECTIVE Service rendered on and after June 20, 2014
Month / Date / Year
ISSUED BY Anthony S. Campbell
(Signature of Officer)
TITLE President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2014-00034 dated June 20, 2014.

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
6/20/2014
~~PURSUANT TO 807 KAR 5:011 SECTION 9 (1)~~

Section EDR (con't.)

3) The customer may request an EDR effective initial billing date that is no later than 12 months after the date on which EKPC and the Member System initiates service to the customer. N

4) The EDR is not available to a new customer which results solely from a change in ownership of an existing establishment. However, if a change in ownership occurs after the customer enters into an EDR special contract, the successor customer may be allowed to fulfill the balance of the EDR special contract.

5) EKPC and the Member System may offer differing terms, as appropriate, under the special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer, subject to approval by the Commission.

DATE OF ISSUE July 1, 2014
Month / Date / Year
DATE EFFECTIVE Service rendered on and after June 20, 2014
Month / Date / Year
ISSUED BY Anthony S Campbell
(Signature of Officer)
TITLE President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky In Case No. 2014-00034 dated June 20, 2014.

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
6/20/2014
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Form for Filing Rate Schedules

FOR: ENTIRE TERRITORY SERVED
P.S.C. KY NO. 7
16th REVISED SHEET NO. T-11
CANCELING P.S.C. KY NO. 7
15th REVISED SHEET NO. T-11

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

* CLASSIFICATION OF SERVICE *

LARGE POWER RATE 3 (500 KW TO 2,999 KW) SCHEDULE LP - 3

APPLICABLE: Entire Service Area - Applicable to contracts with contract demands of 500 to 2,999 KW with a monthly energy usage equal to or greater than 400 hours per KW of contract demand.
TYPE OF SERVICE: Three phase 60 hertz at voltages as agreed to in the special Contract for Service.

RATES PER MONTH:

Consumer Charge:

The consumer charge is equal to the metering charge plus the substation charge:

1. Metering Charge	$	145.86	(I)
2. Substation Charge Based on Contract kW			
a. 500 - 999 kW	$	367.59	(I)
b. 1,000 - 2,999 kW	$	1,101.60	(I)

If retail consumer has provided for the investment in the substation facilities from which it is served, the substation charge does not apply and the only applicable rate is the metering charge.

Demand Charge per KW		
Contract demand..................................	$6.29	(I)
Excess demand....................................	$9.13	(I)
Energy charge per kWh @..............................	$0.05153	(I)

DETERMINATION OF BILLING DEMAND: The billing demand (kilowatt demand) shall be the greater of (a) or (b) listed below:

(a) The contract demand

(b) The ultimate consumer's highest demand during the current month coincident with wholesale power suppliers system peak demand. The consumer's peak demand is the highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month (and adjusted for power factor as provided herein).

-Months-	Hours Applicable For Demand Billing - E.S.T.
October through April	7:00 A.M. to 12:00 Noon 5:00 P.M. to 10:00 P.M.
May through September	10:00 A.M. to 10:00 P.M.

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
3/30/2012
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

DATE OF ISSUE: March 30, 2012 DATE EFFECTIVE: March 30

ISSUED BY: Allen Anderson PRESIDENT & C.E.O. SOUTH KENTUCKY RECC
Issued by authority of an order of the Public Service Commission of Kentucky in Case No. 2011-0096 dated March 30, 2012.

Form for Filing Rate Schedules

FOR: ENTIRE TERRITORY SERVED
P.S.C. KY NO. 7
3rd REVISED SHEET NO. T-12
CANCELLING P.S.C. KY NO. 7
2nd REVISED NO. T-12

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

* CLASSIFICATION OF SERVICE *

LARGE POWER RATE 3 (500 KW TO 2,999 KW) SCHEDULE LP - 3

MINIMUM CHARGE: The computed minimum monthly charge shall not be less than the sum of (a), (b), (c), and (d) below:

(a) The product of the contract demand multiplied by the demand charge, plus
(b) The product of the excess demand multiplied by the excess demand rate, plus
(c) The product of the contract demand multiplied by 400 hours and the energy charge per KWH,plus
(d) The sum of the consumer charge.

POWER FACTOR ADJUSTMENT: The consumer agrees to maintain unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and divided this product by the actual power factor at the time of the monthly maximum demand.

FUEL ADJUSTMENT CLAUSE: As shown in "APPENDIX B" following these tariffs.

CONTRACT FOR SERVICE: The consumer must give satisfactory assurance by means of a written agreement as to the character, amount and duration of the three phase requirements and complete a special contract.

TERMS OF PAYMENT: The rates stated are net. If payment is not made by the due date, the current month charges shall be increased by 5%.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 01 1996

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Jordan C. Neel
FOR THE PUBLIC SERVICE COMMISSION

DATE OF ISSUE: MARCH 14, 1996 DATE EFFECTIVE: MARCH 1, 1996

ISSUED BY: Keith Simmons GENERAL MANAGER & C.E.O.

Issued by authority of an order of the Public Service Commission of Kentucky in Case No. 94-400 dated February 28, 1996 .

SOUTH KENTUCKY R.E.C..C.
SOMERSET, KENTUCKY 42501

CLASSIFICATION OF SERVICE

ECONOMIC DEVELOPMENT RIDER **SCHEDULE EDR**

Applicability

The EDR is available in all the service territory served by the cooperative.

Availability

Available as a rider to qualifying Cooperative's non-residential customers to be served or being served under East Kentucky Power Cooperative, Inc.'s ("EKPC") Sections B, C, E, and G to encourage Economic Development as defined herein. Service under the EDR is conditional on approval of a special contract between EKPC, South Kentucky, and the qualifying non-residential customer for such economic development rate service filed with and approved by the Kentucky Public Service Commission ("Commission").

Economic Development

Service under EDR is available to:

1) New customers contracting for a minimum average monthly billing load of 500 kW over a 12 month period. If the new customer is locating in a Kentucky county that is identified by the Commonwealth of Kentucky as an "Enhanced Incentive County", then the minimum average monthly billing load will be 250 kW over a 12 month period.

2) Existing customers contracting for a minimum average monthly billing load increase of 500 kW over a 12 month period above their Economic Development Base Load ("ED Base Load"). If the existing customer is located in a Kentucky county that is identified by the Commonwealth of Kentucky as an "Enhanced Incentive County", then the minimum average monthly billing load increase will be 250 kW over a 12 month period. The ED Base load will be determined as follows:

   a. The existing customer's ED Base Load will be determined by averaging the customer's previous three years' monthly billing loads. EKPC, South Kentucky, and the existing customer must agree upon the ED Base Load, and any adjustments to the ED Base Load must be mutually agreed to by the parties.

   b. The ED Base Load shall be an explicit term of the special contract submitted to the Commission for approval before the customer can take service under the EDR. Once the ED Base Load's value is established, it will not be subject to variation or eligible for service under the EDR.

DATE OF ISSUE: September 17, 2014

DATE EFFECTIVE: November 1, 2014

ISSUED BY: /s/ Allen Anderson
President & Chief Executive Officer

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
11/1/2014
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

CLASSIFICATION OF SERVICE

ECONOMIC DEVELOPMENT RIDER **SCHEDULE EDR**

Schedule EDR (con't.)

c. These provisions are not intended to reduce or diminish in any way EDR service already being provided to all or a portion of a customer's ED Base Load. Such EDR service would continue under the terms of the applicable special contract already existing between EKPC, South Kentucky, and the customer concerning the affected portion of the customer's ED Base Load.

3) A new or existing customer eligible for a minimum average monthly billing load between 250 kW and 500 kW may require a customer-specific meter installation. The cost of the customer-specific meter installation shall be recovered from the customer.

4) The new customer or existing customer must agree to maintain a minimum load factor of 60 percent during the majority of the months in the discount period, subject to the following parameters:

   a. During the first 12 months of the discount period the 60 percent minimum load factor requirement will be waived.

   b. During the remaining months of the discount period, the load factor will be determined each month. The new or existing customer may fail to achieve the 60 percent minimum load factor for no more than $1/6^{th}$ of the remaining months of the discount period.

   c. Failure to maintain the 60 percent minimum load factor in any month beyond the period described in part 4(b) above will result in the suspension of the discount to the Total Demand Charge for that month. The discount to the Total Demand Charge will resume in the month the 60 percent minimum load factor is achieved; however the discount will resume at the discount rate applicable to the month of the discount period.

5) A customer desiring service under the EDR must submit an application for service that includes:

   a. A description of the new load to be served;

   b. The number of new employees, if any, the customer anticipates employing associated with the new load; and

   c. The capital investment the customer anticipates making associated with the EDR load.

6) Any EDR customer-specific fixed costs shall be recovered over the life of the special contract.

DATE OF ISSUE: September 17, 2014

DATE EFFECTIVE: November 1, 2014

ISSUED BY: /s/ Allen Anderson
President & Chief Executive Officer

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
11/1/2014
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

CLASSIFICATION OF SERVICE

ECONOMIC DEVELOPMENT RIDER **SCHEDULE EDR**

Schedule EDR (con't.)

Rate

The rate available under the EDR shall be in the form of a discount to the Total Demand Charge on the EKPC rate section applicable to the customer. The Total Demand Charge is the sum of all demand charges, including any credits provided under any other demand-related rider, before the EDR discounts as described below are applied. A customer taking service under the EDR shall be served according to all of the rates, terms, and conditions of the normally applicable rate schedule subject to the following discount options:

Discount Period	3 years	4 years	5 years
Required Minimum Contract Term	6 years	8 years	10 years
Discount to Total Demand Charge:			
First 12 consecutive monthly billings	30%	40%	50%
Next 12 consecutive monthly billings	20%	30%	40%
Next 12 consecutive monthly billings	10%	20%	30%
Next 12 consecutive monthly billings	0%	10%	20%
Next 12 consecutive monthly billings	0%	0%	10%

The discount will not be smaller than the amount calculated from the EKPC rate sections.

Terms and Conditions

1) EKPC and South Kentucky will only offer an EDR during either periods of excess capacity or the additional capacity needs have been secured, or are capable of being economically secured, through a market purchase agreement. If additional capacity has been secured through a market purchase, the customer will be responsible for the costs of the market purchase agreement. Upon submission of each EDR special contract, EKPC will demonstrate that the load expected to be served during each year of the contract period will not cause them to fall below a reserve margin that is considered essential for system reliability.

2) Service shall be furnished under the applicable standard rate schedule and this rider, filed as a special contract with the Commission, for a fixed term of at least two times the discount period and for such time thereafter under the terms stated in the applicable standard rate schedule. The discount period shall not be less than 3 years and not exceed 5 years. A greater term of contract or termination notice may be required because of conditions associated with a customer's requirements for service. Service shall be continued under the conditions provided for under the applicable standard rate schedule to which this rider is attached after the original term of the contract.

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3) The customer may request an EDR effective initial billing date that is no later than 12 months after the date on which EKPC and South Kentucky initiates service to the customer.

4) The EDR is not available to a new customer which results from a change in ownership of an existing establishment . However, if a change in ownership occurs after the customer enters into an EDR special contract, the successor customer may be allowed to fulfill the balance of the EDR special contract.

5) EKPC and South Kentucky may offer differing terms, as appropriate, under the special contract to which this rider is a part depending on the circumstances associated with providing service to a particular customer subject to approval by the Commission.

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EXHIBIT 3

MARGINAL COST ANALYSIS

Finding No. 6 of the Commission's September 24, 1990 Order in Administrative Case No. 327 states:

> Upon submission of each EDR contract, a utility should demonstrate that the discounted rate exceeds the marginal cost associated with serving the customer. Marginal cost includes both the marginal cost of capacity as well as the marginal cost of energy. In order to demonstrate marginal cost recovery, a utility should submit, with each EDR contract, a current marginal cost-of-service study. A current study is one conducted no more than one year prior to the date of the contract.

EKPC fully integrated into PJM effective June 1, 2013 and participates in the Reliability Pricing Model ("RPM") capacity market. Under the RPM forward market construct, PJM annually conducts a Base Residual Auction ("BRA") in May for generation owners to make capacity available three years in advance of the delivery year and for load serving entities to buy capacity as needed for that delivery year. The capacity auction includes not only generation capacity but also demand response and transmission assets as resources. As a participant in RPM, EKPC bids its entire generation capacity into the market and receives the market price for that generation while simultaneously purchasing at the market price the generation needed to serve its load. EKPC also purchases its energy needs from the market.

The focus of marginal cost studies is on the estimated change in costs that results from providing an increment of service.[1] Given EKPC's participation in the PJM markets, it is reasonable to use the capacity and energy pricing from those markets as EKPC's marginal costs. This analysis compares the market demand and energy pricing with the demand and energy rates

[1] NARUC Electric Utility Cost Allocation Manual (Washington, DC: NARUC, January 1992), 18.

that EKPC will be charging for the service to the new Kroger superstore near Somerset. The historic analysis is based on pricing experienced during the PJM Delivery Year June 1, 2015 through May 31, 2016.

Marginal Cost Analysis – Demand

The historic marginal cost analysis for demand compares the BRA results for the PJM Delivery Year with the discounted demand rates for each of the five discount years. The BRA result for the 2015-16 Delivery Year was $136.00 / MW-day. For the comparison, this price has to be restated as a rate per kW-month. The price is first multiplied by the days in the year, which in this case happens to be a leap year. This product is then divided by 1,000 to convert to kW and further divided by 12 to reach a monthly rate. Thus,

$$\$136.00 \text{ / MW-day} \times 366 \text{ days} \div 1{,}000 \div 12 = \$4.15 \text{ / kW-month}$$

Under EKPC's Rate B, the contract demand rate is $7.17 / kW and the excess demand rate is $9.98 / kW. The comparison of the discounted demand rates and the BRA results is shown below.

Discount Period	Contract Demand Rate			Excess Contract Demand Rate		
	Discounted $7.17	BRA Results	Difference	Discounted $9.98	BRA Results	Difference
1st Year – 50%	$3.59	$4.15	-$0.56	$4.99	$4.15	$0.84
2nd Year – 40%	$4.30	$4.15	$0.15	$5.99	$4.15	$1.84
3rd Year – 30%	$5.02	$4.15	$0.87	$6.99	$4.15	$2.84
4th Year – 20%	$5.74	$4.15	$1.59	$7.98	$4.15	$3.83
5th Year – 10%	$6.45	$4.15	$2.30	$8.98	$4.15	$4.83

As shown in the table, the discounted excess contract demand rate is greater than the marginal cost (represented by the BRA results) for each of the discount periods covered in the EDR special contract. Thus, the marginal costs can be considered "covered" by the applicable discounted excess contract demand rate. For the contract demand rate, the discounted demand rate is greater than the marginal costs for each of the discount periods except the first year. To better understand the discounted contract demand rate results, the potential annual dollar impact of the results has been modeled based on the contract demand of 600 kW established in the EDR special contract.

Discount Period	Discounted Contract Demand Rate Revenues		BRA Results – Marginal Costs		Difference	
	Monthly Revenue	Annual Revenue	Monthly Cost	Annual Cost	Monthly	Annual
1st Year	$2,154	$25,848	$2,490	$29,880	-$336	-$4,032
2nd Year	$2,580	$30,960	$2,490	$29,880	$90	$1,080
3rd Year	$3,012	$36,144	$2,490	$29,880	$522	$6,264
4th Year	$3,444	$41,328	$2,490	$29,880	$954	$11,448
5th Year	$3,870	$46,440	$2,490	$29,880	$1,380	$16,560
Total Annual		$180,720		$149,400		$31,320

While the marginal cost was not "covered" by the discounted demand rate in the first discount year, for the five-year discount period the potential demand rate revenues were greater than the potential marginal costs by $31,320.

Based on this analysis the discounted demand rates for both the contract and excess contract exceed the historic marginal costs for the five-year discount period.

As an alternative analysis, EKPC performed a similar comparison for the discounted demand rates using the BRA results for the current and next three PJM Delivery Years. In this analysis, the 2016-17 PJM Delivery Year will be assumed to correspond to the first year of the discount period. The latest BRA results are for the 2019-20 Delivery Year which would correspond to the fourth year of the discount period. For this alternative analysis, the 2019-20 Delivery Year BRA results will be used for the fifth year of the discount period as well. In addition, EKPC would note that PJM is transitioning its RPM capacity market into a Capacity Performance ("CP") market. As a result of this transition period, the BRA results for the 2018-19 Delivery Year and the 2019-20 Delivery Year are stated as CP and Base Generation ("Base Gen"). This alternative analysis will consider both the CP and Base Gen BRA results.

As discussed previously, the BRA results need to be restated from MW-day to kW-month. The following table shows the restated auction results.

Delivery Year	Corresponding EDR Discount Period	BRA Results, $ / MW-day	BRA Results, $ / kW-month
2016-17	1st Year	$59.37	$1.81
2017-18	2nd Year	$120.00	$3.65
2018-19, CP	3rd Year	$164.77	$5.01
2018-19, Base Gen	3rd Year	$149.98	$4.56
2019-20, CP	4th and 5th Year	$100.00	$3.05
2019-20, Base Gen	4th and 5th Year	$80.00	$2.44
Notes: For Delivery Years 2016-17 through 2018-19 the Mw-day rate was multiplied by 365 days; for Delivery Year 2019-20 the multiplier was 366 days because of leap year.			

The comparison of the discounted demand rates and the BRA results under the alternative analysis is shown below.

Discount Period	Contract Demand Rate			Excess Contract Demand Rate		
	Discounted $7.17	BRA Results	Difference	Discounted $9.98	BRA Results	Difference
1st Year – 50%	$3.59	$1.81	$1.78	$4.99	$1.81	$3.18
2nd Year – 40%	$4.30	$3.65	$0.65	$5.99	$3.65	$2.34
3rd Year – 30%	$5.02	CP - $5.01	CP - $0.01	$6.99	CP - $5.01	CP - $1.98
	$5.02	Base Gen - $4.56	Base Gen - $0.46	$6.99	Base Gen - $4.56	Base Gen - $2.43
4th Year – 20%	$5.74	CP - $3.05	CP - $2.69	$7.98	CP - $3.05	CP - $4.93
	$5.74	Base Gen - $2.44	Base Gen - $3.30	$7.98	Base Gen - $2.44	Base Gen - $5.54
5th Year – 10%	$6.45	CP - $3.05	CP - $3.40	$8.98	CP - $3.05	CP - $5.93
	$6.45	Base Gen - $2.44	Base Gen - $4.01	$8.98	Base Gen - $2.44	Base Gen - $6.54

As shown in the table, the discounted contract demand rate and excess contract demand rate are greater than the marginal cost (represented by the BRA results) for each of the discount periods covered in the EDR special contract. Thus, the marginal costs can be considered "covered" by the applicable discounted demand rate.

Marginal Cost Analysis – Energy

The historic marginal cost analysis for energy will compare the average monthly market purchase rate with the tariffed energy rate for Rate B net of the applicable fuel adjustment clause ("FAC") adjustment for the month. The comparison for the 2015-16 Delivery Year is shown below.

Month Ended	Energy Rate as $ per kWh				
	Rate B Tariffed Rate	Applicable FAC Rate	Net Energy Rate	Cost of Market Purchases	Difference
June 2015	$0.042882	-$0.002740	$0.040142	$0.029470	$0.010672
July	$0.042882	-$0.003590	$0.039292	$0.029160	$0.010132
August	$0.042882	-$0.003600	$0.039282	$0.029670	$0.009612
September	$0.042882	-$0.004460	$0.038422	$0.028740	$0.009682
October	$0.042882	-$0.003590	$0.039292	$0.029700	$0.009592
November	$0.042882	-$0.003000	$0.039882	$0.027860	$0.012022
December	$0.042882	-$0.004560	$0.038322	$0.026180	$0.012142
January 2016	$0.042882	-$0.003090	$0.039792	$0.029980	$0.009812
February	$0.042882	-$0.005470	$0.037412	$0.029390	$0.008022
March	$0.042882	-$0.006900	$0.035982	$0.023870	$0.012112
April	$0.042882	-$0.006280	$0.036602	$0.025010	$0.011592
May 2016	$0.042882	-$0.006360	$0.036522	$0.022220	$0.014302
Averages for 2015-16 Delivery Year	$0.042882	-$0.004470	$0.038412	$0.027604	$0.010808

As shown in the comparison, the tariffed Rate B energy rate net of the FAC adjustment exceeded the cost of market purchases (marginal cost) in each month of the 2015-16 Delivery Year as well as for the entire delivery year on average. Based on this analysis, EKPC's energy rate exceeds the historical marginal costs.

Conclusion

EKPC believes that the marginal cost analyses adequately demonstrate that the discounted demand rates and the net energy rates that will be charged as part of the EDR special contract exceed the marginal costs of providing service. EKPC further believes that this marginal cost analyses satisfies the requirements of Finding No. 6 of the September 24, 1990 Order.