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MAR 29 2019

PUBLIC SERVICE
COMMISSION

March 29, 2019

HAND DELIVERED

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

Re: Case No. 2010-00449 Post-Case Correspondence, 24th Smith Unit 1 Asset
Cost Mitigation Status Report

Dear Ms. Pinson:

Please find enclosed for filing with the Commission in the post-case correspondence file of the above-referenced case, an original and ten copies of the 23rd Smith Unit 1 Asset Cost Mitigation Status Report of East Kentucky Power Cooperative, Inc. This Report is being filed pursuant to the Commission's Order of February 28, 2011.

Should you require further clarification of any part of the report, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink that reads 'Patrick C. Woods'.

Patrick C. Woods
Director, Regulatory and Compliance Services

Enclosures

East Kentucky Power Cooperative, Inc.

Smith Unit 1 Asset Cost Mitigation Status Report

March 29, 2019 (Twenty-Fourth Mitigation Report)

In accordance with the Kentucky Public Service Commission's (Commission) Order, dated February 28, 2011, in Case No. 2010-00449, and consistent with the July 1, 2015 correspondence from the Commission's Executive Director, East Kentucky Power Cooperative, Inc. (EKPC) tenders the following information to describe its mitigation efforts to reduce the balance of the regulatory asset through the sale of the J.K. Smith Power Station (Smith) Unit 1 physical assets (assets), as further authorized by a Commission Order dated March 5, 2013, in Case No. 2013-00005.

- As of March 29, 2019, the regulatory asset balance relating to Smith Unit 1 was \$120,610,751 a decrease of \$6,994,871 in comparison to the last mitigation status report filed on September 30, 2018. The decrease is comprised of additional costs of \$43,067 (material and other charges) associated with the inspection and cribbing of the assets located at the Smith site less mitigation of \$1,021,660, and amortization of the regulatory asset of \$6,016,278, as authorized by the Commission in Case No. 2015-00358.

As specified in the Stipulation and Recommendation (Smith Solution) associated with Case No. 2015-00358, EKPC began amortizing the regulatory asset balance at January 1, 2017, net of estimated expected mitigation and salvage efforts of \$28,637,996, over a ten year period. The monthly amortization amount, currently \$1,002,960, is adjusted periodically to reflect additions to the regulatory asset balance associated with costs incurred to maintain the assets.

- For the past several years, EKPC has been diligent in marketing the sale of the assets, fielding hundreds of inquiries, conducting site tours with prospective buyers, and executing non-disclosure and/or exclusivity agreements with a multitude of prospects. Unfortunately, efforts have not been successful in closing on a sale of the assets in bulk. EKPC leadership now has determined that it would be in the Cooperative's best interest that the assets be sold in piecemeal transactions, for salvage or for any and all legitimate and lawful business purposes. With this in mind, EKPC plans to utilize a three-step approach to market the assets: 1) redeploy the assets internally for use in EKPC operations; 2) sell or return the assets as useable material into the marketplace; or 3) scrap the material that has no interest as useable. EKPC has now initiated efforts to implement the foregoing plan of action and will update the Commission on these efforts in future status reports.