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RECEIVED

AUG 28 2019

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT MAIL

August 27, 2019

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2019-00146

Dear Ms. Pinson:

Please find enclosed the original (unbound) and ten (10) copies of the COMMENTS OF NUCOR STEEL GALLATIN IN SUPPORT OF APPLICATION (PUBLIC VERSION) for filing in the above-referenced matter. I also enclose the CONFIDENTIAL PAGE to be filed under seal.

The information filed under seal is information that EKPC sought confidential treatment through a Motion for Confidential Treatment dated July 17, 2019. Nucor Steel Gallatin redacted this information in order to protect EKPC's interests in keeping this information confidential.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,




Michael L. Kurtz, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) or by regular, U.S. mail, unless otherwise noted, the 27th day of August, 2019 to the following:



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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

AUG 28 2019

APPLICATION OF EAST KENTUCKY POWER : Case No. 2019-00146 PUBLIC SERVICE
 COOPERATIVE, INC. FOR AN ORDER APPROVING THE : COMMISSION
 ESTABLISHMENT OF REGULATORY ASSETS FOR PRESENT :
 AND FUTURE MAINTENANCE EXPENSES. :

**COMMENTS OF NUCOR STEEL GALLATIN
IN SUPPORT OF APPLICATION**

Nucor Steel Gallatin (“Nucor”) is the largest customer on the East Kentucky Power Cooperative (“EKPC”) system, purchasing approximately 7.5% of all energy sold at retail. Nucor recently completed a 40 MW plant expansion which added a galvanizing line to allow it to sell coated steel into additional high-end markets. Nucor is currently in the middle of an additional expansion. This 195 MW expansion would double the plant size by adding a new electric arc furnace, a twin ladle metallurgical furnace, a new caster, two additional stands in the rolling mill, baghouse, air separation unit and pumphouse facilities. When this expansion is complete, Nucor will purchase approximately 15% of all retail energy sold by EKPC. And as has been publicly announced, Nucor plans a \$1.35 billion green field plant in Brandenburg.

The instant case involves EKPC’s request for regulatory accounting authority to allow it to effectively capitalize certain maintenance related items that would otherwise be expensed. EKPC asserts that this accounting change will enable it to properly match expenses with future revenues, prevent unnecessary swings in annual expenses and margins and defer base rate increases. (Application at Paragraph 12).

Confidential Table 1 shows EKPC’s projected margins and TIER for 2020-2022 assuming that its Application is approved and assuming that it is denied.

[REDACTED]			
	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Response to Nucor’s First Set of Data Requests Items 1 and 2.

Table 1 demonstrates that the impact of granting the Application will not be dramatic in 2021 and 2022. In fact, margins and TIER would be almost unchanged in those years whether or not the Application approved. This fact cuts both ways. On one hand, it can be concluded that the extra regulatory work associated with deferral accounting is simply not necessary. On the other hand, it can be concluded that EKPC’s request should be accommodated since the financial impact is not significant after year one. Nucor comes down on EKPC’s side. EKPC is a very well managed utility that deserves the benefit of the doubt.

EKPC has not had a base rate increase since Case No. 2010-00167 almost a decade ago. EKPC asserts that granting this Application will allow it to continue this welcome trend of not having to file general rate cases. This helps all consumers.

In response to Staff discovery, EKPC states that going forward it is its intent to establish retirement units at a more granular level than has been its past practice, thus allowing it to capitalize the material components of its generation units as separate retirement units.¹ Again this cuts both ways. The more frequent use of separate retirement units will make the use of deferral accounting less necessary. However, the more frequent use of separate retirement units also means that the impact on

¹ Response to Staff’s Second Set, Item 4.

earnings and TIER from approving this Application will be less significant. The benefit of the doubt should again go to EKPC. If EKPC still believes that deferral accounting authority is needed despite its plan to capitalize the material components of its generation units as separate retirement units, then its request should be accommodated.

To the extent that the Commission is concerned about establishing an adverse precedent, the Commission could grant the Application on a pilot basis subject to review in the next rate case.

WHEREFORE, EKPC's Application should be approved, or approved on a pilot basis until the next rate case.

Respectfully submitted,



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August 27, 2019