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May 30, 2017

PARTIES OF RECORD

RE: Informal Conference for  
Case No. 2017-00002

Enclosed is a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the content of this memorandum should be submitted to the Commission within ten days of receipt of this letter. Questions regarding this memorandum should be directed to Chris Whelan at (502) 782-2644.

Sincerely,

A handwritten signature in blue ink that reads "Talina R. Mathews".

Talina R. Mathews  
Executive Director

Enclosure

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File

**FROM:** Chris Whelan, <sup>MCW</sup> Financial Analysis

**DATE:** May 30, 2017

**RE:** Case No. 2017-00002  
An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2014 through October 31, 2016

On May 23, 2017, Commission Staff ("Staff") held a telephonic informal conference ("IC") with East Kentucky Power Cooperative, Inc. ("East Kentucky"). Staff's notice of the IC was issued on May 23, 2017. Commission Staff requested the IC to discuss East Kentucky's proposal to address a timing issue in the event a change in East Kentucky's base fuel rate is required by the Commission.

In its direct testimony, East Kentucky stated that currently, when there is a change in East Kentucky's base fuel cost, for two months its member systems experience a mismatch between the energy rates they can charge their retail customers and the fuel adjustment clause ("FAC") factors that are included on the retail customer bills. East Kentucky proposed that, if a change in the base fuel rate is required, new base rates for the member cooperatives have an effective date two months after the effective date of East Kentucky's new base rates.

At the IC, Staff suggested that the issue may not be a result of the Commission approving a simultaneous change in base rates for East Kentucky and its member cooperatives but a result of language that has been included in the East Kentucky final orders when a change is made to the base fuel rate. For many years, the final orders have approved a change in the base fuel rate effective for service rendered on and after a specific date and then approved the use of the new base fuel rate in the calculation of the FAC for service rendered on and after that same specific date.

Staff offered as an example that, in Case No. 2010-00491,<sup>1</sup> the May 31, 2011 final Order stated as follows:

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<sup>1</sup> Case No. 2010-00491, *An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2008 through October 31, 2010* (Ky. PSC May 31, 2011).

6. The rates in the Appendix to this Order are fair, just and reasonable and should be approved for service rendered on and after June 1, 2011.

7. For service rendered on and after June 1, 2011, East Kentucky should use an FAC rate based upon a base fuel cost of 30.14 mills per kWh.

Upon review of this language, Staff believes that paragraph 7 should have stated as follows:

For service rendered on and after July 1, 2011, East Kentucky should use an FAC rate based upon a base fuel cost of 30.14 mills per kWh.

When East Kentucky billed its member cooperatives in July 2011 for June 2011 service, it was billing for the May 2011 expense month FAC factor. The previous base rates were in effect during May 2011 and if the former base fuel rate had been used in the calculation of the FAC factor for the May 2011 expense month, the timing issue might have been avoided. For example, since the May 31, 2011 Order approved a change in base rates effective for June 2011 service, it would be appropriate to use the new base fuel rate to calculate the FAC for the June expense month which was billed by East Kentucky to its member cooperatives for July 2011 service in August 2011.

East Kentucky agreed to consider this revision and respond within ten days of the issuance of this memo. East Kentucky stated that it would file a response and indicated that it would like a ruling on this issue even if the Commission does not require a change to its base fuel rate at this time.

Staff then asked East Kentucky about its projected fuel costs for 2017 and 2018. During discovery, East Kentucky provided an average annual amount per kWh for each year. At the IC, East Kentucky was asked whether it calculated monthly amounts or annual amounts. East Kentucky stated that only annual amounts were available.

There being nothing further to discuss, the meeting was adjourned.

Attachment: Sign-In Sheet

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION )  
OF THE FUEL ADJUSTMENT CLAUSE OF )  
EAST KENTUCKY POWER COOPERATIVE, ) CASE NO.  
INC. FROM NOVEMBER 1, 2014 THROUGH ) 2017-00002  
OCTOBER 31, 2016 )

SIGN IN SHEET FOR MAY 23, 2017 TELEPHONIC INFORMAL CONFERENCE

<u>NAME</u>	<u>PARTY</u>
Patrick Woods	EKPC - by phone
Isaac Scott	" " - by phone
David Sanford	Goss + Sanford - by phone
J.F.B. Pinney	PSC - OGC
Matthew Baer	PSC - FA
Chris Whelan	PSC - FA

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