

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF EAST)	
KENTUCKY POWER COOPERATIVE, INC. TO)	CASE NO.
ESTABLISH ITS EARNINGS MECHANISM)	2021-00429
TARIFF)	

ORDER

On October 29, 2021, East Kentucky Power Cooperative, Inc. (EKPC) filed, in accordance with the Stipulation and Settlement Agreement in Case No. 2021-00103,¹ a tariff revision to establish an Earnings Mechanism (EM) Tariff to return excess margins to customers in the form of a bill credit if EKPC achieves per book margins in excess of a 1.40 Times Interest Earned Ratio (TIER) in any calendar year. By Order dated November 23, 2021, the Commission initiated this case and suspended the proposed EM Tariff for five months, up to and including April 30, 2022.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), and Nucor Steel Gallatin, LLC (Nucor) were granted intervention status. EKPC responded to two rounds of discovery, and on February 22, 2022, EKPC, the Attorney General, and Nucor filed a joint motion to submit the case on the existing record. This matter now stands submitted for a decision.

¹ Case No. 2021-00103, *Electronic Application of East Kentucky Power Cooperative, Inc. for a General Adjustment of Rates, Approval of Depreciation Study, Amortization of Certain Regulatory Assets and Other General Relief* (Ky. PSC Sept. 30, 2021), Joint Stipulation and Settlement Agreement (filed July 29, 2021).

KRS 278.030 provides that a utility must collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. EKPC stated that following the close of its books on or around February 15 of each year, EKPC will calculate the TIER based on unaudited margins and interest expense at that time. If the TIER exceeds 1.40, EKPC will record a regulatory liability for the amounts to be refunded through a bill credit and will adjust the regulatory liability balance based on any changes because of its audit, which will be issued by March 31 and approved by EKPC's board of directors by April 12. EKPC would then file its excess margin calculation allocation with the Commission by April 30, with a final credit to be applied in June for the May billing cycle.² The bill credit, once issued, would relieve the liability balance in the regulatory liability account.

EKPC indicated the one time bill credit was chosen because it wanted to provide the credit to the Owner-Member Cooperatives and End-Use Retail customers as quickly as possible, and that spreading the credit over multiple months could dilute the amount so much that the impact on retail member bills would be negligible.³ EKPC also indicated that it does not expect any adverse impact to its cash flows using a one-time bill credit,⁴ and that if it appears that the one-time bill credit would create an adverse impact to its cash flows, EKPC will file to modify its tariff at that time.⁵ EKPC stated that such a

² EKPC's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Jan. 18, 2022), Item 3.

³ EKPC's Response to Commission Staff's First Request for Information (filed Dec. 22, 2021), Item 2(b).

⁴ *Id.*, Item 2(a).

⁵ EKPC's Response to Staff's Second Request, Item 1(a).

circumstance would be rare; therefore, a tariff modification was not necessary at this time.⁶

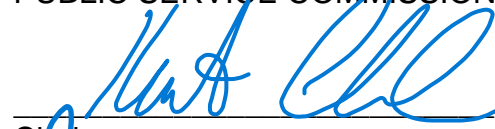
Waiting until such a situation arises before modifying the tariff could cause unnecessary delays. Therefore, the Commission finds that the EM Tariff should include revised language to specify that an annual credit is the default position, but EKPC may request, and the Commission may order, other amortization periods on a case-by-case basis. Having reviewed the proposed tariff and being otherwise sufficiently advised, the Commission finds that the tariff is reasonable and is approved with the tariff revisions discussed herein.

IT IS THEREFORE ORDERED that:

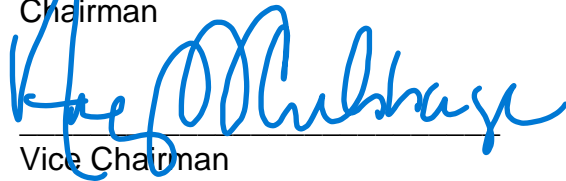
1. EKPC's request to establish an EM Tariff is approved with the revisions discussed herein.
2. Within 20 days of the date of the entry of this Order, EKPC shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the revisions approved herein and reflecting that they were approved pursuant to this Order.
3. This case is closed and removed from the Commission's docket.

⁶ *Id.*, Item 1(b).

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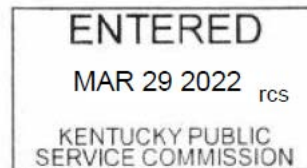


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Commissioner



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