

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST)	
KENTUCKY POWER COOPERATIVE, INC. TO)	
AMEND THE JOINT STIPULATION AND)	CASE NO.
SETTLEMENT AGREEMENT AND THE)	2022-00430
COMMISSION'S FINAL ORDER IN CASE NO.)	
2021-00103)	

ORDER

On December 27, 2022, East Kentucky Power Cooperative, Inc. (EKPC) filed a request to amend a provision of the Stipulation and Settlement Agreement (Settlement) from Case No. 2021-00103.¹ EKPC, the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention, Nucor Steel Gallatin, and AppHarvest Morehead Farm, LLC are the parties to the Settlement. EKPC stated that it had discussed the amendment with all parties to the Settlement and all had agreed to the amendment. EKPC requested an order by January 27, 2023, to appropriately reflect the amendment on its books for 2022. Because there are no intervenors in this case and a hearing is not necessary in the public interest, the Commission will adjudicate this case based on the evidence of record.

Paragraph Five of the Settlement stated EKPC will record a generator maintenance regulatory asset or regulatory liability for 75 percent of the actual generator

¹ Case No. 2022-00103, *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).

maintenance expense in excess of or less than the \$81.067 million in base rates beginning with calendar year 2022.² While preparing the 2022 reforecast and 2023 budget, EKPC discovered that the \$81.067 million included amounts recovered through EKPC's Rate Environmental Surcharge (Rate ES). EKPC proposed to change the normalized generator maintenance expense from \$81.067 million to \$63.843 million to exclude the amount that is recovered through Rate ES.

The Settlement and final Order both provided that the normalized generator maintenance in rates was \$81.067 million after an adjustment to reduce generator maintenance expenses by \$6.579 million.³ However, these amounts were based on a response to a discovery request that erroneously included generator maintenance recovered through Rate ES in the test-year amount and the normalized amount.⁴ Because EKPC removed generator maintenance recovered through Rate ES in a separate adjustment, the adjustment reduced the actual test-year generator maintenance of \$69.562 million by an excess of \$0.859 million.⁵ EKPC did not request to recover this amount.⁶

To avoid double-recovery of amounts recovered through Rate ES, because Rate ES includes its own true-up mechanism, EKPC proposed to reduce the normalized threshold for the generator maintenance regulatory asset/liability to \$63.843 million per

² Case No. 2022-00103, Sept. 30, 2021 Order at 4.

³ Case No. 2022-00103, Sept. 30, 2021 Order at 4 and Appendix A at 3.

⁴ Direct Testimony of Isaac S. Scott (Scott Direct Testimony) at 4–5.

⁵ Scott Direct Testimony at 4 and Exhibit ISS-1.

⁶ Scott Direct Testimony at 5.

year.⁷ EKPC also proposed minor text adjustments to the final Order to reflect the revised generator maintenance threshold and explicitly state that the amount excludes any amounts recovered through Rate ES.⁸

The Commission finds that the proposed Settlement amendment correctly reflects the normalized generator maintenance, exclusive of amounts recovered through Rate ES, and the proposed text changes appropriately reflect the amendment, are reasonable, and should be approved. The amendment to the settlement agreement is appropriate and prevents double-recovery of amounts recovered through Rate ES.

IT IS THEREFORE ORDERED that:

1. EKPC's proposal to amend the Settlement to change the amount of normalized generator maintenance expense to exclude the amount collected through Rate ES is granted.

2. Ordering paragraph 5 of the September 30, 2021 Order in Case No. 2021-00103 is stricken and replaced with the following language:

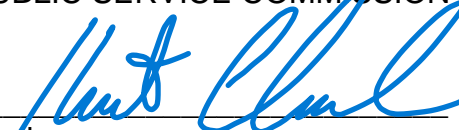
EKPC is authorized to establish a Generation Maintenance Tracker as outlined in the Settlement and Amendment No. 1 excluding amounts recovered through Rate ES, but, as a term of the establishment of the tracker, EKPC shall establish a separate regulatory asset account to record the annual entries. The Commission reserves the right to review the generation maintenance expenses that are eligible for this mechanism upon such time that EKPC requests to amortize the regulatory asset or regulatory liability in its next base rate case.

3. This case is closed and removed from the Commission's docket.

⁷ Scott Direct Testimony at 5.

⁸ Application at 4.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

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