

**Gwyn Willoughby**

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**From:** Isaac Scott  
**Sent:** Tuesday, January 30, 2018 11:14 AM  
**To:** Mike McNalley  
**Subject:** RE: another issue

I'm not sure because I'm not really familiar with the calculation. So definitely will need to talk with Michelle.

*Isaac S. Scott  
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[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)*

---

**From:** Mike McNalley  
**Sent:** Tuesday, January 30, 2018 11:13 AM  
**To:** Isaac Scott  
**Subject:** another issue

One more item is the allocation of our margin to member systems each year. Any way to estimate the change in that calculation? Might need Michelle/Shanan's help.

Mike McNalley  
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859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

## Gwyn Willoughby

---

**From:** Mike McNalley  
**Sent:** Tuesday, January 30, 2018 10:31 AM  
**To:** Isaac Scott  
**Cc:** Patrick Woods (patrick.woods@ekpc.coop)  
**Subject:** FW: Amend 3 Rolling 36 month load data  
**Attachments:** Amendment 3 Updated Limits thru Nov 2017.xlsx

See below and attached. The attachment shows the MW available to each distribution Owner-Member under their 5% share and their 15% individual limit.

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---

**From:** David Crews  
**Sent:** Tuesday, December 5, 2017 5:07 PM  
**To:** 'Mark Stallons'  
**Cc:** Tony Campbell ; Don Mosier ; Mike McNalley ; Alan Ahrman  
**Subject:** RE: Amend 3 Rolling 36 month load data

File Attached. Call if you have questions.

---

**From:** Mark Stallons [<mailto:mstallons@owenelectric.com>]  
**Sent:** Tuesday, December 5, 2017 3:57 PM  
**To:** David Crews  
**Cc:** Tony Campbell ; Don Mosier ; Mike McNalley ; Alan Ahrman  
**Subject:** RE: Amend 3 Rolling 36 month load data

David,

Please provide the excel spreadsheet details of the 36 rolling month load data supporting the threshold limits and Owen's Amendment #3 limits. Much appreciated.

Thanks,

Mark

---

**From:** David Crews [<mailto:David.Crews@ekpc.coop>]  
**Sent:** Tuesday, December 05, 2017 11:36 AM  
**To:** Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Alan Ahrman <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>  
**Subject:** RE: Amend 3 Rolling 36 month load data

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This is to back up the data I provided you yesterday verbally. The 2.5% threshold is 74.9 MWs and the aggregate notices are 69.2 MWs.

I will also dig up a copy of the MOU that Owen executed as you requested.

---

**From:** Mark Stallons [<mailto:mstallons@owenelectric.com>]  
**Sent:** Monday, December 4, 2017 11:27 AM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Alan Ahrman <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>  
**Subject:** Amend 3 Rolling 36 month load data

David,

At Owen Electric's November 30, 2017 Board Meeting, my board asked me to investigate South Kentucky's amendment #3 notice and determine if similar opportunities exist for Owen Electric to pursue. Please provide the following data:

1. Owen Electric's current rolling average of Owen Electric's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the proceeding three (3) twelve month periods.

2015 – 347.4 MWs  
2016 – 313.0 MWs  
2017 – 350.7 MWs  
3 year rolling average – 337 MWs

5% = 16.9 MWs  
15% = 50.6 MWs

2. EKPC current rolling average of EKPC's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the proceeding three (3) twelve month periods including the 2.5% and 5.0% thresholds.

2015 – 3428.1  
2016 – 2739.5  
2017 - 2771.8  
3 year rolling average – 2979.8

5% = 149  
2.5% = 74.5

3. The current aggregate and individual amount of all owner member's Amendment 3 alternate source loads.  
The current aggregate noticed A3 is 69.2 MWs.  
Owen has noticed 2.0 MWs of A3 resources.

Should you have any questions, please contact me.

Sincerely,

Mark A. Stallons  
President & CEO

Owen Electric Cooperative  
8205 Hwy 127N; PO Box 400  
Owenton, KY 40359

☎ **Direct Line:** 502-563-3500

☎ **Mobile:** 502-514-1650

✉ **Email:** [mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)



***"One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."***

Source: The One Minute Manager, Page 30.

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## Gwyn Willoughby

---

**From:** Mike McNalley  
**Sent:** Tuesday, January 30, 2018 9:04 AM  
**To:** Isaac Scott  
**Subject:** RE: South Kentucky Analysis Updated

Any time before 11:00 should be fine.

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---

**From:** Isaac Scott  
**Sent:** Tuesday, January 30, 2018 9:03 AM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
I think Patrick has physical therapy till around 10 this morning and a conference call at 3:00 (what I could see on his calendar). I'm available all day. I know your schedule is the normal hectic. I guess just let me know when and I'm available.

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---

**From:** Mike McNalley  
**Sent:** Tuesday, January 30, 2018 9:00 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Cc:** Patrick Woods <[patrick.woods@ekpc.coop](mailto:patrick.woods@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

I think we are close on this, but best to discuss. It's a lot of potential work and there is no reason starting down the wrong path!

Mike McNalley

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[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**From:** Isaac Scott  
**Sent:** Tuesday, January 30, 2018 8:56 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** Patrick Woods <[patrick.woods@ekpc.coop](mailto:patrick.woods@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
Let me try – for some reason I’m having trouble getting my head wrapped around some of this – and I apologize for that.  
For your first question, the answer is essentially yes. However, I was able to rerun the full spreadsheet at 40MW in a manner of minutes and then tweak the re-spread of the surcharge. The spreadsheet is attached. That table is below.

Member 40 MW Analysis	Total Surcharge Increase for 12-month Period	Average Monthly Increase in Surcharge
Big Sandy	\$50,495	\$4,298
Blue Grass	\$282,668	\$23,556
Clark	\$92,008	\$7,667
Cumberland Valley	\$92,277	\$7,690
Farmers	\$94,078	\$7,840
Fleming-Mason (w/ Steam)	\$602,858	\$50,238
Grayson	\$52,718	\$4,393
Inter-County	\$98,713	\$8,226
Jackson	\$184,701	\$15,392
Licking Valley	\$52,278	\$4,357
Nolin	\$155,714	\$12,976
Owen	\$271,881	\$22,657
Salt River	\$241,558	\$20,130
Shelby	\$100,848	\$8,404
Taylor County	\$357,034	\$29,753
Totals	\$2,729,829	
South Kentucky Net Savings	\$3,018,766	
South Kentucky additional Surcharge	\$2,745,780	Surcharge overall impact of 0.48%

For the second question, it seems like the approach for the FAC would be to recalculate the 12 monthly FAC adjustments reflecting the lower level of kWh sales and remodeling all the billings. Not impossible but will take time. For base rates, it is going to be much more difficult because of the mix of rates (B, C, and G) and the fact demand and energy are involved. I think the best I could do is take the reductions in demand and energy revenues from the South Kentucky calculations, then spread the total demand dollars and total energy dollars to the other Members on a proportional basis. This too will take some time but not impossible. I don’t believe I can get down to rate effects. At this stage, I don’t know if I can do an “after rate case resetting costs” analysis. What I’m suggesting on the FAC and base rates would probably take a couple of days; if you want this done for both 58MW and 40MW it could take at least 4 days. Both of these estimates is assuming I don’t get interrupted with other requests (which lately is very likely to happen).

As for the analysis reflecting "offering 5% for all", I need to get a better understanding of what that means – I don't really follow it. Again, I apologize for being so dense. Once I get a better handle on it, I probably can give you a better idea about what analysis I think I can do.  
If any of this makes sense, could we take maybe 5 to 10 minutes to make sure I follow what you are needing?  
Thank you.

*Isaac S. Scott*  
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---

**From:** Mike McNalley  
**Sent:** Tuesday, January 30, 2018 7:50 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Cc:** Patrick Woods <[patrick.woods@ekpc.coop](mailto:patrick.woods@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Isaac,

Couple of questions:

1. The table below is based on SK 58 MW. One way to look at this is that everyone could take 5%, until SK took more and squeezed out some extra for themselves. This is approximately 40MW. If the table below was recalculated on 40MW, would that be simply 40/58 times each line?
2. We are going to need to do some more analysis before the board meeting. I think the way this is going we will need to estimate the impact of this (SK) on each system in ES (done), FAC and base rates (before and after rate case resetting costs). That seems like a tall order. Plus we need to be ready to analyze the next group going (Owen, Salt River, Jackson are certain, Bluegrass, Shelby, F-M maybes). Finally, we need to estimate the impact of EKPC offering 5% for all (less the SK 58 MW).

Let me know your thoughts on all of that – how to quickly get some numbers without being overly precise, but accurate enough for good decision making and board presentation.

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---

**From:** Isaac Scott  
**Sent:** Monday, January 29, 2018 1:06 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
The revised table below is probably a better representation. As I noted earlier, I had tied the reduction to the total South Kentucky reduction in surcharge rather than a net amount, since they will pick up some of the reduction as well. Sorry about the confusion.

Member	Total Surcharge Increase for 12-month Period	Average Monthly Increase in Surcharge
Big Sandy	\$77,933	\$6,494
Blue Grass	\$442,349	\$36,862
Clark	\$145,680	\$12,140
Cumberland Valley	\$146,103	\$12,175
Farmers	\$155,023	\$12,919
Fleming-Mason (w/ Steam)	\$728,983	\$60,749
Grayson	\$83,474	\$6,956
Inter-County	\$156,297	\$13,025
Jackson	\$292,445	\$24,370
Licking Valley	\$82,777	\$6,898
Nolin	\$246,483	\$20,540
Owen	\$500,346	\$41,696
Salt River	\$382,677	\$31,890
Shelby	\$159,291	\$13,274
Taylor County	\$421,001	\$35,083
Totals	\$4,020,862	
South Kentucky Net Savings	\$4,030,806	
South Kentucky additional Surcharge	\$346,403	

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**From:** Isaac Scott  
**Sent:** Monday, January 29, 2018 12:13 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
I may have overestimated the effect, because I tied it to the total South Kentucky reduction rather than the net. Let me think on it and see about getting you a revision ASAP. Sorry about that.

Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.



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**From:** Isaac Scott  
**Sent:** Monday, January 29, 2018 12:09 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
I've come up with an approximation of how the \$4.1M would be spread among the remaining 15 Members. I had to do some "tweaking" to the average impact I had mentioned earlier to make the totals work out. But I feel comfortable with the results, which are summarized below. I'm also attaching an updated version of the spreadsheet with my calculations. Let me know if you have questions. Thank you.

Member	Total Surcharge Increase for 12-month Period	Average Monthly Increase in Surcharge
Big Sandy	\$85,772	\$7,148
Blue Grass	\$487,971	\$40,664
Clark	\$161,014	\$13,418
Cumberland Valley	\$161,481	\$13,457
Farmers	\$172,437	\$14,370
Fleming-Mason (w/ Steam)	\$765,017	\$63,751
Grayson	\$92,262	\$7,689
Inter-County	\$172,751	\$14,396
Jackson	\$323,227	\$26,936
Licking Valley	\$91,491	\$7,624
Nolin	\$272,471	\$22,701
Owen	\$565,622	\$47,135
Salt River	\$422,995	\$35,250
Shelby	\$175,988	\$14,666
Taylor County	\$439,278	\$36,607
Totals	\$4,389,723	
South Kentucky Total Savings	\$4,377,209	
South Kentucky additional Surcharge	\$346,403	

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**From:** Mike McNalley  
**Sent:** Monday, January 29, 2018 9:00 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Isaac,

Can you estimate the ES impact on all 16 member systems from this (how the \$4.1 million would be respread), please? You may have already done and sent this – I can't find it though.

Thanks,

Mike McNalley  
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---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 8:13 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** South Kentucky Analysis Updated

Mike,  
I have updated the billing analysis to a 12-month period ending November 2017. I also took a stab at adjusting the numbers in your narrative for this updated analysis. Both the spreadsheet and narrative are attached (track changes is on with the narrative).

The only thing I have found that might be a bit off was concerning how much of the surcharge would still be borne by South Kentucky. Your narrative originally indicated that approximately \$1.0 M would still be borne by South Kentucky after the shift. I think this might be overstated. Using the most currently filed surcharge calculation and the possible reduction in average Member revenues, I had indicated that the surcharge factor could be expected to increase by 0.0071%. Applying that to the 11-month billed base and FAC revenues, the impact would be \$304,996 (base of \$46,236,673 and FAC of -\$3,279,486 = \$42,957,187 times 0.0071% = \$304,996). This would be the total 11 month impact. Going to 12 months did not change the surcharge factor impact, and the dollar effect would be \$346,403 (base of \$52,433,740 and FAC of -\$3,644,605 = 48,789,133 times 0.0071% = \$346,403).

I hope these updates cover what you needed. Thanks.

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**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Monday, January 29, 2018 1:53 PM  
**To:** 'Debbie Martin'  
**Subject:** RE: ES re-spread

No trouble at all! This is pretty convoluted stuff, and we rarely have to even think about it much less make long-term decisions based on that thinking! Glad to help any way we can.

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---

**From:** Debbie Martin [mailto:[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)]  
**Sent:** Monday, January 29, 2018 1:52 PM  
**To:** Mike McNalley  
**Subject:** RE: ES re-spread

Mike:

I was mixing the two items and apologize for thinking out loud in the e-mail. Thank you for the detailed information, because it was very helpful. I appreciate you and Isaac provided the updated information and working with me.

So sorry for being so much trouble, but I do appreciate your assistance.  
Debbie

**Debra J. Martin**  
**President & CEO**

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**From:** Mike McNalley [<mailto:Michael.McNalley@ekpc.coop>]  
**Sent:** Monday, January 29, 2018 1:46 PM  
**To:** Debbie Martin <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>  
**Subject:** RE: ES re-spread

Debbie,

I think we're mixing two things. For the SK deal, everyone else's ES goes up, but theirs goes down (not 100% since they get reallocated part of their prior share). The total ES goes down \$4.3 million at SK, but the reallocation gives \$200k back to SK for a net reduction to them and reallocation to everyone else of \$4.1 million.

For a Shelby deal, other than the fuel adjustment and ES which are automatically reallocated, you would have to file a base rate reduction case to pass through any savings. The fuel adjustment from EKPC would be lower since we are not generating/buying the power any more, but higher possibly under your "deal" (depending on whether you treat the entire deal as purchase power and pass it thru, or base and don't).

So for Shelby deal,

1. ES from EKPC goes down but not 100% of the load since it is allocated on revenue
2. FAC from EKPC goes down
3. Base rates from EKPC stay the same (for now)
4. FAC from Shelby goes up if "deal" is passed through as PP, unchanged if not.
5. Base rates from Shelby go up if "deal" is not passed through FAC and you file a rate recovery, otherwise unchanged.

So is 4 greater than 1+2? If it is a good deal for Shelby, there must be a net savings.

I hope that made some sense!

Isaac recalculated the ES – the correct amount being reallocated from SK to Shelby (for the prior 12 months as in the memo) would have been \$159k.

Best,

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---

**From:** Debbie Martin [<mailto:debbiem@shelbyenergy.com>]  
**Sent:** Monday, January 29, 2018 12:53 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: ES re-spread

Mike:

This is an accounting question that may be down in the weeds more than you care to go. If EKPC charges the additional ES, as you mentioned, it would have to be passed on to the members. If we save money by buying lower cost power through Amendment 3, how would we pass on any portion of that savings to members and offset the ES?

Thanks  
Debbie


**Debra J. Martin**  
**President & CEO**

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**From:** Mike McNalley [<mailto:Michael.McNalley@ekpc.coop>]  
**Sent:** Monday, January 29, 2018 12:34 PM  
**To:** Debbie Martin <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>  
**Subject:** ES re-spread

Debbie,

I had Isaac work through the \$4.1 million ES that would have been re-allocated to the distribution systems if SK had taken their 58 MW off EKPC a year ago (same time frame as the memo). We estimate that Shelby's share of the \$4.1 million would have been about \$176,000. Obviously this is a pass-thru to Shelby's members as well.

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**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Monday, January 29, 2018 8:28 AM  
**To:** 'Debbie Martin'  
**Subject:** RE: From Tony Campbell re: Amendment 3 Memo

That's perfect

Mike McNalley  
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**From:** Debbie Martin [mailto:[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)]  
**Sent:** Monday, January 29, 2018 8:28 AM  
**To:** Mike McNalley  
**Subject:** RE: From Tony Campbell re: Amendment 3 Memo

I will give you a call, now, if that is acceptable.

**Debra J. Martin**  
**President & CEO**

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**From:** Mike McNalley [mailto:[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)]  
**Sent:** Monday, January 29, 2018 8:27 AM

**To:** Debbie Martin <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>  
**Subject:** RE: From Tony Campbell re: Amendment 3 Memo

Yes, any time before 10 or we can set some time later in the day if that is better.

Mike McNalley  
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East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Debbie Martin [<mailto:debbiem@shelbyenergy.com>]  
**Sent:** Monday, January 29, 2018 8:26 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** FW: From Tony Campbell re: Amendment 3 Memo

Mike:

Would you have some time to talk with me on this, please?

Thanks  
Debbie

**Debra J. Martin**  
**President & CEO**

620 Old Finchville Road  
Shelbyville, KY 40065

Office: (502)633-4163  
Fax: (502)633-2387



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---

**From:** Terri Combs [<mailto:terri.combs@ekpc.coop>]  
**Sent:** Friday, December 29, 2017 3:32 PM  
**To:** A L Rosenberger <[buddyandcarol@bbtel.com](mailto:buddyandcarol@bbtel.com)>; Alan Ahrman - Owen <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>; Barry Myers --

Taylor County <[bmyers@tcrecc.com](mailto:bmyers@tcrecc.com)>; Bill Prather -- Farmers <[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)>; Bobby Sexton--Big Sandy <[bsexton@bigsandyrecc.com](mailto:bsexton@bigsandyrecc.com)>; Boris Haynes <[borish@skrecc.com](mailto:borish@skrecc.com)>; Carol Fraley -- Grayson <[carol.fraley@graysonrecc.com](mailto:carol.fraley@graysonrecc.com)>; Carol Wright - Jackson Energy <[carolwright@jacksonenergy.com](mailto:carolwright@jacksonenergy.com)>; Chris Brewer - Clark Energy <[cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)>; Debbie Martin <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>; Dennis Holt <[dennish@skrecc.com](mailto:dennish@skrecc.com)>; Elbert Hampton <[Ereedhampton@gmail.com](mailto:Ereedhampton@gmail.com)>; Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>; Jim Jacobus -- Inter-County <[jim@intercountyenergy.net](mailto:jim@intercountyenergy.net)>; Jimmy Longmire -- Salt River <[jlongmire94@icloud.com](mailto:jlongmire94@icloud.com)>; Jody Hughes <[jodyh@bgenergy.com](mailto:jodyh@bgenergy.com)>; Joe Spalding, Inter-County Energy <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>; Joni Hazelrigg <[jhazelrigg@fme.coop](mailto:jhazelrigg@fme.coop)>; Kelly Shepherd <[kshepherd@foothills.net](mailto:kshepherd@foothills.net)>; Ken Arrington -- Grayson <[karringtonrecc@foothills.net](mailto:karringtonrecc@foothills.net)>; Kerry Howard -- Licking Valley <[kkhoward@lvrecc.com](mailto:kkhoward@lvrecc.com)>; Landis Cornett <[ekpc@landiscornett.com](mailto:ekpc@landiscornett.com)>; Mark Stallons -- Owen <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>; Mickey Miller -- Nolin <[mmiller@nolinrecc.com](mailto:mmiller@nolinrecc.com)>; Mike Williams -- Blue Grass <[mikew@bgenergy.com](mailto:mikew@bgenergy.com)>; Paul Hawkins -- Farmers <[paulcat@scrtc.com](mailto:paulcat@scrtc.com)>; Raymond Rucker <[lakeside47@yahoo.com](mailto:lakeside47@yahoo.com)>; Ted Hampton <[ted.hampton@cumberlandvalley.coop](mailto:ted.hampton@cumberlandvalley.coop)>; Ted Holbrook <[tedh@mrtc.com](mailto:tedh@mrtc.com)>; Tim Eldridge <[timothy.eldridge@baldwincpas.com](mailto:timothy.eldridge@baldwincpas.com)>; Tim Sharp - Salt River Electric <[tjsharp@srelectric.com](mailto:tjsharp@srelectric.com)>; Wayne Stratton -- Shelby <[wayne@jnmcpa.com](mailto:wayne@jnmcpa.com)>; William Shearer -- Clark <[wpshearer@bellsouth.net](mailto:wpshearer@bellsouth.net)>  
Cc: Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>  
Subject: From Tony Campbell re: Amendment 3 Memo

***Sending on behalf of Tony Campbell***

All:

Since South Kentucky gave us notice to exercise their rights under the MOU, we have had a number of CEO's contact us. Many have asked questions about the financial impacts to the remaining Owner Members. Mike McNalley and his team have been working on the potential cost implications of losing this 58 MW baseload block of power. Please remember this was done somewhat quickly, and we will continue to refine the data. In addition, please note that we will do everything possible to totally mitigate this loss of load, and will protect our Owner Members should it return at an inopportune time.

Regards,  
Anthony "Tony" Campbell

President and CEO  
Phone: 859-745-9313  
Fax: 859-744-7053



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**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Friday, January 26, 2018 8:15 AM  
**To:** Tony Campbell; Mike McNalley; David Crews  
**Subject:** FW: 150 MW Forward Sale Pricing

This is why a MS will buy back their sale the day it is officially executed with the coops and lock in their 10-15/MWh margin. May also be why they might be willing to float their risk during the PSC approval process with little chance of the market blowing thru, or even near, their sale price. Capacity I understand is variable.

---

**From:** Andrew Hall [mailto:AndrewH@acespower.com]  
**Sent:** Thursday, January 25, 2018 4:41 PM  
**To:** Don Mosier  
**Subject:** 150 MW Forward Sale Pricing

Don,

We pinged a few active counterparties for indicative pricing on 3-5 year and 3-10 year bids for the 150 MW energy and capacity sale you discussed with Ted before his departure. Unfortunately at this time there is not much desire for capacity given the uncertainty in future markets, but we did get some responses on the energy piece. These responses are listed below. As you can see they are all under \$29/MWh. I will say that we have some information for offers as well and the sell side indicatives are closer to \$32/MWh for similar time periods so there is a considerable bid/ask spread at this time as well as a disconnect to the forward curve. There is one response that we are waiting on that said they may be interested in the capacity. If that yields anything different I will certainly let you know, but I wanted to communicate the information we have at this time.

Please let me know if you have any questions or need anything additional.

Thank you,

Long-Term Sales Bids at AD Hub 7x24

Start	End	Citi	EDF	Goldman Sachs	AD Hub Forward Curve
6/1/2019	5/31/2022	\$26.15	\$28.85	\$28.50	\$27.39
6/1/2019	5/31/2024	\$26.20	\$28.90	\$27.75	\$27.19
6/1/2019	5/31/2026	N/A	\$28.90	N/A	\$26.93
6/1/2019	5/31/2029	\$27.00	N/A	\$26.75	\$27.16

**Andrew Hall | Executive Director of Portfolio Strategy**

ACES® | 4140 West 99th Street | Carmel, IN 46032  
o: 317.344.7151 | m: 317.418.1696 | [andrewh@acespower.com](mailto:andrewh@acespower.com)

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**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Friday, January 19, 2018 11:22 AM  
**To:** Jerry Carter  
**Subject:** Re: From Tony Campbell re: Amendment 3 Memo

Jerry,

Not much to update. We think the impact will be manageable for the system through load growth and other mitigation activities. This in effect becomes a lost opportunity more than a cost in that had SK stayed 100% the growth and mitigation efforts would have benefitted everyone whereas now they have to first offset the load loss before they create positive or additive benefits.

For the distribution cooperatives the issue is that SK has taken more than the 5% that is available to each on average (EKPC cap) by taking their allowed 15% and this will crowd out others. That is not an EKPC issue - the MOU allows it as does A3. But I understand some systems are feeling a bit "chafed" by it.

Let me know if you need anything else and I will do my best to provide it. I'm sure we will discuss at the EKPC board meeting in Feb as well.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Jan 19, 2018, at 11:15 AM, Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)> wrote:

Mike,

Can you provide an update on this subject?

This week come up at Monday's board meeting for Inter-County.

JC

Sent via the Samsung Galaxy S7, an AT&T 4G LTE smartphone

----- Original message -----

From: Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>  
Date: 12/29/17 3:32 PM (GMT-05:00)  
To: A L Rosenberger <[buddyandcarol@bbtel.com](mailto:buddyandcarol@bbtel.com)>, Alan Ahrman - Owen <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>, Barry Myers -- Taylor County <[bmyers@tcrecc.com](mailto:bmyers@tcrecc.com)>, Bill Prather - Farmers <[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)>, Bobby Sexton--Big Sandy <[bsexton@bigandyrecc.com](mailto:bsexton@bigandyrecc.com)>, Boris Haynes <[borish@skrecc.com](mailto:borish@skrecc.com)>, Carol Fraley -- Grayson <[carol.fraley@graysonrecc.com](mailto:carol.fraley@graysonrecc.com)>, Carol Wright - Jackson Energy <[carolwright@jacksonenergy.com](mailto:carolwright@jacksonenergy.com)>, Chris Brewer - Clark Energy <[cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)>,

Debbie Martin -- Shelby <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>, Dennis Holt <[dennish@skrecc.com](mailto:dennish@skrecc.com)>, Elbert Hampton <[Ereedhampton@gmail.com](mailto:Ereedhampton@gmail.com)>, Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>, Jim Jacobus <[Jim@intercountyenergy.net](mailto:Jim@intercountyenergy.net)>, Jimmy Longmire -- Salt River <[jlongmire94@icloud.com](mailto:jlongmire94@icloud.com)>, Jody Hughes <[jodyh@bgenergy.com](mailto:jodyh@bgenergy.com)>, Joe Spalding External <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>, Joni Hazelrigg <[jhazelrigg@fme.coop](mailto:jhazelrigg@fme.coop)>, Kelly Shepherd <[kshepherd@foothills.net](mailto:kshepherd@foothills.net)>, Ken Arrington -- Grayson <[karringtongrecc@foothills.net](mailto:karringtongrecc@foothills.net)>, Kerry Howard -- Licking Valley <[kkhoward@lvrecc.com](mailto:kkhoward@lvrecc.com)>, Landis Cornett <[ekpc@landiscornett.com](mailto:ekpc@landiscornett.com)>, Mark Stallons -- Owen <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>, Mickey Miller -- Nolin <[mmiller@nolinrecc.com](mailto:mmiller@nolinrecc.com)>, Mike Williams -- Blue Grass <[mikew@bgenergy.com](mailto:mikew@bgenergy.com)>, Paul Hawkins -- Farmers <[paulcat@scrtc.com](mailto:paulcat@scrtc.com)>, Raymond Rucker <[lakeside47@yahoo.com](mailto:lakeside47@yahoo.com)>, Ted Hampton <[ted.hampton@cumberlandvalley.coop](mailto:ted.hampton@cumberlandvalley.coop)>, Ted Holbrook <[tedh@mrtc.com](mailto:tedh@mrtc.com)>, Tim Eldridge <[timothy.eldridge@baldwincpas.com](mailto:timothy.eldridge@baldwincpas.com)>, Tim Sharp - Salt River Electric <[tjsharp@srelectric.com](mailto:tjsharp@srelectric.com)>, Wayne Stratton -- Shelby <[wayne@jnmcpa.com](mailto:wayne@jnmcpa.com)>, William Shearer -- Clark <[wpshearer@bellsouth.net](mailto:wpshearer@bellsouth.net)>  
Cc: Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>, David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>  
Subject: From Tony Campbell re: Amendment 3 Memo

***Sending on behalf of Tony Campbell***

All:

Since South Kentucky gave us notice to exercise their rights under the MOU, we have had a number of CEO's contact us. Many have asked questions about the financial impacts to the remaining Owner Members. Mike McNalley and his team have been working on the potential cost implications of losing this 58 MW baseload block of power. Please remember this was done somewhat quickly, and we will continue to refine the data. In addition, please note that we will do everything possible to totally mitigate this loss of load, and will protect our Owner Members should it return at an inopportune time.

*Regards,*

*Anthony "Tony" Campbell*

*President and CEO*

*Phone: 859-745-9313*

*Fax: 859-744-7053*

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**Gwyn Willoughby**

---

**From:** Robin Hayes  
**Sent:** Tuesday, January 16, 2018 12:35 PM  
**To:** Mike McNalley  
**Subject:** RE: Phone call with Owen's financial person

Absolutely

-----Original Message-----

**From:** Mike McNalley  
**Sent:** Tuesday, January 16, 2018 12:33 PM  
**To:** Robin Hayes <robin.hayes@ekpc.coop>  
**Subject:** RE: Phone call with Owen's financial person

No worries; we are in sync. David has been handling these "Amendment 3" requests so far, and keeping him on it provides consistency and prevents end-runs. I don't think that is what you were getting - she is new to the role, but we have to guard against it even inadvertently.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
Michael.mcnalley@ekpc.coop

-----Original Message-----

**From:** Robin Hayes  
**Sent:** Tuesday, January 16, 2018 12:21 PM  
**To:** Mike McNalley <Michael.McNalley@ekpc.coop>; Tom Stachnik <Tom.Stachnik@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
**Cc:** Don Mosier <Don.Mosier@ekpc.coop>  
**Subject:** RE: Phone call with Owen's financial person

Mike,

Whole heartedly agree. My only encouragement was to take into account all aspects of any situation which I would counsel on for anything.

The call was designed to be a follow up on the budget book and I was actually a little shocked by the questions which prompted this e-mail.

Thanks for the support and I will follow up with a note on the budget book for her!

Robin

-----Original Message-----

From: Mike McNalley  
Sent: Tuesday, January 16, 2018 8:06 AM  
To: Robin Hayes <robin.hayes@ekpc.coop>; Tom Stachnik <Tom.Stachnik@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
Cc: Don Mosier <Don.Mosier@ekpc.coop>  
Subject: RE: Phone call with Owen's financial person

Robin,

It is up to the Owner-Member to do their own analysis and make a decision on a potential contract. We can't appear to be helping or nudging or influencing. I would refer all questions like this to David Crews and let him coordinate internally to respond.

The Budget Book is confidential and should not be shared. If they want to share it, she will have to let us know with whom and whether they have a non-disclosure agreement (ideally stronger than ours) in place to protect it. Then we can decide. Always Case-by-case with these requests.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
Michael.mcnalley@ekpc.coop

-----Original Message-----

From: Robin Hayes  
Sent: Monday, January 15, 2018 5:32 PM  
To: Mike McNalley <Michael.McNalley@ekpc.coop>; Tom Stachnik <Tom.Stachnik@ekpc.coop>  
Subject: Phone call with Owen's financial person

Guys,

So I was able to connect with Teresa at Owen today. I wasn't sure what she needed. She recently was placed in her position and has asked for several things.

It was clear from the beginning that she really wanted to discuss the financial implications of buying external power with the MOU. Mark has asked her to analyze what the costs and savings would be.

She didn't have any particular scenario to analyze or specifics, but asked me what I would consider in analysis of this situation. I told her that I would look at:

- (1) look structure/economics of the contract (fixed or market based)
- (2) how the organization providing the power would recoup any of their fixed costs (PJM or organizational costs) and:
- (3) the cost of the hedge instrument she disclosed they would most likely enter into.

Then she asked me what I believe is the one of the hard questions which is better served with an organizational answer. The question was (I am paraphrasing) if an organization acquired power outside of EKPC would they/or the rest of the owner-members still ultimately pay EKPC a higher rate so that we could recoup our costs. I told her that was a question I would have to consult with you on.

Finally, she asked me if she could share any of the budget book with the third party that would provide either the hedge or energy. I told her the budget was considered Confidential for use by the owner members to create their own budgets and properly review our budget. I asked her not to, but told her I would check into it and follow back with her.

Thanks!

Robin

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Tuesday, January 16, 2018 9:23 AM  
**To:** Mike McNalley; Robin Hayes; Tom Stachnik  
**Cc:** Don Mosier  
**Subject:** RE: Phone call with Owen's financial person

I a 100% agree. We can't be apart of doing this analysis. I told SK they had to have their own staff or a consultant work on it.

I am also on board with not sharing our Budget Book.

The one question you can answer is that when a member takes load off with A3, the unrecovered fixed costs will be redistributed to the balance of their purchases and the purchases of the other members.

-----Original Message-----

**From:** Mike McNalley  
**Sent:** Tuesday, January 16, 2018 8:06 AM  
**To:** Robin Hayes <robin.hayes@ekpc.coop>; Tom Stachnik <Tom.Stachnik@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
**Cc:** Don Mosier <Don.Mosier@ekpc.coop>  
**Subject:** RE: Phone call with Owen's financial person

Robin,

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Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
Michael.mcnalley@ekpc.coop

-----Original Message-----

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**Sent:** Monday, January 15, 2018 5:32 PM  
**To:** Mike McNalley <Michael.McNalley@ekpc.coop>; Tom Stachnik <Tom.Stachnik@ekpc.coop>  
**Subject:** Phone call with Owen's financial person



Guys,

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Thanks!

Robin

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Wednesday, January 3, 2018 9:22 PM  
**To:** Mike McNalley  
**Cc:** Tony Campbell  
**Subject:** Re: Today's Peak.

Thx guys.

On Jan 3, 2018, at 9:18 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

This looks good to me, too. Only caveat is winter just started - we could set more peaks this month or next.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Jan 3, 2018, at 4:58 PM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

The peak was 3350.5 yesterday. Looking at how this impacts the A3 notices, see chart below. Mike Williams asked David and I to provide the info today, but want you to have a look and blessing before we do so. Will double check to make sure 100% accurate. Clearly the peak changes the decision timing.

**From:** David Crews  
**Sent:** Tuesday, January 02, 2018 4:07 PM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Subject:** Fwd: Today's Peak.  
FYI

Sent from my iPad

Begin forwarded message:

**From:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Date:** January 2, 2018 at 3:09:59 PM EST  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Today's Peak.

Here is what I think:  
The 5% limit will increase by 10 MW IF member gives notice in February of 2018, however, if notice in March it's back close to where it currently is.

**From:** David Crews

**Sent:** Tuesday, January 02, 2018 1:49 PM

**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; Sally Witt  
<[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>

**Subject:** Today's Peak.

I am sure we are going to get some questions about the impact on the A3 3 year rolling average.

? Will this increase the 5% before the 2015 peak rolls off?

? How much?

? When the 2015 peak rolls off, what will the 5% be with this peak?

Sent from my iPad

**Gwyn Willoughby**

---

**From:** Tony Campbell  
**Sent:** Wednesday, January 3, 2018 9:11 PM  
**To:** Don Mosier  
**Cc:** Mike McNalley  
**Subject:** Re: Today's Peak.

If we are confident in numbers I'm okay with this.

TC

Sent from my iPhone

On Jan 3, 2018, at 4:58 PM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

The peak was 3350.5 yesterday. Looking at how this impacts the A3 notices, see chart below. Mike Williams asked David and I to provide the info today, but want you to have a look and blessing before we do so. Will double check to make sure 100% accurate. Clearly the peak changes the decision timing.

---

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**Subject:** Fwd: Today's Peak.  
FYI

Sent from my iPad

Begin forwarded message:

**From:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Date:** January 2, 2018 at 3:09:59 PM EST  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Today's Peak.

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---

**From:** David Crews  
**Sent:** Tuesday, January 02, 2018 1:49 PM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** Today's Peak.

I am sure we are going to get some questions about the impact on the A3 3 year rolling average.

? Will this increase the 5% before the 2015 peak rolls off?

? How much?

? When the 2015 peak rolls off, what will the 5% be with this peak?

Sent from my iPad

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Wednesday, January 3, 2018 4:58 PM  
**To:** Tony Campbell; Mike McNalley  
**Subject:** FW: Today's Peak.

**Follow Up Flag:** Flag for follow up  
**Flag Status:** Flagged

The peak was 3350.5 yesterday. Looking at how this impacts the A3 notices, see chart below. Mike Williams asked David and I to provide the info today, but want you to have a look and blessing before we do so. Will double check to make sure 100% accurate. Clearly the peak changes the decision timing.

**From:** David Crews  
**Sent:** Tuesday, January 02, 2018 4:07 PM  
**To:** Don Mosier  
**Subject:** Fwd: Today's Peak.

FYI

Sent from my iPad

Begin forwarded message:

**From:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Date:** January 2, 2018 at 3:09:59 PM EST  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Today's Peak.

Here is what I think:

The 5% limit will increase by 10 MW IF member gives notice in February of 2018, however, if notice in March it's back close to where it currently is.

	Feb. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Average	5%
Current	3,428.1	2,739.5	2,771.8		2,979.8	149.0
Notice in Feb 2018	3,428.1		2,771.8	3350.5	3,183.5	159.2
Notice in Mar 2018		2,739.5	2,771.8	3350.5	2,953.9	147.7

**From:** David Crews  
**Sent:** Tuesday, January 02, 2018 1:49 PM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** Today's Peak.

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- ? Will this increase the 5% before the 2015 peak rolls off?
- ? How much?
- ? When the 2015 peak rolls off, what will the 5% be with this peak?

Sent from my iPad

## Gwyn Willoughby

---

**From:** Debbie Martin <debbiem@shelbyenergy.com>  
**Sent:** Tuesday, January 2, 2018 12:32 PM  
**To:** Terri Combs  
**Cc:** Mike McNalley  
**Subject:** RE: From Tony Campbell re: Amendment 3 Memo

Thank you for the information. We appreciate the data and estimated impact to the remaining cooperatives. We all knew the possible risks with Amendment 3, but it definitely made it real with the SK request.

Debbie

**Debra J. Martin**  
**President & CEO**

620 Old Finchville Road  
Shelbyville, KY 40065

Office: (502)633-4163  
Fax: (502)633-2387



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---

**From:** Terri Combs [mailto:terri.combs@ekpc.coop]  
**Sent:** Friday, December 29, 2017 3:32 PM  
**To:** A L Rosenberger ; Alan Ahrman - Owen ; Barry Myers -- Taylor County ; Bill Prather -- Farmers ; Bobby Sexton--Big Sandy ; Boris Haynes ; Carol Fraley -- Grayson ; Carol Wright - Jackson Energy ; Chris Brewer - Clark Energy ; Debbie Martin ; Dennis Holt ; Elbert Hampton ; Jerry Carter ; Jim Jacobus -- Inter-County ; Jimmy Longmire -- Salt River ; Jody Hughes ; Joe Spalding, Inter-County Energy ; Joni Hazelrigg ; Kelly Shepherd ; Ken Arrington -- Grayson ; Kerry Howard -- Licking Valley ; Landis Cornett ; Mark Stallons -- Owen ; Mickey Miller -- Nolin ; Mike Williams -- Blue Grass ; Paul Hawkins -- Farmers ; Raymond Rucker ; Ted Hampton ; Ted Holbrook ; Tim Eldridge ; Tim Sharp - Salt River Electric ; Wayne Stratton -- Shelby ; William Shearer -- Clark  
**Cc:** Tony Campbell ; Mike McNalley ; Don Mosier ; David Smart  
**Subject:** From Tony Campbell re: Amendment 3 Memo

**Sending on behalf of Tony Campbell**

All:

Since South Kentucky gave us notice to exercise their rights under the MOU, we have had a number of CEO's contact us. Many have asked questions about the financial impacts to the remaining Owner Members. Mike McNalley and his team have been working on the potential cost implications of losing this 58 MW baseload block of power. Please remember this was done somewhat quickly, and we will continue to refine the data. In addition, please note that we will do everything possible to totally mitigate this loss of load, and will protect our Owner Members should it return at an inopportune time.

Regards,  
Anthony "Tony" Campbell  
President and CEO  
Phone: 859-745-9313  
Fax: 859-744-7053



PRIVILEGED OR CONFIDENTIAL NOTICE: This electronic mail transmission is for the use of the named individual or entity to which it is directed and may contain information that is privileged or confidential. It is not to be transmitted to or received by anyone other than the named addressee (or a person authorized to deliver it to the named addressee). It is not to be copied or forwarded to any unauthorized persons. If you have received this electronic mail transmission in error, delete it from your system without copying or forwarding it, and notify the sender of the error by replying via email or by calling East Kentucky Power Cooperative, Inc. at 859-744-4812 (collect), so that our address record can be corrected.



**Gwyn Willoughby**

---

**From:** Terri Combs  
**Sent:** Friday, December 29, 2017 3:32 PM  
**To:** A L Rosenberger ; Alan Ahrman - Owen; Barry Myers -- Taylor County; Bill Prather -- Farmers; Bobby Sexton--Big Sandy; Boris Haynes; Carol Fraley -- Grayson; Carol Wright - Jackson Energy; Chris Brewer - Clark Energy; Debbie Martin -- Shelby; Dennis Holt; Elbert Hampton; Jerry Carter; Jim Jacobus -- Inter-County; Jimmy Longmire -- Salt River; Jody Hughes; Joe Spalding, Inter-County Energy; Joni Hazelrigg; Kelly Shepherd; Ken Arrington -- Grayson; Kerry Howard -- Licking Valley; Landis Cornett; Mark Stallons -- Owen; Mickey Miller -- Nolin; Mike Williams -- Blue Grass; Paul Hawkins -- Farmers; Raymond Rucker; Ted Hampton; Ted Holbrook; Tim Eldridge; Tim Sharp - Salt River Electric; Wayne Stratton -- Shelby; William Shearer -- Clark  
**Cc:** Tony Campbell; Mike McNalley; Don Mosier; David Smart  
**Subject:** From Tony Campbell re: Amendment 3 Memo  
**Attachments:** A3 Load Loss Mitigation Discussion Final.docx

[Sending on behalf of Tony Campbell](#)

All:

Since South Kentucky gave us notice to exercise their rights under the MOU, we have had a number of CEO's contact us. Many have asked questions about the financial impacts to the remaining Owner Members. Mike McNalley and his team have been working on the potential cost implications of losing this 58 MW baseload block of power. Please remember this was done somewhat quickly, and we will continue to refine the data. In addition, please note that we will do everything possible to totally mitigate this loss of load, and will protect our Owner Members should it return at an inopportune time.

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Phone: 859-745-9313  
Fax: 859-744-7053



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East Kentucky Power Cooperative  
Mitigation of Amendment 3 Load Loss

December 27, 2017

For this analysis I am using the SK Amendment 3 notice and their actual billings for the 12 months ending November 2017. The notice was for 58MW of load to be removed from the EKPC system, at an effective load factor of 100%.

#### South Kentucky Billing

EKPC billing differential to SK for the 12 months would have been a reduction of 508,000 MWh and \$30.4 million over the 12 months. This includes a reduction of \$28.5 million from Base Rates, an increase of \$2.5 million from the FAC, and a reduction of \$4.4 million in the ES. The base rate and FAC impacts should be taken together, for a net billing reduction of \$26.0 million.

For SK, we calculate a reduced load factor on the EKPC system because they are removing 100% load factor MWs. SK's load factor in the 12 months of 2017 would have dropped from the actual 56.3% to only 43.5%; this would have resulted in an increased cost per MWh billed by EKPC of \$6.07/MWh (from \$68.95/MWh to \$75.02/MWh). Because we do not have their new contract details it is impossible for us to calculate the net impact of their new contract on SK members.

#### Cost Shift and Mitigation

The load loss as a result of an Amendment 3 election will shift costs. EKPC will act promptly to mitigate that cost shift.

The cost shift consists of the fixed costs EKPC would no longer recover in base rates from SK, and the ES which would be "automatically" reallocated based on revenue to all members (including SK).

We estimate that the ES amount that would remain with SK is about \$0.3 million, so approximately \$4.1million would be reallocated to the other 15 owner-members.

EKPC's system is approximately half fixed cost and half variable cost (fuel, purchased power, etc). So of the base revenue loss (\$26.0 million), about \$13 million would be fixed and need to be recovered.

Thus, the total cost shift, without any mitigation, is approximately \$17.1 million to the 15 owner members for the 12 month period ending November 2017.

Amendment3 (and SK) provides for a long notice period, which is necessary for EKPC to achieve the best mitigation of the load loss for its owner-members. This is important because it gives EKPC the time to develop and execute numerous options. Without the time to act, EKPC would have only two options: sales of the energy into PJM in the day-ahead and real-time market, and a base rate increase. For 2017,

the energy market would have provided approximately \$5/MWh of margin, or \$2.3 million, leaving an unmitigated balance of \$14.8 million. Given EKPC's low margins this year, this might be large enough to tip us into a base rate increase, especially if we had no further mitigation options.

However, with time, more options unfold. These include participating in the PJM Intermediate Capacity Auctions (IA), the PJM Base (May) Capacity Auction (BRA), natural load growth, economic development, and special contracted loads. In the IA we might expect from \$800k to \$1.6 million of revenue in the first year, growing as the market firms and better prices are realized (three years out) in the BRA.

Load growth in our budget for 2018, which includes a bounce back to weather-normal as well as some real load growth, is projected at 1,388 MW and 974,217 MWh. If this is achieved, it is sufficient to absorb the loss of the SK load, although our EKPC results would be lower than projected (because we have their entire load in our budget). Because the notice period extends beyond the 2018 budget year, it is reasonable to conclude that EKPC can grow load sufficiently to offset the SK loss by the time their load actually leaves. Any load growth on SK's system also will directly benefit the EKPC system and all owner-members because their notice is for a fixed block of power which cannot grow – thus all load growth must be served under the wholesale power agreement.

A significant new load developed through economic development efforts could further mitigate the SK load loss. However to be valuable in this context that new load should be at tariffed rates and not heavily discounted so that it makes a full contribution to the fixed costs. A load such as the expansion of Gallatin, which is interruptible and does not contribute substantially to fixed costs, will not provide a material benefit in this context (it is obviously valuable in other ways).

Special load contracts (bi-lateral agreements) could possibly be negotiated. However the MW size (58) is odd, and it is likely we would have difficulty finding a good match at the size needed.

Finally, the SK notice is for a 20 year contract. We will mitigate the load loss for that period, and this strictly means that we will not have those resources immediately available to serve SK should they desire to return early – again a key reason for the long notice periods in Amendment 3.

#### Additional Load Loss (more Amendment 3 Notices)

Under Amendment 3, after SK's election, there are approximately 69.2 MW of potential load to be noticed across all owner-members. If some or all of these MWs are noticed soon, EKPC will follow similar mitigation plans. However, our "natural" load growth scenario will be insufficient to absorb all of the load loss by the time the notices are effective, so there likely would be some margin depression for a year or so. Other mitigation efforts might make up some of the shortfall, but we should expect some cost shifting in base rates, at least for a year or two.

All figures are estimates and we are continuing to refine these analyses.

## Gwyn Willoughby

---

**From:** Mike McNalley  
**Sent:** Wednesday, December 27, 2017 9:28 AM  
**To:** Don Mosier  
**Cc:** Tony Campbell  
**Subject:** RE: A3 document

Don,

I calculated the \$1.6 million BRA revenue as 58MW x \$75/MW-Day x 365 days. Obviously depends on what the auction clears at.

I mention BREC only because CEOs are aware of it and would want us to try all avenues of mitigation. But I think any sort of bi-lateral deal is going to be tough both because of PJM design and because of the size of this block.

Really we just have to grow into this, as fast as we can.

Will edit further after Tony comments.

Enjoy some vacation!

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Don Mosier  
**Sent:** Wednesday, December 27, 2017 9:23 AM  
**To:** Mike McNalley  
**Cc:** Tony Campbell  
**Subject:** Re: A3 document

Looks very good Mike. The IA you mention we will be selling back the capacity bought for SK during the 16/17 BRA. Not sure where the 1.6M benefit came from. It would be unlikely we'd sell it back for more (IA's limited liquidity) thus would see a loss. Would rather not mention the Big Rivers example as I don't think that load opportunity exists in PJM. There are a lot of hungry IPPs who have that covered in excess. Net message is the loss of load is a drag on future margins and carried disproportionately by the remaining 10.

On Dec 27, 2017, at 8:24 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Tony and Don,

Attached is the updated Amendment 3 white paper. Isaac updated his numbers to include a full 12 months and made some other corrections.

After your review, I think this can go to all CEOs.

Cheers!

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Thursday, December 28, 2017 10:04 AM  
**To:** Mike McNalley  
**Subject:** Re: A3 document

They are. They are a guess so at most lower from 75 to 39, or provide a range up to 75.

On Dec 28, 2017, at 9:36 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Those market prices are really low! Do you want me to update the white paper figures – if so, to what?

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

859-745-9209 O

859-595-3897 C

[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Don Mosier  
**Sent:** Thursday, December 28, 2017 9:26 AM  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Cc:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Re: A3 document

We will message this carefully and positively. Had staff check market expectations for 19/20 3rd IA. Expectation is \$9 for base and \$39 for CP (BRA cleared 80 and 100, resp.). Market expecting prices for 2nd and 3rd IA for 20/21 range \$25-\$49 (BRA cleared 76, all CP).

Will have ACES begin looking for home for up to 150MW baseload beginning June 1 2019 when the load loss begins. Subject to members locking in deals and PSC approvals. To date they have not had a market open up for BG3 bilateral toll beginning same time. Need to fold all of this into an integrated market exposure mitigation strategy.

---

On Dec 27, 2017, at 9:59 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

While I agree with what have said here Don, I think we need to be careful how we couch this. Our Owners on outside will understand and will be thinking super negative already. I don't want anyone jumping off the cliff before we have an opportunity to try and mitigate!! Plus, we will have Owners who will forget about the negotiations, which went on because two or three refused to sign fair deal, and may begin to point fingers at David and you. We certainly can fight, but no matter what will have those that will not step up and take the responsibility.

TC

Sent from my iPhone

On Dec 27, 2017, at 9:22 AM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

Looks very good Mike. The IA you mention we will be selling back the capacity bought for SK during the 16/17 BRA. Not sure where the 1.6M benefit came from. It would be unlikely we'd sell it back for more (iA's

limited liquidity) thus would see a loss. Would rather not mention the Big Rivers example as I don't think that load opportunity exists in PJM. There are a lot of hungry IPPs who have that covered in excess. Net message is the loss of load is a drag on future margins and carried disproportionately by the remaining 10.

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859-745-9209 O  
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**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Wednesday, December 27, 2017 8:24 AM  
**To:** Tony Campbell; Don Mosier  
**Subject:** A3 document  
**Attachments:** A3 Load Loss Mitigation Discussion Updated.docx

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Cheers!

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EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)



East Kentucky Power Cooperative  
Mitigation of Amendment 3 Load Loss

DRAFT

December 22, 2017

For this analysis I am using the SK Amendment 3 notice and their actual [billings for the 12 months ending November 2017](#) ~~11-month billing~~. The notice was for 58MW of load to be removed from the EKPC system, at an effective load factor of 100%.

#### South Kentucky Billing

EKPC billing differential to SK for [the 12 months 2017](#) would have been a reduction of [508,465,000 MWh](#) and [\\$30,427.7](#) million over the [12](#) months. This includes a reduction of [\\$28,526.1](#) million from Base Rates, an increase of [\\$2.53](#) million from the FAC, and a reduction of [\\$4,43.9](#) million in the ES. The base rate and FAC impacts should be taken together, for a net billing reduction of [\\$26,023.8](#) million.

For SK, we calculate a reduced load factor on the EKPC system because they are removing 100% load factor MWs. SK's load factor in the [12](#) months of 2017 would have dropped from the actual [56.31%](#) to only [43.50%](#); this would have resulted in an increased cost per MWh billed by EKPC of [\\$6,073.3/MWh](#) (from [\\$68,957.0/MWh](#) to [\\$75,023/MWh](#)). Because we do not have their new contract details it is impossible for us to calculate the net impact of their new contract on SK members.

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We estimate that the ES amount that would remain with SK is about [\\$0.31](#) million, so approximately [\\$4.13](#) million would be reallocated to the other 15 owner-members.

EKPC's system is approximately half fixed cost and half variable cost (fuel, purchased power, etc). So of the base revenue loss ([\\$26,023.8](#) million), about [\\$132](#) million would be fixed and need to be recovered.

Thus, the total cost shift, without any mitigation, is approximately [\\$17.15](#) million to the 15 owner members for the [12 month](#) ~~11-month~~ period [ending November of 2017](#).

Amendment 3 (and SK) provides for a long notice period, which is necessary for EKPC to achieve the best mitigation of the load loss for its owner-members. This is important because it gives EKPC the time to develop and execute numerous options. Without the time to act, EKPC would have only two options: sales of the energy into PJM in the day-ahead and real-time market, and a base rate increase. For 2017, the energy market would have provided approximately \$5/MWh of margin, or \$2.3 million, leaving an unmitigated balance of \$14.82-7 million. Given EKPC's low margins this year, this might be large enough to tip us into a base rate increase, especially if we had no further mitigation options.

However, with time, more options unfold. These include participating in the PJM Intermediate Capacity Auctions (IA), the PJM Base (May) Capacity Auction (BRA), natural load growth, economic development, and special contracted loads. In the IA we might expect about \$1.6 million of revenue in the first year, growing as the market firms and better prices are realized (three years out) in the BRA.

Load growth in our budget for 2018, which includes a bounce back to weather-normal as well as some real load growth, is projected at 1,388 MW and 974,217 MWh. If this is achieved, it is sufficient to absorb the loss of the SK load, although our EKPC results would be lower than projected (because we have their entire load in our budget). Because the notice period extends beyond the 2018 budget year, it is reasonable to conclude that EKPC can grow load sufficiently to offset the SK loss by the time their load actually leaves. Any load growth on SK's system also will directly benefit the EKPC system and all owner-members because their notice is for a fixed block of power which cannot grow – thus all load growth must be served under the wholesale power agreement.

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Under Amendment 3, after SK's election, there are approximately 69.2 MW of potential load to be noticed across all owner-members. If some or all of these MWs are noticed soon, EKPC will follow similar mitigation plans. However, our "natural" load growth scenario will be insufficient to absorb all of the load loss by the time the notices are effective, so there likely would be some margin depression for a year or so. Other mitigation efforts might make up some of the shortfall, but we should expect some cost shifting in base rates, at least for a year or two.

All figures are estimates and we are continuing to refine these analyses.

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Wednesday, December 27, 2017 8:23 AM  
**To:** Isaac Scott  
**Subject:** RE: South Kentucky Analysis Updated

Very well done, Isaac! Thanks.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 8:13 AM  
**To:** Mike McNalley  
**Subject:** South Kentucky Analysis Updated

Mike,  
I have updated the billing analysis to a 12-month period ending November 2017. I also took a stab at adjusting the numbers in your narrative for this updated analysis. Both the spreadsheet and narrative are attached (track changes is on with the narrative).  
The only thing I have found that might be a bit off was concerning how much of the surcharge would still be borne by South Kentucky. Your narrative originally indicated that approximately \$1.0 M would still be borne by South Kentucky after the shift. I think this might be overstated. Using the most currently filed surcharge calculation and the possible reduction in average Member revenues, I had indicated that the surcharge factor could be expected to increase by 0.0071%. Applying that to the 11-month billed base and FAC revenues, the impact would be \$304,996 (base of \$46,236,673 and FAC of -\$3,279,486 = \$42,957,187 times 0.0071% = \$304,996). This would be the total 11 month impact. Going to 12 months did not change the surcharge factor impact, and the dollar effect would be \$346,403 (base of \$52,433,740 and FAC of -\$3,644,605 = 48,789,133 times 0.0071% = \$346,403).  
I hope these updates cover what you needed. Thanks.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

1 SoKentuckyAmend3-2017.xlsx  
 2 Estimated Effect of Amendment 3 Election using 2017 Actual Billings  
 3  
 4  
 5 **Actual Billing Information - December 2016 to November 2017**

Month	Total kW	Total kWh	Billed Revenues from				Mills per kWh				Days in Month	Calculated Overall Load Factor	
			Base Rates	FAC	Surcharge	Total Billing	Base Rate	FAC	Base Rate & FAC	Surcharge			Total Billing
December 2016	318,654	136,642,060	\$8,625,709	(\$534,275)	\$1,614,239	\$9,705,673	\$63.13	(\$3.91)	\$59.22	\$11.81	\$71.03	31	57.64%
January	369,429	128,653,435	\$8,543,212	(\$414,935)	\$1,375,301	\$9,503,578	\$66.40	(\$3.23)	\$63.17	\$10.69	\$73.86	31	46.81%
February	299,188	102,221,559	\$6,839,011	(\$405,227)	\$721,225	\$7,155,009	\$66.90	(\$3.96)	\$62.94	\$7.06	\$70.00	28	50.84%
March	307,956	108,841,661	\$7,214,288	(\$802,352)	\$786,104	\$7,198,040	\$66.28	(\$7.37)	\$58.91	\$7.22	\$66.13	31	47.50%
April	182,567	85,645,592	\$5,345,732	(\$415,147)	\$775,585	\$5,706,170	\$62.42	(\$4.85)	\$57.57	\$9.06	\$66.63	30	65.16%
May	193,943	91,076,403	\$5,759,714	(\$484,072)	\$812,453	\$6,086,095	\$63.24	(\$5.32)	\$57.92	\$8.92	\$66.84	31	63.12%
June	223,253	99,979,261	\$6,389,751	(\$503,627)	\$1,168,985	\$7,055,109	\$63.91	(\$5.04)	\$58.87	\$11.69	\$70.56	30	62.20%
July	248,069	118,121,139	\$7,445,705	(\$769,674)	\$1,210,364	\$7,886,395	\$63.03	(\$6.52)	\$56.51	\$10.25	\$66.76	31	64.00%
August	229,842	108,641,725	\$6,857,145	(\$574,720)	\$1,115,132	\$7,397,557	\$63.12	(\$5.29)	\$57.83	\$10.26	\$68.09	31	63.53%
September	196,183	90,491,676	\$5,526,857	(\$633,995)	\$777,795	\$5,672,657	\$61.10	(\$7.01)	\$54.09	\$8.60	\$62.69	30	64.06%
October	242,393	92,870,513	\$5,624,776	(\$246,721)	\$977,832	\$6,555,887	\$62.72	(\$2.66)	\$60.06	\$10.53	\$70.59	31	51.50%
November	275,950	105,154,553	\$6,587,296	(\$342,493)	\$1,280,809	\$7,525,612	\$62.64	(\$3.26)	\$59.38	\$12.16	\$71.56	30	52.93%
Totals to Date	3,087,427	1,268,339,577	\$80,961,196	(\$6,127,238)	\$12,615,824	\$87,449,782	\$63.83	(\$4.83)	\$59.00	\$9.95	\$68.95	30.42	56.27%

38 **Recalculated 2016-2017 Billing - Excluding 58 MW from Amendment 3**

Month	Total kW	Total kWh	Billed Revenues from				Mills per kWh				Days in Month	Calculated Overall Load Factor	
			Base Rates	FAC	Surcharge	Total Billing	Base Rate	FAC	Base Rate & FAC	Surcharge			Total Billing
December 2016	260,654	93,490,060	\$6,197,067	(\$365,119)	\$1,163,472	\$6,995,420	\$66.29	(\$3.91)	\$62.36	\$12.44	\$74.82	31	48.21%
January	311,429	85,501,435	\$6,114,570	(\$275,554)	\$987,958	\$6,826,974	\$71.51	(\$3.22)	\$68.29	\$11.55	\$79.84	31	36.90%
February	241,188	63,245,559	\$4,611,609	(\$250,103)	\$488,923	\$4,850,429	\$72.92	(\$3.95)	\$68.97	\$7.73	\$76.70	28	39.02%
March	249,956	65,689,661	\$4,785,646	(\$483,459)	\$527,449	\$4,829,636	\$72.85	(\$7.36)	\$65.49	\$8.03	\$73.52	31	35.32%
April	124,567	43,685,592	\$2,984,170	(\$212,193)	\$436,036	\$3,208,013	\$68.00	(\$4.84)	\$63.16	\$9.94	\$73.10	30	48.93%
May	135,943	47,924,403	\$3,299,709	(\$254,503)	\$466,966	\$3,514,172	\$68.85	(\$5.31)	\$63.54	\$9.79	\$73.33	31	47.38%
June	165,253	58,219,261	\$3,997,837	(\$292,739)	\$735,833	\$4,440,931	\$68.67	(\$5.03)	\$63.64	\$12.64	\$76.28	30	48.93%
July	190,069	74,969,139	\$4,985,700	(\$487,891)	\$815,452	\$5,313,261	\$66.50	(\$6.51)	\$59.99	\$10.88	\$70.87	31	53.01%
August	171,842	65,489,725	\$4,397,140	(\$346,014)	\$719,076	\$4,770,202	\$67.14	(\$5.28)	\$61.86	\$10.98	\$72.84	31	51.22%
September	136,183	48,731,676	\$3,236,333	(\$340,005)	\$460,228	\$3,356,556	\$66.41	(\$6.98)	\$59.43	\$9.44	\$68.87	30	48.98%
October	184,393	49,718,513	\$3,498,836	(\$131,505)	\$590,292	\$3,957,623	\$70.37	(\$2.64)	\$67.73	\$11.87	\$79.60	31	36.24%
November	217,950	63,394,553	\$4,325,123	(\$205,520)	\$844,930	\$4,964,533	\$68.23	(\$3.24)	\$64.99	\$13.33	\$78.32	30	40.40%
Totals to Date	2,391,427	760,259,577	\$52,433,740	(\$3,644,605)	\$8,236,615	\$57,027,750	\$68.97	(\$4.79)	\$64.18	\$10.84	\$75.02	30.42	43.54%

71 **Units/Dollar and Percentage Change - Recalculated versus Actual**

Billed Revenues from						Mills per kWh				Calculated Over-
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74	Month	Total kW	Total kWh	Base Rates	FAC	Surcharge	Total Billing	Base Rates	FAC	Base Rate & FAC	Surcharge	Total Billing	all Load Factor
75													
76	December 2016	(58,000)	(43,152,000)	(\$2,428,642)	\$169,156	(\$450,767)	(\$2,710,253)	\$3.16	\$0.00	\$3.16	\$0.63	\$3.79	-9.43%
77		-18.2016%	-31.5803%	-28.1559%	-31.6608%	-27.9244%	-27.9244%	5.0055%	0.0000%	5.3360%	5.3345%	5.3358%	-16.3602%
78													
79	January	(58,000)	(43,152,000)	(\$2,428,642)	\$139,381	(\$387,343)	(\$2,676,604)	\$5.11	\$0.01	\$5.12	\$0.86	\$5.98	-9.91%
80		-15.6999%	-33.5413%	-28.4277%	-33.5910%	-28.1642%	-28.1642%	7.6958%	-0.3096%	8.1051%	8.0449%	8.0964%	-21.1707%
81													
82	February	(58,000)	(38,976,000)	(\$2,227,402)	\$155,124	(\$232,302)	(\$2,304,580)	\$6.02	\$0.01	\$6.03	\$0.67	\$6.70	-11.62%
83		-19.3858%	-38.1289%	-32.5691%	-38.2808%	-32.2094%	-32.2093%	6.9985%	-0.2525%	9.5806%	9.4901%	9.5714%	-23.2494%
84													
85	March	(58,000)	(43,152,000)	(\$2,428,642)	\$318,893	(\$258,655)	(\$2,368,404)	\$6.57	\$0.01	\$6.58	\$0.81	\$7.39	-12.18%
86		-18.8339%	-39.6466%	-33.6643%	-39.7448%	-32.9034%	-32.9035%	9.9125%	-0.1357%	11.1696%	11.2188%	11.1750%	-25.6421%
87													
88	April	(58,000)	(41,760,000)	(\$2,361,562)	\$202,954	(\$339,549)	(\$2,498,157)	\$5.58	\$0.01	\$5.59	\$0.88	\$6.47	-16.23%
89		-31.7692%	-48.7591%	-44.1766%	-48.8873%	-43.7797%	-43.7799%	8.9394%	-0.2062%	9.7099%	9.7130%	9.7103%	-24.9079%
90													
91	May	(58,000)	(43,152,000)	(\$2,460,005)	\$229,569	(\$343,487)	(\$2,573,923)	\$5.61	\$0.01	\$5.62	\$0.87	\$6.49	-15.74%
92		-29.9057%	-47.3800%	-42.7105%	-47.4246%	-42.2778%	-42.2780%	6.8710%	-0.1880%	9.7030%	9.7534%	9.7098%	-24.9366%
93													
94	June	(58,000)	(41,760,000)	(\$2,391,914)	\$210,888	(\$433,152)	(\$2,614,178)	\$4.76	\$0.01	\$4.77	\$0.95	\$5.72	-13.27%
95		-25.9795%	-41.7687%	-37.4336%	-41.8738%	-37.0537%	-37.0537%	7.4480%	-0.1984%	8.1026%	8.1266%	8.1066%	-21.3344%
96													
97	July	(58,000)	(43,152,000)	(\$2,460,005)	\$281,783	(\$394,912)	(\$2,573,134)	\$3.47	\$0.01	\$3.48	\$0.63	\$4.11	-10.99%
98		-23.3806%	-36.5320%	-33.0392%	-36.6107%	-32.6275%	-32.6275%	5.5053%	-0.1534%	6.1582%	6.1463%	6.1564%	-17.1719%
99													
100	August	(58,000)	(43,152,000)	(\$2,460,005)	\$228,706	(\$396,056)	(\$2,627,355)	\$4.02	\$0.01	\$4.03	\$0.72	\$4.75	-12.31%
101		-25.2347%	-39.7195%	-35.8751%	-39.7943%	-35.5165%	-35.5165%	6.3688%	-0.1890%	6.9687%	7.0175%	6.9761%	-19.3767%
102													
103	September	(58,000)	(41,760,000)	(\$2,292,524)	\$293,990	(\$317,567)	(\$2,316,101)	\$5.31	\$0.03	\$5.34	\$0.84	\$6.18	-15.08%
104		-29.5642%	-46.1479%	-41.4647%	-46.3710%	-40.8291%	-40.8292%	8.6907%	-0.4280%	9.8724%	9.7874%	9.8580%	-23.5404%
105													
106	October	(58,000)	(43,152,000)	(\$2,325,940)	\$115,216	(\$387,540)	(\$2,598,264)	\$7.65	\$0.02	\$7.67	\$1.34	\$9.01	-15.26%
107		-23.9281%	-46.4647%	-39.9318%	-46.6989%	-39.6326%	-39.6325%	12.1971%	-0.7519%	12.7706%	12.7255%	12.7638%	-29.6311%
108													
109	November	(58,000)	(41,760,000)	(\$2,262,173)	\$136,973	(\$435,879)	(\$2,561,079)	\$5.59	\$0.02	\$5.61	\$1.15	\$6.76	-12.53%
110		-21.0183%	-39.7130%	-34.3415%	-39.9929%	-34.0315%	-34.0315%	8.9240%	-0.6135%	9.4476%	9.4417%	9.4466%	-23.6728%
111													
112	Totals to Date	(696,000)	(508,080,000)	(\$28,527,456)	\$2,482,633	(\$4,377,209)	(\$30,422,032)	\$5.14	\$0.04	\$5.18	\$0.89	\$6.07	-12.73%
113		-22.5430%	-40.0587%	-35.2360%	-40.5180%	-34.6962%	-34.7880%	8.0526%	-0.8282%	8.7797%	8.9447%	8.8035%	-22.6231%
114													
115													

\*\*\*Rounding\*\*\*

1 SoKentuckyAmend3-2017.xlsx  
2 Calculation of Bill Impact of 58 MW under Amendment 3  
3

4  
5 Assumptions: 100% load factor for purchase  
6 Amendment 3 purchase offsets Rate E load only  
7 On-Peak/Off-Peak Mix:  
8 Oct - Apr  
9 On-Peak 41.67%  
10 Off-Peak 58.33%  
11 May - Sep  
12 On-Peak 50.00%  
13 Off-Peak 50.00%  
14  
15

Month	Days in Month	Demand (kW)	Energy			Rates and Factors					Pricing of Billing Components							
			Total (kWh)	On-Peak (kWh)	Off-Peak (kWh)	Demand	On-Peak Energy	Off-Peak Energy	FAC	Surcharge	Demand	On-Peak Energy	Off-Peak Energy	Total Base Rate	FAC	Subtotal	Surcharge	Total Billing
December 2016	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.053279	\$0.044554	(\$0.003920)	19.95%	\$349,160	\$958,033	\$1,121,449	\$2,428,642	(\$169,156)	\$2,259,486	\$450,767	\$2,710,253
January	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.053279	\$0.044554	(\$0.003230)	16.92%	\$349,160	\$958,033	\$1,121,449	\$2,428,642	(\$136,361)	\$2,292,281	\$387,343	\$2,679,624
February	28	58,000	38,976,000	16,241,299	22,734,701	\$6.02	\$0.053279	\$0.044554	(\$0.003980)	11.21%	\$349,160	\$865,320	\$1,012,922	\$2,227,402	(\$155,124)	\$2,072,278	\$232,302	\$2,304,580
March	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.053279	\$0.044554	(\$0.007390)	12.26%	\$349,160	\$958,033	\$1,121,449	\$2,428,642	(\$316,833)	\$2,111,809	\$256,655	\$2,368,464
April	30	58,000	41,760,000	17,401,392	24,358,608	\$6.02	\$0.053279	\$0.044554	(\$0.004860)	15.73%	\$349,160	\$927,129	\$1,085,273	\$2,361,562	(\$202,954)	\$2,158,608	\$339,949	\$2,498,557
May	31	58,000	43,152,000	21,576,000	21,576,000	\$6.02	\$0.053279	\$0.044554	(\$0.005320)	15.40%	\$349,160	\$1,149,548	\$961,297	\$2,460,005	(\$229,569)	\$2,230,436	\$343,467	\$2,573,903
June	30	58,000	41,760,000	20,880,000	20,880,000	\$6.02	\$0.053279	\$0.044554	(\$0.005050)	19.86%	\$349,160	\$1,112,466	\$930,266	\$2,391,914	(\$210,868)	\$2,181,046	\$433,152	\$2,614,198
July	31	58,000	43,152,000	21,576,000	21,576,000	\$6.02	\$0.053279	\$0.044554	(\$0.006530)	18.13%	\$349,160	\$1,149,548	\$961,297	\$2,460,005	(\$281,783)	\$2,178,222	\$394,912	\$2,573,134
August	31	58,000	43,152,000	21,576,000	21,576,000	\$6.02	\$0.053279	\$0.044554	(\$0.005300)	17.75%	\$349,160	\$1,149,548	\$961,297	\$2,460,005	(\$228,706)	\$2,231,299	\$396,056	\$2,627,355
September	30	58,000	41,760,000	20,880,000	20,880,000	\$6.02	\$0.050899	\$0.042174	(\$0.007040)	15.89%	\$349,160	\$1,062,771	\$880,593	\$2,292,524	(\$293,960)	\$1,998,564	\$317,567	\$2,316,131
October	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.050899	\$0.042174	(\$0.002670)	17.53%	\$349,160	\$915,237	\$1,061,543	\$2,325,940	(\$115,216)	\$2,210,724	\$387,540	\$2,598,264
November	30	58,000	41,760,000	17,401,392	24,358,608	\$6.02	\$0.050899	\$0.042174	(\$0.003290)	20.51%	\$349,160	\$865,713	\$1,027,300	\$2,262,173	(\$136,973)	\$2,125,200	\$436,879	\$2,562,079
Totals to Date		696,000	508,080,000	228,457,835	278,622,165						\$4,189,820	\$12,091,379	\$12,248,167	\$28,627,456	(\$2,462,633)	\$26,044,823	\$4,377,209	\$30,422,032

East Kentucky Power Cooperative  
Mitigation of Amendment 3 Load Loss

DRAFT

December 22, 2017

For this analysis I am using the SK Amendment 3 notice and their actual billings for the 12 months ending November 2017 ~~11-month billing~~. The notice was for 58MW of load to be removed from the EKPC system, at an effective load factor of 100%.

#### South Kentucky Billing

EKPC billing differential to SK for the 12 months 2017 would have been a reduction of 508465,000 MWh and \$30.427.7 million over the 112 months. This includes a reduction of \$28.526.1 million from Base Rates, an increase of \$2.53 million from the FAC, and a reduction of \$4.43.9 million in the ES. The base rate and FAC impacts should be taken together, for a net billing reduction of \$26.023.8 million.

For SK, we calculate a reduced load factor on the EKPC system because they are removing 100% load factor MWs. SK's load factor in the 121 months of 2017 would have dropped from the actual 56.31% to only 43.50%; this would have resulted in an increased cost per MWh billed by EKPC of \$6.0733/MWh (from \$68.9570/MWh to \$75.023/MWh). Because we do not have their new contract details it is impossible for us to calculate the net impact of their new contract on SK members.

#### Cost Shift and Mitigation

The load loss as a result of an Amendment 3 election will shift costs. EKPC will act promptly to mitigate that cost shift.

The cost shift consists of the fixed costs EKPC would no longer recover in base rates from SK, and the ES which would be "automatically" reallocated based on revenue to all members (including SK).

We estimate that the ES amount that would remain with SK is about \$0.31 million, so approximately \$4.13 million would be reallocated to the other 15 owner-members.

EKPC's system is approximately half fixed cost and half variable cost (fuel, purchased power, etc). So of the base revenue loss (\$26.023.8 million), about \$132 million would be fixed and need to be recovered.

Thus, the total cost shift, without any mitigation, is approximately \$17.15 million to the 15 owner members for the 12 month 11-month period ending November of 2017.



Amendment 3 (and SK) provides for a long notice period, which is necessary for EKPC to achieve the best mitigation of the load loss for its owner-members. This is important because it gives EKPC the time to develop and execute numerous options. Without the time to act, EKPC would have only two options: sales of the energy into PJM in the day-ahead and real-time market, and a base rate increase. For 2017, the energy market would have provided approximately \$5/MWh of margin, or \$2.3 million, leaving an unmitigated balance of \$14.827 million. Given EKPC's low margins this year, this might be large enough to tip us into a base rate increase, especially if we had no further mitigation options.

However, with time, more options unfold. These include participating in the PJM Intermediate Capacity Auctions (IA), the PJM Base (May) Capacity Auction (BRA), natural load growth, economic development, and special contracted loads. In the IA we might expect about \$1.6 million of revenue in the first year, growing as the market firms and better prices are realized (three years out) in the BRA.

Load growth in our budget for 2018, which includes a bounce back to weather-normal as well as some real load growth, is projected at 1,388 MW and 974,217 MWh. If this is achieved, it is sufficient to absorb the loss of the SK load, although our EKPC results would be lower than projected (because we have their entire load in our budget). Because the notice period extends beyond the 2018 budget year, it is reasonable to conclude that EKPC can grow load sufficiently to offset the SK loss by the time their load actually leaves. Any load growth on SK's system also will directly benefit the EKPC system and all owner-members because their notice is for a fixed block of power which cannot grow – thus all load growth must be served under the wholesale power agreement.

A significant new load developed through economic development efforts could further mitigate the SK load loss. However to be valuable in this context that new load should be at tariffed rates and not heavily discounted so that it makes a full contribution to the fixed costs. A load such as the expansion of Gallatin, which is interruptible and does not contribute substantially to fixed costs, will not provide a material benefit in this context (it is obviously valuable in other ways).

Finally, special load contracts (bi-lateral agreements) could be negotiated. This is essentially what Big Rivers has done with their Nebraska deals, and we would look for similar opportunities. However the MW size (58) is odd, and it is likely we would have difficulty finding a good match at the size needed.

Finally, the SK notice is for a 20 year contract. We will mitigate the load loss for that period, and this strictly means that we will not have those resources immediately available to serve SK should they desire to return early – again a key reason for the long notice periods in Amendment 3.

#### Additional Load Loss (more Amendment 3 Notices)

Under Amendment 3, after SK's election, there are approximately 69.2 MW of potential load to be noticed across all owner-members. If some or all of these MWs are noticed soon, EKPC will follow similar mitigation plans. However, our "natural" load growth scenario will be insufficient to absorb all of the load loss by the time the notices are effective, so there likely would be some margin depression for a year or so. Other mitigation efforts might make up some of the shortfall, but we should expect some cost shifting in base rates, at least for a year or two.

All figures are estimates and we are continuing to refine these analyses.

**Gwyn Willoughby**

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**From:** Don Mosier  
**Sent:** Saturday, December 23, 2017 7:19 PM  
**To:** Mike McNalley  
**Cc:** Tony Campbell  
**Subject:** Re: SK Load Loss Paper

Nice work Mike. We will take a hard look at the market mitigation options but they will not be rosy. The KY munis are locked up and finding a Big Rivers deal is hard work today. 10 or so members will be very upset with having to carry these deals on their backs. The A3 chickens have come home to roost. We will have to play this politically very carefully as well to manage what could cause some real rifts in our now cohesive board. If we are perceived as having been somehow helpful in making this happen is not good. 2018 was supposed to be just another easy year....

On Dec 22, 2017, at 9:01 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Guys,

After talking to Mike W yesterday I decided to try to put the numbers and key issues on paper for all owner-members to use as they see fit. The attached is a first attempt. I will send it to Isaac to review and update his numbers; would appreciate all inputs on this. For the market mitigation I just assumed a margin of \$5/MWh based on a guess, if anyone has a better number of what we might have achieved in 2017 please let me know.

I'd like to be able to send next week or very early the following week because the CEOs are talking to their boards already, especially Mike, Mark, Joni, Tim and Carol.

Thanks and Merry Christmas!

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

859-745-9209 O

859-595-3897 C

[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Friday, December 22, 2017 10:22 AM  
**To:** Mike McNalley  
**Cc:** Tony Campbell; Don Mosier  
**Subject:** Re: SK Load Loss Paper

Nice job Mike. The alternate source starts 6/1/2019. We essentially get two years of load growth to mitigate the SK impact. You point out that the past two years have been below normal with regard to weather. Hopefully, weather will get back on track this year. We should have some load growth that isn't reflected in our current performance.

I read an article about housing. My recollection is they said housing starts were up 6%. That sounds high to me. Housing is really where we live. New house starts will definitely help us.

Sent from my iPhone

On Dec 22, 2017, at 9:01 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Guys,

After talking to Mike W yesterday I decided to try to put the numbers and key issues on paper for all owner-members to use as they see fit. The attached is a first attempt. I will send it to Isaac to review and update his numbers; would appreciate all inputs on this. For the market mitigation I just assumed a margin of \$5/MWh based on a guess, if anyone has a better number of what we might have achieved in 2017 please let me know.

I'd like to be able to send next week or very early the following week because the CEOs are talking to their boards already, especially Mike, Mark, Joni, Tim and Carol.

Thanks and Merry Christmas!

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

859-745-9209 O

859-595-3897 C

[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Friday, December 22, 2017 10:01 AM  
**To:** Mike Williams (mikew@bgenergy.com)  
**Subject:** CONFIDENTIAL  
**Attachments:** A3 Load Loss Mitigation Discussion.docx

Mike,

Here is a first cut at a paper on the SK Amendment 3 notice. It includes a short commentary on what would happen if more load left, too. This is in internal review now, and will get updated next week for any comments (and I'm going to use a full 12-month analysis to avoid that confusion). So I'd appreciate you not sharing it yet – but would certainly welcome any comments.

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## Gwyn Willoughby

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**From:** Mike McNalley  
**Sent:** Friday, December 22, 2017 9:56 AM  
**To:** Tony Campbell  
**Cc:** Don Mosier; David Crews  
**Subject:** RE: SK Load Loss Paper

I agree with your thinking on this. Most of the time, given the notices, we can manage it. But if there was a really bad time that they came back (sort of a California-Enron scenario), I can't see how we would allow the costs of that to be borne by the other 15. That is one of the risks SK is taking and they shouldn't be able to shift it.

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---

**From:** Tony Campbell  
**Sent:** Friday, December 22, 2017 9:52 AM  
**To:** Mike McNalley  
**Cc:** Don Mosier ; David Crews  
**Subject:** Re: SK Load Loss Paper

Was thinking about the return of SK at bad time. I'm thinking it states we can not increase costs to SK specifically because of their leaving. However, I'm thinking the A3 and MOU are quiet regarding costs and their return at a bad time. If it is silent we could say they are creating additional costs so have to pay them upon return if market is high. Your thoughts???

TC

Sent from my iPhone

On Dec 22, 2017, at 9:01 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Guys,

After talking to Mike W yesterday I decided to try to put the numbers and key issues on paper for all owner-members to use as they see fit. The attached is a first attempt. I will send it to Isaac to review and update his numbers; would appreciate all inputs on this. For the market mitigation I just assumed a margin of \$5/MWh based on a guess, if anyone has a better number of what we might have achieved in 2017 please let me know.

I'd like to be able to send next week or very early the following week because the CEOs are talking to their boards already, especially Mike, Mark, Joni, Tim and Carol.

Thanks and Merry Christmas!

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## Gwyn Willoughby

---

**From:** Isaac Scott  
**Sent:** Friday, December 22, 2017 9:32 AM  
**To:** Mike McNalley  
**Subject:** RE: SK

Thanks – I'll shoot for having it updated by next Wednesday.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
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*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Mike McNalley  
**Sent:** Friday, December 22, 2017 9:13 AM  
**To:** Isaac Scott  
**Subject:** RE: SK

Updating for 2016 makes more sense given the time involved, but it isn't necessary to finish today as I will be leaving around noon and won't look at this again until Wednesday.

Thanks!

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[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Isaac Scott  
**Sent:** Friday, December 22, 2017 9:12 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: SK

Mike,  
I should be able to update the numbers using December 2016 by the end of today if you would like that. If I include December 2017 it would probably be January 8 or 9 before I could get you an update. Which would you prefer?  
I've read through the narrative and nothing struck me as being "fuzzy thinking". So other than updating numbers to 12 month-based, I don't think I would have any changes. Thanks.



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**From:** Mike McNalley  
**Sent:** Friday, December 22, 2017 9:04 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Subject:** SK

Isaac,

See attached – my attempt to put your work and other inputs into a narrative which our owner-member CEOs could use in their board rooms. Can you update your analyses to include December (either 2016 or if possible 2017 as soon as it is available) so we have a full 12-month view, and make any changes to the draft you see fit. Also if you detect any fuzzy thinking on my part, please either point it out or correct it!

Thanks,

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East Kentucky Power Cooperative  
Mitigation of Amendment 3 Load Loss

DRAFT

December 22, 2017

For this analysis I am using the SK Amendment 3 notice and their actual 2017 11-month billing. The notice was for 58MW of load to be removed from the EKPC system, at an effective load factor of 100%.

#### South Kentucky Billing

EKPC billing differential to SK for 2017 would have been a reduction of 465,000 MWh and \$27.7 million over the 11 months. This includes a reduction of \$26.1 million from Base Rates, an increase of \$2.3 million from the FAC, and a reduction of \$3.9 million in the ES. The base rate and FAC impacts should be taken together, for a net billing reduction of \$23.8 million.

For SK, we calculate a reduced load factor on the EKPC system because they are removing 100% load factor MWs. SK's load factor in the 11 months of 2017 would have dropped from the actual 56.1% to only 43.0%; this would have resulted in an increased cost per MWh billed by EKPC of \$6.33/MWh (from \$68.70/MWh to \$75.03/MWh). Because we do not have their new contract details it is impossible for us to calculate the net impact of their new contract on SK members.

#### Cost Shift and Mitigation

The load loss as a result of an Amendment 3 election will shift costs. EKPC will act promptly to mitigate that cost shift.

The cost shift consists of the fixed costs EKPC would no longer recover in base rates from SK, and the ES which would be "automatically" reallocated based on revenue to all members (including SK).

We estimate that the ES amount that would remain with SK is about \$1 million, so approximately \$3 million would be reallocated to the other 15 owner-members.

EKPC's system is approximately half fixed cost and half variable cost (fuel, purchased power, etc). So of the base revenue loss (\$23.8 million), about \$12 million would be fixed and need to be recovered.

Thus, the total cost shift, without any mitigation, is approximately \$15 million to the 15 owner members for the 11 month period of 2017.

Amendment3 (and SK) provides for a long notice period, which is necessary for EKPC to achieve the best mitigation of the load loss for its owner-members. This is important because it gives EKPC the time to

develop and execute numerous options. Without the time to act, EKPC would have only two options: sales of the energy into PJM in the day-ahead and real-time market, and a base rate increase. For 2017, the energy market would have provided approximately \$5/MWh of margin, or \$2.3 million, leaving an unmitigated balance of \$12.7 million. Given EKPC's low margins this year, this might be large enough to tip us into a base rate increase, especially if we had no further mitigation options.

However, with time, more options unfold. These include participating in the PJM Intermediate Capacity Auctions (IA), the PJM Base (May) Capacity Auction (BRA), natural load growth, economic development, and special contracted loads. In the IA we might expect about \$1.6 million of revenue in the first year, growing as the market firms and better prices are realized (three years out) in the BRA.

Load growth in our budget for 2018, which includes a bounce back to weather-normal as well as some real load growth, is projected at 1,388 MW and 974,217 MWh. If this is achieved, it is sufficient to absorb the loss of the SK load, although our EKPC results would be lower than projected (because we have their entire load in our budget). Because the notice period extends beyond the 2018 budget year, it is reasonable to conclude that EKPC can grow load sufficiently to offset the SK loss by the time their load actually leaves. Any load growth on SK's system also will directly benefit the EKPC system and all owner-members because their notice is for a fixed block of power which cannot grow – thus all load growth must be served under the wholesale power agreement.

A significant new load developed through economic development efforts could further mitigate the SK load loss. However to be valuable in this context that new load should be at tariffed rates and not heavily discounted so that it makes a full contribution to the fixed costs. A load such as the expansion of Gallatin, which is interruptible and does not contribute substantially to fixed costs, will not provide a material benefit in this context (it is obviously valuable in other ways).

Finally, special load contracts (bi-lateral agreements) could be negotiated. This is essentially what Big Rivers has done with their Nebraska deals, and we would look for similar opportunities. However the MW size (58) is odd, and it is likely we would have difficulty finding a good match at the size needed.

Finally, the SK notice is for a 20 year contract. We will mitigate the load loss for that period, and this strictly means that we will not have those resources immediately available to serve SK should they desire to return early – again a key reason for the long notice periods in Amendment 3.

#### Additional Load Loss (more Amendment 3 Notices)

Under Amendment 3, after SK's election, there are approximately 69.2 MW of potential load to be noticed across all owner-members. If some or all of these MWs are noticed soon, EKPC will follow similar mitigation plans. However, our "natural" load growth scenario will be insufficient to absorb all of the load loss by the time the notices are effective, so there likely would be some margin depression for a year or so. Other mitigation efforts might make up some of the shortfall, but we should expect some cost shifting in base rates, at least for a year or two.

All figures are estimates and we are continuing to refine these analyses.

## Gwyn Willoughby

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**From:** Mike McNalley  
**Sent:** Friday, December 22, 2017 9:28 AM  
**To:** Tony Campbell  
**Subject:** RE: SK Load Loss Paper

Thanks, Tony.

I'll send it on to Mike W this morning so he can read it over but I'll ask him to hold on to it until we get a better draft together. Isaac said he can have the 12 month numbers done by the end of the day (so Wed for me to incorporate), and I think that is just so much easier for everyone to understand than 11 months.

I thought about ending with a paragraph about the small owner-members not getting anything but risk out of this, but decided that was getting too much into the politics and too far from the economics for this purpose. Maybe in a later draft.

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---

**From:** Tony Campbell  
**Sent:** Friday, December 22, 2017 9:21 AM  
**To:** Mike McNalley  
**Cc:** Don Mosier ; David Crews  
**Subject:** Re: SK Load Loss Paper

I think you nailed this Mike. I truly believe there is much more risk to SK's return on an upside down market is our other Owners risk.

TC

Sent from my iPhone

On Dec 22, 2017, at 9:01 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Guys,

After talking to Mike W yesterday I decided to try to put the numbers and key issues on paper for all owner-members to use as they see fit. The attached is a first attempt. I will send it to Isaac to review and update his numbers; would appreciate all inputs on this. For the market mitigation I just assumed a margin of \$5/MWh based on a guess, if anyone has a better number of what we might have achieved in 2017 please let me know.

I'd like to be able to send next week or very early the following week because the CEOs are talking to their boards already, especially Mike, Mark, Joni, Tim and Carol.

Thanks and Merry Christmas!

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**Gwyn Willoughby**

---

**From:** Tony Campbell  
**Sent:** Wednesday, December 20, 2017 3:26 PM  
**To:** Mike McNalley  
**Subject:** Re: Tim S

Thanks for info Mike

Sent from my iPhone

On Dec 20, 2017, at 3:05 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Tony,

Tim and I finally caught up. He basically wanted to be sure he understood the cost shift and politics. I told him that those who move have an opportunity to get a benefit by shifting fixed costs to others, to the extent we can't mitigate them, but that the politics of doing that to the other members are between them and don't involve EKPC. I also said that if everyone did it at 5%, there would be no net benefit to anyone – it is only available to those who grab and excess share up front. Which is why the politics are daunting.

He said the four are looking at doing an RFP but are time constrained by the Polar Vortex impact on their 5%/15% calculations. He wanted to know if we could be flexible on the notice and I told him that we will have to follow the contract but I'm sure we would try to work with them to the extent possible.

He feels backed into a corner – said he wouldn't do this himself but SK has forced him to discuss it with his board and he may not have a choice. I told him we understand that and we don't have a dog in the fight here. Just let us know what you need and we'll do our best to be responsive.

He also said he has seen or knows enough about the SK contract (he said they signed last night), that he "would never sign it". He thinks the 20 years is too long and SK is getting all of the risk (described it as "market plus plus" pricing). But he would like to try to get a better deal somewhere if he can, to satisfy his board.

Nothing we didn't expect here...

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

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[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Isaac Scott  
**Sent:** Tuesday, December 19, 2017 2:12 PM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** RE: SK

Mike,  
Rough calculation of impact on environmental surcharge. The average change in revenues subject to the surcharge for the 11 months in 2017 is \$2,162,303.

The current calculation of the surcharge for the November 2017 expense month is:

Revenue Requirement \$10,199,312  
Aver. Member Revenues \$57,064,133  
Surcharge Factor 17.87%

If the \$2,162,303 were deducted from the Average Member Revenues, this calculation would have been:

Revenue Requirement \$10,199,312  
Aver. Member Revenues \$54,901,830  
Surcharge Factor 18.58%

An increase in the factor of 0.71%, which reflects a 3.97% increase in the surcharge factor. I hope this is useful.

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isaac.scott@ekpc.coop

-----Original Message-----

**From:** Mike McNalley  
**Sent:** Monday, December 18, 2017 3:26 PM  
**To:** Isaac Scott <isaac.scott@ekpc.coop>  
**Cc:** Patrick Woods <patrick.woods@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
**Subject:** RE: SK

Let's hold on all of that, at least for now.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C

Michael.mcnalley@ekpc.coop

-----Original Message-----

From: Isaac Scott  
Sent: Monday, December 18, 2017 3:03 PM  
To: Mike McNalley <Michael.McNalley@ekpc.coop>  
Cc: Patrick Woods <patrick.woods@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
Subject: RE: SK

Mike,  
For base rates it would essentially be like a cost of service study analysis, or as you mention, a fixed/variable cost analysis. Although I don't know if I could do that or not, I'm generally doubtful. For the surcharge, I could re-model our surcharge calculations for each of the months involved and figure out how much the surcharge factor would change. Then I could re-calculate the bills to see how much would go to the other Members, as well as figure out how much would still go to South Kentucky. I would probably take me a few hours to work it up, but it could be done.

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-----Original Message-----

From: Mike McNalley  
Sent: Monday, December 18, 2017 2:50 PM  
To: Isaac Scott <isaac.scott@ekpc.coop>  
Cc: Patrick Woods <patrick.woods@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
Subject: RE: SK

Thanks, Isaac.

Any good way to estimate the amount from base rates and ES that would be "re-spread" to the other 15 - fixed/variable cost analysis?

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Michael.mcnalley@ekpc.coop

-----Original Message-----

From: Isaac Scott  
Sent: Monday, December 18, 2017 2:46 PM



To: Mike McNalley <Michael.McNalley@ekpc.coop>  
Cc: Patrick Woods <patrick.woods@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
Subject: RE: SK

Mike,  
Attached is my analysis on this Amendment 3 transaction. I hope I am at least close to what you were looking for. One thing I would note concerning the drop in environmental surcharge revenues from South Kentucky. The bulk of the \$3.9M would be spread to the other 15 Members. However, this reduction is based on an average monthly reduction in surcharge applicable revenues of approximately \$2.0M. All other things being equal in the monthly surcharge calculations, a reduction of \$2.0M would push up the surcharge factor on all the Members, including South Kentucky. That is why I say the bulk of the \$3.9M would go to the other Members, but not all.  
I am planning on leaving early this afternoon, so hopefully I can tackle any other questions you may have tomorrow morning. Thanks.

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-----Original Message-----

From: Mike McNalley  
Sent: Monday, December 18, 2017 11:12 AM  
To: Isaac Scott <isaac.scott@ekpc.coop>  
Cc: Patrick Woods <patrick.woods@ekpc.coop>; David Crews <David.Crews@ekpc.coop>  
Subject: RE: SK

My understanding is this is a direct 58MW purchase round the clock, so essentially 100% load factor. Thus you can simply subtract 58MW from all load year-round to get their new load and variability, etc.

That also should simplify the analyses of shifting costs to other members (with and without a base rate case), ES, FAC, and whatever else my muddled head is not thinking of.

I don't know what to assume about rate classes because as far as I know the notice doesn't point to any "load or loads".

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Michael.mcnalley@ekpc.coop

-----Original Message-----

From: Isaac Scott  
Sent: Monday, December 18, 2017 10:44 AM

To: Mike McNalley <Michael.McNalley@ekpc.coop>  
Cc: Patrick Woods <patrick.woods@ekpc.coop>  
Subject: RE: SK

Mike,  
I need some help with the assumptions. Kim forwarded the notice to me, so I have that. The election is for 58 MW. First assumption - what corresponding level of MWh energy use would you like me to use in the analysis? If I impute a corresponding energy level based on the current load factor, there would likely be little change in the South Kentucky load factor before and after the election. Second assumption - should I assume the entire 58 MW is offsetting demand and energy priced at Rate E only? Looking at some of the bills in 2017, there is approximately 13 MW of demand priced at Rate B and 15.5 MW priced under Rate C. Sorry to hit you with so many details, but I wanted to give you a reasonable analysis. Thanks.

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-----Original Message-----

From: Mike McNalley  
Sent: Monday, December 18, 2017 9:53 AM  
To: Isaac Scott <isaac.scott@ekpc.coop>  
Subject: Re: SK

Crews will send it to you

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

> On Dec 18, 2017, at 9:50 AM, Isaac Scott <isaac.scott@ekpc.coop> wrote:

>  
> Mike,  
> Who has the Amendment 3 notice - I haven't seen it so I don't know how much is covered by the notice. But I can re-run the calculations fairly quickly I think. Thanks  
>  
> Isaac S. Scott  
> Pricing Manager  
> East Kentucky Power Cooperative, Inc.  
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> isaac.scott@ekpc.coop

>

>

> -----Original Message-----

> From: Mike McNalley

> Sent: Monday, December 18, 2017 9:47 AM

> To: Isaac Scott <isaac.scott@ekpc.coop>

> Subject: SK

>

> Isaac,

>

> Given SKs amendment 3 notice, can you recalculate their load factor and effective rates from us including es shift using 2017 actual billing? Need estimates today.

>

> Mike McNalley

> EVP and CFO

> East Kentucky Power Cooperative

>

1 SoKentuckyAmend3-2017.xlsx  
2 Estimated Effect of Amendment 3 Election using 2017 Actual Billings

5 Actual 2017 Billing Information

Month	Total kW	Total kWh	Billed Revenues from				Mills per kWh				Days in Month	Calculated Over-all Load Factor	
			Base Rates	FAC	Surcharge	Total Billing	Base Rates	FAC	Base Rate & FAC	Surcharge			Total Billing
January	369,429	128,653,435	\$8,543,212	(\$414,935)	\$1,375,301	\$9,503,578	\$66.40	(\$3.23)	\$63.17	\$10.69	\$73.86	31	46.81%
February	299,188	102,221,559	\$6,839,011	(\$405,227)	\$721,225	\$7,155,009	\$66.90	(\$3.96)	\$62.94	\$7.06	\$70.00	28	50.84%
March	307,956	108,841,661	\$7,214,288	(\$802,352)	\$786,104	\$7,198,040	\$66.28	(\$7.37)	\$58.91	\$7.22	\$66.13	31	47.50%
April	182,567	85,645,592	\$5,345,732	(\$415,147)	\$775,585	\$5,706,170	\$62.42	(\$4.85)	\$57.57	\$9.06	\$66.63	30	65.16%
May	193,943	91,076,403	\$5,759,714	(\$484,072)	\$812,453	\$6,088,095	\$63.24	(\$5.32)	\$57.92	\$8.92	\$66.84	31	63.12%
June	223,253	99,979,261	\$6,389,751	(\$503,627)	\$1,168,985	\$7,055,109	\$63.91	(\$5.04)	\$58.87	\$11.69	\$70.56	30	62.20%
July	248,069	118,121,139	\$7,445,705	(\$769,674)	\$1,210,364	\$7,886,395	\$63.03	(\$6.52)	\$56.51	\$10.25	\$66.76	31	64.00%
August	229,842	108,641,725	\$6,857,145	(\$574,720)	\$1,115,132	\$7,397,557	\$63.12	(\$5.29)	\$57.83	\$10.26	\$68.09	31	63.53%
September	196,183	90,491,676	\$5,528,857	(\$633,995)	\$777,795	\$5,672,657	\$61.10	(\$7.01)	\$54.09	\$8.60	\$62.69	30	64.06%
October	242,393	92,870,513	\$5,824,776	(\$246,721)	\$977,832	\$6,555,887	\$62.72	(\$2.66)	\$60.06	\$10.53	\$70.59	31	51.50%
November	275,950	105,154,553	\$6,587,296	(\$342,493)	\$1,280,809	\$7,525,612	\$62.64	(\$3.26)	\$59.38	\$12.18	\$71.56	30	52.93%
Totals to Date	2,768,773	1,131,697,517	\$72,335,487	(\$5,592,963)	\$11,001,585	\$77,744,109	\$63.92	(\$4.94)	\$58.98	\$9.72	\$68.70	30.36	56.10%

36 Recalculated 2017 Billing - Excluding 58 MW from Amendment 3

Month	Total kW	Total kWh	Billed Revenues from				Mills per kWh				Days in Month	Calculated Over-all Load Factor	
			Base Rates	FAC	Surcharge	Total Billing	Base Rates	FAC	Base Rate & FAC	Surcharge			Total Billing
January	311,429	85,501,435	\$6,114,570	(\$275,554)	\$987,958	\$6,826,974	\$71.51	(\$3.22)	\$68.29	\$11.55	\$79.84	31	36.90%
February	241,188	63,245,559	\$4,611,609	(\$250,103)	\$488,923	\$4,850,429	\$72.92	(\$3.95)	\$68.97	\$7.73	\$76.70	28	39.02%
March	249,956	65,689,661	\$4,785,646	(\$483,459)	\$527,449	\$4,829,636	\$72.85	(\$7.36)	\$65.49	\$8.03	\$73.52	31	35.32%
April	124,567	43,885,592	\$2,984,170	(\$212,193)	\$436,036	\$3,208,013	\$68.00	(\$4.84)	\$63.16	\$9.94	\$73.10	30	48.93%
May	135,943	47,924,403	\$3,299,709	(\$254,503)	\$488,966	\$3,514,172	\$68.85	(\$5.31)	\$63.54	\$9.79	\$73.33	31	47.38%
June	165,253	58,219,261	\$3,997,837	(\$292,739)	\$735,833	\$4,440,931	\$68.67	(\$5.03)	\$63.64	\$12.64	\$76.28	30	48.93%
July	190,069	74,969,139	\$4,985,700	(\$487,891)	\$815,452	\$5,313,261	\$66.50	(\$6.51)	\$59.99	\$10.88	\$70.87	31	53.01%
August	171,842	65,489,725	\$4,397,140	(\$346,014)	\$719,076	\$4,770,202	\$67.14	(\$5.28)	\$61.86	\$10.98	\$72.84	31	51.22%
September	138,183	48,731,676	\$3,236,333	(\$340,005)	\$460,228	\$3,356,556	\$66.41	(\$6.98)	\$59.43	\$9.44	\$68.87	30	48.98%
October	184,393	49,718,513	\$3,498,836	(\$131,505)	\$590,292	\$3,957,623	\$70.37	(\$2.64)	\$67.73	\$11.87	\$79.60	31	36.24%
November	217,950	63,394,553	\$4,325,123	(\$205,520)	\$844,930	\$4,964,533	\$68.23	(\$3.24)	\$64.99	\$13.33	\$78.32	30	40.40%
Totals to Date	2,130,773	666,769,517	\$46,236,673	(\$3,279,486)	\$7,075,143	\$50,032,330	\$69.34	(\$4.92)	\$64.42	\$10.61	\$75.03	30.36	42.95%

67 Units/Dollar and Percentage Change - Recalculated versus Actual

Month	Total kW	Total kWh	Billed Revenues from				Mills per kWh				Calculated Over-all Load Factor	
			Base Rates	FAC	Surcharge	Total Billing	Base Rates	FAC	Base Rate & FAC	Surcharge		Total Billing
January	(58,000)	(43,152,000)	(\$2,428,642)	\$139,381	(\$387,343)	(\$2,676,604)	\$5.11	\$0.01	\$5.12	\$0.86	\$5.98	-9.91%
73	-15.6999%	-33.5413%	-28.4277%	-33.5910%	-28.1642%	-28.1642%	7.6958%	-0.3096%	8.1051%	8.0449%	8.0964%	-21.1707%

74													
75	February	(58,000)	(38,976,000)	(\$2,227,402)	\$155,124	(\$232,302)	(\$2,304,580)	\$6.02	\$0.01	\$6.03	\$0.67	\$6.70	-11.82%
76		-19.3856%	-38.1289%	-32.5691%	-38.2808%	-32.2094%	-32.2093%	8.9985%	-0.2525%	9.5806%	9.4901%	9.5714%	-23.2494%
77													
78	March	(58,000)	(43,152,000)	(\$2,426,642)	\$316,893	(\$258,655)	(\$2,368,404)	\$6.57	\$0.01	\$6.58	\$0.81	\$7.39	-12.18%
79		-18.8339%	-39.6466%	-33.6643%	-39.7448%	-32.9034%	-32.9035%	9.9125%	-0.1357%	11.1696%	11.2188%	11.1750%	-25.6421%
80													
81	April	(58,000)	(41,760,000)	(\$2,361,562)	\$202,954	(\$339,549)	(\$2,498,157)	\$5.58	\$0.01	\$5.59	\$0.88	\$6.47	-16.23%
82		-31.7692%	-48.7591%	-44.1766%	-48.8673%	-43.7797%	-43.7799%	8.9394%	-0.2062%	9.7099%	9.7130%	9.7103%	-24.9079%
83													
84	May	(58,000)	(43,152,000)	(\$2,460,005)	\$229,569	(\$343,487)	(\$2,573,923)	\$5.61	\$0.01	\$5.62	\$0.87	\$6.49	-15.74%
85		-29.9057%	-47.3800%	-42.7105%	-47.4246%	-42.2778%	-42.2780%	8.8710%	-0.1880%	9.7030%	9.7534%	9.7098%	-24.9366%
86													
87	June	(58,000)	(41,760,000)	(\$2,391,914)	\$210,888	(\$433,152)	(\$2,614,178)	\$4.76	\$0.01	\$4.77	\$0.95	\$5.72	-13.27%
88		-25.9795%	-41.7687%	-37.4336%	-41.8738%	-37.0537%	-37.0537%	7.4480%	-0.1984%	8.1026%	8.1266%	8.1066%	-21.3344%
89													
90	July	(58,000)	(43,152,000)	(\$2,460,005)	\$281,783	(\$394,912)	(\$2,573,134)	\$3.47	\$0.01	\$3.48	\$0.63	\$4.11	-10.99%
91		-23.3806%	-36.5320%	-33.0392%	-36.6107%	-32.6275%	-32.6275%	5.5053%	-0.1534%	6.1582%	6.1463%	6.1564%	-17.1719%
92													
93	August	(58,000)	(43,152,000)	(\$2,460,005)	\$228,706	(\$396,056)	(\$2,627,355)	\$4.02	\$0.01	\$4.03	\$0.72	\$4.75	-12.31%
94		-25.2347%	-39.7195%	-35.8751%	-39.7943%	-35.5165%	-35.5165%	6.3688%	-0.1890%	6.9687%	7.0175%	6.9761%	-19.3767%
95													
96	September	(58,000)	(41,760,000)	(\$2,292,524)	\$293,990	(\$317,567)	(\$2,316,101)	\$5.31	\$0.03	\$5.34	\$0.84	\$6.18	-15.08%
97		-29.5642%	-46.1479%	-41.4647%	-46.3710%	-40.8291%	-40.8292%	8.6907%	-0.4280%	9.8724%	9.7674%	9.8580%	-23.5404%
98													
99	October	(58,000)	(43,152,000)	(\$2,325,940)	\$115,216	(\$387,540)	(\$2,598,264)	\$7.65	\$0.02	\$7.67	\$1.34	\$9.01	-15.26%
100		-23.9281%	-46.4647%	-39.9318%	-46.6989%	-39.6326%	-39.6325%	12.1971%	-0.7519%	12.7706%	12.7255%	12.7638%	-29.6311%
101													
102	November	(58,000)	(41,760,000)	(\$2,262,173)	\$136,973	(\$435,879)	(\$2,561,079)	\$5.59	\$0.02	\$5.61	\$1.15	\$6.76	-12.53%
103		-21.0183%	-39.7130%	-34.3415%	-39.9929%	-34.0315%	-34.0315%	8.9240%	-0.6135%	9.4476%	9.4417%	9.4466%	-23.6728%
104													
105	Totals to Date	(638,000)	(464,928,000)	(\$26,098,814)	\$2,313,477	(\$3,926,442)	(\$27,711,779)	\$5.42	\$0.02	\$5.44	\$0.89	\$6.33	-13.15%
106		-23.0427%	-41.0824%	-36.0802%	-41.3641%	-35.6898%	-35.6449%	8.4793%	-0.4049%	9.2235%	9.1564%	9.2140%	-23.4403%
107													
108													

^^^Rounding^^^

1 SoKentuckyAmend3-2017.xlsx  
2 Calculation of Bill Impact of 58 MW under Amendment 3

3  
4  
5 Assumptions: 100% load factor for purchase  
6 Amendment 3 purchase offsets Rate E load only  
7 On-Peak/Off-Peak Mix:  
8 Oct - Apr 41.67%  
9 On-Peak  
10 Off-Peak 58.33%  
11 May - Sep 50.00%  
12 On-Peak  
13 Off-Peak 50.00%  
14  
15

Month	Days in Month	Demand (kW)	Energy			Rates and Factors					Pricing of Billing Components							
			Total (kWh)	On-Peak (kWh)	Off-Peak (kWh)	Demand	On-Peak Energy	Off-Peak Energy	FAC	Surcharge	Demand	On-Peak Energy	Off-Peak Energy	Total Base Rate	FAC	Subtotal	Surcharge	Total Billing
January	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.053279	\$0.044554	(\$0.003230)	16.92%	\$349,160	\$956,033	\$1,121,449	\$2,428,642	(\$136,381)	\$2,289,261	\$387,343	\$2,676,604
February	28	58,000	38,976,000	16,241,299	22,734,701	\$6.02	\$0.053279	\$0.044554	(\$0.003680)	11.21%	\$349,160	\$865,320	\$1,012,922	\$2,227,402	(\$156,124)	\$2,072,278	\$232,302	\$2,304,580
March	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.053279	\$0.044554	(\$0.007390)	12.26%	\$349,160	\$958,030	\$1,121,449	\$2,428,642	(\$318,893)	\$2,109,749	\$258,655	\$2,368,404
April	30	58,000	41,760,000	17,401,392	24,358,608	\$6.02	\$0.053279	\$0.044554	(\$0.004860)	15.73%	\$349,160	\$927,129	\$1,085,273	\$2,361,562	(\$202,954)	\$2,158,608	\$339,549	\$2,498,157
May	31	58,000	43,152,000	21,576,000	21,576,000	\$6.02	\$0.053279	\$0.044554	(\$0.005320)	15.40%	\$349,160	\$1,149,546	\$961,297	\$2,460,005	(\$228,569)	\$2,230,436	\$343,487	\$2,573,923
June	30	58,000	41,760,000	20,880,000	20,880,000	\$6.02	\$0.053279	\$0.044554	(\$0.005050)	19.86%	\$349,160	\$1,112,466	\$930,268	\$2,391,914	(\$210,888)	\$2,181,026	\$433,152	\$2,614,178
July	31	58,000	43,152,000	21,576,000	21,576,000	\$6.02	\$0.053279	\$0.044554	(\$0.006530)	16.13%	\$349,160	\$1,149,546	\$961,297	\$2,460,005	(\$281,783)	\$2,178,222	\$394,912	\$2,573,134
August	31	58,000	43,152,000	21,576,000	21,576,000	\$6.02	\$0.053279	\$0.044554	(\$0.005300)	17.75%	\$349,160	\$1,149,546	\$961,297	\$2,460,005	(\$226,706)	\$2,231,299	\$396,056	\$2,627,355
September	30	58,000	41,760,000	20,880,000	20,880,000	\$6.02	\$0.050899	\$0.042174	(\$0.007040)	15.89%	\$349,160	\$1,062,771	\$880,593	\$2,292,524	(\$293,990)	\$1,998,534	\$317,567	\$2,316,101
October	31	58,000	43,152,000	17,981,438	25,170,562	\$6.02	\$0.050899	\$0.042174	(\$0.002670)	17.53%	\$349,160	\$915,237	\$1,081,543	\$2,325,940	(\$115,216)	\$2,210,724	\$387,540	\$2,598,264
November	30	58,000	41,760,000	17,401,392	24,358,608	\$6.02	\$0.050899	\$0.042174	(\$0.003280)	20.51%	\$349,160	\$885,713	\$1,027,300	\$2,262,173	(\$136,973)	\$2,125,200	\$435,879	\$2,561,079
Totals to Date		638,000	464,928,000	211,476,397	253,451,603						\$3,840,760	\$11,133,346	\$11,124,708	\$26,098,814	(\$2,313,477)	\$23,785,337	\$3,926,442	\$27,711,779

## Gwyn Willoughby

---

**From:** Terri Combs  
**Sent:** Monday, December 18, 2017 1:18 PM  
**To:** Mike McNalley  
**Subject:** RE: meeting after KAEC meeting

I have no idea, but would bet around 12:30ish.

---

**From:** Mike McNalley  
**Sent:** Monday, December 18, 2017 1:07 PM  
**To:** Terri Combs  
**Subject:** Re: meeting after KAEC meeting

So any idea what time? I'm rearranging a lunch meeting with PNC bank around this...

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Dec 18, 2017, at 12:35 PM, Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)> wrote:

Yes, sorry Carol. Tony said it will be after the statewide safety goals meeting.

Thanks,  
T.

---

**From:** Carol Wright [<mailto:carolwright@jacksonenergy.com>]  
**Sent:** Monday, December 18, 2017 12:18 PM  
**To:** Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>  
**Cc:** Mike Williams ([mikew@bgenenergy.com](mailto:mikew@bgenenergy.com)) <[mikew@bgenenergy.com](mailto:mikew@bgenenergy.com)>; [mstallons@owenelectric.com](mailto:mstallons@owenelectric.com);  
Tim Sharp <[tjsharp@srelectric.com](mailto:tjsharp@srelectric.com)>; Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Don Mosier  
<[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews  
<[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Kelli Gibson <[KGibson@kaec.org](mailto:KGibson@kaec.org)>; Kim Fyffe <[Kim.Fyffe@ekpc.coop](mailto:Kim.Fyffe@ekpc.coop)>  
**Subject:** Re: meeting after KAEC meeting

All CEO's were suppose to meet regarding setting statewide safety goals immediately following the KAEC meeting during lunch.

Could we participate after that meeting?

Carol

Sent from my iPhone

On Dec 18, 2017, at 11:49 AM, Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)> wrote:

Tony would like you to meet with him immediately following the KAEC Board meeting tomorrow to continue the Amendment 3 discussion. EKPC staff members (Mike McNalley, Don Mosier and David Crews) will be participating via a conference call.

The conference call information is as follows:

Toll-Free Dial-In: 1-877-597-2663  
Conference ID: 2213450  
Moderator PIN: 4689 (Tony will moderate)

Please let me know if you will be able to meet with him to participate on this call. Thank you so much.

Regards,  
Terri K. Combs  
Executive Assistant/Paralegal  
*Office of the President & CEO*  
East Kentucky Power Cooperative, Inc.  
PO Box 707  
Winchester, KY 40392-0707  
859-745-9314  
[Terri.combs@ekpc.coop](mailto:Terri.combs@ekpc.coop)

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**Gwyn Willoughby**

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**From:** Isaac Scott  
**Sent:** Monday, December 18, 2017 11:39 AM  
**To:** David Crews  
**Cc:** Mike McNalley; Patrick Woods  
**Subject:** RE: SK

David – thank you.

*Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707  
859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)*

---

**From:** David Crews  
**Sent:** Monday, December 18, 2017 11:39 AM  
**To:** Isaac Scott  
**Cc:** Mike McNalley ; Patrick Woods  
**Subject:** Re: SK

Yes its a 58 MWs at a 100% load factor for 20 years.

The MOU provides for a alternate source as opposed to load.  
Sent from my iPhone

On Dec 18, 2017, at 11:15 AM, Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)> wrote:

Mike,  
The 100% load factor makes sense. I will assume for pricing purposes this offsets Rate E only - as you noted, no specific load or loads have been specified. I will work this up as fast as possible and can refine as needed later. Thanks

Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707  
859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

-----Original Message-----

From: Mike McNalley  
Sent: Monday, December 18, 2017 11:12 AM  
To: Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
Cc: Patrick Woods <[patrick.woods@ekpc.coop](mailto:patrick.woods@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
Subject: RE: SK

My understanding is this is a direct 58MW purchase round the clock, so essentially 100% load factor. Thus you can simply subtract 58MW from all load year-round to get their new load and variability, etc.

That also should simplify the analyses of shifting costs to other members (with and without a base rate case), ES, FAC, and whatever else my muddled head is not thinking of.

I don't know what to assume about rate classes because as far as I know the notice doesn't point to any "load or loads".

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

-----Original Message-----

From: Isaac Scott  
Sent: Monday, December 18, 2017 10:44 AM  
To: Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
Cc: Patrick Woods <[patrick.woods@ekpc.coop](mailto:patrick.woods@ekpc.coop)>  
Subject: RE: SK

Mike,

I need some help with the assumptions. Kim forwarded the notice to me, so I have that. The election is for 58 MW.

First assumption - what corresponding level of MWh energy use would you like me to use in the analysis? If I impute a corresponding energy level based on the current load factor, there would likely be little change in the South Kentucky load factor before and after the election.

Second assumption - should I assume the entire 58 MW is offsetting demand and energy priced at Rate E only? Looking at some of the bills in 2017, there is approximately 13 MW of demand priced at Rate B and 15.5 MW priced under Rate C.

Sorry to hit you with so many details, but I wanted to give you a reasonable analysis. Thanks.

Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707

859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

-----Original Message-----

From: Mike McNalley  
Sent: Monday, December 18, 2017 9:53 AM  
To: Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
Subject: Re: SK

Crews will send it to you

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Dec 18, 2017, at 9:50 AM, Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)> wrote:

Mike,

Who has the Amendment 3 notice - I haven't seen it so I don't know how much is covered by the notice. But I can re-run the calculations fairly quickly I think.  
Thanks

Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707  
859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

-----Original Message-----

From: Mike McNalley  
Sent: Monday, December 18, 2017 9:47 AM  
To: Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
Subject: SK

Isaac,

Given SKs amendment 3 notice, can you recalculate their load factor and effective rates from us including es shift using 2017 actual billing? Need estimates today.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Thursday, November 30, 2017 8:08 AM  
**To:** Mike McNalley; Don Mosier; Tony Campbell; David Smart  
**Cc:** Denver York  
**Subject:** RE: Amendment 3 Updated Limits thru Nov 2017.xlsx

I agree that we need to let the other members know so they don't invest time in an 15% alternate source.

I had a conversation with Mark Stallons yesterday concerning NUCOR and this came up. He didn't seem to be too spooled up about it. But I didn't tell him he couldn't get 15% either.

---

**From:** Mike McNalley  
**Sent:** Thursday, November 30, 2017 7:55 AM  
**To:** David Crews ; Don Mosier ; Tony Campbell ; David Smart  
**Cc:** Denver York  
**Subject:** RE: Amendment 3 Updated Limits thru Nov 2017.xlsx

Seems like we should let the CEOs know this – but that is Tony's call, of course.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** David Crews  
**Sent:** Wednesday, November 29, 2017 2:51 PM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>  
**Cc:** Denver York <[denver.york@ekpc.coop](mailto:denver.york@ekpc.coop)>  
**Subject:** Amendment 3 Updated Limits thru Nov 2017.xlsx

I had Sally update the worksheet for A3. The trigger point for the 2.5% limit is 74.5 MWs. If you count the hydro that Jackson is planning but not noticed yet we are at 71.8 MWs now. The 5% limit is tripped when the next proposed alternate source moves the aggregate over 74.5. Given where we are now, no other owner member can notice a 15% alternate source.

## Gwyn Willoughby

---

**From:** Dennis Holt <dholt@skrecc.com>  
**Sent:** Tuesday, November 28, 2017 7:19 PM  
**To:** Bobby Sexton; mikew@bgenergy.com; cbrewer@clarkenergy.com; ted.hampton@cumberlandvalley.coop; bprather@farmersrecc.com; jhazlrigg@fme.coop; Carol Fraley (carol.fraley@graysonrecc.com); Jim Jacobus; Carol Wright; 'Kerry Howard'; Mickey Miller (mmiller@nolinrecc.com); Mark Stallons (mstallons@owenelectric.com); sharp@srelectric.com; Debbie Martin; Barry Myers (tcrecc.com)  
**Cc:** Tony Campbell; Don Mosier; Mike McNalley; David Crews  
**Subject:** EKPC Amendment Three Notification

First I want to thank everyone for their assistance and insights during my short time as an Interim Manager at South Kentucky. You have all been helpful and it is greatly appreciated.

As a common courtesy I feel I need to make you aware that South Kentucky has given East Kentucky Power notification today of our intention to exercise our Amendment Three right.

As you all are aware East Kentucky Power has an Amendment Three clause in their all power requirements contract that allows distribution cooperatives to utilize an "alternate source" for a percentage of their power purchases. The original wholesale power contract with East Kentucky Power was executed in 1964 and was effective until January 1, 2010. Amendment One was executed in 1976 and extended the length of the contract until January 1, 2018. Amendment Two was executed in 1980 and extended the contract until January 1, 2025. The original contract and the first two amendments required the distribution cooperatives to purchase 100% of our power from East Kentucky Power (All Power Requirements Contract).

Amendment Three was adopted by the cooperatives in 2003 and extended the contract to January 1, 2041. Amendment Three allowed for up to 5% of East Kentucky's Peak Load (based on a three year rolling average) to be acquired from an alternate source. Amendment Three was ambiguous as to the limits of each distribution cooperative and was not workable until all 16 cooperatives signed the Memorandum of Understanding that allows for an individual cooperative to acquire up to 15% of their rolling three year average peak from an alternate source until East Kentucky utilized 2.5% of their system peak. There is a maximum allowable contract length on these alternate source purchase of 20 years and also a requirement of an 18 month notice to East Kentucky Power.

Today, South Kentucky has given East Kentucky notice of our intent to acquire 15% of our rolling three year average peak from an alternate source. This alternate source is scheduled to begin on June 1, 2019 (18 months from now). The total amount to be purchased from an alternate source is 58 Megawatts and the terms are for 20 years.

Please feel free to contact me if you have any questions or concerns.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**Gwyn Willoughby**

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**From:** Dennis Holt <dholt@skrecc.com>  
**Sent:** Tuesday, November 28, 2017 6:45 PM  
**To:** Tony Campbell  
**Cc:** Don Mosier; Mike McNalley; David Smart; David Crews; Terri Combs; Joe Spalding  
**Subject:** RE: MOU 58 MW Request

Thanks so much Tony.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

---

**From:** Tony Campbell [mailto:tony.campbell@ekpc.coop]  
**Sent:** Tuesday, November 28, 2017 2:21 PM  
**To:** Dennis Holt  
**Cc:** Don Mosier ; Mike McNalley ; David Smart ; David Crews ; Terri Combs ; Joe Spalding  
**Subject:** RE: MOU 58 MW Request  
**Importance:** High

Dennis,

This e-mail should serve as my notice of receipt of your MOU 58 MW request. Your request will be taken to the December board meeting as information. Then in February we will take have it on the agenda for approval. As always, if EKPC can be of assistance please let us know.

*Regards,*  
*Anthony "Tony" Campbell*  
*President and CEO*  
*Phone: 859-745-9313*  
*Fax: 859-744-7053*



PRIVILEGED OR CONFIDENTIAL NOTICE: This electronic mail transmission is for the use of the named individual or entity to which it is directed and may contain information that is privileged or confidential. It is not to be transmitted to or received by anyone other than the named addressee (or a person authorized to deliver it to the named addressee). It is not to be copied or forwarded to any unauthorized persons. If you have received this electronic mail transmission in

error, delete it from your system without copying or forwarding it, and notify the sender of the error by replying via email or by calling East Kentucky Power Cooperative, Inc. at 859-744-4812 (collect), so that our address record can be corrected.



**Gwyn Willoughby**

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**From:** Terri Combs  
**Sent:** Tuesday, November 28, 2017 3:43 PM  
**To:** Don Mosier; Mike McNalley; David Crews; David Smart; Denver York  
**Cc:** Tony Campbell  
**Subject:** So KY = Amend 3 letter  
**Attachments:** 3000\_001.pdf

Attached is the official Notice from So KY for its option to exercise Amendment 3. Please treat this document as confidential in nature at this time.

Thanks,  
T.

Dennis Holt  
Interim CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

November 28, 2017

Mr. Anthony S. Campbell  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement Regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including South Kentucky, dated July 15, 2015 ("MOU"), South Kentucky does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

According to the provisions of Section 4(A) of the MOU there are five (5) primary procedures and requirements for the content of this notice; in compliance with these provisions, South Kentucky provides the required information with respect to its Alternate Source election immediately following each listed item.

*(i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to supply 58 MW's of South Kentucky's power requirements outside of and separate from the Wholesale Power contract between South Kentucky RECC and East Kentucky Power Cooperative for a term of 20 years commencing at 12:00 a.m. (EST) on June 1, 2019.**

*(ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by*

*EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 58,000 kW.**

*(iii) a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

**The Alternate Source shall be in the form of South Kentucky RECC becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market.**

*(iv) the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC*

**The Alternate Source will supply the 58,000 KW of energy all hours of each year of the 20 year term, by purchasing same from the PJM wholesale market.**

*(v) a designation of whether the Alternate Source will be:*

*(a) interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*

*(b) interconnected or delivered to EKPC's or another entity's transmission system;  
or*

*(c) interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

**The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.**

South Kentucky remains proud to be an Owner-Member of EKPC and looks forward to working with its leadership and others in effectuating the terms of the Wholesale Power Agreement, as amended, and the MOU.

I appreciate your time and attention to this matter, and please do not hesitate to contact me with any questions or concerns.

Sincerely Yours,



Dennis Holt  
Interim President and  
Chief Executive Officer  
South Kentucky Rural  
Electric Cooperative Corporation

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Tuesday, November 28, 2017 10:04 AM  
**To:** Mike McNalley  
**Cc:** Don Mosier; Tony Campbell  
**Subject:** RE: Updated Amendment Three Notice

I don't have a lot of details about their contract at this time.

---

**From:** Mike McNalley  
**Sent:** Tuesday, November 28, 2017 5:47 AM  
**To:** David Crews  
**Cc:** Don Mosier ; Tony Campbell  
**Subject:** Re: Updated Amendment Three Notice

Since this isn't tagged to a specific load or loads, how will we/they determine KWh, especially on peak days (polar vortex) - their system average?

This is a block purchase of 58 MWs 100% load factor. This is one of the things the MOU did to accommodate A3s.

Their physical supply will be from PJM. The transaction they do will hedge their physical supply. I don't know many details of the transaction. Dennis has told me they are looking at a 20 year deal with Morgan Stanley for the energy and a deal with Calpine for the capacity. That's all I know.

Are they going to have their own NERC compliance and MOC or are we contracting for that - and who wears those risks? Wouldn't it be easier and maybe cheaper to just have us buy a slice from the market and designate it to them? The MOU calls for us to handle the PJM part of the deal for them. I don't know if we will be part of the admin of the hedge. The whole A3 is a false economy because one saves at the expense of the other 15. The way we handle it now yields the lowest cost power supply for the 16.

Does ACES have a role in this? Yes – The MOC and ACES expense is captured in an admin fee.

They will need PSC permission to become a PJM member - I would bet Cicero applauds them for finding cheaper power but they and the other 15 will pay higher rates after our next rate case to compensate for the fixed charges that they bypass (if any) with this. They also could have some pretty significant price volatility to explain to the members and PSC. I think they have some risk on the hedge because it will essentially be a financial transaction and should it be more costly than their physical supply will they be able to pass it through the fuel clause.

I think this violates the intent of RUS in approving A3 - which was to allow for renewables on the distribution systems. But it probably doesn't violate the wording of A3.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Nov 27, 2017, at 4:57 PM, David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)> wrote:

Latest draft notice from SK. Just a few minor changes from the red line I sent them back over the holiday.

I expect SK to give notice before the end of the week.

---

**From:** Dennis Holt [<mailto:dholt@skrecc.com>]

**Sent:** Monday, November 27, 2017 3:46 PM

**To:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Subject:** Updated Amendment Three Notice

David,

Attached is the final draft of the EKPC notice for exercising our Amendment 3.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**Gwyn Willoughby**

---

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**To:** David Crews  
**Cc:** Don Mosier; Tony Campbell  
**Subject:** Re: Updated Amendment Three Notice

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Are they going to have their own NERC compliance and MOC or are we contracting for that - and who wears those risks? Wouldn't it be easier and maybe cheaper to just have us buy a slice from the market and designate it to them?

Does ACES have a role in this?

They will need PSC permission to become a PJM member - I would bet Cicero applauds them for finding cheaper power but they and the other 15 will pay higher rates after our next rate case to compensate for the fixed charges that they bypass (if any) with this. They also could have some pretty significant price volatility to explain to the members and PSC.

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Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

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**To:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Updated Amendment Three Notice

David,

Attached is the final draft of the EKPC notice for exercising our Amendment 3.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**Gwyn Willoughby**

---

**From:** David Crews  
**Sent:** Friday, November 10, 2017 1:31 PM  
**To:** Don Mosier  
**Cc:** Tony Campbell; Mike McNalley  
**Subject:** Re: South Kentucky

58

Sent from my iPhone

On Nov 10, 2017, at 12:13 PM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

How many megs?

Sent from my iPhone

On Nov 10, 2017, at 11:55 AM, David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)> wrote:

I got a call from Dennis Holt today. They plan to move ahead with an Ammendment 3 purchase. They expect to purchase from AEP or Morgan Stanley. SK is going to give us a draft of the notice to review.



## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Thursday, September 21, 2017 10:05 AM  
**To:** Tony Campbell  
**Cc:** Mike McNalley; Tom Stachnik  
**Subject:** Re: South Kentucky

Yes they would.

Sent from my iPhone

On Sep 21, 2017, at 9:48 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

I think so, but that's there problem, and would be after the bidding process.

TC

Sent from my iPhone

On Sep 21, 2017, at 9:35 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

They will need a CPCN, won't they?

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Sep 21, 2017, at 6:34 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Mike/Tom,

We might need to address this early with rating agencies, banks, and RUS.

TC

Sent from my iPhone

Begin forwarded message:

**From:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Date:** September 21, 2017 at 9:20:34 AM EDT  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Subject:** Fwd: South Kentucky

FYI

Sent from my iPhone

Begin forwarded message:

**From:** David Crews  
<[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Date:** September 21, 2017 at 9:13:46  
AM EDT  
**To:** Don Mosier  
<[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Subject:** South Kentucky

I got a call from Dennis late Tuesday to let me know that they plan to issue an RFP for 58MWs.

They sent me a copy of the RFP yesterday. I have not had a chance to read it yet.

It will likely show up in the rags shortly.

**Gwyn Willoughby**

---

**From:** Don Mosier <Don.Mosier@ekpc.coop>  
**Sent:** Monday, February 26, 2018 10:46 AM  
**To:** Tony Campbell; David Smart; Mike McNalley  
**Subject:** P&C

Road over from hotel with Boris this morning. He immediately apologized for what's going on. Regrets it. Underestimated the uproar. Would like to see A3/MOU go away if this doesn't work out at PSC. More...

## Gwyn Willoughby

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**From:** Mike McNalley  
**Sent:** Thursday, February 22, 2018 1:42 PM  
**To:** Bill Prather (bprather@farmersrecc.net); Bill Shearer; Chris Brewer (cbrewer@clarkenergy.com); Mike Williams (mikew@bgenergy.com); Mark Stallons (mstallons@owenelectric.com); Tim Sharp (tjsharp@srelectric.com); Joe Spalding (spaldingfarm@windstream.net); Landis Cornett  
**Cc:** Tony Campbell; Don Mosier; David Smart; David Crews  
**Subject:** Analyses of SK Scenarios  
**Attachments:** A3 Summary Analyses Draft.xlsx

Special Committee Members:

Please treat this email and attachment as confidential.

Attached is a summary of the preliminary analyses Isaac and I prepared on SK's Amendment 3 election. This summarizes several large, complex analyses in several spreadsheets – it is not the output of a dynamic model where we can modify selected inputs to generate different scenarios. This is because of the complexity of our billing mechanisms and cost structures.

There are three scenarios summarized on the first tab, and each is detailed a bit on the subsequent tabs.

The Base Case Scenario is South Kentucky takes 58MW (We have been calling this 15% but it is actually a bit shy of that). This sets the impacts on FAC, ES and Base Rates after a rate case, using current ratemaking (before we do a cost of service study and try to reallocate some of this)

Case 1 is South Kentucky takes 10% which is 41.2 MW and the remaining 16.8 MW are spread to the other 15 owner-members using their share of the A3 allotments proportionately.

Case 2 is South Kentucky takes 5% which is 20.6 MW and the remaining 37.4 MW are spread to the other 15 owner-members using their share of the A3 allotments proportionately.

For Cases 2 and 3 I had to assume a cost of the Morgan Stanley purchase. I assumed \$40/MWh for energy plus \$5/MWh for capacity (68 MW \* \$100/MW-Day \* 365), for a total of \$45/MWh. Our average cost of energy (BROC report) is \$25/MWh so the net cost of the Morgan Stanley deal is assumed to be \$20/MWh. There are several other assumptions that were necessary to prepare these analyses, which are subject to correction, so it must be viewed as probably directionally correct but not precise. Some of the key assumptions are noted on the first tab (page) of the attachment, but there are several others embedded in the thinking.

Note that I have made no effort to estimate what SK is saving in their "deal"; the attached is from the EKPC perspective only. There are several other scenarios we can create, but they are increasingly difficult to model or require assumptions which are much more likely to lead to incorrect conclusions.

Feel free to call to discuss this.

Best,

Mike McNalley

EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**East Kentucky Power Cooperative, Inc.**  
**Amendment 3 Summary of Preliminary Analyses**  
**CONFIDENTIAL WORKING DRAFT**

**Summary of Cases: Total Unmitigated Impact on Owner-Member Billing**

Member	Base Case	Case 1: SK 10%, Spread	Case 2: SK 5% Spread
Big Sandy	\$547,480	\$463,300	\$368,443
Blue Grass	\$2,717,694	\$2,300,466	\$1,832,718
Clark	\$1,080,330	\$900,583	\$696,829
Cumberland Valley	\$1,096,898	\$912,774	\$704,033
Farmers	\$1,121,296	\$895,388	\$636,642
Fleming-Mason	\$1,668,807	\$1,481,056	\$1,274,535
Grayson	\$562,259	\$469,935	\$365,633
Inter-County	\$1,033,482	\$888,303	\$726,589
Jackson	\$2,047,297	\$1,678,639	\$1,258,728
Licking Valley	\$620,564	\$514,221	\$393,456
Nolin	\$1,573,025	\$1,329,463	\$1,056,202
Owen	\$2,840,200	\$2,357,485	\$1,821,391
Salt River	\$2,660,762	\$2,129,054	\$1,519,617
Shelby	\$873,845	\$729,746	\$567,811
Taylor County	\$1,370,679	\$1,194,770	\$996,344
<b>Totals</b>	<b>\$21,814,618</b>	<b>\$18,245,182</b>	<b>\$14,218,973</b>
South Kentucky: Initial Bill Reduction Share of Base Rates, FAC, and Surcharge Net Effect on SK	\$30,422,032 <u>\$1,495,520</u> <u>\$29,242,756</u>	\$21,610,131 <u>\$1,268,457</u> <u>\$20,609,904</u>	\$10,805,069 <u>\$764,887</u> <u>\$10,227,260</u>
Net Savings All Owner Members	\$7,428,138	\$2,364,722	(\$3,991,713)

Key assumptions:

1. Unmitigated loss of load and demand
2. Uses Rate E for SK revenue calculations for simplification.
3. Based on monthly actual billing, etc., for 12/2016-11/2017
4. Very preliminary analyses subject to substantial revision

East Kentucky Power Cooperative, Inc.  
Amendment 3 Summary of Preliminary Analyses

CONFIDENTIAL WORKING DRAFT

Base Case: SK 58 MW impact, after base rate case; no other new elections effective

A3 Allocations and Elections

Member	Increase in Base Rates to Members			Change in FAC	Change in Environ. Surch.	Total
	Demand	Energy	Total			
Big Sandy	\$102,397	\$303,254	\$405,651	\$46,082	\$95,747	\$547,480
Blue Grass	\$503,216	\$1,452,593	\$1,955,809	\$280,831	\$481,054	\$2,717,694
Clark	\$203,808	\$604,168	\$807,976	\$89,274	\$183,080	\$1,080,330
Cumberland Valley	\$200,194	\$620,009	\$820,203	\$91,450	\$185,245	\$1,096,898
Farmers	\$202,271	\$632,462	\$834,733	\$102,369	\$184,194	\$1,121,296
Fleming-Mason	\$197,139	\$611,671	\$808,810	\$224,498	\$635,499	\$1,668,807
Grayson	\$102,063	\$310,829	\$412,892	\$52,700	\$96,667	\$562,259
Inter-County	\$199,862	\$558,331	\$758,193	\$96,872	\$178,417	\$1,033,482
Jackson	\$386,077	\$1,129,652	\$1,515,729	\$181,868	\$349,700	\$2,047,297
Licking Valley	\$113,283	\$350,637	\$463,920	\$51,735	\$104,909	\$620,564
Nolin	\$292,006	\$846,640	\$1,138,646	\$160,769	\$273,610	\$1,573,025
Owen	\$457,379	\$1,471,008	\$1,928,387	\$487,471	\$424,342	\$2,840,200
Salt River	\$476,948	\$1,478,472	\$1,955,420	\$249,030	\$456,312	\$2,660,762
Shelby	\$149,360	\$461,854	\$611,214	\$106,192	\$156,439	\$873,845
Taylor County	\$207,758	\$623,166	\$830,924	\$97,621	\$442,134	\$1,370,679
<b>Totals</b>	<b>\$3,793,761</b>	<b>\$11,454,746</b>	<b>\$15,248,507</b>	<b>\$2,318,762</b>	<b>\$4,247,349</b>	<b>\$21,814,618</b>
South Kentucky: Initial Bill Reduction Share of Base Rates, FAC, and Surcharge Net Effect on SK	\$4,189,920 \$396,167 <b>\$3,793,753</b>	\$24,337,536 \$810,830 <b>\$23,526,706</b>	\$28,527,456 \$1,206,997 <b>\$27,320,459</b>	(\$2,482,633) \$158,122 <b>(\$2,324,511)</b>	\$4,377,209 \$130,401 <b>\$4,246,808</b>	\$30,422,032 \$1,495,520 <b>\$29,242,756</b>

Owner-Member Cooperative	Member 15% Limit	5% Limit	Elected	Proportionate Remainder
Big Sandy	11.1	3.7		1.6
Blue Grass	55.9	18.6		8.1
Clark	20.4	6.8		3.0
Cumberland Valley	20.5	6.8		3.0
Farmers	19.6	6.5	6.5	0.0
Fleming Mason	28.3	9.4	1.4	3.5
Grayson	10.8	3.6		1.6
Inter-County	23.2	7.7	7.7	0.0
Jackson	42.7	14.2	14.1	0.1
Licking Valley	11.3	3.8	0.3	1.5
Nolin	32.3	10.8		4.7
Owen	64.0	21.3	21.3	0.0
Salt River	44.2	14.7	14.7	0.0
Shelby	16.8	5.6		2.4
South Kentucky	61.9	20.6	58.0	1.7
Taylor	22.8	7.6		3.3
<i>Systems' total</i>		161.9		
<i>EKPC Limit</i>		158.5	124.0	34.5
<i>As of February 12, 2018</i>				

See Key Assumptions on Page 1

Case: **East Kentucky Power Cooperative, Inc.**  
**Amendment 3 Summary of Preliminary Analyses**

CONFIDENTIAL WORKING DRAFT

Case 1: SK 10% (41.2MW), deal spread to others

Member	Increase in Base Rates to Members			Change in FAC	Change in Environ. Surch.	Total	Deal Impact/MWh	
	Demand	Energy	Total				\$ 175,200	Total
Big Sandy	\$72,023	\$211,707	\$283,730	\$32,513	\$65,396	\$381,639	\$81,661	\$463,300
Blue Grass	\$353,941	\$1,013,981	\$1,367,922	\$198,073	\$324,072	\$1,890,067	\$410,399	\$2,300,466
Clark	\$143,352	\$421,750	\$565,102	\$62,957	\$122,922	\$750,981	\$149,602	\$900,583
Cumberland Valley	\$140,806	\$432,781	\$573,587	\$64,512	\$124,409	\$762,508	\$150,266	\$912,774
Farmers	\$142,264	\$441,444	\$583,708	\$70,610	\$119,617	\$773,935	\$121,453	\$895,388
Fleming-Mason	\$138,649	\$426,953	\$565,602	\$158,439	\$549,077	\$1,273,118	\$207,938	\$1,481,056
Grayson	\$71,779	\$216,966	\$288,745	\$37,180	\$64,687	\$390,612	\$79,323	\$469,935
Inter-County	\$140,588	\$389,766	\$530,354	\$68,300	\$119,334	\$717,988	\$170,315	\$888,303
Jackson	\$271,556	\$788,549	\$1,060,105	\$128,266	\$234,333	\$1,422,704	\$255,935	\$1,678,639
Licking Valley	\$79,673	\$244,760	\$324,433	\$36,497	\$70,456	\$431,386	\$82,835	\$514,221
Nolin	\$205,395	\$590,994	\$796,389	\$113,368	\$182,826	\$1,092,583	\$236,880	\$1,329,463
Owen	\$321,643	\$1,026,741	\$1,348,384	\$343,963	\$239,568	\$1,931,915	\$425,570	\$2,357,485
Salt River	\$335,432	\$1,031,930	\$1,367,362	\$175,588	\$305,590	\$1,848,540	\$280,514	\$2,129,054
Shelby	\$105,045	\$322,386	\$427,431	\$74,918	\$104,136	\$606,485	\$123,261	\$729,746
Taylor County	\$146,129	\$435,001	\$581,130	\$68,726	\$377,505	\$1,027,361	\$167,409	\$1,194,770
<b>Totals</b>	<b>\$2,668,275</b>	<b>\$7,995,709</b>	<b>\$10,663,984</b>	<b>\$1,633,910</b>	<b>\$3,003,928</b>	<b>\$15,301,822</b>	<b>\$2,943,360</b>	<b>\$18,245,182</b>

South Kentucky:

Initial Bill Reduction	\$2,976,288	\$17,288,043	\$20,264,331	(\$1,763,526)	\$3,109,326	\$21,610,131
Share of Base Rates, FAC, and Surcharge	\$308,026	\$717,080	\$1,025,106	\$134,115	\$109,236	\$1,268,457
Net Effect on SK	<u>\$2,668,262</u>	<u>\$16,570,963</u>	<u>\$19,239,225</u>	<u>(\$1,629,411)</u>	<u>\$3,000,090</u>	<u>\$20,609,904</u>

A3 Allocations and Elections

Owner-Member Cooperative	Member 15% Limit	Member 5% Limit	Elected	Proportionate Remainder	Deal Spread
Big Sandy	11.1	3.7		3.0	0.47
Blue Grass	55.9	18.6		15.3	2.34
Clark	20.4	6.8		5.6	0.85
Cumberland Valley	20.5	6.8		5.6	0.86
Farmers	19.6	6.5	1.0	4.5	0.69
Fleming Mason	28.3	9.4		7.7	1.19
Grayson	10.8	3.6		3.0	0.45
Inter-County	23.2	7.7		6.3	0.97
Jackson	42.7	14.2	2.6	9.5	1.46
Licking Valley	11.3	3.8		3.1	0.47
Nolin	32.3	10.8		8.8	1.35
Owen	64.0	21.3	2.0	15.9	2.43
Salt River	44.2	14.7	2.0	10.5	1.60
Shelby	16.8	5.6		4.6	0.70
South Kentucky	61.9	20.6	41.2	0.0	0.00
Taylor	22.8	7.6		6.2	0.96
<i>Systems' total</i>		161.9			
<i>EKPC Limit</i>		158.5	48.8	109.7	16.80

*As of February 12, 2018*

See Key Assumptions on Page 1



East Kentucky Power Cooperative, Inc.  
Amendment 3 Summary of Preliminary Analyses

CONFIDENTIAL WORKING DRAFT

Case 1: SK 5% (20.6MW) MW impact, after base rate case, all others get balance of MS deal

A3 Allocations and Elections

Member	Increase in Base Rates to Members			Change in FAC	Change in Environ. Surch.	Total	Deal Impact/MWh		
	Demand	Energy	Total				\$	175,200	Total
Big Sandy	\$35,584	\$103,649	\$139,233	\$18,740	\$28,741	\$186,714	\$181,729	\$368,443	
Blue Grass	\$174,863	\$496,471	\$671,334	\$114,044	\$134,029	\$919,407	\$913,311	\$1,832,718	
Clark	\$70,818	\$206,489	\$277,307	\$36,288	\$50,306	\$363,901	\$332,928	\$696,829	
Cumberland Valley	\$69,560	\$211,876	\$281,436	\$37,173	\$51,018	\$369,627	\$334,406	\$704,033	
Farmers	\$70,279	\$216,128	\$286,407	\$38,337	\$41,615	\$366,359	\$270,283	\$636,642	
Fleming-Mason	\$68,491	\$209,032	\$277,523	\$91,076	\$443,186	\$811,785	\$462,750	\$1,274,535	
Grayson	\$35,464	\$106,220	\$141,684	\$21,399	\$26,022	\$189,105	\$176,528	\$365,633	
Inter-County	\$69,461	\$190,851	\$260,312	\$39,391	\$47,864	\$347,567	\$379,022	\$726,589	
Jackson	\$134,167	\$386,101	\$520,268	\$73,950	\$94,946	\$689,164	\$569,564	\$1,258,728	
Licking Valley	\$39,360	\$119,837	\$159,197	\$21,033	\$28,884	\$209,114	\$184,342	\$393,456	
Nolin	\$101,479	\$289,340	\$390,819	\$65,247	\$72,977	\$529,043	\$527,159	\$1,056,202	
Owen	\$158,871	\$502,658	\$661,529	\$197,564	\$15,225	\$874,318	\$947,073	\$1,821,391	
Salt River	\$165,705	\$505,183	\$670,888	\$100,905	\$123,562	\$895,355	\$624,262	\$1,519,617	
Shelby	\$51,892	\$157,845	\$209,737	\$43,094	\$40,671	\$293,502	\$274,309	\$567,811	
Taylor County	\$72,196	\$212,974	\$285,170	\$39,418	\$299,201	\$623,789	\$372,555	\$996,344	
<b>Totals</b>	<b>\$1,318,190</b>	<b>\$3,914,654</b>	<b>\$5,232,844</b>	<b>\$937,659</b>	<b>\$1,498,247</b>	<b>\$7,668,750</b>	<b>\$6,550,223</b>	<b>\$14,218,973</b>	

Owner-Member Cooperative	Member 15% Limit	5% Limit	Elected	Proportionate Remainder	Deal Spread
Big Sandy	11.1	3.7		3.6	1.04
Blue Grass	55.9	18.6		18.2	5.21
Clark	20.4	6.8		6.6	1.90
Cumberland Valley	20.5	6.8		6.6	1.91
Farmers	19.6	6.5	1	5.4	1.54
Fleming Mason	28.3	9.4		9.2	2.64
Grayson	10.8	3.6		3.5	1.01
Inter-County	23.2	7.7		7.5	2.16
Jackson	42.7	14.2	2.6	11.3	3.25
Licking Valley	11.3	3.8		3.7	1.05
Nolin	32.3	10.8		10.5	3.01
Owen	64.0	21.3	2	18.8	5.41
Salt River	44.2	14.7	2	12.4	3.56
Shelby	16.8	5.6		5.5	1.57
South Kentucky	61.9	20.6	20.6	0.0	0.00
Taylor	22.8	7.6		7.4	2.13
<i>Systems' total</i>		161.9			
<i>EKPC Limit</i>		158.5	48.8	130.3	37.39
<i>As of February 12, 2018</i>					

See Key Assumptions on Page 1

South Kentucky:						
Initial Bill Reduction	\$1,488,144	\$8,644,023	\$10,132,167	(\$881,761)	\$1,554,663	\$10,805,069
Share of Base Rates, FAC, and Surcharge	\$169,962	\$441,726	\$611,688	\$93,539	\$59,660	\$764,887
Net Effect on SK	<u>\$1,318,182</u>	<u>\$8,202,297</u>	<u>\$9,520,479</u>	<u>(\$788,222)</u>	<u>\$1,495,003</u>	<u>\$10,227,260</u>

Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Saturday, February 24, 2018 8:43 AM  
**To:** David Smart  
**Subject:** Re: Analyses of SK Scenarios

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**From:** Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>  
**Date:** February 24, 2018 at 6:37:59 AM CST  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** "Bill Prather ([bprather@farmersrecc.net](mailto:bprather@farmersrecc.net))" <[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)>, Bill Shearer <[wpshearer@bellsouth.net](mailto:wpshearer@bellsouth.net)>, "Chris Brewer ([cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com))" <[cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)>, "Mike Williams ([mikew@bgenenergy.com](mailto:mikew@bgenenergy.com))" <[mikew@bgenenergy.com](mailto:mikew@bgenenergy.com)>, "Tim Sharp ([tjsharp@srelectric.com](mailto:tjsharp@srelectric.com))" <[tjsharp@srelectric.com](mailto:tjsharp@srelectric.com)>, "Joe Spalding ([spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net))" <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>, Landis Cornett <[ekpc@landiscornett.com](mailto:ekpc@landiscornett.com)>, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, "Don Mosier" <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>, David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>, "David Crews" <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Re: Analyses of SK Scenarios

Mike,

Thank you and well done. A few thoughts. For negotiation purposes are the positions between SK at 10% and SK at 5%, such as 9%, 8% and so on easily developed? Having those intermediate positions would be helpful as well as adding SKY's net savings after purchasing their replacement power supply from Morgan Stanley at an assumed price point.

I believe the above would help us develop our negotiation strategy. Your thoughts?

Mark

Mark Stallons  
Sent from my iPhone

On Feb 22, 2018, at 12:41 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

**\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email! \*\*\***

Special Committee Members:

Please treat this email and attachment as **confidential**.

Attached is a summary of the preliminary analyses Isaac and I prepared on SK's Amendment 3 election. This summarizes several large, complex analyses in several spreadsheets – it is not the output of a dynamic model where we can modify selected inputs to generate different scenarios. This is because of the complexity of our billing mechanisms and cost structures.

There are three scenarios summarized on the first tab, and each is detailed a bit on the subsequent tabs.

The Base Case Scenario is South Kentucky takes 58MW (We have been calling this 15% but it is actually a bit shy of that). This sets the impacts on FAC, ES and Base Rates after a rate case, using current ratemaking (before we do a cost of service study and try to reallocate some of this)

Case 1 is South Kentucky takes 10% which is 41.2 MW and the remaining 16.8 MW are spread to the other 15 owner-members using their share of the A3 allotments proportionately.

Case 2 is South Kentucky takes 5% which is 20.6 MW and the remaining 37.4 MW are spread to the other 15 owner-members using their share of the A3 allotments proportionately.

For Cases 2 and 3 I had to assume a cost of the Morgan Stanley purchase. I assumed \$40/MWh for energy plus \$5/MWh for capacity (68 MW \* \$100/MW-Day \* 365), for a total of \$45/MWh. Our average cost of energy (BROC report) is \$25/MWh so the net cost of the Morgan Stanley deal is assumed to be \$20/MWh. There are several other assumptions that were necessary to prepare these analyses, which are subject to correction, so it must be viewed as probably directionally correct but not precise. Some of the key assumptions are noted on the first tab (page) of the attachment, but there are several others embedded in the thinking.

Note that I have made no effort to estimate what SK is saving in their "deal"; the attached is from the EKPC perspective only. There are several other scenarios we can create, but they are increasingly difficult to model or require assumptions which are much more likely to lead to incorrect conclusions.

Feel free to call to discuss this.

Best,

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

859-745-9209 O

859-595-3897 C

[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

## Gwyn Willoughby

---

**From:** Mike McNalley  
**Sent:** Saturday, February 24, 2018 8:24 AM  
**To:** Mark Stallons  
**Cc:** Bill Prather (bprather@farmersrecc.net); Bill Shearer; Chris Brewer (cbrewer@clarkenergy.com); Mike Williams (mikew@bgenergy.com); Tim Sharp (tjsharp@srelectric.com); Joe Spalding (spaldingfarm@windstream.net); Landis Cornett; Tony Campbell; Don Mosier; David Smart; David Crews  
**Subject:** Re: Analyses of SK Scenarios

Thanks, Mark.

On the SK savings, the purpose of this analysis is only to show what changes in our billing for FAC, ES and base rates (assuming a base rate case). I have not attempted to model SK's savings or any other costs they will incur (NITS, PJM Admin, etc), mainly because I'd be guessing at every item and the resulting error is likely large.

One way to attack that is to try to estimate each cost and saving and then do the math. Another method, which may help validate the first, would be to take the NPV of the deal that they describe in their filing (I don't have it with me but I recall it was about \$75-\$120 million) and convert it to an annuity over 20 years at an appropriate discount rate, however you'd be propagating any errors in SK's analysis. That method can probably be scaled reasonably well (if the annuity at 15% is \$7.5 million annually, it would be about \$5 million annually at 10% and \$2.5 million annually at 5%, for example).

To calculate other scenarios similarly to the calculations for 15%, 10% and 5% requires Isaac to redo several analyses, and then me to incorporate those into my spreadsheets and add in the MS analysis. I'm not sure that effort would produce any better result than simply interpolating, which you can do pretty quickly. For negotiating purposes, some things that are clear from the analyses are: 15% costs 15 systems the most potentially, 10% has a lower net cost but also a lower bill reduction for SK, and 5% is even lower. Thus it should be clear that lower is better, and by extension, zero is best. As we discussed at the board meeting, this is simply because SK is buying power at a price above our variable cost and shifting fixed costs to other owner-members. The total cost to the entire 16 owner-members increases by the difference between our variable cost and SK's purchase price (all in, whatever that number actually is). SK may see a net benefit, but that is because the remaining 15 systems are picking up fixed costs that SK formerly paid and not because of a real economic savings.

I'd be happy to assist or discuss further.

Best,

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

On Feb 24, 2018, at 7:38 AM, Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)> wrote:

Mike,

Thank you and well done. A few thoughts. For negotiation purposes are the positions between SK at 10% and SK at 5%, such as 9%, 8% and so on easily developed? Having those intermediate positions would be helpful as well as adding SKY's net savings after purchasing their replacement power supply from Morgan Stanley at an assumed price point.

I believe the above would help us develop our negotiation strategy. Your thoughts?

Mark

Mark Stallons  
Sent from my iPhone

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Best,

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**Gwyn Willoughby**

---

**Subject:** Conference Call: MOU Committee discussion  
**Location:** Conference Call

**Start:** Tue 2/20/2018 3:00 PM  
**End:** Tue 2/20/2018 3:30 PM  
**Show Time As:** Tentative

**Recurrence:** (none)

**Meeting Status:** Not yet responded

**Organizer:** Terri Combs  
**Required Attendees:** Chris Brewer; Joe Spalding, Inter-County Energy; Bill Shearer; Landis Cornett (ekpc@landiscornett.com); Mike Williams (mikew@bgenergy.com); Tim Sharp; mstallons@owenelectric.com; Tony Campbell; Don Mosier; Mike McNalley; David Smart; David Crews

The dial in information for the conference call with the MOU Committee is:

Toll-Free Dial-In: 1-877-597-2663  
Conference ID: 2213450  
Moderator PIN: 4689 (Tony will moderate)

If you have any issues, please feel free to contact me.

Thanks so much,

Terri K. Combs  
Executive Assistant/Paralegal  
Office of the President & CEO  
East Kentucky Power Cooperative, Inc.  
PO Box 707  
Winchester, KY 40392-0707  
859-745-9314  
Terri.combs@ekpc.coop

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**Gwyn Willoughby**

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**From:** Terri Combs  
**Sent:** Monday, February 19, 2018 9:15 AM  
**To:** Joe Spalding, Inter-County Energy; Bill Shearer; Landis Cornett (ekpc@landiscornett.com); Mike Williams (mikew@bgenergy.com); Tim Sharp; Chris Brewer; mstallons@owenelectric.com  
**Cc:** Tony Campbell; Don Mosier; David Smart; David Crews; Mike McNalley  
**Subject:** MOU Committee discussion

Good morning,

Tony asked that I set up a conference call for the MOU Committee tomorrow (Tuesday, 2/20) at 3:00 p.m. (eastern time). Does this time work for all of you?

Once the date/time is established, I will send out a calendar invitation. Please let me know at your earliest convenience.

Thanks so much,

Terri K. Combs  
Executive Assistant/Paralegal  
Office of the President & CEO  
East Kentucky Power Cooperative, Inc.  
PO Box 707  
Winchester, KY 40392-0707  
859-745-9314  
Terri.combs@ekpc.coop

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**Gwyn Willoughby**

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**From:** Dennis Holt <dholt@skrecc.com>  
**Sent:** Monday, February 12, 2018 7:25 AM  
**To:** bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com); CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com); ted.hampton@cumberlandvalley.coop; jhazlrigg@fme.coop; carol.fraley@graysonrecc.com; jerry@intercountyenergy.net; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; debbiem@shelbyenergy.com; bmyers@tcrecc.com; Tony Campbell; Don Mosier; Mike McNalley; David Crews; Mark Stallons; Bill Prather; Tim Sharp  
**Subject:** EKPC Amendment Three  
**Attachments:** DOC021218-02122018072337.pdf

In advance of tomorrow's EKPC Board Meeting I am sending the attached letter for your review.

I look forward to seeing everyone at tomorrow's meeting.

Dennis Holt  
President & CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

Dennis Holt  
President & CEO  
Phone (606) 6784121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

February 12, 2018

Dear Fellow Managers,

As you are all aware South Kentucky gave notice to East Kentucky Power (EKPC) on November 28, 2017 to exercise our Amendment Three Privileges. South Kentucky is aware of the concerns of other EKPC Member Cooperatives that the cumulative effect of all Amendment Three elections could be significant cost-shifting between and among us. Because of South Kentucky's recognition of this fact we are willing to work with the other distribution cooperatives to help mitigate these concerns.

South Kentucky has contracted with Morgan Stanley for a 58 Megawatt fixed energy product, and a 68 Megawatt Financial Capacity Hedge product. While South Kentucky remains obligated under this contract to take 58 Megawatts from Morgan Stanley, we are open to reasonable options to reduce the impact on the other distribution cooperatives.

During the due diligence phase of this transaction leading up to our Amendment Three notification to EKPC we have been very careful to meet all legal requirements outlined in Amendment Three and the corresponding Memorandum of Understanding agreed to by all of us, and approved by the Kentucky Public Service Commission. However, South Kentucky values its relationship to each of its sister cooperatives too much to allow disunity at EKPC. Because of this, at its recent monthly meeting, South Kentucky's Board of Directors voted and directed me to investigate ways in which we can reduce our election of 15% by 1/3, to a 10% election instead.

I am sure each of you understands that South Kentucky cannot now directly reduce the amount of power being procured in the contract with Morgan Stanley due to contractual obligations; however, we believe there may be other ways to transfer and/or assign a portion of our contracted amount so as to benefit other cooperatives and flatten out the effect of cost-shifting. We will all probably need EKPC's expertise in determining ways to achieve this transfer and/or assignment.

South Kentucky has expended significant expense in staff time, consultants and attorneys to reach this point in the process. We would hope that whoever ultimately benefits from

this transfer will recognize this fact and South Kentucky would expect some reasonable mitigation of its financial outlay from the participant(s).

South Kentucky stands ready to work with our sister distribution cooperatives to develop a plan to achieve the objective of mitigation of cost-shifting to the degree possible. I'm sure that we will all need to rely on EKPC's assistance as we move forward to accomplish this goal.

We can discuss this matter in greater detail at tomorrow's EKPC Board of Directors meeting.

Sincerely Yours,

A handwritten signature in blue ink that reads "Dennis Holt". The signature is written in a cursive, slightly slanted style.

Dennis Holt  
President & CEO  
South Kentucky RECC  
200 Electric Avenue  
Somerset, Kentucky 42503

## Gwyn Willoughby

---

**From:** Timothy Eldridge <timothy.eldridge@baldwincpas.com>  
**Sent:** Thursday, February 8, 2018 8:57 AM  
**To:** Don Mosier  
**Subject:** Re: SI Agenda re: A3/MOU notices

Thanks Don and sorry you'll miss the SI meeting but with the SK issue moved to board it should be a fairly efficient meeting. Dale project appears pretty straight forward and positive. Any land mines or thoughts there?

Tim

Sent from Tim iPhone 6 Plus

*Timothy Eldridge, CPA*  
Member



114 N. Main Cross St.  
Flemingsburg, KY 41041  
[www.baldwincpas.com](http://www.baldwincpas.com)  
[timothy.eldridge@baldwincpas.com](mailto:timothy.eldridge@baldwincpas.com)  
Direct: 606.849.5504  
Fax: 606.849.3396

AN INDEPENDENT MEMBER OF



**ALLIANCE USA**

On Thu, Feb 8, 2018 at 8:38 AM -0500, "Don Mosier" <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

Good morning Tim. You are correct in your assessment of SI's role in your last sentence and I would add the following: "...acknowledging that the coop is utilizing its right given in the contract by providing **proper** notice ...**with the requisite content adequately describing the alternate resource and its duration.**"

We will not amend the agenda and reissue it per se but you or Tony will request acceptance by the committee to move the A3/MOU discussion out of the committee's agenda and to the full Board in executive session. The remaining agenda items will remain as is.

You and I will get together as you describe and as we discussed over breakfast to make future meetings more efficient regarding routine reports and their timing.

Thank you David for your clarification.

Don

**From:** Don Mosier [<mailto:Don.Mosier@ekpc.coop>]

**Sent:** Wednesday, February 7, 2018 4:15 PM

**To:** Tim Eldridge ([pllccpa@gmail.com](mailto:pllccpa@gmail.com)) <[pllccpa@gmail.com](mailto:pllccpa@gmail.com)>

**Cc:** Kim Fyffe <[Kim.Fyffe@ekpc.coop](mailto:Kim.Fyffe@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Subject:** SI Agenda re: A3/MOU notices

Tim I will be out on Monday and Tony will be sitting in for me. Given the likely "robust" discussion over the SK approval, and the recent additional member notices, we think it best to be taken out of SI and discussed during executive session with the full board on Tuesday. Let me know if you wish to chat.

Thanks, Don

Don Mosier

EVP & COO

---

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## Gwyn Willoughby

---

**From:** Tony Campbell  
**Sent:** Wednesday, February 7, 2018 2:03 PM  
**To:** Don Mosier  
**Subject:** Re: SI Committee

SK for approval. All others for info. I thought about waiting a month, but think it's better to let everyone understand there is a definite run on the bank.

Sent from my iPhone

On Feb 7, 2018, at 1:32 PM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

For clarity, SK's is for approval. Do you want these for approval or info as you note and vote in March?

**From:** Tony Campbell  
**Sent:** Wednesday, February 07, 2018 1:25 PM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Cc:** Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>  
**Subject:** SI Committee

Don,

We will need to take all of these MOU requests to SI as information. We need to do this so everyone knows there has been a run on the bank.

*Regards,*

*Anthony "Tony" Campbell*

*President and CEO*

*Phone: 859-745-9313*

*Fax: 859-744-7053*

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## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Wednesday, February 7, 2018 1:30 PM  
**To:** Sally Witt; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Growth rate 1.2%?

---

**From:** Sally Witt  
**Sent:** Wednesday, February 07, 2018 10:12 AM  
**To:** Don Mosier ; Mike McNalley ; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Good Morning!

Both graphs assume total requirements from the most recent updated load forecast.

The South Kentucky reduction is 58 MW at 100% load factor resulting in an annual reduction of 508,080 MWh and 509,472 MWh during leap years.

The other graph shows a reduction of 150 MW at 100% load factor resulting in an annual reduction of 1,314,000 MWh and 1,317,600 MWh during leap years.

Please let me know if you need anything else.  
Sally

---

**From:** Don Mosier  
**Sent:** Wednesday, February 07, 2018 9:24 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: MOU updated with Licking Valley Notice

Would you please provide assumption details for the graphs?

---

**From:** Sally Witt  
**Sent:** Wednesday, February 07, 2018 9:05 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** MOU updated with Licking Valley Notice

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Tuesday, February 6, 2018 10:29 AM  
**To:** David Crews  
**Subject:** RE: A3

Either way is fine.

---

**From:** David Crews  
**Sent:** Tuesday, February 06, 2018 10:28 AM  
**To:** Don Mosier  
**Subject:** Re: A3

Yes. Do you want it scheduled out or can we do a ratio of EKPCs costs?

Sent from my iPhone

On Feb 6, 2018, at 10:14 AM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

Can you put together the following costs (and any others) for SK's 58MW:

- PJM transmission
- Congestion costs (avg. of our experience?)
- RTEP charges
- PJM admin fees
- EKPC fee

Would we expect any changes to how PJM's model might change with a daily schedule from say a unit in PA to EK zone, creating perhaps changes in our LMPs, congestion?

Don Mosier  
EVP & COO



## Gwyn Willoughby

---

**From:** Kim Fyffe  
**Sent:** Friday, February 2, 2018 11:36 AM  
**To:** David Crews  
**Cc:** Don Mosier; Tony Campbell  
**Subject:** Call from Carol Ann (for Crews) re: Salt River & A3

David,

Carol Ann just called for you. I'm copying Don & Tony, so they're aware in case she calls or emails them. She said she is fine w/ you calling on Monday when you're back in the office.

Here's what she's inquiring about:

- How much is Tim Sharp/Salt River requesting in A3 notice he recently emailed?
- Are these requests being handled on a first come, first serve basis?
- If so, she expressed that Grayson "was the first one to request and they still haven't gotten anything"
- She mentioned that because EKPC Board hasn't voted to approve SKRECC's request, it's not final. (Not her exact words, but that was the point.)

I did let her know that I would give you the message and would ask you to call her when you were out of your meeting later today. She repeated that she was fine with you contacting her Monday when you're back in the office.

Thanks  
Kim

Kim Fyffe  
Administrative Assistant, Executive:  
*Offices of the COO, Power Supply,  
External Affairs & Strategic Planning*  
East Kentucky Power Cooperative  
Direct: 859.745.9386

**Be sure – Be safe**



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## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Friday, February 2, 2018 10:39 AM  
**To:** Don Mosier  
**Subject:** Re: Salt River notification

Ok. I don't think we want exceptions.

Sent from my iPhone

On Feb 2, 2018, at 10:16 AM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

Recounted and 9/1 is required for 18.

On Feb 2, 2018, at 10:12 AM, David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)> wrote:

Counting on my fingers here but I think a 6/1 complies with the 18 months notice requirement.

Sent from my iPhone

On Feb 2, 2018, at 10:07 AM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

I reached out to Tim already to line it up with SKs. Asked him to reconsider the 9/1/19 start to 6/1 to align with PJM.

**From:** David Crews  
**Sent:** Thursday, February 01, 2018 11:18 PM  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Cc:** David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Re: Salt River notification

I don't mean to split hairs but this letter does not comply with the notice requirements of A3 and MOU. A notice requires you to name your power supply. On first read, I don't see that this names a power supply. The SK notices names The PJM market as their power supply.

The correction need not be adversarial but the notice should comply with A3 and the MOU.

We can discuss this tomorrow or when I get back Monday.

Sent from my iPhone

On Feb 1, 2018, at 4:39 PM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Guys,

Tim called me and stated his board made this decision so he had no choice. However, he stated they were just wanting to make certain their membership was not left completely out. He stated they are still very amenable

to backing off if EKPC can find a solution, (ie our proposal), or if we can get SK to back down to 5%.  
TC

**From:** Tim Sharp [<mailto:tjsharp@srelectric.com>]

**Sent:** Thursday, February 1, 2018 4:11 PM

**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>

**Subject:** Salt River notification

Tony,

Please see attached.

## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Friday, February 2, 2018 10:06 AM  
**To:** Tony Campbell  
**Subject:** RE: EKPC Amendment Three Notification

Done

---

**From:** Tony Campbell  
**Sent:** Friday, February 02, 2018 9:49 AM  
**To:** Don Mosier  
**Subject:** Re: EKPC Amendment Three Notification

Yes, please do.

Sent from my iPhone

On Feb 2, 2018, at 9:43 AM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

Do you want me to reach out to Tim to get his request language in line with MOU requirements?

---

**From:** Tony Campbell  
**Sent:** Friday, February 02, 2018 9:41 AM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Fwd: EKPC Amendment Three Notification

Sent from my iPhone

Begin forwarded message:

**From:** Tim Sharp <[tjsharp@srelectric.com](mailto:tjsharp@srelectric.com)>  
**Date:** February 2, 2018 at 8:11:38 AM EST  
**To:** "[bsexton@bigsandyrecc.com](mailto:bsexton@bigsandyrecc.com)" <[bsexton@bigsandyrecc.com](mailto:bsexton@bigsandyrecc.com)>, "Mike Williams ([mikew@bgenergy.com](mailto:mikew@bgenergy.com))" <[mikew@bgenergy.com](mailto:mikew@bgenergy.com)>, "CHRIS BREWER ([cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com))" <[cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)>, "[ted.hampton@cumberlandvalley.coop](mailto:ted.hampton@cumberlandvalley.coop)" <[ted.hampton@cumberlandvalley.coop](mailto:ted.hampton@cumberlandvalley.coop)>, "[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)" <[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)>, "[jhazelrigg@fme.coop](mailto:jhazelrigg@fme.coop)" <[jhazelrigg@fme.coop](mailto:jhazelrigg@fme.coop)>, "[carol.fraley@graysonrecc.com](mailto:carol.fraley@graysonrecc.com)" <[carol.fraley@graysonrecc.com](mailto:carol.fraley@graysonrecc.com)>, "[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)" <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>, "[carolwright@jacksonenergy.com](mailto:carolwright@jacksonenergy.com)" <[carolwright@jacksonenergy.com](mailto:carolwright@jacksonenergy.com)>, "[kkhoward@lvrecc.com](mailto:kkhoward@lvrecc.com)" <[kkhoward@lvrecc.com](mailto:kkhoward@lvrecc.com)>, "[mmiller@nolinrecc.com](mailto:mmiller@nolinrecc.com)" <[mmiller@nolinrecc.com](mailto:mmiller@nolinrecc.com)>, Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>, "'Dennis Holt' ([dholt@skrecc.com](mailto:dholt@skrecc.com))" <[dholt@skrecc.com](mailto:dholt@skrecc.com)>, "[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)" <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>, "[bmyers@tcrecc.com](mailto:bmyers@tcrecc.com)" <[bmyers@tcrecc.com](mailto:bmyers@tcrecc.com)>

Cc: "[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)" <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>

**Subject: EKPC Amendment Three Notification**

As a courtesy, we want to make you aware that Salt River Electric has given East Kentucky Power notification yesterday of our intention to exercise our Amendment Three rights.

Salt River Electric has given East Kentucky Power notice of our intent to acquire the remaining amount up to 5% of our rolling three year average peak from an alternate source. This alternate source is scheduled to begin on September 1, 2019.

Per Tony Campbell's memo of 1/30/18, Salt River is more than willing to work toward a strategy is more beneficial to all of EKPC's members.

Please feel free to contact me if you have any questions or concerns.

Tim Sharp  
Salt River Electric

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Thursday, February 1, 2018 4:22 PM  
**To:** Julie Tucker; David Crews  
**Subject:** Hedging MOU

I need slides for the Board executive session 2/13 on hedging plan for up to 150MW capacity and energy. Will need to account for BG3 coming back. I see this as a medium term not short term plan that looks at timing of growing into the load loss. You get the picture anyway....

Don Mosier  
EVP & COO



## Gwyn Willoughby

---

**From:** Kim Fyffe  
**Sent:** Tuesday, January 30, 2018 9:07 AM  
**To:** David Crews; Jerry Purvis; Denver York; Craig Johnson; Robin Hayes; Mike Willoughby; Eddie McNutt; Mary Jane Warner  
**Cc:** Don Mosier; Mike McNalley; Sherman Goodpaster; Barry Lindeman; Julie Tucker; Mark Horn; Brad Young; Barry Mayfield; Darrin Adams; Amanda Stacy; Joseph VonDerHaar; Isaac Scott; Tom Stachnik; Patrick Woods  
**Subject:** REVISED SI Committee agenda -- Please review  
**Attachments:** SI Agenda\_Feb 12.doc  
**Importance:** High

Good morning,

Please review the attached revised February SI agenda. We've added three Production items (in yellow) and removed three items that were assigned to Don, Tom and Patrick.

I would like to have PowerPoints and materials this week. If you don't think you can complete them this week or plan to give a verbal update, please let me know.

Let me know if you have any questions.

Thanks  
Kim

---

**From:** Kim Fyffe  
**Sent:** Wednesday, January 17, 2018 9:55 AM  
**To:**  
**Subject:** SI Committee agenda Feb 12 -- Please review (because you may be presenting)  
**Importance:** High

All,

Attached is the February agenda for the SI Committee. If you have any questions, concerns or comments, please follow up with me as soon as possible.

If you are listed on the agenda, I would like to have PowerPoint drafts by the week of January 29<sup>th</sup>. If you don't think you can meet that timeframe or plan to give a verbal update instead, please let me know.

Thanks  
Kim

Kim Fyffe  
Administrative Assistant, Executive:  
*Offices of the COO, Power Supply,  
External Affairs & Strategic Planning*  
East Kentucky Power Cooperative  
Direct: 859.745.9386

*the Reason I Go Home Tonight*



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## STRATEGIC ISSUES COMMITTEE

Monday, February 12, 2018 – 1:00 p.m. EST  
West Veech  
Meeting Agenda

Tim Eldridge, Chairman

- I. Call to Order**
- II. Roll Call**
- III. Safety Moment** – *JERRY PURVIS*
- IV. Approval of Dec. 11, 2017 Committee Meeting Minutes** – *CHAIRMAN TIM ELDRIDGE*
- V. Board Action Requested**  
*NONE*
- VI. Committee Action Requested**
  1. Approval of South Kentucky RECC Amendment # 3 Request – *DAVID CREWS*  
(Request Committee AND Board approvals in February)
- VII. Training**  
*NONE*
- VIII. Information & Discussion Items**
  1. Private Placement Funding Request – *TOM STACHNIK*  
(For information in February / Request Committee AND Board approvals in March)
  2. Shelby Transmission Line – *DENVER YORK*
  3. Pegs Hill Environmental Mitigation – *JERRY PURVIS*
  4. Dale Demolition Project – *CRAIG JOHNSON*
  5. Spurlock CCR/ELG Compliance Project & Initial Equipment Contracts – *CRAIG JOHNSON*  
(For information in February / Request Committee AND Board approvals in March)
  6. Spurlock Units 1 & 2 Absorber Spray Header Replacements – *CRAIG JOHNSON*  
(For information in February / Request Committee AND Board approvals in March)
  7. Bluegrass Dual Fuel – *CRAIG JOHNSON / DAVID CREWS*
  8. Quarterly Update: KPI Scorecard – *ROBIN HAYES*
  9. Annual Update: Cyber & Physical Security – *EDDIE MCNUTT / MIKE WILLOUGHBY*
- IX. Unfinished Business**
- X. New Business**
- XI. Future Meetings & Agenda**
- XII. Other Business**
- XIII. Executive Session**  
*NONE*
- XIV. Adjourn**

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Monday, December 11, 2017 3:50 PM  
**To:** Kim Fyffe  
**Cc:** David Crews; Sherman Goodpaster  
**Subject:** Re: Minutes for Tim re: A3 item

Ok

On Dec 11, 2017, at 3:47 PM, Kim Fyffe <[Kim.Fyffe@ekpc.coop](mailto:Kim.Fyffe@ekpc.coop)> wrote:

How's this? I took main language from the Executive Summary. David texted me to add the comment re: MOU history and 2.5% threshold.

South Kentucky RECC Amendment # 3 Request

David Crews advised the Committee that pursuant to Amendment # 3 ("Amendment 3") of the Wholesale Power Contract ("WPC") and the Memorandum of Understanding and Agreement regarding Alternate Power Sources ("MOU"), South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") has given EKPC notice that it intends to reduce its purchases from EKPC under the WPC by 58 MW and purchase these 58 MW from the PJM wholesale market, commencing on June 1, 2019, for a term of twenty (20) years.

Mr. Crews provided an overview of the history of the MOU and reviewed the status of the 2.5% threshold. A question and answer period followed.

South Kentucky's Amendment 3 request will be revisited in February 2018, requesting both Committee and Board approvals.

Kim Fyffe

Administrative Assistant, Executive:  
*Offices of the COO, Power Supply,  
External Affairs & Strategic Planning*  
East Kentucky Power Cooperative  
Direct: 859.745.9386

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## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Tuesday, December 5, 2017 4:37 PM  
**To:** David Crews  
**Cc:** Kim Fyffe  
**Subject:** SI and A3 update

Will need to update SI and Board on the SK impacts. From Tony:

*At SI, we will need to go over MOU and its derivation from Amendment 3. I would start by presenting SK request, and that it meets the MOU requirements, then remind everyone about MOU derivation. At end of presentation go over the amendment 3 load data that David is supplying Mark! Also, Tim needs to know this could be controversial so must be presented at board meeting too.*

Kim, will need to add to agenda and also discuss at Board during SI report. Thanks.

Don Mosier  
EVP & COO



## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Tuesday, December 5, 2017 4:35 PM  
**To:** Tony Campbell  
**Subject:** RE: Amend 3 Rolling 36 month load data

Will do.

---

**From:** Tony Campbell  
**Sent:** Tuesday, December 05, 2017 4:35 PM  
**To:** Don Mosier  
**Subject:** Fwd: Amend 3 Rolling 36 month load data

Mark is feeling the pressure. Has to explain why Owen was not the one! I would expect his attorney to be all over him. Probably in front of his Board.

At SI, we will need to go over MOU and its derivation from Amendment 3. I would start by presenting SK request, and that it meets the MOU requirements, then remind everyone about MOU derivation. At end of presentation go over the amendment 3 load data that David is supplying Mark! Also, Tim needs to know this could be controversial so must be presented at board meeting too.

Thanks,  
TC

Sent from my iPhone

Begin forwarded message:

**From:** Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>  
**Date:** December 5, 2017 at 12:57:04 PM PST  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>, "Alan Ahrman" <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>  
**Subject:** RE: Amend 3 Rolling 36 month load data

David,

Please provide the excel spreadsheet details of the 36 rolling month load data supporting the threshold limits and Owen's Amendment #3 limits. Much appreciated.

Thanks,

Mark

---

**From:** David Crews [<mailto:David.Crews@ekpc.coop>]  
**Sent:** Tuesday, December 05, 2017 11:36 AM  
**To:** Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley

<[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Alan Ahrman <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>

**Subject:** RE: Amend 3 Rolling 36 month load data

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This is to back up the data I provided you yesterday verbally. The 2.5% threshold is 74.9 MWs and the aggregate notices are 69.2 MWs.

I will also dig up a copy of the MOU that Owen executed as you requested.

---

**From:** Mark Stallons [<mailto:mstallons@owenelectric.com>]

**Sent:** Monday, December 4, 2017 11:27 AM

**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Alan Ahrman <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>

**Subject:** Amend 3 Rolling 36 month load data

David,

At Owen Electric's November 30, 2017 Board Meeting, my board asked me to investigate South Kentucky's amendment #3 notice and determine if similar opportunities exist for Owen Electric to pursue. Please provide the following data:

1. Owen Electric's current rolling average of Owen Electric's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the proceeding three (3) twelve month periods.

2015 – 347.4 MWs  
2016 – 313.0 MWs  
2017 – 350.7 MWs  
3 year rolling average – 337 MWs

5% = 16.9 MWs  
15% = 50.6 MWs

2. EKPC current rolling average of EKPC's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the proceeding three (3) twelve month periods including the 2.5% and 5.0% thresholds.

2015 – 3428.1  
2016 – 2739.5  
2017 - 2771.8  
3 year rolling average – 2979.8

5% = 149  
2.5% = 74.5

3. The current aggregate and individual amount of all owner member's Amendment 3 alternate source loads.  
The current aggregate noticed A3 is 69.2 MWs.

Owen has noticed 2.0 MWs of A3 resources.

Should you have any questions, please contact me.

Sincerely,

Mark A. Stallons  
President & CEO

Owen Electric Cooperative  
8205 Hwy 127N; PO Box 400  
Owenton, KY 40359

☎ **Direct Line:** 502-563-3500

☎ **Mobile:** 502-514-1650

✉ **Email:** [mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)



***"One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."***

Source: The One Minute Manager, Page 30.

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## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Tuesday, December 5, 2017 1:20 PM  
**To:** Tony Campbell  
**Subject:** Re: Amend 3 Rolling 36 month load data

Not a peep, just Stallons

Sent from my iPhone

On Dec 5, 2017, at 12:56 PM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Don,

Have any other owners contacted us regarding A3??

TC

Sent from my iPhone

Begin forwarded message:

**From:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Date:** December 5, 2017 at 8:36:11 AM PST  
**To:** 'Mark Stallons' <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>, Alan Ahrman <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>  
**Subject:** RE: Amend 3 Rolling 36 month load data

This is to back up the data I provided you yesterday verbally. The 2.5% threshold is 74.9 MWs and the aggregate notices are 69.2 MWs.

I will also dig up a copy of the MOU that Owen executed as you requested.

**From:** Mark Stallons [<mailto:mstallons@owenelectric.com>]  
**Sent:** Monday, December 4, 2017 11:27 AM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Alan Ahrman <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>  
**Subject:** Amend 3 Rolling 36 month load data

David,

At Owen Electric's November 30, 2017 Board Meeting, my board asked me to investigate South Kentucky's amendment #3 notice and determine if similar opportunities exist for Owen Electric to pursue. Please provide the following data:

1. Owen Electric's current rolling average of Owen Electric's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the proceeding three (3) twelve month periods.

2015 – 347.4 MWs

2016 – 313.0 MWs  
2017 – 350.7 MWs  
3 year rolling average – 337 MWs  
5% = 16.9 MWs  
15% = 50.6 MWs

2. EKPC current rolling average of EKPC's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the proceeding three (3) twelve month periods including the 2.5% and 5.0% thresholds.

2015 – 3428.1  
2016 – 2739.5  
2017 - 2771.8  
3 year rolling average – 2979.8  
5% = 149  
2.5% = 74.5

3. The current aggregate and individual amount of all owner member's Amendment 3 alternate source loads.

The current aggregate noticed A3 is 69.2 MWs.  
Owen has noticed 2.0 MWs of A3 resources.

Should you have any questions, please contact me.

Sincerely,

**Mark A. Stallons**

President & CEO

Owen Electric Cooperative  
8205 Hwy 127N; PO Box 400  
Owenton, KY 40359

☎ **Direct Line:** 502-563-3500

☎ **Mobile:** 502-514-1650

✉ **Email:** [mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)



*"One of your goals for the future is for you to identify and solve your own problems.  
But since you are new, come on up and we'll talk."*

Source: The One Minute Manager, Page 30.

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## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Tuesday, November 28, 2017 8:36 AM  
**To:** David Crews  
**Subject:** RE: Updated Amendment Three Notice

Am sure SK understands they also are on the hook for PJM admin costs, charges/credits, etc. How will ARR/FTRs be handled?

---

**From:** David Crews  
**Sent:** Monday, November 27, 2017 4:58 PM  
**To:** Don Mosier ; Mike McNalley ; Tony Campbell  
**Subject:** FW: Updated Amendment Three Notice

Latest draft notice from SK. Just a few minor changes from the red line I sent them back over the holiday.

I expect SK to give notice before the end of the week.

---

**From:** Dennis Holt [<mailto:dholt@skrecc.com>]  
**Sent:** Monday, November 27, 2017 3:46 PM  
**To:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Updated Amendment Three Notice

David,

Attached is the final draft of the EKPC notice for exercising our Amendment 3.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Thursday, September 21, 2017 1:17 PM  
**To:** David Crews  
**Subject:** RE: South Kentucky Opportunity

They should narrow down the parameters and required acceptance subject to PSC approval, that they cannot predict when will occur. Will likely chase away many.

---

**From:** David Crews  
**Sent:** Thursday, September 21, 2017 12:05 PM  
**To:** Don Mosier  
**Subject:** FW: South Kentucky Opportunity

---

**From:** Greg Shepler [<mailto:Greg.Shepler@enervision-inc.com>]  
**Sent:** Wednesday, September 20, 2017 7:52 AM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** South Kentucky Opportunity

David,

Attached is the RFP for South Kentucky RECC soliciting proposals for alternate supply under Amendment 3 and the MOU. On behalf of South Kentucky RECC, we're glad that EKPC is considering submitting a proposal. So you're fully in the loop, below is additional background information we sent to potential suppliers in the cover e-mail:

SKRECC is a member of East Kentucky Power Cooperative (EKPC) and they have an option in EKPC's all requirements contract that allows them to receive a portion of their power supply from an alternate supplier. We've looked at this option and believe it provides the opportunity for significant savings for SKRECC members relative to EKPC's wholesale costs. We're issuing an RFP on their behalf (see the attached) to a limited number of potential suppliers to identify an alternate power supply that can provide savings to SKRECC and their members; we think you are in a good position to put together a cost-effective proposal.

Just a couple of other notes unique to EKPC:

- 1) I'm not quite sure how to address confidentiality or if it even needs to be addressed. We are executing Confidentiality Agreements with all of the others to protect the proposals on their end and audited financials on our end (we don't anticipate the need to send them any other non-public information as part of this process). We also intend to keep confidential any and all information transferred between EKPC and SKRECC and their Representatives, but please advise if you think additional confidentiality/non-disclosure is warranted.
- 2) I have a couple of questions about Alternate Supply implementation from the MOU that I would like to ask you. Most of this is with respect to division of responsibility between the alternate supplier (whoever it is) and EKPC – things like if the supplier or EKPC will be we passing-through ancillary costs associated with the Alternate Supply. I'll follow up in a separate email.

It is a VERY tight timeline, so please don't hesitate to reach out to me if you have any questions, comments, or concerns. Thank you,

**Greg Shepler** Managing Principal  
T (678) 510-2921 | C (678) 525-2017 | (888) 999-8840

[greg.shepler@enervision-inc.com](mailto:greg.shepler@enervision-inc.com) | [www.enervision-inc.com](http://www.enervision-inc.com)

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## South Kentucky Rural Electric Cooperative Corporation Request for Proposals

### ***Introduction:***

South Kentucky Rural Electric Cooperative Corporation (SKRECC), headquartered in Somerset, Kentucky, is a distribution cooperative serving over 67,000 members. SKRECC is a member of East Kentucky Power Cooperative (EKPC) and is supplied under an all requirements contract with EKPC. SKRECC has the right within the contract to choose an alternate supplier for a portion of their member needs – EnerVision, on behalf of SKRECC, is issuing this RFP and soliciting proposals pursuant to this contractual right.

### ***Request for Proposals:***

SKRECC is requesting proposals for 58 MW of power to serve its members.

### **Considerations:**

- SKRECC desires to procure 58 MW for the period beginning June 1, 2019. Note that the all requirements contract with EKPC requires 18 months' notice prior to delivery.
- Term length – will consider any term length greater than 5 years, but would like proposals to outline a path that could achieve a 20-year supply period.
- Pricing and economic risk, including:
  - All-in pricing estimate including all components of power supply;
  - Fixed price versus variable (e.g., market-based) power supply components;
  - Length/duration for firm pricing components prior to extension periods where pricing is yet to be defined.
- Creditworthiness of counterparty and terms providing for continuity of delivery/service even through unforeseen credit conditions.

### **Proposal Requirements:**

- For each proposal, at a minimum please specify:
  - Quantity – annual capacity/energy; expected pattern of energy delivery;
  - Term – proposed start and tenor, including any potential extension period(s);
  - Delivery Point;
  - Pricing:
    - Demand and/or energy charges;
    - Indexes and/or price escalators upon which demand/fuel/other components may be based;
    - Any market-based or pass-through components of power supply;
    - Pricing to be based on market close on September 29, 2017;
  - Any unit contingencies or assets backing the sale of capacity and/or energy;
  - Credit requirements/expectations of both parties.

**Schedule:**

Request for Proposal Release Date	September 19, 2017
<b>RFP Response Date</b>	<b>October 3</b> (e-mail proposals preferred)
Short List Decision Date / Negotiations Begin	Week of October 16
Contract Execution	November 30 (preferred, to coincide with EKPC notice)
Delivery Commencement	June 1, 2019 (preferred)

**Additional Information:**

- A form of Confidentiality Agreement is being distributed to recipients with this RFP.
- All Respondents have the obligation and responsibility to clearly mark and identify any and all proprietary information included in the Response. SKRECC and its consultants are not restricted from using or disclosing any data that is already obtainable from another public source, without restriction. SKRECC and its legal and engineering consultants will use their best efforts to maintain the confidentiality of any submitted proprietary information, however, should such information be accidentally disclosed, Respondents agree that SKRECC and its legal and engineering consultants shall not be liable for such accidental disclosure.
- All Respondents are responsible for their costs related to the preparation of their respective proposal(s).
- This RFP is not an offer or a contract. SKRECC and/or EnerVision reserve the right to accept or reject any or all proposals and are not obligated to contract for any of the products/services described in this RFP. SKRECC is under no obligation to accept any proposal, nor is SKRECC obligated to accept the lowest cost proposal, as there are many other factors which will be considered in the review and analysis of the proposals. SKRECC may at its sole option determine to revise this RFP at any time. All Respondents, by submitting a proposal, agree that they will not seek any legal recourse against SKRECC for rejection of their respective proposal, or for any other matter related to actions or inactions on the proposal.

**Contact information:**

- Address all RFP questions, correspondence, confidentiality agreements, and proposals to:
  - Greg Shepler, Managing Principal, EnerVision, Inc.
    - [greg.shepler@enervision-inc.com](mailto:greg.shepler@enervision-inc.com)
    - 678-510-2921 office; 678-525-2017 mobile

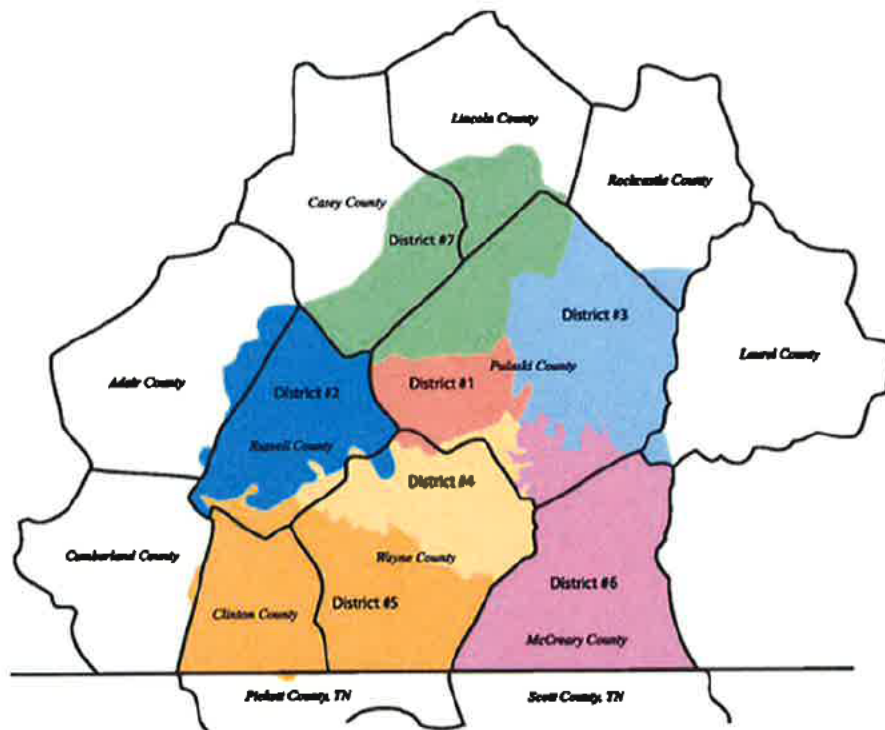
**Next Steps:**

- Initiate confidentiality process.
- Ask clarifying questions; responses to FAQs will be distributed to all RFP recipients.
- Begin preparing proposals.

**SKRECC Information:**

- SKRECC serves over 67,000 members across 13 counties in Southern Kentucky and Northern Tennessee (see maps below).
- SKRECC's rates are regulated by the Kentucky Public Service Commission.

**SERVICE AREA**



**Roger Cowden**

---

**From:** Don Mosier  
**Sent:** Thursday, September 21, 2017 10:05 AM  
**To:** Tony Campbell  
**Cc:** Mike McNalley; Tom Stachnik  
**Subject:** Re: South Kentucky

Yes they would.

Sent from my iPhone

On Sep 21, 2017, at 9:48 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

I think so, but that's there problem, and would be after the bidding process.

TC

Sent from my iPhone

On Sep 21, 2017, at 9:35 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

They will need a CPCN, won't they?

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Sep 21, 2017, at 6:34 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Mike/Tom,

We might need to address this early with rating agencies, banks, and RUS.

TC

Sent from my iPhone

Begin forwarded message:

**From:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Date:** September 21, 2017 at 9:20:34 AM EDT  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Subject:** Fwd: South Kentucky

FYI

Sent from my iPhone

Begin forwarded message:

**From:** David Crews  
<[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Date:** September 21, 2017 at 9:13:46  
AM EDT  
**To:** Don Mosier  
<[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Subject:** South Kentucky

I got a call from Dennis late Tuesday to let me know that they plan to issue an RFP for 58MWs.

They sent me a copy of the RFP yesterday. I have not had a chance to read it yet.

It will likely show up in the rags shortly.



**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Tuesday, February 13, 2018 8:03 AM  
**To:** David Crews  
**Cc:** Julie Tucker  
**Subject:** FW: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU  
**Attachments:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

Updated with Inter-County. Mike has too.

<b>Noticed Projects</b>				
<b>Owner-Member</b>	<b>Project</b>	<b>Notice Given</b>	<b>MW</b>	<b>Delivery</b>
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
Farmers	PJM/Market	2/2018	5.5	9/2019
Inter-County	PJM/Market	2/2018	7.7	6/2020
<b>Total Projects</b>			<b>124.0</b>	
<b>Not to Exceed 158.5 MW</b>				
<b>Remaining</b>			<b>34.5</b>	

**From:** Sally Witt  
**Sent:** Tuesday, February 13, 2018 7:57 AM  
**To:** Julie Tucker  
**Subject:** RE: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Mike said he didn't want the presentation updated ( I had already asked) but here is the spreadsheet.

### Noticed Projects

Owner-Member	Project	Notice Given	MW	Delivery
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
Farmers	PJM/Market	2/2018	5.5	9/2019
Inter-County	PJM/Market	2/2018	7.7	6/2020
<b>Total Projects</b>			<b>124.0</b>	
<b>Not to Exceed 158.5 MW</b>				
<b>Remaining</b>			<b>34.5</b>	

**From:** Julie Tucker

**Sent:** Tuesday, February 13, 2018 7:53 AM

**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>

**Subject:** Re: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Yes please update the info.

Sent from my iPhone

On Feb 13, 2018, at 7:45 AM, Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)> wrote:

**From:** Mike McNalley

**Sent:** Tuesday, February 13, 2018 7:30 AM

**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>

**Subject:** FW: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

FYI

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

859-745-9209 O

859-595-3897 C

[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**From:** Tony Campbell  
**Sent:** Monday, February 12, 2018 6:48 PM  
**To:** David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Fwd: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

FYI, another notice.

TC

Sent from my iPhone

Begin forwarded message:

**From:** Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>  
**Date:** February 12, 2018 at 5:07:43 PM EST  
**To:** "Tony.Campbell@ekpc.coop" <[Tony.Campbell@ekpc.coop](mailto:Tony.Campbell@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Hadden Dean <[dean@danvillekylaw.com](mailto:dean@danvillekylaw.com)>, Allen Goggin External <[allen.goggin@gmail.com](mailto:allen.goggin@gmail.com)>, Bill Peyton External <[billhpeyton@gmail.com](mailto:billhpeyton@gmail.com)>, Jason Todd External <[jason.todd.lo0i@statefarm.com](mailto:jason.todd.lo0i@statefarm.com)>, Joe Spalding External <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>, Kevin Preston <[KPreston@intercountyenergy.net](mailto:KPreston@intercountyenergy.net)>, Louis Kerrick External <[lak175@roadrunner.com](mailto:lak175@roadrunner.com)>  
**Subject:** Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Mr. Campbell,

Attached you will find Inter-County's notice of intent to exercise its rights under the Amendment 3 Memorandum of Understanding.

Inter-County is willing and hopeful that an equitable solution can be obtained that serves the entire membership of each member-owner of East Kentucky Power Cooperative.

Sincerely,

*Jerry W. Carter*

President/CEO  
Inter-County Energy  
P.O. Box 87  
Danville, KY 40423-0087  
1-888-266-7322 (toll free), Extension 7831  
859-936-7831 (direct)  
859-236-3627 (fax)  
859-324-2446 Cell

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 13, 2018 8:00 AM  
**To:** Sally Witt  
**Subject:** RE: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Thanks!

Mike McNalley  
 EVP & CFO  
 East Kentucky Power Cooperative, Inc.  
 859-745-9209 O  
 859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**From:** Sally Witt  
**Sent:** Tuesday, February 13, 2018 8:00 AM  
**To:** Mike McNalley  
**Subject:** RE: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Here is the updated list and what's left for you...

<b>Noticed Projects</b>				
<b>Owner-Member</b>	<b>Project</b>	<b>Notice Given</b>	<b>MW</b>	<b>Delivery</b>
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
Farmers	PJM/Market	2/2018	5.5	9/2019
Inter-County	PJM/Market	2/2018	7.7	6/2020
<b>Total Projects</b>			<b>124.0</b>	
	<b>Not to Exceed 158.5 MW</b>			
<b>Remaining</b>			<b>34.5</b>	

**From:** Mike McNalley  
**Sent:** Tuesday, February 13, 2018 7:46 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** RE: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

I don't think so – at this point we're baked for the board.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Sally Witt  
**Sent:** Tuesday, February 13, 2018 7:46 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Good Moring!!

You want the presentation updated?

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 13, 2018 7:30 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** FW: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

FYI

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Tony Campbell  
**Sent:** Monday, February 12, 2018 6:48 PM  
**To:** David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Fwd: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

FYI, another notice.

TC

Sent from my iPhone

Begin forwarded message:

**From:** Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>  
**Date:** February 12, 2018 at 5:07:43 PM EST  
**To:** "Tony.Campbell@ekpc.coop" <[Tony.Campbell@ekpc.coop](mailto:Tony.Campbell@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Hadden Dean <[dean@danvillekylaw.com](mailto:dean@danvillekylaw.com)>, Allen Goggin External <[allen.goggin@gmail.com](mailto:allen.goggin@gmail.com)>, Bill Peyton External <[billhpeyton@gmail.com](mailto:billhpeyton@gmail.com)>, Jason Todd External <[jason.todd.lo0i@statefarm.com](mailto:jason.todd.lo0i@statefarm.com)>, Joe Spalding External <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>, Kevin Preston <[KPreston@intercountyenergy.net](mailto:KPreston@intercountyenergy.net)>, Louis Kerrick External <[lak175@roadrunner.com](mailto:lak175@roadrunner.com)>  
**Subject:** Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Mr. Campbell,

Attached you will find Inter-County's notice of intent to exercise its rights under the Amendment 3 Memorandum of Understanding.

Inter-County is willing and hopeful that an equitable solution can be obtained that serves the entire membership of each member-owner of East Kentucky Power Cooperative.

Sincerely,

*Jerry W. Carter*

President/CEO  
Inter-County Energy  
P.O. Box 87  
Danville, KY 40423-0087  
1-888-266-7322 (toll free), Extension 7831  
859-936-7831 (direct)  
859-236-3627 (fax)  
859-324-2446 Cell

**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Tuesday, February 13, 2018 7:57 AM  
**To:** Julie Tucker  
**Subject:** RE: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU  
**Attachments:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

Mike said he didn't want the presentation updated ( I had already asked) but here is the spreadsheet.

<b>Noticed Projects</b>				
<b>Owner-Member</b>	<b>Project</b>	<b>Notice Given</b>	<b>MW</b>	<b>Delivery</b>
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
Farmers	PJM/Market	2/2018	5.5	9/2019
Inter-County	PJM/Market	2/2018	7.7	6/2020
<b>Total Projects</b>			<b>124.0</b>	
<b>Not to Exceed 158.5 MW</b>				
<b>Remaining</b>			<b>34.5</b>	

**From:** Julie Tucker  
**Sent:** Tuesday, February 13, 2018 7:53 AM  
**To:** Sally Witt  
**Subject:** Re: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

Yes please update the info. I was supposed to tell you last night. Sorry

Sent from my iPhone

On Feb 13, 2018, at 7:45 AM, Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)> wrote:

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 13, 2018 7:30 AM

To: Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>

Subject: FW: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

FYI

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

From: Tony Campbell

Sent: Monday, February 12, 2018 6:48 PM

To: David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

Subject: Fwd: Inter-County Energy's Notice to Exercise its Rights Under the Amendment 3 MOU

FYI, another notice.

TC

Sent from my iPhone

Begin forwarded message:

From: Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>

Date: February 12, 2018 at 5:07:43 PM EST

To: "Tony.Campbell@ekpc.coop" <[Tony.Campbell@ekpc.coop](mailto:Tony.Campbell@ekpc.coop)>

Cc: David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Hadden Dean <[dean@danvillekylaw.com](mailto:dean@danvillekylaw.com)>, Allen Goggin External <[allen.goggin@gmail.com](mailto:allen.goggin@gmail.com)>, Bill Peyton External <[billhpeyton@gmail.com](mailto:billhpeyton@gmail.com)>, Jason Todd External <[jason.todd.lo0i@statefarm.com](mailto:jason.todd.lo0i@statefarm.com)>, Joe Spalding External <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>, Kevin Preston <[KPreston@intercountyenergy.net](mailto:KPreston@intercountyenergy.net)>, Louis Kerrick External <[lak175@roadrunner.com](mailto:lak175@roadrunner.com)>

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*Jerry W. Carter*  
President/CEO



Inter-County Energy  
P.O. Box 87  
Danville, KY 40423-0087  
1-888-266-7322 (toll free), Extension 7831  
859-936-7831 (direct)  
859-236-3627 (fax)  
859-324-2446 Cell

## Gwyn Willoughby

---

**From:** Sally Witt  
**Sent:** Thursday, February 8, 2018 10:56 AM  
**To:** Don Mosier  
**Subject:** Presentation with Farmers' updates  
**Attachments:** MOU Discussion.pptx



Meant to copy you on the one sent to David and Mike.

---

**From:** Sally Witt  
**Sent:** Thursday, February 08, 2018 10:54 AM  
**To:** Mike McNalley  
**Cc:** David Crews ; Julie Tucker  
**Subject:** RE: Farmers RECC Amendment 3 Letters of Notification

Here you go!

---

**From:** Mike McNalley  
**Sent:** Thursday, February 08, 2018 9:58 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** FW: Farmers RECC Amendment 3 Letters of Notification

Sally,

Just wanted to be sure you had something to work on today... 😊

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Tony Campbell  
**Sent:** Thursday, February 8, 2018 9:54 AM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>  
**Subject:** Fwd: Farmers RECC Amendment 3 Letters of Notification

FYI

Sent from my iPhone

Begin forwarded message:

**From:** "Bill Prather" <[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)>  
**To:** "Tony Campbell" <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, "Terri Combs" <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>, "David Crews" <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** "Paul Hawkins" <[paulcat@scrte.com](mailto:paulcat@scrte.com)>  
**Subject:** Farmers RECC Amendment 3 Letters of Notification

Tony,

Attached are Amendment 3 Letters of Notification. One requests an adjustment to our current allocation, based upon the entering of our generators in the PJM Emergency Capacity Market last year, and the other requesting our full 5% allocation allowed under the Amendment 3.

We regret issuing a request for the 5% allocation, but I feel we must do this in order to protect the long term interests of our cooperative from the negative effects that will result from others following this same path. Farmers does not believe the Amendment 3 provisions, as being exercised by some co-ops, is in the best long-term interests of EKPC or its member-owners.

Please let me know if we need to correct anything in the attached two notices to provide the proper notification. It is our hope that EKPC and its member-owners will be able to gain consensus for a better path forward.

Sincerely,

Bill

--

**William T. Prather**  
President/CEO  
Farmers Rural Electric Cooperative Corporation  
504 South Broadway  
Glasgow, Kentucky 42141  
270-651-2191, ext. 8300  
[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)



## Gwyn Willoughby

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**From:** Sally Witt  
**Sent:** Thursday, February 8, 2018 10:54 AM  
**To:** Mike McNalley  
**Cc:** David Crews; Julie Tucker  
**Subject:** RE: Farmers RECC Amendment 3 Letters of Notification  
**Attachments:** MOU Discussion.pptx

Here you go!

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**Subject:** FW: Farmers RECC Amendment 3 Letters of Notification

Sally,

Just wanted to be sure you had something to work on today... ☺

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

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**Sent:** Thursday, February 8, 2018 9:54 AM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>  
**Subject:** Fwd: Farmers RECC Amendment 3 Letters of Notification

FYI

Sent from my iPhone

Begin forwarded message:

**From:** "Bill Prather" <[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)>  
**To:** "Tony Campbell" <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, "Terri Combs" <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>, "David Crews" <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** "Paul Hawkins" <[paulcat@scrtc.com](mailto:paulcat@scrtc.com)>  
**Subject:** Farmers RECC Amendment 3 Letters of Notification

Tony,

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We regret issuing a request for the 5% allocation, but I feel we must do this in order to protect the long term interests of our cooperative from the negative effects that will result from others following this same path. Farmers does not believe the Amendment 3 provisions, as being exercised by some co-ops, is in the best long-term interests of EKPC or its member-owners.

Please let me know if we need to correct anything in the attached two notices to provide the proper notification. It is our hope that EKPC and its member-owners will be able to gain consensus for a better path forward.

Sincerely,

Bill

--

**William T. Prather**

President/CEO

Farmers Rural Electric Cooperative Corporation

504 South Broadway

Glasgow, Kentucky 42141

270-651-2191, ext. 8300

[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)



A Touchstone Energy\* Cooperative 

# East Kentucky Power Cooperative

## MOU Cost and Mitigation Plan

Board of Directors Executive Session  
February 13, 2017

Mike McNalley, CFO  
Don Mosier, COO

CONFIDENTIAL



A Touchstone Energy Cooperative 

# Agenda

- Overview of Amendment 3 and MOU
  - 15% and 5% limits
  - Notice Periods
- Financial Impacts and Cost Shifting
  - FAC
  - Environmental Surcharge
  - Base Rates
  - Margin Allocation (Future Capital Credits)
- Mitigation Options
- Summary and Next Steps

# Amendment 3 and MOU – EKPC 5% Limit

Owner-Member Cooperative	EKPC 5% Limit			Average	5% Limit
	EKPC CP (MW) for Month of				
	Feb 2015- Jan 2016	Feb 2016- Jan 2017	Feb 2017- Jan 2018		
Big Sandy	89.5	56.9	74.3	73.6	3.7
Blue Grass	410.9	324.4	382.2	372.5	18.6
Clark	154.0	113.6	139.4	135.7	6.8
Cumberland Valley	158.3	109.6	141.3	136.4	6.8
Farmers	136.4	115.9	138.4	130.2	6.5
Fleming Mason	196.9	166.9	189.1	184.3	9.2
Grayson	85.2	57.6	72.7	71.9	3.6
Inter-County	171.1	134.1	158.6	154.6	7.7
Jackson	325.6	230.2	293.6	283.2	14.2
Licking Valley	88.6	58.7	75.0	74.1	3.7
Nolin	211.1	199.1	215.5	208.6	10.4
Owen	347.4	350.7	423.8	374.0	18.7
Salt River	314.4	262.0	306.4	294.3	14.7
Shelby	120.5	99.6	113.9	111.3	5.6
South Kentucky	458.9	353.4	426.2	412.9	20.6
Taylor	159.4	139.1	157.0	151.8	7.6
<b>Total</b>	<b>3,428.1</b>	<b>2,771.8</b>	<b>3,307.4</b>	<b>3,169.1</b>	<b>158.5</b>

Feb 2015-Jan 2016 Peak Occurred Feb 2015

Feb 2016-Jan 2017 Peak Occurred Jan 2017

Feb 2017-Jan 2018 Peak Occurred Jan 2018





# Owner Member Individual 15% and 5% Limits

## A3 Allotments, Based on Data Through January 2018

Owner-Member Cooperative	Owner-Member Peak (MW)			Average	5% Election	15% Election
	Feb 2015- Jan 2016	Feb 2016- Jan 2017	Feb 2017- Jan 2018			
	Big Sandy	89.5	58.8			
Blue Grass	410.9	324.4	383.2	372.8	18.6	55.9
Clark	154.0	113.6	140.1	135.9	6.8	20.4
Cumberland Valley	158.3	110.0	141.3	136.5	6.8	20.5
Farmers	136.8	115.9	138.4	130.3	6.5	19.6
Fleming Mason	198.0	179.7	189.1	188.9	9.4	28.3
Grayson	85.2	58.3	72.7	72.1	3.6	10.8
Inter-County	171.1	134.4	158.6	154.7	7.7	23.2
Jackson	327.7	232.2	293.6	284.5	14.2	42.7
Licking Valley	88.6	60.6	76.6	75.3	3.8	11.3
Nolin	230.4	199.1	216.1	215.2	10.8	32.3
Owen	430.9	401.5	447.5	426.6	21.3	64.0
Salt River	316.1	262.0	306.4	294.8	14.7	44.2
Shelby	120.5	101.6	113.9	112.0	5.6	16.8
South Kentucky	458.9	353.4	426.2	412.9	20.6	61.9
Taylor	160.2	139.1	157.0	152.1	7.6	22.8
<b>Total</b>	<b>3,537.0</b>	<b>2,844.5</b>	<b>3,335.0</b>	<b>3,238.8</b>	<b>161.9</b>	

Total projects MW cannot exceed 5% of the 3 year average of EKPC CP, which is currently 158.5 MW.

# Owner Member Individual Balances

## A3 Balances as of January 2018

Owner-Member Cooperative	Allocation		5% Balance	Pro-rata Share of Balance
	%	MW	MW	MW
Big Sandy	5%	3.7	3.7	1.8
Blue Grass	5%	18.6	18.6	9.0
Clark	5%	6.8	6.8	3.3
Cumberland Valley	5%	6.8	6.8	3.3
<i>Farmers*</i>	5%	6.5	0.0	0.0
<i>Fleming Mason*</i>	5%	9.4	8.0	3.9
Grayson	5%	3.6	3.6	1.7
Inter-County	5%	7.7	7.7	3.8
<i>Jackson*</i>	5%	14.2	0.1	0.1
<i>Licking Valley*</i>	5%	3.8	3.5	1.7
Nolin	5%	10.8	10.8	5.2
<i>Owen*</i>	5%	21.3	0.0	0.0
<i>Salt River*</i>	5%	14.7	0.0	0.0
Shelby	5%	5.6	5.6	2.7
<i>South Kentucky*</i>	15%	61.9	3.9	1.9
Taylor	5%	7.6	7.6	3.7
<b>Total</b>			86.9	42.2

\* indicates project in place or in process.

# Noticed Projects

Noticed Projects				
Owner-Member	Project	Notice Given	MW	Delivery
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
Farmers	PJM/Market	2/2018	5.5	9/2019
<b>Total Projects</b>			<b>116.3</b>	
<b>Not to Exceed 158.5 MW</b>				
<b>Remaining</b>			<b>42.2</b>	

# Financial Impact and Cost Shifting

- Base Case: Each Owner-Member exercises exactly 5%
  - FAC
  - ES
  - Base Rates
  - EKPC Margin Allocation
  
- SKRECC Notice
  - FAC
  - ES
  - Base Rates
  - EKPC Margin Allocation
  
- Other Notices
  - FAC
  - ES
  - Base Rates
  - EKPC Margin Allocation
  
-

# EKPC Mitigation Options

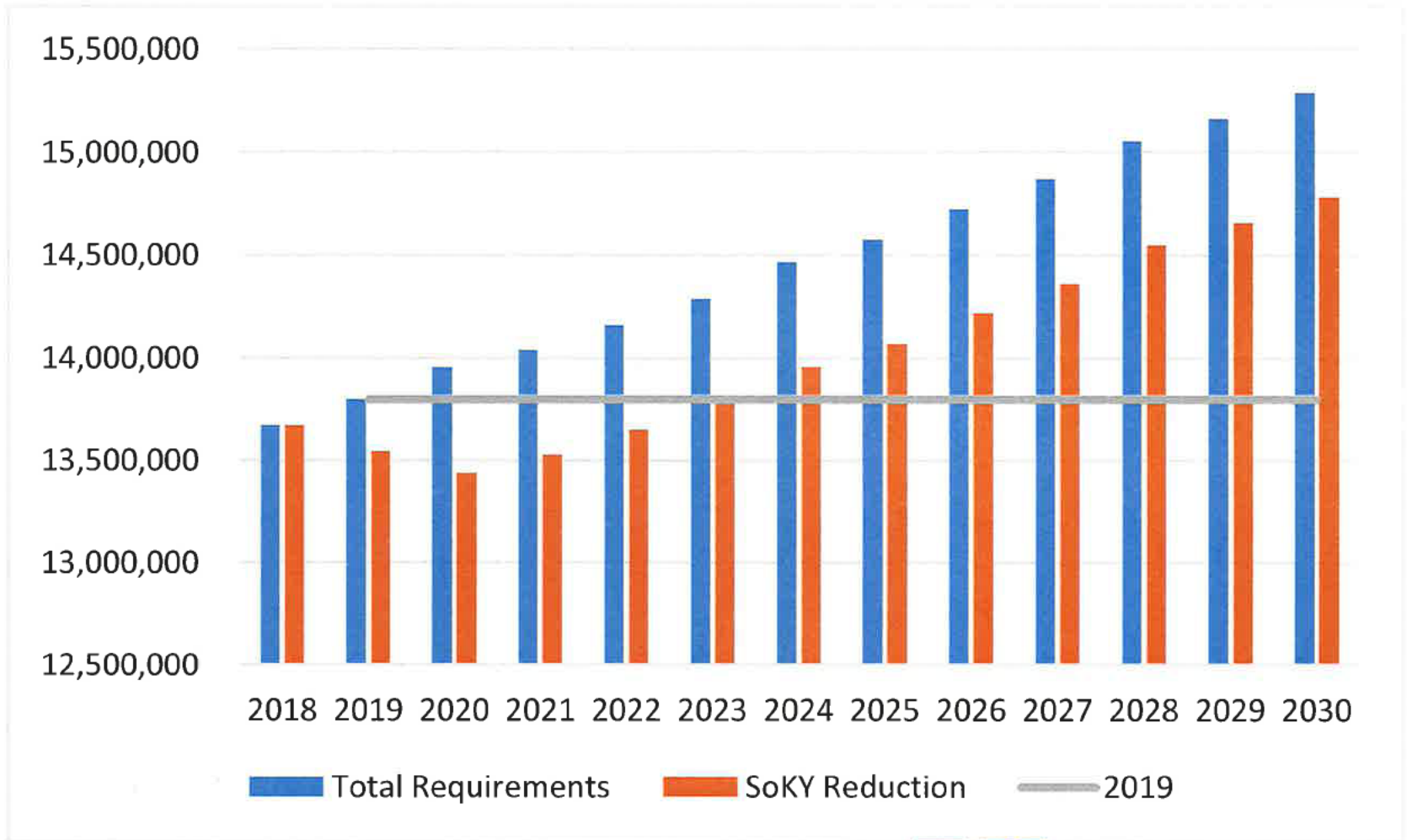
- PJM
- Load Growth
- Bi-lateral agreements

# EKPC Mitigation Options - PJM

- EKPC will have lower capacity requirements to purchase from RPM.
- Sell the same amount of capacity into RPM
- Net RPM revenue to be used for offsetting expenses will be increased
- Energy sales from EKPC generators into the market will not be impacted, sales are made on an economic basis and not load basis.
- More of EKPC's energy sales will be above its native load, so off-system sales will go up.
- EKPC will purchase less energy from the market to serve native load.

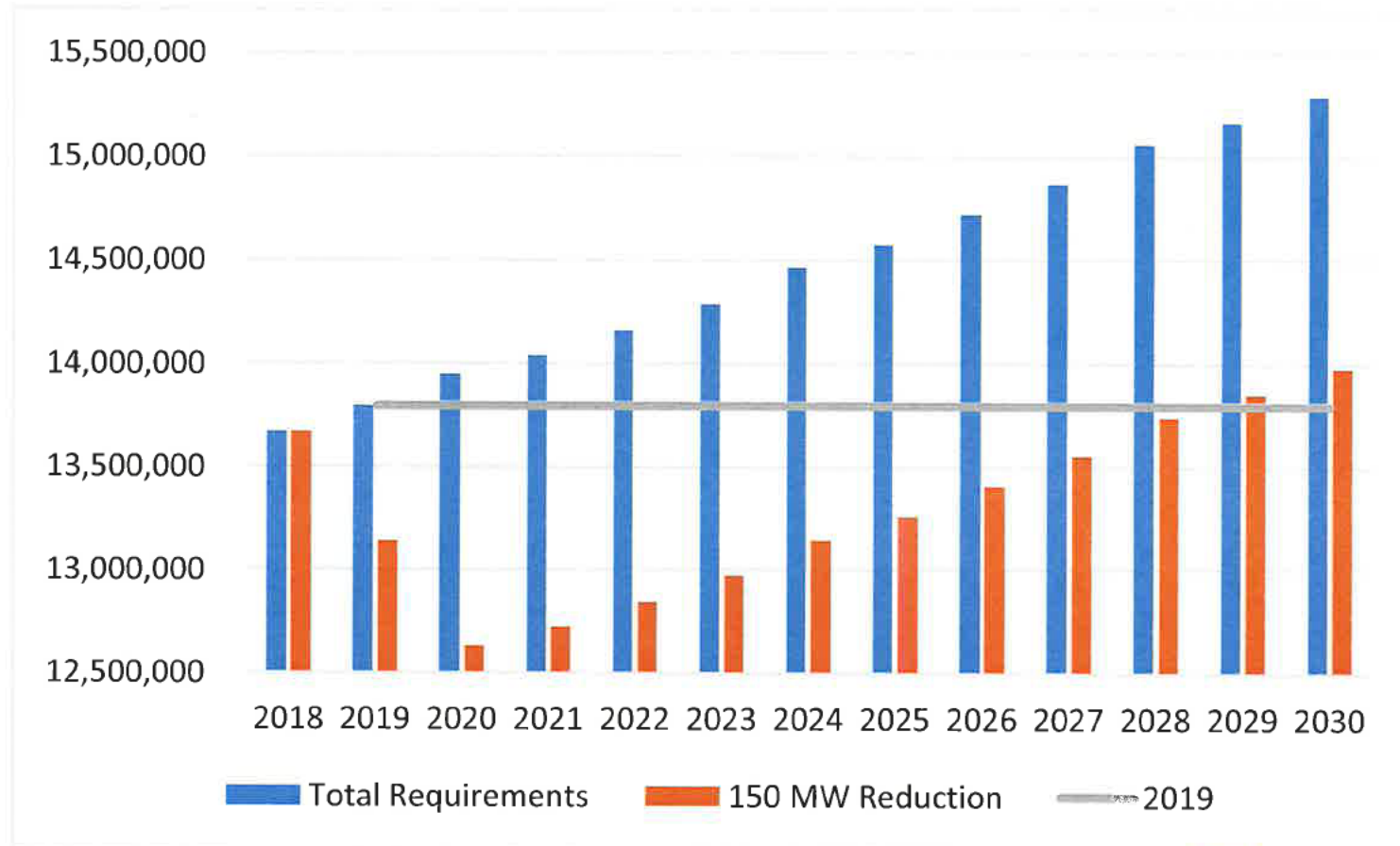
# EKPC Mitigation Options – Load Growth (So. KY portion)

- Will take 5 years or more to make up loss from South Kentucky notice in load growth



# EKPC Mitigation Options – Load Growth (Entire 5%)

- Will take 10 years or more to make up loss from total Amendment 3 loss in load growth





# EKPC Mitigation Options – Actual Energy Sales

- EKPC’s actual energy sales over the last 10 years have been less than forecasted in many years due to “non-normal” weather conditions
- 2007 actual energy sales were **over** the forecast by 0.5%
- 2008 actual energy sales were **under** the forecast by **1.7%**
- 2009 actual energy sales were **under** the forecast by **10.2%**
- 2010 actual energy sales were **over** the forecast by 4.3%
- 2011 actual energy sales were **under** the forecast by **1.8%**
- 2012 actual energy sales were **under** the forecast by **4.8%**
- 2013 actual energy sales were **under** the forecast by **2.2%**
- 2014 actual energy sales were **under** the forecast by **1.0%**
- 2015 actual energy sales were **under** the forecast by **6.6%**
- 2016 actual energy sales were **under** the forecast by **0.1%**
- 2017 actual energy sales were **under** the forecast by **6.4%**

# EKPC Mitigation Options – Bilateral Agreements

- EKPC can seek to enter into Bilateral agreements to sell specific units and/or system energy
- Revenues from bilateral sale agreement will likely be less than sales to owner members
- Sell of this product will lower the amount of capacity and energy that EKPC can hedge against in daily operations.

# Summary

- XXX

**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Thursday, February 8, 2018 10:53 AM  
**To:** David Crews; Julie Tucker  
**Subject:** RE: Farmers RECC Amendment 3 Letters of Notification  
**Attachments:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

---

**From:** David Crews  
**Sent:** Thursday, February 08, 2018 9:35 AM  
**To:** Sally Witt ; Julie Tucker  
**Subject:** Fwd: Farmers RECC Amendment 3 Letters of Notification

Sent from my iPhone

Begin forwarded message:

**From:** Bill Prather <[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)>  
**Date:** February 8, 2018 at 8:53:23 AM EST  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>, David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Paul Hawkins <[paulcat@scrtc.com](mailto:paulcat@scrtc.com)>  
**Subject: Farmers RECC Amendment 3 Letters of Notification**

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Sincerely,

Bill

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**William T. Prather**

President/CEO

Farmers Rural Electric Cooperative Corporation

504 South Broadway

Glasgow, Kentucky 42141

270-651-2191, ext. 8300

[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)



## Gwyn Willoughby

---

**From:** Sally Witt  
**Sent:** Wednesday, February 7, 2018 3:19 PM  
**To:** Don Mosier; David Crews; Mike McNalley  
**Cc:** Julie Tucker  
**Subject:** Re: growth rates

One more note...If I calculate the growth rates beginning with 2019, which is when the reductions are assumed, the growth rates are:

Base prior to reductions = 0.9% - same as before  
After the 58 MW reduction = 0.8%  
After the 150 MW reduction = 0.6%.

---

**From:** Sally Witt  
**Sent:** Wednesday, February 07, 2018 2:21 PM  
**To:** Don Mosier ; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Let me clarify, the 1.2% is the growth rate for the forecast for the 20 year period of 2016-2036. The range in the graph is for the 12-year period of 2018-2030.

For this 12 year growth rates are:  
Base prior to reductions = 0.9%  
After the 58 MW reduction = 0.7%  
After the 150 MW reduction = 0.2%.

---

**From:** Don Mosier  
**Sent:** Wednesday, February 07, 2018 1:30 PM  
**To:** Sally Witt ; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Growth rate 1.2%?

---

**From:** Sally Witt  
**Sent:** Wednesday, February 07, 2018 10:12 AM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: MOU updated with Licking Valley Notice

Good Morning!

Both graphs assume total requirements from the most recent updated load forecast.

The South Kentucky reduction is 58 MW at 100% load factor resulting in an annual reduction of 508,080 MWh and 509,472 MWh during leap years.

The other graph shows a reduction of 150 MW at 100% load factor resulting in an annual reduction of 1,314,000 MWh and 1,317,600 MWh during leap years.

Please let me know if you need anything else.

Sally

---

**From:** Don Mosier

**Sent:** Wednesday, February 07, 2018 9:24 AM

**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>

**Subject:** RE: MOU updated with Licking Valley Notice

Would you please provide assumption details for the graphs?

---

**From:** Sally Witt

**Sent:** Wednesday, February 07, 2018 9:05 AM

**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>

**Subject:** MOU updated with Licking Valley Notice

**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Wednesday, February 7, 2018 2:44 PM  
**To:** Fernie Williams (fernie.williams@ekpc.coop)  
**Subject:** Current

**Noticed Projects**

Owner-Member	Project	Notice Given	MW	Delivery
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Federal Mogul DG		3.6	2005
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
<b>Total Projects</b>			<b>114.4</b>	



## Gwyn Willoughby

---

**From:** Sally Witt  
**Sent:** Wednesday, February 7, 2018 2:41 PM  
**To:** Mike McNalley  
**Cc:** Don Mosier; David Crews; Julie Tucker  
**Subject:** RE: Jackson Energy Notice Letters  
**Attachments:** MOU Discussion.pptx

With Jackson's notice included



---

**From:** Mike McNalley  
**Sent:** Wednesday, February 07, 2018 1:56 PM  
**To:** Sally Witt  
**Subject:** FW: Jackson Energy Notice Letters  
**Importance:** High

In case you're keeping score...

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Tony Campbell  
**Sent:** Wednesday, February 7, 2018 1:24 PM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>  
**Subject:** FW: Jackson Energy Notice Letters  
**Importance:** High

All:

Attached find Jackson Energy's notice for the MOU. Don/David, please make certain it meets the MOU's notice requirements. If not please assist her too. Terri – print for me.

TC

---

**From:** Carol Wright [<mailto:carolwright@jacksonenergy.com>]  
**Sent:** Wednesday, February 7, 2018 12:44 PM  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Executive Team <[executiveteam@jacksonenergy.com](mailto:executiveteam@jacksonenergy.com)>; Terri Combs <[terri.combs@ekpc.coop](mailto:terri.combs@ekpc.coop)>

**Subject:** Jackson Energy Notice Letters  
**Importance:** High

Mr. Campbell:

Please find attached to this email three notice letters per the MOU and Amendment #3 that will reduce Jackson Energy's purchase power from EKPC from three alternate power sources.

The attached letters will be postmarked and mailed today, but I wanted to provide notice immediately to ensure they were counted in the 5% election as of today's date.

If you have any questions, please do not hesitate to contact me.

Thanks you,

Carol Wright  
President & CEO  
606-364-9213



**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Wednesday, February 7, 2018 2:21 PM  
**To:** Don Mosier; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Let me clarify, the 1.2% is the growth rate for the forecast for the 20 year period of 2016-2036. The range in the graph is for the 12-year period of 2018-2030.

For this 12 year growth rates are:

Base prior to reductions = 0.9%

After the 58 MW reduction = 0.7%

After the 150 MW reduction = 0.2%.

---

**From:** Don Mosier  
**Sent:** Wednesday, February 07, 2018 1:30 PM  
**To:** Sally Witt ; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Growth rate 1.2%?

---

**From:** Sally Witt  
**Sent:** Wednesday, February 07, 2018 10:12 AM  
**To:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: MOU updated with Licking Valley Notice

Good Morning!

Both graphs assume total requirements from the most recent updated load forecast.

The South Kentucky reduction is 58 MW at 100% load factor resulting in an annual reduction of 508,080 MWh and 509,472 MWh during leap years.

The other graph shows a reduction of 150 MW at 100% load factor resulting in an annual reduction of 1,314,000 MWh and 1,317,600 MWh during leap years.

Please let me know if you need anything else.

Sally

---

**From:** Don Mosier  
**Sent:** Wednesday, February 07, 2018 9:24 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>

**Subject:** RE: MOU updated with Licking Valley Notice

Would you please provide assumption details for the graphs?

---

**From:** Sally Witt

**Sent:** Wednesday, February 07, 2018 9:05 AM

**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>

**Subject:** MOU updated with Licking Valley Notice

## Gwyn Willoughby

---

**From:** Sally Witt  
**Sent:** Wednesday, February 7, 2018 10:12 AM  
**To:** Don Mosier; Mike McNalley; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Good Morning!

Both graphs assume total requirements from the most recent updated load forecast.

The South Kentucky reduction is 58 MW at 100% load factor resulting in an annual reduction of 508,080 MWh and 509,472 MWh during leap years.

The other graph shows a reduction of 150 MW at 100% load factor resulting in an annual reduction of 1,314,000 MWh and 1,317,600 MWh during leap years.

Please let me know if you need anything else.

Sally

---

**From:** Don Mosier  
**Sent:** Wednesday, February 07, 2018 9:24 AM  
**To:** Sally Witt ; Mike McNalley ; David Crews  
**Cc:** Julie Tucker  
**Subject:** RE: MOU updated with Licking Valley Notice

Would you please provide assumption details for the graphs?

---

**From:** Sally Witt  
**Sent:** Wednesday, February 07, 2018 9:05 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** MOU updated with Licking Valley Notice

**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Thursday, January 18, 2018 11:29 AM  
**To:** 'Mark Stallons'  
**Cc:** Teresa Hamilton; Julie Tucker  
**Subject:** Amendment 3

Good Morning!

These are the preliminary results (January has not been verified as the month is only half over):

Base		Average	5%
	Jan notice	414.3	20.7
	Feb notice	418.7	20.9
	Mar notice	411.6	20.6
Already Allocated	Owen	Owen Office	2.0
Remaining			
	Jan notice		18.7
	Feb notice		18.9
	Mar notice		18.6

As I mentioned on the phone, you are not currently receiving reports that show all of the data. I am working with Pam Harris in our Metering Department to set up monthly reports to be sent the first week of each month.

There are 2 peaks used for Amendment 3 analyses:

- 1) Owen's peak at the time of the EKPC system peak and
- 2) Owen's peak (including Gallatin).

Currently you receive #1 EXCEPT Gallatin's peak at the time of EKPC's system peak on your monthly billing statement. This is due to the way Gallatin is billed. You are not receiving #2. For Amendment 3, Gallatin is included when determining your peak. For your bill, Gallatin is EXCLUDED from your peaks. We will calculate Owen's system peak based on a totalized file that includes Gallatin.

I am sending a call invitation, however, if we don't need a call, decline.

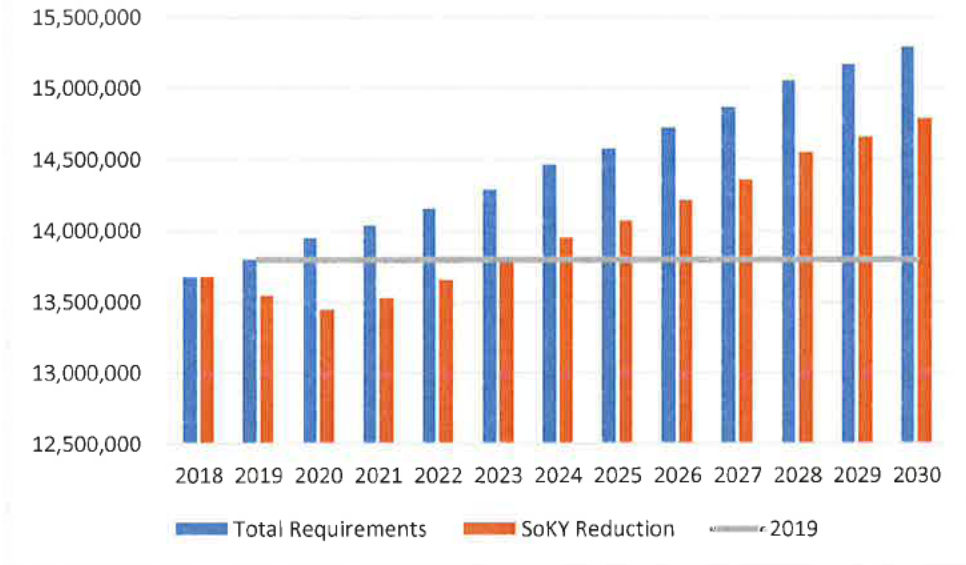
Thank you all!  
Sally

**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Friday, January 5, 2018 9:27 AM  
**To:** Mike McNalley  
**Subject:** RE: Load Graph

Maybe....



---

**From:** Mike McNalley  
**Sent:** Friday, January 05, 2018 9:23 AM  
**To:** Sally Witt  
**Subject:** RE: Load Graph

Thanks, Sally!

Do you think, because of the annual MWh issue we were discussing, that a side-by-side bar chart would be clearer?

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Sally Witt  
**Sent:** Friday, January 5, 2018 9:20 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Load Graph

Hi Mike!

I think this incorporates the changes you said this morning. Let me know if you need anything else.

Happy Friday!  
Sally

---

**From:** Julie Tucker  
**Sent:** Thursday, January 04, 2018 7:59 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** RE: Load Graph

Yes, 100% load factor.

I think he wants actual for 2016, not forecast, and actual for 2017, then forecast going forward. He's wanting to demonstrate that our rates are set such that we make a margin on each kWh we sell. When we don't sell those kWh, we lose margin. When we lose margin, everyone has to pay eventually to cover those lost revenues.

---

**From:** Sally Witt  
**Sent:** Thursday, January 04, 2018 7:46 AM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Load Graph

Since it's 58 MW at 100% load factor, that's 58\*8760 for energy drop. Is the load factor still assumed to be 100%? Also, why 2016? We aren't using the 2016 load forecast at this point. The financial forecast is based on a revised version.

---

**From:** Julie Tucker  
**Sent:** Thursday, January 04, 2018 7:39 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** FW: Load Graph

Please see Mike's request below. I'm thinking he wants to show annual energy not peaks.

---

**From:** Mike McNalley  
**Sent:** Thursday, January 04, 2018 7:38 AM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Load Graph

Julie,

Can you put together a line chart showing the load forecast (MWh) from 2016-2030 or so as a line, and then in mid-2019 show a drop representing SKY's 58MW dropping off (round the clock, 100% load factor) and what I assume will be a parallel, lower line to the end for the adjusted load? I'd like a horizontal line from the end of 2017 load and another from the mid-2019 load (before the drop). Point of the chart is to show (a) how long it takes to recover the lost MWh from either starting date, and (b) that even though we get back to where we were, there is still a permanent load loss (so there is a permanent margin loss that all other members "own").

I can sketch it if that helps.

Timing is to support Feb board meeting.

Thanks!



Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Wednesday, December 6, 2017 10:56 AM  
**To:** Sally Witt  
**Subject:** FW: Amendment 3 load Calculations  
**Attachments:** Amendment 3 Limits Nov 2017 Owen.xlsx

**From:** Mark Stallons [mailto:mstallons@owenelectric.com]  
**Sent:** Wednesday, December 6, 2017 10:43 AM  
**To:** David Crews  
**Cc:** Mike Cobb ; April Brown  
**Subject:** Amendment 3 load Calculations

David,

Attached please find our support for our Amendment #3 load calculations. Please have Sally review and let's discuss.

Thanks,

Mark

Mark A. Stallons  
President & CEO

Owen Electric Cooperative  
8205 Hwy 127N; PO Box 400  
Owenton, KY 40359

☎ **Direct Line:** 502-563-3500

☎ **Mobile:** 502-514-1650

✉ **Email:** [mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)



*"One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."*

Source: The One Minute Manager, Page 30.

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**Gwyn Willoughby**

---

**From:** David Crews  
**Sent:** Thursday, September 21, 2017 12:05 PM  
**To:** Sally Witt  
**Cc:** Julie Tucker  
**Subject:** South Kentucky

What is South KY's 15% A3 amount. They think it is 58.

Sent from my iPhone

**Gwyn Willoughby**

**From:** Julie Tucker  
**Sent:** Thursday, September 21, 2017 1:51 PM  
**To:** David Crews  
**Cc:** Sally Witt; Fernie Williams  
**Subject:** FW: Amendment 3

Looks like South Kentucky does have 58 MW.

**A3 Allotments, Based on Data Through April 2017**

Owner-Member Cooperative	EKPC CP (MW) for Month of			Average	Load Ratio Share	15% Election
	Feb. 2015	Jan. 2016	Jan. 2017			
Big Sandy	89.5	64.8	56.9	70.4	3.5	10.6
Blue Grass	410.9	315.9	324.4	350.4	17.5	53.4
Clark	154.0	114.8	113.6	127.5	6.4	19.1
Cumberland Valley	158.3	120.7	109.6	129.6	6.5	19.5
Farmers	136.4	120.5	115.9	124.2	6.2	18.8
Fleming Mason	196.9	179.2	166.9	181.0	9.0	27.4
Grayson	85.2	62.8	57.6	68.5	3.4	10.3
Inter-County	171.1	126.1	134.1	143.8	7.2	21.8
Jackson	325.6	241.4	230.2	265.7	13.3	40.1
Licking Valley	88.6	62.7	58.7	70.0	3.5	10.6
Nolin	211.1	188.1	199.1	199.4	10.0	31.1
Owen	347.4	313.0	350.7	337.0	16.9	61.7
Salt River	314.4	248.7	262.0	275.0	13.8	41.8
Shelby	120.5	102.0	99.6	107.4	5.4	16.3
South Kentucky	458.9	352.2	353.4	388.2	19.4	58.5
Taylor	159.4	126.6	139.1	141.7	7.1	21.4
<b>Total</b>	<b>3,428.1</b>	<b>2,739.5</b>	<b>2,771.8</b>	<b>2,979.8</b>	<b>149.0</b>	<b>462.3</b>

**Noticed Projects**

Owner-Member	Project	MW	Delivery Date
Jackson	Irvine LFGTE	1.6	10/2013
Jackson	Dupree Energy Sys	1.0	3/2015
Farmers	Federal Mogul DG	3.6	2005
Farmers	Glasgow LFGTE	1.0	11/2015
Salt River	Lock 7	2.0	2013
Owen	Owen Office	2.0	2016

**Gwyn Willoughby**

---

**From:** Isaac Scott  
**Sent:** Thursday, February 22, 2018 8:32 AM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** Additional South Kentucky Analyses  
**Attachments:** SoKentuckyAmend3-2017 41.2MW Var Adj.xlsx; SoKentuckyAmend3-2017 20.6MW Var Adj.xlsx

Mike,  
I think I've got what we were talking about. Please see the attached spreadsheets. As we both acknowledged, a lot of assumptions but trying to reasonably reflect good theory.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[\*isaac.scott@ekpc.coop\*](mailto:isaac.scott@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Thursday, February 22, 2018 7:42 AM  
**To:** Isaac Scott  
**Subject:** call

Isaac,

Call me when you're in, please. Regarding the SK analyses.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Isaac Scott  
**Sent:** Thursday, February 15, 2018 10:51 AM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** Retail Customer Comments in South Kentucky's Purchased Power Case

Mike,  
James Worley filed comments today in the South Kentucky case before the PSC. I thought you might find them of interest. Here is the link: [https://psc.ky.gov/PSCSCF/2018%20cases/2018-00050/Public%20Comments/20180215\\_James%20C.%20Worley%20Public%20Comment.pdf](https://psc.ky.gov/PSCSCF/2018%20cases/2018-00050/Public%20Comments/20180215_James%20C.%20Worley%20Public%20Comment.pdf) .

*Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707  
859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)*

## Gwyn Willoughby

---

**From:** Isaac Scott  
**Sent:** Thursday, February 1, 2018 8:36 AM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** RE: South Kentucky Analysis - Two More Questions

Mike,  
Thanks. I agree on the best refinement, but at this stage it would be difficult to get. My main point was to lessen charges that we had cast this in the worst possible light. I am making progress and can accommodate my suggestions very easily. Hopefully I won't have other questions.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[\*isaac.scott@ekpc.coop\*](mailto:isaac.scott@ekpc.coop)

---

**From:** Mike McNalley  
**Sent:** Thursday, February 01, 2018 8:34 AM  
**To:** Isaac Scott  
**Cc:** Patrick Woods  
**Subject:** Re: South Kentucky Analysis - Two More Questions

Isaac,

I agree on both. For the fuel cost the technically correct way would be to look at the fuel stack each month and drop the highest cost (fuel or purchase power) as that is what we would have avoided. But getting that data and picking through it is asking too much (perfuming a pig). Using the average should get the analysis close enough for our purposes.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Feb 1, 2018, at 8:29 AM, Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)> wrote:

Mike,  
I have a couple of questions – again I don't want to over-refine the analysis, but I also don't want to misstate things.



- In my recalculation of the FAC, so far I have only adjusted the kWh sales levels. But it would also seem to be logical to assume that the fuel costs should also be adjusted since we would not have to be incurring the same level of costs with lower sales. Without some adjustment to the fuel costs, the analysis I'm doing could be claimed to be overstating the impacts of the South Kentucky action. As a simple way to address, I'm suggesting that I adjust the fuel costs in the calculations using a percentage reduction based on the FAC reduction I calculated for the South Kentucky bills. This would be an approximate reduction of 0.544%. I know this is arbitrary, but at least it would lessen a claim of the analysis overstating the effects. I can incorporate this adjustment into my calculations very easily.
- Looking at the "before rate case" work on the base rates (demand and energy), while I think it makes sense to present the impact of re-spreading demand and energy over the remaining 15 Members, I'm questioning incorporating this adjustment in the surcharge calculations. My doubt comes from the fact the demand and energy rates will not have actually been adjusted in the "before" scenario. I would like to prepare the surcharge impact calculations for the "before" scenario reflecting only the change in the FAC revenues. I would still calculate the spread of demand and energy over the 15 Members and present that. The "after rate case" scenario would show a recalculated demand and energy amounts in the surcharge calculation because that scenario assumes there has been a base rate case to recover the lost demand and energy revenues.

Would you be agreeable to these "tweaks"? Thanks.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[\*isaac.scott@ekpc.coop\*](mailto:isaac.scott@ekpc.coop)

---

**From:** Mike McNalley  
**Sent:** Wednesday, January 31, 2018 8:04 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis - Follow-up Question

That makes sense, Isaac.

By the way, Michelle sent me the margin allocation (capital credit) spreadsheet so I can play with that.

Thanks,

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**From:** Isaac Scott  
**Sent:** Wednesday, January 31, 2018 8:00 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** Patrick Woods <[patrick.woods@ekpc.coop](mailto:patrick.woods@ekpc.coop)>  
**Subject:** South Kentucky Analysis - Follow-up Question

Mike,

I'm not trying to over-refine the analysis, but I have come up with a question. In all the work I have previously done on the surcharge impact, those calculations have been based on the demand, energy, and FAC revenues from the actual bills during the 12-month period. The surcharge is based off of those three revenue groups. However, since I'm now working on estimating the impact the South Kentucky action has on those three revenue groups, would it not make sense for me to rework the calculation of the surcharge impact so it would be based on the revised demand, energy, and FAC revenues? It won't be a lot of extra work and I will have all the components handy.

I have figured out an approach for a before and after "base rate reset" calculation for the demand and energy revenues, so I could do the surcharge based on either. To get a total picture (including some of the impact on South Kentucky), it might be best to use my "after base rate reset" calculation.

I know this is rambling, but any thoughts? I just want to give you a good overall estimate.

Thanks.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[\*isaac.scott@ekpc.coop\*](mailto:isaac.scott@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 3:50 PM  
**To:** Chris Adams  
**Subject:** RE: A3 document -- please review and email Crews w/ any feedback

Chris – understand. Thanks.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Chris Adams  
**Sent:** Wednesday, December 27, 2017 3:50 PM  
**To:** Isaac Scott  
**Subject:** RE: A3 document -- please review and email Crews w/ any feedback

Isaac,

Thanks, and I fully agree with you.

I just wanted to let you know that the mechanism for moving those costs will be researched and firmed up between EKPC and PJM.

Thanks,  
Chris

Ext. 9646  
O: (859) 745-9646  
C: (859) 533-0615

---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 3:19 PM  
**To:** Chris Adams <[chris.adams@ekpc.coop](mailto:chris.adams@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Kim Fyffe <[Kim.Fyffe@ekpc.coop](mailto:Kim.Fyffe@ekpc.coop)>;  
Chuck Dugan <[chuck.dugan@ekpc.coop](mailto:chuck.dugan@ekpc.coop)>  
**Subject:** RE: A3 document -- please review and email Crews w/ any feedback

Chris,  
I can appreciate your concern about what certain numbers mean in this narrative, especially when the PJM markets are involved. Reading the paragraph you've noted with the previous one, the take away I get is that we estimate that the unmitigated costs are approximately \$14.8 M and while there may be some help from the

markets, it might only reflect about 10%-11% of the estimated unmitigated total. I don't read the paragraph as guaranteeing anything other than there might be some market options to help slightly. I may not be reading this as intended, but this is how it came across to me. I don't know if that helps or not.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Chris Adams  
**Sent:** Wednesday, December 27, 2017 3:01 PM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Kim Fyffe <[Kim.Fyffe@ekpc.coop](mailto:Kim.Fyffe@ekpc.coop)>;  
Chuck Dugan <[chuck.dugan@ekpc.coop](mailto:chuck.dugan@ekpc.coop)>  
**Subject:** FW: A3 document -- please review and email Crews w/ any feedback

Isaac,

I was asked to review the attached document. My only comment is concerning the following paragraph:

“However, with time, more options unfold. These include participating in the PJM Intermediate Capacity Auctions (IA), the PJM Base (May) Capacity Auction (BRA), natural load growth, economic development, and special contracted loads. In the IA we might expect about \$1.6 million of revenue in the first year, growing as the market firms and better prices are realized (three years out) in the BRA.”

The \$1.6M was calculated by carving out the 58MW from the 2020/21 BRA clearing price and assigning the cost to SK. All of the capacity revenues I quoted were from expected BRA clearings as there is no direct way to “sell back” the load in the IAs.

I will be working with Chuck Dugan and PJM to figure out the mechanism for assigning these costs to SK instead of EKPC and will report back with the findings.

Thanks,  
Chris

Ext. 9646  
O: (859) 745-9646  
C: (859) 533-0615

---

**From:** Kim Fyffe  
**Sent:** Wednesday, December 27, 2017 12:35 PM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; Chris Adams <[chris.adams@ekpc.coop](mailto:chris.adams@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** FW: A3 document -- please review and email Crews w/ any feedback

Julie/Chris,

Please take a look at this and reply back to David w/ any feedback. He's traveling this now, but hopes to check email for a bit this afternoon. Don had asked him if Crews or you had looked it over.

**From:** Don Mosier  
**Sent:** Wednesday, December 27, 2017 10:22 AM  
**To:** David Crews  
**Subject:** Fwd: A3 document

**From:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Date:** December 27, 2017 at 8:24:26 AM EST  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Subject:** A3 document

Tony and Don,

Attached is the updated Amendment 3 white paper. Isaac updated his numbers to include a full 12 months and made some other corrections.

After your review, I think this can go to all CEOs.

Cheers!

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 10:00 AM  
**To:** Michelle Carpenter  
**Subject:** RE: Solar

Understand - thank you

Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707  
859.745.9243  
isaac.scott@ekpc.coop

-----Original Message-----

**From:** Michelle Carpenter  
**Sent:** Wednesday, December 27, 2017 10:00 AM  
**To:** Isaac Scott <isaac.scott@ekpc.coop>  
**Subject:** RE: Solar

I don't know that the attachments are the final version. I think it was originally just circulated internally.

Michelle

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
michelle.carpenter@ekpc.coop

-----Original Message-----

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 9:40 AM  
**To:** Michelle Carpenter <michelle.carpenter@ekpc.coop>  
**Cc:** Kimberly Withers <kimberly.withers@ekpc.coop>  
**Subject:** RE: Solar

Michelle,

Kim

## Gwyn Willoughby

---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 9:36 AM  
**To:** Michelle Carpenter; Kimberly Withers; Yewande Otekeiwebia; Laura Wilson  
**Subject:** RE: PJM Cost

Michelle,  
I wasn't aware of this – so sorry to have pestered again. Confirmation with Julie will probably take care of everything. Thank you.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Michelle Carpenter  
**Sent:** Wednesday, December 27, 2017 9:31 AM  
**To:** Isaac Scott ; Kimberly Withers ; Yewande Otekeiwebia ; Laura Wilson  
**Subject:** RE: PJM Cost

Isaac,

It was my understanding that this was taken care of on the 19<sup>th</sup>. Apparently, Tony Campbell had promised information immediately from Power Supply. So, Power Supply and the Revenue team met the day that I was out of the office. I will forward you the resulting internal email. I guess we need to confirm that Julie sent the final information to SKRECC.

*Michelle*

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
[michelle.carpenter@ekpc.coop](mailto:michelle.carpenter@ekpc.coop)



---

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 8:48 AM  
**To:** Michelle Carpenter <[michelle.carpenter@ekpc.coop](mailto:michelle.carpenter@ekpc.coop)>; Kimberly Withers <[kimberly.withers@ekpc.coop](mailto:kimberly.withers@ekpc.coop)>; Yewande



Otekeiwebia <[Yewande.Otekeiwebia@ekpc.coop](mailto:Yewande.Otekeiwebia@ekpc.coop)>; Laura Wilson <[laura.wilson@ekpc.coop](mailto:laura.wilson@ekpc.coop)>

**Subject:** RE: PJM Cost

Ladies,

I realize we are between holidays this week, but has there been any progress on responding to South Kentucky's request? Thanks.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Isaac Scott

**Sent:** Monday, December 18, 2017 9:44 AM

**To:** Michelle Carpenter <[michelle.carpenter@ekpc.coop](mailto:michelle.carpenter@ekpc.coop)>; Kimberly Withers <[kimberly.withers@ekpc.coop](mailto:kimberly.withers@ekpc.coop)>; Yewande Otekeiwebia <[Yewande.Otekeiwebia@ekpc.coop](mailto:Yewande.Otekeiwebia@ekpc.coop)>; Laura Wilson <[laura.wilson@ekpc.coop](mailto:laura.wilson@ekpc.coop)>

**Subject:** FW: PJM Cost

Ladies,

Can you help me with the response to South Kentucky? Thanks.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Jeff C. Greer [<mailto:jgreer@skrecc.com>]

**Sent:** Monday, December 18, 2017 9:26 AM

**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>

**Subject:** PJM Cost

Isaac,

Michelle asked me to reach out to you and see what types of PJM cost (such as Ancillary Services) you have in the FAC?

Thanks for your help.

Jeffery C. Greer

Regulatory Services Coordinator



200 Electric Avenue, Somerset, KY 42051  
606-451-4130 Direct Line

**Gwyn Willoughby**

---

**From:** Isaac Scott  
**Sent:** Tuesday, December 19, 2017 8:31 AM  
**To:** Chris Adams  
**Cc:** Julie Tucker; David Crews  
**Subject:** RE: South KY Amd. 3 Capacity Value

Chris,  
That helps greatly – thank you.

*Isaac S. Scott*  
*Pricing Manager*  
*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[\*isaac.scott@ekpc.coop\*](mailto:isaac.scott@ekpc.coop)

---

**From:** Chris Adams  
**Sent:** Tuesday, December 19, 2017 8:30 AM  
**To:** Isaac Scott  
**Cc:** Julie Tucker ; David Crews  
**Subject:** RE: South KY Amd. 3 Capacity Value

Isaac,

These numbers are for the capacity market only, no energy or ancillary numbers.

Also, the capacity market has been very depressed recently and is expected to remain lower due to the high supply low demand scenario we are in at the moment.

Let me know if I can clarify anything.

Thanks,  
Chris  
C: (859) 533-0615

On Tue, Dec 19, 2017 at 8:22 AM -0500, "Isaac Scott" <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)> wrote:

Chris,  
I don't see any problems with your calculations. For some reason, I had expected the reduction by year to be larger, but what do I know about the PJM Market. No questions or concerns from me. Thanks.

*Isaac S. Scott*  
*Pricing Manager*

*East Kentucky Power Cooperative, Inc.*  
*4775 Lexington Road*  
*P. O. Box 707*  
*Winchester, KY 40392-0707*  
*859.745.9243*  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

**From:** Chris Adams  
**Sent:** Monday, December 18, 2017 3:22 PM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** South KY Amd. 3 Capacity Value

Isaac,

Please see the attached spreadsheet detailing the expected value of reducing the load obligation in the PJM Capacity Market by 58 MW over a 20 year period.

Let me know if you have any questions or concerns.

Thanks,  
Chris

Chris Adams  
Manager, Market Operations Center  
East Kentucky Power Cooperative  
Ext. 9646  
O: (859) 745-9646  
C: (859) 533-0615

Year	BRA	BRA (\$/MW-Day)	Load 1 (MW)	Load Obligation Saved (\$/Day)	Days/Year	Load Obligation Saved (\$)
						<b>\$ 54,673,963.70</b>
2019	19/20	100.00	58	\$ 5,800.00	366	\$ 2,122,800.00
2020	20/21	76.53	58	\$ 4,438.74	365	\$ 1,620,140.10
2021	21/22	63.84	58	\$ 3,702.69	365	\$ 1,351,483.61
2022	22/23	58.05	58	\$ 3,366.69	365	\$ 1,228,840.43
2023	23/24	57.53	58	\$ 3,336.67	366	\$ 1,221,222.85
2024	24/25	62.15	58	\$ 3,604.55	365	\$ 1,315,662.22
2025	25/26	73.18	58	\$ 4,244.39	365	\$ 1,549,203.99
2026	26/27	93.92	58	\$ 5,447.62	365	\$ 1,988,379.64
2027	27/28	131.40	58	\$ 7,621.20	366	\$ 2,789,361.02
2028	28/29	131.40	58	\$ 7,621.20	365	\$ 2,781,739.82
2029	29/30	131.40	58	\$ 7,621.20	365	\$ 2,781,739.82
2030	30/31	160.00	58	\$ 9,280.00	365	\$ 3,387,200.00
2031	31/32	160.00	58	\$ 9,280.00	366	\$ 3,396,480.00
2032	32/33	160.00	58	\$ 9,280.00	365	\$ 3,387,200.00
2033	33/34	183.83	58	\$ 10,662.05	365	\$ 3,891,649.38
2034	34/35	183.83	58	\$ 10,662.05	365	\$ 3,891,649.38
2035	35/36	183.83	58	\$ 10,662.05	366	\$ 3,902,311.44
2036	35/37	190.00	58	\$ 11,020.00	365	\$ 4,022,300.00
2037	35/38	190.00	58	\$ 11,020.00	365	\$ 4,022,300.00
2038	35/39	190.00	58	\$ 11,020.00	365	\$ 4,022,300.00

## Gwyn Willoughby

---

**From:** Jeff C. Greer <jgreer@skrecc.com>  
**Sent:** Monday, December 18, 2017 2:12 PM  
**To:** Isaac Scott  
**Subject:** RE: PJM Cost

Thanks Isaac.

**From:** Isaac Scott [mailto:isaac.scott@ekpc.coop]  
**Sent:** Monday, December 18, 2017 2:09 PM  
**To:** Jeff C. Greer  
**Subject:** RE: PJM Cost

Jeff,  
I didn't want you to think I had ignored this. I had to forward it to the folks that work up our FAC, so hopefully I'll have an answer soon. It should be fresh on their minds, as they are working up this month's FAC report. I'll get you something as soon as I can. Thanks.

Isaac S. Scott  
Pricing Manager  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P. O. Box 707  
Winchester, KY 40392-0707  
859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

---

**From:** Jeff C. Greer [mailto:jgreer@skrecc.com]  
**Sent:** Monday, December 18, 2017 9:26 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Subject:** PJM Cost

Isaac,  
Michelle asked me to reach out to you and see what types of PJM cost (such as Ancillary Services) you have in the FAC?

Thanks for your help.

Jeffery C. Greer  
Regulatory Services Coordinator



200 Electric Avenue, Somerset, KY 42051

606-451-4130 Direct Line

## Gwyn Willoughby

---

**From:** Tom Stachnik  
**Sent:** Wednesday, January 17, 2018 10:10 AM  
**To:** Robin Hayes  
**Subject:** Fwd: Forecast for Member Co-op Average Cost

Sent from my iPhone

Begin forwarded message:

**From:** Michelle Herrman <[michelleh@skrecc.com](mailto:michelleh@skrecc.com)>  
**Date:** January 16, 2018 at 5:32:23 PM EST  
**To:** Tom Stachnik <[Tom.Stachnik@ekpc.coop](mailto:Tom.Stachnik@ekpc.coop)>  
**Subject:** Forecast for Member Co-op Average Cost

Hi Tom,

Hope you are doing well.

I am working on updating our financial forecast for South Kentucky. One of the pieces that I use to complete is EKPC's twenty financial forecast, specifically Schedule IV, Statistical Data. This schedule lists the member co-op Average cost. The last forecast data I have is from the 2015 – 2015-2034 forecast.

I was wondering if you have an updated schedule or if this is the current version? If there is a new version, would it be possible to get a copy of the new version?

Thank you, I appreciate your help.

Michelle D. Herrman, CPA, PHR

Vice President of Finance

Office: 606-451-4337





**Gwyn Willoughby**

---

**From:** Michelle Herrman <michelleh@skrecc.com>  
**Sent:** Tuesday, January 16, 2018 5:32 PM  
**To:** Tom Stachnik  
**Subject:** Forecast for Member Co-op Average Cost

Hi Tom,

Hope you are doing well.

I am working on updating our financial forecast for South Kentucky. One of the pieces that I use to complete is EKPC's twenty financial forecast, specifically Schedule IV, Statistical Data. This schedule lists the member co-op Average cost. The last forecast data I have is from the 2015 – 2015-2034 forecast.

I was wondering if you have an updated schedule or if this is the current version? If there is a new version, would it be possible to get a copy of the new version?

Thank you, I appreciate your help.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



**Gwyn Willoughby**

---

**From:** Robin Hayes  
**Sent:** Monday, October 2, 2017 3:54 PM  
**To:** Tom Stachnik  
**Subject:** FW: 2018 Preliminary Budget Information.xls  
**Attachments:** 2018 Preliminary Budget Information.xls

---

**From:** Robin Hayes  
**Sent:** Monday, October 02, 2017 3:13 PM  
**To:** Michelle Herrman  
**Subject:** 2018 Preliminary Budget Information.xls

Michelle,

This information should be considered preliminary as our internal review has not yet completed.

I hope it is helpful.

Thanks.  
Robin

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Monday, October 2, 2017 2:57 PM  
**To:** Robin Hayes; Tom Stachnik  
**Subject:** RE: 2018 Sales Revenue - Ann.xls

That is fine.

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Robin Hayes  
**Sent:** Monday, October 2, 2017 2:12 PM  
**To:** Mike McNalley ; Tom Stachnik  
**Subject:** 2018 Sales Revenue - Ann.xls

Mike/Tom,

Ann Wood at Owen requests this data ever year. It has been the practice to send it to her and perhaps you have reviewed it in the past. I have no issue sending this to Ann and Michelle (SKRECC) with a disclaimer that this is preliminary and could change provided you don't have an concerns.

Thanks.  
Robin

**Gwyn Willoughby**

---

**From:** Michelle Herrman <michelleh@skrecc.com>  
**Sent:** Friday, September 29, 2017 1:58 PM  
**To:** Robin Hayes  
**Cc:** Tom Stachnik  
**Subject:** RE: EKPC Power Cost

Hi Robin,

Just following up to see if the average member cost projections are available for 2018. We are working on our 2018 budget and need them for our projections. The data that we have from the previous projections, I am sure is obsolete with the changes to the base fuel rate and the Bluegrass Gas generator projections.

Thank you. We appreciate you help.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



---

**From:** Michelle Herrman  
**Sent:** Monday, September 18, 2017 4:07 PM  
**To:** 'Robin Hayes'  
**Subject:** RE: EKPC Power Cost

Hi Robin,

We are working on our 2018 budget and I wanted to check to see if you had your latest projections for the member co-op average cost ready for your base revenue and fuel and environmental surcharges for 2018. If so, would you mind forwarding them to me?

Thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



---

**From:** Robin Hayes [<mailto:robin.hayes@ekpc.coop>]  
**Sent:** Thursday, June 15, 2017 4:14 PM  
**To:** Michelle Herrman <[michelleh@skrecc.com](mailto:michelleh@skrecc.com)>

**Cc:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Tom Stachnik <[Tom.Stachnik@ekpc.coop](mailto:Tom.Stachnik@ekpc.coop)>  
**Subject:** FW: EKPC Power Cost

Michelle,

Attached is an update to our power cost based on the current information we have. As we discussed, we are in the process of updating our official forecast and there will be changes to these amounts.

This is EKPC system amount.

Kind regards.

Robin Hayes  
EKPC - Director Financial Planning & Analysis  
Office phone – 859-745-9360  
[robin.hayes@ekpc.coop](mailto:robin.hayes@ekpc.coop)

## Gwyn Willoughby

---

**From:** Tom Stachnik  
**Sent:** Monday, September 25, 2017 11:41 AM  
**To:** Robin Hayes  
**Subject:** South Kentucky  
**Attachments:** Amendment #3 - Dated 2003.pdf; Amendment 3 scenarios.xlsx; Executive Summary-Approval of MOU A3.pdf; Resolution-Approval of MOU A3.pdf; Re: South Kentucky

Robin,

Attached are amendment 3, the MOU, my little spreadsheet and the brief email discussion. We may want to get a copy of the RFP from David C.

Tom

## Tom Stachnik

Vice President of Finance and Treasurer  
East Kentucky Power Cooperative  
(859)745-9343

[Tom.Stachnik@ekpc.coop](mailto:Tom.Stachnik@ekpc.coop)



U.S. DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

RUS BORROWER DESIGNATION Kentucky 37 Owen

THE WITHIN Amendment No. 3 dated November 23, 2003 to the Wholesale Power Contract  
dated October 1, 1964 between East Kentucky Power Cooperative, Inc.  
and Owen Electric Cooperative, Inc.

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE  
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE  
PURPOSES OF SUCH CONTRACT.

  
FOR THE ADMINISTRATOR

DATED 5/6/04

**AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT  
BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC. AND  
OWEN ELECTRIC COOPERATIVE, INC.**

This Agreement dated the 23rd day of October, 2003, amends the Wholesale Power Contract dated October 1, 1964 between East Kentucky Power Cooperative, Inc. (hereinafter "Seller") and Owen Electric Cooperative, Inc. (hereinafter "Member") as follows:

I. Numerical Section 1 of the Wholesale Power Contract shall be amended and restated to read in its entirety as follows:

1. General - The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which shall be required to serve the Member's load, including all electric power and energy required for the operation of the Member's system. Notwithstanding the foregoing, the Member shall have the option, from time to time, with notice to the Seller, to receive electric power and energy, from persons other than the Seller, or from facilities owned or leased by the Member, provided that the aggregate amount of all members' elections (measured in megawatts in 15-minute intervals) so obtained under this paragraph shall not exceed five percent (5%) of the rolling average of Seller's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the 3 twelve month periods immediately preceding any election by the Member from time to time, as provided herein and further provided that no Member shall receive more than fifteen percent (15%) of the rolling average of its coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the 3 twelve month periods immediately preceding any election by the Member from time to time, as provided herein.



For any election made or cancelled under this Section, the following provisions shall apply:

a. During any calendar year, the Member may make or cancel any such election or elections by giving at least 90 days' notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or less, in the annual aggregate.

b. During any calendar year, the Member may make or cancel any such election or elections by giving at least 18 months or greater notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or more, in the annual aggregate

Upon the effective date of the Member's cancellation of any such election under this Agreement, the load or loads shall be governed by the all requirements obligations of the Seller and the Member in this Section, and notice of same shall be provided to the Rural Utilities Service ("RUS") by the member. Such loads which are transferred to Seller's all-requirements obligations shall not thereafter be switched by Member to a different power supplier.

c. Should any such election by Member involve the acquisition of new service territory currently served by another power supplier or municipal utility, Member shall provide evidence to Seller and RUS in the new Load Purchase Agreement that the acquired territory must be served by the current power supplier as a condition of the acquisition of the new load.

Seller will provide transmission, substation, and ancillary services without discrimination or adverse distinction with regard to rates, terms of service or availability of such service as between power supplies under paragraphs above and Member will pay charges

therefore to Seller. Seller also agrees to allow, at Member's sole cost and expense, such additional interconnection as may be reasonably required to provide such capacity and energy as contemplated in the above paragraphs.

Member will be solely responsible for all additional cost associated with the exercise of elections under the above paragraphs including but not limited to administrative, scheduling, transmission tariff and any penalties, charges and costs, imposed by the Midwest Independent System Operator ("MISO") or other authorities.

II. Section 10 of the Wholesale Power Contract shall be restated as Section 11 and new Section 10 and Section 11 shall read in their entirety as follows:

10. Retail Competition - Seller and its subsidiaries, shall not, during the term of this contract, without the consent of the Member, (i) sell or offer to sell electric power or energy at retail within the Member's assigned or expanded geographic area, if any, established by applicable laws or regulations or (ii) provide or offer to provide retail electric service to any person which is a customer of the Member.

11. Term - This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until January 1, 2041, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Section 1 hereof, service hereunder and the obligation of the Member to pay therefore shall commence upon completion of the facilities necessary to provide service.

Executed the day and year first above mentioned.

EAST KENTUCKY POWER  
COOPERATIVE, INC.

BY: *Dale T. Rain*

ITS: CHAIRMAN OF THE BOARD

*Sam Perrin*  
ATTEST, SECRETARY

OWEN ELECTRIC COOPERATIVE, INC.

BY: *Robert J. ...*

ITS: PRESIDENT / CEO

*Stanley Gosney*  
ATTEST, SECRETARY


	2017 Peak	
Big Sandy	57.2	
Blue Grass	333.8	
Clark	113.6	
Cumberland Valley	109.6	
Farmers	119.1	
Fleming Mason	185.3	
Grayson	58.6	
Inter-County	139.3	
Jackson	235.8	
Licking Valley	58.7	
Nolin	202.4	
Owen	398.0	
Salt River	264.2	
Shelby	102.8	15.4179
South Kentucky	369.4	55.41435
Taylor County	141.5	
	2889.3	70.83225
		2.45%

If South KY gets its 15%,  
Two of Big Sandy, Grayson, and Licking Valley could get their 15%, or one of the mid-sized coops like Cumberland Valley, Clark, Farmers, Shelby.  
The larger coops would hit the 2.5% wall at something less than 15%,  
Is this like the prisoners dilemma? If one acts, as a whole the group is worse off.  
What we lose we may be able to gain in off system sales / capacity.

## Board Agenda Item

SEPTEMBER

**TO:** EKPC Board of Directors

**FROM:** Anthony S. Campbell 

**DATE:** September 2, 2015

**SUBJECT:** Approval of the Memorandum of Understanding as to Amendment No. 3 of the Wholesale Power Contract (Executive Summary)

### Background

Owner Members purchase capacity, energy and transmission services from EKPC through the Wholesale Power Contract ("WPC"). The WPC was formed as a full requirements contract, which means that the Owner Members were required to serve their entire load through purchases from EKPC. Amendment 3 allows Owner Members to serve some of their load with resources not provided by EKPC. Amendment 3 set limits on the use of non-EKPC resources. The sum of all Owner Members non-EKPC resources cannot exceed 5% of EKPC load. Any Owner Member may not serve more than 15% of its load with non-EKPC resources.

Implementation of Amendment 3 has been difficult. There have been different proposals on how to allocate the 5% EKPC limit among Owner Members. Owner Members' CEOs and EKPC staff have worked together to develop a Memorandum of Understanding ("MOU") that details how to administrate Amendment 3. The MOU does not change any of the principles of Amendment 3.

The key concepts of the MOU are that:

- Any Owner Member may serve up to 15% of its load with Alternate Sources until the sum of all Owner Member Alternate Sources exceeds 2.5% of the EKPC load.
- When the sum of all Owner Member Alternate Sources exceeds 2.5%, Owner Members that are serving greater than 5% of their load with Alternate Sources may not add additional Alternate Sources.
- When the sum of all Owner Member Alternate Sources exceeds 2.5%, Owner Members serving less than 5% of their load with Alternate Sources may not exceed 5% of their load.
- The term of any Alternate Source shall not exceed 20 years.
- Non-EKPC resources that are delivered through the transmission system are subject to the PJM OATT.

## Board Agenda Item

SEPTEMBER

### **Justification and Strategic Analysis**

The MOU provides the details necessary to administer the Amendment 3 and ensures that the EKPC 5% limit is not monopolized.

### **Recommendation**

It is, therefore, the recommendation of Management that the MOU attached hereto be approved and the President & CEO is authorized to execute it once all Owner Members have approved and signed the MOU.

## Resolution

SEPTEMBER

### Approval of the Memorandum of Understanding as to Amendment No. 3 of the Wholesale Power Contract

**Whereas**, Amendment No. 3 (“Amendment 3”) of the Wholesale Power Contract (“WPC”) between East Kentucky Power Cooperative, Inc. (“EKPC”) and each of its Owner Members has been subject to different interpretations by various parties and has, therefore, been difficult to implement;

**Whereas**, Amendment 3 allows each Owner Member to acquire power supply outside of the WPC up to 15% of its load with the aggregate of all Owner Members’ share not to exceed 5% of the EKPC’s load;

**Whereas**, as Amendment 3 did not provide for an allocation methodology of the 5% limit;

**Whereas**, the CEO’s of all Owner Members have been working with EKPC to come up with a Memorandum of Understanding (“MOU”) that will address the equity issue among the Owner Members and that will clarify how Amendment 3 will be implemented going forward; and,

**Whereas**, it is the recommendation of EKPC Management that EKPC’s Board of Directors now approve the MOU as attached to the Executive Summary and authorize EKPC’s President & CEO to execute it on behalf of EKPC after all sixteen Owner Members’ have approved and signed the MOU; now, therefore, be it;

**Resolved**, that the MOU as attached to the Executive Summary is hereby approved and EKPC’s President & CEO is hereby authorized to execute it on behalf of EKPC once all Owner Members have approved and signed MOU.

## Gwyn Willoughby

---

**From:** Don Mosier  
**Sent:** Thursday, September 21, 2017 10:05 AM  
**To:** Tony Campbell  
**Cc:** Mike McNalley; Tom Stachnik  
**Subject:** Re: South Kentucky

Yes they would.

Sent from my iPhone

On Sep 21, 2017, at 9:48 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

I think so, but that's there problem, and would be after the bidding process.

TC

Sent from my iPhone

On Sep 21, 2017, at 9:35 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

They will need a CPCN, won't they?

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 office  
859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

On Sep 21, 2017, at 6:34 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Mike/Tom,

We might need to address this early with rating agencies, banks, and RUS.

TC

Sent from my iPhone

Begin forwarded message:

**From:** Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Date:** September 21, 2017 at 9:20:34 AM EDT  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Subject:** Fwd: South Kentucky



FYI

Sent from my iPhone

Begin forwarded message:

**From:** David Crews  
<[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Date:** September 21, 2017 at 9:13:46  
AM EDT  
**To:** Don Mosier  
<[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>  
**Subject:** South Kentucky

I got a call from Dennis late Tuesday to let me know that they plan to issue an RFP for 58MWs.

They sent me a copy of the RFP yesterday. I have not had a chance to read it yet.

It will likely show up in the rags shortly.

## Gwyn Willoughby

---

**From:** Robin Hayes  
**Sent:** Monday, September 25, 2017 11:33 AM  
**To:** Tom Stachnik  
**Subject:** FW: EKPC Power Cost

We should discuss.

**From:** Michelle Herrman [mailto:michelleh@skrecc.com]  
**Sent:** Monday, September 18, 2017 4:07 PM  
**To:** Robin Hayes  
**Subject:** RE: EKPC Power Cost

Hi Robin,

We are working on our 2018 budget and I wanted to check to see if you had your latest projections for the member co-op average cost ready for your base revenue and fuel and environmental surcharges for 2018. If so, would you mind forwarding them to me?

Thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



**From:** Robin Hayes [mailto:robin.hayes@ekpc.coop]  
**Sent:** Thursday, June 15, 2017 4:14 PM  
**To:** Michelle Herrman <michelleh@skrecc.com>  
**Cc:** Mike McNalley <Michael.McNalley@ekpc.coop>; Tom Stachnik <Tom.Stachnik@ekpc.coop>  
**Subject:** FW: EKPC Power Cost

Michelle,

Attached is an update to our power cost based on the current information we have. As we discussed, we are in the process of updating our official forecast and there will be changes to these amounts.

This is EKPC system amount.

Kind regards.

Robin Hayes  
EKPC - Director Financial Planning & Analysis  
Office phone – 859-745-9360  
[robin.hayes@ekpc.coop](mailto:robin.hayes@ekpc.coop)

**Gwyn Willoughby**

---

**From:** Shanan Strange  
**Sent:** Thursday, September 21, 2017 1:32 PM  
**To:** Tom Stachnik  
**Subject:** MOU Amendment #3 of the WPC  
**Attachments:** Executive Summary-Approval of MOU A3.pdf; Resolution-Approval of MOU A3.pdf

Hi Tom:

I have attached the Executive Summary and Resolution from September 2015 for the MOU Amendment #3 of the WPC that you requested. Please let me know if you need any additional information.

Thank you,

Shanan

*Shanan Strange*  
*Administrative Assistant--Executive to the CFO and Controller*  
*4775 Lexington Road*  
*Winchester, KY 40391*  
*(859) 745-9686 (direct)*  
*(859) 744-6008 (fax)*  
[Shanan.strange@ekpc.coop](mailto:Shanan.strange@ekpc.coop)



**Gwyn Willoughby**

---

**From:** Michelle Carpenter  
**Sent:** Saturday, February 10, 2018 2:49 PM  
**To:** 'Amber Kingston'  
**Cc:** Mike Livingston; Amanda Phillips  
**Subject:** RE: 58 MW Load Estimate - EKPC

Thanks, Amber. On 43,152, I assume that's what it was, but I couldn't come back to the number...of course, it helped when I realized the number was 43,152 instead of 42,152. :) Laura will likely be touching base with you next week to discuss the specifics on some of the calculations.

I can't thank you enough for the quick turnaround on our request. This information has been very helpful and will enable our Executives to better address questions at next week's Committee and Board meeting.

Have a great weekend!

Michelle

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
michelle.carpenter@ekpc.coop

-----Original Message-----

**From:** Amber Kingston [mailto:AmberH@acespower.com]  
**Sent:** Saturday, February 10, 2018 7:45 AM  
**To:** Michelle Carpenter <michelle.carpenter@ekpc.coop>  
**Cc:** Mike Livingston <MikeL@acespower.com>; Amanda Phillips <aruddell@acespower.com>  
**Subject:** Re: 58 MW Load Estimate - EKPC

Hi Michelle,

The 43,152 came from 58 mw around the clock for 31 days. My monthly total came from December's internal calculation workbook. I took out all the original schedules and only used a load schedule of 58 MWh for 31 days. The few charge types that we do not handle in our workbook. I used the MSRS report and did the calculation in there. So everything except for synchronized reserves was using December's PJM data. I hope this helps.

Thanks, Amber

Get Outlook for iOS<<https://aka.ms/o0ukef>>

On Fri, Feb 9, 2018 at 4:51 PM -0500, "Michelle Carpenter"  
<michelle.carpenter@ekpc.coop<mailto:michelle.carpenter@ekpc.coop>> wrote:

\*-EXTERNAL\*-\*

Think before clicking links or attachments.  
Sorry, the number is 43,152.

Michelle

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
michelle.carpenter@ekpc.coop  
[cid:image001.jpg@01CB193C.7296AAC0]

From: Michelle Carpenter  
Sent: Friday, February 9, 2018 4:50 PM  
To: 'Amber Kingston' <AmberH@acespower.com>  
Subject: RE: 58 MW Load Estimate - EKPC

Amber,

Can you please advise where your monthly charge data was derived from for the calculation? Also, how did you arrive at the 42,152 used in the \$/MWh calculation?

Thanks,

Michelle

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
michelle.carpenter@ekpc.coop<mailto:michelle.carpenter@ekpc.coop>  
[cid:image001.jpg@01CB193C.7296AAC0]

From: Amber Kingston [mailto:AmberH@acespower.com]  
Sent: Friday, February 9, 2018 4:07 PM  
To: Laura Wilson <laura.wilson@ekpc.coop<mailto:laura.wilson@ekpc.coop>>; Michelle Carpenter <michelle.carpenter@ekpc.coop<mailto:michelle.carpenter@ekpc.coop>>; Kimberly Withers <kimberly.withers@ekpc.coop<mailto:kimberly.withers@ekpc.coop>>  
Cc: Mike Livingston <MikeL@acespower.com<mailto:MikeL@acespower.com>>; Amanda Phillips <aruddell@acespower.com<mailto:aruddell@acespower.com>>

Subject: 58 MW Load Estimate - EKPC

Ladies,

Here is my estimate of a 58 MWh load by charge type. Please note this estimate is using a 58 MW Daily Peak load, a 5% load forecast error, and assumes 100% load factor on all charge types. Let me know if you have any questions.

Thanks, Amber

Amber Kingston | Manager of Market Settlements - East

ACES® | 4140 West 99th Street | Carmel, IN 46032

o: 317.344.7067 | [amberh@acespower.com](mailto:amberh@acespower.com)<<mailto:amberh@acespower.com>>

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	Monthly Charge 1- 31	Estimated Yearly Charge	\$/MWh	
1100 Network Integration Transmission Service*	\$ 130,165.35	\$ 1,532,592.01	\$ 3.02	
1108 Transmission Enhancement*	\$ 19,209.75	\$ 226,179.31	\$ 0.45	
1230 Inadvertent Interchange	\$ 387.64	\$ 4,564.14	\$ 0.01	
1242 Day-Ahead Load Response Charge Allocation	\$ 20.30	\$ 239.06	\$ 0.00	
1243 Real-Time Load Response Charge Allocation	\$ 84.38	\$ 993.49	\$ 0.00	
1250 Meter Error Correction	\$ 38.76	\$ 456.40	\$ 0.00	
1301 PJM Scheduling, System Control and Dispatch Service - Control Area Administration	\$ 9,061.92	\$ 106,696.80	\$ 0.21	
1303 PJM Scheduling, System Control and Dispatch Service - Market Support	\$ 1,997.94	\$ 23,524.10	\$ 0.05	
1304 PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration	\$ 26.21	\$ 308.58	\$ 0.00	
1307 PJM Scheduling, System Control and Dispatch Service - Market Support Offset	\$ (125.14)	\$ (1,473.43)	\$ (0.00)	
1313 PJM Settlement, Inc.	\$ 125.14	\$ 1,473.43	\$ 0.00	
1314 Market Monitoring Unit (MMU) Funding	\$ 254.60	\$ 2,997.67	\$ 0.01	
1315 FERC Annual Recovery	\$ 3,275.24	\$ 38,563.27	\$ 0.08	
1316 Organization of PJM States, Inc. (OPSI) Funding	\$ 30.21	\$ 355.66	\$ 0.00	
1317 North American Electric Reliability Corporation (NERC)	\$ 543.72	\$ 6,401.81	\$ 0.01	
1318 Reliability First Corporation (RFC)	\$ 871.67	\$ 10,263.22	\$ 0.02	
1320 Transmission Owner Scheduling, System Control and Dispatch Service	\$ 11,629.46	\$ 136,927.56	\$ 0.27	
1330 Reactive Supply and Voltage Control from Generation and Other Sources Service*	\$ 5,583.59	\$ 65,742.23	\$ 0.13	
1340 Regulation and Frequency Response Service	\$ 7,620.81	\$ 89,728.92	\$ 0.18	
1360 Synchronized Reserve	\$ 2,157.60	\$ 25,404.00	\$ 0.05	*used PJM average price per MWh
1365 Day-ahead Scheduling Reserve	\$ 55.20	\$ 649.94	\$ 0.00	
1375 Balancing Operating Reserve**	\$ 2,815.70	\$ 33,152.63	\$ 0.07	
1380 Black Start Service*	\$ 951.01	\$ 11,197.40	\$ 0.02	
2215 Balancing Transmission Congestion Credit	\$ 11,318.42	\$ 133,265.28	\$ 0.26	
2220 Transmission Losses	\$ (16,830.69)	\$ (198,167.80)	\$ (0.39)	
	<u>\$ 191,268.78</u>	<u>\$ 2,252,035.68</u>	<u>\$ 4.43</u>	

\*using 58 MW Daily Peak Load for Transmission Charges

\*\*using 5% load forecast error

\*\*\*assumes 100% load factor on all charge types

**Gwyn Willoughby**

---

**From:** Michelle Carpenter  
**Sent:** Friday, February 9, 2018 4:25 PM  
**To:** 'Amber Kingston'; Laura Wilson; Kimberly Withers  
**Cc:** Mike Livingston; Amanda Phillips  
**Subject:** RE: 58 MW Load Estimate - EKPC

<b>Tracking:</b>	<b>Recipient</b>	<b>Read</b>
	'Amber Kingston'	
	Laura Wilson	
	Kimberly Withers	Read: 2/9/2018 4:38 PM
	Mike Livingston	
	Amanda Phillips	

Very much appreciated, Amber!

*Michelle*

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
michelle.carpenter@ekpc.coop



---

**From:** Amber Kingston [mailto:AmberH@acespower.com]  
**Sent:** Friday, February 9, 2018 4:07 PM  
**To:** Laura Wilson ; Michelle Carpenter ; Kimberly Withers  
**Cc:** Mike Livingston ; Amanda Phillips  
**Subject:** 58 MW Load Estimate - EKPC

Ladies,

Here is my estimate of a 58 MWh load by charge type. Please note this estimate is using a 58 MW Daily Peak load, a 5% load forecast error, and assumes 100% load factor on all charge types. Let me know if you have any questions.

Thanks, Amber

**Amber Kingston | Manager of Market Settlements - East**  
**ACES®** | 4140 West 99th Street | Carmel, IN 46032  
o: 317.344.7067 | [amberh@acespower.com](mailto:amberh@acespower.com)



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## Gwyn Willoughby

---

**From:** Michelle Carpenter  
**Sent:** Friday, February 9, 2018 4:38 PM  
**To:** Don Mosier; Mike McNalley; David Crews  
**Subject:** FW: 58 MW Load Estimate - EKPC  
**Attachments:** EKPC 58 MW Load Estimate.xlsx

<b>Tracking:</b>	<b>Recipient</b>	<b>Read</b>
	Don Mosier	
	Mike McNalley	
	David Crews	Read: 2/9/2018 4:43 PM

Gentlemen,

Please see the attached preliminary calculation performed by ACES regarding PJM LSE codes associated with the 58 MW.

*Michelle*

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
michelle.carpenter@ekpc.coop



---

**From:** Amber Kingston [mailto:AmberH@acespower.com]  
**Sent:** Friday, February 9, 2018 4:07 PM  
**To:** Laura Wilson ; Michelle Carpenter ; Kimberly Withers  
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Thanks, Amber

**Amber Kingston | Manager of Market Settlements - East**

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o: 317.344.7067 | [amberh@acespower.com](mailto:amberh@acespower.com)

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	31	Yearly Charge	\$/MWh
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1314 Market Monitoring Unit (MMU) Funding	\$ 254.60	\$ 2,997.67	\$ 0.01
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2220 Transmission Losses	\$ (16,830.69)	\$ (198,167.80)	\$ (0.39)
	<u>\$ 191,268.78</u>	<u>\$ 2,252,035.68</u>	<u>\$ 4.43</u>

\*using 58 MW Daily Peak Load for Transmission Charges

\*\*using 5% load forecast error

\*\*\*assumes 100% load factor on all charge types

\*used PJM average price per MWh

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Friday, February 9, 2018 2:48 PM  
**To:** Michelle Carpenter  
**Cc:** Mike McNalley  
**Subject:** RE: Follow-up

I will let Don know.

---

**From:** Michelle Carpenter  
**Sent:** Friday, February 9, 2018 1:38 PM  
**To:** David Crews  
**Cc:** Mike McNalley  
**Subject:** RE: Follow-up

David,

After meeting with my team and reviewing the data we have readily available, I determined that we couldn't project LSE charges associated with the 58MW quickly or within an acceptable range of accuracy that I would desire for something going to the Board of Directors.

We had a call with ACES, explained the deliverables and advised of the due date. They advised they do these calculations regularly and could develop a basic rough estimate (rate based) by mid-day Monday and then, would work to refine it after giving us preliminary results.

While I know it is not within your desired timeframe, I think it is the best approach. Please let me know if you have any concerns or if we can provide you with other information in the interim.

Thanks,

*Michelle*

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
[michelle.carpenter@ekpc.coop](mailto:michelle.carpenter@ekpc.coop)



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**From:** David Crews  
**Sent:** Friday, February 9, 2018 8:20 AM  
**To:** Michelle Carpenter <[michelle.carpenter@ekpc.coop](mailto:michelle.carpenter@ekpc.coop)>  
**Subject:** RE: Follow-up

Yes. We are just trying to get a number to what in addition to capacity and energy SK will be billed by PJM.

**From:** Michelle Carpenter  
**Sent:** Friday, February 9, 2018 8:19 AM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Follow-up  
**Importance:** High

David,

I've got lots of things going on and I just want to make sure I completely understood your request, as we will not have much time to put together. I don't want any missteps.

You have requested for us to pull one year of our PJM billing codes related on to serving as a LSE. Then, you'd like for to determine the % of the 58MW to our entire load and apply to the charge codes to come up with a rough estimate of the PJM related charges that SKRECC may incur. Is that correct? Please advise of any needed changes.

Thanks,

*Michelle*

Michelle K. Carpenter, CPA  
Controller  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
PO Box 707  
Winchester, KY 40392-0707  
859.745.9294  
[michelle.carpenter@ekpc.coop](mailto:michelle.carpenter@ekpc.coop)



**Gwyn Willoughby**

---

**From:** Shanan Strange  
**Sent:** Friday, February 2, 2018 1:54 PM  
**To:** Michelle Carpenter  
**Subject:** Executive Summary-Resolution  
**Attachments:** Executive Summary-Resolution-South KY RECC A3 Purchase from PJM Market\_Info to SI Board Dec 2017.pdf

Michelle:

Per your request, I have attached the Executive Summary and Resolution for South Kentucky's A3 Purchase from PJM Market from December 2017.

Please let me know if you need anything else from me.

Thank you,

Shanan

*Shanan Strange  
Administrative Assistant—Executive to the CFO and Controller  
East Kentucky Power Cooperative  
4775 Lexington Road, P. O. Box 707  
Winchester, KY 40392-0707  
859-745-9686 (Direct)  
859-744-6008 (Fax)*

the Reason I Go Home Tonight



## Board Agenda Item

DECEMBER

**TO:** Strategic Issues Committee and EKPC Board of Directors

**FROM:** Anthony S. Campbell

**DATE:** December 1, 2017

**SUBJECT:** Request Approval of South Kentucky Rural Electric Cooperative Corporation to Utilize Amendment No. 3 of the Wholesale Power Contract to Purchase 58 MW from the PJM Market

### Background

Pursuant to Amendment No. 3 (“Amendment 3”) of the Wholesale Power Contract (“WPC”) and the Memorandum of Understanding and Agreement regarding Alternate Power Sources (“MOU”), South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”), by letter dated November 28, 2017, has given East Kentucky Power Cooperative, Inc. (“EKPC”) notice that it intends to reduce its purchases from EKPC under the WPC by 58 MW and purchase these 58MW from an alternate source outside of and separate from the WPC.

This purchase will commence at midnight on June 1, 2019, and will be for all hours of each year for a term of twenty (20) years. The purchase will be from the PJM market with South Kentucky becoming a member of PJM and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market. The energy will be delivered to EKPC’s transmission system.

### Justification & Strategic Analysis

The 58 MW purchase does not exceed 15% of South Kentucky’s 3-year rolling peak demand, and the purchase and notice otherwise comply with Amendment 3 and the MOU.

### Recommendation

South Kentucky requests that the EKPC Strategic Issues Committee and the EKPC Board of Directors approve South Kentucky’s utilization of Amendment 3 and the MOU for the purchase of 58 MW from the PJM market for a term of 20 years beginning June 1, 2019.



## Resolution

DECEMBER

### **REQUEST APPROVAL OF SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION TO UTILIZE AMENDMENT NO. 3 OF THE WHOLESALE POWER CONTRACT TO PURCHASE 58 MW FROM THE PJM MARKET**

**Whereas**, East Kentucky Power Cooperative, Inc. (“EKPC”) has received written notice from South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) pursuant to Amendment No. 3 (“Amendment 3”) of the Wholesale Power Contract (“WPC”) and the Memorandum of Understanding and Agreement regarding Alternate Power Sources (“MOU”), that South Kentucky intends to reduce its purchases from EKPC under the WPC by 58 MW and purchase these 58MW from an alternate source outside of and separate from the WPC; and

**Whereas**, This purchase will be from the PJM wholesale market and commence on June 1, 2019, and will be for all hours of each year for a term of twenty (20) years; and

**Whereas**, South Kentucky will become a member of PJM and will purchase energy, capacity, transmission and all services required by PJM policies from the PJM market with the energy being delivered to the EKPC transmission system; and

**Whereas**, Both the notice and purchase conform to the requirements of Amendment 3 and the MOU; and

**Whereas**, pursuant to South Kentucky’s request, the EKPC Strategic Issues Committee recommends that the EKPC Board of Directors (“Board”) approve this transaction, now, therefore, be it;

**Resolved**, that the EKPC Board hereby approves South Kentucky’s utilization of Amendment 3 of the WPC and the MOU to reduce its purchases from EKPC under the WPC by 58 MW and purchase these 58 MW from the PJM markets outside of and separate from the WPC as set forth above.

**From:** [David Crews](#) on behalf of [Don Mosier](#)  
**To:** [David Smart](#); [David Crews](#); [Kim Fyffe](#)  
**Subject:** FW: SKRECC MOU Discussion  
**Start:** Monday, July 24, 2017 9:00:00 AM  
**End:** Monday, July 24, 2017 12:00:00 PM  
**Location:** Executive Conference Room

---

Who does MD/Evan represent in this meeting?

-----Original Appointment-----

From: Don Mosier  
Sent: Thursday, July 6, 2017 10:32 AM  
To: Don Mosier; David Crews; David Smart; Kim Fyffe  
Subject: SKRECC MOU Discussion  
When: Monday, July 24, 2017 9:00 AM-12:00 PM (UTC-05:00) Eastern Time (US & Canada).  
Where: Executive Conference Room

Dennis Holt, plus their CFO, MD or Evan will be attending.

**From:** [David Crews](#)  
**To:** [Dennis Holt \(dennish@skrecc.com\)](mailto:dennish@skrecc.com)  
**Subject:** Tuesday Afternoon  
**Date:** Friday, September 8, 2017 3:44:32 PM

---

Tuesday after the board meeting works fine for me. See you next week.

**From:** [David Crews](#)  
**To:** [Kim Fyffe](#); [Mark David Goss](#); [Dennis Holt \(dennish@skrecc.com\)](#); ["michelleh@skrecc.com"](#); ["Greg.Shepler@enervision-inc.com"](#)  
**Subject:** RE: Conf Call: EKPC/South KY RECC/Enervision  
**Date:** Tuesday, September 12, 2017 2:01:54 PM

---

Dennis is not out of executive session yet. I will shoot you an email when he gets out and let you know what time we will open the call.

-----Original Appointment-----

**From:** Kim Fyffe

**Sent:** Tuesday, September 12, 2017 1:25 PM

**To:** Kim Fyffe; David Crews; Mark David Goss; Dennis Holt (dennish@skrecc.com); 'michelleh@skrecc.com'; 'Greg.Shepler@enervision-inc.com'

**Subject:** Conf Call: EKPC/South KY RECC/Enervision

**When:** Tuesday, September 12, 2017 2:00 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).

**Where:** Dial 1-877-597-2663 Conf Code: 5832907

**From:** [David Crews](#)  
**To:** [Kim Fyffe](#); [Mark David Goss](#); [Dennis Holt \(dennish@skrecc.com\)](#); ["michelleh@skrecc.com"](#); ["Greg.Shepler@enervision-inc.com"](#)  
**Subject:** RE: Conf Call: EKPC/South KY RECC/Enervision  
**Date:** Tuesday, September 12, 2017 2:28:22 PM

---

Dennis is here. We are going to call in now.

-----Original Appointment-----

**From:** Kim Fyffe

**Sent:** Tuesday, September 12, 2017 1:25 PM

**To:** Kim Fyffe; David Crews; Mark David Goss; Dennis Holt (dennish@skrecc.com); 'michelleh@skrecc.com'; 'Greg.Shepler@enervision-inc.com'

**Subject:** Conf Call: EKPC/South KY RECC/Enervision

**When:** Tuesday, September 12, 2017 2:00 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).

**Where:** Dial 1-877-597-2663 Conf Code: 5832907

**From:** [David Crews](#)  
**To:** [Greg Shepler](#)  
**Cc:** [Dennis Holt](#); [Mark D. Goss](#)  
**Subject:** Re: Conference Call with David Crews  
**Date:** Tuesday, September 12, 2017 9:42:04 AM

---

Thank you for these insights. I have reviewed the MOU with these questions in mind. We'll call you at 2:00 or as soon as our meeting breaks this afternoon.

Sent from my iPad

On Sep 11, 2017, at 7:24 AM, Greg Shepler <[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)> wrote:

While the discussion may prompt some follow-up, here are the specific questions I have currently.

- We are considering PPAs where the provider will guarantee around the clock delivery even though not all hours will be provided by the specific generating resource (which may be wind, solar, or gas-fired). Is this acceptable?
- Must the point of delivery be the resource node, or can it be any PJM node specifically designated in the PPA (for example, even the EKPC Residual Aggregate)?

Looking forward to our call.

**Greg Shepler**

**From:** Dennis Holt [<mailto:dholt@skrecc.com>]  
**Sent:** Friday, September 8, 2017 6:45 PM  
**To:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; Greg Shepler <[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Conference Call with David Crews

Thanks to everyone for taking the time from their schedules to work in a conference call.

I have begun an e-mail chain so any communications will flow to everyone for next week's conference call.

David Crews will be available for a conference call after the Board Meeting on Tuesday September 12<sup>th</sup> at approximately 2:00 p.m. David requested that in order for him to be better prepared for the meeting he would like for any questions to be submitted beforehand so he can investigate and prepare a response.

Dennis Holt

V.P. of Engineering and Operations  
South Kentucky RECC  
Somerset, Kentucky 42503

Phone 606-678-4121  
Cell 606-872-3555

---

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[Forget previous vote](#)

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**From:** [David Crews](#)  
**To:** [Dennis Holt \(dennish@skrecc.com\)](#); [Mark David Goss](#)  
**Cc:** ["Franzoni, Dorothy"](#); [Sherman Goodpaster](#)  
**Subject:** Ammendment 3/MOU notice provisions  
**Date:** Thursday, September 14, 2017 4:35:48 PM

---

I consulted with Sherman Goodpaster and Dorothy Franzoni concerning notice that a owner member will be moving load from a previously noticed Alternate Source and returning to purchasing power from the Wholesale Power Agreement (WPA). Sherman and Dorothy confirmed that Section 4 (D) of the MOU requires that for a Alternate Source of greater than 5 MWs, 18 months notice is required to bring load back under the WPA. Section 4 (E) provides a grace period should the Alternate Source not be available on the noticed date. I recall putting this in the MOU because we were routinely having to renote projects because the inservice dates were slipping. I regret that there was a misunderstanding about how you return load to the WPA once a notice has been given.



**From:** [David Crews](#)  
**To:** ["Dennis Holt"](#); [Greg Shepler](#)  
**Cc:** [Mark D. Goss](#)  
**Subject:** RE: Additional Amendment 3 / MOU Questions  
**Date:** Thursday, September 21, 2017 8:54:36 AM

---

I was out of the office most of the day yesterday.

We do not plan to deviate from the processes outlined in the MOU. I haven't had an opportunity to look at the RFP but I believe you are looking at an alternate source that will be delivered to the transmission system within PJM. This would place the Alternate Source and related load subject to the provision of Section 5(E). Section 5(E)(vii) of the MOU provides that "PJM market participation activities for the Alternate Source and related load will be managed by EKPC or EKPC's agent." Yes EKPC will act as agent for the Alternate Source and load in the PJM market.

Please understand that when you give notice for this load to come out from under the Wholesale Power Agreement, it no longer falls within EKPC's membership in PJM and South Kentucky will become a member of PJM. While we will manage the load and Alternate Source in the market, all credits, expenses and penalties related to your Alternate Source and load from the PJM market will be assigned directly to South Kentucky. For the noticed load and Alternate Source, South Kentucky will have its own billing account from PJM and will be separate and apart from the balance of EKPC's generation and load. It will be a separate settlement in addition to the normal billing you receive from EKPC.

As a PJM member you will be charged by PJM for your NITS service.

Given we are talking about a load being served in PJM, I think you will choose to purchase your ancillary services from PJM as opposed to self supplying them. I believe that is what we do. Our generators are paid for the ancillary services they provide our load pays for the ancillary services we use. I think it's the cleanest way to handle in an organized market.

**From:** Dennis Holt [mailto:[dholt@skrecc.com](mailto:dholt@skrecc.com)]  
**Sent:** Wednesday, September 20, 2017 10:38 AM  
**To:** Greg Shepler ; David Crews  
**Cc:** Dennis Holt ; Mark D. Goss  
**Subject:** Re: Additional Amendment 3 / MOU Questions

Greg,

David can respond as well. During previous conversations we have been told that EKPC will act as the agent.

Sent from my Verizon, Samsung Galaxy smartphone

----- Original message -----

**From:** Greg Shepler <[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)>  
**Date:** 9/20/17 9:14 AM (GMT-05:00)  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)>, "Mark D. Goss" <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>  
**Subject:** Additional Amendment 3 / MOU Questions

David,

We have some additional questions associated with the MOU. These details are more on the implementation side, but it's good to know the approach up-front when evaluating proposals and putting them on an apples-to-apples basis.

Specifically, in looking at the MOU, Sections 5.E.(iv) and (vii):

1. "EKPC will pass through to the Owner Member all revenues, credits...associated with

**From:** [David Crews](#)  
**To:** "[Greg Shepler](#)"; "[Dennis Holt](#)"  
**Cc:** [Mark D. Goss](#)  
**Subject:** RE: Additional Amendment 3 / MOU Questions  
**Date:** Thursday, September 21, 2017 12:19:56 PM

---

The Wholesale Power Agreement (WPA) is what we used to call a bundled agreement. It includes NITS and ancillaries in the rates. There will be a reduction in the billings from EKPC because the purchases from will be reduced. So yes and no. There will be a reduction in NITS and ancillaries but it will be driven because your billing determinates will be less under the WPA. I believe you are looking at purchasing this as a block with a high load factor. That will drive the \$/MWhr cost of the remaining purchases from EKPC up.

**From:** Greg Shepler [mailto:[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)]

**Sent:** Thursday, September 21, 2017 10:25 AM

**To:** David Crews ; 'Dennis Holt'

**Cc:** Mark D. Goss

**Subject:** RE: Additional Amendment 3 / MOU Questions

David,

Thanks, this is helpful since there are a couple of ways the PJM relationship can be managed. We've been involved in other arrangements where the Alternate Supplier acts as agent and creates a PJM subaccount for the cooperative, so the cooperative does not need to become a PJM member but still is financially responsible for all of the appropriate PJM charges. I believe we can still make it work within the framework of the MOU even if SKRECC has to become a PJM member – we've also helped cooperatives go through the membership process.

Just so I'm clear, we would expect the charges from EKPC to SKRECC for NITS, ancillaries, etc. that flow from PJM to decrease by roughly the same amount as our direct charges from PJM increase – the primary difference being any incremental administrative costs that EKPC incurs specifically for SKRECC. Also, our plan for ancillaries is similar and we do not intend to self-supply. Cleaner is definitely better.

Thanks,

**Greg Shepler**

**From:** David Crews [mailto:[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)]

**Sent:** Thursday, September 21, 2017 8:55 AM

**To:** 'Dennis Holt' <[dholt@skrecc.com](mailto:dholt@skrecc.com)>; Greg Shepler <[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)>

**Cc:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>

**Subject:** RE: Additional Amendment 3 / MOU Questions

I was out of the office most of the day yesterday.

We do not plan to deviate from the processes outlined in the MOU. I haven't had an opportunity to look at the RFP but I believe you are looking at an alternate source that will be delivered to the transmission system within PJM. This would place the Alternate Source and related load subject to the provision of Section 5(E). Section 5(E)(vii) of the MOU provides that "PJM market participation activities for the Alternate Source and related load will be managed by EKPC or EKPC's agent.". Yes EKPC will act as agent for the Alternate Source and load in the PJM market.

Please understand that when you give notice for this load to come out from under the Wholesale Power Agreement, it no longer falls within EKPC's membership in PJM and South Kentucky will become a member of PJM. While we will manage the load and Alternate Source in the market, all

credits, expenses and penalties related to your Alternate Source and load from the PJM market will be assigned directly to South Kentucky. For the noticed load and Alternate Source, South Kentucky will have its own billing account from PJM and will be separate and apart from the balance of EKPC's generation and load. It will be a separate settlement in addition to the normal billing you receive from EKPC.

As a PJM member you will be charged by PJM for your NITS service.

Given we are talking about a load being served in PJM, I think you will choose to purchase your ancillary services from PJM as opposed to self supplying them. I believe that is what we do. Our generators are paid for the ancillary services they provide our load pays for the ancillary services we use. I think it's the cleanest way to handle in an organized market.

**From:** Dennis Holt [<mailto:dholt@skrecc.com>]

**Sent:** Wednesday, September 20, 2017 10:38 AM

**To:** Greg Shepler <[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)>; Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>

**Subject:** Re: Additional Amendment 3 / MOU Questions

Greg,

David can respond as well. During previous conversations we have been told that EKPC will act as the agent.

Sent from my Verizon, Samsung Galaxy smartphone

----- Original message -----

**From:** Greg Shepler <[Greg.Shepler@enervision-inc.com](mailto:Greg.Shepler@enervision-inc.com)>

**Date:** 9/20/17 9:14 AM (GMT-05:00)

**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>

**Cc:** Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)>, "Mark D. Goss" <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>

**Subject:** Additional Amendment 3 / MOU Questions

David,

We have some additional questions associated with the MOU. These details are more on the implementation side, but it's good to know the approach up-front when evaluating proposals and putting them on an apples-to-apples basis.

Specifically, in looking at the MOU, Sections 5.E.(iv) and (vii):

1. "EKPC will pass through to the Owner Member all revenues, credits...associated with the Alternate Source..." and "PJM market participant activities for the Alternate Source and related load will be managed by EKPC or EKPC's agent..." It looks like EKPC will act as the agent, although we could have the Alternate Supplier act in many of these roles.

- a. We anticipate the Alternate Supplier providing capacity and energy in the PPA; should they also be providing NITS, ancillary services, etc.? **SKRECC will be financially responsible for these other components regardless** – if they are passed-through by EKPC or the Alternate Supplier – just need to confirm how EKPC prefers to handle these and how we jointly think PJM settlement will/should work.

Feel free to respond via email, but a discussion may make more sense. We're open to either, so just let us know.

Thanks,

**Greg Shepler** Managing Principal

T (678) 510-2921 | C (678) 525-2017 | (888) 999-8840

[greg.shepler@enervision-inc.com](mailto:greg.shepler@enervision-inc.com) | [www.enervision-inc.com](http://www.enervision-inc.com)

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Kim Fyffe

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**From:** Dennis Holt <dholt@skrecc.com>  
**Sent:** Friday, November 10, 2017 3:34 PM  
**To:** David Crews  
**Subject:** Amendment Three Notice  
**Attachments:** EKPC Alternat Source Notice.doc

David,

Thanks so much for your assistance. Attached is a **DRAFT** Notice to EKPC of our Amendment 3 election. Please review it and make any changes you see necessary. We will fill in the blanks and forward as soon as we have reached a final agreement with the supplier. I told you earlier that we have narrowed the list to two suppliers. We have signed confidentiality agreements with both firms until the final agreement is reached.

Thanks again for your assistance, it is greatly appreciated.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

Dennis Holt  
Interim CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

November 10, 2017

Mr. Anthony S. Campbell  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement Regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including South Kentucky, dated July 15, 2015 ("MOU"), South Kentucky does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

According to the provisions of Section 4(A) of the MOU there are five (5) primary procedures and requirements for the content of this notice; in compliance with these provisions, South Kentucky provides the required information with respect to its Alternate Source election immediately following each listed item.

*(i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to reduce South Kentucky's purchases from EKPC under the Wholesale Power Contract for a term of [\_\_\_\_\_] years commencing at 12:00 a.m. (EST) on June 1, 2019.**

*(ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 58,000 kW.**

*(iii) a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

**The Alternate Source shall be in the form of a Purchase Power Agreement between South Kentucky RECC and \_\_\_\_\_ to be delivered to the East Kentucky Hub of the PJM Market.**

*(iv) the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC*

**As stated, the Alternate Source will supply the contracted capacity amount all hours of each year of the [\_\_\_\_\_] year term, by purchasing the required power from the PJM wholesale marketplace or other recognized wholesale marketplaces.**

*(v) a designation of whether the Alternate Source will be:*

*(a) interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*

*(b) interconnected or delivered to EKPC's or another entity's transmission system;  
or*

*(c) interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

**The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.**

South Kentucky remains proud to be an Owner-Member of EKPC and looks forward to working with its leadership and others in effectuating the terms of the Wholesale Power Agreement, as amended, and the MOU.

I appreciate your time and attention to this matter, and please do not hesitate to contact me with any questions or concerns.

Sincerely Yours,

Dennis Holt  
Interim President and  
Chief Executive Officer  
South Kentucky Rural  
Electric Cooperative Corporation



**From:** [David Crews](#)  
**To:** ["Mark David Goss"; "Carter Babbit"](#)  
**Cc:** [Dennis Holt](#); [Lynne Travis](#); [Asia Ellington](#); [David Samford](#); [Evan Buckley \(michaelevanshinebuckley@gmail.com\)](#)  
**Subject:** RE: South Kentucky Question  
**Date:** Wednesday, November 15, 2017 2:49:37 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)

A call after the holiday may be the best time. I am tied up Friday as well.  
I am available the afternoon of the 11/27 and 11/28.

**From:** Mark David Goss [mailto:[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)]  
**Sent:** Wednesday, November 15, 2017 9:14 AM  
**To:** 'Carter Babbit' ; David Crews  
**Cc:** Dennis Holt ; Lynne Travis ; Asia Ellington ; David Samford ; Evan Buckley (michaelevanshinebuckley@gmail.com)  
**Subject:** RE: South Kentucky Question

I am unavailable on Friday; however, I can probably work it out for either David or Evan to participate on Friday.  
I can be on a call first thing Monday morning until 10 am, then must catch a flight home. I am available all day on Tuesday.



**Mark David Goss**

2365 Harrodsburg Road, Suite B-325  
Lexington, Kentucky 40504  
(859) 368-7740 (o)  
(859) 351-2776 (c)  
[www.gosssamfordlaw.com](http://www.gosssamfordlaw.com)

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**From:** Carter Babbit [mailto:[Carter.Babbit@enervision-inc.com](mailto:Carter.Babbit@enervision-inc.com)]  
**Sent:** Wednesday, November 15, 2017 9:03 AM  
**To:** Mark David Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; 'David Crews' <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)>; Lynne Travis <[Lynne.Travis@enervision-inc.com](mailto:Lynne.Travis@enervision-inc.com)>; Asia Ellington <[Asia.Ellington@enervision-inc.com](mailto:Asia.Ellington@enervision-inc.com)>  
**Subject:** Re: South Kentucky Question

Unfortunately my travel and meetings makes a call difficult today and tomorrow. I can make a call Friday after 10:00 or any time on Monday.  
Thanks,  
Carter

----- Original message -----  
**From:** Mark David Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>  
**Date:** 11/15/17 5:55 AM (GMT-08:00)  
**To:** 'David Crews' <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>, Carter Babbit <[Carter.Babbit@enervision-inc.com](mailto:Carter.Babbit@enervision-inc.com)>  
**Cc:** Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)>, Lynne Travis <[Lynne.Travis@enervision-inc.com](mailto:Lynne.Travis@enervision-inc.com)>, Asia Ellington <[Asia.Ellington@enervision-inc.com](mailto:Asia.Ellington@enervision-inc.com)>  
**Subject:** RE: South Kentucky Question  
I can make myself available for a call today anytime before 1 pm or tomorrow before 3 pm.





the power provider and send out a call in number. Please let me know what time would work best for you.

Thank you,

Carter Babbit

**Carter Babbit** Vice President, Power Supply

T (878) 810-2917 | C (404) 216-3863 | (888) 999-8840

[carter.babbit@enervision-inc.com](mailto:carter.babbit@enervision-inc.com) | [www.enervision-inc.com](http://www.enervision-inc.com)

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4170 Ashford Dunwoody Road | Suite 550 | Atlanta, GA 30319

**Delivering results to help you succeed!**

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**From:** [David Crews](#)  
**To:** [Dennis Holt](#); ["Mark David Goss"](#)  
**Subject:** EKPC Alternat Source Notice (002)  
**Date:** Thursday, November 23, 2017 11:00:16 PM  
**Attachments:** [EKPC Alternat Source Notice \(002\).doc](#)

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My comments on the notice. Call me Monday to discuss. Without a firm contract at this point, I think the best option is to point to PJM as the Power Supply. PJM will be part of the power supply regardless of the supplier.

Dennis Holt  
Interim CEO  
Phone (606) 6784121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

November 10, 2017

Mr. Anthony S. Campbell  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement Regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including South Kentucky, dated July 15, 2015 ("MOU"), South Kentucky does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

According to the provisions of Section 4(A) of the MOU there are five (5) primary procedures and requirements for the content of this notice; in compliance with these provisions, South Kentucky provides the required information with respect to its Alternate Source election immediately following each listed item.

*(i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to supply reduce 58 MWs of South Kentucky's outside the purchases from EKPC under the Wholesale Power Contract for a term of [ ] years commencing at 12:00 a.m. (EST) on June 1, 2019.**

*(ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 58,000 kW.**

(iii) *a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

**The Alternate Source shall be in the form of ~~a Purchase Power Agreement between of~~ South Kentucky RECC becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market. ~~to be delivered to the East Kentucky Hub of the PJM Market.~~**

(iv) *the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC*

**As stated, the Alternate Source will supply the contracted capacity amount all hours of each year of the [\_\_\_\_\_] year term, by purchasing the required power from the PJM wholesale marketplace, ~~or other recognized wholesale marketplaces.~~**

(v) *a designation of whether the Alternate Source will be:*

(a) *interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*

(b) *interconnected or delivered to EKPC's or another entity's transmission system;*  
*or*

(c) *interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

**The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.**

South Kentucky remains proud to be an Owner-Member of EKPC and looks forward to working with its leadership and others in effectuating the terms of the Wholesale Power Agreement, as amended, and the MOU.

I appreciate your time and attention to this matter, and please do not hesitate to contact me with any questions or concerns.

Sincerely Yours,

Dennis Holt  
Interim President and  
Chief Executive Officer  
South Kentucky Rural  
Electric Cooperative Corporation



**From:** [David Crews](#)  
**To:** [Mark David Goss](#)  
**Cc:** [Dennis Holt](#)  
**Subject:** Re: EKPC Alternat Source Notice (002)  
**Date:** Friday, November 24, 2017 9:38:28 AM  
**Attachments:** [image001.png](#)

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I have no problem with MD's edit.

Sent from my iPhone

On Nov 24, 2017, at 8:07 AM, Mark David Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)> wrote:

We can speak Monday as you suggest. Regarding (i) from a quick read, I believe there may be a phrase missing from David's language and I suggest it should say something like:

"The Alternate Source (which is further described below) will be used to supply 58 MW's of South Kentucky's power requirements outside of and separate from the Wholesale Power contract between South Kentucky and EKPC for a term...etc...."

**From:** David Crews [<mailto:David.Crews@ekpc.coop>]

**Sent:** Thursday, November 23, 2017 11:00 PM

**To:** Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)>; Mark David Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>

**Subject:** EKPC Alternat Source Notice (002)

My comments on the notice. Call me Monday to discuss. Without a firm contract at this point, I think the best option is to point to PJM as the Power Supply. PJM will be part of the power supply regardless of the supplier.

**From:** [Dennis Holt](#)  
**To:** [Mark D. Goss](#); [David Crews](#)  
**Subject:** Updated Amendment Three Notice  
**Date:** Monday, November 27, 2017 3:46:12 PM  
**Attachments:** [EKPC Alternate Source Notice.doc](#)

---

David,  
Attached is the final draft of the EKPC notice for exercising our Amendment 3.  
Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

Dennis Holt  
Interim CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

November 28, 2017

Mr. Anthony S. Campbell  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement Regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including South Kentucky, dated July 15, 2015 ("MOU"), South Kentucky does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

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*(i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to supply 58 MW's of South Kentucky's power requirements outside of and separate from the Wholesale Power contract between South Kentucky RECC and East Kentucky Power Cooperative for a term of 20 years commencing at 12:00 a.m. (EST) on June 1, 2019.**

*(ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by*

*EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 58,000 kW.**

*(iii) a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

**The Alternate Source shall be in the form of South Kentucky RECC becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market.**

*(iv) the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC*

**The Alternate Source will supply the 58,000 KW of energy all hours of each year of the 20 year term, by purchasing same from the PJM wholesale market.**

*(v) a designation of whether the Alternate Source will be:*

*(a) interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*

*(b) interconnected or delivered to EKPC's or another entity's transmission system;  
or*

*(c) interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

**The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.**

South Kentucky remains proud to be an Owner-Member of EKPC and looks forward to working with its leadership and others in effectuating the terms of the Wholesale Power Agreement, as amended, and the MOU.

I appreciate your time and attention to this matter, and please do not hesitate to contact me with any questions or concerns.

Sincerely Yours,

Dennis Holt  
Interim President and  
Chief Executive Officer  
South Kentucky Rural  
Electric Cooperative Corporation

**From:** [David Crews](#)  
**To:** ["Dennis Holt"](#); Mark D. Goss  
**Subject:** RE: Updated Amendment Three Notice  
**Date:** Monday, November 27, 2017 4:58:32 PM

---

Received.

I will go over it and have Sherman look at it again as well.

**From:** Dennis Holt [mailto:[dholt@skrecc.com](mailto:dholt@skrecc.com)]  
**Sent:** Monday, November 27, 2017 3:46 PM  
**To:** Mark D. Goss ; David Crews  
**Subject:** Updated Amendment Three Notice

David,

Attached is the final draft of the EKPC notice for exercising our Amendment 3.

Dennis Holt

Interim CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

Dennis Holt  
Interim CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

November 28, 2017

Mr. Anthony S. Campbell  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement Regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including South Kentucky, dated July 15, 2015 ("MOU"), South Kentucky does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

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**The Alternate Source (which is further described below) will be used to supply 58 MW's of South Kentucky's power requirements outside of and separate from the Wholesale Power contract between South Kentucky RECC and East Kentucky Power Cooperative for a term of 20 years commencing at 12:00 a.m. (EST) on June 1, 2019.**

*(ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by*

*EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 58,000 kW.**

*(iii) a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

**The Alternate Source shall be in the form of South Kentucky RECC becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market.**

*(iv) the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC*

**The Alternate Source will supply the 58,000 KW of energy all hours of each year of the 20 year term, by purchasing same from the PJM wholesale market.**

*(v) a designation of whether the Alternate Source will be:*

*(a) interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*

*(b) interconnected or delivered to EKPC's or another entity's transmission system;  
or*

*(c) interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

**The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.**



South Kentucky remains proud to be an Owner-Member of EKPC and looks forward to working with its leadership and others in effectuating the terms of the Wholesale Power Agreement, as amended, and the MOU.

I appreciate your time and attention to this matter, and please do not hesitate to contact me with any questions or concerns.

Sincerely Yours,

Dennis Holt  
Interim President and  
Chief Executive Officer  
South Kentucky Rural  
Electric Cooperative Corporation



**From:** [Dennis Holt](#)  
**To:** [David Crews](#); [Mark D. Goss](#)  
**Subject:** RE: Updated Amendment Three Notice  
**Date:** Monday, November 27, 2017 7:09:51 PM

---

Thanks David  
Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**From:** David Crews [mailto:David.Crews@ekpc.coop]  
**Sent:** Monday, November 27, 2017 4:59 PM  
**To:** Dennis Holt ; Mark D. Goss  
**Subject:** RE: Updated Amendment Three Notice  
Received.

I will go over it and have Sherman look at it again as well.

**From:** Dennis Holt [<mailto:dholt@skrecc.com>]  
**Sent:** Monday, November 27, 2017 3:46 PM  
**To:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Updated Amendment Three Notice

David,  
Attached is the final draft of the EKPC notice for exercising our Amendment 3.  
Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**From:** [Dennis Holt](#)  
**To:** [David Crews](#)  
**Cc:** [Mark D. Goss](#)  
**Subject:** Agent Services  
**Date:** Thursday, November 30, 2017 4:12:42 PM

---

David,

Thank you for your assistance it is greatly appreciated.

I do need to confirm the services that will be provided by EKPC. We need to spell out in the contract what the services that we expect Morgan Stanley to provide. It is my understanding that EKPC will act on South Kentucky's behalf and manage the ARR's and FTR's as well as obtain the network integration transmission service (NITS). In addition I believe EKPC will confirm the schedules with Morgan Stanley and manage the PJM settlements.

South Kentucky will become a PJM member and will establish a Wholesale Load Responsibility. We then will perform a financial capacity swap with Morgan Stanley and will pay Morgan Stanley if the Resource Clearing Price for the RTO LDA from the Base Residual Auction clears lower than the price in the Morgan Stanley Contract.

Morgan Stanley is willing to do whatever they need to on their end but we need verification from East Kentucky on the services they plan to provide.

Dennis Holt

Interim CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

**From:** [David Smart](#)  
**To:** ["Mark David Goss"](#)  
**Cc:** [David Crews](#)  
**Subject:** RE: Agent Services  
**Date:** Thursday, November 30, 2017 5:09:35 PM

---

Let's do 11. Thanks

**From:** Mark David Goss [mailto:[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)]  
**Sent:** Thursday, November 30, 2017 5:07 PM  
**To:** David Smart  
**Cc:** David Crews  
**Subject:** Re: Agent Services  
Absolutely. I can do so @ your all's convenience. Just let me know.

Sent from MDG's iPhone

On Nov 30, 2017, at 4:59 PM, David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)> wrote:

Mark David,  
Do you have a minute tomorrow morning to talk about this? Thanks,  
David

**From:** David Crews  
**Sent:** Thursday, November 30, 2017 4:57 PM  
**To:** 'Dennis Holt' <[dholt@skrecc.com](mailto:dholt@skrecc.com)>  
**Cc:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>  
**Subject:** RE: Agent Services

This is going to be dry so don't take the wrong way.

The notice is for a PJM power supply. As your agent to manage your load in PJM, EKPC will manage all the physical aspects of your load in PJM. We will also receive and verify the monthly PJM settlement. We will provide you with a bill from PJM in your name that has been verified. We will also manage at your direction your ARR's and FTR's. We can assist in you in the process of joining PJM but I would expect your consultant to perform much of this work. We can also assist in your efforts to obtain NITs service from PJM. I think you will find that PJM is most helpful with these details. At this point, the understanding I have of your contract with MS is tangential at best. If you would like EKPC to help you with your settlements with MS, we can discuss it. I don't believe EKPC's participation in this type of settlement was contemplated in the MOU.

Given you are taking a 100% load factor block of 58 MWs for every hour of everyday, I don't know that there is much to verify on the day ahead schedule beyond that we have done it. We will be happy to provide you or MS with a file that shows the day ahead schedule of the 58 MW load.

You are the first member to go down this path. There will be a number of details that need to be worked out and EKPC and SK will likely need an some sort of agency agreement to capture all the details.

**From:** Dennis Holt [<mailto:dholt@skrecc.com>]  
**Sent:** Thursday, November 30, 2017 4:13 PM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Cc:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>  
**Subject:** Agent Services

David,

Thank you for your assistance it is greatly appreciated.

I do need to confirm the services that will be provided by EKPC. We need to spell out in the contract what the services that we expect Morgan Stanley to provide. It is my understanding that EKPC will act on South Kentucky's behalf and manage the ARR's and FTR's as well as obtain the network integration transmission service (NITS). In addition I believe EKPC will confirm the schedules with Morgan Stanley and manage the PJM settlements.

South Kentucky will become a PJM member and will establish a Wholesale Load Responsibility. We then will perform a financial capacity swap with Morgan Stanley and will pay Morgan Stanley if the Resource Clearing Price for the RTO LDA from the Base Residual Auction clears lower than the price in the Morgan Stanley Contract. Morgan Stanley is willing to do whatever they need to on their end but we need verification from East Kentucky on the services they plan to provide.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**From:** [Dennis Holt](#)  
**To:** [David Crews](#)  
**Cc:** [Mark D. Goss](#); [David Smart](#)  
**Subject:** RE: Agent Services  
**Date:** Thursday, November 30, 2017 7:02:53 PM

---

Thanks David, this helps clarify and we greatly appreciate your assistance.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**From:** David Crews [mailto:David.Crews@ekpc.coop]  
**Sent:** Thursday, November 30, 2017 4:57 PM  
**To:** Dennis Holt  
**Cc:** Mark D. Goss ; David Smart  
**Subject:** RE: Agent Services

This is going to be dry so don't take the wrong way.

The notice is for a PJM power supply. As your agent to manage your load in PJM, EKPC will manage all the physical aspects of your load in PJM. We will also receive and verify the monthly PJM settlement. We will provide you with a bill from PJM in your name that has been verified. We will also manage at your direction your ARR's and FTR's.

We can assist in you in the process of joining PJM but I would expect your consultant to perform much of this work. We can also assist in your efforts to obtain NITs service from PJM. I think you will find that PJM is most helpful with these details.

At this point, the understanding I have of your contract with MS is tangential at best. If you would like EKPC to help you with your settlements with MS, we can discuss it. I don't believe EKPC's participation in this type of settlement was contemplated in the MOU.

Given you are taking a 100% load factor block of 58 MWs for every hour of everyday, I don't know that there is much to verify on the day ahead schedule beyond that we have done it. We will be happy to provide you or MS with a file that shows the day ahead schedule of the 58 MW load.

You are the first member to go down this path. There will be a number of details that need to be worked out and EKPC and SK will likely need an some sort of agency agreement to capture all the details.

**From:** Dennis Holt [mailto:dholt@skrecc.com]  
**Sent:** Thursday, November 30, 2017 4:13 PM  
**To:** David Crews <David.Crews@ekpc.coop>  
**Cc:** Mark D. Goss <mdgoss@gosssamfordlaw.com>  
**Subject:** Agent Services

David,

Thank you for your assistance it is greatly appreciated.

I do need to confirm the services that will be provided by EKPC. We need to spell out in the contract what the services that we expect Morgan Stanley to provide. It is my understanding that EKPC will act on South Kentucky's behalf and manage the ARR's and FTR's as well as obtain the network integration transmission service (NITS). In addition I believe EKPC will confirm the schedules with

Morgan Stanley and manage the PJM settlements.

South Kentucky will become a PJM member and will establish a Wholesale Load Responsibility. We then will perform a financial capacity swap with Morgan Stanley and will pay Morgan Stanley if the Resource Clearing Price for the RTO LDA from the Base Residual Auction clears lower than the price in the Morgan Stanley Contract.

Morgan Stanley is willing to do whatever they need to on their end but we need verification from East Kentucky on the services they plan to provide.

Dennis Holt

Interim CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555



**From:** [David Crews](#)  
**To:** [Dennis Holt](#)  
**Subject:** Re: EKPC Management Fee  
**Date:** Tuesday, October 31, 2017 2:17:41 PM

---

The admin fee in the proposed in the new cogen. tariff is what we would charge to manage your contract in PJM. While its not approved yet the methodology for the .0008 would be the same. You can use the .0008.

Sent from my iPhone

On Oct 31, 2017, at 2:03 PM, Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)> wrote:

David,

As EnerVision is reviewing the proposals one of the questions that has arisen is the cost of EKPC's Management Fee. Somewhere the statement was made that it would be the same as the Co-Gen Tairff. The current Co-Gen Tariff does not address Management Fees; however, the one currently at the PSC for approval does list \$0.0008 per kWh as the fee. Is this the fee that is being referred to, as it will not be in place until the PSC approves the updated Co-Gen Tariff?

Dennis Holt

V.P. of Engineering and Operations

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

**From:** [David Crews](#)  
**To:** ["Dennis Holt"](#)  
**Subject:** RE: Amendment Three Notice  
**Date:** Friday, November 10, 2017 4:34:25 PM

---

Thanks Dennis. I have taken a look at it.

I am glad to see you are taking delivery at EKPC. I think its probably more appropriate to characterize it as the EKPC LMP than the EKPC hub.

I also think that we should probably name PJM as the supplier rather than the PPA.

Let's discuss during a break next Monday or Tuesday.

Is it ok to discuss with MD?

**From:** Dennis Holt [mailto:[dholt@skrecc.com](mailto:dholt@skrecc.com)]

**Sent:** Friday, November 10, 2017 3:34 PM

**To:** David Crews

**Subject:** Amendment Three Notice

David,

Thanks so much for your assistance. Attached is a **DRAFT** Notice to EKPC of our Amendment 3 election. Please review it and make any changes you see necessary. We will fill in the blanks and forward as soon as we have reached a final agreement with the supplier. I told you earlier that we have narrowed the list to two suppliers. We have signed confidentiality agreements with both firms until the final agreement is reached.

Thanks again for your assistance, it is greatly appreciated.

Dennis Holt

Interim CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

**From:** [David Crews](#)  
**To:** [Dennis Holt](#)  
**Subject:** Re: Amendment Three Notification  
**Date:** Wednesday, November 22, 2017 9:33:50 AM

---

Will do.

Sent from my iPhone

On Nov 21, 2017, at 7:21 PM, Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)> wrote:

David,

Did you get an opportunity to complete your revisions to the Amendment Three Notification? I would like to move forward soon and if you could please send me your redlined version with the desired description I would greatly appreciate it.

Dennis Holt

Interim CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

Dennis Holt  
Interim CEO  
Phone (606) 6784121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

November 10, 2017

Mr. Anthony S. Campbell  
President and Chief Executive Officer  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement Regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including South Kentucky, dated July 15, 2015 ("MOU"), South Kentucky does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

According to the provisions of Section 4(A) of the MOU there are five (5) primary procedures and requirements for the content of this notice; in compliance with these provisions, South Kentucky provides the required information with respect to its Alternate Source election immediately following each listed item.

*(i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party)*

**The Alternate Source (which is further described below) will be used to supply reduce 58 MWs of South Kentucky's outside the purchases from EKPC under the Wholesale Power Contract for a term of [ ] years commencing at 12:00 a.m. (EST) on June 1, 2019.**

*(ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any*

**The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 58,000 kW.**

(iii) *a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced*

**The Alternate Source shall be in the form of a ~~Purchase Power Agreement between of South Kentucky RECC becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM market.~~ \_\_\_\_\_ to be delivered to the East Kentucky Hub of the PJM Market.**

(iv) *the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC*

**As stated, the Alternate Source will supply the contracted capacity amount all hours of each year of the [ ] year term, by purchasing the required power from the PJM wholesale marketplace, ~~or other recognized wholesale marketplaces.~~**

(v) *a designation of whether the Alternate Source will be:*

(a) *interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;*

(b) *interconnected or delivered to EKPC's or another entity's transmission system;*  
*or*

(c) *interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.*

**The Alternate Source will be: (b) interconnected or delivered to EKPC's or another entity's transmission system.**

South Kentucky remains proud to be an Owner-Member of EKPC and looks forward to working with its leadership and others in effectuating the terms of the Wholesale Power Agreement, as amended, and the MOU.

I appreciate your time and attention to this matter, and please do not hesitate to contact me with any questions or concerns.

Sincerely Yours,

Dennis Holt  
Interim President and  
Chief Executive Officer  
South Kentucky Rural  
Electric Cooperative Corporation

**From:** [Dennis Holt](#)  
**To:** [Tony Campbell](#)  
**Cc:** [Don Mosier](#); [Mike McNalley](#); [David Smart](#); [David Crews](#); [Terri Combs](#); [Joe Spalding](#)  
**Subject:** RE: MOU 58 MW Request  
**Date:** Tuesday, November 28, 2017 6:44:47 PM  
**Attachments:** [image002.png](#)

---

Thanks so much Tony.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**From:** Tony Campbell [mailto:tony.campbell@ekpc.coop]  
**Sent:** Tuesday, November 28, 2017 2:21 PM  
**To:** Dennis Holt  
**Cc:** Don Mosier ; Mike McNalley ; David Smart ; David Crews ; Terri Combs ; Joe Spalding  
**Subject:** RE: MOU 58 MW Request  
**Importance:** High

Dennis,

This e-mail should serve as my notice of receipt of your MOU 58 MW request. Your request will be taken to the December board meeting as information. Then in February we will take have it on the agenda for approval. As always, if EKPC can be of assistance please let us know.

*Regards,*

*Anthony "Tony" Campbell*

*President and CEO*

*Phone: 859-745-9313*

*Fax: 859-744-7053*



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**From:** [Dennis Holt](#)  
**To:** [David Crews](#)  
**Subject:** RE: PNode  
**Date:** Thursday, November 30, 2017 3:55:11 PM

---

Yes, this is what the consultant had in the contract. We were just double checking with EKPC to verify it was correct.

Dennis Holt  
Interim CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

**From:** David Crews [mailto:David.Crews@ekpc.coop]  
**Sent:** Thursday, November 30, 2017 3:41 PM  
**To:** Dennis Holt  
**Subject:** FW: PNode

I had Julie confirm the Pnode ID.

You should confirm this with your consultant and and rely on him for this type of informantion necessary for your contract.

**From:** Julie Tucker  
**Sent:** Thursday, November 30, 2017 3:04 PM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** PNode  
PNode ID 1127872598 is the EKPC Resid Agg node.  
This is the node for EKPC's load price.  
Let me know if you have additional questions.  
Julie



**From:** [Dennis Holt](#)  
**To:** [David Crews](#)  
**Subject:** Agent Letter  
**Date:** Wednesday, January 31, 2018 5:33:37 PM  
**Attachments:** [David Crews Letter.doc](#)

---

David,

I apologize for not getting this to you yesterday. It was my intent but I became involved in a couple of issues late yesterday that took significant time.

Attached is a letter stating EKPC will be our Agent for the PJM market. I will have Amy mail the original to you tomorrow.

Also, let me know if you need the wording changed and I will gladly do so.

Dennis Holt

President & CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

Dennis Holt  
President & CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

January 30, 2018

Mr. David Crews  
Senior Vice President of Power Supply  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Crews,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement, dated July 15, 2015 ("MOU"), South Kentucky does hereby request that East Kentucky Power become our "Agent" for physical power purchases from the PJM Interconnection Regional Transmission Organization (RTO).

South Kentucky confirms that as our Agent East Kentucky Power shall manage not only the physical aspects of our purchases on the PJM Market but also the financial portion of these same purchases.

Sincerely Yours,

Dennis Holt  
President & CEO  
South Kentucky RECC  
200 Electric Avenue  
Somerset, Kentucky 42503

**From:** [Dennis Holt](#)  
**To:** [David Crews](#)  
**Subject:** Agent Letter  
**Date:** Wednesday, January 31, 2018 5:34:38 PM  
**Attachments:** [DOC013118-01312018172143.pdf](#)

---

David,  
Sorry the previous letter was not signed. Here is a signed copy.  
Dennis Holt  
President & CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

Dennis Holt  
President & CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

January 30, 2018

Mr. David Crews  
Senior Vice President of Power Supply  
East Kentucky Power Cooperative, Inc.  
4775 Lexington Road  
P.O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Crews,

Pursuant to the provisions of Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") dated November 13, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement, dated July 15, 2015 ("MOU"), South Kentucky does hereby request that East Kentucky Power become our "Agent" for physical power purchases from the PJM Interconnection Regional Transmission Organization (RTO).

South Kentucky confirms that as our Agent East Kentucky Power shall manage not only the physical aspects of our purchases on the PJM Market but also the financial portion of these same purchases.

Sincerely Yours,

A handwritten signature in black ink that reads "Dennis Holt". The signature is written in a cursive style with a large initial "D" and "H".

Dennis Holt  
President & CEO  
South Kentucky RECC  
200 Electric Avenue  
Somerset, Kentucky 42503

**From:** [David Crews](#)  
**To:** [Dennis Holt](#)  
**Subject:** Re: Agent Letter  
**Date:** Wednesday, January 31, 2018 8:54:37 PM

---

Thanks Dennis.

This will be helpful sad we work with PJM to set things up for your physical purchase.

Sent from my iPhone

On Jan 31, 2018, at 5:33 PM, Dennis Holt <[dholt@skrecc.com](mailto:dholt@skrecc.com)> wrote:

David,

I apologize for not getting this to you yesterday. It was my intent but I became involved in a couple of issues late yesterday that took significant time.

Attached is a letter stating EKPC will be our Agent for the PJM market. I will have Amy mail the original to you tomorrow.

Also, let me know if you need the wording changed and I will gladly do so.

Dennis Holt

President & CEO

South Kentucky RECC

Somerset, Kentucky 42503

Phone 606-678-4121

Cell 606-872-3555

**From:** [David Crews](#)  
**To:** [Barry Myers](#); [Bill Prather](#); [Bobby Sexton](#); [Carol Fraley](#); [Carol Wright - Jackson Energy](#); [Chris Brewer - Clark Energy](#); [Debbie Martin](#); [Dennis Holt](#); [Jerry Carter](#); [Joni Hazelrigg](#); [Kerry Howard](#); [Mark Stallons](#); [Mickey Miller](#); [Mike Williams](#); [Ted Hampton](#); [Tim Sharp - Salt River Electric](#)  
**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx  
**Date:** Wednesday, February 7, 2018 4:04:53 PM  
**Attachments:** [Amendment 3 Allotment Jan 2018 for distribution.xlsx](#)

---

This is the spreadsheet updated with notices received today.

**A3 Allotments, Based on Data Through January 2018**

Owner-Member Cooperative	Owner-Member Peak (MW)			Average	5% Election	15% Election
	Feb 2015- Jan 2016	Feb 2016- Jan 2017	Feb 2017- Jan 2018			
	Big Sandy	89.5	58.8			
Blue Grass	410.9	324.4	383.2	372.8	18.6	55.9
Clark	154.0	113.6	140.1	135.9	6.8	20.4
Cumberland Valley	158.3	110.0	141.3	136.5	6.8	20.5
Farmers	136.8	115.9	138.4	130.3	6.5	19.6
Fleming Mason	198.0	179.7	189.1	188.9	9.4	28.3
Grayson	85.2	58.3	72.7	72.1	3.6	10.8
Inter-County	171.1	134.4	158.6	154.7	7.7	23.2
Jackson	327.7	232.2	293.6	284.5	14.2	42.7
Licking Valley	88.6	60.6	76.6	75.3	3.8	11.3
Nolin	230.4	199.1	216.1	215.2	10.8	32.3
Owen	430.9	401.5	447.5	426.6	21.3	64.0
Salt River	316.1	262.0	306.4	294.8	14.7	44.2
Shelby	120.5	101.6	113.9	112.0	5.6	16.8
South Kentucky	458.9	353.4	426.2	412.9	20.6	61.9
Taylor	160.2	139.1	157.0	152.1	7.6	22.8
<b>Total</b>	<b>3,537.0</b>	<b>2,844.5</b>	<b>3,335.0</b>	<b>3,238.8</b>	<b>161.9</b>	

**From:** [David Crews](#)  
**To:** [Barry Myers](#); [Bill Prather](#); [Bobby Sexton](#); [Carol Fraley](#); [Carol Wright - Jackson Energy](#); [Chris Brewer - Clark Energy](#); [Debbie Martin](#); [Dennis Holt](#); [Jerry Carter](#); [Joni Hazelrigg](#); [Kerry Howard](#); [Mark Stallons](#); [Mickey Miller](#); [Mike Williams](#); [Ted Hampton](#); [Tim Sharp - Salt River Electric](#)  
**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx  
**Date:** Wednesday, February 7, 2018 4:04:53 PM  
**Attachments:** [Amendment 3 Allotment Jan 2018 for distribution.xlsx](#)

---

This is the spreadsheet updated with notices received today.



**From:** [Jerry Carter](#)  
**To:** [David Crews](#)  
**Cc:** [Tony Campbell](#); [Joe Spalding](#)  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx  
**Date:** Thursday, February 8, 2018 10:12:42 AM

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David,

Thank you for the update.

Please do not mistake my silence on this issue as one of disregard or apathy. I understand the issue of South Kentucky's intention to go around EKPC and purchase from the market and the effect it will have on the membership of Inter-County Energy. It is my opinion that the balance what is left in Amendment 3 after allowing for South Kentucky's allotment should be managed by EKPC for the other fifteen member-owner cooperatives.

Jerry W. Carter

**From:** David Crews [mailto:David.Crews@ekpc.coop]

**Sent:** Wednesday, February 7, 2018 4:05 PM

**To:** Barry Myers ; Bill Prather ; Bobby Sexton ; Carol Fraley ; Carol Wright - Jackson Energy ; Chris Brewer - Clark Energy ; Debbie Martin ; Dennis Holt ; Jerry Carter ; Joni Hazelrigg ; Kerry Howard ; Mark Stallons ; Mickey Miller ; Mike Williams ; Ted Hampton ; Tim Sharp - Salt River Electric

**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

This is the spreadsheet updated with notices received today.

**From:** Dennis Holt  
**To:** [bsexton@bigandyrecc.com](mailto:bsexton@bigandyrecc.com); [Mike Williams \(mikew@bgenenergy.com\)](mailto:Mike.Williams@mikew@bgenenergy.com); CHRIS BREWER ([cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)) ([cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)); [ted.hampton@cumberlandvalley.coop](mailto:ted.hampton@cumberlandvalley.coop); [jhazelrigg@fme.coop](mailto:jhazelrigg@fme.coop); [carol.fraley@graysonrecc.com](mailto:carol.fraley@graysonrecc.com); [jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net); [carolwright@jacksonenergy.com](mailto:carolwright@jacksonenergy.com); [kxhoward@lyrecc.com](mailto:kxhoward@lyrecc.com); [mmiller@nolinrecc.com](mailto:mmiller@nolinrecc.com); [debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com); [bmyers@tcrecc.com](mailto:bmyers@tcrecc.com); [Tony Campbell](#); [Don Mosler](#); [Mike McNailey](#); [David Crews](#); [Mark Stallons](#); [Bill Frather](#); [Tim Sharp](#)  
**Subject:** EKPC Amendment Three  
**Date:** Monday, February 12, 2018 7:25:38 AM  
**Attachments:** [DOC021218-02122018072337.pdf](#)

---

In advance of tomorrow's EKPC Board Meeting I am sending the attached letter for your review.  
I look forward to seeing everyone at tomorrow's meeting.

Dennis Holt  
President & CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555

Dennis Holt  
President & CEO  
Phone (606) 678-4121



200 Electric Avenue  
P. O. Box 910  
Somerset KY 42502

February 12, 2018

Dear Fellow Managers,

As you are all aware South Kentucky gave notice to East Kentucky Power (EKPC) on November 28, 2017 to exercise our Amendment Three Privileges. South Kentucky is aware of the concerns of other EKPC Member Cooperatives that the cumulative effect of all Amendment Three elections could be significant cost-shifting between and among us. Because of South Kentucky's recognition of this fact we are willing to work with the other distribution cooperatives to help mitigate these concerns.

South Kentucky has contracted with Morgan Stanley for a 58 Megawatt fixed energy product, and a 68 Megawatt Financial Capacity Hedge product. While South Kentucky remains obligated under this contract to take 58 Megawatts from Morgan Stanley, we are open to reasonable options to reduce the impact on the other distribution cooperatives.

During the due diligence phase of this transaction leading up to our Amendment Three notification to EKPC we have been very careful to meet all legal requirements outlined in Amendment Three and the corresponding Memorandum of Understanding agreed to by all of us, and approved by the Kentucky Public Service Commission. However, South Kentucky values its relationship to each of its sister cooperatives too much to allow disunity at EKPC. Because of this, at its recent monthly meeting, South Kentucky's Board of Directors voted and directed me to investigate ways in which we can reduce our election of 15% by 1/3, to a 10% election instead.

I am sure each of you understands that South Kentucky cannot now directly reduce the amount of power being procured in the contract with Morgan Stanley due to contractual obligations; however, we believe there may be other ways to transfer and/or assign a portion of our contracted amount so as to benefit other cooperatives and flatten out the effect of cost-shifting. We will all probably need EKPC's expertise in determining ways to achieve this transfer and/or assignment.

South Kentucky has expended significant expense in staff time, consultants and attorneys to reach this point in the process. We would hope that whoever ultimately benefits from

this transfer will recognize this fact and South Kentucky would expect some reasonable mitigation of its financial outlay from the participant(s).

South Kentucky stands ready to work with our sister distribution cooperatives to develop a plan to achieve the objective of mitigation of cost-shifting to the degree possible. I'm sure that we will all need to rely on EKPC's assistance as we move forward to accomplish this goal.

We can discuss this matter in greater detail at tomorrow's EKPC Board of Directors meeting.

Sincerely Yours,

A handwritten signature in cursive script that reads "Dennis Holt".

Dennis Holt  
President & CEO  
South Kentucky RECC  
200 Electric Avenue  
Somerset, Kentucky 42503

**Gwyn Willoughby**

---

**From:** Terri Combs  
**Sent:** Wednesday, February 28, 2018 11:13 AM  
**To:** Joe Spalding, Inter-County Energy; Bill Shearer; Landis Cornett (ekpc@landiscornett.com); Chris Brewer; mstallons@owenelectric.com; Mike Williams (mikew@bgenergy.com); Tim Sharp; 'Bill Prather'; jmiller@smsmlaw.com; James Crawford (jcrawford@cbkylaw.com); Mike Sullivan (msullivan@smlegal.com); DAVID ROYSE (david@rrrfirm.com)  
**Cc:** Tony Campbell; David Smart; Mike McNalley; Don Mosier; David Crews; Roger Cowden  
**Subject:** MOU Update Meeting/Conference Call

Gentlemen,

I am sending this message on behalf of Chairman Spalding and CEO Tony Campbell. They want to host a meeting (or conference call) on Friday afternoon, March 2, 2018, at 2:00 p.m. in the Executive Conference Room at EKPC. You are welcome to attend in person or participate via conference call.

Please let me know at your earliest convenience your availability, and how you plan to participate. Also, please note that I have included four additional attorneys who were on a conference call Tuesday and are representing the Owner-Member Systems, as they want to participate in this Committee update meeting. An Outlook meeting invitation will be sent out that will include the conference call/dial in information.

Should you need any further information, please feel free to contact me.

Regards,

Terri K. Combs  
Executive Assistant/Paralegal  
*Office of the President & CEO*  
East Kentucky Power Cooperative, Inc.  
PO Box 707  
Winchester, KY 40392-0707  
859-745-9314  
[Terri.combs@ekpc.coop](mailto:Terri.combs@ekpc.coop)



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**Gwyn Willoughby**

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**From:** Bill Prather <bprather@farmersrecc.net>  
**Sent:** Thursday, February 22, 2018 9:23 AM  
**To:** Tony Campbell  
**Cc:** Joe Spalding  
**Subject:** Re: South Kentucky Committee

Tony,

O.k. I just did not want to be perceived as pushing my way in.

I would like to talk with you all sometime, privately. I've heard comments expressed by a couple of managers that you should be aware of. I think the comments have merit, if they are presented and discussed in a productive and positive manner. However, sometimes that doesn't happen. This is a critical situation and if ever there was a time for all ideas and concerns to be out on the tabletop for logical and non-emotional discussion, it is now.

Bill

On Thu, Feb 22, 2018 at 8:13 AM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Good morning Bill,

Joe and I spoke about your e-mail this morning. We both think you bring a lot to the discussion, and we both would like to keep you on this committee. Thank you for volunteering!!

On another note: I fear we may have some people, in our organizations, who may not appreciate the cooperative principles. While we may not always agree on everything, I know I can always count on you to fight for cooperative principles!! Thanks Bill

*Regards,*

*Anthony "Tony" Campbell*

*President and CEO*

*Phone: [859-745-9313](tel:859-745-9313)*

*Fax: [859-744-7053](tel:859-744-7053)*



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**From:** Bill Prather [mailto:[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)]  
**Sent:** Wednesday, February 21, 2018 4:20 PM  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Joe Spalding <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>  
**Subject:** South Kentucky Committee

Tony and Joe,

I appreciate being invited to the two phone conferences this past week. However, I did not ask, nor was I put on this committee at the start.

I'll be happy to continue to participate, however, I don't want to "horn in". I'll leave it up to you to make that decision. I don't want to mess up the combination/mix of directors and CEOs. Just let me know. I'm fine either way!!

Thank you.

Bill

--

**William T. Prather**  
President/CEO  
Farmers Rural Electric Cooperative Corporation  
[504 South Broadway](http://504 South Broadway)

[Glasgow, Kentucky 42141](http://Glasgow, Kentucky 42141)  
[270-651-2191, ext. 8300](tel:270-651-2191)  
[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)



--  
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President/CEO

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504 South Broadway  
Glasgow, Kentucky 42141  
270-651-2191, ext. 8300  
[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)





## Gwyn Willoughby

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**From:** Jerry Carter <jerry@intercountyenergy.net>  
**Sent:** Tuesday, February 20, 2018 9:56 AM  
**To:** Tony Campbell  
**Subject:** RE: EKPC Board Resolution

Good Morning Tony,

I should have more succinct in email from yesterday. My questions concerning the EKPC resolution were about my Plan B options so that I may fully realize its impact if it comes to that. Our Plan A is to get the PSC to deny South Kentucky's PPA with Morgan Stanley through intervention at the PSC and then for the distribution cooperatives to either agree to modify or possibly kill the Amendment 3 MOU.

I totally understand about the necessity for EKPC to raise rates due to revenue erosion from the loss of fixed costs. There are way too many variables for me to determine if Plan B nets out for us.

Thank you for your leadership and wisdom.

JC

-----Original Message-----

**From:** Tony Campbell [mailto:tony.campbell@ekpc.coop]  
**Sent:** Monday, February 19, 2018 5:35 PM  
**To:** Jerry Carter <jerry@intercountyenergy.net>  
**Subject:** Re: EKPC Board Resolution

Hi Jerry,

The intent of the resolution was to guarantee all our owns would get at least 5% even if outside the MOU. Example: if SK would take 15% of their three year rolling average, (supplied by Morgan Stanley). Then there is a run on the MOU bank, some of our remaining 15 Owners would be out of luck, because the MOU bank would run dry. Then I would go to the market for those left out. I would do a bilateral agreement inside the Wholesale Power Supply Agreement. Plus I would take all the risk of managing this bilateral agreement. Plus I stated if those running on the bank would want EKPC to by and manage theirs I would do that too.

Now----please keep in mind this will help those 15 Owners with fairness, I'm also going to raise rates on everyone to recover that portion of the stranded assets I can't mitigate. So, this is the worse case situation which costs more, but protects from having any really big losers.

Just to make sure I was prepared I already had ACES finding me counter parties for the bilateral agreement. I would not do a 20 year deal, but rather do 5 year deals that could be extended. It would be cheaper than SK's deal.

Lastly, keep in mind this would be a tough sell at Commission too!! However, if they would approve SK's they probably would ours too.

Hope this helps,  
TC

Sent from my iPhone

On Feb 19, 2018, at 2:45 PM, Jerry Carter <jerry@intercountyenergy.net<mailto:jerry@intercountyenergy.net>> wrote:

Mr. Campbell,

Being as someone who is relatively new as a CEO, I have a couple of questions concerning the board resolution passed at the February EKPC Board meeting.

Since South Kentucky is using Morgan Stanley as a hedge while EKPC purchases the power from PJM, is this what EKPC is offering, to be the hedge? Or, is this the technical aspect of EKPC purchasing at PJM but we as a group or individually would have to find a third-party hedge provider?

I apologize for the simplistic questions.

Jerry W. Carter  
President/CEO  
Inter-County Energy  
P.O. Box 87  
Danville, KY 40423-0087  
1-888-266-7322 (toll free), Extension 7831  
859-936-7831 (direct)  
859-236-3627 (fax)  
859-324-2446 Cell

<image001.jpg>

## Gwyn Willoughby

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**From:** Terri Combs  
**Sent:** Monday, February 19, 2018 2:59 PM  
**To:** A L Rosenberger ; Alan Ahrman - Owen; Barry Myers -- Taylor County; Bill Prather -- Farmers; Bobby Sexton--Big Sandy; Boris Haynes; Carol Fraley -- Grayson; Carol Wright - Jackson Energy; Chris Brewer - Clark Energy; Danny Wallen (dlwallen@icloud.com); Debbie Martin -- Shelby; Dennis Holt; Elbert Hampton; Jerry Carter; Jimmy Longmire -- Salt River; Jody Hughes; Joe Spalding, Inter-County Energy; Joni Hazelrigg; Ken Arrington -- Grayson; Kerry Howard -- Licking Valley; Landis Cornett; Mark Stallons -- Owen; Mickey Miller -- Nolin; Mike Williams -- Blue Grass; Paul Hawkins -- Farmers; Raymond Rucker; Ted Hampton; Ted Holbrook; Tim Eldridge; Tim Sharp - Salt River Electric; Wayne Stratton -- Shelby; William Shearer -- Clark  
**Cc:** Tony Campbell; Don Mosier; Mike McNalley; David Smart; David Crews  
**Subject:** FW: Sending on Behalf of Tony Campbell re: Order from KY PSC

This email is confirmation that the PSC has told us that any Motion to Intervene shall be filed by February 23, 2018 and the PSC is issuing a corrective Order.

**From:** Terri Combs  
**Sent:** Monday, February 19, 2018 1:52 PM  
**To:** A L Rosenberger <[buddyandcarol@bbtel.com](mailto:buddyandcarol@bbtel.com)>; Alan Ahrman - Owen <[alanahrman@gmail.com](mailto:alanahrman@gmail.com)>; Barry Myers -- Taylor County <[bmyers@tcrecc.com](mailto:bmyers@tcrecc.com)>; Bill Prather -- Farmers <[bprather@farmersrecc.com](mailto:bprather@farmersrecc.com)>; Bobby Sexton--Big Sandy <[bsexton@bigsandyrecc.com](mailto:bsexton@bigsandyrecc.com)>; Boris Haynes <[borish@skrecc.com](mailto:borish@skrecc.com)>; Carol Fraley -- Grayson <[carol.fraley@graysonrecc.com](mailto:carol.fraley@graysonrecc.com)>; Carol Wright - Jackson Energy <[carolwright@jacksonenergy.com](mailto:carolwright@jacksonenergy.com)>; Chris Brewer - Clark Energy <[cbrewer@clarkenergy.com](mailto:cbrewer@clarkenergy.com)>; Danny Wallen (dlwallen@icloud.com) <[dlwallen@icloud.com](mailto:dlwallen@icloud.com)>; Debbie Martin -- Shelby <[debbiem@shelbyenergy.com](mailto:debbiem@shelbyenergy.com)>; Dennis Holt <[dennish@skrecc.com](mailto:dennish@skrecc.com)>; Elbert Hampton <[Ereedhampton@gmail.com](mailto:Ereedhampton@gmail.com)>; Jerry Carter <[jerry@intercountyenergy.net](mailto:jerry@intercountyenergy.net)>; Jimmy Longmire -- Salt River <[jlongmire94@icloud.com](mailto:jlongmire94@icloud.com)>; Jody Hughes <[jodyh@bgenergy.com](mailto:jodyh@bgenergy.com)>; Joe Spalding, Inter-County Energy <[spaldingfarm@windstream.net](mailto:spaldingfarm@windstream.net)>; Joni Hazelrigg <[jhazelrigg@fme.coop](mailto:jhazelrigg@fme.coop)>; Ken Arrington -- Grayson <[karringtonrecc@foothills.net](mailto:karringtonrecc@foothills.net)>; Kerry Howard -- Licking Valley <[kkhoward@lvrecc.com](mailto:kkhoward@lvrecc.com)>; Landis Cornett <[ekpc@landiscornett.com](mailto:ekpc@landiscornett.com)>; Mark Stallons -- Owen <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>; Mickey Miller -- Nolin <[mmiller@nolinrecc.com](mailto:mmiller@nolinrecc.com)>; Mike Williams -- Blue Grass <[mikew@bgenergy.com](mailto:mikew@bgenergy.com)>; Paul Hawkins -- Farmers <[paulcat@scrtc.com](mailto:paulcat@scrtc.com)>; Raymond Rucker <[lakeside47@yahoo.com](mailto:lakeside47@yahoo.com)>; Ted Hampton <[ted.hampton@cumberlandvalley.coop](mailto:ted.hampton@cumberlandvalley.coop)>; Ted Holbrook <[tedh@mrtc.com](mailto:tedh@mrtc.com)>; Tim Eldridge <[timothy.eldridge@baldwincpas.com](mailto:timothy.eldridge@baldwincpas.com)>; Tim Sharp - Salt River Electric <[tjsharp@srelectric.com](mailto:tjsharp@srelectric.com)>; Wayne Stratton -- Shelby <[wayne@jnmcpa.com](mailto:wayne@jnmcpa.com)>; William Shearer -- Clark <[wpshearer@bellsouth.net](mailto:wpshearer@bellsouth.net)>  
**Cc:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; David Smart <[david.smart@ekpc.coop](mailto:david.smart@ekpc.coop)>; David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Sending on Behalf of Tony Campbell re: Order from KY PSC

***Sending on behalf of Tony Campbell:***

The KY Public Service Commission issued an Order this afternoon establishing a procedural schedule for South Kentucky's Application Requesting Approval of a Long-Term Power Purchase and Sale Agreement with Morgan Stanley Capital Group, Inc., which I have attached. Paragraph 6 on Page 4 indicates that any Motion to Intervene shall be filed on February 20, 2018, while the Appendix states that "All requests for Intervention shall be filed by February 23, 2018". EKPC is in the process of verifying whether Motions are due either tomorrow or Friday and we will let you know as soon as we find out.

Regards,  
**Anthony "Tony" Campbell**

President and CEO  
Phone: 859-745-9313  
Fax: 859-744-7053



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**Gwyn Willoughby**

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**From:** Debbie Martin <debbiem@shelbyenergy.com>  
**Sent:** Wednesday, February 14, 2018 11:40 AM  
**To:** Tony Campbell  
**Subject:** Board Meeting

Tony:

First, I wish to apologize for not being able to attend. With my temperature still being up, I knew it wasn't best for the others in the room for me to be there.

Next, my appreciation and thanks to you and your team for offering the resolution yesterday. I wasn't sure what the hesitation was on approving it on the first round, but taking the break let the group get their thoughts together and do the right thing. This means a great deal to those of us that didn't want to give notice and make the "run on the bank" as others were calling it. I, also, know it may not be the smartest move or the very best, but I do know it's the very best for fair treatment of the remaining coops. It's good, especially for those of us who do not have a comfort level or expertise on going to the market on our own. You did take a burden from my shoulders yesterday, and I appreciate it.

Good luck with South Kentucky on lowering their load. Even though it was repeated that South Kentucky did nothing wrong, our instincts and heart know when something isn't right, and this isn't right. I believe the intended use was to address provided opportunities within our service territories and was never intended as an opportunity to use it as a tool to benefit on the market at the expense of others. I don't think there are any numbers that will convince me that it could be recouped by EKPC within a two year period.

Thank you again for being the strong leader you are, the right steps you have taken over the years to bring us together and the patience to listen to, often, thirty-two different opinions.

Hope you have a good day.  
Debbie

**Debra J. Martin**  
**President & CEO**

620 Old Finchville Road  
Shelbyville, KY 40065

Office: (502)633-4163  
Fax: (502)633-2387



# Shelby Energy Cooperative

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**Gwyn Willoughby**

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**From:** Terri Combs  
**Sent:** Wednesday, February 14, 2018 9:37 AM  
**To:** Dennis Holt  
**Cc:** Tony Campbell  
**Subject:** RE: Meeting  
**Attachments:** Executive Session Presentation-MOU Discussion-V5.pptx

Good morning, Dennis. Attached is the document you requested. If you need anything more, please let me know.

Thank you,  
Terri

**From:** Tony Campbell  
**Sent:** Wednesday, February 14, 2018 9:09 AM  
**To:** 'Dennis Holt'  
**Cc:** Mark D. Goss ; Terri Combs  
**Subject:** RE: Meeting

Good morning Dennis,

Don't worry about yesterday, it is a process, and we might all be better off because of yesterday's discussions. You are totally correct in that South Kentucky exercised your right under the MOU. While I knew there would be some hell to pay, I totally underestimated how everyone got so ginned up. In addition, Dennis you did an outstanding job of managing the meeting!! I walked in there thinking it might be much worse, but your demeanor, and explanation went a long way in calming everyone down.

I want you to know the EKPC team will do what we can to assist. In addition, I know that time is of the essence, so we will work quickly. If you're okay with it I will try to get something together later this week. As-soon-as I get the troops lined up I'll get back to you by phone, (later today).

Terri will send you the presentation this morning.

*Regards,*  
**Anthony "Tony" Campbell**  
*President and CEO*  
*Phone: 859-745-9313*  
*Fax: 859-744-7053*



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**From:** Dennis Holt [<mailto:dholt@skrecc.com>]  
**Sent:** Wednesday, February 14, 2018 7:06 AM  
**To:** Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Cc:** Mark D. Goss <[mdgoss@gosssamfordlaw.com](mailto:mdgoss@gosssamfordlaw.com)>  
**Subject:** Meeting

Tony,

I am sorry for the contention on EKPC's Board. I feel responsible as I underestimated the reaction and emotions of other Managers and Directors. While I firmly believe South Kentucky did nothing wrong we are willing to meet and discuss potential solutions from EKPC. Please let me know what dates you and/or your staff would be available to meet.

Also, I would like for my Board to be current and knowledgeable on the issue and would like to make the presentation given in the Executive Session available to them prior to our meeting. Would it be possible to have a copy sent to me for distribution to our Board?

Thanks so much.

Dennis Holt  
President & CEO  
South Kentucky RECC  
Somerset, Kentucky 42503  
Phone 606-678-4121  
Cell 606-872-3555



# East Kentucky Power Cooperative

## Amendment No. 3 and MOU History and MOU Cost and Mitigation Plan

Board of Directors Executive Session  
February 13, 2017

Tony Campbell, CEO  
Mike McNalley, CFO  
Don Mosier, COO

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A Touchstone Energy Cooperative 

# Agenda

- Overview of Amendment No. 3 and MOU History
  - How we got here
  - 15% and 5% limits
- Financial Impacts and Cost Shifting
  - FAC
  - Environmental Surcharge
  - Base Rates
  - Margin Allocation (Future Capital Credits)
- Mitigation Options
- Summary and Next Steps

## Overview of Amendment No. 3 and MOU History

### 1990's

- EKPC was enjoying cheap capacity market!! (almost free)
- In Illinois the Nukes were paying us to take their power at night.
- This over capacity had been going on for quite some time.

## Overview of Amendment No. 3 and MOU History

# 1998/1999

- Demand for energy finally surpassed supply
- Prices hit highs of \$7,000 - \$10,000 / MWh
- Many electric utilities were caught off guard and some were pushed into bankruptcy.

## Overview of Amendment No. 3 and MOU History

### Early 2000's

- EKPC found itself short capacity.
- EKPC load growth was 3 – 6% per year (75-150 MW per year)
- EKPC made an emergency decision to build coal generation (Spur #3, #4, and Smith #1)
- RUS contract expiration date needed extension.  
(more years added to match financial life of new plants)

# Overview of Amendment No. 3 and MOU History

## Mid 2000's

- A few EKPC Owner-Members refuse to sign wholesale power contract extension.
- They wanted more flexibility
  - One Owner-Member wanted to take on a new municipal load
  - Two Owner-Members wanted the opportunity to serve new Economic Development loads outside the wholesale power contract
  - To reach agreement, Roy Palk agreed to Amendment No. 3.
  - Amendment No. 3 language was poorly written

# Overview of Amendment No. 3 and MOU History

## 2009

- June 2009 new EKPC CEO hired.
- Jackson Energy CEO, Don Schaefer, requested to exercise his Amendment No. 3 rights:
  - 50 MW
  - 100% LF
- Your EKPC staff felt this was not fair and not true to the intent of Amendment No. 3
  - When asked who interpreted, we stated it was EKPC staff interpretation
  - Don Schaefer agreed to place Jackson's request in abeyance while we pursued a fix to the Amendment No. 3 language.

# Overview of Amendment No. 3 and MOU History

## Early 2013-2015

- EKPC staff developed an Amendment No. 3 amendment, which stated all Owner-Members received 5% only. However, if a Member wanted more than 5%, they only needed to negotiate with their neighbors for a portion of their 5% share.
- This suggested language was rejected by three Owner-Members
- After years of negotiations to reach resolution, the MOU was proposed.
- In the summer of 2015, the MOU was adopted by all Owner-Members Boards.



## Overview of Amendment 3 and MOU

- Amendment 3 to the Wholesale Power Agreement and the MOU allow:
  - Each member may elect to use an alternate power source for up to 15% of their load
  - However all members making an election may not exceed 5% of EKPC's load
- Notice must be provided before the load leaves the EKPC system (or new generation source comes on-line)
  - This allows EKPC to plan for the load "loss" and begin to take actions to mitigate the loss
- Notice must be provided before a load returns to the EKPC system
  - This allows EKPC to plan for the load to return and begin to develop resources to serve the load

# 15% and 5% Limits

Summary Table

Owner-Member Cooperative	Member 15% Limit	5% Limit	Elected	Proportionate Remainder
Big Sandy	11.1	3.7		1.9
Blue Grass	55.9	18.6		9.0
Clark	20.4	6.8		3.3
Cumberland Valley	20.5	6.8		3.3
Farmers	19.6	6.5	6.5	0.0
Fleming Mason	28.3	9.4	1.4	3.9
Grayson	10.8	3.6		1.7
Inter-County	23.2	7.7		3.8
Jackson	42.7	14.2	14.1	0.1
Licking Valley	11.3	3.8	0.3	1.7
Nolin	32.3	10.8		5.2
Owen	64.0	21.3	21.3	0.0
Salt River	44.2	14.7	14.7	0.0
Shelby	16.8	5.6		2.7
South Kentucky	61.9	20.6	58.0	1.9
Taylor	22.8	7.6		3.7
<i>Systems' total</i>		161.9		
<i>EKPC Limit</i>		<b>158.5</b>	<b>116.3</b>	<b>42.2</b>

As of February 8, 2018

- Although each member can elect up to 15% of their load, the total of all members cannot exceed 5% of EKPC's load.

- EKPC's limit is 158.5 MW

- Members have provided notice for 116.3 MW

- Each remaining member can take up to their 5% until the balance (42.2 MW) is gone

## Financial Impact and Cost Shifting

- **Base Case:** Each Owner-Member exercises exactly 5%, resulting in 158.5 MW leaving EKPC. Assuming **100% load factor** the load loss is approximately 1.4 million MWh and up to \$90 million annual revenue
  - FAC: Dollars reduced by the avoided fuel and purchased power; \$/MWh unchanged
  - ES: No change in the total dollars being recovered or in the allocation to each system
  - Base Rates: Would increase by the amount of unmitigated fixed costs and margin embedded in the \$90 million lost revenue, estimated at up to \$45 million
  - EKPC Margin Allocation: Would change based on the mix of B, C, G and E load in each system

## Financial Impact and Cost Shifting

- **SKRECC Notice:** SKRECC notices 58 MW at **100% load factor**, resulting in load loss of 508,000 MWh and about \$30 million lost revenue
  - FAC: Dollars reduced by the avoided fuel and purchased power; \$/MWh unchanged
  - ES: \$4.4 million reallocated, \$0.3 million to SKRECC and \$4.1 million to all other systems
  - Base Rates: Up to \$13 million fixed costs and margin shifted. Initially reduces EKPC margin; after mitigation, base rate case re-allocates remainder to all systems based on cost of service
  - EKPC Margin Allocation: If EKPC margin is unchanged, reduces SKRECC allocation by approximately \$2 million, and increases margin allocation to all other systems accordingly (2016 data)

## Financial Impact and Cost Shifting

- **Other Notices:** Several other systems have given notice for varying amounts. If all 15 systems gave notice for their proportionate share of the 15%, then the net effect would be the equivalent of 37.4 MW (the amount of SKRECC's notice in excess of 5%):
  - ES: \$2.64 million shifted from SKRECC to all other systems
  - Base Rates: \$8.4 million potential increase in base rate case, reduced by any mitigation
  - EKPC Margin Allocation: Uncertain, depends on rate class mix (margin generated) by each system
- To the extent that some owner-members "notice" more than their proportionate share of the remainder, i.e., notice 5%, they will shift some cost to all other systems

## Financial Impact: Big Picture

- EKPC's system marginal cost (dispatch cost) for high load factors is equivalent to Spurlock 1 - 4 at less than \$25/MWh
  - A power purchase above this price will increase costs somewhere in the system because
    - EKPC's fixed costs cannot be avoided
    - A purchase above our marginal cost is on its face more expensive than the generation or purchases it displaces
  - Amendment three may allow one or a few systems to benefit but only at the expense of all other systems which bear the shifted costs

## MOU Cost Options Least to Highest

- All Owner-Members do nothing
- South Kentucky spreads its entire deal to all systems (perhaps through EKPC)
- South Kentucky does 5% and remaining South Kentucky contract is spread to the remaining Owner-Members
- South Kentucky does 15%, and a run on the bank takes remaining 80 MW, plus 40 MW done by EKPC to help those left out

## Financial Impact: Big Picture

- EKPC's energy delivery can be thought of as:
  - provided by PJM market energy purchases
  - which are protected by physical hedges at
    - low prices (Spur 1, 2, 3, 4),
    - intermediate prices (Cooper 1, 2 and Smith 9, 10), and
    - high prices (remaining natural gas peakers at \$3.50 gas or above)
- These physical hedges are paid for in base rates and protect owner-members from significant market price "excursions"



## Financial Impact: Big Picture

Although intuitively we want to think of SKRECC's 58MW transaction allowing EKPC to avoid high-priced production, in fact the 100% load factor suggests it would replace our lowest cost units (which run nearly all the time).

- But EKPC's generation will dispatch in PJM as it always has, based on economics, not EKPC's load, and still incur the fuel and emissions expenses
  - EKPC's purchases to serve load will decline overall, and become more "peaky" with the loss of 58MW base load
- The average PJM LMP price paid by EKPC will remain below the SKRECC purchase price until natural gas peakers in PJM return to being the marginal unit (CC is now)
  - When that happens, all Spurlock and Cooper units are running, providing a price cap to EKPC members
- The 100% load factor means EKPC has to mitigate 508,000 MWh, about double what is expected under A3



## EKPC Mitigation Options – Key Initial Points

- Important to remember, or understand, that EKPC operates in PJM as essentially two business units
  - All owner-members' **load** requirements (with exception of the noticed PPA purchases by owner-members) are purchased in the day ahead market, and balanced in real-time
  - All EKPC **generation**, regardless of A3/MOU, will continue to be bid in the day ahead and cleared based on PJM's dispatch model, or in the case of Spurlock, on a "must run" basis to minimize cycling
- The importance of EKPC's fleet does not change as a result of these discussions
  - Spurlock 1 – 4 are always "in the money" on a 24 hour basis, and much lower variable cost than any market transaction achievable
  - Cooper 1 – 2 primarily serve as a price hedge and receive PJM capacity payments, as well as vital for reliability during the Polar Vortices
  - Smith, Bluegrass can be viewed similarly as Cooper
  - Satisfy PSC precedent set in Polar Vortex 1.0 – must have steel on the ground to meet critical peak load needs



# EKPC Mitigation Options

- First, we have no urgency to act and have time to develop strategy
  - Excess capacity will be sold in PJM auctions including upcoming BRA for 21/22 year
  - Energy will be procured in the day ahead market for all remaining load needs
- General mitigation approach is to maximize returns for both capacity and energy sales
  - Seek to “hedge” the locked in losses that result from the purchases and lower redistribution impacts
  - Adjusted for risk to budgeted margins
- Option 1: Do nothing, continue to bid or self-schedule generation as we do now and collect the hourly market price & auction’s capacity prices
  - Most flexible and guarantees higher of cost or market
  - Captures high value hours in winter & summer, otherwise foregone if sell bilaterally
  - Can grow margins as market oversupply catches up with demand, and it will
  - Most risk to budgeted margins

# EKPC Mitigation Options

- Option 2: Sell forward beginning June 1, 2019 the amount of A3/MOU purchases
  - Locks in a substantial loss over any term to market which is \$30 for 100% load factor on average next several years
  - Least flexible, but locks in budgeted margins
  - Foregoes longer term rises in price of capacity and energy
- Option 3: Adopt merchant power's approach to managing long positions
  - Layer in hedges over time much like we do coal purchases, that way we lock in opportunistic sales that roll off over time in an orderly fashion (1 – 5 years)
  - Limit length of hedges using standard market products so as not to forego future price spikes
  - Authorize ACES to seek traditional load following products for munis and other cooperatives to capture higher market values – can selectively do over much longer terms

## EKPC Mitigation Options - Continued

- Option 3a: Non-traditional approach – merchant power “plus”
  - Execute Option 3 strategy plus...
  - Create a new entity authorized to buy and sell from EKPC at wholesale “market-based rates”
  - Creates forward sales opportunities to PJM deregulated, retail choice states like Ohio at above average load factors (C&I mainly)
  - Staff have experience in establishing and managing this type of structure
- A combination of the above approaches will capture price movements while serving to hedge “margin” expectations
- As always, seek and implement wise cost reductions
  - Requires prudent evaluation of early asset retirements

## Summary & Questions

- Amendment 3 resulted from difficulties in extending the wholesale power agreements, which was necessary to build needed capacity. A3 was poorly written, so we all eventually agreed to the MOU
- The structure of A3 and the MOU allows owner-members to get a disproportionate share of EKPC's available load, which results in shifting EKPC's fixed costs to the other owner-members (ES is immediate)
- Even if all owner-members took 5%, there would be a cost increase (in effect owner members are adding another hedge on top of the existing hedges)
- EKPC will evaluate all options for mitigating the lost load (capacity and energy) including sales of energy and capacity and reduction in costs
  - Remaining costs will be recovered in the next base rate case

**Gwyn Willoughby**

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**From:** Tim Sharp <tjsharp@srelectric.com>  
**Sent:** Thursday, February 8, 2018 4:16 PM  
**To:** Tony Campbell  
**Cc:** David Crews; 'Doug Hubbard' (jdh@bardstown.com)  
**Subject:** Supplemental Letter for Amendment 3 Notification  
**Attachments:** Salt River Supplemental Notification.docx.pdf

Tony,

Please find attached a scanned copy of the document that David Crews asked us to submit to supplement our original notification dated February 1, 2018 for Amendment 3. It is our understanding that this change is to better conform to the standard document and simplify the process. This will be followed by a hard copy in the mail.

Please let me know if you have any questions.

Tim

## Gwyn Willoughby

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**From:** Mike McNalley  
**Sent:** Friday, February 2, 2018 8:02 AM  
**To:** Tony Campbell; Don Mosier  
**Subject:** FW: Load Graph

Guys,

See below – this is the graph of our load forecast (blue) and what it would be with the loss of 150 MW at 100%LF in 18 months. You can see that we don't get back to this year's load until 2028, unless we find good mitigation options. I have similar graphs for the SK load reduction and will include both in the board presentation.

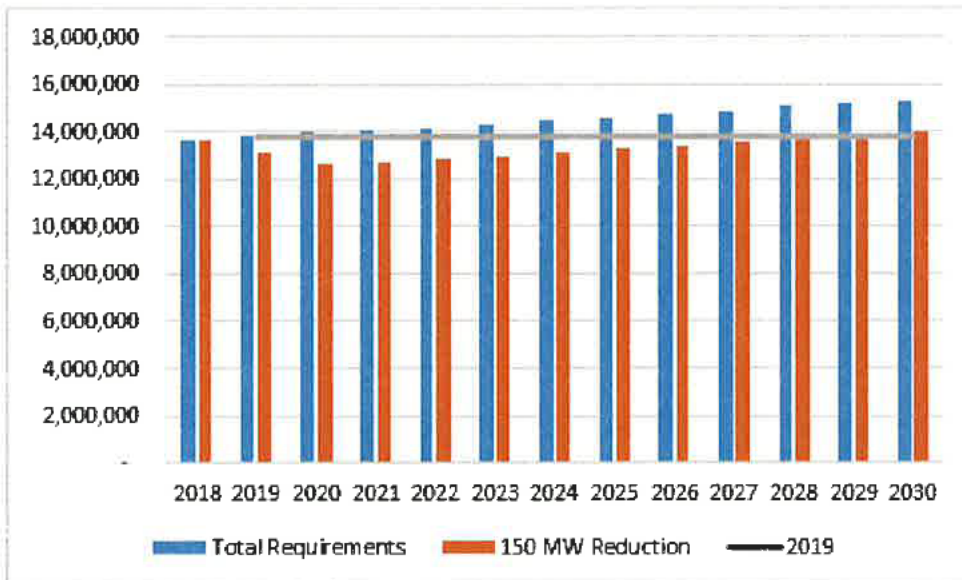
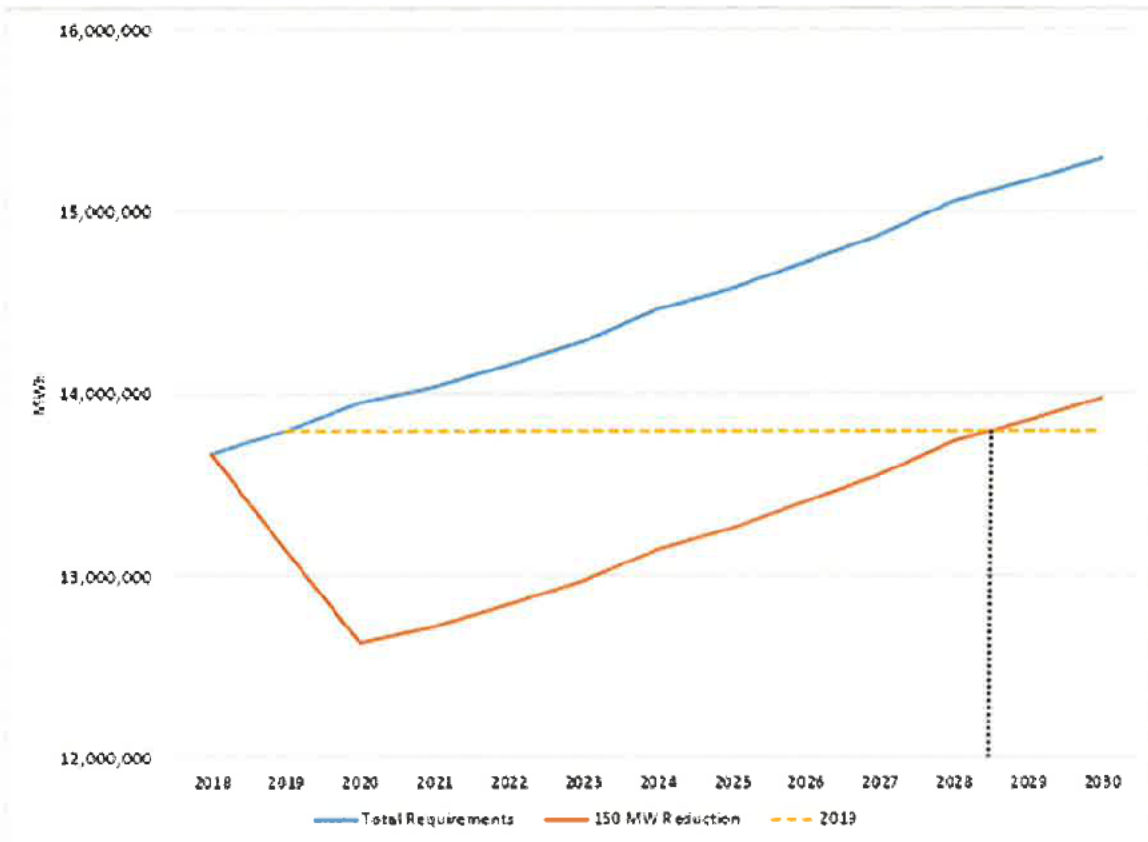
Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

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**From:** Sally Witt  
**Sent:** Thursday, February 1, 2018 2:54 PM  
**To:** Mike McNalley  
**Cc:** David Crews ; Julie Tucker  
**Subject:** RE: Load Graph

Just for a look...assuming 100% lf...I'll change whatever you need...





**From:** Mike McNalley  
**Sent:** Thursday, February 01, 2018 2:19 PM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Re: Load Graph

Can you update for full MOU load going (150MW I think)?

Mike McNalley  
 EVP and CFO  
 East Kentucky Power Cooperative

On Jan 5, 2018, at 9:27 AM, Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)> wrote:

Maybe....

---

**From:** Mike McNalley  
**Sent:** Friday, January 05, 2018 9:23 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** RE: Load Graph

Thanks, Sally!

Do you think, because of the annual MWh issue we were discussing, that a side-by-side bar chart would be clearer?

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

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**From:** Sally Witt  
**Sent:** Friday, January 5, 2018 9:20 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Load Graph

Hi Mike!

I think this incorporates the changes you said this morning. Let me know if you need anything else.

Happy Friday!  
Sally

---

**From:** Julie Tucker  
**Sent:** Thursday, January 04, 2018 7:59 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** RE: Load Graph

Yes, 100% load factor.

I think he wants actual for 2016, not forecast, and actual for 2017, then forecast going forward. He's wanting to demonstrate that our rates are set such that we make a margin on each kWh we sell. When we don't sell those kWh, we lose margin. When we lose margin, everyone has to pay eventually to cover those lost revenues.

---

**From:** Sally Witt  
**Sent:** Thursday, January 04, 2018 7:46 AM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Load Graph

Since it's 58 MW at 100% load factor, that's 58\*8760 for energy drop. Is the load factor still assumed to be 100%? Also, why 2016? We aren't using the 2016 load forecast at this point. The financial forecast is based on a revised version.

---

**From:** Julie Tucker  
**Sent:** Thursday, January 04, 2018 7:39 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** FW: Load Graph

Please see Mike's request below. I'm thinking he wants to show annual energy not peaks.

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**From:** Mike McNalley  
**Sent:** Thursday, January 04, 2018 7:38 AM  
**To:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Load Graph

Julie,

Can you put together a line chart showing the load forecast (MWh) from 2016-2030 or so as a line, and then in mid-2019 show a drop representing SKY's 58MW dropping off (round the clock, 100% load factor) and what I assume will be a parallel, lower line to the end for the adjusted load? I'd like a horizontal line from the end of 2017 load and another from the mid-2019 load (before the drop). Point of the chart is to show (a) how long it takes to recover the lost MWh from either starting date, and (b) that even though we get back to where we were, there is still a permanent load loss (so there is a permanent margin loss that all other members "own").

I can sketch it if that helps.

Timing is to support Feb board meeting.

Thanks!

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**Gwyn Willoughby**

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**From:** Terri Combs  
**Sent:** Tuesday, January 30, 2018 2:27 PM  
**To:** A L Rosenberger ; Alan Ahrman - Owen; Barry Myers -- Taylor County; Bill Prather -- Farmers; Bobby Sexton--Big Sandy; Boris Haynes; Carol Fraley -- Grayson; Carol Wright - Jackson Energy; Chris Brewer - Clark Energy; Debbie Martin -- Shelby; Dennis Holt; Elbert Hampton; Jerry Carter; Jimmy Longmire -- Salt River; Jody Hughes; Joe Spalding, Inter-County Energy; Joni Hazelrigg; Kelly Shepherd; Ken Arrington -- Grayson; Kerry Howard -- Licking Valley; Landis Cornett; Mark Stallons -- Owen; Mickey Miller -- Nolin; Mike Williams -- Blue Grass; Paul Hawkins -- Farmers; Raymond Rucker; Ted Hampton; Ted Holbrook; Tim Eldridge; Tim Sharp - Salt River Electric; Wayne Stratton -- Shelby; William Shearer -- Clark  
**Cc:** Ann Bridges; Barry Lindeman; Barry Mayfield; Craig Johnson; David Crews; David Smart; Denver York; Don Mosier; Jerry Purvis; Mike McNalley; Terri Combs; Tom Stachnik; Tony Campbell  
**Subject:** RE: Potential MOU Strategy  
**Attachments:** Directors and Owner-Member CEO MOU Memo.docx; Amendment 3.pdf; MOU\_Final\_072015\_.pdf  
**Importance:** High

*Sending on behalf of Tony Campbell:*

Directors/CEO's,

I have been contacted by a number of Owner-Member CEO's regarding the MOU. Needless-to-say, EKPC is bound by the language of the MOU agreement signed by all 16 Owners. It seems the most concerning worry is the fact that there will potentially be cost shifting if I cannot mitigate the loss of load. Plus the fact that there might be some Owner-Members left out if we have an additional run on the MOU bank.

For the above reasons, we at EKPC are trying to find a solution that might prevent that from happening. I have attached a memo that describes our proposal. In addition, I have attached a copy of the MOU, and Amendment #3. At the next board meeting we will discuss this in much greater detail, and begin the process.

*Regards,  
Anthony "Tony" Campbell*

*President and CEO  
Phone: 859-745-9313  
Fax: 859-744-7053*



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Directors and CEO's:

As you know, RUS, EKPC and all Owner-Members executed Amendment No. 3 to the Wholesale Power Contract on or about October 17, 2003. This provided, among other things, that the Member Owners would have an option, from time to time with notice to EKPC, to receive electric power and energy from persons other than EKPC, or from facilities owned or leased by the Members, provided that the aggregate amount of all Member Owners' elections not exceed expressed quantified limitations. In an attempt to clarify, the process for taking this alternate power from a source other than EKPC, in 2015 the Owner Members executed a Memorandum of Understanding (MOU) to guide everyone through the process.

On November 28, 2017, SKRECC provided notice to EKPC of its intent to take 58 MWs of power from an alternate source to be in conformity and in compliance with the MOU. Pursuant to the MOU and Amendment No. 3, and including all other alternate sources already in existence (16 MWs) consistent with the MOU, this left 85 MWs available to the remaining 15 Owner-Members at the time of SKRECC's notice.

Recently, as a result of SKRECC's action to take 15%, a number of CEO's of the remaining 15 Owner-Members have contacted EKPC regarding what they believe to be the fairness or lack of opportunity for the remaining small reserve under the MOU. It is EKPC's intent to share this sentiment to the Board and the CEO's. The comments that EKPC has received from the remaining 15 Owner-Members reflects their concerns that there may not be enough MWs to distribute among those others interested in participating under the MOU.

In an attempt to fairly provide an opportunity to the remaining 15 Owner-Members the ability to purchase power with the remaining MWs under the MOU, EKPC is offering to take the remaining portion of alternate power to the market for all of the remaining 15 Owner-Members spread proportionately among them.

Please understand that this decision by EKPC is an offer to try and help with any potential cost shifting that might occur to the remaining 15 Members, and is not necessarily a decision to guarantee lower rates. EKPC will also use all other available opportunities to mitigate any potential cost shifting to the best of its ability.

In the meantime, EKPC asks that all 15 remaining Member Owners allow EKPC time to aggregate this remaining percentage under the MOU for all of the 15 Member Owners who wish to participate and ask they not submit any independent MOU notices of intent to exercise that option. EKPC will do its best to take advantage of the best possible pricing for this remaining alternate power supply and to limit risk where possible.

EKPC intends to have an in-depth discussion of these issues, and begin the process, at our February 13<sup>th</sup> Board meeting in Executive Session with all Directors and CEO's. I have attached sample copies of both the MOU and Amendment No. 3 for your convenience.

AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT  
BETWEEN EAST KENTUCKY POWER COOPERATIVE, INC. AND  
BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

This Agreement dated the 17th day of OCTOBER, 2003, amends the Wholesale Power Contract dated October 1, 1964 between East Kentucky Power Cooperative, Inc. (hereinafter "Seller") and Big Sandy Rural Electric Cooperative Corporation (hereinafter "Member") as follows:

I. Numerical Section 1 of the Wholesale Power Contract shall be amended and restated to read in its entirety as follows:

1. General - The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which shall be required to serve the Member's load, including all electric power and energy required for the operation of the Member's system. Notwithstanding the foregoing, the Member shall have the option, from time to time, with notice to the Seller, to receive electric power and energy, from persons other than the Seller, or from facilities owned or leased by the Member, provided that the aggregate amount of all members' elections (measured in megawatts in 15-minute intervals) so obtained under this paragraph shall not exceed five percent (5%) of the rolling average of Seller's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the 3 twelve month periods immediately preceding any election by the Member from time to time, as provided herein and further provided that no Member shall receive more than fifteen percent (15%) of the rolling average of its coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the 3 twelve

month periods immediately preceding any election by the Member from time to time, as provided herein.

For any election made or cancelled under this Section, the following provisions shall apply:

a. During any calendar year, the Member may make or cancel any such election or elections by giving at least 90 days' notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or less, in the annual aggregate.

b. During any calendar year, the Member may make or cancel any such election or elections by giving at least 18 months or greater notice to the Seller with respect to any load or loads with an average coincident peak demand (calculated in the same manner as provided in the preceding paragraph) of 5.0 Megawatts or more, in the annual aggregate

Upon the effective date of the Member's cancellation of any such election under this Agreement, the load or loads shall be governed by the all requirements obligations of the Seller and the Member in this Section, and notice of same shall be provided to the Rural Utilities Service ("RUS") by the member. Such loads which are transferred to Seller's all-requirements obligations shall not thereafter be switched by Member to a different power supplier.

c. Should any such election by Member involve the acquisition of new service territory currently served by another power supplier or municipal utility, Member shall provide evidence to Seller and RUS in the new Load Purchase Agreement that the acquired territory must be served by the current power supplier as a condition of the acquisition of the new load.

Seller will provide transmission, substation, and ancillary services without



discrimination or adverse distinction with regard to rates, terms of service or availability of such service as between power supplies under paragraphs above and Member will pay charges therefore to Seller. Seller also agrees to allow, at Member's sole cost and expense, such additional interconnection as may be reasonably required to provide such capacity and energy as contemplated in the above paragraphs.

Member will be solely responsible for all additional cost associated with the exercise of elections under the above paragraphs including but not limited to administrative, scheduling, transmission tariff and any penalties, charges and costs, imposed by the Midwest Independent System Operator ("MISO") or other authorities.

II. Section 10 of the Wholesale Power Contract shall be restated as Section 11 and new Section 10 and Section 11 shall read in their entirety as follows:

10. Retail Competition - Seller and its subsidiaries, shall not, during the term of this contract, without the consent of the Member, (i) sell or offer to sell electric power or energy at retail within the Member's assigned or expanded geographic area, if any, established by applicable laws or regulations or (ii) provide or offer to provide retail electric service to any person which is a customer of the Member.

11. Term - This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect until January 1, 2041, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate. Subject to the provisions of Section 1 hereof, service hereunder and the obligation of the Member to pay therefore shall commence upon completion of the facilities necessary to provide service.

Executed the day and year first above mentioned.

EAST KENTUCKY POWER  
COOPERATIVE, INC.

BY: *Orlando Toland*

ITS: CHAIRMAN OF THE BOARD

*Sam Lewis*  
ATTEST, SECRETARY

Big Sandy Rural Electric  
Cooperative Corporation

BY: *John E. Shepherd*

ITS: Chairman of the Board

*Joe Harris*  
ATTEST, SECRETARY

(H:Legal/misc/amend-3-wpo)

**MEMORANDUM OF UNDERSTANDING AND AGREEMENT  
REGARDING ALTERNATE POWER SOURCES**

This Memorandum of Understanding and Agreement (“**MOU&A**”) is entered into and effective as of this [ ] day of [\_\_\_\_\_], 2015, by and between East Kentucky Power Cooperative, Inc. (“**EKPC**”), and each of the following Member Distribution Cooperatives (also referred to herein as “**Owner Member**”):

**Member Distribution Cooperatives**

Big Sandy Rural Electric Cooperative Corporation  
Blue Grass Energy Cooperative Corporation  
Clark Energy Cooperative, Inc.  
Cumberland Valley Electric  
Farmers Rural Electric Cooperative Corporation  
Fleming-Mason Energy Cooperative  
Grayson Rural Electric Cooperative Corporation  
Inter-County Energy Cooperative Corporation  
Jackson Energy Cooperative Corporation  
Licking Valley Rural Electric Cooperative Corporation  
Nolin Rural Electric Cooperative Corporation  
Owen Electric Cooperative, Inc.  
Salt River Electric Cooperative Corporation  
Shelby Energy Cooperative, Inc.  
South Kentucky Rural Electric Cooperative Corporation  
Taylor County Rural Electric Cooperative Corporation

**Factual Recitals**

0.1 Each Owner Member is an electric cooperative, organized under the laws of the State of Kentucky, engaged in the business of supplying and distributing electric power and energy to its members within a certain service area, for which business the Owner Member operates an electric distribution system, among other operations.

0.2 EKPC is a generation and transmission cooperative corporation, organized under the laws of the State of Kentucky, which is owned by its Owner Members, which are certain electric cooperatives operating in the State of Kentucky (“**Owner Members**”).

0.3 EKPC and each Owner Member are parties to a Wholesale Power Contract, dated October 1, 1964, as amended, pursuant to which (among other things) EKPC sells and delivers to that Owner Member, and that Owner Member purchases and receives, electric power and energy

required for the operation of the Owner Member's electric system. Such Wholesale Power Contracts are identical in all material respects, except for the identification of the respective Owner Member that is a party to each such agreement. A reference herein to "**Wholesale Power Contract**" refers to each and every such agreement.

0.4 As of October 23, 2003, each Wholesale Power Contract was amended by the execution of that certain amendment designated and known as "**Amendment No. 3**" thereto, to provide, among other things, for the obtaining by the subject Owner Member of electric power and energy from sources other than EKPC for use in operating the Owner Member's electric system, subject to certain limitation and required procedures set forth therein. Except for the identification of the respective Owner Member that is a party to each such Amendment No. 3, all of such amendments are identical. A reference herein to "**Amendment No. 3**" refers to each and every such amendment.

0.5 EKPC and certain Owner Members have, in the past, disagreed on the interpretation of some provisions of Amendment No. 3 and, therefore, to the Wholesale Power Contract as amended thereby.

0.6 The Owner Members each have a keen interest in pursuing or investigating opportunities to develop or otherwise obtain and use sources of electric power and energy other than EKPC. Such non-EKPC sources are hereinafter referred to as "**Alternate Sources**" and further defined in Section 2(A) below.

0.7 EKPC and each Owner Member each desire to avoid litigation over the provisions of the Wholesale Power Contract that pertain to Alternate Sources, and thereby avoid the costs and uncertainty of such litigation.

**NOW THEREFORE**, in consideration of the mutual covenants, understandings, and undertakings set forth herein, each of the Owner Members and EKPC, agree as follows:

### **Understandings, Stipulations, and Agreements**

#### 1. Term

(A) This MOU&A shall become effective on the date first written above and shall continue in effect until the termination of the Wholesale Power Contract. If the Wholesale Power Contract between EKPC and one of the Owner Members terminates before the other Wholesale Power Contracts, then this MOU&A shall terminate with respect to that Owner Member, but shall remain in effect with respect to the other Owner Members.

#### 2. Scope

(A) The purpose of this MOU&A is to memorialize EKPC's and the Owner Members' mutually agreed interpretation of Amendment No. 3 with respect to Alternate Sources. Except as provided in Section 2(B), an "**Alternate Source**" is any generating resource that is owned (directly or indirectly, in whole or in part) or controlled (directly or indirectly, in whole or in part) by an Owner Member, regardless of whether the resource is connected to the Owner

Member's distribution system, or any power purchase arrangement under which an Owner Member purchases capacity or energy (or both), if such generating resource or power purchase arrangement is used to serve any portion of the Owner Member's load.

(B) A generating resource that meets the definition of a "Behind the Meter Source" as set forth in Section 4(A)(v)(a) that is used by a Member solely to provide energy to serve interruptible retail load during times when service for such load through PJM has been interrupted pursuant to the load's participation in PJM's demand response program will not be considered an "Alternate Source" subject to the requirements of this MOU&A. If an Owner Member desires to use such a generating resource at any other time, the Owner Member must comply with the requirements of this MOU&A with respect to that generating resource.

(C) Nothing in this MOU&A is intended to modify any of the express provisions of Amendment No. 3. During the term of this MOU&A, neither EKPC nor any Owner Member shall assert that this MOU&A is invalid for the reason that it is contrary to or inconsistent with the Wholesale Power Contract. In the event of an actual conflict between the Wholesale Power Contract, as amended, including by Amendment No. 3, and this MOU&A, the Wholesale Power Contract, as amended, including by Amendment No. 3, shall control.

3. Maximum Permissible Demand Reduction.

(A) The maximum demand reduction that an Owner Member can obtain through the use of Alternate Sources shall be determined as follows:

- (i) All demand measurements, whether of EKPC aggregate demand or an Owner Member's demand, called for in this Section 3 shall be measured in megawatts in 15-minute intervals and shall be adjusted to include any interruptible load that was interrupted at the time of measurement.
- (ii) If in connection with its acquisition of new service territory the Owner Member provides evidence to EKPC and the RUS in the related acquisition agreement that the acquired service territory must continue to be served by the current power supplier as a condition of the acquisition, the acquired service territory may be supplied by such current power supplier for so long as is required under the terms of such acquisition agreement. Until such supply from the current power supplier is terminated, the load of such acquired service territory shall not be included in the calculations of the 5% and 15% limitations set forth below in this Section 3 applicable to the Owner Member that acquired the service territory or any other Owner Member. From and after the termination of such supply from the current power supplier, the load of such acquired service territory (including such load during the three (3) twelve-month (12-month) periods immediately preceding the date of termination of such supply from the current power supplier) shall be included in calculations of the 5% and 15% limitations set forth below in this Section 3 applicable to the Owner Member or any Other Member.

(ii) the aggregate amount of the Owner Member's load being served by Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be greater than fifteen percent (15%) of the rolling average of the Owner Member's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding such notice.

4. Alternate Source Notices

(A) In order for an Owner Member to reduce its purchases from EKPC by using electric power and energy from an Alternate Source, that Owner Member shall have provided EKPC with prior written notice of such reduction in accordance with the procedures and requirements set forth herein. Each such notice hereunder (an "**Alternate Source Notice**") shall set forth the following information regarding the subject Alternate Source:

- (i) the term during which the Alternate Source will be used to reduce the Owner Member's purchases from EKPC under the Wholesale Power Contract, including the date on which such use will begin, and the length of time during which such use will continue, which length may not exceed 20 years (including any renewal options for an Alternate Source that is a contract with a third party);
- (ii) the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, appropriately taking into account expected losses, if any;
- (iii) a general description of the nature of the Alternate Source and the primary generating facilities from which the subject electric power and energy will be produced;
- (iv) the approximate, expected pattern of use or dispatching of the Alternate Source and the corresponding pattern of hourly reductions in energy to be purchased by the Owner Member from EKPC; and
- (v) a designation of whether the Alternate Source will be:
  - (a) interconnected to the Owner Member's distribution system (and not to any transmission system) and will not produce energy in any hour in excess of the Owner Member's load at the Related EKPC Point of Delivery. Such Alternate Sources are referred to in this MOU&A as "**Behind the Meter Sources**". The "**Related EKPC Point of Delivery**" with respect to any Alternate Source is the point of delivery under the Owner Member's Wholesale

Power Contract through which energy purchased from EKPC would be used to serve the load served by the Alternate Source if the Alternate Source did not exist;

(b) interconnected or delivered to EKPC's or another entity's transmission system; or

(c) interconnected to the Owner Member's distribution system and will produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery.

(B) Except as provided in Section 4(C) below, each Alternate Source Notice shall be provided to EKPC in writing at least eighteen (18) months prior to the date on which the use of the subject Alternate Source is to begin.

(C) For each Alternate Source having a noticed demand reduction of 5,000 kW or less, the required prior written notice may be provided to EKPC up to, but not later than ninety (90) days prior to the date on which the Owner Member intends to begin using that Alternate Source.

(D) An Owner Member may change or cancel an Alternate Source Notice only by providing to EKPC prior written notice of such change or cancellation, as follows: If after three years of operation an Alternate Source has a three-year rolling average peak capacity less than the maximum capacity set forth in the initial Alternate Source Notice, the Owner Member may reduce the maximum capacity of such Alternate Source by providing written notice to EKPC. Any such reduction shall not change the term or other characteristics of the Alternate Source. Ninety (90) days' prior written notice of any other change or any cancellation shall be required for an Alternate Source having an associated demand reduction of 5,000 kW or less. Otherwise, eighteen (18) months' prior written notice to EKPC of a change or cancellation shall be required. If any change is made to the demand reduction amount of an Alternate Source, the thresholds provided in Section 3 will be re-calculated as of the date the notice of change is submitted.

(E) If the Owner Member does not implement an Alternate Source within six (6) months after the date set forth in its notice for commencement of deliveries from the Alternate Source, the Owner Member may not implement the Alternate Source without re-submitting the notice required under this Section 4 and such notice shall be subject to re-calculation of the thresholds provided in Section 3 as of the date of such re-submitted notice. During the six (6) month period described in this Section (E), EKPC shall continue to serve the load intended to be served by the Alternate Source through sales of power and energy to the Owner Member under its Wholesale Power Contract.

#### 5. Development and Use of Alternate Sources

(A) During the noticed term of use of that Alternate Source, it shall be the responsibility of the Owner Member to use commercially reasonable efforts to develop or otherwise acquire the subject Alternate Source so that such source may be used to supply a portion of the Owner Member's requirements beginning on the noticed date. EKPC shall use

commercially reasonable efforts to cooperate with and assist the Owner Member in its development or acquisition; provided that EKPC shall not be required to make out-of-pocket expenditures or provide or facilitate financing for any Alternate Source.

(B) Except as otherwise agreed to by EKPC and an Owner Member, the owning Owner Member shall use commercially reasonable efforts to operate, maintain, and dispatch the facilities comprising each of its Alternate Sources (or to cause such operation, maintenance, and dispatching) so as to reduce the maximum electrical demand placed on EKPC's system by the corresponding noticed demand reduction.

(C) With respect to each noticed Alternate Source of an Owner Member, the obligations set forth in the foregoing two paragraphs shall continue until the end of the noticed term of the Alternate Source; provided, however, that such term may be shortened or lengthened at any time by the Owner Member by providing to EKPC prior written notice of such change, as follows: For each such change, ninety (90) days' prior written notice of such change shall be required for an Alternate Source having an associated demand reduction of 5,000 kW or less. Otherwise, eighteen (18) months' prior written notice to EKPC of such change shall be required.

(D) Other requirements for Behind the Meter Sources are as follows:

(i) To the extent that the Alternate Source does not deliver capacity or energy sufficient to serve the actual load of the Owner Member intended to be served by the Alternate Source, EKPC will charge the Owner Member for capacity and energy at the rates for electric service provided under the Wholesale Power Contract.

(ii) The Owner Member must provide to EKPC information regarding the expected generation from the Behind the Meter Source, including planned and unplanned outages, as needed by EKPC so that EKPC can include such information in its schedules of load submitted to PJM and minimize to the extent reasonably practicable any PJM penalties for deviations in load attributable to differences between the estimated and actual generation from the Behind the Meter Source.

(iii) The Alternate Sources will be metered with revenue class meters.

(E) Other requirements for Alternate Sources interconnected or delivered to EKPC's or another entity's transmission system are as follows:

(i) To the extent that the Alternate Source does not deliver capacity or energy sufficient to serve the actual load of the Owner Member intended to be served by the Alternate Source, EKPC will charge the Owner Member for capacity and energy as provided in this MOU&A, and not at the rates for electric service provided under the Wholesale Power Contract. EKPC will purchase amounts of replacement capacity and energy based on the historical amounts of capacity and energy provided by the Alternate Source.

(ii) The Owner Member must provide to EKPC a day-ahead schedule of generation. EKPC will work with the Owner Member to develop the day-ahead schedule.



(iii) The day-ahead schedule of load to be served by the Alternate Source will be deemed to equal the day-ahead generation schedule of the Alternate Source.

(iv) EKPC will pass through to the Owner Member all revenues, credits and charges from PJM associated with the Alternate Source, including without limitation PJM day-ahead and real-time energy market revenues, charges and credits, PJM capacity market revenues, charges and credits, PJM operating reserve revenues, credits and charges, and PJM operating services necessary to serve the load served by the Alternate Source (i.e. capacity, energy, ancillary services (including operating reserves), NITS transmission, RTEP, etc.).

(v) The Alternate Sources will be metered with revenue class meters.

(vi) The Owner Member will pay an administrative fee to EKPC to cover the increased operation and administrative costs.

(vii) PJM market participant activities for the Alternate Source and related load will be managed by EKPC or EKPC's agent. The Owner Member shall pay EKPC a non-discriminatory, cost-based fee for such PJM market participant services, which shall be performed in accordance with good utility practices. Any dispute regarding such fee shall be submitted to the Kentucky Public Service Commission for a determination of the appropriate fee.

(F) Other requirements for Alternate Sources interconnected to an Owner Member's distribution system that produce energy that exceeds the Owner Member's load at the Related EKPC Point of Delivery shall be developed based on the requirements set forth above in Sections 5(D) and 5(E).

#### 6. Other Matters.

(A) EKPC shall not be entitled to charge any Owner Member for so-called "stranded costs" related to the Owner Member's implementation of its rights to use Alternate Sources. As a result, to the extent that an Owner Member's use of Alternate Sources reduces its billing demands under EKPC's rates under the Wholesale Power Contract as in effect from time to time, EKPC shall not be entitled to charge any special rate or charge to the Owner Member attributable to such billing demand reduction. EKPC will, however, be entitled to continue to set its rates for all Owner Members under the Wholesale Power Contracts to produce revenues that are sufficient to cover all of its costs, in accordance with the Wholesale Power Contracts.

(B) EKPC covenants and agrees to revise or rescind existing Board Policies so that its Board Policies are consistent with this MOU&A.

(C) This Agreement may be executed in counterpart, which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Big Sandy Rural Electric Cooperative Corporation	Date
Blue Grass Energy Cooperative Corporation	Date
Clark Energy Cooperative, Inc.	Date
Cumberland Valley Electric	Date
Farmers Rural Electric Cooperative Corporation	Date
Fleming-Mason Energy Cooperative	Date
Grayson Rural Electric Cooperative Corporation	Date
Inter-County Energy Cooperative Corporation	Date
Jackson Energy Cooperative Corporation	Date
Licking Valley Rural Electric Cooperative Corporation	Date
Nolin Rural Electric Cooperative Corporation	Date
Owen Electric Cooperative, Inc.	Date
Salt River Electric Cooperative Corporation	Date
Shelby Energy Cooperative, Inc.	Date

\_\_\_\_\_  
South Kentucky Rural Electric Cooperative Corporation

\_\_\_\_\_  
Date

\_\_\_\_\_  
Taylor County Rural Electric Cooperative Corporation

\_\_\_\_\_  
Date

**Gwyn Willoughby**

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**From:** Mike McNalley  
**Sent:** Monday, January 29, 2018 4:18 PM  
**To:** Tony Campbell  
**Subject:** Fwd: South Kentucky Analysis Updated

Tony,

As we discussed, below is the analysis of the ES for SK’s deal. Again this is based on the 12 months through November 2017 (same period we used for the memo you sent out). As you can see, everyone gets their piece of SK’s avoided ES including SK (at the end of the table).

We’ll get going on the rest of the analyses, although now there is some hope we won’t need them.

Mike McNalley  
 EVP & CFO  
 East Kentucky Power Cooperative, Inc.  
 859-745-9209 office  
 859-595-3897 cell  
[michael.mcnalley@ekpc.coop](mailto:michael.mcnalley@ekpc.coop)

Begin forwarded message:

**From:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Date:** January 29, 2018 at 1:06:08 PM EST  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
 The revised table below is probably a better representation. As I noted earlier, I had tied the reduction to the total South Kentucky reduction in surcharge rather than a net amount, since they will pick up some of the reduction as well. Sorry about the confusion.

Member	Total Surcharge Increase for 12-month Period	Average Monthly Increase in Surcharge
Big Sandy	\$77,933	\$6,494
Blue Grass	\$442,349	\$36,862
Clark	\$145,680	\$12,140
Cumberland Valley	\$146,103	\$12,175
Farmers	\$155,023	\$12,919
Fleming-Mason (w/ Steam)	\$728,983	\$60,749
Grayson	\$83,474	\$6,956
Inter-County	\$156,297	\$13,025
Jackson	\$292,445	\$24,370
Licking Valley	\$82,777	\$6,898
Nolin	\$246,483	\$20,540
Owen	\$500,346	\$41,696
Salt River	\$382,677	\$31,890

Shelby	\$159,291	\$13,274
Taylor County	\$421,001	\$35,083
Totals	\$4,020,862	
South Kentucky Net Savings	\$4,030,806	
South Kentucky additional Surcharge	\$346,403	

Isaac S. Scott  
Pricing Manager  
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Winchester, KY 40392-0707  
859.745.9243  
[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

**From:** Isaac Scott  
**Sent:** Monday, January 29, 2018 12:13 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
I may have overestimated the effect, because I tied it to the total South Kentucky reduction rather than the net. Let me think on it and see about getting you a revision ASAP. Sorry about that.

Isaac S. Scott  
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[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)

**From:** Isaac Scott  
**Sent:** Monday, January 29, 2018 12:09 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Mike,  
I've come up with an approximation of how the \$4.1M would be spread among the remaining 15 Members. I had to do some "tweaking" to the average impact I had mentioned earlier to make the totals work out. But I feel comfortable with the results, which are summarized below. I'm also attaching an updated version of the spreadsheet with my calculations. Let me know if you have questions. Thank you.

Member	Total Surcharge Increase for 12-month Period	Average Monthly Increase in Surcharge
Big Sandy	\$85,772	\$7,148
Blue Grass	\$487,971	\$40,664
Clark	\$161,014	\$13,418
Cumberland Valley	\$161,481	\$13,457
Farmers	\$172,437	\$14,370
Fleming-Mason (w/ Steam)	\$765,017	\$63,751
Grayson	\$92,262	\$7,689
Inter-County	\$172,751	\$14,396
Jackson	\$323,227	\$26,936

Licking Valley	\$91,491	\$7,624
Nolin	\$272,471	\$22,701
Owen	\$565,622	\$47,135
Salt River	\$422,995	\$35,250
Shelby	\$175,988	\$14,666
Taylor County	\$439,278	\$36,607
Totals	\$4,389,723	
South Kentucky Total Savings	\$4,377,209	
South Kentucky additional Surcharge	\$346,403	

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**From:** Mike McNalley  
**Sent:** Monday, January 29, 2018 9:00 AM  
**To:** Isaac Scott <[isaac.scott@ekpc.coop](mailto:isaac.scott@ekpc.coop)>  
**Subject:** RE: South Kentucky Analysis Updated

Isaac,  
Can you estimate the ES impact on all 16 member systems from this (how the \$4.1 million would be respread), please? You may have already done and sent this – I can't find it though.

Thanks,  
Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
859-745-9209 O  
859-595-3897 C  
[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

**From:** Isaac Scott  
**Sent:** Wednesday, December 27, 2017 8:13 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** South Kentucky Analysis Updated

Mike,  
I have updated the billing analysis to a 12-month period ending November 2017. I also took a stab at adjusting the numbers in your narrative for this updated analysis. Both the spreadsheet and narrative are attached (track changes is on with the narrative).  
The only thing I have found that might be a bit off was concerning how much of the surcharge would still be borne by South Kentucky. Your narrative originally indicated that approximately \$1.0 M would still be borne by South Kentucky after the shift. I think this might be overstated. Using the most currently filed surcharge calculation and the possible reduction in average Member revenues, I had indicated that the surcharge factor could be expected to increase by 0.0071%. Applying that to the 11-month billed base and FAC revenues, the impact would be \$304,996 (base of \$46,236,673 and FAC of -\$3,279,486 = \$42,957,187 times 0.0071% = \$304,996). This would be the total 11 month impact. Going to 12 months did not change the surcharge factor impact, and the dollar effect would be \$346,403 (base of \$52,433,740 and FAC of -\$3,644,605 = 48,789,133 times 0.0071% = \$346,403).

I hope these updates cover what you needed. Thanks.

Isaac S. Scott

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