

December 13, 2012

Mr. Jeff Derouen Executive Director Public Service Commission 211 Sower Boulevard Frankfort, Kentucky 40602 RECEIVED

DEC 13 2012

PUBLIC SERVICE COMMISSION

Re: PSC Case No. 2012-00486

Dear Mr. Derouen:

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's Appendix B First Information Requests, contained in the Commission's Order dated November 16, 2012, and the Prepared Testimony of Ann F. Wood and Isaac S. Scott on behalf of EKPC. Documents contained in this filing, with the exception of two responses to Request 2, are also being filed on behalf of EKPC's member systems.

Very truly yours,

Mark David Goss

Counsel

**Enclosures** 

# COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

	RECEIVED
In the Matter of:	DEC 1/3 2012
AN EXAMINATION BY THE PUBLIC SERVICE ) COMMISSION OF THE ENVIRONMENTAL ) SURCHARGE MECHANISM OF EAST KENTUCKY )	PUBLIC SERVICE COMMISSION
POWER COOPERATIVE, INC. FOR THE ) TWO-YEAR BILLING PERIOD ENDING ) JUNE 30, 2011, FOR THE SIX MONTH BILLING )	CASE NO. 2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND ) JUNE 30, 2012, AND THE PASS THROUGH ) MECHANISM FOR ITS SIXTEEN MEMBER )	
DISTRIBUTION COOPERATIVES	

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

DATED NOVEMBER 16, 2012

# BEFORE THE PUBLIC SERVICE COMMISSION

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AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUC	KY)	
POWER COOPERATIVE, INC. FOR THE	)	CASE NO.
TWO-YEAR BILLING PERIOD ENDING	)	2012-00486
JUNE 30, 2011, FOR THE SIX-MONTH BILLING	)	
PERIODS ENDING DECEMBER 31, 2011 AND JU	NE)	
30, 2012, AND THE PASS-THROUGH MECHANIS	SM )	
FOR ITS SIXTEEN MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

# DIRECT TESTIMONY OF ANN F. WOOD ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: December 13, 2012

- 1 Q. Please state your name, business address and occupation.
- 2 A. My name is Ann F. Wood and my business address is East Kentucky Power
- 3 Cooperative ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391. I
- 4 am the Director of Regulatory Services for EKPC.
- 5 Q. Please state your education and professional experience.
- 6 A. I received a B.S. Degree in Accounting from Georgetown College. After
- 7 graduation I accepted an audit position with Coopers & Lybrand in the Lexington
- 8 office. My responsibilities ranged from performing detailed audit testing to
- 9 managing audits. In October 1995, I started working for Lexmark International,
- Inc. as an analyst. In May 1997, I joined EKPC and held various management
- positions in the accounting, internal auditing, and regulatory services areas. In
- February 2011, I became Director of Regulatory Services at EKPC. I am a
- 13 certified public accountant in Kentucky.
- 14 Q. Please provide a brief description of your duties at EKPC.
- 15 A. As Director of Regulatory Services, I am responsible for managing all filings with
- the Public Service Commission ("Commission.") I report directly to the Chief
- 17 Financial Officer.
- 18 Q. What is the purpose of your testimony?
- 19 A. The purpose of my testimony is to describe how EKPC and its Member Systems
- have applied the environmental surcharge mechanism in a reasonable manner
- during the periods under review. My testimony will also propose updating the
- rate of return used in the environmental surcharge calculation, and will describe a
- proposed tariff change, along with a proposed change to the monthly

1		environmental surcharge reporting forms. The testimony of Mr. Scott will
2		address EKPC's position regarding a roll-in to existing base rates.
3	Q.	Is EKPC preparing testimony and responding to data requests on behalf of
4		its member systems?
5	A.	EKPC is preparing testimony on behalf of each member system. These member
6		systems are: Big Sandy Rural Electric Cooperative Corporation; Blue Grass
7		Energy Cooperative Corporation; Clark Energy Cooperative, Inc.; Cumberland
8		Valley Electric, Inc.; Farmers Rural Electric Cooperative Corporation ("Farmers
9		RECC"); Fleming-Mason Energy Cooperative; Grayson Rural Electric
10		Cooperative Corporation; Inter-County Energy Cooperative Corporation; Jackson
11		Energy Cooperative; Licking Valley Rural Electric Cooperative Corporation;
12		Nolin Rural Electric Cooperative Corporation; Owen Electric Cooperative
13		("Owen Electric"); Salt River Electric Cooperative Corporation; Shelby Energy
14		Cooperative, Inc.; South Kentucky Rural Electric Cooperative Corporation; and
15		Taylor County RECC. Please note that Jennie Gibson Phelps, Vice President,
16		Finance and Accounting of Farmers RECC, has provided the response to Request
17		2 for Farmers RECC, and Rebecca Witt, Senior Vice President of Corporate
18		Services of Owen Electric, has provided the response to Request 2 for Owen
19		Electric.
20	Q.	Have other EKPC representatives provided responses to Commission Staff's
21		First Request for Information in this proceeding?
22	A.	Yes. Isaac S. Scott, Manager of Pricing, has provided responses to the member
23		system pass-through summaries, other than those for Farmers RECC and Owen
24		Electric, to respond to Request 2 and has provided responses to Request 7. Ernest
25		W. Huff has provided emission allowance information to respond to Request 3.

1		Frank J. Oliva, Director of Finance and Treasurer, has provided the debt and
2		average interest rate information to respond to Requests 5 and 6.
3	Q.	Previous Commission Orders required EKPC and its Member Systems to
4		incorporate certain provisions into the calculation of the monthly
5		environmental surcharge factors. Please comment on how EKPC and the
6		Member Systems have addressed the most significant aspects of these Orders
7		during the periods under review.
8	A.	A brief description of each component of the environmental surcharge
9		calculation, applied consistently with Commission Orders, is discussed below.
10		• Compliance Plan Projects
11		EKPC currently has 13 projects in its Environmental Compliance Plan. These
12		projects were approved by the Commission in Case Nos. 2004-00321, 2008-
13		00115, and 2010-00083. The monthly environmental surcharge reports,
14		incorporated by reference in this case, show the capital costs for these
15		projects.
16		Base/Current Method
17		As reflected in the response to Request 1, EKPC's BESF is 0%.
18		• Actual Emission Allowance Expense
19		EKPC included only actual SO2 and NOx emission allowance expense in the
20		monthly filings.
21		• Return on Emission Allowance Inventory and Limestone Inventory
22		EKPC has included a return on all environmental surcharge assets, including
23		emission allowances purchased for current and vintage years. This is
24		addressed in Response 3 to the First Data Request of Commission Staff.
25		EKPC has also included a return on its limestone inventory

# Return on Construction Work in Process (CWIP), Net of Allowance for

# **Funds Used During Construction (AFUDC)**

As approved in Case No. 2008-00115, EKPC has included a return on CWIP 3 4 during the periods under review.

# Rate of Return

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EKPC's rate of return consists of two components: the average cost of debt on its compliance plan projects and a Times Interest Earned Ratio (TIER) component. The table below reflects the rates of return used during the periods under review.

10	Rate of Return	Case No. Approving	Expense Months Used
11	6.58%	2007-00378	July 2009-September 2009
12	6.429%	2009-00039	October 2009-December 2009
13	6.051%	2009-00317	January 2010-September 2010
14	6.129%	2010-00021	October 2010-December 2010
15	6.109%	2010-00319	January 2011-June 2011
16	6.786%	2011-00032	July 2011-June 2012

The Commission approved a 1.50 TIER in Case No. 2011-00032. EKPC proposes to maintain its current TIER level. Support for EKPC's proposed rate of return in this proceeding is included in the response to Request 5.

# Operation and Maintenance (O&M) Expenses

EKPC has continued to use a 12-month rolling average for O&M expenses associated with the compliance plan projects. For those instances where the change in the level of O&M expense exceeded 10 percent, EKPC has provided an explanation. These explanations are provided in Response 4 to the First Data Request of Commission Staff.

1		• Pass-Through Mechanism
2		The environmental surcharge factors computed for retail customers were
3		billed by EKPC's Member Systems at approximately the same time as EKPC
4		billed the Member Systems at wholesale. The calculation of the monthly
5		factors for each Member System was provided in the monthly reports filed
6		with the Commission. EKPC and the Member Systems adhered to these and
7		all other requirements and provisions of the Commission's Orders for the
8		periods under review.
9	Q.	Were the environmental-related amounts included in the monthly surcharge
10		calculation based on booked costs?
11	A.	Yes. EKPC continues to use the amounts booked for the various cost categories
12		included in the surcharge calculation and these costs were actual costs and
13		incurred in a prudent manner.
14	Q.	Did EKPC incur any over and under recoveries during the periods under
15		review?
16	A.	Yes. However, as shown in Response 1 to the First Information Request of
17		Commission Staff, EKPC applied its June 2012 under-recovery to the July 2012
18		expense month, which was billed in August 2012.
19	Q.	Did the Member Systems incur any over or under recoveries during the
20		review periods?
21	A.	Yes. The over or under recovery amounts are shown in Response 2 to the First
22		Data Request of Commission Staff.
23	Q.	How will the Member Systems reflect recovery of these over or under
24		recovery amounts?

1	A.	As approved by Commission Order in Case No. 2010-00021, dated November 5,
2		2010, the member systems continue to propose that the accumulated over or under
3		recovery amounts be amortized for each month in the six-month period following
4		the Commission's Order in this proceeding.
5	Q.	Does EKPC propose any changes to its surcharge mechanism?
6	A.	No, EKPC does not propose any changes to the surcharge mechanism itself, but
7		does propose certain changes to its surcharge tariff and monthly surcharge forms.
8	Q.	What changes are needed to EKPC's Environmental Surcharge tariff (Rate
9		ES)?
10	A.	As a result of an oversight, one change is needed to EKPC's Rate ES tariff. The
11		times interest earned ratio stated in the tariff at 1.35 needs to be updated to 1.50 in
12		accordance with the Commission's Order in Case No. 2011-00032. Both a strike-
13		through and clean version of the tariff are provided in Exhibit AFW-1.
14	Q.	Are changes to the Environmental Surcharge Tariff Sheets for each of the
15		Member Systems required?
16	A.	No. Changes to the Member System tariffs are not required.
17	Q.	What other changes does EKPC propose to make to its monthly
18		environmental surcharge filings?
19	A.	EKPC proposes to make a change to Forms 2.4 and 2.5 in its monthly
20		environmental surcharge filings. Item 12 of the Settlement Agreement approved
21		in Case No. 2004-00321 states:
22 23 24 25 26 27 28		The Parties agree to use a 12-month rolling average of O&M expenses for the surcharge calculation. The accounts subject to this provision are Accts. 50144, 50621, 50631, 50642, 50644, 50645, 51241, 51242, and 51244. The Parties agree that the environmentally-related O&M expenses for the Gilbert generating unit (Accts. 50144, 50644, 51244) shall be recovered by using the actual cost in month one of operation; for month two, use the

average of expenses incurred in months one and two, for month three, use the average of expenses incurred in months one, two and three. This process will continue until the end of the first twelve months of operation at which time the Gilbert O&M costs will be treated like all other eligible O&M costs.

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Forms 2.4 and 2.5 were originally established to track this incremental accounting for Gilbert and, subsequently, other projects. EKPC now receives a cash return on CWIP and begins cost recovery of the investment as the project is constructed. Although EKPC proposes to continue using a 12-month rolling average of O&M expenses for the surcharge calculation, it no longer needs to distinguish projects based on "incremental" accounting treatment of its O&M expenses. EKPC would note that its current Rate ES tariff does not include the incremental distinction for the Gilbert O&M expenses. Consequently, EKPC proposes to eliminate the separation of 12-month averages of O&M expenses currently reflected on Form 2.4. For Form 2.5, EKPC proposes to eliminate the project summary sections that are shown at the bottom of the form, as they are redundant and simply repeat information contained in the upper section of the form. The accounts and subaccount information shown in the upper section of the form track all O&M expense accounts that EKPC is authorized to include in its environmental surcharge. In the proposed revision of Form 2.5, EKPC has added an additional expense description, but has not added any accounts that were not already being included in the environmental surcharge calculation. Exhibit AFW-2 provides the current format of Forms 2.4 and 2.5, along with the proposed formats of those forms.

# Q. Has EKPC updated the rate of return to be used prospectively?

A. Yes. As indicated in Response 5 to the First Data Request of Commission Staff,

EKPC recommends that the Commission approve the average debt cost of

- 1 4.155%. As indicated earlier in my Direct Testimony, EKPC will maintain the
- 2 use of a 1.50 TIER in calculating the rate of return.
- 3 Q. When does EKPC propose to apply the updated average debt cost to its rate
- 4 of return calculation?
- 5 A. EKPC plans to use the new average debt cost in its rate of return calculation in the
- 6 first month following the Commission's Final Order in this proceeding.
- 7 Q. Does this conclude your testimony?
- 8 A. Yes.

# BEFORE THE PUBLIC SERVICE COMMISSION

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AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	<b>'</b> )	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **AFFIDAVIT**

STATE OF KENTUCKY	)
	)
COUNTY OF CLARK	)

Ann F. Wood, being duly sworn, states that she has read the foregoing prepared testimony and that she would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of her knowledge, information and belief.

Subscribed and sworn before me on this  $\cancel{13}^{\text{HL}}$  day of December, 2012.

MY COMMISSION EXPIRES NOVEMBER 30, 2013 NOTARY ID #409352

**(T)** 

For All Counties Served
P.S.C. No. 34
Second Third Revised Sheet No. 24
Canceling P.S.C. No. 34
First Second Revised Sheet No. 24

EAST KENTUCKY POWER COOPERATIVE, INC

# RATE ES - ENVIRONMENTAL SURCHARGE

# **APPLICABILITY**

Applicable to all sections of this rate schedule and this rate schedule shall apply to each Member System.

# **AVAILABILITY**

This rate schedule shall apply to EKPC rate sections A, B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

# RATE

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$CESF = E(m) / R(m)$$

MESF = CESF - BESF

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

#### **Definitions**

(1) 
$$E(m) = [(RB/12)(RORB) + OE - BAS + (Over)Under Recovery]$$

where:

- (a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;
- (b) RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.35 1.50;

DATE OF ISSUE November 15, 2010 August 2, 2011 DATE EFFECTIVE: November 5, 2010 August 2, 2011

ISSUED BY\_\_\_\_\_\_ TITLE President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2010-00021-2011-00032 Dated November 5, 2010 August 2, 2011

For All Counties Served
P.S.C. No. 34
Second Third Revised Sheet No. 25
Canceling P.S.C. No. 34
First Second Revised Sheet No. 25

# EAST KENTUCKY POWER COOPERATIVE, INC

- (c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;
- (d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
- (e) (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment.
- (2) Total E(m) is multiplied by the Member System Allocation Ratio to arrive at Net E(m). The Member System Allocation Ratio is based on the ratio of the 12-month total revenue from sales to Member Systems to which the Surcharge will be applied, ending with the current expense month, divided by the 12-month total revenue from sales to Member Systems and off-system sales.
- (3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve months ending with the current expense month.
- (4) The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE	November 15, 2010 August 2, 2011	DATE EFFECTIVE: November 5, 2010 August 2, 2011
ISSUED BY	TITLE Preside	ent & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2010-00021-2011-00032 Dated November 5, 2010 August 2, 2011

For All Counties Served P.S.C. No. 34 Third Revised Sheet No. 24 Canceling P.S.C. No. 34 Second Revised Sheet No. 24

EAST KENTUCKY POWER COOPERATIVE, INC

# RATE ES – ENVIRONMENTAL SURCHARGE

# **APPLICABILITY**

Applicable to all sections of this rate schedule and this rate schedule shall apply to each Member System.

# **AVAILABILITY**

This rate schedule shall apply to EKPC rate sections A, B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

#### RATE

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$CESF = E(m) / R(m)$$

MESF = CESF - BESF

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

#### **Definitions**

(1) E(m) = [(RB/12)(RORB) + OE - BAS + (Over)Under Recovery]

where:

Case No. 2011-00032 Dated August 2, 2011

- (a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;
- (b) RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.50;

  (T)

2,	
DATE OF ISSUE August 2, 2011	DATE EFFECTIVE: August 2, 2011
ISSUED BY	TITLE President & Chief Executive Officer
Issued by authority of an Order of the	e Public Service Commission of Kentucky in

For All Counties Served P.S.C. No. 34 Third Revised Sheet No. 25 Canceling P.S.C. No. 34 Second Revised Sheet No. 25

EAST KENTUCKY POWER COOPERATIVE, INC

- (c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;
- (d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
- (e) (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment.
- (2) Total E(m) is multiplied by the Member System Allocation Ratio to arrive at Net E(m). The Member System Allocation Ratio is based on the ratio of the 12-month total revenue from sales to Member Systems to which the Surcharge will be applied, ending with the current expense month, divided by the 12-month total revenue from sales to Member Systems and off-system sales.
- (3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve months ending with the current expense month.
- (4) The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE August 2, 2011	DATE EFFECTIVE: August 2, 2011	
ISSUED BY	TITLE President & Chief Executive Officer	

Current

Form 2.4

# East Kentucky Power Cooperative, Inc. Environmental Surcharge Report O&M Expenses and Determination of Cash Working Capital Allowance

For the Expense Month Ending \_\_\_\_\_

Eligible O&M Expenses	Projects 1-6	Projects 7-13	Total
11th previous month	XX	XX	XX
10th previous month	xx	xx	xx
9th previous month	xx	xx	XX
8th previous month	XX	xx	xx
7th previous month	xx	xx	xx
6th previous month	XX	xx	xx
5th previous month	XX	XX	xx
4rd previous month	XX	XX	xx
3nd previous month	xx	XX	xx
2nd previous month	XX	xx	xx
Previous month	xx	XX	xx
Current Month	xx	xx	XX
Total 12 Month O&M	XX	XX	XX

Average Monthly O&M	xx	xx	xx	

Determination of Working Capital Allowance			
12 Months O&M Expense	xx	xx	xx
One-Eighth (1/8) of 12 Month O&M Expenses	xx	xx	xx

Current

Form 2.5

#### East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Maintenance Expenses For the Expense Month Ending \_\_\_\_

	Expense Type			Account Description	Amount
ı	Maintenance	Acct No.			
'	Walliteriance	501010	CPXX	Fuel Coal Cooper (Unit # 2 AQCS)	xx
		501010	SP03	Fuel Coal Gilbert	xx
		501010	SP04	Fuel Coal Spurlock 4	XX
		512000 512000	CPXX SP01	Maintenance of Cooper Unit # 2 AQCS Maintenance of Boiler Plant Spurlock 1	XX XX
		512000	SP02	Maintenance of Boiler Plant Spurlock 1	xx
		512000	SP03	Maintenance of Boiler Plant Gilbert	xx
		512000	SP04	Maintenance of Boiler Plant Spurlock 4	xx
		512000 512000	SP21 SP22	Maintenance of Boiler Plant Scrubber 1 Maintenance of Boiler Plant Scrubber 2	xx xx
				Total	xx
li	Air Permit Fees				
		506002	CP00	Misc Steam Power Environmental Cooper	XX
		506002 506002	DA00 SP00	Misc Steam Power Environmental Dale Misc Steam Power Environmental Spurlock	XX XX
		500002	3500	Misc Steam Fower Environmental opunder	~
				Total	XX
Ш	Operating Expense	-			
	Ammonia & Limestone				
	Linestone	506001	CO00	Misc Steam Power Expense - Cooper	xx
		506001	COXX	Misc Steam Power Expense - Cooper Unit # 2 AQCS	xx
		506001	DA00	Misc Steam Power Expense - Dale	xx
		506001	SP01	Misc Steam Power Expense - Spurlock 1	XX
		506001	SP02	Misc Steam Power Expense - Spurlock 2 Misc Steam Power Expense - Gilbert	XX XX
		506001 506001	SP03 SP04	Misc Steam Power Expense - Spurlock 4	××
		506001	SP21	Misc Steam Power Expense - Spurlock 1	XX
		506001	SP22	Misc Steam Power Expense - Spurlock 2	xx
				Total	xx
				Company Project 4 C	
		501010		<u>Summary - Project 1-6</u> Fuel Coal Gilbert	xx
		512000		Maintenance of Boiler Plant Gilbert	xx
		512000		Maintenance of Boiler Plant Spurlock 1	xx
		512000		Maintenance of Boiler Plant Spurlock 2	xx
		506002		Misc Steam Power Environmental Cooper Misc Steam Power Environmental Dale	XX XX
		506002 506002		Misc Steam Power Environmental Spurlock	××
		506002		Misc Steam Power Expense - Spurlock 1	xx
		506001		Misc Steam Power Expense - Spurlock 2	xx
		506001		Misc Steam Power Expense - Gilbert	xx
				Total	XX
				Summary - Projects 7-13	
		512000		Maintenance of Boiler Plant Spurlock 4	XX
		512000 506001		Maintenance of Boiler Plant Scrubber 1 Misc Steam Power Expense - Spurlock 4	XX XX
		506001		Misc Steam Power Expense - Spurlock 1	xx
		506001		Misc Steam Power Expense - Spurlock 2	xx
		512000		Maintenance of Boiler Plant Scrubber 2	xx
		501010		Fuel Coal Cooper (Unit # 2 AQCS)	XX
		501010 512000		Fuel Coal Spurlock 4 Maintenance of Cooper Unit # 2 AQCS	XX XX
		506001		Misc Steam Power Expense - Cooper	×x
		506001 506001		Misc Steam Power Expense - Cooper Unit # 2 AQCS Misc Steam Power Expense - Dale	xx xx
		555501		Tota	
				Tota	
				M. 01 W.	
				Monthly Tota	1 <u>xx</u>

Proposed

# **Form 2.4**

# East Kentucky Power Cooperative, Inc. Environmental Surcharge Report O&M Expenses and Determination of Cash Working Capital Allowance

For	the Expe	nse Mo	nth En	dina	

Eligible O&M Expenses	Total
11th previous month	xx
10th previous month	XX
9th previous month	XX
8th previous month	xx
7th previous month	xx
6th previous month	xx
5th previous month	xx
4rd previous month	xx
3nd previous month	xx
2nd previous month	xx
Previous month	xx
Current Month	XX
Total 12 Month O&M	XX

Average Monthly O&M	xx	

Determination of Working	
Capital Allowance	
12 Months O&M Expense	xx
One-Eighth (1/8) of 12 Month O&M Expenses	xx

Proposed

Form 2.5

#### East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Maintenance Expenses For the Expense Month Ending

	Expense Type			Account Description	Amount
		Acct No.			
1	Ash Handling	501010	CPXX	Fuel Coal Cooper (Unit # 2 AQCS)	xx
		501010	SP03	Fuel Coal Gilbert	xx
		501010	SP04	Fuel Coal Spurlock 4	xx
11	Operating Expense -	506001	CO00	Misc Steam Power Expense - Cooper	xx
	Ammonia &	506001	COXX	Misc Steam Power Expense - Cooper Unit # 2 AQCS	XX
	Limestone	506001	DA00	Misc Steam Power Expense - Dale	xx
		506001	SP01	Misc Steam Power Expense - Spurlock 1	XX
		506001	SP02	Misc Steam Power Expense - Spurlock 2	XX
		506001	SP03	Misc Steam Power Expense - Gilbert	xx
		506001	SP04	Misc Steam Power Expense - Spurlock 4	XX
		506001	SP21	Misc Steam Power Expense - Spurlock 1	xx
		506001	SP22	Misc Steam Power Expense - Spurlock 2	xx
Ш	Air Permit Fees	506002	CP00	Misc Steam Power Environmental Cooper	xx
		506002	DA00	Misc Steam Power Environmental Dale	xx
		506002	SP00	Misc Steam Power Environmental Spurlock	xx
IV	Maintenance	512000	CPXX	Maintenance of Cooper Unit # 2 AQCS	xx
		512000	SP01	Maintenance of Boiler Plant Spurlock 1	XX
		512000	SP02	Maintenance of Boiler Plant Spurlock 2	xx
		512000	SP03	Maintenance of Boiler Plant Gilbert	XX
		512000	SP04	Maintenance of Boiler Plant Spurlock 4	XX
		512000	SP21	Maintenance of Boiler Plant Scrubber 1	XX
		512000	SP22	Maintenance of Boiler Plant Scrubber 2	xx
				Total	\$ XX

# BEFORE THE PUBLIC SERVICE COMMISSION

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AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	( )	
POWER COOPERATIVE, INC. FOR THE	)	CASE NO.
TWO-YEAR BILLING PERIOD ENDING	)	2012-00486
JUNE 30, 2011, FOR THE SIX-MONTH BILLING	)	
PERIODS ENDING DECEMBER 31, 2011 AND JUN	E )	
30, 2012, AND THE PASS-THROUGH MECHANISM	[ ]	
FOR ITS SIXTEEN MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

DIRECT TESTIMONY OF ISAAC S. SCOTT
ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: December 13, 2012

- 1 Q. Please state your name, business address, and occupation.
- A. My name is Isaac S. Scott and my business address is East Kentucky Power Cooperative ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391. I am the Manager of Pricing for EKPC.
- 5 Q. Please state your education and professional experience.
- I received a B.S. degree in Accounting, with distinction, from the University of Kentucky 6 A. 7 in 1979. After graduation I was employed by the Kentucky Auditor of Public Accounts, where I performed audits of numerous state agencies. In December 1985, I transferred to 8 the Kentucky Public Service Commission ("Commission") as a public utilities financial 9 10 analyst, concentrating on the electric and natural gas industries. In August 2001, I became manager of the Electric and Gas Revenue Requirements Branch in the Division 11 of Financial Analysis at the Commission. In this position I supervised the preparation of 12 revenue requirement determinations for electric and natural gas utilities as well as 13 determined the revenue requirements for the major electric and natural gas utilities in 14 Kentucky. I retired from the Commission effective August 1, 2008. In November 2008, 15 I became the Manager of Pricing at EKPC. 16
- 17 Q. Please provide a brief description of your duties at EKPC.
- A. As Manager of Pricing, I am responsible for rate-making activities which include
  designing and developing wholesale and retail electric rates and developing pricing
  concepts and methodologies. I report directly to the Director of Regulatory Services.
- 21 Q. What is the purpose of your testimony in this proceeding?
- A. The purpose of my testimony is to discuss EKPC's position concerning a roll-in of the environmental surcharge into its wholesale base rates.

- Q. Does EKPC believe that its environmental surcharge should be rolled into its wholesale base rates?
- A. No. While EKPC is providing the information related to a potential roll-in of the
  environmental surcharge into the wholesale base rates in the response to Item 7, EKPC
  does not believe it is appropriate at this time to roll its environmental surcharge into its
  wholesale base rates.
- 7 Q. Would you explain the reasons in support of EKPC's position?
- Yes. EKPC would initially note that whether or not there are amounts of environmental 8 A. 9 costs incorporated into wholesale base rates, the effect on EKPC, the member cooperatives, and the retail ratepayer is that the total environmental revenue requirement 10 should remain the same. In addition, EKPC believes there are several reasons why a roll-11 12 in of the environmental surcharge is not appropriate at this time. First, like the environmental surcharge mechanisms approved for Kentucky Utilities 13 Company, Louisville Gas and Electric Company, and Kentucky Power Company 14 15 ("Kentucky Power"), the environmental costs included in EKPC's revenue requirement represent both investment costs and energy costs. As a general matter, investment costs 16 are usually reflected in demand charges while energy costs are reflected in the energy 17 charge. Because both investment costs and energy costs make up the environmental 18 costs, a roll-in of the surcharge into base rates is more complicated than the roll-in 19 20 performed in a two-year fuel adjustment clause proceeding. In the two-year fuel adjustment clause proceeding, only energy costs are rolled into the energy charge of base 21 rates. If EKPC is required to roll-in its environmental surcharge into its wholesale base 22

rates, it believes the roll-in will have to be allocated to both the demand and energy

charges. Included in the response to Item 7 is a rough allocation of the calculated roll-in amount between demand and energy components. Ideally, such an allocation should be performed utilizing a cost-of-service study. However, there has not been any time in this review proceeding for EKPC to undertake a cost-of-service study that would provide a reasonable allocation of an environmental surcharge roll-in into demand and energy related components. The belief that a cost-ofservice study should be the basis for allocating a surcharge roll-in between demand and energy rate components is the primary reason why EKPC believes a roll-in of environmental costs should occur at the time of a wholesale base rate case proceeding. Including a roll-in as part of a wholesale base rate case would allow for the allocation of environmental costs in a manner consistent with other costs through the utilization of a cost-of-service study. EKPC notes that the Commission has accepted the argument that a surcharge roll-in should be undertaken as part of a base rate case in previous environmental surcharge reviews.1 The second reason concerns how the change in the wholesale base rates would be reflected in the member cooperatives' retail base rates. When the Commission approved the environmental surcharge mechanism for EKPC and the corresponding pass-through mechanism for the member cooperatives, there was no discussion of how or when retail base rates would be adjusted to reflect the change in the wholesale base rates resulting from the surcharge roll-in. Clearly any adjustment to the retail base rates should be accomplished in the same proceeding as the roll-in to wholesale base rates and both changes in the base rates become effective at the same time. If a surcharge roll-in was

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<sup>&</sup>lt;sup>1</sup> See the Commission's August 19, 2008 Order in the Kentucky Power review, Case No. 2007-00381, page 6. Also, EKPC presented a similar argument in its last two-year review case, Case No. 2009-00317. In its January 28, 2010 Order, page 5, the Commission found reasonable EKPC's recommendation to not roll-in environmental surcharge amounts at the present time.

required as part of the two-year review case, EKPC believes the necessary adjustments to the retail base rates need to correspond as closely as possible to the change in the wholesale base rates. The change in the wholesale demand-related base rates should be reflected in the corresponding retail customer charges and demand base rates. The change in the wholesale energy-related base rates should be reflected in the corresponding retail energy base rates. However, as a surcharge roll-in during the twoyear review to the wholesale base rates would not be cost-of-service based, neither would the corresponding adjustment to the retail base rates be cost-of-service based. From May 2011 through August 2012, EKPC undertook a detailed rate design project that looked closely at cost-of-service study results and the potential impacts on the member cooperatives.<sup>2</sup> The member cooperatives participated in numerous discussions held during this period. One of the topics discussed extensively was whether or not the environmental surcharge should be rolled into the wholesale base rates in conjunction with a base rate proceeding. While there was a difference of opinion among the member cooperatives concerning whether there should be a roll-in, the member cooperatives were in general agreement that a roll-in should only take place during a base rate proceeding. As with a roll-in to its wholesale base rates, EKPC believes that the corresponding adjustment to retail base rates should be performed in conjunction with a base rate proceeding and not as part of a two-year surcharge review. The amount of the roll-in each member cooperative receives as a result of the change in wholesale base rates would be cost-of-service based. If the member cooperative elected to do so, it could file its own

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<sup>&</sup>lt;sup>2</sup> In a letter dated August 31, 2012, EKPC notified the Commission Staff that the cost-of-service study results had indicated that EKPC's current rate design was not significantly different from a "new" rate design that would be supported by the cost-of-service studies. Consequently, EKPC and its member cooperatives concluded that at this time it would not be appropriate for EKPC to file a rate case application that would be driven primarily by very minor rate design issues.

base rate case in conjunction with EKPC's proceeding and reflect its portion of the roll-in through its own cost-of-service study allocations.

A final reason is related to the disclosure of the cost of environmental compliance to retail customers. EKPC's currently approved environmental compliance plan contains 13 projects and the monthly surcharge filings reflect the investment costs and operating expenses associated with those projects. The monthly cost of environmental compliance will be known to EKPC even if there is a roll-in of the surcharge revenue requirement into wholesale base rates. As there to date has been no roll-in of the environmental surcharge into base rates, the member cooperatives' monthly surcharge pass-through factors serve as a means to disclose to the retail customer the cost of environmental compliance for the approved projects. However, if there were a roll-in, a significant portion of the EKPC monthly surcharge factor would be collected through wholesale base rates and the corresponding member cooperatives' monthly surcharge pass-through factors would be reduced. The monthly surcharge pass-through factors would no longer easily disclose to retail customers the full cost of environmental compliance for the approved projects. Several of the member cooperatives believe it is important that retail customers be aware of the full cost of environmental compliance for the approved projects and the impact this compliance cost has on the monthly retail bill. Consequently, until an acceptable method can be developed to continue the disclosure of the full cost of environmental compliance, EKPC and the member cooperatives believe roll-in should not be undertaken as part of the two-year review proceeding.

# Q. Does this conclude your testimony?

A. Yes it does.

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# BEFORE THE PUBLIC SERVICE COMMISSION

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AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	<i>"</i> )	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **AFFIDAVIT**

STATE OF KENTUCKY	)
COUNTY OF CLARK	)

Isaac S. Scott, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

Subscribed and sworn before me on this  $\frac{13^{14}}{12}$  day of December, 2012.

Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013 NOTARY ID #409352

# EAST KENTUCKY POWER COOPERATIVE, INC.

# **PSC CASE NO. 2012-00486**

# PUBLIC SERVICE COMMISSION REQUEST DATED 11/16/12

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the information requests contained in Appendix B to the Order of the Public Service Commission ("PSC") in this case dated November 16, 2012. Each response with its associated supportive reference materials is individually tabbed.

# BEFORE THE PUBLIC SERVICE COMMISSION

# IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	Y )	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **CERTIFICATE**

STATE OF KENTUCKY	)
	)
COUNTY OF CLARK	)

Ernest W. Huff, 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 First Request for Information contained in Appendix B in the above-referenced case dated November 16, 2012, 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.

Subscribed and sworn before me on this  $13^{44}$  day of December 2012.

MY COMMISSION EXPIRES NOVEMBER 30, 2013 NOTARY ID #409352

# BEFORE THE PUBLIC SERVICE COMMISSION

# IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	()	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **CERTIFICATE**

STATE OF KENTUCKY	)
	)
COUNTY OF CLARK	)

Frank J. Oliva, 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 First Request for Information contained in Appendix B in the above-referenced case dated November 16, 2012, 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.

Subscribed and sworn before me on this  $\cancel{13^{1/4}}$  day of December 2012.

MY COMMISSION EXPIRES NOVEMBER 30, 2013 NOTARY ID #409352

#### BEFORE THE PUBLIC SERVICE COMMISSION

# IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **CERTIFICATE**

STATE OF KENTUCKY	)
COUNTY OF BARREN	)

Jennie Gibson Phelps, being duly sworn, states that she has supervised the preparation of the responses of Farmers Rural Electric Cooperative Corporation, a party to this proceeding, to the Public Service Commission Staff's First Request for Information contained in Appendix B in the above-referenced case dated November 16, 2012, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Subscribed and sworn before me on this 10-th day of December 2012.

Notary Public # 446566

Noy Commission Ly, Sines: 7.30-15

# BEFORE THE PUBLIC SERVICE COMMISSION

# IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	Y)	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **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 First Request for Information contained in Appendix B in the above-referenced case dated November 16, 2012, 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.

Subscribed and sworn before me on this 13th day of December 2012.

MY COMMISSION EXPIRES NOVEMBER 30, 2013 NOTARY ID #409352

# BEFORE THE PUBLIC SERVICE COMMISSION

# IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **CERTIFICATE**

STATE OF KENTUCKY	)
	)
COUNTY OF OWEN	)

Rebecca Witt, being duly sworn, states that she has supervised the preparation of the responses of Owen Electric Cooperative, a party to this proceeding, to the Public Service Commission Staff's First Request for Information contained in Appendix B in the above-referenced case dated November 16, 2012, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Subscribed and sworn before me on this  $5^{\dagger k}$  day of December 2012.

Jama M. Suggins
Notary Public

# BEFORE THE PUBLIC SERVICE COMMISSION

IN	THE	MA	TTER	OF:
----	-----	----	------	-----

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	<b>Y</b> )	
POWER COOPERATIVE, INC. FOR THE	)	
TWO-YEAR BILLING PERIOD ENDING	)	CASE NO.
JUNE 30, 2011, FOR THE SIX MONTH BILLING	)	2012-00486
PERIODS ENDING DECEMBER 31, 2011 AND	)	
JUNE 30, 2012, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

# **CERTIFICATE**

STATE OF KENTUCKY	)
	)
COUNTY OF CLARK	)

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's First Request for Information contained in Appendix B in the above-referenced case dated November 16, 2012, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Subscribed and sworn before me on this 13th day of December 2012.

Luy M. W. Lloyy
Notary Public

WY COMMISSION EXPIRES NOVEMBER 30, 2013 NOTARY ID #409352

# EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

# COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 1

RESPONSIBLE PARTY: Ann F. Wood

Request 1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the applicable billing period. Form 1.1 can be used as a model for this summary. Include the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for each 6-month and the 2-year review. Include all supporting calculations and documentation for the additional over- or under-recovery.

**Response 1.** Please see pages 2 and 3 of this response.

East Kentucky Power Cooperative, Inc. Environmental Surcharge Report Calculation of Current Month Environmental Surcharge Factor (CESF) and (Over)/Under Recovery Calculation

Nov-11	,573 \$771,467,955		ţ	6.786% 6.786%	,674 \$4,362,651	,130 \$4,411,875		,804 \$8,774,526			38,473,560	0\$	3,140 \$8,473,560	659 \$1,172,674	,799 \$9,646,234	\$63,840,141	14.85% 15.11%	%00.0	14.85% 15.11%	7,799 \$9,646,234	,382 \$8,895,910	,674 \$461,889
Oct-11	52 \$766,520,573				46 \$4,334,674	67 \$4,583,130		13 \$8,917,804			\$8,610,140	0\$	\$8,610,140	53) \$747,659	56 \$9,357,799	04 \$63,002,592		0.00%		356 \$9,357,799	48 \$6,298,382	59 \$1,172,674
Sep-11	\$756,365,262	000 000 000	402	%982.9	9 \$4,277,246	8 \$4,362,067		7 \$8,639,313		96.48%	7 \$8,335,209		7 \$8,335,209	) (\$864,153)	\$7,471,056	\$62,201,504	12.01%		12.01%	37,471,056	4 \$6,250,148	3) \$747,659
Aug-11	\$756,553,274		\$63,046,106	6.786%	\$4,278,309	\$4,277,428		\$8,555,737		96.61%	\$8,265,697	0\$	\$8,265,697	(\$1,267,890)	\$6,997,807	\$62,042,308	11.28%	%00.0	11.28%	\$6,997,807	\$9,005,444	(\$864,153)
Jul-11	\$746.913.975		\$62,242,831	6.786%	\$4,223,799	\$4,314,384		\$8,538,183		96.43%	\$8,233,369	\$0	\$8,233,369	(\$92,078)	\$8,141,291	\$61,899,788	13.15%	0.00%	13.15%	\$8,141,291	\$9,881,296	(\$1,267,890)
Jun-11	\$717 695 228	027,000,7179	\$59,807,936	6.109%	\$3,653,667	\$4,203,664		\$7,857,331		96.40%	\$7,574,467	0\$	\$7,574,467	\$1,038,939	\$8,613,406	\$61,573,011	13.99%	0.00%	13.99%	\$8,613,406	\$8,908,791	(\$92,078)
May-11	\$720 808 959	600000000000000000000000000000000000000	\$60,067,413	6.109%	\$3,669,518	\$4,255,530		\$7,925,048		96.62%	\$7,657,182	0\$	\$7,657,182	\$1,159,531	\$8,816,713	\$61,422,893	14.35%	0.00%	14.35%	\$8,816,713	\$6,603,104	\$1,038,939
Apr-11	\$710 711 467		\$59,975,956	6.109%	\$3,663,931	\$4,128,407		\$7,792,338		%68.96	\$7,549,996	0\$	\$7,549,996	\$92,047	\$7,642,043	\$60,829,281	12.56%	0.00%	12.56%	\$7,642,043	\$5,795,500	\$1,159,531
Mar-11	K30 643 3044	\$705,573,954	\$58,797,830	6.109%	\$3,591,959	\$4,138,541		\$7,730,500		97.32%	\$7,523,323	0\$	\$7,523,323	(\$568,292)	\$6,955,031	\$60,002,726	11.59%	0.00%	11.59%	\$6,955,031	\$3,783,141	\$92,047
Feb-11	11 000	\$702,068,777	\$58,505,731	6.109%	\$3,574,115	\$4,084,959	***************************************	\$7,659,074		97.24%	\$7,447,684	\$	\$7,447,684	(\$3,572,496)	\$3,875,188	\$60,048,030	6.45%	0.00%	6.45%	\$3,875,188	\$4,494,315	(\$568,292)
Jan-11		\$692,024,473	\$57,668,706	6.109%	\$3,522,981	\$4,071,561		\$7,594,542		97.44%	\$7,400,122	0\$	\$7,400,122	(\$3,474,099)	\$3,926,023	\$60,675,073	6.47%	0.00%	6.47%	\$3,926,023	\$12,490,944	(\$3.572,496)
Dec-10		\$689,078,438	\$57,423,203	6.129%	\$3,519,468	\$4,408,424		\$7,927,892		97.41%	\$7,722,560	0\$	\$7,722,560	\$1,195,888	\$8,918,448	\$60,620,788	14.71%	0.00%	14.71%	\$8,918,448	\$12,919,387	(83 474 099)
				11	+	+	AS)				em		very							9		
Document	E(m) = RORB + OE - BAS	Rate Base	Rate Base / 12	Rate of Return	Return on Rate Base (RORB)	Operating Expenses (OE)	By-Product and Emission Allowance Sales (BAS)	Sub-Total E(m)	Prior Periods Adjustments	Member System Allocation Ratio for the Month (Form 3.0)	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	11 Adjustment for (Over)/Under Recovery, as applicable	12a E(m) = Subtotal E(m) plus (Over)/Under Recovery	12b 1-month true up adjustment	12c E(m)= Ln 12a + Ln 12 b	R(m) = Average Monthly Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	14 CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	ш	16 MESF	17 Authorized Recovery Amount: Line 13 x Line 16	18 Environmental Surcharge Revenues Billed	71 ani   dinoma suoman = Drawov, vidences
1	— 	2	e E	4			7 B	8	8a T	<u> </u>	6	7	12a E	12b	12c	6.	4	5	16	4	- 8	<u> </u>

East Kentucky Power Cooperative, Inc. Environmental Surcharge Report Calculation of Current Month Environmental Surcharge Factor (CESF) and (Over)/Under Recovery Calculation

ou.	Description	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
	E(m) = RORB + OE									
7	Rate Base	\$769,335,523	\$779,525,830	\$783,955,683	\$785,759,721	\$790,851,909	\$794,479,027	\$800,096,474	\$802,853,181	\$797,905,264
ო	Rate Base / 12	\$64,111,294	\$64,960,486	\$65,329,640	\$65,479,977	\$65,904,326	\$66,206,586	\$66,674,706	\$66,904,432	\$66,492,105
4	Rate of Return	6.786%	6.786%	6.786%	6.786%	6.786%	6.786%	6.786%	6.786%	6.786%
ۍ.	Return on Rate Base (RORB) +	\$4,350,592	\$4,408,219	\$4,433,269	\$4,443,471	\$4,472,268	\$4,492,779	\$4,524,546	\$4,540,135	\$4,512,154
φ	Operating Expenses (OE)	\$4,430,020	\$4,297,601	\$4,234,958	\$4,294,766	\$4,151,053	\$4,209,960	\$4,247,816	\$4,242,045	\$5,282,714
~	By-Product and Emission Allowance Sales (BAS)	\$	0\$	0\$	\$0	0\$	\$	\$0	O\$	0\$
- α	Sub-Total E(m)	\$8,780,612	\$8,705,820	\$8,668,227	\$8,738,237	\$8,623,321	\$8,702,739	\$8,772,362	\$8,782,180	\$9,794,868
8a	Prior Periods Adjustments						-			
<u></u> თ	Member System Allocation Ratio for the Month (Form 3.0)	96.50%	% 86.33%	%88.38%	96.45%	97.14%	97.52%	97.92%	98.25%	98.63%
- 2	Subtotal E(m) = Subtotal E(m) x Member System Allocation Ratio	\$8,473,291	\$8,386,316	\$8,354,438	\$8,428,030	\$8,376,694	\$8,486,911	\$8,589,896	\$8,628,492	\$9,660,679
=	11 Adjustment for (Over)/Under Recovery, as applicable	0\$	0\$	Q <del>,</del>	<b>G</b>	O\$	80	\$0	0\$	0\$
12%	12a E(m) = Subtotal E(m) plus (Over)/Under Recovery	\$8,473,291	\$8,386,316	\$8,354,438	\$8,428,030	\$8,376,694	\$8,486,911	\$8,589,896	\$8,628,492	\$9,660,679
121	12b 1-month true up adjustment	\$461,889	(\$890,155)	(\$1,698,766)	(\$491,775)	\$759,107	\$1,878,027	\$924,959	\$222,425	(\$1,110,781)
12	12c E(m)= Ln 12a + Ln 12 b	\$8,935,180	\$7,496,161	\$6,655,672	\$7,936,255	\$9,135,800	\$10,364,938	\$9,514,856	\$8,850,916	\$8,549,897
6.	3 R(m) = Average Monthiy Wholesale Revenue for the 12 Months Ending with the Current Expense Month (Form 3.0)	\$62,858,405	\$62,018,367	\$61,735,512	\$61,405,927	\$61,145,913	\$61,344,769	\$61,172,695	\$60,980,450	\$60,509,665
4	4 CESF: Line 12 c / Line 13 E(m) / R(m); as a % of Revenue	14.21%	, 12.09%	10.78%	12.92%	14.94%	16.90%	15.55%	14.51%	14.13%
5	5 BESF	0.00%	%00.0	%00:0	%00.0	%00.0	0.00%	%00'0	0.00%	%00.0
16	6 MESF	14.21%	12.09%	10.78%	12.92%	14.94%	16.90%	15.55%	14.51%	14,13%
17	17 Authorized Recovery Amount: Line 13 x Line 16	\$8,935,180	57,496,161	\$6,655,672	\$7,936,255	\$9,135,800	\$10,364,938	\$9,514,856	\$8,850,916	\$8,549,897
48	B Environmental Surcharge Revenues Billed	\$10,536,389	9 \$10,633,946	\$7,987,936	\$5,896,565	\$6,058,228	\$8,210,841	\$10,142,513	\$10,625,637	\$9,110,105
19	9 Monthly (Over)/Under = Previous Month Line 17 Minus Current Month Line 18	(\$890,155)	5) (\$1,698,766)	(\$491,775)	\$759,107	\$1,878,027	\$924,959	\$222,425	(\$1,110,781)	(\$259,189)

# EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

## COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 2

RESPONSIBLE PARTY: Isaac S. Scott/Jennie Gibson Phelps/Rebecca Witt

Request 2. For each of the 16 member distribution cooperatives, prepare a summary schedule showing the distribution cooperative's pass-through revenue requirement for the months corresponding with each 6-month and the 2-year review. Include the two months subsequent to the billing period included in the applicable review period. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for each 6-month and the 2-year review. Include all supporting calculations and documentation for the additional over- or under recovery.

Response 2. Please see pages 2 through 15 of this response for the supporting calculations for the member distribution cooperatives other than Farmers RECC and Owen Electric. Please see pages 16 and 17 of this response for supporting narrative and calculations for Farmers RECC and pages 18 through 20 of this response for supporting narrative and calculations for Owen Electric.

#### Big Sandy RECC - Calculation of (Over)/Under

		EKPC	-	Billed to				
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	red	corded on	1	Monthly	Cι	ımulative
	N	lember's	M	ember's	((	Over) or	((	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	299,011	\$	288,003	\$	11,008	\$	11,008
Feb-11	\$	103,759	\$	67,840	\$	35,919	\$	46,927
Mar-11	\$	85,723	\$	86,098	\$	(375)	\$	46,552
Apr-11	\$	121,966	\$	133,938	\$	(11,972)	\$	34,580
May-11	\$	138,146	\$	140,907	\$	(2,761)	\$	31,819
Jun-11	\$	186,852	\$	164,396	\$	22,456	\$	54,275
Jul-11	\$	208,357	\$	216,642	\$	(8,285)	\$	45,990
Aug-11	\$	186,628	\$	167,814	\$	18,814	\$	64,804
Sep-11	\$	129,888	\$	116,939	\$	12,949	\$	77,753
Oct-11	\$	139,932	\$	136,244	\$	3,688	\$	81,441
Nov-11	\$	211,907	\$	197,504	\$	14,403	\$	95,844
Dec-11	<b>69</b>	254,523	\$	254,201	\$	322	\$	96,166
Jan-12	\$	245,368	\$	238,879	\$	6,489	\$	102,655
Feb-12	\$	190,574	\$	187,692	\$	2,882	\$	105,537
Mar-12	\$	127,471	\$	131,039	\$	(3,568)	\$	101,969
Apr-12	\$	131,429	\$	136,807	\$	(5,378)	\$	96,591
May-12	\$	170,217	\$	174,558	\$	(4,341)	\$	92,250
Jun-12	\$	212,111	\$	193,497	\$	18,614	\$	110,864
Jul-12	\$	220,735	\$	236,741	\$	(16,006)	\$	94,858
Aug-12	\$	182,332	\$	185,699	\$	(3,367)	\$	91,491

Cumulative 18-months (Over)/Under Recovery	\$	110,864
Monthly Recovery (per month for six months)	T \$	18,477

#### Blue Grass Energy - Calculation of (Over)/Under

	EKPC	Billed to		
	Invoice	Retail		
	Month	Consumer &		
	recorded	recorded on	Monthly	Cumulative
	Member's	Member's	(Over) or	(Over) or
	Books	Books	Under	Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-11	\$ 1,349,074	\$ 1,200,305	\$ 148,769	\$ 148,769
Feb-11	\$ 477,977	\$ 1,312,689	\$ (834,712)	\$ (685,943)
Mar-11	\$ 393,558	\$ 434,421	\$ (40,863)	\$ (726,806)
Apr-11	\$ 588,219	\$ 414,440	\$ 173,779	\$ (553,027)
May-11	\$ 688,758	\$ 557,376	\$ 131,382	\$ (421,645)
Jun-11	\$ 936,598	\$ 710,652	\$ 225,946	\$ (195,699)
Jul-11	\$ 1,054,879	\$ 807,096	\$ 247,783	\$ 52,084
Aug-11	\$ 949,747	\$ 1,019,757	\$ (70,010)	\$ (17,926)
Sep-11	\$ 646,651	\$ 1,092,630	\$ (445,979)	\$ (463,905)
Oct-11	\$ 643,859	\$ 774,434	\$ (130,575)	\$ (594,480)
Nov-11	\$ 905,746	\$ 870,051	\$ 35,695	\$ (558,785)
Dec-11	\$ 1,089,148	\$ 1,178,659	\$ (89,511)	\$ (648,296)
Jan-12	\$ 1,138,391	\$ 1,467,047	\$ (328,656)	\$ (976,952)
Feb-12	\$ 837,574	\$ 1,383,680	\$ (546,106)	\$(1,523,058)
Mar-12	\$ 607,746	\$ 785,789	\$ (178,043)	\$(1,701,101)
Apr-12	\$ 609,992	\$ 562,455	\$ 47,537	\$(1,653,564)
May-12	\$ 857,922	\$ 660,677	\$ 197,245	\$(1,456,319)
Jun-12		\$ 856,167	\$ 217,209	\$(1,239,110)
Jul-12	\$ 1,131,123	\$ 1,156,852	\$ (25,729)	\$(1,264,839)
Aug-12	\$ 954,546	\$ 1,119,373	\$ (164,827)	\$(1,429,666)

Cumulative 18-months	Over)/Under Recovery	\$(1,239,110)

Monthly Recovery (per month for six months) \$ (206,518)

#### Page 4 of 20

#### Clark Energy Coop - Calculation of (Over)/Under

		EKPC	F	Billed to				
. ]		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on	ľ	Monthly	Сι	ımulative
	N	lember's	М	ember's	((	Over) or	((	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	535,872	\$	498,188	\$	37,684	\$	37,684
Feb-11	\$	509,568	\$	495,074	\$	14,494	\$	52,179
Mar-11	\$	176,590	\$	172,840	\$	3,750	\$	55,928
Apr-11	\$	143,496	\$	139,987	\$	3,509	\$	59,437
May-11	\$	209,610	\$	214,110	\$	(4,500)	\$	54,937
Jun-11	\$	241,719	\$	253,438	\$	(11,719)	\$	43,218
Jul-11	\$	326,762	\$	282,876	\$	43,886	\$	87,104
Aug-11	\$	376,096	\$	384,966	\$	(8,870)	\$	78,234
Sep-11	\$	329,965	\$	278,176	\$	51,789	\$	130,023
Oct-11	\$	222,053	\$	187,652	\$	34,401	\$	164,424
Nov-11	\$	229,616	\$	213,155	\$	16,461	\$	180,885
Dec-11	\$	333,061	\$	314,620	\$	18,441	\$	199,326
Jan-12	\$	410,601	\$	410,311	\$	290	\$	199,616
Feb-12	\$	421,329	\$	363,423	\$	57,906	\$	257,523
Mar-12	\$	311,563	\$	237,440	\$	74,123	\$	331,646
Apr-12	\$	215,308	\$	203,163	\$	12,146	\$	343,792
May-12	\$	221,265	\$	236,736	\$	(15,471)	\$	328,320
Jun-12	\$	298,373	\$	289,189	\$	9,184	\$	337,504
Jul-12	\$	382,076	\$	406,742	\$	(24,666)	\$	312,838
Aug-12	\$	408,872	\$	397,805	\$	11,067	\$	323,905

Cumulative 18-months (Over)/Under Recovery	\$ 337,504

Monthly Recovery (per mont	la Cara a la coma a sa Alam N	M
UVIORINIV RECOVERY (DEC MODI	n tor siy monthsi	l \$ 56.251 l
Tivioriting recovery (per mone	n ioi six montrio	, φ ου, <b>Σ</b> υ ι

#### Cumberland Valley Electric - Calculation of (Over)/Under

		EKPC	E	Billed to				
		Invoice		Retail				
		Month	Со	nsumer &				
	r	ecorded	rec	corded on		Monthly	С	umulative
	M	lember's	М	ember's	(	Over) or	(	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	569,010	\$	566,362	\$	2,648	\$	2,648
Feb-11	\$	203,616	\$	477,974	\$	(274,358)	\$	(271,711)
Mar-11	\$	172,019	\$	178,355	\$	(6,336)	\$	(278,046)
Apr-11	\$	260,946	\$	143,766	\$	117,180	\$	(160,866)
May-11	\$	287,022	\$	237,504	\$	49,518	\$	(111,349)
Jun-11	\$	388,026	\$	301,354	\$	86,672	\$	(24,677)
Jul-11	\$	411,628	\$	394,927	\$	16,701	\$	(7,976)
Aug-11	\$	386,775	\$	435,444	\$	(48,669)	\$	(56,646)
Sep-11	\$	262,363	\$	386,576	\$	(124,213)	\$	(180,859)
Oct-11	\$	281,167	\$	315,240	\$	(34,073)	\$	(214,931)
Nov-11	\$	415,160	\$	413,169	\$	1,991	\$	(212,941)
Dec-11	\$	479,547	\$	580,621	\$	(101,074)	\$	(314,014)
Jan-12	\$	472,954	\$	626,995	\$	(154,041)	\$	(468,055)
Feb-12	\$	366,213	\$	574,902	\$	(208,689)	\$	(676,744)
Mar-12	\$	260,072	\$	272,927	\$	(12,855)	\$	(689,599)
Apr-12	\$	269,854	\$	233,320	\$	36,534	\$	(653,065)
May-12	\$	339,662	\$	300,807	\$	38,855	\$	(614,210)
Jun-12	\$	416,518	\$	322,092	\$	94,426	\$	(519,785)
Jul-12	\$	420,798	\$	470,482	\$	(49,684)	\$	(569,469)
Aug-12	\$	365,077	\$	431,301	\$	(66,224)	\$	(635,693)

Cumulative 18-months (Over)/Under Recovery	\$	(519,785)
Monthly Recovery (per month for six months)	\$	(86,631)

ī	ole Concession	Transaction Manage Confracts Index . Sch C + Spec Confracts	h C + Spec Contrac	ts		Fleming-Masor	Fleming-Mason - Calc of (Over)/Under - All Others	er - All Others		
Ĭ.	eming-wason - Carc	or (over)roller	The second second							
	CKDC	Rilled to			***************************************	EKPC	Billed to			
	D VOICE	S Estata				Invoice	Retail			
	Month	Consumer &				Month	Consumer &			
	lylorida	recorded on	Monthly	Cumulative		recorded	recorded on	Monthly	Cumulative	Fleming-Mason
	op Mombor's	Member's	(Over) or	(Over) or		on Member's	Member's	(Over) or	(Over) or	Total
	oii ivieii inei s	Books	linder	Under		Books	Books	Under	Under	(Over)/Under
		2000AS	500			479,746	677,830	(198,084)	(198,084)	(198,084)
Jan-11	_	47,207	o c	· c		172.274	339,098	(166,824)	(364,908)	(364,908)
Lep-11	190,110	190,110				143,141	(210,660)	353,801	(11,108)	(11,108)
Mar-11	186,326	180,320	> 0			206.093	110.170	95,923	84,816	84,816
Apr-11		330,301	> 0			229,806	311.078	(81.272)	3,543	3,543
May-11		338,650	> 0	> 0		305 747	244.748	666,09	64,542	64,542
Jun-11		437,520				352 016	407 907	(55.891)	8.651	8,651
Jul-11		417,898		<b>&gt;</b> 0	un-	310,734	274 891	37.843	46.493	46,493
Ang-11		409,470	<b>&gt;</b> (	<b>&gt;</b> (		247,234	246,882	(29.595)	16,899	16,899
Sep-11	348,685	348,685	0	<b>O</b>		107,112	450,004	73 120	800.00	90.028
Oct-11	392,466	392,466	0	0		900,022	100,429	0,120	442 504	1/3 50/
Nov-11		462,214	0	0		327,091	2/3,615	55,470	143,304	100,01
Dec-11		511,469	0	0	·	396,620	483,243	(86,623)	088,95	000,00
		460 445	C	0	20	409,084	462,372	(53,288)	3,592	3,592
Jan-12		403,443	o c			301,358	300,025	1,333	4,925	4,925
71-ep-17		307,023	o c	» c		213,995	156,623	57,372	62,297	62,297
Mar-12		349,170	o c	· ·		215,585	177,892	37,693	066'66	066'66
Apr-12		340,134	o c	· c		282.542	303,172	(20,630)	79,360	29,360
May-12		384,707	> 0	o c		353 700	421.995	(68,295)	11,065	11,065
Jun-12		427,007			e	370 158	531 599	(161 441)	(150,375)	(150,375)
Jul-12	389,369	389,369	<b>&gt;</b>	<b>-</b>	·	0000	200,100	(002.27)	(198 104)	(198 104)
Aug-12	415,465	415,465	0	0	-	316,548	304,211	(41,123)	(190,194)	100,100
									11 085	11 065
Cumulative 18-r	Cumulative 18-months (Over)/Under Recovery	der Recovery		٠	Cumulative 18	Cumulative 18-months (Over)/Utidel Recovery	lidei Recovery			
						- 11 - J	, i. i. i. i.		1 844	1 844
Monthly Recove	Monthly Recovery (per month for six months)	six months)		9	Monthly Recov	Monthly Recovery (per month for SIX months)	r six monuis			

#### Grayson RECC - Calculation of (Over)/Under

		EKPC	E	Billed to				
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on	r	Monthly	Cu	mulative
	١V	lember's	M	ember's	((	Over) or	((	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	291,386	\$	272,346	\$	19,040	\$	19,040
Feb-11	\$	104,937	\$	84,751	\$	20,186	\$	39,226
Mar-11	\$	87,042	\$	76,642	\$	10,400	\$	49,626
Apr-11	\$	127,178	\$	123,010	\$	4,168	\$	53,794
May-11	\$	144,517	\$	152,922	\$	(8,405)	\$	45,389
Jun-11	\$	192,761	\$	201,207	\$	(8,446)	\$	36,943
Jul-11	\$	222,934	\$	216,368	\$	6,566	\$	43,509
Aug-11	\$	197,165	\$	171,052	\$	26,113	\$	69,622
Sep-11	\$	138,382	\$	131,746	\$	6,636	\$	76,258
Oct-11	\$	146,542	\$	168,708	\$	(22,166)	\$	54,092
Nov-11	\$	208,406	\$	235,914	\$	(27,508)	\$	26,584
Dec-11	\$	247,447	\$	275,962	\$	(28,515)	\$	(1,931)
Jan-12	\$	243,615	\$	239,594	\$	4,021	\$	2,090
Feb-12	\$	184,170	\$	162,305	\$	21,865	\$	23,955
Mar-12	\$	131,654	\$	122,991	\$	8,663	\$	32,618
Apr-12	\$	134,443	\$	139,169	\$	(4,726)	\$	27,892
May-12	\$	177,828	\$	182,188	\$	(4,360)	\$	23,532
Jun-12	\$	223,682	\$	250,141	\$	(26,459)	\$	(2,927)
Jul-12	\$	238,279	\$	222,282	\$	15,997	\$	13,070
Aug-12	\$	197,923	\$	184,291	\$	13,632	\$	26,702

	Cumulative 18-months (Over)/Under Recovery	\$ (2,927)
Γ	Monthly Recovery (per month for six months)	\$ (488)

#### Inter-County ECC - Calculation of (Over)/Under

		EKPC	E	Billed to				
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on	ı	<b>Nonthly</b>	Cı	umulative
	M	lember's	M	ember's	((	Over) or	(	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	562,919	\$	533,216	\$	29,703	\$	29,703
Feb-11	\$	541,944	\$	512,836	\$	29,108	\$	58,811
Mar-11	\$	188,611	\$	169,618	\$	18,993	\$	77,804
Apr-11	\$	148,290	\$	140,217	\$	8,073	\$	85,877
May-11	\$	212,768	\$	203,671	\$	9,097	\$	94,974
Jun-11	\$	242,248	\$	224,568	\$	17,680	\$	112,654
Jul-11	\$	336,441	\$	345,632	\$	(9,191)	\$	103,463
Aug-11	\$	384,163	\$	374,246	\$	9,917	\$	113,380
Sep-11	\$	338,799	\$	298,329	\$	40,470	\$	153,850
Oct-11	\$	225,243	\$	188,298	\$	36,945	\$	190,795
Nov-11	\$	237,341	\$	225,860	\$	11,481	\$	202,276
Dec-11	\$	342,453	\$	351,946	\$	(9,493)	\$	192,783
Jan-12	\$	424,084	\$	421,206	\$	2,878	\$	195,661
Feb-12	\$	441,956	\$	380,492	\$	61,464	\$	257,125
Mar-12	\$	325,125	\$	309,136	\$	15,989	\$	273,114
Apr-12	\$	218,534	\$	163,787	\$	54,747	\$	327,861
May-12	\$	219,698	\$	231,482	\$	(11,784)	\$	316,077
Jun-12	\$	300,449	\$	295,735	\$	4,714	\$	320,791
Jul-12	\$	380,888	\$	422,588	\$	(41,700)	\$	279,091
Aug-12	\$	415,365	\$	406,658	\$	8,707	\$	287,798

Cumulative 18-months (Over)/Under Recovery	\$ 320,791	
Monthly Recovery (per month for six months)	\$ 53,465	

#### Jackson Energy Coop - Calculation of (Over)/Under

		EKPC		Billed to				
		Invoice		Retail				
		Month	Co	nsumer &				1
	r	ecorded	re	corded on		Monthly	С	umulative
	Ν	1ember's	N	îember's	(	Over) or	(	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	1,111,317	\$	1,014,269	\$	97,048	\$	97,048
Feb-11	\$	387,380	\$	348,257	\$	39,123	\$	136,171
Mar-11	\$	313,991	\$	313,867	\$	124	\$	136,295
Apr-11	\$	455,351	\$	443,983	\$	11,368	\$	147,663
May-11	\$	501,250	\$	529,602	\$	(28,352)	\$	119,312
Jun-11	\$	673,151	\$	598,387	\$	74,764	\$	194,076
Jul-11	\$	750,859	\$	647,174	\$	103,685	\$	297,760
Aug-11	\$	684,377	\$	735,518	\$	(51,141)	\$	246,620
Sep-11	\$	462,873	\$	524,994	\$	(62,121)	\$	184,498
Oct-11	\$	506,585	\$	643,293	\$	(136,708)	\$	47,790
Nov-11	\$	735,811	\$	897,910	\$	(162,099)	\$	(114,309)
Dec-11	\$	885,400	\$	1,082,812	\$	(197,412)	\$	(311,720)
Jan-12	\$	886,397	\$	1,011,677	\$	(125,280)	\$	(437,001)
Feb-12	\$	672,305	\$	606,038	\$	66,267	\$	(370,734)
Mar-12	\$	459,197	\$	433,944	\$	25,253	\$	(345,481)
Apr-12	\$	470,639	\$	516,737	\$	(46,098)	\$	(391,579)
May-12	\$	614,116	\$	646,018	\$	(31,902)	\$	(423,481)
Jun-12	\$	763,748	\$	831,416	\$	(67,668)	\$	(491,149)
Jul-12	\$	806,106	\$	806,718	\$	(612)	\$	(491,761)
Aug-12	\$	675,830	\$	663,654	\$	12,176	\$	(479,585)

Cumulative 18-months (Over)/Under Recovery	\$ (491 <u>,</u> 149)
Monthly Recovery (per month for six months)	\$ (81,858)

#### Licking Valley RECC - Calculation of (Over)/Under

		EKPC	F	Billed to			***************************************	
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on	ſ	Vionthly	Cι	ımulative
	N	lember's	M	ember's	(	Over) or	((	Over) or
		Books		Books		Under		Under
Mo/Yr_		(1)		(2)		(3)		(4)
Jan-11	\$	304,850	\$	315,869	\$	(11,019)	\$	(11,019)
Feb-11	\$	106,993	\$	90,254	\$	16,739	\$	5,720
Mar-11	\$	88,589	\$	89,178	\$	(589)	\$	5,131
Apr-11	\$	129,794	\$	120,265	\$	9,529	\$	14,660
May-11	\$	147,075	\$	137,694	\$	9,381	\$	24,041
Jun-11	\$	194,025	\$	173,415	\$	20,610	\$	44,651
Jul-11	\$	222,377	\$	226,460	\$	(4,083)	\$	40,569
Aug-11	\$	199,362	\$	178,869	\$	20,493	\$	61,062
Sep-11	\$	138,697	\$	115,255	\$	23,442	\$	84,503
Oct-11	\$	148,604	\$	167,617	\$	(19,013)	\$	65,491
Nov-11	\$	214,227	\$	218,956	\$	(4,729)	\$	60,762
Dec-11	\$	256,676	\$	277,959	\$	(21,283)	\$	39,479
Jan-12	\$	250,111	\$	229,966	\$	20,145	\$	59,624
Feb-12	\$	190,952	\$	175,010	\$	15,942	\$	75,566
Mar-12	\$	128,325	\$	126,486	\$	1,839	\$	77,404
Apr-12	\$	139,597	\$	150,229	\$	(10,632)	\$	66,772
May-12	\$	181,197	\$	184,810	\$	(3,613)	\$	63,159
Jun-12	\$	227,580	\$	242,466	\$	(14,886)	\$	48,273
Jul-12	\$	241,025	\$	232,527	\$	8,498	\$	56,771
Aug-12	\$	201,232	\$	192,418	\$	8,814	\$	65,586

Cumulative 18-months (Over)/Under Recovery	\$ 48,273
Monthly Recovery (per month for six months)	\$ 8,045

#### Nolin RECC - Calculation of (Over)/Under

		EKPC	E	Billed to			:	
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on	i	Vionthly	Cı	umulative
	N	1ember's	M	ember's	(	Over) or	(	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	790,610	\$	793,796	\$	(3,186)	\$	(3,186)
Feb-11	\$	284,465	\$	277,151	\$	7,314	\$	4,128
Mar-11	\$	232,758	\$	231,422	\$	1,336	\$	5,463
Apr-11	\$	353,897	\$	353,550	\$	347	\$	5,811
May-11	\$	408,229	\$	409,046	\$	(817)	\$	4,994
Jun-11	\$	569,046	\$	509,723	\$	59,323	\$	64,317
Jul-11	\$	637,293	\$	633,961	\$	3,332	\$	67,649
Aug-11	\$	579,822	\$	475,502	\$	104,320	\$	171,970
Sep-11	\$	397,029	\$	311,492	\$	85,537	\$	257,507
Oct-11	\$	388,918	\$	342,466	\$	46,452	\$	303,958
Nov-11	\$	545,776	\$	495,394	\$	50,382	\$	354,341
Dec-11	\$	645,520	\$	604,938	\$	40,582	\$	394,922
Jan-12	\$	673,839	\$	589,377	\$	84,462	\$	479,385
Feb-12	\$	500,689	\$	483,536	\$	17,153	\$	496,538
Mar-12	\$	365,939	\$	353,343	\$	12,596	\$	509,133
Apr-12	\$	373,546	\$	404,543	\$	(30,997)	\$	478,136
May-12	\$	538,221	\$	515,418	\$	22,803	\$	500,939
Jun-12		659,613	\$	690,237	\$	(30,624)	\$	470,315
Jul-12	\$	707,927	\$	697,256	\$	10,671	\$	480,985
Aug-12	\$	589,886	\$	577,829	\$	12,057	\$	493,042

Cumulative 18-months (Over)/Under Recovery	\$ 470,315
Monthly Recovery (per month for six months)	\$ 78,386

#### Salt River RECC - Calculation of (Over)/Under

	EKPC	Billed to		
	Invoice	Retail		
	Month	Consumer &		
	recorded	recorded on	Monthly	Cumulative
	Member's	Member's	(Over) or	(Over) or
	Books	Books	Under	Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-11	\$ 1,081,962	\$ 1,013,816	\$ 68,146	\$ 68,146
Feb-11	\$ 389,593	\$ 896,150	\$ (506,557)	\$ (438,412)
Mar-11	\$ 329,360	\$ 392,463	\$ (63,103)	\$ (501,515)
Apr-11	\$ 507,330	\$ 297,597	\$ 209,733	\$ (291,782)
May-11	\$ 634,976	\$ 571,925	\$ 63,051	\$ (228,731)
Jun-11	\$ 896,002	\$ 678,645	\$ 217,357	\$ (11,374)
Jul-11	\$ 1,028,157	\$ 828,271	\$ 199,886	\$ 188,512
Aug-11	\$ 907,059	\$ 970,615	\$ (63,556)	\$ 124,957
Sep-11	\$ 602,442	\$ 855,534	\$ (253,092)	\$ (128,135)
Oct-11	\$ 555,921	\$ 634,602	\$ (78,681)	\$ (206,817)
Nov-11	\$ 777,107	\$ 776,290	\$ 817	\$ (206,000)
Dec-11	\$ 938,033	\$ 1,067,989	\$ (129,956)	\$ (335,956)
Jan-12	\$ 946,733	\$ 1,204,994	\$ (258,261)	\$ (594,217)
Feb-12	\$ 702,764	\$ 1,027,751	\$ (324,987)	\$ (919,204)
Mar-12	\$ 527,962	\$ 600,453	\$ (72,491)	\$ (991,695)
Apr-12	\$ 532,683	\$ 508,870	\$ 23,813	\$ (967,882)
May-12	\$ 823,711	\$ 682,361	\$ 141,350	\$ (826,532)
Jun-12	\$ 1,021,323	\$ 893,460	\$ 127,863	\$ (698,669)
Jul-12	\$ 1,116,106	\$ 1,197,569	\$ (81,463)	\$ (780,132)
Aug-12	\$ 927,244	\$ 1,010,779	\$ (83,535)	\$ (863,667)

Cumulative 18-months (Over)/Under Recovery	\$ (698,669)
Monthly Recovery (per month for six months)	\$ (116,445)

#### Shelby Energy Coop - Calculation of (Over)/Under

		EKPC	E	Billed to				
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on		Monthly	C	umulative
	M	lember's	М	ember's	(	Over) or	(	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	443,372	\$	436,329	\$	7,043	\$	7,043
Feb-11	\$	163,345	\$	267,708	\$	(104,363)	\$	(97,320)
Mar-11	\$	141,992	\$	164,805	\$	(22,813)	\$	(120,133)
Apr-11	\$	218,586	\$	196,774	\$	21,812	\$	(98,321)
May-11	\$	250,984	\$	241,246	\$	9,738	\$	(88,582)
Jun-11	\$	341,687	\$	276,496	\$	65,191	\$	(23,392)
Jul-11	\$	381,987	\$	306,306	\$	75,681	\$	52,289
Aug-11	\$	344,256	\$	372,038	\$	(27,782)	\$	24,508
Sep-11	\$	237,728	\$	283,817	\$	(46,089)	\$	(21,582)
Oct-11	\$	237,493	\$	265,547	\$	(28,054)	\$	(49,636)
Nov-11	\$	319,820	\$	337,861	\$	(18,041)	\$	(67,677)
Dec-11	\$	379,745	\$	414,716	\$	(34,971)	\$	(102,648)
Jan-12	\$	393,258	\$	444,863	\$	(51,605)	\$	(154,253)
Feb-12	\$	293,173	\$	342,968	\$	(49,795)	\$	(204,049)
Mar-12	\$	229,260	\$	233,954	\$	(4,694)	\$	(208,742)
Apr-12	\$	233,123	\$	238,524	\$	(5,401)	\$	(214,143)
May-12	\$	323,373	\$	302,040	\$	21,333	\$	(192,810)
Jun-12	\$	392,839	\$	380,082	\$	12,757	\$	(180,054)
Jul-12	\$	417,166	\$	424,367	\$	(7,201)	\$	(187,255)
Aug-12	\$	361,411	\$	377,218	\$	(15,807)	\$	(203,063)

Cumulative	18-months	(Over)	/Under	Recovery	<i>y</i>	\$ (180,	,054)

Monthly Recovery (per month for six months) \$ (30,009)

#### South Kentucky RECC - Calculation of (Over)/Under

	EKPC	Billed to		
	Invoice	Retail		
	Month	Consumer &		
	recorded	recorded on	Monthly	Cumulative
	Member's	Member's	(Over) or	(Over) or
	Books	Books	Under	Under
Mo/Yr	(1)	(2)	(3)	(4)
Jan-11	\$ 1,501,542	\$ 1,388,310	\$ 113,232	\$ 113,232
Feb-11	\$ 524,348	\$ 1,471,920	\$ (947,572)	\$ (834,340)
Mar-11	\$ 416,910	\$ 470,854	\$ (53,944)	\$ (888,284)
Apr-11	\$ 624,157	\$ 410,889	\$ 213,268	\$ (675,016)
May-11	\$ 694,912	\$ 584,693	\$ 110,219	\$ (564,797)
Jun-11	\$ 954,390	\$ 753,399	\$ 200,991	\$ (363,806)
Jul-11	\$ 1,052,243	\$ 833,082	\$ 219,161	\$ (144,646)
Aug-11	\$ 967,198	\$ 1,057,825	\$ (90,627)	\$ (235,272)
Sep-11	\$ 659,332	\$ 1,184,030	\$ (524,698)	\$ (759,970)
Oct-11	\$ 681,438	\$ 813,822	\$ (132,384)	\$ (892,354)
Nov-11	\$ 984,904	\$ 936,139	\$ 48,765	\$ (843,589)
Dec-11	\$ 1,183,019	\$ 1,312,987	\$ (129,968)	\$ (973,557)
Jan-12	\$ 1,200,047	\$ 1,604,735	\$ (404,688)	\$ (1,378,245)
Feb-12	\$ 906,106	\$ 1,441,105	\$ (534,999)	\$ (1,913,244)
Mar-12	\$ 628,844	\$ 791,881	\$ (163,037)	\$ (2,076,281)
Apr-12	\$ 651,068	\$ 602,691	\$ 48,377	\$ (2,027,904)
May-12	\$ 862,747	\$ 733,731	\$ 129,016	\$ (1,898,888)
Jun-12	\$ 1,077,755	\$ 909,371	\$ 168,384	\$ (1,730,504)
Jul-12	\$ 1,130,920	\$ 1,225,637	\$ (94,717)	\$ (1,825,221)
Aug-12	\$ 951,065	\$ 1,148,986	\$ (197,921)	\$ (2,023,143)

	······	
Occurred a Micros 40 managed by a 1	Oursell Indon Description	\$ (1,730,504)
ICumulative 18-months (	Overwinger Recovery	1 3 11 7 30 30411
Tournalative to months (	O voi ji o naon naon naony	[ Ψ ( 1,1 00,00 1)]

Monthly Recovery (per month for six months) \$ (288,417)

#### Taylor County RECC - Calculation of (Over)/Under

		EKPC	E	Billed to				
		Invoice		Retail				
		Month	Co	nsumer &				
	r	ecorded	rec	corded on	ľ	/lonthly	Cι	ımulative
	M	lember's	M	ember's	((	Over) or	((	Over) or
		Books		Books		Under		Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	\$	551,327	\$	501,323	\$	50,004	\$	50,004
Feb-11	\$	529,782	\$	517,576	\$	12,206	\$	62,210
Mar-11	\$	189,316	\$	190,135	\$	(819)	\$	61,391
Apr-11	\$	155,836	\$	158,415	\$	(2,579)	\$	58,812
May-11	\$	233,026	\$	221,496	\$	11,530	\$	70,342
Jun-11	\$	263,488	\$	261,657	\$	1,831	\$	72,173
Jul-11	\$	367,034	\$	305,447	\$	61,587	\$	133,760
Aug-11	\$	413,898	\$	419,470	\$	(5,572)	\$	128,188
Sep-11	\$	370,319	\$	333,311	\$	37,008	\$	165,196
Oct-11	\$	247,800	\$	213,026	\$	34,774	\$	199,970
Nov-11	\$	251,170	\$	227,215	\$	23,955	\$	223,925
Dec-11	\$	362,818	\$	319,136	\$	43,682	\$	267,607
Jan-12	\$	435,128	\$	425,163	\$	9,965	\$	277,572
Feb-12	\$	433,558	\$	397,445	\$	36,113	\$	313,685
Mar-12	\$	324,233	\$	325,133	\$	(900)	\$	312,785
Apr-12	\$	230,829	\$	237,783	\$	(6,954)	\$	305,831
May-12	\$	239,746	\$	256,568	\$	(16,822)	\$	289,009
Jun-12	\$	328,759	\$	325,665	\$	3,094	\$	292,103
Jul-12	\$	416,039	\$	397,590	\$	18,449	\$	310,552
Aug-12	\$	447,357	\$	455,035	\$	(7,678)	\$	302,874

Cumulative 18-months (Over)/Under Recovery	\$ 292,103
Monthly Recovery (per month for six months)	\$ 48,684

## Narrative Regarding Farmers Rural Electric Cooperative Corporation's Over/Under Recovery Schedule Included on Page 17

Since the inception of Farmers Rural Electric Cooperative Corporation ("Farmers"), the monthly cost for purchased power had been recorded one month in arrears, which resulted in an inaccurate matching of power cost to energy revenue. In consultation with our financial audit firm and the Rural Utilities Service ("RUS"), Farmers invoked a "change in accounting principle", effective for the year ending December 31, 2011. This decision enabled Farmers to make a one-time true up of the purchased power cost to begin recording in the appropriate month. This accounting change was noted in Farmers' audited financial statements for the years ended December 31, 2011, and was also noted in its annual Form 7 filed with RUS as well as the annual financial statement filed with the Kentucky Public Service Commission ("PSC").

Historically, previously in these review cases, the environmental surcharge included in the cost of purchased power was recorded one month in arrears, as was reflected on Column (1) entitled "EKPC Invoice Month Recorded on Member's Books". The last review, Case No. 2011-00032, included the East Kentucky Power Cooperative ("EKPC") power bills through the month of November 2010, which, at the time, was recorded on the December financials of Farmers.

Following in succession, the 18-month review of this Case No. 2012-00486 should begin with the environmental surcharge on the December 2010 EKPC's purchased power invoice. In order to account for the "change in accounting principle", effective for the year ending December 31, 2011, and appropriately document when the EKPC invoice is recorded on Farmers' books, the data submitted, for this review, shall include 19 months of power bills. Therefore, data for January 2011, column (1), includes the environmental surcharges from the December 2010 and January 2011 cost of purchased power bills.

#### Farmers RECC - Calculation of (Over)/Under

		EKPC		Billed to				
		Invoice		Retail				
		Month		Consumer &				
		recorded		recorded on		Monthly	C	umulative
		/lember's		Member's		Over) or		Over) or
	11	Books		Books	'	Under	(,	Under
Mo/Yr		(1)		(2)		(3)		(4)
Jan-11	Φ	1,040,313	**	434,232.52	\$	606,080	\$	606,080
Feb-11	\$	188,543		480,900.84	\$	(292,358)	\$	313,723
Mar-11	\$	152,373		178,617.65	\$	(26,245)	\$	287,478
Apr-11	\$	236,344		144,569.82	\$	91,774	\$	379,252
May-11	\$	272,532		220,925.38	\$	51,607	\$	430,859
Jun-11	\$	384,222		275,533.40	\$	108,689	\$	539,547
Jul-11	\$	430,883		331,028.51	\$	99,854	\$	639,402
Aug-11	\$	390,472		426,734.61	\$	(36,263)	\$	603,139
Sep-11	\$	262,490	ļ	333,512.51	\$	(71,023)	\$	532,117
Oct-11	\$	255,356		209,257.46	\$	46,099	\$	578,215
Nov-11	\$	361,025		248,800.92	\$	112,224	\$	690,439
Dec-11	\$	425,081	ļ	372,924.62	\$	52,156	\$	742,596
Jan-12	Ī	430,691		426,226.03	\$	4,465	\$	747,061
Feb-12		326,179		386,621.98	\$	(60,443)	\$	686,618
Mar-12		237,126		237,439.78	\$	(314)	\$	686,304
Apr-12		250,585		228,852.77	\$	21,732	\$	708,036
May-12		355,826		277,241.33	\$	78,585	\$	786,621
Jun-12		449,216		364,481.64	\$	84,734	\$	871,355
Jul-12		479,014	1	488,013.20	\$	(8,999)	\$	862,356
Aug-12	' '	391,766		460,493.55	\$	(68,728)	\$	793,628

Cumulative 18-months (Over)/Under Recovery	\$ 871,355
Monthly Recovery (per month for six months)	\$ 145,226

<sup>\*\*</sup> To follow in succession from the last review case and account for the "change in accounting principle", data includes the environmental surcharges from the December 2010 and January 2011 cost of purchase power bills.

## Narrative Regarding Owen Electric Cooperative Inc.'s Over/Under Recovery Schedule Included on Page 20

Since its inception, Owen Electric Cooperative, Inc. ("Owen"), has recorded the monthly cost for purchased power one month in arrears (i.e. in the month in which the power bill was paid, as opposed to when the expense was incurred), which resulted in an inaccurate matching of power cost to energy revenue. In consultation with our financial audit firm and Rural Utilities Service ("RUS"), Owen invoked a "change in accounting principle", effective for the year ending December 31, 2011. This decision enabled Owen to make a one-time true up of the purchased power cost to begin recording the bill in the appropriate month. As Owen's audited financial statements present a two year audit period, the true up entry was recorded as of the beginning of the first period presented, January 1, 2010, in accordance with generally accepted accounting principles. This accounting change was noted in Owen's audited financial statements for the years ended December 31, 2011, and was also noted in its annual Form 7 filed with the RUS as well as the annual financial statement filed with the Kentucky Public Service Commission ("PSC").

In previous environmental surcharge review cases, the columns marked "EKPC Invoice Month Recorded on Member's Books" listed the environmental surcharge amount one month in arrears, accurately reflecting the lag in the recording of the power bill. The final month reported in the last two year review case, Case No. 2009-00317, June 2009, reported the environmental surcharge amount paid to East Kentucky Power Cooperative on the May 2009 power bill, recorded on Owen's books in June 2009.

Following the historical approach, the 18-month review in Case No. 2012-00486 would have included the environmental surcharge on the December 2010 East Kentucky Power Cooperative's purchased power invoice as the January 2011amount in the columns marked "EKPC Invoice Month Recorded on Member's Books". However, since the "change in

accounting principle" was invoked for the year ending December 31, 2011, and to accurately document the recording of the power bill in Owen's books, the 18-month review shall include 19 months of power bills. Therefore, data for January 2011, listed in the power cost columns, include the environmental surcharges from the December 2010 and January 2011 cost of purchased power bills.

											Owen Flectric Cor	Owen Flectric Copperative - Calculation of (Over)/Under - All Others	Over)/Under - All Oth	ers	
	Occasio Constative - Calculation of (Over/Under - Gallatin	. Calculation of (Over)(Un-	der - Gallatin			Owen Electric Co	Owen Electric Cooperative - Calculation of (Over)JUDGEL - SCH D	or (Over)/Under - 30	0			Contract Contract			
	Ower Electric cooperant	7-0				Prior B	CuriNo Owen Sch.				Fror E	Curino Owell Scir.			
O	en-Gall	Curino Owen Scn.				JONE	Billed to				EKPC	Billed to			
	EKPC	Billed to				י ני	Died C				Invoice	Retail			
	Invoice	Retail				invoice	Cont.imor 9				Month	Consumer &			
	Month	Consumer &				Monu	Consumer &	Monthly	Cimilative		recorded	recorded on	Monthly	Cumulative	Owen
	recorded	recorded on	Monthly	Cumulative		recorded	Mombor's	(Overlor	(Over) or		on Member's	Member's	(Over) or	(Over) or	Total
	on Member's	Member's	(Over) or	(Over) or		on Members	Nielindel s	Inder	Inder		Books	Books	Under	Under	(Over)/Under
	Books	Books	Under	Under		BOOKS	Suppo	(3)	(4)	Mo/Yr	(1)	(2)	(3)	(4)	
Mo/Yr	(1)	(2)	(3)	(4)	MO/Yr	,	400 004	108 427	428 427	Jan-11	2.049.630	\$ 1,207,629	\$ 842,001 \$	842,001	\$ 970,428
S 11-11 S	571.168	\$ 571,168	· &	· ·	Jan-11	, v	107'071	174,071	2007	100	372 509	\$ 893.957	\$ (521,448) \$	320,553	\$ 372,533
Feb. 11	217.326	\$ 217,326		·	Feb-11	\$ 52,615	29,062	(/0,44/)	00,100	Mar 44	312.630	(117 774)	s 431.404 S	751,957	\$ 804,150
Mar 41	225 279	\$ 225.279			Mar-11	(A)	\$ 52,615	5 213	22,193	Wedi-1	200,000	200,613	184 118 5	936.074	\$ 1,033,752
Mai	277,277	079707			Apr-11	\$ 98,274	\$ 52,789	\$ 45,485	8/9'/6 \$	Apr-11	4/0//31	592,013	01,101	011 101	\$ 1017 997
		000,000		,	Mav-11	w	\$ 98,274	\$ 9,128	\$ 106,806	May-11	906,160	250,045	9 (24,000)	1 1 1 1 0 0 0 0 1	6 1 255 837
May-11  S		\$ 403,230		•	1		107 402	36.98	\$ 143,804	Jun-11	\$ 820,953	\$ 620,111	200,842	1,112,033	
Jun-11  \$	453,174	\$ 453,174	-		-line	9	201,101	14 4041	·	111-11	\$ 976.575	\$ 799,396	\$ 177,179 \$	1,289,211	\$ 1,431,614
. III-11	415,067	\$ 415,067	ı G		11-Inc	, ,	046,949	(1,401)		A10-11	846 928	\$ 905.432	\$ (58,504) \$	1,230,707	\$ 1,370,369
A10-11	463.813	\$ 463,813	ı S	,	Aug-11	G	\$ 143,548	(2,741)	9 (	1000	578 484	577 747	5 764 8	1,236,471	\$ 1,344,005
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• The invoice amounts for Jan-11 for both Schedule B and All Others reflects the accrual of the EKPC invoices for December 2010 and January 2011.

# EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

## COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 3

RESPONSIBLE PARTY: Ernest W. Huff

Refer to Form 2.3, Inventory and Expense of Emission Allowances, for each of the expense months covered by the applicable billing period.

Request 3a. For the sulfur dioxide (" $SO_2$ ") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

Response 3a. No purchases were made during the period of July 1, 2009, through June 30, 2012. SO<sub>2</sub> allowances in the amount of 39,390 are recorded each January, which are allocated to EKPC by the Environmental Protection Agency ("EPA") for use in covering its actual emissions. In addition to this allocation, for the years 2010 through 2014, EKPC transfers 1,000 additional allowances from future years to the current year to reflect later vintage years of prior purchases that become useable in the current year. The total of these two quantities, recorded from 2010 through 2014, is 40,390 allowances. Under the Clean Air Interstate Rule trading program, each Title IV SO<sub>2</sub> allowance issued for 2010 through 2014 will be used for compliance at a two-to-one ratio and authorize ½ ton of SO<sub>2</sub> emissions. EKPC records its amounts in equivalent tons of emissions, thereby, reducing the amount recorded each January from 40,390 allowances to 20,195 equivalent tons of emissions.

Request 3b. For the nitrogen oxide (" $NO_x$ ") emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

Response 3b. One purchase of  $NO_x$  allowances was made during the period of July 1, 2009, through June 30, 2012. A purchase of 1,500 allowances or tons was made in August 2010. These allowances are used for 2010 compliance or for other future anticipated needs.  $NO_x$  allowances totaling 11,725 are allocated to EKPC by EPA each year and these are recorded in January of each year.

Request 3c. Explain how the purchases of allowances in the expense months covered by the applicable billing periods comply with EKPC's emissions allowance strategy plan.

Response 3c. EKPC monitors the number of tons of SO<sub>2</sub> and NO<sub>x</sub> emitted from its generating stations. Based on these measured emissions, the projected generation, and allowances allocated to EKPC by EPA, EKPC projects the number of SO<sub>2</sub> and NO<sub>x</sub> allowances that will be needed to be held at the end of each year in order to comply with state and federal emissions limitations. In general, EKPC endeavors to purchase emission allowances in a planned cost-effective manner, utilizing dollar-cost-averaging, to hold in inventory a sufficient number of allowances to cover anticipated utilization of SO<sub>2</sub> and NO<sub>x</sub> allowances. Beginning in 2009, the Clean Air Interstate Rules (CAIR) have requirements for seasonal as well as annual NO<sub>x</sub> allowances. Final rules for the Clean Air Transport Rules (CATR), later recognized as Cross State Air Pollution Rule (CSAPR), had an effective compliance date of January 1, 2012, that has been delayed indefinitely since the D.C. court remanded the rule back to EPA for revision or replacement. Since it is unknown whether any allowance banks (inventory) will be allowed to carry forward into a new program, EKPC has modified its purchasing strategy in the short term to reduce its allowance inventory as much as possible until new rules are in place.

# EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

## COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 4

RESPONSIBLE PARTY: Ann F. Wood

Refer to Form 2.5, Operating and Maintenance Expenses, for each of the expense months covered by the applicable billing period. 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.

Response 4. Expense level changes for the July 2009 through December 2009 expense period were provided in EKPC's responses to the Commission's Appendix B Information Request in Case No. 2010-00021, filed with the Commission on March 3, 2010. Expense level changes for the January 2010 through June 2010 expense period were provided in EKPC's responses to the Commission's Appendix B Information Request in Case No. 2010-00319, filed with the Commission on October 7, 2010. Expense level changes for the July 2010 through December 2010 expense period were provided in EKPC's responses to the Commission's Appendix B Information Request in Case No. 2011-00032, filed with the Commission on March 24, 2011.

Expense level changes for the January 2011 through June 2011 expense period, for the July 2011 through December 2011 expense period, and for the January 2012 through June 2012 expense period are provided on pages 2 through 9 of this response, pages 10 through 16 of this response, and pages 17 through 24 of this response, respectively.

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Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

April and June have credit balances as estimates were accrued and reversed; estimates were higher than the actual invoices.

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April and June have credit balances as estimates were accrued and reversed; estimates were higher than the actual invoices. Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

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Project 03330 is for the Spurlock 1 Electrostatic Precipitator and Project 03501 is for Spurlock 1 SCR maintenance.

January - Project 03330 - Increase in EKPC payroll and benefits of \$0.7K.

Project 03501 - Decrease in Contractor expenses of \$3.0K and an increase in EKPC payroll and benefits of \$0.7K.

February - Project 03330 - Increase in materials of \$0.2K and an increase in EKPC payroll and benefits of \$1.0K

Project 03501 - Decrease in EKPC payroll and benefits of \$0.9K

Project 03501 - Increase in Contractor expenses of \$0.7K and an increase in EKPC payroll and benefits of \$0.5K March - Project 03330 - Decrease in materials of \$0.2K and a decrease in EKPC payroll and benefits of \$1.3K.

April - Project 03330 - Increase in EKPC payroll and benefits of \$15.0K.

Project 03501 - Decrease in Contractor expenses of \$0.6K and an increase in EKPC payroll and benefits of \$0.5K

Project 03501 - Increase in Contractor expenses of \$13.8K and an increase in EKPC payroll and benefits of \$1.1K May - Project 03330 - Increase in Contractor payments of \$1.2K and a decrease in EKPC payroll and benefits of \$9.3K.

June - Project 03330 - Increase in Contractor payments of \$149.1K and a decrease in EKPC payroll and benefits of \$5.4K.

Labor to inspect and labor and materials to repair precipitators

Labor and materials to repair breakers

Project 03501 - Decrease in Contractor expenses of \$13.8K and an decrease in EKPC payroll and benefits of \$1.6K

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Project 03330 is for the Spurlock 2 Electrostatic Precipitator\* and Project 03501 is for Spurlock 2 SCR maintenance.

\*Note that the Spurlock 2 Electrostatic Precipitator project is not an EKPC compliance plan project that is eligible for recovery through the surcharge. This project was inadvertently included in the surcharge calculation for 2011. In January 2012, a catch-up correction was made to the surcharge calculation which removed expenses associated with this project.

January - Project 03330 - Increase in EKPC payroll and benefits of \$3.4K Project 03501 - Decrease in Contractor expenses of \$23.5K, and an increase in EKPC payroll and benefits of \$1.0K

February - Project 03330 - Increase in Contractor expenses of \$122.8K, increase in materials of \$0.2K and an increase in EKPC payroll and benefits of \$2.1K

Project 03501 - Decrease in Contractor expenses of \$0.6K, increase in materials of \$3.0K and an increase in EKPC payroll and benefits of \$1.9K Supervision, labor and rental to vacuum Ash B Side Precipitators and Precipitator Floor

March - Project 03330 - Decrease in Contractor expenses of \$86.4K, increase in materials of \$14.0K and an increase in EKPC payroll and benefits of \$16.5K

Supervision, labor and rental to vacuum out Ash Building

Project 03501 - Increase in Contractor expenses of \$0.6K, decrease in materials of \$3.0K and a decrease in EKPC payroll and benefits of \$1.6K Material: Transformer silico rectifier

April - Project 03330 - Decrease in Contractor expenses of \$36.4K, decrease in materials of \$14.0K and a decrease in EKPC payroll and benefits of \$19.4K Supervision, labor and rental to vacuum out Ash Building

Material: Transformer silico rectifier

Project 03501 - Decrease in Contractor expenses of \$0.6K and a decrease in EKPC payroll and benefits of \$0.5K

May - Project 03330 - Increase in Contractor expenses of \$1.7K, increase in materials of \$33.7K and an increase in EKPC payroll and benefits of \$17.7K

Material: Rapper insulators,

Project 03501 - Increase in Contractor expenses of \$12.8K, and an increase in EKPC payroll and benefits of \$0.9K

Catalyst testing on unit 2 SCR

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Project 03206 is for Spurlock 3 Boiler Pollution Control equipment and Project 03350 is for Spurlock 3 Bag House, SNCR and FDA equipment.

January - Project 03206 - Decrease in Contractor expenses of \$37.6K, decrease in materials of \$47.8K and a decrease in EKPC payroll and benefits of \$10.6K Supervision, Labor and rental to vacuum 3-B Limestone Crusher, A2 Hopper and Hopper Floors and Baghouse Mixers

Material: Seal wear rings, oil shaft seal and upper bearing shim set

Project 03350 - Decrease in Contractor expenses of \$754.6K, increase in materials of \$660.7K and a decrease in EKPC payroll and benefits of \$5.3K Purchase and deliver hot shot filter bags and Labor to vacuum FDA Mixers

Material: Membrane filter bags

#### Page 4 of 24

Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2011 East Kentucky Power Cooperative, Inc.

February - Project 03206 - Increase in Contractor expenses of \$169.1K, increase in materials \$12.4 and an increase in EKPC payroll and benefits of \$23.1K

Labor and material to replace cyclone ammonia spray bars

Material: Timing belt, 6" outlet tee, 8" sluice elbows

Project 03350 - Increase in Contractor expenses of \$16.0K, decrease in materials of \$1.1K and a increase in EKPC payroll and benefits of \$9.4K

Supervision, fabor and equipment to install Baghouse alarms

Project 03350 - Increase in Contractor expenses of \$167.0K, increase in materials of \$674.6K and an increase in EKPC payroll and benefits of \$8.6K March - Project 03206 - Decrease in Contractor expenses of \$3.0K, increase in materials of \$99.4K and an increase in EKPC payroll and benefits of \$9.2K Materials: Diffuser assembly feeder, feeder body, 2 1/2" vent valve, 8" seal discs, 8" seal disc lever, ball bearings, plow body holder

General Baghouse maintenance, Baghouse Leak testing and Baghouse pre-coating

April - Project 03206 - Decrease in Contractor expenses of \$95.0K, decrease in materials of \$104.6K and an increase in EKPC payroll and benefits of \$17.5K Material and labor to realign FBHE reheater

Rental, erect and disassemble scaffolding

Project 03350 - Increase in Contractor expenses of \$90.3K, decrease in materials of \$663.0K and an increase in EKPC payroll and benefits of \$6.5K Materials: Diffuser assembly feeder, feeder body, 2 1/2" vent valve, 8" seal discs, 8" seal disc lever, ball bearings, plow body holder

Labor and material to install isolation valves

Supervision, labor and rental to vacuum in Hoppers and ducts, mixers, reheat and superheat boxes,

Supervision, labor and rental to vacuum and open nozzles in fire box

May - Project 03206 - Increase in Contractor expenses of \$874.8K, decrease in materials of \$0.6K and an decrease in EKPC payroll and benefits of \$49.6K Labor, Material and Equipment for Refractory Repairs for Boiler Pollution Control Equipment

Project 03350 -Decrease in Contractor expenses of \$109.7K, decrease in materials of \$10.5K and an decrease in EKPC payroll and benefits of \$21.2K

Labor to replace baghouse hopper

June - Project 03206 - Decrease in Contractor expenses of \$770.8K, increase in Materials of \$19.7K and an Increase in EKPC payroll and benefits of \$14.7K Labor, Material and Equipment for Refractory Repairs for Boiler Pollution Control Equipment

Project 03350 -Decrease in Contractor expenses of \$150.8K, Decrease in materials of \$0.1K and a Decrease in EKPC payroll and benefits of \$2.7K

Labor to replace baghouse hopper

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Project 03206 is for Spurlock 4 Boiler Pollution Control equipment and Project 03350 is for Spurlock 4 Bag H

Project 03350 - Increase in Contractor expenses of \$14.2K, decrease in materials of \$4.4K and an increase in EKPC payroll and benefits of \$9.8K January - Project 03206 - Decrease in Contractor expenses of \$0.4K, increase in materials of \$4.3K and a decrease in EKPC payroll and benefits of \$10.7K

Labor and material to install heater bundle for ammonia vaporizer

February - Project 03206 - Decrease in Contractor expenses of \$2.3K, decrease in materials of \$3.5K and an increase in EKPC payroll and benefits of \$19.0K Project 03350 - Decrease in Contractor expenses of \$20.5K, increase in materials of \$0.6K and a decrease in EKPC payroll and benefits of \$5.3K Project 03350 - Decrease in Contractor expenses of \$20.5K, increase in materials of \$0.6K and a decrease in EKPC payroll and benefits of \$5.3K

Supervision, labor and rental to vacuum out CO2 A mixers

Project 03350 - Increase in Contractor expenses of \$13.2K, decrease in materials of \$1.8K and an increase in EKPC payroll and benefits of \$0.5K March - Project 03206 - Increase in Contractor expenses of \$1.6K, increase in materials of \$8.1K and a decrease in EKPC payroll and benefits of \$19.0K Supervision, labor and rental to vacuum out baghouse

April - Project 03206 - Increase in Contractor expenses of \$18.1K, decrease in materials of \$0.1K and an increase in EKPC payroll and benefits of \$14.1K Labor and material to field weld flange

Downspout elbow with chromium carbide and paint system

Project 03350 - Increase in Contractor expenses of \$3.0K, increase in materials of \$0.4K and a decrease in EKPC payroll and benefits of \$7.9K

May - Project 03206 - Decrease in Contractor expenses of \$11.6K, decrease in materials of \$3.7K and an increase in EKPC payroll and benefits of \$1.5K Install 8 1" air regulators with isolation valve in 2" air line on top of baghouse

Project 03350 - Decrease in Contractor expenses of \$9.6K, increase in materials of \$3.0K and an increase in EKPC payroll and benefits of \$13.2K

June - Project 03206 - Decrease in Contractor expenses of \$4.4K, Increase in materials of \$0.9K and a Decrease in EKPC payroll and benefits of \$7.7K Project 03350 - Increase in Contractor expenses of \$2.3K, Decrease in Materials of \$2.5K and a Decrease in EKPC payroll and benefits of \$12.1K

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January - Decrease in Contractor expenses of \$51.7K, decrease in materials of \$6.7K and an increase in EKPC payroll and benefits of \$20.4 Rental, erect and disassemble of scaffolding

Vibration monitoring services

February - Increase in Contractor expenses of \$129.2K, increase in materials of \$5.1K and a decrease in EKPC payroll and benefits of \$23.7K

Repair and balance Ekato WJ3-1 (agitator impellers)

Reinforced PVC and vinyl tubing

Rental, erect and disassemble of scaffolding

March - Decrease in Contractor expenses of \$53.7K, decrease in materials of \$8.7K and a decrease in EKPC payroll and benefits of \$0.6K

Repair SLM-6000 mechanical (seal for pump)

Vibration monitoring services

May - Increase in Contractor expenses of \$77.1K, decrease in materials of \$1.4K and an increase in EKPC payroll and benefits of \$0.1K Water blast and vacuum unit

June - Decrease in Contractor expenses of \$18.1K, Decrease in Materials of \$1.8K and a Decrease in EKPC payroll and benefits of \$10.0K

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January - Increase in Contractor expenses of \$68.4K, increase in materials of \$19.3K and a decrease in EKPC payroll and benefits of \$3.5K Labor to inspect and make repairs to Unit 2 Scrubber WESP

Material: Throat bushing

Corrections made in February for January caused February to have a credit balance; February expenses were recorded in March. February - Decrease in Contractor expenses of \$411.4K, decrease in materials of \$18.6K and a decrease in EKPC payroll and benefits of \$7.9K.

Labor to Install burners

Labor to Mill coil heaters

Material: Mechanical Seal Labor for unit #2 SCR

March - Increase in Contractor expenses of \$455.3K, decrease in materials of \$12.2K and an increase in EKPC payroll and benefits of \$43.9K

Difference of \$213,865 included in March calculation from omission in February 2011.

Labor & Equipment to pull burners and replace tips and nozzles

Material: Mechanical Seal

April - Decrease in Contractor expenses of \$363.8K, increase in materials of \$31.0K and a decrease in EKPC payroll and benefits of \$32.3K

Labor, Material and Equipment to perform Preventive Maintenance.

Material: Throat bushing

May - Decrease in Contractor expenses of \$48.7K, decrease in materials of \$0.1K and a decrease in EKPC payroll and benefits of \$0.3K

Labor, Material and Equipment for Assembly 4X6-10G pump model 3196

June - Increase in Contractor expenses of \$39.2K, Decrease in Materials of \$24.4K and an Increase in EKPC payroll and benefits of \$7.3K

Labor, Material and Equipment for Assembly 4X6-10G pump model 3196

Material: Mechanical seal (repaired)

East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2011

						-	14011	duil
Air Permit Fees			20	Feb	March	Apr	Ividy	2
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	Percent Change		-100.00%					
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50631	Misc Stm PWr Env - Cooper			٠.	ı 4	ı ج	·	۱ <del>۱</del>
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ENGAR	Misc Stm Pwr Env - Spurlock	720		•	6	4	•	ا جو
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Air permit fees paid in December for Dale, Cooper and Spurlock for calendar 2010 emissions.

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The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

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# East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2011

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone.

January - Limestone expenses increased by \$13.9K and Ammonia expenses increased by \$42.5K.

February - Limestone expenses decreased by \$45.9K and Ammonia expenses increased by \$3.3K.

March - Limestone expenses decreased by \$261.9K and Ammonia expenses increased by \$1.0K. Note that unit was on outage during March.

April - Limestone expenses increased by \$276.1K and Ammonia expenses decreased by \$28.1K

May - Limestone expenses increased by \$31.7K and Ammonia expenses increased by \$8.1K

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Operating LAPS	Operating Expense Emissions and Figure 1991	200	lan.	Feb	March		Apr	May	_	June
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March - Limestone expenses increased by \$7.3K and Magnesium expenses increased by \$12.2K.

April - Limestone expenses decreased by \$80.8K and Magnesium expenses decreased by \$18.2K. Note that unit was on outage most of April and part of May.

May - Limestone expenses increased by \$33.5K and Magnesium expenses increased by \$6.2K

June - Limestone expenses increased by \$51.9K and Magnesium expenses increased by \$6.0K

East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2011

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January - Limestone expenses increased by \$14.4K and Magnesium expenses increased by \$12.5K.

February - Limestone expenses decreased by \$66.9K and Magnesium expenses decreased by \$11.3K.

March - Limestone expenses increased by \$51.9K and Magnesium expenses increased by \$12.4K.

April - Limestone expenses decreased by \$13.5K and Magnesium expenses decreased by \$12.3K

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April - Limestone expenses increased by \$10.9K and Ammonia expenses increased by \$27.7K

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	1.0	-	III.	And	Sep	Oct	No.	Dec
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20.00		0 (47 222)	4 120 011 \$	4 139 411	s 126.540   s		, 85,258	000,01
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			-849 11%	8.06%	-9.23%	-52.85%	42.91%	-81.00%

Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

Unit was on outage parts of October through December.

Fue Fue								
504040 - SD04	A 11 - 1 - 1 - 1 - 1	=	-	And	Sep	ö	NON	nec
	el Coal Souriock 4	- 55	30			l		444.070
100000000000000000000000000000000000000	A CHOLOGO COCK	115 3641	\$ 114 406 S	138 294   9	\$ 68,137   \$	\$ (4,837) \$	\$ 84,569 4	114,079
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	Expense Dollary Clariga		) :	, , , , ,	1001		1010 2007	35 60%
	Darrent Channe		-844.64%	20.88%	-50.73%		١.	00.00

Monthly expense changes are due to increases or decreases in contractor payments for ash removal. In October, received a haul rate credit for Jan-May 2011 that exceeded October's expense.

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	K 12-01-11-11-11-11-11-11-11-11-11-11-11-11-	lin	=	Alid	Sep	Ö	No.	Dec
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	Doront Change		-/8.65%	-20.26%			١	١
_	ו פוספור סוומופס							

Project 03330 is for the Spurlock 1 Electrostatic Precipitator and Project 03501 is for Spurlock 1 SCR maintenance.

Project 03330 - Decrease in Contractor expenses of \$150.3K, Increase in EKPC payroll and benefits of \$0.6K and an Increase in materials 4.1K. July -

Labor to inspect and labor and materials to repair precipitators

Labor and materials to repair breakers

Project 03501 - Increase in Contractor expenses of \$26.1K and an Increase in EKPC payroll and benefits of \$0.4K.

August - Project 03330 - Increase in Contractor expenses of \$6.8K, Decrease in materials of \$1.0K and an Increase in EKPC payroll and benefits of \$2.4K. Project 03501 - Decrease in Contractor expenses of \$26.3K and a Decrease in EKPC payroll and benefits of \$0.2K

September - Project 03330 - Decrease in Contractor expenses of \$6.8K, Decrease in materials of \$4.6K and a Decrease in EKPC payroll and benefits of \$1.8K. Project 03501 - Increase in Contractor expenses of \$0.1K and an Decrease in EKPC payroll and benefits of \$0.4K

October - Project 03330 - Increase in Contractor expenses of \$1.5K, Increase in Materials of \$1.4K and an Increase in EKPC payroll and benefits of \$0.4K. Project 03501 - Increase in EKPC payroll and benefits of \$0.7K

November - Project 03330 - Decrease in Contractor payments of \$1.5K, Decrease in Materials of \$0.1K and a decrease in EKPC payroll and benefits of \$1.4K. Project 03501 - Increase in Contractor expenses of \$2.0K and an Decrease in EKPC payroll and benefits of \$0.7K

December - Project 03330 - Increase in EKPC payroll and benefits of \$0.5K.

Project 03501 - Increase in Contractor expenses of \$18.4K and an Increase in EKPC payroll and benefits of \$1.5K

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		240000 00000	2016 - 000216				

Project 03330 is for the Spurlock 2 Electrostatic Precipitator and Project 03501 is for Spurlock 2 SCR maintenance.

\*Note that the Spurlock 2 Electrostatic Precipitator project is not an EKPC compliance plan project that is eligible for recovery through the surcharge. This project was inadvertently included in the surcharge calculation for 2011. In January 2012, a catch-up correction was made to the surcharge calculation which removed expenses associated with this project.

Project 03501 - Decrease in Contractor expenses of \$1.0K, Decrease in Materials of \$0.3K and a Decrease in EKPC payroll and benefits of \$2.6K. Project 03330 - Increase in Contractor payments of \$0.8K, Increase in Materials of \$0.6K and a Decrease in EKPC payroll and benefits of \$15.1K July -

August - Project 03330 - Decrease in Contractor expenses of \$40.4K, Decrease in materials of \$0.5K and an Increase in EKPC payroll and benefits of \$0.8K Project 03501 - Increase in Contractor expenses of \$9.4K and an Decrease in EKPC payroll and benefits of \$2.5K

September - Project 03330 - Decrease in Contractor expenses of \$1.2K and a Decrease in EKPC payroll and benefits of \$4.3K Project 03501 - Decrease in Contractor expenses of \$9.4K, and an Increase in EKPC payroll and benefits of \$1.1K

October - Project 03330 - Decrease in Contractor expenses of \$0.5K, increase in materials of \$13.2K and an increase in EKPC payroll and benefits of \$10.7K Material: Rapper Insulator, Outer needle bearing and packing nut

Project 03501 - Increase in Materials of \$0.3K and a Increase in EKPC payroll and benefits of \$4.5K

November - Project 03330 - Increase in Contractor expenses of \$8.3K, Decrease in Materials of \$5.4K and an Decrease in EKPC payroll and benefits of \$3.9K Project 03501 - Increase in Contractor expenses of \$10.2K, Decrease in Materials of \$0.3 and an Decrease in EKPC payroll and benefits of \$2.0K

December - Project 03330 - Decrease in Contractor expenses of \$5.9K, Decrease in Materials of \$11.2K and an Decrease in EKPC payroll and benefits of \$4.7K.

Project 03501 - Increase in Contractor expenses of \$6.9K and a Decrease in EKPC payroll and benefits of \$3.3K Material: Interface module and 1/3HP motor

Dec		417 091	- 0	1000	(42,230)	1	0,00.7-			
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Project 03206 is for Spurlock 3 Boiler Pollution Control equipment and Project 03350 is for Spurlock 3 Bag House, SNCR and FDA equipmer

July - Project 03206 - Decrease in Contractor expenses of \$174.8K, Decrease in Materials of \$18.2K and a Decrease in EKPC payroll and benefits of \$12.7K Material: Filter elements, air filters and multirange timer

Supervision, Labor and rental to vacuum 3-B Limestone Crusher, A2 Hopper and Hopper Floors and Baghouse Mixers Project 03350 - Decrease in Contractor expenses of \$6.3K, Increase in Materials of \$1.8K and an Increase in EKPC payroll and benefits of \$1.2K

August - Project 03206 - Increase in Contractor expenses of \$3.5K, Decrease in Materials \$1.4 and a Decrease in EKPC payroll and benefits of \$8.6K Project 03256 - Decrease in Contractor expenses of \$4.0K, Decrease in Materials of \$3.0K and an Increase in EKPC payroll and benefits of \$6.0K

September - Project 03206 - Increase in Contractor expenses of \$14.3K, Decrease in Materials of \$2.2K and an Increase in EKPC payroll and benefits of \$10.8K Project 03350 - Decrease in Contractor expenses of \$1.8K, Increase in Materials of \$0.4K and a Decrease in EKPC payroll and benefits of \$2.5K

October - Project 03206 - Decrease in Contractor expenses of \$17.8K, Increase in Materials of \$12.2K and a Decrease in EKPC payroll and benefits of \$6.9K Project 03350 - Decrease in Contractor expenses of \$4.9K, Increase in Materials of \$2.8K and an Increase in EKPC payroll and benefits of \$1.0K

November - Project 03206 - Increase in Contractor expenses of \$357.2K, Increase in Materials of \$131.0K and an Increase in EKPC payroll and benefits of \$7.0K

Labor and materials for cyclone repairs

Labor, materials and equipment for refractory repairs

Labor, materials and equipment for FBAC tube repairs

Vacuum and Hydro-Blast Cleaning Boiler

Project 03350 - Increase in Contractor expenses of \$15.5K, Increase in Materials of \$3.1K and an Increase in EKPC payroll and benefits of \$6.4K

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Oct	894,022 (195,291) -17.93%	
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Aug	58,686 (85,016)	use, SNCR and FI
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	Jun 52,388	24 02250 ic for S
	Soiler Plant Spurlock 4 Expense Dollars Expense Dollars Change	Percent Change
	anance of Boiler Pla	<u> </u>
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	- SP04	
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Project 03206 is for Spurlock 4 Boiler Pollution Control equipment and Project 03350 is

Project 03350 - Increase in Contractor expenses of \$700.5K, Decrease in Materials of \$656.9K and an increase in EKPC payroll and benefits of \$12.0K July - Project 03206 - Increase in Contractor expenses of \$9.6K, Increase in Materials of \$23.4K and an Increase in EKPC payroll and benefits of \$2.7K

Supervision, Labor, materials and equipment to vaccuum out mixers on unit #4 Baghouse and vacuum floor

Supervision, Labor, materials and equipment to repair 5" DIA X 317-1/2" LG, Snapband

August - Project 03206 - Decrease in Contractor expenses of \$6.5K, Decrease in Materials of \$20.2K and a Decrease in EKPC payroll and benefits of \$7.3K

Project 03350 - Decrease in Contractor expenses of \$699.1K, Increase in Materials of \$657.1K and a Decrease in EKPC payroll and benefits of \$9.0K

Supervision, Labor, materials and equipment to vaccuum out mixers on unit #4 Baghouse and vaccuum floor Supervision, Labor, materials and equipment to repair 5" DIA X 317-1/2" LG, Snapband

September - Project 03206 - Increase in Contractor expenses of \$167.7K, Increase in Materials of \$88.5K and an Increase in EKPC payroll and benefits of \$55.0K Project 03350 - Increase in Contractor expenses of \$21.9K, increase in Materials of \$679.7K and an increase in EKPC payroll and benefits of \$17.8K Material: 17" shaft assembly plug, Upper bearing housing, 6" outlet tees, air cylinder, valve seal seats Rental, Erect and Disassembly of Scaffolding for Crossover Outlet Ducts Air Test Supervision, labor and rental to vacuum out baghouse and floors

Material: Membrane filter bags, self aligning ball bearings, 30HP gearmotor Supervision, labor and rental to vacuum out baghouse

October - Project 03206 - Increase in Contractor expenses of \$413.2K, Decrease in Materials of \$91.4K and a Decrease in EKPC payroll and benefits of \$26.3K

Labor and material to repair 4A and 4C FBAC and 4B FBHE Labor, material and equipment to repair refractory

Supervision, labor and rental to vacuum out baghouse and floors

Project 03350 - Increase in Contractor expenses of \$199.3K, Decrease in Materials of \$672.7K and a Decrease in EKPC payroll and benefits of \$17.4K Material: 17" shaft assembly plug, Upper bearing housing, 6" outlet tees, air cylinder, valve seal seats

Supervision, labor and rental to vacuum out baghouse and floors Rental, Erect and Disassembly of Scaffolding

Material: Membrane filter bags, self aligning ball bearings, 30HP gearmotor Labor and material to weld FDA punch

November - Project 03206 - Decrease in Contractor expenses of \$287.3K, Decrease in Materials of \$20.1K and a Decrease in EKPC payroll and benefits of \$32.2K

Labor and material to repair 4A and 4C FBAC and 4B FBHE

Labor, material and equipment to repair refractory

Supervision, labor and rental to vacuum out baghouse and floors Rental, Erect and Disassembly of Scaffolding

Material: 17" shaft assembly plug, Upper bearing housing, 6" outlet tees, air cylinder, valve seal seats

Project 03350 - Decrease in Contractor expenses of \$81.0K, Decrease in Materials of \$96.9K and a Decrease in EKPC payroll and benefits of \$2.4K

Supervision, (abor and rental to vacuum out baghouse and floors

Rental, Erect and Disassembly of Scaffolding

Labor and material to weld FDA punch

Matenal: Membrane filter bags, self aligning ball bearings, 30HP gearmotor

December - Project 03206 - Decrease in Contractor expenses of \$295.0K, Increase in Materials of \$17.9K and an Increase in EKPC payroll and benefits of \$9.7K

Labor and material to repair 4A and 4C FBAC and 4B FBHE

Labor, material and equipment to repair refractory

Supervision, labor and rental to vacuum out baghouse and floors

Rental, Erect and Disassembly of Scaffolding

Material: Oil journal assembly with trunnion

Project 03350 - Decrease in Contractor expenses of \$94.1K, Increase in Materials of \$91.3K and a Decrease in EKPC payroll and benefits of \$1.8K

Supervision, labor and rental to vacuum out baghouse and floors Rental, Erect and Disassembly of Scaffolding

Labor and material to weld FDA punch Material: Turning J-duct ceramic vane

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	512000 - SP27	20000			_	_			_

July - Decrease in Contractor expenses of \$36.5K, Increase in Materials of \$10.9K and an Increase in EKPC payroll and benefits of \$1.7K

Rental, erect and disassemble of scaffolding

Material: Mechanical single cartridge seal Vibration monitoring services

August - Increase in Contractor expenses of \$21.2K, Increase in Materials of \$2.2K and a Decrease in EKPC payroll and benefits of \$2.0K

Rental, erect and disassemble of scaffolding

Vibration monitoring services

September - Decrease in Contractor expenses of \$64.0K, Decrease in Materials of \$11.9K and an Increase in EKPC payroll and benefits of \$7.2K

Scrubber reaction tank agitators monitored

Recycle pump impeller adjustments

Vibration monitoring services Material: 6X4 sleeve, butterly valve

October - Decrease in Contractor expenses of \$4.3K, Decrease in Materials of \$3.2K and a Decrease in EKPC payroll and benefits of \$5.5K

November - Decrease in Contractor expenses of \$21.6K, Decrease in Materials of \$94.2K and an Increase in EKPC payroll and benefits of \$8.0K

Scrubber reaction tank agitators monitored

Recycle pump impeller adjustments

Material: Wingjet agitator impeller

December - Increase in Contractor expenses of \$70.1K, Increase in Materials of \$110.3K and a Decrease in EKPC payroll and benefits of \$10.0K Boll filter in differential alarm cleaned

Hydroclone valves repaired Ball mill recycle sleeve bearing adjustment

Material: Wingjet agitator impeller

2         Mtce of Boiler Plant Scrubber 2         Jun         Jul         Aug         Sep         Oct           Expense Dollars Change Percent Change         \$ (23,746)         \$ (9,275)         \$ 88,763         \$ 706,189	Nov	١	-	. ,	(564.782)  \$ 282,310		-66.22%  97.98%		
oiler Plant Scrubber 2         Jun         Jul         Aug         \$           Expense Dollars Change Percent Change         \$ 90,979         \$ 67,233         \$ 57,958         \$           Expense Dollars Change Percent Change         \$ (23,746)         \$ (9,275)         \$	120	3	в	9	e	<del>)</del>			
oiler Plant Scrubber 2         Jun         Jul         F           Expense Dollars         \$ 90,979         \$ 67,233         \$           Expense Dollars Change Percent Change         \$ (23,746)         \$	200	dac	6	A	•	Ð		***************************************	
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101			Mice of Boiler Plant Scrubber 2		Expense Dollar		Expense Dollars Changi	2000dO +2000	

July - Decrease in Contractor expenses of \$23.4K, Increase in Materials of \$8.5K and a Decrease in EKPC payroll and benefits of \$8.8K Labor, Material and Equipment for Assembly 4X6-10G pump model 3196

August - Decrease in Contractor expenses of \$16.0K, Increase in Materials of \$6.7K and an Increase in EKPC payroll and benefits of \$0.1K Labor, Material and Equipment for Assembly 4X6-10G pump model 3196

September - Increase in Contractor expenses of \$88.6K, Decrease in Materials of \$6.3K and an Increase in EKPC payroll and benefits of \$6.5K

Labor and material to install conduit

Vibration monitoring services

October - Increase in Contractor expenses of \$587.0K, Increase in Materials of \$109.6K and an Increase in EKPC payroll and benefits of \$9.5K

Vibration monitoring services Collecting Electrodes

Material: Spare wingjet impeller (repaired), Welding electrode

November - Decrease in Contractor expenses of \$456.3K, Decrease in Materials of \$104.2K and a Decrease in EKPC payroll and benefits of \$4.3K

Vibration monitoring services

Collecting Electrodes

Material: Spare wingjet impeller (repaired), Welding electrode

December - Increase in Contractor expenses of \$306.6K, Decrease in Materials of \$10.4K and a Decrease in EKPC payroll and benefits of \$13.9K

Rental, erect and disassemble of scaffolding

Vibration monitoring services

East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period July - December 2011

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506002 - DA00	Misc Stm Pwr Env - Dale	III	5			6		\$ 321,663
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Air permit fees paid in December for Dale, Cooper and Spurlock for calendar 2011 emissions.

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The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

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The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

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Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone.

October - Limestone expenses Decreased by \$160.3K and Ammonia expenses Decreased by \$8.2K

November - Limestone expenses Decreased by \$44.1K and Ammonia expenses Increased by \$12.0K

December - Limestone expenses Decreased by \$61.2K and Ammonia expenses Increased by \$12.9K

East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period July - December 2011

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November - Limestone expenses Decreased by \$44.3K and Ammonia expenses Decreased by \$12.1K

December - Limestone expenses Increased by \$17.5K and Ammonia expenses Increased by \$3.2K

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July - Limestone expenses Increased by \$28.3K and Magnesium expenses Increased by \$12.1K.

August - Limestone expenses Decreased by \$1.2K and Magnesium expenses Increased by \$24.9K.

September - Limestone expenses Decreased by \$14.4K and Magnesium expenses Decreased by \$33.8K. October - Limestone expenses Decreased by \$9.5K

November - Limestone expenses Increased by \$98.4K and Magnesium expenses Decreased by \$5.9K

December - Limestone expenses Increased by \$19.6K and Magnesium expenses Increased by \$39.7K

Description Export	so. Ammonia and Limestolle								,
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September - Limestone expenses Decreased by \$277.3K and Magnesium expenses Decreased by \$21.9K. Unit was on outage for part of September

October - Limestone expenses Increased by \$156.5K and Magnesium expenses Decreased by \$10.3K

November - Limestone expenses Increased by \$92.0K and Magnesium expenses Increased by \$15.4K

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	1 1110 I - 0 I I	CoC	- I	Feb	March	Apr	way	anne
501010 - SP03	Fuel Coal Gilbert	200			l	١,		
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	Parcent Change		6/0.83%	0/ 08. /	- 12.30 /0	200		

Monthly expense changes are due to increases or decreases in contractor payments for ash removal. Note that the Gilbert Unit was on scheduled outage during April and some of June.

Fuel Coal Spurlock 4         Dec         Jan         Feb         March         Apr         May         June           Expense Dollars Change         \$ 114,679         \$ 130,739         \$ 129,947         \$ 116,303         \$ 121,432         \$ 119,504         \$ 127,512           Expense Dollars Change         \$ 16,060         \$ (792)         \$ (13,644)         \$ 5,129         \$ (1,928)         \$ 8,008           Percent Change         14.00%         -0.61%         -10.50%         4.41%         -1.59%         6.70%							•	
Dec         Jain         Per Name         March 12,303         \$ 121,432         \$ 119,504         \$ 119,5		(	11	702	March	Δnr	Mav	June
Sense Dollars       \$ 114,679       \$ 130,739       \$ 129,947       \$ 116,303       \$ 121,432       \$ 119,504 </th <th>End Cost Spiritock 4</th> <th>Cec</th> <th>רשט</th> <th>בו</th> <th>150 0</th> <th>.4.,</th> <th></th> <th></th>	End Cost Spiritock 4	Cec	רשט	בו	150 0	.4.,		
\$ 114,679       \$ 130,739       \$ 129,947       \$ 116,303       \$ 121,432       \$ 119,304       \$ 10,928         nange       \$ 16,060       \$ (792)       \$ (13,644)       \$ 5,129       \$ (1,928)       \$ 14,028         nange       14,00%       -0.61%       -10.50%       4,41%       -1.59%	ruei coai oparioen t					007 707	ŧ	U
nange   14,00%   -0.61%   -10.50%   4.41%   -1.59%   -1.59%	Color Coccess	4	430 739	129 947		121,432	Ð	<del>)</del>
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Monthly expense changes are due to increases or decreases in contractor payments for ash removal.

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	A 100 land 11 - 11 - 12 - 11	Jac	lan.	Feb	March	Apr	May	June
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	Darrent Change		-88.22%	3.87%	35.00%	413.0270	'	1

Project 03330 is for the Spurlock 1 Electrostatic Precipitator and Project 03501 is for Spurlock 1 SCR maintenance.

Project 03501 - Decrease in Contractor expenses of \$20.4K and a Decrease in EKPC payroll and benefits of \$0.5K. January - Project 03330 - Increase in EKPC payroll and benefits of \$0.4K.

March - Project 03330 - Decrease in Contractor expenses of \$1.5K, Decrease in Materials of \$0.6K and an Increase in EKPC payroll and benefits of \$1.8K. Project 03501 - Increase in EKPC payroll and benefits of \$1.3K

April - Project 03330 - Decrease in EKPC payroll and benefits of \$1.8K.

Project 03501 - Increase in Contractor expenses of \$10.0K, Increase in Materials of \$7.1K and an increase in EKPC payroll and benefits of \$0.6K

May - Project 03330 - Increase in Contractor payments of \$0.5K, Increase in Materials of \$3.9K and an Increase in EKPC payroll and benefits of \$0.2K.
Project 03501 - Decrease in Contractor expenses of \$10.0K, Decrease in Materials of \$6.8K and an increase in EKPC payroll and benefits of \$3.9K

June - Project 03330 - Increase in Contractor payments of \$146.6K, Decrease in Materials of \$3.9K and an Increase in EKPC payroll and benefits of \$1.1K. Labor to inspect and labor and materials to repair unit #1 precipitators

Project 03501 - Increase in Contractor expenses of \$41.9K, Decrease in Materials of \$0.3K and a Decrease in EKPC payroll and benefits of \$3.2K Pillow block shaft protectors

Rent, erect and dismantle scaffolding

		200	ne	Feb	March	Apr	May	June
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70 10 - 000710		10000		4	7637	U.	3	170,17
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	Percent Change		-205/.11%	-101.30%				ı

Project 03501 is for Spurlock 2 SCR maintenance

\*Note that the Spurlock 2 Electrostatic Precipitator project is not an EKPC compliance plan project that is eligible for recovery through the surcharge. This project was inadvertently included in the surcharge calculation for 2011. In January 2012, a catch-up correction was made to the surcharge calculation which removed expenses associated with this project.

As indicated in the Note above, a correction totalling \$409.1K was made to remove costs associated with the Spurlock 2 precipitator. January - Project 03501 - Decrease in Contractor expenses of \$17.1K and an Increase in EKPC payroll and benefits of \$0.5K

February - Project 03501 - Increase in Contractor expenses of \$4.8K and an increase in EKPC payroll and benefits of \$0.3K No correction was needed as was the case in January. March - Project 03501 - Decrease in Contractor expenses of \$4.8K, Increase in Materials of \$2.2K and an Increase in EKPC payroll and benefits of \$4.6K

April - Project 03501 - Increase in Contractor expenses of \$40.6K, Decrease in Materials of \$2.2K and a Decrease in EKPC payroll and benefits of \$8.9K

Vacuum and Hydro-blast cleaning element Repair Redkoh Module and relay coils May - Project 03501 - Decrease in Contractor expenses of \$40.6K and an Increase in EKPC payroll and benefits of \$4.9K

Vacuum and Hydro-blast cleaning element

Repair Redkoh Module and relay coils

June - Project 03501 - Increase in Materials of \$23.3K and an Increase in EKPC payroll and benefits of \$2.7K

Rent, erect and dismantle scaffolding

Vacuum and Hydro-blast boilers

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Project 03206 is for Spurlock 3 Boiler Pollution Control equipment and Project 03350 is for Spurlock 3 Bag House, SNCR and FDA equipment.

February - Project 03206 - Decrease in Contractor expenses of \$385.2K, Decrease in Materials \$17.9K and an Increase in EKPC payroll and benefits of \$20.2K

Labor, materials and equipment for refractory repairs Labor and materials for cyclone repairs

Labor, materials and equipment for FBAC tube repairs

Vacuum and Hydro-Blast Cleaning Boiler

Project 03350 - Increase in Contractor expenses of \$2.4K, Decrease in Materials of \$11.1K and an Increase in EKPC payroll and benefits of \$17.2K

March - Project 03206 - Decrease in Contractor expenses of \$14.5K, Decrease in Materials of \$2.6K and an Increase in EKPC payroll and benefits of \$5.0K

Project 03350 - Decrease in Contractor expenses of \$8.8K, Decrease in Materials of \$1.4K and a Decrease in EKPC payroll and benefits of \$20.1K

April - Project 03206 - Increase in Contractor expenses of \$85.7K, Increase in Materials of \$163.5K and an Increase in EKPC payroll and benefits of \$33.1K

Labor and material to install fresh air vents

Rental, erect and disassemble scaffolding for boiler tube leak

Vacuum and Hydro-blast Cleaning boilers

Material: Ceramic Vortex Finder, Valve Seal Seat

Project 03350 - Increase in Contractor expenses of \$16.9K, Increase in Materials of \$3.9K and an increase in EKPC payroll and benefits of \$18.5K

Vacuum and Hydro-blast Cleaning baghouse

May - Project 03206 - Increase in Contractor expenses of \$1,132.5K, Decrease in Materials of \$165.5K and a Decrease in EKPC payroll and benefits of \$13.7K

Labor, materials and equipment for refractory repairs

Rent, erect and disassemble scaffolding

Vacuum and Hydro-blast Cleaning boilers

Material: Ceramic Vortex Finder, Valve Seal Seat

Project 03350 - Increase in Contractor expenses of \$27.2K, Decrease in Materials of \$9.8K and a Decrease in EKPC payroll and benefits of \$7.0K

Supervision, labor, materials and equipment for moving baghouse programmable logic controller

June - Project 03206 - Decrease in Contractor expenses of \$1,129.8K, Decrease in Materials of \$11.1K and a Decrease in EKPC payroll and benefits of \$27.0K

Labor, materials and equipment for refractory repairs

Rent, erect and disassemble scaffolding

Vacuum and Hydro-blast Cleaning boilers

Project 03350 - Increase in Contractor expenses of \$67.6K, Increase in Materials of \$13.0K and an Increase in EKPC payroll and benefits of \$15.4K

Labor and materials for welders for FDA punch

Material: Filter Elements, Reducing Pressure valve and solenoid

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Project 03206 is for Spurlock 4 Boiler Pollution Control equipment and Project 03350 is for Spurlock 4 Bag House, SNCR and FDA equipment.

January - Project 03206 - Decrease in Contractor expenses of \$0.7K, Increase in Materials of \$2.4K and an Increase in EKPC payroll and benefits of \$9.4K Project 03350 - Decrease in Contractor expenses of \$66.5K, Decrease in Materials of \$2.0K and an Increase in EKPC payroll and benefits of \$2.9K

Supervision, labor and rental to vacuum out baghouse and floors

Rental, Erect and Disassembly of Scaffolding

Labor and material to weld FDA punch

February - Project 03206 - Decrease in Contractor expenses of \$1.5K, Decrease in Materials of \$0.7K and a Decrease in EKPC payroll and benefits of \$21.8K Project 03350 - Increase in Contractor expenses of \$31.3K, Increase in Materials of \$11.0K and an Increase in EKPC payroll and benefits of \$2.6K

Material: Optipow valve, Diaphragm valve and Thrust bronze washer Vacuum and Hydro-blast cleaning baghouse

May - Project 03206 - Decrease in Contractor expenses of \$15.2K, Increase in Materials of \$2.2K and a Decrease in EKPC payroll and benefits of \$0.5K

Vacuum and Hydro-blast cleaning boilers

Project 03350 - Decrease in Contractor expenses of \$7.1K, Decrease in Materials of \$10.5K and an Increase in EKPC payroll and benefits of \$1.2K Vacuum and Hydro-blast cleaning baghouse

June - Project 03206 - Increase in Contractor expenses of \$43.3K, Increase in Materials of \$28.8K and a Decrease in EKPC payroll and benefits of \$0.6K

Labor, material and equipment to overhaul 8 limestone mills

Material: Seal wear rings, Oil shaft seal and Upper bearing shim set

Project 03350 - Increase in Contractor expenses of \$4.8K, Increase in Materials of \$3.0K and an Increase in EKPC payroll and benefits of \$2.2K

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	L 2044: 200 to 10 - 21 - 0 2	Jac	nel.	Feb	March	Apr	May	June
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January - Decrease in Contractor expenses of \$65.6K, Decrease in Materials of \$30.7K and an Increase in EKPC payroll and benefits of \$6.2K.

Boll filter in differential alarm cleaned

Hydroclone valves repaired Ball mill recycle sleeve bearing adjustment

February - Increase in Contractor expenses of \$19.4K, Increase in Materials of \$12.4K and an Increase in EKPC payroll and benefits of \$3.1K

Labor and material to install conduit and wiring

Material: Mechanical single cartridge seal

March - Increase in Contractor expenses of \$4.3K, Increase in Materials of \$2.9K and an Increase in EKPC payroll and benefits of \$6.0K

April - Increase in Contractor expenses of \$1.0K, Increase in Materials of \$3.6K and a Decrease in EKPC payroll and benefits of \$14.3K

May - Increase in Contractor expenses of \$22.6K, Increase in Materials of \$100.7K and an Increase in EKPC payroll and benefits of \$20.0K

Labor and material to install conduit and wiring

Material: Wingjet agitator impeller, throat bushings

June - Increase in Contractor expenses of \$602.2K, Decrease in Materials of \$76.3K and a Decrease in EKPC payroll and benefits of \$6.2K

Rental, Erect and Disassembly of Scaffolding

Labor and material to waterblast unit #1 scrubber absorbers

Labor to remove expansion joints

Material: Wingjet agitator impeller, throat bushings

	Canddison Olone Complete	مور	lan.	Feb	March	Apr	May	June
512000 - SP22	MICE Of Boiler Plant Sciupper 2				١			
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			/OLC LC	`	7000 BB		-4 70%	-12/53%
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January - Decrease in Contractor expenses of \$558.5K, Increase in Materials of \$5.8K and an Increase in EKPC payroll and benefits of \$9.4K

Rental, erect and disassemble of scaffolding

Vibration monitoring services

February - Increase in Contractor expenses of \$63.0K, Increase in Materials of \$7.4K and an Increase in EKPC payroll and benefits of \$0.7K

Labor and material to install conduit and wiring

Vibration monitoring services

Labor and material to repair ceramic coating of GSL pump

March - Increase in Contractor expenses of \$62.8K, Decrease in Materials of \$9.1K and an Increase in EKPC payroll and benefits of \$1.4K

Rental, erect and disassemble of scaffolding

Labor and material to install conduit and wiring

Labor and material to repair ceramic coating of GSL

April - Decrease in Contractor expenses of \$52.1K, Increase in Materials of \$77.1K and an Increase in EKPC payroll and benefits of \$15.0K

Rental, erect and disassemble of scaffolding

Labor and material to install conduit and wiring Labor and material to repair ceramic coating of GSL

Material: Spare wingject impeller (repaired), Shaft end Kit with end disc

June - Decrease in Contractor expenses of \$33.9K, Decrease in Materials of \$211.9K and an Increase in EKPC payroll and benefits of \$11.0K

Rental, erect and disassemble of scaffolding

Labor and material to install conduit and wiring

Labor and material to repair ceramic coating of GSL

Material: Collecting Electrode Plates 1000MM

East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2012

Air Permit Fees			1	401	March	Anr	Mav	June
50821	Misc Stm Pwr Env - Dale	Dec	Jan	Len	Walcii	2		١
17000	Expense Dollars \$	321,663		- \$	· <del>· ·</del>	· <del>У</del>	·	ı ₽ <del>6</del>
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FORAS	Misc Stm Pwr Env - Spurlock	Dec	Jan	Len	Malci	Z.		
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	Percent Change		-100.00%					

Air permit fees paid in December for Dale, Cooper and Spurlock for calendar 2011 emissions.

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The monthly change in expense is due to the increase or decrease in payments for Ammonia receipts.

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Operating Expense- Allimonia and Emissions	200	nel	Feb	March	Apr		May	June	<u></u>
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## East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2012

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone.

January - Limestone expenses Increased by \$292.0K and Ammonia expenses Decreased by \$18.7K.

April - Limestone expenses Decreased by \$331.4K and Ammonia expenses Increased by \$40.7K Note that Gilbert was on outage in April.

May - Limestone expenses Increased by \$338.0K and Ammonia expenses Decreased by \$29.5K

June - Limestone expenses Decreased by \$250.2K and Ammonia expenses Increased by \$25.1K

C	mon I impostone and Magnesium								
Operating Expe	Operating Expense- Linestone and magnetime		20	Tob	March	Anr	Mav	つ 	June
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		-	,000	7007	7087 33	200 DOC	-76 12%		719.41%
	approd trooped		74 03%		•	200.007			

January - Limestone expenses Increased by \$23.0K and Magnesium expenses Decreased by \$2.7K.

March - Limestone expenses Decreased by \$64.0K and Magnesium expenses Decreased by \$6.3K.

April - Limestone expenses Increased by \$71.5K and Magnesium expenses Increased by \$31.7K

May - Limestone expenses Decreased by \$74.1K and Magnesium expenses Decreased by \$31.4K

June - Limestone expenses Increased by \$60.0K and Magnesium expenses Increased by \$12.6K

East Kentucky Power Cooperative, Inc. Environmental Surcharge Operating and Expense Month over Month Analysis For the Expense Period January - June 2012

Ouve Caritain	Constitute Expansed Impertone and Magnesium									-	
Operating Expe	alloc-Lillicatolic and magnerial.	200	ng	Fah		March	⋖	Apr	May		June
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200001 - 21 22		1,0	# 000 OF	40.460	₩ ₩	12 054	€	55 786 1	\$ 26.517	<u>~</u>	36,965
	Magnesium Expense	42.847	<del>م</del>		<b>→</b>	1,00,1	<b>.</b>	)			• !
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	Doront Thomas		39 90%		14%	3.26%		0.71%	10.01/0	0	+

January - Limestone expenses Decreased by \$55.4K and Magnesium expenses Decreased by \$32.8K.

February - Limestone expenses Increased by \$45.5K and Magnesium expenses Increased by \$6.4K.

May- Limestone expenses Increased by \$61.9K and Magnesium expenses Decreased by \$29.3K

June - Limestone expenses Decreased by \$45.1K and Magnesium expenses Increased by \$10.5K

,	Commence Ammonia and Limostone							-		
Operating Expo	Ilse- Allinollia and Elinestone							TA STATE	=	9
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	الكوريس المراب ا		21 06%	-7 64%	-1.75%		10.83%	-0.52%	•	6.55.7
			200:1							

January - Limestone expenses Increased by \$95.2K and Ammonia expenses Decreased by \$21.1K

April - Limestone expenses Increased by \$2.3K and Ammonia expenses increased by \$39.9K

### EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

#### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 5

RESPONSIBLE PARTY: Frank J. Oliva

Request 5. The Settlement Agreement approved in Case No. 2004-00321 provides that East Kentucky'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, 2012:

- 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.
- c. East Kentucky'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"). Include all supporting calculations showing how the weighted average debt cost was determined.

**Responses 5a-c.** Please see pages 2 through 5 of this response.

Weighted Average Cost of Debt

Rate of		$(5) = (4)^{*}1.5$			9	9	9	9	9	9		6.233%
	Weights	$(4)=(2)^*(3)$	0.347%	0.112%	0.374%	0.187%	0.459%	0.775%	1.063%	0.007%	0.8319	4.155%
	Cost	(3)	4.71%	4.92%	4.92%	4.92%	4.50%	4.32%	4.39%	4.40%	3.14%	
NBV or CWIP	5/31/2012	(2)	\$56,458,172	\$17,446,932	\$58,190,136	\$29,050,690	\$78,128,364	\$137,293,621	\$185,394,924	\$1,204,799	\$202,555,190	\$765,722,828
Loan	Source	(1)	Z-8	8 <del>-</del> -X	8 <del>-</del> }	8-7	AD-8	AG-8	AG-8	AH-8	AI-8	! !
	Compliance Droject		Gilbert (Environmental Portion)	Spiritork 1 - Precipitator	Sparlock 1 - SCR	Spariock 2 - SCR	Spuriock #4 (Environmental Portion)	Spariock #1 Scribber	Spanock #1 Scrubber	Dale 182 - Low Nox Burners	Air Oriality Control System (CRP)	Adamy Control of Control

Notes Regarding Other Projects in Compliance Plan: Spurlock 4 Ash Silos, Spurlock 1 Low Nox burners, and Continuous Monitoring Equipment projects did not have any advances as of 5/31/12. Spurlock Landfill Expansion and Spurlock 2 Ductwork Replacement projects were funded with general funds.

PSC Request 5
Page 3 of 5

<u>Y-8 30 year</u>	Note <u>Number</u>	Current liability 05-31-12	Interest <u>Rate</u>	Yearly <u>Interest</u>	
	H0720	21,082,977	4.460%	940,301	
	H0725	21,259,632	4.819%	1,024,502	
	H0730	21,152,105	4.950%	1,047,029	
	H0750	21,389,713	5.091%	1,088,950	
	H0755	21,417,032	5.149%	1,102,763	
	H0760	21,377,419	5.065%	1,082,766	
	H0765	21,351,791	5.011%	1,069,938	
	H0770	23,130,394	5.149%	1,190,984	
	H0885	5,667,251	4.890%	277,129	
	H0960	9,900,048	4.338%	429,464	
	H1005	3,845,867	4.306%	165,603	
	11	191,574,228	4.92%	9,419,429	
		Current			
	Note	liability	Interest	Yearly	
<u>Z-8 30 year</u>	Number	<u>05-31-12</u>	Rate	<u>Interest</u>	
	H0810	45,311,394	4.744%	2,149,573	
	H0815	45,375,521	4.825%	2,189,369	
	H0820	45,470,068	4.946%	2,248,950	
	H0825	22,621,287	4.658%	1,053,700	
	H0830	22,555,848	4.497%	1,014,336	
	H0835	22,640,140	4.705%	1,065,219	
	H0840	22,487,394	4.332%	974,154	
	H0845	17,087,870	4.324%	738,879	
	H0855	27,052,702	4.468%	1,208,715	
	H0860	27,053,691	4.470%	1,209,300	
	H0870	27,198,755	4.769%	1,297,109	
	H0890	13,820,233	5.345%	738,691	
	H0895	9,211,830	5.333%	491,267	
	H0915	21,262,173	4.776%	1,015,481	
	H0920	21,500,142	4.812%	1,034,587	
	H1025	3,404,962	3.801%	129,423	

16

394,054,010

4.71%

18,558,752

PSC Request 5
Page 4 of 5

		Current		
	Note	liability	Interest	Yearly
AD-8 30 year	Number	<u>05-31-12</u>	Rate	<u>Interest</u>
	H0925	47,807,749.32	4.821%	2,304,812
	H0930	23,886,800.15	4.736%	1,131,279
	H0935	47,746,397.54	4.669%	2,229,279
	H0940	23,813,924.48	4.384%	1,044,002
	H0945	47,737,819.38	4.648%	2,218,854
	H0955	47,720,176.96	4.605%	2,197,514
	H0965	7,621,269.43	4.396%	335,031
	H0975	19,046,210.75	4.355%	829,462
	H0980	19,048,422.56	4.368%	832,033
	H0985	23,843,953.80	4.527%	1,079,416
	H0990	23,890,432.74	4.754%	1,135,75
	H0995	23,863,787.41	4.623%	1,103,223
	H1000	7,519,404.38	4.298%	323,184
	H1010	23,806,059.52	4.347%	1,034,849
	H1015	23,818,371.02	4.405%	1,049,19
	H1020	6,942,107.49	2.846%	197,57
	H1030	23,614,470.61	3.651%	862,16
	H1065	13,942,631.54	4.252%	592,84
	H1215	1,788,268.00	3.954%	70,70
	19	457,458,257	4.50%	20,571,17
		Current		
AG-8 30 year	Note	Current liability	Interest	Yearly
	Note <u>Number</u>		Interest <u>Rate</u>	Yearly <u>Interest</u>
	<u>Number</u>	liability <u>05-31-12</u>	Rate	Interest
	Number H1035	liability 05-31-12 33,918,716	Rate 3.988%	<u>Interest</u> 1,352,67
	<u>Number</u> H1035 H1040	liability 05-31-12 33,918,716 24,278,674	Rate 3.988% 4.374%	Interest 1,352,67 1,061,94
	Number H1035 H1040 H1045	liability 05-31-12 33,918,716 24,278,674 24,280,862	Rate 3.988% 4.374% 4.391%	Interest  1,352,67 1,061,94 1,066,17
	Number H1035 H1040 H1045 H1050	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975	Rate 3.988% 4.374% 4.391% 4.605%	1,352,67 1,061,94 1,066,17 1,119,38
	Number  H1035 H1040 H1045 H1050 H1055	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975 38,892,761	Rate 3.988% 4.374% 4.391% 4.605% 4.605%	1,352,67 1,061,94 1,066,17 1,119,38 1,791,01
Spurlock #2 Scrubber	Number  H1035 H1040 H1045 H1050 H1055 H1060	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975 38,892,761 24,307,351	Rate 3.988% 4.374% 4.391% 4.605% 4.605% 4.600%	1,352,67 1,061,94 1,066,17 1,119,38 1,791,01 1,118,13
Spurlock #2 Scrubber  Split between Spur 1 &2	Number  H1035 H1040 H1045 H1050 H1055 H1060 H1070	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975 38,892,761 24,307,351 11,019,607	Rate 3.988% 4.374% 4.391% 4.605% 4.605% 4.600% 4.262%	1,352,67 1,061,94 1,066,17 1,119,38 1,791,01 1,118,13 469,65
AG-8 30 year Spurlock #2 Scrubber  Split between Spur 1 &2 Split between Spur 1 &2	Number  H1035 H1040 H1045 H1050 H1055 H1060 H1070 H1115	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975 38,892,761 24,307,351 11,019,607 1,592,781	Rate 3.988% 4.374% 4.391% 4.605% 4.605% 4.600% 4.262% 4.175%	1,352,67 1,061,94 1,066,17 1,119,38 1,791,01 1,118,13 469,65 66,49
Spurlock #2 Scrubber  Split between Spur 1 &2  Split between Spur 1 &2	Number  H1035 H1040 H1045 H1050 H1055 H1060 H1070 H1115 H1130	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975 38,892,761 24,307,351 11,019,607 1,592,781 5,814,702	Rate 3.988% 4.374% 4.391% 4.605% 4.605% 4.600% 4.262% 4.175% 3.990%	1,352,67 1,061,94 1,066,17 1,119,38 1,791,01 1,118,13 469,65 66,49 232,00
Spurlock #2 Scrubber  Split between Spur 1 &2	Number  H1035 H1040 H1045 H1050 H1055 H1060 H1070 H1115	liability 05-31-12 33,918,716 24,278,674 24,280,862 24,307,975 38,892,761 24,307,351 11,019,607 1,592,781	Rate 3.988% 4.374% 4.391% 4.605% 4.605% 4.600% 4.262% 4.175%	1,352,67 1,061,94 1,066,17 1,119,38 1,791,01 1,118,13 469,65 66,49

12

202,990,523

4.39%

8,911,539

		Current		
<u>AG-8 30 year</u>	Note	liability	Interest	Yearly
Spurlock #1 Scrubber	Number	<u>05-31-12</u>	Rate	<u>Interest</u>
Split between Spur 1 &2	H1070	13,244,046	4.262%	564,461
	H1075	24,242,726	4.100%	993,952
	H1085	24,290,199	4.464%	1,084,314
	H1100	24,303,469	4.569%	1,110,425
	H1095	24,280,733	4.390%	1,065,924
Spur 1	H1105	7,041,460	4.142%	291,657
Spur 1	H1110	572,151	4.194%	23,996
Split between Spur 1 &2	H1115	17,809,375	4.175%	743,541
Split between Spur 1 &2	H1170	3,588,707	4.508%	161,779
Split between Spur 1 &2	H1220	4,641,463	3.954%	183,523
	10	144,014,329	4.32%	6,223,574
		Current		
	Note	liability	Interest	Yearly
AH-8 30 year	<u>Number</u>	<u>05-31-12</u>	Rate	<u>Interest</u>
	H1090	1,951,590	4.396%	85,792
		Current		
AL-8 30 year	Note <u>Number</u>	liability <u>05-31-12</u>	Interest <u>Rate</u>	Yearly <u>Interest</u>
	H1210	23,744,440	4.067%	965,686
	H1245	30,000,000	2.791%	837,300
	H1250	30,000,000	2.916%	874,800
	H1255	30,000,000	3.094%	928,200
	H1265	18,962,000	2.928%	555,207
	5	132,706,440	3.14%	4,161,193.75

### EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

#### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 6

**RESPONSIBLE PARTY:** Frank J. Oliva

Request 6. Provide the percentage of East Kentucky's debt issuances directly related to projects in the approved compliance plan that has a variable interest rate as of the May 2012 expense month.

**Response 6.** The percentage is 0%. Debt issuances directly related to projects in the approved compliance plan are at a fixed interest rate.

### EAST KENTUCKY POWER COOPERATIVE, INC. PSC CASE NO. 2012-00486 ENVIRONMENTAL SURCHARGE MECHANISM RESPONSE TO INFORMATION REQUEST

#### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/16/12 REQUEST 7

**RESPONSIBLE PARTY:** 

Isaac S. Scott

Request 7. KRS 278.183(3) provides that during the 2-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

<u>Request 7a.</u> Provide the surcharge amount that EKPC believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.

Response 7a. As stated in the Direct Testimony of Isaac S. Scott, EKPC does not believe that any surcharge amounts should be incorporated into its existing base rates. However, EKPC has provided a calculation of the estimated roll-in amount, as shown on pages 5 and 6 of this response. The total estimated roll-in (revenue requirement) is \$98,182,091 and EKPC has further estimated that \$64,685,200 of the total would be assigned to demand and \$33,496,891 would be assigned to energy.

To determine this estimated roll-in, EKPC used the environmental compliance rate base as shown in the monthly surcharge report for the expense month of June 30, 2011, the last expense month included in the two-year review. This rate base was multiplied by the most recently approved rate of return of 6.786 percent to calculate the dollar return on rate base. Pollution control operating expenses reflect the actual balances for the twelve month period ending June 30, 2011. There were no proceeds from the sale of by-products or emission

allowances for the twelve months ending June 30, 2011 to include in the calculations. The sum of the dollar return on rate base and the pollution control operating expenses was multiplied by the member system allocation ratio for June 2011 of 96.40 percent to recognize that only the portion of the surcharge applicable to member sales would be rolled into base rates. This adjusted surcharge revenue requirement constitutes the estimated roll-in amount.

In its response to Request 7a of the Commission Staff's first data request in Case No. 2009-00317, EKPC had estimated a roll-in amount by summing the monthly surcharge revenue requirements for the twelve months ending June 30, 2009. EKPC has not followed that approach in this proceeding because the operating and maintenance expenses used in the monthly revenue requirement calculations reflect a twelve month average rather than the actual monthly expense. This is done to smooth out fluctuations in the expense levels. EKPC believes that when determining a reasonable estimate of the surcharge to roll-in, the actual operating and maintenance expense levels should be utilized and not the monthly averages.

Request 7b. 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.

Response 7b. EKPC believes that the most appropriate approach for incorporating surcharge amounts into its base rates is through a traditional cost of service study performed during a base rate proceeding. EKPC has not performed a cost of service study in conjunction with this surcharge review proceeding. Absent a cost of service study, EKPC would propose allocating a portion of the revenue requirement to demand and a portion to energy, as shown in the response to Request 7a. EKPC has assigned the dollar return on compliance rate base and depreciation expense to the demand portion. The portion assigned to energy reflects the pollution control operating expenses minus the depreciation expense.

Request 7c. 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.

Response 7c. EKPC's BESF as of June 30, 2011 was zero, as established by the Commission in Case No. 2009-00317. In the response to Request 7a, EKPC has provided a calculated amount of a base rate roll-in. If the Commission were to require EKPC to roll-in its environmental surcharge into base rates, based on the member system base rate revenues for the twelve months ending June 30, 2011, the BESF would be 11.74 percent. However, EKPC notes that it would need to recalculate the BESF based on the most recent twelve month revenue information following the Order in this proceeding. This recalculation is consistent with the approach followed by Louisville Gas and Electric Company and Kentucky Utilities Company when recalculating its BESF.

Request 7d. Does EKPC believe 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 yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

Response 7d. Although EKPC does not support incorporating the environmental surcharge revenue requirement into base rates as part of this proceeding, such a roll-in would not require the need to modify the surcharge mechanism or monthly surcharge reports utilizing the approved base/current mechanism. In conjunction with its recent cost of service and rate design studies, EKPC would note that it has reviewed the base/current approach incorporated in the Kentucky Power Company's surcharge mechanism as a possible alternative. However, at this time EKPC is not proposing any change to the surcharge mechanism.

While a roll-in of the environmental surcharge revenue requirement into EKPC's wholesale base rates would not require a modification to the surcharge mechanism or monthly surcharge reports, such a roll-in would require the member systems to modify their retail base rates accordingly. No mechanism to accomplish a retail base rate change due to an environmental surcharge roll-in was established in conjunction with the approval of the environmental surcharge for EKPC or the pass-through mechanism for the member systems.

			Page 5 of
Calculation of Revenue Requirement for Roll-in		Expense Month 06/30/2011	References: June 2011 Expense Month Filing
Environmental Compliance Rate Base	_	00/00/2011	Outle 2011 Expense Monthly Imag
Eligible Pollution Control Plant		\$668,408,372	ES Form 2.1, column (2)
Eligible Pollution CWIP net of AFUDC	Subtotal	\$129,870,589 \$798,278,961	ES Form 2.1, column (4)
Additions -	Cubtotal	φ, σο,Ε, σ,σο τ	
Inventory - Spare Parts		\$0	ES Form 2.0
Inventory - Limestone		\$1,218,113 \$3,782,665	ES Form 2.2, column (6) ES Form 2.3
Inventory - Emission Allowances Cash Working Capital Allowance		\$3,427,497	ES Form 2.4
Gasii Wolking Gapital Mowallos	Subtotal	\$8,428,275	
Deductions -			
Accumulated Depreciation on Eligible Pollution Control Plant		\$89,012,009	ES Form 2.1, column (3)
Control Lan	_	φου,υ 12,000	20 ( 0) 2, 00.0 (0)
Environmental Compliance Rate Base		\$717,695,227	
Rate of Return	-	6.786%	As of June 30, 2012 - end of review period
Return on Environmental Compliance Rate Base	Ξ	\$48,702,798	
Pollution Control Operating Expenses			
12 Month O&M Expenses		\$27,419,975	ES Form 2.4, "Total" column
12 Month Depreciation and Amortization Expense	)	\$18,398,032	see page 6 of 6 of this response
12 Month Taxes Other Than Income Taxes 12 Month Insurance Expense		\$1,382,426 \$896,589	see page 6 of 6 of this response see page 6 of 6 of this response
12 Month Emission Allowance Expense		\$5,048,822	see page 6 of 6 of this response
12 Month Surcharge Consultant Fee	-	\$0_	
Total Pollution Control Operating Expenses	=	\$53,145,844	
Total Proceeds from By-Product and			
Emission Allowance Sales	=	\$0	
Total Environmental Surcharge Gross Revenue Ro	eauirement -		
Return on Environmental Compliance Rate Base		\$48,702,798	
Total Pollution Control Operating Expenses		\$53,145,844	
Total Proceeds from By-Product and Emission Al	lowance Sales	\$0_	
		\$101,848,642	
Member System Allocation Ratio		96.40%	see page 6 of 6 of this response
Total Revenue Requirement for Roll-in	:	\$98,182,091	
Calculation of BESF Reflecting Roll-in:			
Total Revenue Requirement for Roll-in		\$98,182,091	
Member System Base Rate Revenues - excludes	FAC	#000 000 00F	C -f C -f thi
and Environmental Surcharge Revenues BESF Reflecting Roll-in		\$836,020,285 11.74%	see page 6 of 6 of this response
	:		
Allocation to Demand and Energy:	Demand Bolsted	Energy Deleted	
	Demand Related	Energy Related	
Return on Environmental Compliance Rate Base	\$48,702,798		
Pollution Control Operating Expenses -		627 A10 075	
12 Month O&M Expenses 12 Month Depreciation and Amortization Expens	e \$18,398,032	\$27,419,975	
12 Month Taxes Other Than Income Taxes	ψ.ο,οοο,οο <u>ν</u>	\$1,382,426	
12 Month Insurance Expense		\$896,589	
12 Month Emission Allowance Expense		\$5,048,822	
12 Month Surcharge Consultant Fee Subtotal	\$67,100,830	\$0 \$34,747,813	
Member System Allocation Ratio	96.40%	96.40%	
Revenue Requirement to Recover Through -	001000		
Demand Rates	\$64,685,200	600 406 004	
Energy Rates		\$33,496,891	

Pollution Control Operating Expenses

ES Form 2.3	Emission Allow-		\$586,862	\$698,230	\$388,078	\$467,822	\$512.623	£741 190	00-1-1-0	\$3/9,851	\$307,890	\$275,131	\$272 EU8	9213,000	\$216,107	\$201,530		\$5,048,822	
α.		Expense	\$74,923	\$74,923	\$74,923	\$74.923	¢74 923	070,110	\$/4,923	\$74,923	\$74.923	¢77 023	070,410	\$74,823	\$74,923	£72 436	201.7.10	\$896,589	
8 7 and 8		Income Taxes	489 204	62504	## 200,014 ## 200,014	600, 000 000, 000 000, 000	+03,000 +000,000	\$89,204	\$89,204	\$110.361	6440 364	00,000	\$1.1.1.88	\$111,189	\$111.189	0007	\$111,109	\$1,382,426	
	ES FOR	Amortization	200	500,020,14	\$1,523,593	\$1,539,309	\$1,533,466	\$1,533,731	¢1 533 510	0.500,24	010,000,14	\$1,533,510	\$1,543,678	£1 533 510	0.0,000;-+ 0.000,000,000	010,000,14	\$1,533,510	\$18 308 032	30,060,010
		Month		July 2010	August	September	October	November		December 2010	January 2011	February	Morch	י :	April	May	June 2011		Totals

Note: There were no by-product or emission allowance sales proceeds for the twelve months ending June 30, 2011.

# Member System Allocation Ratio

Base Rate Revenues Member Systems [ES Form 3.0, col. 2]	\$74,144,609 \$75,133,701 \$60,508,653 \$52,270,150 \$60,751,539 \$91,540,210 \$92,462,569 \$77,374,784 \$68,654,272 \$57,519,969 \$63,265,545 \$62,394,284
Member System Allocation Ratio	93.44% 93.12% 97.89% 99.00% 99.57% 99.53% 97.95% 97.95% 97.95% 97.95% 97.95%
Total Company Revenues Excluding Environ. Surch. [ES Form 3.0, col. 9]	\$71,385,180 \$71,650,510 \$54,637,961 \$43,328,933 \$50,192,377 \$81,864,944 \$85,313,739 \$70,920,210 \$60,166,116 \$55,672,042 \$55,941,591 \$55,941,591 \$65,368,036
Total Revenues Total Company from Member Revenues Systems Excluding Environ. Surch. FES Form 3.0, col. 6] [ES Form 3.0, col. 6]	\$66,705,475 \$66,724,188 \$53,485,114 \$42,896,970 \$49,854,557 \$81,512,116 \$84,914,675 \$69,464,901 \$58,652,867 \$50,010,524 \$52,572,533 \$62,082,213
Month	July 2010 August September October November December 2010 January 2011 February March April May June 2011