

**Mark David Goss**

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January 27, 2011

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PUBLIC SERVICE  
COMMISSION

Via Hand-Delivery

Mr. Jeffrey Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

Re: Case No. 2010-00167

Dear Mr. Derouen:

Please find enclosed for filing in the above-referenced case an original and ten (10) copies of the notarized verification and acknowledgement statement from South Kentucky RECC. These documents serve as replacements for South Kentucky RECC's PDF copy, filed Monday, January 24, 2011.

Very truly yours,



Mark David Goss  
Counsel

CC: Parties of Record

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**APPLICATION OF EAST KENTUCKY POWER            )**     **CASE NO.**  
**COOPERATIVE, INC. FOR GENERAL                )**     **2010-00167**  
**ADJUSTMENT OF ELECTRIC RATES                 )**

**VERIFICATION AND ACKNOWLEDGEMENT OF  
SOUTH KENTUCKY RECC**

**WHEREAS**, on January 14, 2011, the Public Service Commission (“Commission”) entered an Order approving the provisions of the Settlement Agreement submitted in this case; and,

**WHEREAS**, Article I, paragraph 6 of that Settlement Agreement states:

The Parties hereto recognize and agree that the 2010 load forecast, which was developed and filed subsequent to the completion of discovery in the instant action, represents a significant change to EKPC’s projected load, and which also has a significant effect on EKPC’s finances. The Parties therefore agree to the establishment of an “over-earning mechanism” which will hereafter be implemented as follows:

- a. EKPC will provide its calendar year 2011 audited financial statements to the Commission and Parties no later than March 31, 2012.
- b. EKPC agrees to file a base rate case as soon as practical, but no less than one year in the event EKPC’s TIER exceeds 1.50, after 2011 financial results are known in order for the Commission to determine that rates are appropriate. This base rate case will also allow the Parties an opportunity, through discovery, to review EKPC’s expenditures. If the results of the base rate case produce an increase or decrease to rates, such increases or decreases will be allocated proportionally to all eligible rate schedules so as to produce an equal percentage increase or decrease in the total rates of all eligible rate schedules.
- c. If EKPC earns greater than a 1.50 Times Interest Earned Ratio (“TIER”) based on its calendar year 2011 audited financial statements, EKPC shall refund the amount in excess of the 1.50 TIER in a proportional manner according to the allocation established in “Exhibit 1,” attached hereto, by way of a Surcredit Application to be filed with the Commission; and,

**WHEREAS**, concerning this provision of the Settlement Agreement, the Commission noted in its January 14, 2011 Order at page 21:

Second, the Settlement established an over-earning mechanism under which EKPC would file a surcredit application to refund any excess earnings if its

TIER exceeds 1.50 for calendar year 2011. As EKPC's 16 member distribution cooperatives were not parties to this proceeding and were not signatories to the Settlement, the individual distribution cooperatives are not bound by any of the terms contained in the Settlement. To ensure that any excess earnings achieved by EKPC which would trigger the over-earning mechanism established by the Settlement would be refunded to retail ratepayers, the Commission will require EKPC to obtain written verification from each of its 16 member distribution cooperatives, acknowledging and affirming their agreement that, should EKPC file a surcredit application pursuant to the over-earning provision of the Settlement, the distribution cooperatives would file concurrent application to refund such excess earnings to their respective ratepayers; and,

**WHEREAS**, Ordering paragraph 5 of the Commission's January 14, 2011 Order requires EKPC to file fully executed verification and acknowledgement statements from each of its 16 member distribution cooperatives affirming the intent of the over-earning mechanism within 10 days of January 14, 2011.

**NOW, THEREFORE**, in compliance with the Commission's Order, South Kentucky RECC does hereby verify, acknowledge, and affirm that in the event EKPC files a surcredit application pursuant to the terms of Article I, paragraph 6 of the Settlement Agreement filed in Case No. 2010-00167 and approved by the Commission on January 14, 2011, it will concurrently file an application to the Commission requesting to refund such excess earnings to its ratepayers.

By: Allen Anderson

Print Name: Allen Anderson

Title: President and CEO

Date: 1-20-2011

STATE OF KENTUCKY

COUNTY OF Pulaski

20<sup>th</sup> SUBSCRIBED AND SWORN to before me by Allen Anderson on this the  
day of January, 2011.

My Commission Expires: June 23, 2014.

Amy Aeton  
NOTARY PUBLIC