

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC )	
SERVICE COMMISSION OF THE )	
ENVIRONMENTAL SURCHARGE MECHANISM )	
OF EAST KENTUCKY POWER COOPERATIVE, )	
INC. FOR THE SIXTH-MONTH EXPENSE )	CASE NO.
PERIODS ENDING FEBRUARY 28, 2020, )	2022-00141
AUGUST 31, 2020, FEBRUARY 28, 2021, )	
AUGUST 31, 2021, AND FEBRUARY 28, 2022, )	
THE TWO-YEAR EXPENSE PERIOD ENDING )	
AUGUST 31, 2021, AND THE PASS-THROUGH )	
MECHANISM OF ITS SIXTEEN MEMBER )	
DISTRIBUTION COOPERATIVES )	

ORDER

On March 17, 2005, the Commission approved East Kentucky Power Cooperative, Inc.'s (EKPC) environmental surcharge application and established a surcharge mechanism.<sup>1</sup> The Commission also approved a mechanism to pass through the environmental surcharge to EKPC's 16-member distribution cooperatives (Member Cooperatives).<sup>2</sup> Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge, disallow any surcharge amounts found not to be just and reasonable, and reconcile past surcharges with actual

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<sup>1</sup> Case No. 2004-00321, *Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge* (Ky. PSC Mar. 17, 2005).

<sup>2</sup> Case No. 2004-00372, *Application of Big Sandy RECC, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Cumberland Valley Electric, Farmers RECC, Fleming-Mason Energy, Grayson RECC, Inter-County Energy Cooperative, Jackson Energy Cooperative, Licking Valley RECC, Nolin RECC, Owen Electric Cooperative, Salt River Electric, Shelby Energy Cooperative, South Kentucky RECC and Taylor County RECC for Authority to Pass Through the Environmental Surcharge of East Kentucky Power Cooperative, Inc.* (Ky. PSC Mar.17, 2005).

costs recoverable pursuant to KRS 278.183(1). At two-year intervals, the Commission must review and evaluate the past operations of the environmental surcharge, disallow improper expenses, and to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

On its own motion, the Commission initiates (1) the six-month review of EKPC's environmental surcharge for expense months ending February 28, 2020, August 31, 2020, February 28, 2021, and February 28, 2022; (2) the corresponding six-month reviews of Member Cooperatives' pass-through mechanism for expense months ending February 28, 2020, August 31, 2020, February 28, 2021, August 31, 2021, and February 28, 2022; (3) the two-year review of EKPC's environmental surcharge for the expense month ending August 31, 2021; and (4) the corresponding two-year reviews of Member Cooperatives' pass-through mechanism for the expense month ending August 31, 2021.

To facilitate this review, a procedural schedule is set forth in Appendix A to this Order. In accordance with that schedule, EKPC is to file prepared direct testimony: (a) in support of the reasonableness of the application of its environmental surcharge mechanism during the period under review, (b) in support of the reasonableness of the application of the pass-through mechanism during the period under review, and (c) on a proposal to roll its environmental surcharge into existing base rates. In addition, EKPC and the Member Cooperatives are to file their responses to the information requested in Appendix B to this Order.

All requests for intervention should be filed by the date set forth in Appendix A. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the

proceedings which is not adequately represented in the case; or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings.

Based on the foregoing, the Commission further finds that any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of electricity consumed by the movant or a general statement regarding a potential impact of a possible modification of rates will not be deemed sufficient to establish a special interest.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.
2. EKPC and each of its Member Cooperatives listed in footnote 2 shall be parties to this case.
3. On or before the date set forth in the procedural schedule, EKPC and each of its Member Cooperatives shall file its responses to the Commission Staff's First Request for Information, attached to this Order as Appendix B.
4. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to the service and electronic filing of papers shall be followed in this proceeding.

5. Any party filing a paper with the Commission shall file an electronic copy in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>3</sup> regarding filings with the Commission.

6. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

7. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of entry of this Order, EKPC and each of its Member Cooperatives shall file a written statement that it waives any right to service of Commission Orders by United States mail and that it or its authorized agent possesses the facilities to receive electronic submissions.

8. Any motion to intervene filed after the dates established in Appendix A shall show a basis for intervention and good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

9. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

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<sup>3</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of an Order of the Commission granting its intervention, file with the Commission a written statement that:

(1) It, or its authorized agent, possesses the facilities to receive electronic transmissions; and

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding should be served.

10. EKPC shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism and the pass-through mechanism during the period under review and on a proposal to roll its environmental surcharge into existing base rates.

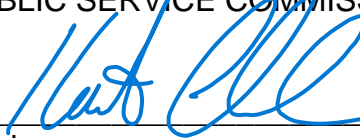
11. Within seven days of the Commission's granting intervention to a party, EKPC shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

12. EKPC's monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

13. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

14. Nothing contained in this Order shall prevent the Commission from entering further Orders in this matter.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Vice Chairman

\_\_\_\_\_  
Commissioner

ENTERED  
JUN 03 2022 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00141 DATED JUN 03 2022

EKPC and each of its Member Cooperatives shall file its prepared direct testimony and responses to the information requested in Appendix B no later than ..... 06/24/2022

A person interested in becoming a party to this proceeding shall file a motion to intervene with the Commission pursuant to 807 KAR 5:001, Section 4(11) no later than ..... 07/01/2022

All supplemental requests for information to EKPC and each of its Member Cooperatives shall be filed no later than ..... 07/18/2022

EKPC and each of its Member Cooperatives shall file supplemental responses to requests for information no later than ..... 08/01/2022

Intervenor testimony, if any, in verified prepared form shall be filed no later than ..... 08/15/2022

All requests for information to Intervenors shall be filed no later than ..... 08/29/2022

Intervenors shall file responses to requests for information no later than ..... 09/13/2022

Last day for EKPC and each of its Member Cooperatives or Intervenors to request a hearing or submit this case for decision based on the record ..... 09/27/2022

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00141 DATED JUN 03 2022

#### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC. AND EACH OF ITS MEMBER COOPERATIVES

East Kentucky Power Cooperative, Inc. (EKPC) and EKPC's 16-member distribution cooperatives (Member Cooperatives),<sup>1</sup> pursuant to 807 KAR 5:001, are to file with the Commission an electronic version of the following information. The information requested is due on June 24, 2022. The Commission directs EKPC and each of its Member Cooperatives to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>2</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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 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

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<sup>1</sup> Big Sandy Rural Electric Cooperative Corporation, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Cumberland Valley Electric, Farmers Rural Electric Cooperative Corporation, Fleming-Mason Energy, Grayson Rural Electric Cooperative Corporation, Inter-County Energy Cooperative, Jackson Energy Cooperative, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Owen Electric Cooperative, Salt River Electric, Shelby Energy Cooperative, South Kentucky Rural Electric Cooperative Corporation and Taylor County Rural Electric Cooperative Corporation.

<sup>2</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).



response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

EKPC and each of its Member Cooperatives shall make timely amendment to any prior response if EKPC and each of its Member Cooperatives obtain 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 and each of its Member Cooperatives fail or refuse to furnish all or part of the requested information, EKPC and each of its Member Cooperatives 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 and each of its Member Cooperatives shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. This question is addressed to EKPC. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months under review. Form 1.1 can be used as a model for this summary. Include the two expense months subsequent to the review period in order to show the over- and under-recovery adjustments for the months included for the review period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for the

six-month and two-year reviews. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

2. This question is addressed to EKPC and the Member Cooperatives. For each of the Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month and two-year reviews. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the six-month and two-year reviews. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

3. This question is addressed to EKPC. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for the last six expense months under review.

a. For the sulfur dioxide emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

b. For the nitrogen oxide emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

c. Explain how the purchases of allowances in the last six expense months under review comply with EKPC's emissions allowance strategy plan.

4. This question is addressed to EKPC. Refer to Form 2.5, Operating and Maintenance Expenses, for the last six expense months under review. For each of the expense account numbers listed on this schedule, explain the reason(s) for any change

in the expense levels from month to month if that change is greater than plus or minus 10 percent.

5. This question is addressed to EKPC. The Settlement Agreement approved in Case No. 2004-00321<sup>3</sup> provides that EKPC's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the surcharge review period. Provide the following information as of May 31, 2019:

a. The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance;

b. The debt cost for each debt issuance directly related to the projects in the approved compliance plan, and whether the debt cost is a fixed or variable rate;

c. EKPC's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.50 Times Interest Earned Ratio (TIER), including all supporting calculations showing how the weighted average debt cost was determined; and

d. Provide all schedules and supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

6. This question is addressed to EKPC. KRS 278.183(3) provides that during the two-year review, the Commission must, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

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<sup>3</sup> Case No. 2004-00321, *Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge* (Ky. PSC Mar. 17, 2005).

a. Provide the surcharge amount that EKPC believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.

b. The surcharge factor reflects a percentage of revenue approach, rather than a per-kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into EKPC's base rates. Include any analysis that EKPC believes supports its position. Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

c. Provide the Base Period Jurisdictional Environmental Surcharge Factor (BESF) that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, workpapers, and assumptions.

d. State whether EKPC believes that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into EKPC's existing base rates. If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

e. Provide all schedules in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

7. This question is addressed to each of the Member Cooperatives. For your particular Member Cooperative, provide the actual average residential customer's monthly usage for the 12 months ending February 28, 2022. Based on this usage

amount, provide the dollar impact any over- or under-recovery will have on the average residential customer's monthly bill for the requested recovery period.

8. This question is addressed to each of the Member Cooperatives. For your particular Member Cooperative, provide a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month and two-year reviews, which uses a 12-month rolling average of Column 3 – "EKPC MESF %" to calculate Column 8 – "Member Cooperative Revenue Requirement." Based on the recalculated factors, include a calculation of any additional over- or under-recovery amount that would need to be recognized for the six-month and two-year reviews. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

\*Big Sandy R.E.C.C.  
Big Sandy R.E.C.C.  
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2640 Ironworks Road  
P. O. Box 748  
Winchester, KY 40392-0748

\*Owen Electric Cooperative, Inc.  
Owen Electric Cooperative, Inc.  
8205 Highway 127 North  
P. O. Box 400  
Owenton, KY 40359

\*Taylor County R.E.C.C.  
Taylor County R.E.C.C.  
625 West Main Street  
P. O. Box 100  
Campbellsville, KY 42719

\*Cumberland Valley Electric, Inc.  
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Gray, KY 40734

\*Shelby Energy Cooperative, Inc.  
Shelby Energy Cooperative, Inc.  
620 Old Finchville Road  
Shelbyville, KY 40065

\*Farmers R.E.C.C.  
Farmers R.E.C.C.  
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\*East Kentucky Power Cooperative, Inc.  
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Salt River Electric Cooperative Corp.  
111 West Brashear Avenue  
P. O. Box 609  
Bardstown, KY 40004

\*Fleming-Mason Energy Cooperative, In  
Fleming-Mason Energy Cooperative, Inc.  
1449 Elizaville Road  
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\*East Kentucky Power Cooperative, Inc  
East Kentucky Power Cooperative, Inc.  
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\*Inter-County Energy Cooperative Corp  
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\*South Kentucky R.E.C.C.  
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200 Electric Avenue  
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