

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST)	
KENTUCKY POWER COOPERATIVE, INC.)	
FOR A GENERAL ADJUSTMENT OF RATES,)	CASE NO.
APPROVAL OF DEPRECIATION STUDY,)	2021-00103
AMORTIZATION OF CERTAIN REGULATORY)	
ASSETS, AND OTHER GENERAL RELIEF)	

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

East Kentucky Power Cooperative, Inc. (EKPC), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on May 28, 2021. The Commission directs EKPC to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

EKPC shall make timely amendment to any prior response if EKPC obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which EKPC fails or refuses to furnish all or part of the requested information, EKPC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, EKPC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Exhibit 6, page 4 of 24, Rate C. Under Minimum Monthly Charge, indicate whether language should be added to b. to clarify that the fuel base per kWh is the fuel base established in the Fuel Adjustment Clause (FAC).

2. Refer to the Application, Exhibit 6, page 5 of 24, Rate E. Explain why special contract participants were added under the Availability section of this rate schedule.

3. Refer to the Application, Exhibit 6, page 8 of 24, Rate G – Special Electric Contract Rate. Under Monthly Minimum Charge, indicate whether language should be added to b. to clarify that the fuel base per kWh is the fuel base established in the FAC.

4. Refer to the Application, Exhibit 6, page 24 of 24, Wholesale Power Invoice. Explain what the following additions represent and why they have been added to the Owen-Gallatin Wholesale Power Invoice:

- a. Air Liquide;
- b. CPS1; and
- c. 12 Mo.

5. Refer to the Application, Exhibit 7, page 28 of 28, Wholesale Power Invoice and the Direct Testimony of Isaac S. Scott (Scott Testimony), page 38, lines 1–5, which discusses the proposed changes to the Wholesale Power Invoice for Owen-Gallatin. Explain why the PJM Capacity Performance Auction Credit and the Case No. 2015-00358 Credit – Smith Station will no longer be in effect.

6. Refer to the Application, Exhibit 13, Excel spreadsheet entitled “Application_Exhibit_13_-_Exhibit_ISS-1_-_Schedules_1.00-1.30_FINAL_REV_03-08.xlsx”, Tab labeled “1.01 – FAC”, column labeled “MWH Sales Subject to FAC”. The cells in this include formulas. Explain what is included in the formulas for each month listed and how the values were determined.

7. Refer to the Direct Testimony of Anthony Campbell (Campbell Testimony), page 10, lines 3–6. Mr. Campbell notes the important role Cooper Station played during the 2020 winter storms in providing a hedge against the spike in market prices.

- a. Explain how Cooper Station provided this hedge.

b. Provide the cost savings that resulted.

c. Provide other examples of how Cooper Station has hedged against market spikes.

8. Refer to the Campbell Testimony, page 13, lines 20–23. Provide a list of the lower-risk maintenance projects EKPC has deferred, the reason why they were considered lower-risk, the cost of each project, the amount included as an adjustment to the test year per project, the projected start date of each project, the projected completion date of each project, and an explanation of the need for each project.

9. Refer to the Campbell Testimony, page 14, lines 2–4. Provide EKPC’s budgeted TIER with and without the requested rate increase for the next five years.

10. Refer to the Campbell Testimony, page 19, lines 10–12. Provide the cost benefit analysis that supports that statement that Bluegrass Station continues to pay for itself and has allowed EKPC to avoid tens of millions of dollars in unnecessary environmental projects.

11. Refer to the Campbell Testimony, page 20, lines 22–23. Provide support that targeted investments have resulted in an annual savings of at least \$1.3 million.

12. Refer to the Direct Testimony of Ann Bridges (Bridges Testimony), page 8, lines 4–5. Itemize the cost containment measures that EKPC will do to make up the approximately \$6 million need.

13. Refer to the Bridges Testimony, page 10, lines 8–14, which states that “[i]n its two-year environmental surcharge review proceedings, EKPC has consistently stated that a base rate proceeding is the appropriate vehicle for rolling the environmental surcharge into base rates,” yet in the instant case, a base rate proceeding, EKPC states

that rolling the environmental surcharge into base rates is not appropriate due to the pass-through option allowed under KRS 278.455.

a. Explain whether EKPC took KRS 278.455 into consideration during previous two-year environmental reviews.

b. Describe what vehicle is appropriate for rolling the environmental surcharge into base rates.

c. Provide when EKPC anticipates rolling in the environmental surcharge.

14. Refer to the Scott Testimony, page 5, lines 11–18 and lines 21–23.

a. Provide specific examples of how EKPC will make up the difference between the fully justified increase of \$48,983,937 in its application and the alternatively requested revenue increase of \$43,000,000.

b. Explain whether, if the Commission orders the requested increase of \$43,000,000, EKPC will be able to achieve the additionally requested 1.50 TIER.

c. Quantify and explain how EKPC can achieve the requested 1.50 TIER in its application if the total increase authorized by the Commission is limited to \$43,000,000.

15. Refer to the Scott Testimony, page 15, lines 1–3.

d. Provide updated interest rates associated with EKPC's long-term debt as of the date of this request.

e. Provide updated calculations of the interest expense normalization based on the interest rates provided in part (a) of this request.

f. As a continuing request, provide supplemental updates of the information requested in parts (a) and (b) on a monthly basis.

16. Refer to the Scott Testimony, page 15, lines 6–17.

a. Provide updated interest rates associated with the balances of investments as of the date of this request.

b. Provide updated calculations of the proposed adjustment to test year actual interest income for each investment by applying the updated interest rates provided in part (a) of this request.

c. As a continuing request, provide supplemental updates of the information requested in parts (a) and (b) on a monthly basis.

17. Refer to the Scott Testimony, page 16, lines 7–22, and page 17, lines 1–19.

a. Explain why EKPC did not begin participating in the RUS Cushion of Credit Program until 2005 if it was established in 1987.

b. Provide what the application Treasury rates would be for EKPC's balances if the effective date was May 1, 2021, and not October 1, 2021.

c. Provide the current balance of the Cushion of Credit.

d. Explain whether EKPC plans to apply the remaining Cushion of Credit to debt prior to the change in the interest rates on October 1, 2021.

18. Refer to the Scott Testimony, page 33, line 19, through page 34, line 2, regarding the interruptible demand credit. Also refer to the Scott Testimony, Exhibit ISS-3, which contains the cost justification for interruptible service credit that reflects a monthly avoided cost of interruptible power of \$5.26 per kW, and the current demand credit for

400 hours of interruption is \$5.60 per kW. Explain why EKPC is not proposing to lower the current demand credit for 400 hours of interruption.

19. Refer to the Scott Testimony, page 36, lines 4–8, which discusses the proposed minimum demand of 15,000 kW. Explain why EKPC is proposing a minimum demand of 15,000 kW for Rate G and how it arrived at that amount.

20. Refer to the Scott Testimony, page 36, lines 8–10, which discusses the possibility that the ratchet provision for new or expanding loads may need to be temporarily waived. Explain the circumstances under which the ratchet provision would need to be temporarily waived and why EKPC is proposing this revision.

21. Refer to the Scott Testimony, page 40, lines 13–23, and page 41, lines 1–4. Provide the DSM cost recovery versus DSM program costs study.

22. Refer to the Direct Testimony of Richard J. Macke (Macke Testimony), page 9, lines 3–5, which states that the Average and Excess Demand (AED) method is widely applied by utilities.

a. Specify any electric generating utilities in Kentucky that have used the AED method and provide the corresponding case numbers.

b. Provide examples of any electric generating utilities outside of Kentucky that have used the AED method.

c. Explain if any other cost of service study (COSS) methods were evaluated.

23. Refer to the Macke Testimony, page 16, lines 17–19, and page 20, lines 2–7. The COSS illustrated that the demand rates were relatively low and needed a larger than system average increase to lower the subsidy. EKPC proposes a 9 percent increase

in the demand charge and a 4.5 increase in the energy charge and notes that this 2:1 ratio is reasonable.

a. Explain why EKPC choose a 9 percent increase in the demand charge.

b. Provide support that the 2:1 ratio is reasonable.

24. Refer to the Macke Testimony, page 18, line 15, and page 19, line 1. Explain how the COSS was used in determining the proposed allocation of the revenue increase.

25. Refer to the Macke Testimony, page 19, lines 6–7. Explain why the 8 percent increase limit was included in the general guidelines.

26. Refer to the Macke Testimony, page 20, lines 1–5. Explain why the 2:1 ratio approach was used for Rate E, Rate C, and Contract, but was not used for Rate B and Rate G.

27. Refer to the Macke testimony, page 20.

a. Explain why all the customers choose Option 1 for Rate E.

b. Under the proposed rates, explain why EKPC expects to have customers choose Option 1 for Rate E over Option 2.

c. Identify the last time a customer was served under Rate E Option 2.

28. Refer to the Macke Testimony, Exhibit RJM-2, page 17 of 17.

a. The Total Revenue in column (d) is \$422,130,617. Also, refer to the Scott Testimony, Exhibit ISS-1, page 1 of 47. The Total Operating Revenue from Power Sales to Members after adjustments is \$400,045,561. Reconcile this difference.

b. Provide the rate of return on rate base for each rate class.

29. Refer to the Macke Testimony, Exhibit RJM-3, page 1 of 5, Table 3. Also, refer to EKPC's 2019 Annual Report,² Sales of Electricity by Rate Schedules, page 80 of 175.

a. For the Total Revenue at the Present Rate for Rate B, explain the difference between the \$59,815,719 amount shown and the \$59,915,366 listed in the EKPC 2019 Annual Report as Revenue for Rate B.

b. For the Total Revenue at the Present Rate for Rate C, explain the difference between the \$17,153,311 amount shown and the \$23,314,174 listed in the EKPC 2019 Annual Report as Revenue for Rate C.

c. For the Total Revenue at the Present Rate for Rate E, explain the difference between the \$664,081,280 amount shown and the \$662,907,325 listed in the EKPC 2019 Annual Report as Revenue for Rate E.

d. For the Total Revenue at the Present Rate for Rate G, explain the difference between the \$25,516,274 amount shown and the \$19,355,427 listed in the EKPC 2019 Annual Report as Revenue for Rate G.

e. For the Total Revenue at the Present Rate for Contract, explain the difference between the \$42,471,101 amount shown and the \$42,055,070 listed in the EKPC 2019 Annual Report as Revenue for Special Contract (Gallatin).

f. For the Total Revenue at the Present Rate for Steam, explain the difference between the \$10,716,264 amount shown and the \$10,687,040 listed in the EKPC 2019 Annual Report as Revenue for Special Contract (International Paper Steam).

² *Annual Report of East Kentucky Power Cooperative to the Kentucky Public Service Commission for the Year Ending December 31, 2019* (EKPC 2019 Annual Report).

g. For the Total Revenue at the Present Rate for Rate H, explain the difference between the \$49,170 amount shown and the \$6,349,857 listed in the EKPC 2019 Annual Report as Revenue for Rate H.

h. Explain which Rate Schedule in the EKPC 2019 Annual Report the Rate TGP falls under. Also, explain the difference if any between the \$6,349,849 amount shown for Rate TGP in Table 3 and that Rate Schedule in the EKPC 2019 Annual Report as Revenue.

30. Refer to the Macke Testimony, Exhibit RJM-3, Page 2 and 3 of 5. Also, refer to the EKPC 2019 Annual Report, Sales of Electricity by Rate Schedules, page 80 of 175.

a. Refer to Rate C, Fuel Adjustment in kWh in the Unit column. Explain the difference in the 290,461,443 kWh shown and the 417,713 MWh Sold in column (b) for Rate C in the EKPC 2019 Annual Report.

b. Refer to Rate G, Fuel Adjustment in kWh in the Unit column. Explain the difference in the 485,775,112 kWh shown and the 362,733 MWh Sold in column (b) for Rate G in the EKPC 2019 Annual Report.

31. Refer to the Macke Testimony, Exhibit RJM-3.

a. Provide Exhibit RJM-3 with the percent increases to the proposed rates in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Provide Exhibit RJM-3 net of riders with the percent increases to the proposed rates in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

c. Provide a revision of Exhibit RJM-3 based on the \$49 million needed to meet a 1.5 TIER with the percent increases in the proposed rates in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

32. Provide a table listing EKPC's rate classes, the current rate components of each rate class, the COSS results of the components, and the proposed rate components.

33. Refer to the Direct Testimony of Thomas Stachnik (Stachnik Testimony) in general. With the clean energy initiatives from the Biden administration and investors asking about environmental, social, and government (ESG) factors revolving around clean power, explain the impact of ESG investment goals will have on EKPC's credit ratings.

34. Refer to the Stachnik Testimony, page 19, line 4. Provide the 2020 equity to asset ratio.

35. Refer to the Direct Testimony of Scott Drake in general. Explain whether EKCP has evaluated additional low-income DSM programs, and if so, provide a list of programs evaluated and reasons why EKPC has not submitted the programs for approval.

36. Refer to Case No. 2019-00193,³ in which Big Rivers Electric Cooperation (BREC) received approval to create a pilot DSM program to provide weatherization assistance to low income residents for weatherization related measures that otherwise would not be completed due to limitations on other funding to correct residential health and safety issues. BREC's program provides \$1,500 to local Community Action Agencies that provide weatherization assistance to low-income residential customers of BREC's

³ Case No. 2019-00193, *Demand-Side Management Filing of Big Rivers Electric Corporation to Implement a Low-Income Weatherization Support Program* (Ky. PSC Nov. 13, 2019).

member distribution cooperatives pursuant to the Federal Department of Energy's Weatherization Assistance Program. Explain whether EKPC has evaluated implementing a similar program to provide weatherization assistance to low-income residents.

37. Refer to the Direct Testimony of Denver York, page 5. Provide an approximate breakdown of the \$15,290,000 cost of investments in smart grid technologies by the example categories listed, as well as any additional categories not explicitly stated.

38. Refer to the Direct Testimony of Michelle K. Carpenter, page 7–13. For each of the regulatory assets for which EKPC is proposing to amortize, provide detailed explanations for the amortization period length chosen for each regulatory asset.

39. Refer to the Direct Testimony of John Spanos, Exhibit JJS-1, page 42. The depreciation study states that the final net salvage estimates in the study were based on industry decommissioning analyses performed by various engineering organizations. Provide the analyses that were relied upon to determine the final net salvage estimates.

40. Refer to the depreciation study included in Case No. 2006-00236,⁴ pages II-13 and II-14. Explain in detail the changes that occurred with EKPC's production plant that relates to net salvage value subsequent to the development of the depreciation study filed in 2006.

41. Refer to EKPC's response to Commission Staff's First Request (Staff's First Request), Item 16, Application Exhibit 23.xlsx. Provide a similar schedule by member system in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

⁴ Case No. 2006-00236, *Application of East Kentucky Power Cooperative, Inc. for Approval of a Depreciation Study*.

42. Refer to EKPC's response to Staff's First Request, Item 24, Excel spreadsheet entitled "PSC DR1 Response 24.xlsx."

a. Provide a summary of the expected Executive Officers Salaries and Other Compensation for the calendar year ended December 31, 2021, in the format provided in the table to this response.

b. Provide with specificity the details of the amounts reported as "Other Reportable Compensation" in column (F) of the spreadsheet.

43. Refer to EKPC's response to Staff's First Request, Item 47.b., Excel spreadsheet entitled "PSC_DR1_Response_47b.xlsx." Schedule L2 of the spreadsheet includes the adjustments EKPC proposes to exclude for ratemaking purposes. Provide a detailed list that corresponds to the AP Vouchered Detail provided in the same response that clearly shows the transactions excluded from the total amounts recorded in Account 930 for the test period.



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DATED MAY 12 2021

cc: Parties of Record

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