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DEC 19 2018

PUBLIC SERVICE
COMMISSION
VIA HAND DELIVERY

December 19, 2018

Ms. Gwen Pinson, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

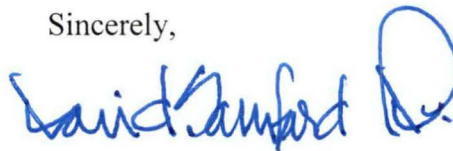
Re: *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Approval to Amend its Environmental Compliance Plan and Recover Costs Pursuant to its Environmental Surcharge, and for the Issuance of a Certificate and Public Convenience and Necessity; PSC Case No. 2018-00270*

Dear Ms. Pinson:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the Responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the Commission Staff's Second Set of Information Requests, dated December 4, 2018, and the Attorney General's Supplemental Data Requests, dated December 5, 2018.

Please return a file stamped copy of this filing to my office.

Sincerely,



David S. Samford

Enclosures

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DEC 19 2018

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR APPROVAL)
TO AMEND ITS ENVIRONMENTAL)
COMPLIANCE PLAN AND RECOVER COSTS)
PURSUANT TO ITS ENVIRONMENTAL)
SURCHARGE, AND FOR THE ISSUANCE OF)
A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY)

CASE NO. 2018-00270

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

DATED DECEMBER 4, 2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC. FOR APPROVAL)
TO AMEND ITS ENVIRONMENTAL)
COMPLIANCE PLAN AND RECOVER COSTS)
PURSUANT TO ITS ENVIRONMENTAL)
SURCHARGE, AND FOR THE ISSUANCE OF)
A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY)

CASE NO. 2018-00270

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Isaac S. Scott, 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 Second Request for Information in the above-referenced case dated December 4, 2018, 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.

Isaac S. Scott

Subscribed and sworn before me on this 19th day of December 2018.

Gwyn M. Willoughby #590567

Notary Public



EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2018-00270

RESPONSE TO INFORMATION REQUEST

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 12/04/18
REQUEST 1**

RESPONSIBLE PARTY: Isaac S. Scott

Request 1. Refer to EKPC's response to Commission Staff's First Request for Information, Item 12, page 2 of 2. Explain why Project 17 has no accumulated depreciation.

Response 1. Project 17 is the Cooper Landfills – Phases 1A and 1B. EKPC records these landfills as “Land” in its accounting system. Investments in land are not depreciated. Consequently, there is no accumulated depreciation or monthly depreciation expense shown for this project in the Response to Item 12, page 2 of 2. This accounting treatment was disclosed in Exhibit K of the Application, Attachment ISS-3, pages 3, 5, and 7 of 7, in the “Notes” section of each referenced page. These pages are the detailed calculations of the estimated annual surcharge revenue requirement which was utilized to determine the estimated bill impact on residential customers of the proposed amendments to the environmental compliance plan.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2018-00270

RESPONSE TO INFORMATION REQUEST

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 12/04/18
REQUEST 2**

RESPONSIBLE PARTY: Isaac S. Scott

Request 2. Refer to the Direct Testimony of Isaac S. Scott, page 10, lines 2-9. Explain how recovering the costs of the Cooper and Spurlock landfill closures and asset retirement obligation settlements through the environmental surcharge after the costs are incurred is consistent with KRS 278.183(1), which provides that "a utility shall be entitled to the *current* recovery of its costs of compliance " (emphasis added).

Response 2. Mr. Scott's direct testimony at page 10, lines 2-9, discusses the proposed treatment of those costs associated with the settlement of asset retirement obligations ("ARO"), which were landfill closure costs, and the amortization of the corresponding regulatory assets. EKPC acknowledges that it incurred the landfill closure costs in 2015 and 2017. However, while mindful of the quoted section of KRS 278.183(1), EKPC would also note that it cannot recover the amortization of the corresponding ARO regulatory assets without prior authorization of the Commission. In addition, beginning the amortization of these ARO regulatory assets will minimize potential generational inequalities from continuing to carry the unrecovered ARO to a future base rate case.

EKPC believes its proposed recovery of costs associated with the settlement of Cooper and Spurlock AROs and the amortization of the corresponding regulatory assets is consistent with previous surcharge treatment authorized by the Commission. In Case No. 2017-00321,¹ the Commission authorized Duke Energy Kentucky, Inc. (“Duke Kentucky”) to recover the actual balance of the East Bend Coal Ash ARO regulatory asset over a 10-year period and recover any additional actual costs associated with the settlement of the East Bend Coal Ash ARO in the second month after they were incurred. This approach was recommended by the Attorney General. At the time of the filing of its application, Duke Kentucky had incurred and accrued costs for its East Bend Coal Ash ARO regulatory asset during 2015, 2016, and the first six months of 2017 totaling approximately \$11.0 million. The Commission had approved Duke Kentucky’s request to establish the East Bend Coal Ash ARO regulatory asset in Case No. 2015-00187.²

EKPC believes the current application reflects a similar situation. The Commission authorized the establishment of ARO regulatory assets for ash landfills in Case No. 2014-00432.³ EKPC is now requesting that the Commission permit the recovery of ARO settlement costs that have been previously incurred and the amortization of the corresponding

¹ See *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs, 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*, Case No. 2017-00321, Order, p. 75 (Ky. P.S.C. Apr. 12, 2018).

² See *In the Matter of Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Liabilities Associated with Ash Pond Asset Retirement Obligations*, Case No. 2015-00187, (Ky. P.S.C. Dec. 15, 2015).

³ See *In the Matter of An Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of Regulatory Assets for the Depreciation and Accretion Expenses Associated with Asset Retirement Obligations*, Case No. 2014-00432, (Ky. P.S.C., Mar. 6, 2015 and Jul. 21, 2015).

regulatory assets. In addition, as noted at page 10, lines 12-17 of Mr. Scott's direct testimony, EKPC is proposing that the costs associated with the ongoing capping activities at the Spurlock and Cooper landfills, which attribute to the settlement of their associated AROs, be recovered through the environmental surcharge as those costs are incurred. This approach would also allow for the associated regulatory asset to be amortized in proportion to the amount recovered, resulting in the ARO to settle and the regulatory asset to clear over the same timeframe.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2018-00270

RESPONSE TO INFORMATION REQUEST

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 12/04/18
REQUEST 3**

RESPONSIBLE PARTY: Isaac S. Scott

Request 3. Refer to EKPC's response to the Attorney General's First Request for Information, Item 11. Explain whether EKPC intends to recover the costs of these projects through its environmental surcharge and if so, why EKPC is not proposing to include the two completed projects in the instant environmental compliance plan amendment.

Response 3. EKPC does plan to seek environmental surcharge recovery of these projects in a future filing. EKPC would be willing to provide additional information to support inclusion of these two projects as part of this proceeding, but only if such action would not cause the statutory deadline for receiving a decision to lapse or reset.