

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR AN)	CASE NO.
ORDER APPROVING THE ESTABLISHMENT)	2019-00146
OF REGULATORY ASSETS FOR PRESENT)	
AND FUTURE MAINTENANCE EXPENSES)	

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

East Kentucky Power Cooperative, Inc. (EKPC), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies in paper medium of the following information, with a copy to all parties of record. The information requested herein is due on or before July 12, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

EKPC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which EKPC fails or

refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, EKPC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application on pages 1 and 5. Provide the entire text of ASC 980-340-25-1 and the definition of “probable” that EKPC is using in this context.

2. Refer to the application on pages 5 and 6, paragraph 11. For the regulatory assets listed, explain whether EKPC recovers these regulatory assets in rates, and if so, explain how they are recovered.

3. Refer to the application on page 6, paragraph 13. Confirm that the Commission has historically not allowed a utility to establish a regulatory asset after a cost has been recorded as an expense and the utility has closed its books for the relevant fiscal year.

4. Refer to the application on page 7, paragraph 14. In the event that regulatory asset treatment is granted for the replacement components, explain whether EKPC would remove the net book value of replaced components of retirement units from the net plant in service.

5. Refer to the application on pages 7 and 8, paragraph 15.
 - a. For each of the past ten calendar years, provide the annual costs incurred by EKPC associated with the replacement of high-cost, non-routine minor items of property and major maintenance costs.
 - b. Provide the forecasted costs in connection with major maintenance projects and the inspections and repair or replacement of minor components for the next five years.
6. Refer to the application on pages 7 and 8, paragraphs 15 and 16. Identify and describe the basis for EKPC's statement that these expenses are not currently included in base rates.
7. Refer to the application on page 8, paragraph 16. Explain how beginning amortization of the proposed regulatory assets immediately upon completion would "match them with future related revenues."
8. Refer to the application on page 8, paragraph 17. Confirm that amortizing the regulatory assets before they are included in allowable expenses for rate recovery would in effect deny recovery of those expenses. If this cannot be confirmed, fully explain.
9. Refer to the application on pages 8 and 9, paragraph 18.
 - a. Explain how the thresholds listed were determined, including any consideration of materiality to EKPC's financial statements.
 - b. Provide the time frame or other factors that would determine that equipment failure was unanticipated.

c. Explain whether major maintenance costs would be amortized over the anticipated recurrence cycles (i.e., if the activity is expected to recur every five years, the amortization period would be five years).

d. Explain how EKPC proposes to determine the period of expected benefit to EKPC.

10. Refer to the application on page 9 and Exhibit 1.

a. Confirm that the projects listed in Exhibit 1 are the only projects that EKPC anticipates as qualifying for regulatory asset treatment in 2019. If not, provide a complete listing.

b. If possible, provide a similar listing for projects in 2020.

c. Confirm that each project listed in Exhibit 1 would have a separate amortization schedule.

d. Under traditional regulatory asset treatment, amortization would not begin until included for recovery in base rates or other regulatory mechanisms. If the Commission were to approve EKPC's proposal as filed, explain and show how EKPC would include the unamortized balance for recovery for a project completed in the year prior to a test year. For example, would a new amortization schedule be needed to recover the remaining original project cost based upon item(s) remaining life?

e. Provide EKPC's current maintenance and replacement budget relative to what is currently being recovered through rates.

f. Provide a chart in a format similar to Exhibit 1 listing all the maintenance and replacement projects completed in 2018.

g. Explain whether EKPC proposes to provide written notice for each project individually or to group each year's expenditures into a single regulatory asset.

11. Refer to the application on page 10, paragraph 20.

a. If the Commission were to approve EKPC's application as filed, explain how EKPC would unwind the deferral if the Commission were to subsequently deny the recovery of the regulatory asset at the time of a rate case.

b. If the Commission were to determine that the establishment of a regulatory asset was in bad faith or without reasonable justification, confirm that in EKPC's later base rate cases that both the unamortized amount and any amortization expense would be excluded from the test year for ratemaking purposes.

c. If the Commission were to deny recovery of a regulatory asset after it is recorded by EKPC, explain the effect on EKPC's financial statements, including any potential restatement of prior year filings.

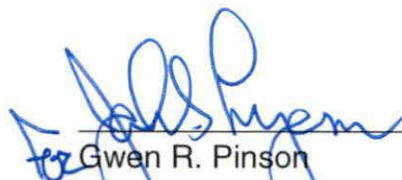
d. State whether EKPC would be amenable to a requirement to file, with its proposed annual report, the anticipated projects for the upcoming year.

e. State EKPC's preferred process for Commission Staff to request additional clarification or information on projects included in EKPC's annual report on the regulatory assets.

12. Provide any communications between EKPC and the Rural Utilities Service regarding EKPC's proposal in this case.

13. Confirm that any relevant maintenance expenditures are below any applicable threshold of "major modification" for the United States Environmental

Protection Agency's New Source Review permitting requirements and would not require Prevention of Significant Deterioration permits.



Gwen R. Pinson
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Public Service Commission
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DATED JUN 26 2019

cc: Parties of Record

Case No. 2019-00146

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