

## Gwyn Willoughby

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**From:** Mike McNalley  
**Sent:** Wednesday, February 7, 2018 12:57 PM  
**To:** Tony Campbell; Don Mosier  
**Cc:** Terri Combs  
**Subject:** Presentation  
**Attachments:** Executive Session Presentation-MOU Discussion.pptx

I've made several edits following our discussion and added a first attempt at a summary slide at the end. Please review and send comments to all of us – Terri will manage the versions.

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)

# 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

CONFIDENTIAL



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 as of January, 2018

Owner-Member Cooperative	Member 15% Limit	EKPC 5% Limit	Elected	Proportionate Remainder
Big Sandy	11.1	3.7		2.2
Blue Grass	55.9	18.6		10.8
Clark	20.4	6.8		3.9
Cumberland Valley	20.5	6.8		4.0
Farmers	19.6	6.5	4.6	1.1
Fleming Mason	28.3	9.2	1.4	4.7
Grayson	10.8	3.6		2.1
Inter-County	23.2	7.7		4.5
Jackson	42.7	14.2	2.6	6.7
Licking Valley	11.3	3.7	0.3	2.0
Nolin	32.3	10.4		6.2
Owen	62.8	20.9	20.9	0.0
Salt River	44.2	14.7	14.7	0.0
Shelby	16.8	5.6		3.2
South Kentucky	61.9	20.6	58.0	0.0
Taylor	22.8	7.6		4.4
		158.5	102.5	56.0

- 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 102.5 MW

- Of the remaining 56 MW, each member can take up to 5% until the balance 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 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 since 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
  - Satisfied 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
- General 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
- Do nothing and continue to bid or self-schedule generation as we do now and collect the hourly market price
  - Most flexible and guarantees higher of cost or market
  - Captures high value hours in winter and summer, otherwise foregone if sell bilaterally
  - Can grow in margins as market oversupply catches up with demand, and it will
  - Can always hedge later to capture forward power price spikes

# EKPC Mitigation Options

- Sell forward beginning June 1, 2019 the amount of A3/MOU purchases
  - Locks in a substantial loss over the term (whether 1, 5, or 10 years) to market which is \$30 on average next number of years
  - Least flexible
  - Foregoes longer term rises in price of capacity and energy
- Adopt merchant power's approach to managing long position
  - Layer in hedges over time much like we do coal purchases that way lock in opportunistic sales that roll off over time in orderly fashion
  - 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

- Non-traditional approach – merchant power plus
  - Create a Class “B” entity authorized to buy and sell from EKPC at whole “market-based rates”
  - Would open up forward sales opportunities to PJM deregulated, retail choice states like Ohio
  - Staff have experience in managing this type of structure
  - Will have credit requirement implication to EKPC but can be managed
- A combination of the above approaches have best opportunity to 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:** Mike McNalley  
**Sent:** Wednesday, February 7, 2018 8:24 AM  
**To:** Sally Witt  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

I keep telling them to delete my pictures from the Internet!

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:** Wednesday, February 7, 2018 8:06 AM  
**To:** Mike McNalley  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

Stop the madness!



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**From:** Mike McNalley  
**Sent:** Wednesday, February 07, 2018 8:03 AM  
**To:** Sally Witt <[sally.witt@ekpc.coop](mailto:sally.witt@ekpc.coop)>  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

Licking Valley noticed 300kW yesterday.

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 6, 2018 4:51 PM



**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)>; Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>

**Cc:** Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>

**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

Attached is an updated version, including Mike's additional column. Please let me know what changes you have.

Thanks!  
Sally

# East Kentucky Power Cooperative

## MOU Cost and Mitigation Plan

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- As always, seek and implement wise cost reductions
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# Summary

- XXX



**Gwyn Willoughby**

---

**From:** Mark Stallons <mstallons@owenelectric.com>  
**Sent:** Wednesday, February 7, 2018 6:11 AM  
**To:** Mike McNalley  
**Subject:** Re: A3 Cost Shift Spreadsheet

Mike,

Thanks for taking a look. Your comments are spot on. I kept it simple and that does compromise accuracy.

I have capacity as well as energy pricing in the short term. We should have escalators in the next few weeks.

In regards to a twenty year NPV I have that in a different model with Owen alone. To improve accuracy, I need a more recent or adjusted EKPC financial forecast. I have the 2015 in my files. However, it is obviously dated.

The ES and base rate 2018 EKPC budget numbers by Cooperative is necessary to finish the model. Without that I can not accurately show the impact on a Cooperative basis.

Would also like to see present capacity and energy costs by generating unit for all of EKPC's units compared to market. In addition a range of expected market selling price and revenue, the remaining depreciation and resulting annual regulatory asset cost for each of EKPC's generating assets.

In other words what is the cost of our steel hedge compared to market and what if any possible pathways do we have to lessen our stranded costs. What is our enterprise risk associated with Dems regaining control of the EPA, house and or Senate? What is our risk mitigation plan if Bevin and the Republicans deregulate Kentucky?

The S KY Amendment 3 move highlights a handful of questions that I am sure the EKPC staff understand, have thought about, and have concluded that staying with a steel hedge is our best response. In the last few weeks I have found that most board of directors and CEO's can not explain the value or risk of a steel hedge at \$15 to \$25 per MWh above the PJM market.

I found this simple spreadsheet to be a useful tool to educate my board concerning the impact of SKY's actions as well as a means to explain the possible outcomes associated with a variety of mitigation strategies. If we work together, I believe we can develop a more accurate model to educate all stakeholders including the PSC.

I can talk about the above anytime this morning.

Thanks,

Mark

Mark Stallons  
Sent from my iPhone

> On Feb 6, 2018, at 5:25 PM, Mike McNalley <Michael.McNalley@ekpc.coop> wrote:  
>

> Didn't hear from you today but did see a couple of issues. One is the \$20/MWh savings could decline over time if (a) EKPC continues to lower cost, and/or (b) there are any escalators or Re-openers in the contract. So using the first year savings probably overstates it, and the NPVs should be adjusted.

> Second is that there is no capacity cost. I don't know what is being quoted, but I do know that it follows market so could escalate quite dramatically. Might erase all remaining savings.

>

> If you get some time Wed, give me a shout.

>

> 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 5, 2018, at 5:31 PM, Mark Stallons <mstallons@owenelectric.com<mailto:mstallons@owenelectric.com>> wrote:

>

> Mike,

>

> Here is my simple spreadsheet. What is a good time to call tomorrow?

>

> 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>

> <image001.jpg>

>

> "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.

>

> PRIVILEGED OR CONFIDENTIAL NOTICE: This e-mail message is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

>

>

> <Cost Shift 020318.xlsx>

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Tuesday, February 6, 2018 5:00 PM  
**To:** Mike McNalley  
**Subject:** MOU Discussion\_ DM edits.pptx  
**Attachments:** MOU Discussion\_ DM edits.pptx

I didn't really help much but got some thoughts in as well as initial thoughts on mitigation.

**Gwyn Willoughby**

---

**From:** Sally Witt  
**Sent:** Tuesday, February 6, 2018 4:51 PM  
**To:** David Crews; Don Mosier; Mike McNalley  
**Cc:** Julie Tucker  
**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx  
**Attachments:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

Attached is an updated version, including Mike's additional column. Please let me know what changes you have.

Thanks!  
Sally

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 6, 2018 3:47 PM  
**To:** Don Mosier  
**Subject:** help  
**Attachments:** MOU Discussion.pptx

Getting tripped up on the last couple of my slides. Trying to come up with a rule-of-thumb explanation for the board so they can grasp the essence of what is happening. Feel like I'm just getting it more twisted.

Take a look and let's discuss.

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:** Tuesday, February 6, 2018 11:39 AM  
**To:** Mike McNalley  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

This is doing what you want it to do. I also would have used the balance column to calculate the prorata remainder share.

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 6, 2018 8:25 AM  
**To:** David Crews  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

I added a section to the right so I could have a summary table to use in a powerpoint for the board. I noticed a difference in Owen – in the block to the far left their part of our 5% is smaller than in the center block. Can you look at that and let me know what is correct?

Thanks,

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

---

**From:** David Crews  
**Sent:** Monday, February 5, 2018 4:16 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)>  
**Subject:** FW: Amendment 3 Allotment Jan 2018 for distribution.xlsx

---

**From:** Sally Witt  
**Sent:** Monday, February 5, 2018 4:08 PM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Tuesday, February 6, 2018 11:22 AM  
**To:** Mike McNalley  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

They can take a full 5% up until the bank of MWs is less than their 5%.

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 6, 2018 8:47 AM  
**To:** David Crews  
**Subject:** RE: Amendment 3 Allotment Jan 2018 for distribution.xlsx

So they can't take a full 5% on the new notice... In the left block (EKPC 5% LIMIT) they have 18.7MW. In the center block (A3 Allotments...) they have 20.9MW available. That's what is confusing me – most other systems have the same values in both columns (LV and FM are slightly different).

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---

**From:** David Crews  
**Sent:** Tuesday, February 6, 2018 8:43 AM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Re: Amendment 3 Allotment Jan 2018 for distribution.xlsx

Owen already has a 2 MW gas generator at their office.

Sent from my iPhone

On Feb 6, 2018, at 8:25 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

I added a section to the right so I could have a summary table to use in a powerpoint for the board. I noticed a difference in Owen – in the block to the far left their part of our 5% is smaller than in the center block. Can you look at that and let me know what is correct?

Thanks,

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

---

**From:** David Crews  
**Sent:** Monday, February 5, 2018 4:16 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)>  
**Subject:** FW: Amendment 3 Allotment Jan 2018 for distribution.xlsx

---

**From:** Sally Witt  
**Sent:** Monday, February 5, 2018 4:08 PM  
**To:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>  
**Subject:** Amendment 3 Allotment Jan 2018 for distribution.xlsx



## Gwyn Willoughby

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 6, 2018 9:10 AM  
**To:** Tony Campbell  
**Subject:** RE: MOU Numbers

I don't have anything on my calendar for either of them coming in, Tony. I talked to both of them yesterday and Mark sent me his spreadsheet (which Mike W says is wrong), so I'm looking that over now. Mark said he would call me today to go over it.

Mike McNalley  
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East Kentucky Power Cooperative, Inc.  
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---

**From:** Tony Campbell  
**Sent:** Monday, February 5, 2018 2:13 PM  
**To:** Mike McNalley  
**Subject:** MOU Numbers

Mike,

We might want to have Mike Williams in on Wednesday when Mark S. comes in. Mike has been running numbers too.

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



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**Gwyn Willoughby**

---

**From:** Terri Combs  
**Sent:** Tuesday, February 6, 2018 8:59 AM  
**To:** Mike McNalley  
**Cc:** Tony Campbell; Don Mosier  
**Subject:** RE: template

Mike – Tony agreed that it’s a good idea to house all three presentations together. Thanks for the template. I don’t mind to drop your slides into place once they are completed. Just forward on to me. I appreciate your help.

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 06, 2018 8:43 AM  
**To:** Terri Combs  
**Cc:** Tony Campbell ; Don Mosier  
**Subject:** template

Here is the outline deck I’m working with for the board exec session. I would do the first part (A3 and Cost Shift) and Don would do the second (Mitigation).

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**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Tuesday, February 6, 2018 7:56 AM  
**To:** Isaac Scott  
**Cc:** Patrick Woods  
**Subject:** RE: South Kentucky Amend 3 Analysis

Thanks!

Mike McNalley  
EVP & CFO  
East Kentucky Power Cooperative, Inc.  
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[Michael.mcnalley@ekpc.coop](mailto:Michael.mcnalley@ekpc.coop)

---

**From:** Isaac Scott  
**Sent:** Monday, February 5, 2018 4:54 PM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** RE: South Kentucky Amend 3 Analysis

Mike,  
I've rerun the analysis with the full 58 MW. That spreadsheet is attached. I also found a small error in the previous 38.6 MW version. I have updated and attached that one as well. Probably best if you delete the one I sent you just before 4:00 pm today. 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, February 05, 2018 3:51 PM  
**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 Amend 3 Analysis

Mike,  
Attached are my calculations for the Amend 3 analysis. I hope they are at least in the ball park. Some explanation notes on what I have done:

- Base Rates (Demand and Energy) – The allocation of the South Kentucky reductions in demand and energy were allocated based on the billed demand kW and billed energy kWh for Rate E. This seemed to be reasonable as the entire bill reduction assumed Rate E. If we wanted to model the other alternatives we have talked about (designating load to Rates B, C, and E), this part of the analysis probably should be revised as well, and would be significantly more complicated. I've listed the demand and energy impact on the Summary tab under the "Before Rate Case" scenario as "Potential Pressure on Margins" as we would not be able to immediately recover these lost revenues from the other Members.
- FAC – I originally ran this part of the analysis assuming that fuel costs would be reduced by 0.544%, which was based on the FAC reduction associated with the 38.6 MW purchase. However, this approach was producing generating additional revenues from the FAC in the \$6,000,000 range, far larger than the impact to South Kentucky. Additional revenue was being generated because the FAC factor was lower than what was actually billed, in other words a reduction in the FAC credit and an increase in our revenues. I also experimented with other percentages to reduce the fuel costs by and discovered that over 3% would result in the FAC factors being larger than the actual billed, or a larger credit. This didn't appear to make sense for this analysis. After some trial and error, I concluded that a 2.25% reduction to the fuel costs would generate an amount approximately equal to the South Kentucky FAC reduction.
- Surcharge – This part has been tricky and I may still be off, but I still think the results overall are reasonable. In both the before and after scenarios, I believe it is necessary to add back to the average Member revenues the actual revenue increases I have modeled and determine a new surcharge factor. For the before scenario, that only involved adding back an average of the FAC revenues. For the after, it was the increase in demand, energy, and FAC. In the after scenario, this adding back resulted in very little impact on the surcharge factor. I'm sure you will notice the unusual percentage change in the surcharge for Fleming-Mason and Taylor County in both scenarios. This has got to be the effects of the Tennessee Gas Pipeline, but I can't really tell you why it is making an impact.

I know there is way too much material here, but let me know what revisions or corrections you need. I apologize for the delay. Thanks.

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

1 SoKentuckyAmend3-2017 38.6MW.xlsx  
2 Estimated Effect of Amendment 3 Election using 2017 Actual Billings

3  
4 *Note: This calculation shows the value of the load reduction based on rates actually charged to South Kentucky during the analysis period.*

5  
6 **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 Rates	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	108,641,661	\$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)	\$1,166,985	\$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	\$6,567,296	(\$342,493)	\$1,280,809	\$7,525,612	\$62.64	(\$3.26)	\$59.38	\$12.18	\$71.56	30	52.93%
Totals to Date	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%

39 **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 Rates	FAC	Base Rate & FAC	Surcharge			Total Billing
December 2016	280,054	107,923,660	\$7,009,405	(\$421,699)	\$1,314,245	\$7,901,951	\$64.95	(\$3.91)	\$61.04	\$12.18	\$73.22	31	51.80%
January	330,829	99,935,035	\$6,926,908	(\$322,175)	\$1,117,517	\$7,722,250	\$69.31	(\$3.22)	\$66.09	\$11.18	\$77.27	31	40.60%
February	260,588	76,282,359	\$5,356,636	(\$301,989)	\$566,624	\$5,621,271	\$70.22	(\$3.96)	\$66.26	\$7.43	\$73.69	28	43.56%
March	269,356	80,123,261	\$5,597,984	(\$590,123)	\$613,964	\$5,621,825	\$69.87	(\$7.37)	\$62.50	\$7.66	\$70.16	31	39.98%
April	143,967	57,853,592	\$3,774,072	(\$280,078)	\$549,609	\$4,043,603	\$65.23	(\$4.84)	\$60.39	\$9.50	\$69.89	30	55.81%
May	155,343	62,358,003	\$4,122,538	(\$331,290)	\$583,856	\$4,375,104	\$66.11	(\$5.31)	\$60.80	\$9.36	\$70.16	31	53.95%
June	184,653	72,187,261	\$4,797,892	(\$363,277)	\$880,715	\$5,315,330	\$66.46	(\$5.03)	\$61.43	\$12.20	\$73.63	30	54.30%
July	209,469	89,402,739	\$5,808,529	(\$582,143)	\$947,543	\$6,173,929	\$64.97	(\$6.51)	\$58.46	\$10.60	\$69.06	31	57.37%
August	191,242	79,923,325	\$5,219,969	(\$422,512)	\$851,550	\$5,649,007	\$65.31	(\$5.29)	\$60.02	\$10.65	\$70.67	31	56.17%
September	157,583	62,699,676	\$4,003,142	(\$438,339)	\$566,449	\$4,131,252	\$63.85	(\$6.99)	\$56.86	\$9.03	\$65.89	30	55.26%
October	203,793	64,152,113	\$4,276,823	(\$170,043)	\$719,917	\$4,826,697	\$66.67	(\$2.65)	\$64.02	\$11.22	\$75.24	31	42.31%
November	237,350	77,362,553	\$5,081,780	(\$251,335)	\$990,724	\$5,821,169	\$65.69	(\$3.25)	\$62.44	\$12.81	\$75.25	30	45.27%
Totals to Date	2,624,227	930,203,577	\$61,975,678	(\$4,475,003)	\$9,702,713	\$67,203,388	\$66.63	(\$4.81)	\$61.82	\$10.43	\$72.25	30.42	48.55%

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

74 75 76	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	
77	December 2016	(38,600)	(28,718,400)	(\$1,616,304)	\$112,576	(\$299,994)	(\$1,603,722)	\$1.82	\$0.00	\$1.82	\$0.37	\$2.19	-5.64%
78		-12.1135%	-21.0172%	-18.7382%	-21.0708%	-18.5842%	-18.5842%	2.8829%	0.0000%	3.0733%	3.1329%	3.0832%	-10.1319%
79													
80	January	(38,600)	(28,718,400)	(\$1,616,304)	\$92,760	(\$257,784)	(\$1,781,328)	\$2.91	\$0.01	\$2.92	\$0.49	\$3.41	-6.21%
81		-10.4486%	-22.3223%	-18.9192%	-22.3553%	-18.7438%	-18.7438%	4.3825%	-0.3096%	4.6224%	4.5837%	4.6168%	-13.2664%
82													
83	February	(38,600)	(25,939,200)	(\$1,482,375)	\$103,238	(\$154,601)	(\$1,533,738)	\$3.32	\$0.00	\$3.32	\$0.37	\$3.69	-7.28%
84		-12.9016%	-25.3755%	-21.6753%	-25.4766%	-21.4359%	-21.4359%	4.9626%	0.0000%	5.2749%	5.2408%	5.2714%	-14.3194%
85													
86	March	(38,600)	(28,718,400)	(\$1,616,304)	\$212,229	(\$172,140)	(\$1,576,215)	\$3.59	\$0.00	\$3.59	\$0.44	\$4.03	-7.52%
87		-12.5343%	-26.3855%	-22.4042%	-26.4509%	-21.8979%	-21.8978%	5.4164%	0.0000%	6.0940%	6.0942%	6.0941%	-15.8316%
88													
89	April	(38,600)	(27,792,000)	(\$1,571,660)	\$135,069	(\$225,976)	(\$1,662,567)	\$2.81	\$0.01	\$2.82	\$0.44	\$3.26	-9.35%
90		-21.1429%	-32.4500%	-29.4003%	-32.5352%	-29.1362%	-29.1363%	4.5018%	-0.2062%	4.8984%	4.8565%	4.8927%	-14.3493%
91													
92	May	(38,600)	(28,718,400)	(\$1,637,176)	\$152,782	(\$228,597)	(\$1,712,991)	\$2.87	\$0.01	\$2.88	\$0.44	\$3.32	-9.17%
93		-19.9028%	-31.5322%	-28.4246%	-31.5618%	-28.1366%	-28.1367%	4.5383%	-0.1880%	4.9724%	4.9327%	4.9671%	-14.5279%
94													
95	June	(38,600)	(27,792,000)	(\$1,591,859)	\$140,350	(\$288,270)	(\$1,739,779)	\$2.55	\$0.01	\$2.56	\$0.51	\$3.07	-7.90%
96		-17.2898%	-27.7978%	-24.9127%	-27.8678%	-24.6599%	-24.6598%	3.9900%	-0.1984%	4.3486%	4.3627%	4.3509%	-12.7010%
97													
98	July	(38,600)	(28,718,400)	(\$1,637,176)	\$187,531	(\$262,821)	(\$1,712,466)	\$1.94	\$0.01	\$1.95	\$0.35	\$2.30	-6.63%
99		-15.5602%	-24.3127%	-21.9882%	-24.3650%	-21.7142%	-21.7142%	3.0779%	-0.1534%	3.4507%	3.4146%	3.4452%	-10.3594%
100													
101	August	(38,600)	(28,718,400)	(\$1,637,176)	\$152,208	(\$263,582)	(\$1,748,550)	\$2.19	\$0.00	\$2.19	\$0.39	\$2.58	-7.36%
102		-16.7941%	-26.4340%	-23.8755%	-26.4839%	-23.8368%	-23.8369%	3.4696%	0.0000%	3.7870%	3.8012%	3.7891%	-11.5851%
103													
104	September	(38,600)	(27,792,000)	(\$1,525,715)	\$195,656	(\$211,346)	(\$1,541,405)	\$2.75	\$0.02	\$2.77	\$0.43	\$3.20	-8.80%
105		-19.6755%	-30.7122%	-27.5955%	-30.8608%	-27.1725%	-27.1725%	4.5008%	-0.2853%	5.1211%	5.0000%	5.1045%	-13.7371%
106													
107	October	(38,600)	(28,718,400)	(\$1,547,953)	\$76,678	(\$257,915)	(\$1,729,190)	\$3.95	\$0.01	\$3.96	\$0.69	\$4.65	-9.19%
108		-15.9246%	-30.9231%	-26.5753%	-31.0788%	-26.3762%	-26.3761%	6.2978%	-0.3759%	6.5934%	6.5527%	6.5873%	-17.8447%
109													
110	November	(38,600)	(27,792,000)	(\$1,505,516)	\$91,158	(\$290,085)	(\$1,704,443)	\$3.05	\$0.01	\$3.06	\$0.63	\$3.69	-7.66%
111		-13.9880%	-26.4297%	-22.8548%	-26.6160%	-22.6486%	-22.6486%	4.8691%	-0.3067%	5.1533%	5.1724%	5.1565%	-14.4719%
112													
113	Totals to Date	(463,200)	(338,136,000)	(\$18,985,518)	\$1,652,235	(\$2,913,111)	(\$20,246,394)	\$2.80	\$0.02	\$2.82	\$0.48	\$3.30	-7.72%
114		-15.0028%	-26.6597%	-23.4501%	-26.9654%	-23.0909%	-23.1520%	4.3867%	-0.4141%	4.7797%	4.8241%	4.7861%	-13.7196%
115													
116													

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

1 SoKentuckyAmend3-2017 38.6MW.xlsx  
2 Calculation of Bill Impact of 40 MW under Amendment 3

3  
4 **Note: This calculation shows the value of the load reduction based on rates actually charged to South Kentucky during the analysis period.**

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6 Assumptions: 100% load factor for purchase  
7 Amendment 3 purchase offsets Rate E load only  
8 On-Peak/Off-Peak Mix:  
9 Oct - Apr  
10 On-Peak 41.67%  
11 Off-Peak 58.33%  
12 May - Sep  
13 On-Peak 50.00%  
14 Off-Peak 50.00%  
15  
16

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	38,600	28,718,400	11,966,957	16,751,443	\$6.02	\$0.053279	\$0.044554	(\$0.003920)	19.95%	\$232,372	\$637,588	\$746,344	\$1,616,304	(\$112,576)	\$1,503,728	\$299,994	\$1,803,722
January	31	38,600	28,718,400	11,966,957	16,751,443	\$6.02	\$0.053279	\$0.044554	(\$0.003230)	16.92%	\$232,372	\$637,588	\$746,344	\$1,616,304	(\$92,760)	\$1,523,544	\$257,784	\$1,781,328
February	28	38,600	25,939,200	10,808,865	15,130,335	\$6.02	\$0.053279	\$0.044554	(\$0.003980)	11.21%	\$232,372	\$575,886	\$674,117	\$1,482,375	(\$103,238)	\$1,379,137	\$154,601	\$1,533,738
March	31	38,600	28,718,400	11,966,957	16,751,443	\$6.02	\$0.053279	\$0.044554	(\$0.007390)	12.26%	\$232,372	\$637,588	\$746,344	\$1,616,304	(\$212,229)	\$1,404,075	\$172,140	\$1,576,215
April	30	38,600	27,792,000	11,590,926	16,211,074	\$6.02	\$0.053279	\$0.044554	(\$0.004860)	15.73%	\$232,372	\$617,020	\$722,268	\$1,571,660	(\$135,069)	\$1,436,591	\$225,076	\$1,662,567
May	31	38,600	28,718,400	14,359,200	14,359,200	\$6.02	\$0.053279	\$0.044554	(\$0.005320)	15.40%	\$232,372	\$765,044	\$639,760	\$1,637,176	(\$152,782)	\$1,484,394	\$226,597	\$1,712,991
June	30	38,600	27,792,000	13,896,000	13,896,000	\$6.02	\$0.053279	\$0.044554	(\$0.005090)	19.86%	\$232,372	\$740,365	\$619,122	\$1,591,859	(\$140,350)	\$1,451,509	\$286,270	\$1,739,779
July	31	38,600	28,718,400	14,359,200	14,359,200	\$6.02	\$0.053279	\$0.044554	(\$0.006930)	18.13%	\$232,372	\$765,044	\$639,760	\$1,637,176	(\$187,531)	\$1,449,645	\$262,821	\$1,712,466
August	31	38,600	28,718,400	14,359,200	14,359,200	\$6.02	\$0.053279	\$0.044554	(\$0.005300)	17.75%	\$232,372	\$766,044	\$639,760	\$1,637,176	(\$152,208)	\$1,484,968	\$263,582	\$1,748,550
September	30	38,600	27,792,000	13,896,000	13,896,000	\$6.02	\$0.050869	\$0.042174	(\$0.007040)	15.89%	\$232,372	\$707,283	\$586,050	\$1,525,715	(\$195,656)	\$1,330,059	\$211,346	\$1,541,405
October	31	38,600	28,718,400	11,966,957	16,751,443	\$6.02	\$0.050869	\$0.042174	(\$0.002670)	17.53%	\$232,372	\$609,106	\$706,475	\$1,547,953	(\$76,678)	\$1,471,275	\$257,915	\$1,729,190
November	30	38,600	27,792,000	11,590,926	16,211,074	\$6.02	\$0.050869	\$0.042174	(\$0.003260)	20.51%	\$232,372	\$669,458	\$683,686	\$1,505,516	(\$91,156)	\$1,414,360	\$290,085	\$1,704,443
Totals to Date		463,200	338,136,000	152,708,145	185,427,855						\$2,788,464	\$8,047,024	\$8,160,030	\$18,985,518	(\$1,652,235)	\$17,333,283	\$2,913,111	\$20,246,394

1 Refer to Item 3.2017 SK ERM.xlsx  
2 Recalculation of FAC Factor to Reflect Evolution of South Kentucky Purchase  
3 Note: This calculation reflects the "total" in the FAC Facility resulting from the South Kentucky purchase. Recalculated FAC Factors will be applied to all Members, as the FAC Factor is not based on the base rates.  
4  
5 Recalculated FAC Factors

Expense Month	Original Bid Type	End Date/Start	South Kentucky				Recalculated FAC Factor				Billed Month
			Cost Reduction	Cost Reduction	Cost Reduction	Cost Reduction	Original FAC	Recalculated FAC	Original FAC	Recalculated FAC	
11	06 00320	024,821,709	046,821,738	555,455	27,762,330	\$0.02940	\$0.02914	\$0.00026	December 2016		
12	06 00031	033,801,980	1,248,870,472	576,045	20,716,430	\$0.03900	\$0.03944	0.00044	January		
13	06 00368	031,211,745	1,192,785,531	570,514	20,716,430	\$0.03620	\$0.03644	0.00024	February		
14	06 00738	022,074,039	968,121,790	640,541	20,699,200	\$0.03960	\$0.03944	-0.00016	March		
15	06 00488	026,311,937	1,043,760,380	500,568	20,716,430	\$0.02941	\$0.02914	-0.00027	April		
16	06 00032	021,227,031	855,552,816	547,835	27,762,330	\$0.03960	\$0.03944	-0.00016	May		
17	06 00069	022,043,237	917,647,842	501,516	20,716,430	\$0.03021	\$0.03014	-0.00007	June		
18	06 00633	025,359,353	997,714,387	520,009	27,762,330	\$0.02974	\$0.02914	-0.00060	July		
19	06 00030	028,617,088	1,144,230,174	600,306	20,716,430	\$0.02940	\$0.02914	-0.00026	August		
20	06 00704	028,425,142	1,087,217,273	660,660	20,716,430	\$0.02914	\$0.02914	0.00000	September		
21	06 00079	022,580,400	969,421,762	506,089	27,762,330	\$0.02914	\$0.02914	0.00000	October		
22	06 00289	022,116,132	963,269,200	540,613	28,716,430	\$0.02972	\$0.02976	0.00004	November		
23	Total	003,322,948	72,161,007,472	54,628,264	308,136,000						

Note: South Kentucky Cost Reduction is estimated at 2.20%. It follows that simply would be lower if the energy in present were also lower. This reduction results in a "net" of the FAC that nearly matches the net change in South Kentucky.

Month	Bid Type	Original Bid Type	Original Bid Type	Original Bid Type				Recalculated FAC Factor				Recalculated FAC Factor				Original Bid Type	Original Bid Type	Original Bid Type	Original Bid Type
				Components	Impact	Components	Impact	Components	Impact	Components	Impact	Components	Impact	Components	Impact				
43	December 2016	06 00320	024,821,709	046,821,738	555,455	27,762,330	\$0.02940	\$0.02914	\$0.00026	December 2016	06 00320	024,821,709	046,821,738	555,455	27,762,330	\$0.02940	\$0.02914	\$0.00026	December 2016
44	January	06 00031	033,801,980	1,248,870,472	576,045	20,716,430	\$0.03900	\$0.03944	0.00044	January	06 00031	033,801,980	1,248,870,472	576,045	20,716,430	\$0.03900	\$0.03944	0.00044	January
45	February	06 00368	031,211,745	1,192,785,531	570,514	20,716,430	\$0.03620	\$0.03644	0.00024	February	06 00368	031,211,745	1,192,785,531	570,514	20,716,430	\$0.03620	\$0.03644	0.00024	February
46	March	06 00738	022,074,039	968,121,790	640,541	20,699,200	\$0.03960	\$0.03944	-0.00016	March	06 00738	022,074,039	968,121,790	640,541	20,699,200	\$0.03960	\$0.03944	-0.00016	March
47	April	06 00488	026,311,937	1,043,760,380	500,568	20,716,430	\$0.02941	\$0.02914	-0.00027	April	06 00488	026,311,937	1,043,760,380	500,568	20,716,430	\$0.02941	\$0.02914	-0.00027	April
48	May	06 00032	021,227,031	855,552,816	547,835	27,762,330	\$0.03960	\$0.03944	-0.00016	May	06 00032	021,227,031	855,552,816	547,835	27,762,330	\$0.03960	\$0.03944	-0.00016	May
49	June	06 00069	022,043,237	917,647,842	501,516	20,716,430	\$0.03021	\$0.03014	-0.00007	June	06 00069	022,043,237	917,647,842	501,516	20,716,430	\$0.03021	\$0.03014	-0.00007	June
50	July	06 00633	025,359,353	997,714,387	520,009	27,762,330	\$0.02974	\$0.02914	-0.00060	July	06 00633	025,359,353	997,714,387	520,009	27,762,330	\$0.02974	\$0.02914	-0.00060	July
51	August	06 00030	028,617,088	1,144,230,174	600,306	20,716,430	\$0.02940	\$0.02914	-0.00026	August	06 00030	028,617,088	1,144,230,174	600,306	20,716,430	\$0.02940	\$0.02914	-0.00026	August
52	September	06 00704	028,425,142	1,087,217,273	660,660	20,716,430	\$0.02914	\$0.02914	0.00000	September	06 00704	028,425,142	1,087,217,273	660,660	20,716,430	\$0.02914	\$0.02914	0.00000	September
53	October	06 00079	022,580,400	969,421,762	506,089	27,762,330	\$0.02914	\$0.02914	0.00000	October	06 00079	022,580,400	969,421,762	506,089	27,762,330	\$0.02914	\$0.02914	0.00000	October
54	November	06 00289	022,116,132	963,269,200	540,613	28,716,430	\$0.02972	\$0.02976	0.00004	November	06 00289	022,116,132	963,269,200	540,613	28,716,430	\$0.02972	\$0.02976	0.00004	November
55	Total	003,322,948	72,161,007,472	54,628,264	308,136,000														

Total FAC recalculation by South Kentucky  
Change in South Kentucky FAC due to  
High Effect in South Kentucky FAC  
Total FAC "index" to other Members



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Month	Original Amount	Final Amount	Actual Change	South Kentucky Import from FAC
December 2016				
43. Blended FAC	(192,870)	(4,334,180)	(4,241,310)	Adjusted With Sales
44. Blended With Sales	43,247,312			FAC at Actual Billing Rate
45. Recalculated FAC Factor	(81,00294)			FAC at Recalculated Rate
47. Recalculated FAC Amount		(1,105,320)	(4,136,030)	Change due to Recalculation
48. Change in FAC		88,261	110,550	
49. January				
51. Blended FAC	(148,312)	(3,448,670)	(3,300,358)	Adjusted With Sales
52. Blended With Sales	40,277,200			FAC at Actual Billing Rate
54. Recalculated FAC Factor	(81,00292)			FAC at Recalculated Rate
55. Recalculated FAC Amount		(1,148,891)	(3,430,010)	Change due to Recalculation
56. Change in FAC		5480	111,664	
57. February				
59. Blended FAC	(145,044)	(3,442,437)	(3,297,393)	Adjusted With Sales
61. Blended With Sales	38,452,710			FAC at Actual Billing Rate
62. Recalculated FAC Factor	(81,00294)			FAC at Recalculated Rate
63. Recalculated FAC Amount		(1,142,820)	(3,407,280)	Change due to Recalculation
65. Change in FAC		1,458	124,137	
66. March				
68. Blended FAC	(230,437)	(8,001,010)	(7,770,573)	Adjusted With Sales
69. Blended With Sales	34,564,181			FAC at Actual Billing Rate
70. Recalculated FAC Factor	(81,00292)			FAC at Recalculated Rate
71. Recalculated FAC Amount		(2,779,870)	(8,007,430)	Change due to Recalculation
72. Change in FAC		53,658	193,302	
73. April				
75. Blended FAC	(148,205)	(3,740,210)	(3,592,005)	Adjusted With Sales
76. Blended With Sales	30,200,812			FAC at Actual Billing Rate
78. Recalculated FAC Factor	(81,00294)			FAC at Recalculated Rate
79. Recalculated FAC Amount		(1,148,210)	(3,840,280)	Change due to Recalculation
80. Change in FAC		8,399	110,050	
81. May				
83. Blended FAC	(177,880)	(4,266,502)	(4,088,622)	Adjusted With Sales
84. Blended With Sales	33,384,498			FAC at Actual Billing Rate
86. Recalculated FAC Factor	(81,00290)			FAC at Recalculated Rate
87. Recalculated FAC Amount		(1,188,677)	(4,180,347)	Change due to Recalculation
88. Change in FAC		20,885	124,956	
89. June				
91. Blended FAC	(184,722)	(4,538,008)	(4,353,286)	Adjusted With Sales
92. Blended With Sales	37,372,020			FAC at Actual Billing Rate
94. Recalculated FAC Factor	(80,90425)			FAC at Recalculated Rate
95. Recalculated FAC Amount		(1,180,510)	(4,321,770)	Change due to Recalculation
96. Change in FAC		16,222	107,307	
97. July				
99. Blended FAC	(226,402)	(5,087,100)	(4,860,698)	Adjusted With Sales
100. Blended With Sales	42,301,024			FAC at Actual Billing Rate
102. Recalculated FAC Factor	(80,00940)			FAC at Recalculated Rate
103. Recalculated FAC Amount		(1,730,508)	(5,300,830)	Change due to Recalculation
104. Change in FAC		85,940	112,228	
105. August				
107. Blended FAC	(273,680)	(5,622,792)	(5,349,112)	Adjusted With Sales
108. Blended With Sales	40,371,024			FAC at Actual Billing Rate
110. Recalculated FAC Factor	(80,00924)			FAC at Recalculated Rate
111. Recalculated FAC Amount		(2,211,244)	(5,380,450)	Change due to Recalculation
112. Change in FAC		27,422	120,848	
113. September				
115. Blended FAC	(224,567)	(5,966,615)	(5,742,048)	Adjusted With Sales
116. Blended With Sales	32,322,480			FAC at Actual Billing Rate
118. Recalculated FAC Factor	(80,80882)			FAC at Recalculated Rate
119. Recalculated FAC Amount		(2,220,820)	(5,880,840)	Change due to Recalculation
120. Change in FAC		53,990	100,868	
121. October				
123. Blended FAC	(268,428)	(5,182,654)	(4,914,226)	Adjusted With Sales
124. Blended With Sales	33,400,200			FAC at Actual Billing Rate
126. Recalculated FAC Factor	(80,00290)			FAC at Recalculated Rate
127. Recalculated FAC Amount		(882,287)	(5,386,510)	Change due to Recalculation
128. Change in FAC		17,500	147,260	
129. November 2017				
131. Blended FAC	(128,120)	(2,820,490)	(2,692,370)	Adjusted With Sales
132. Blended With Sales	34,450,730			FAC at Actual Billing Rate
134. Recalculated FAC Factor	(80,00294)			FAC at Recalculated Rate
135. Recalculated FAC Amount		(116,880)	(2,711,350)	Change due to Recalculation
136. Change in FAC		9,224	124,134	
137. Total Change in FAC		103,800	1,111,132	Total Change due to Recalculation
140. Total Blended FAC	(82,247,600)	(803,315,680)	(721,068,080)	Total FAC at Actual Billing Rate
141. Total Blended With Sales		(51,799,437)	(51,799,437)	Total FAC at Recalculated Rate
142. Total Recalculated FAC		(2,184,330)	(2,184,330)	Amount from Change
143. Percentage Change		-0.638%		
144. Net change to reflect reduced				
145. Net change to reflect reduced				
146. Net change to reflect reduced				
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148. Net change to reflect reduced				
149. Net change to reflect reduced				
150. Net change to reflect reduced				

1 SoKentuckyAmend3-2017 38.BMW.xlsx  
 2 Allocation of Demand and Energy Revenues from South Kentucky Purchase

4 Allocation will be based on Rate E Demand (in kW) and Energy (in kWh); Salt River totals adjusted for generator credit

"Before Rate Case" Scenario

	Month	South Kentucky Allocation	Big Sandy	Blue Grass	Clark	Cumberland Valley	Farmers	Fleming-Mason	Grayson	Inter-County	Jackson	Licking Valley	Noah	Owen	Salt River	Shelby	Taylor County	Totals
11	December 2016																	
12	Demand kW		51,893	259,862	105,521	94,906	100,826	101,208	50,954	107,309	193,053	57,592	157,319	212,549	227,300	75,195	108,521	1,903,728
13	Demand Percentage		2.720%	13.651%	5.543%	4.953%	5.296%	5.318%	2.661%	5.637%	10.141%	3.025%	8.264%	11.165%	11.940%	3.960%	5.700%	100.000%
14	Energy kWh		23,954,845	113,693,770	47,585,118	47,179,731	46,453,205	48,943,756	23,797,171	46,812,650	91,038,878	27,148,885	65,335,740	106,087,312	104,401,173	35,280,422	47,269,516	872,767,374
15	Energy Percentage		2.745%	13.016%	5.452%	5.406%	5.323%	5.367%	2.727%	5.364%	10.431%	3.111%	7.488%	12.153%	11.962%	4.022%	5.416%	100.001%
17	Allocated Demand \$	\$232,372	\$6,334	\$31,721	\$12,660	\$11,564	\$12,306	\$12,353	\$6,183	\$13,099	\$23,565	\$7,029	\$19,203	\$25,944	\$27,745	\$9,179	\$13,245	\$232,377
18	Allocated Energy \$	\$1,383,932	\$37,989	\$180,133	\$75,452	\$74,815	\$73,667	\$74,276	\$37,740	\$74,234	\$144,358	\$43,054	\$103,801	\$169,169	\$185,546	\$55,939	\$74,954	\$1,383,947
20	January																	
21	Demand kW		56,265	292,425	113,618	109,649	110,305	103,183	54,300	129,420	224,676	56,960	178,236	214,151	246,197	80,729	123,473	2,095,287
22	Demand Percentage		2.865%	13.956%	5.423%	5.233%	5.284%	4.925%	2.592%	6.177%	10.723%	2.800%	8.537%	10.221%	11.750%	3.853%	5.893%	100.002%
23	Energy kWh		22,094,730	107,323,950	44,518,120	43,870,038	43,302,743	44,752,896	22,257,788	43,527,766	84,470,873	25,192,068	61,052,937	99,961,152	98,213,543	33,376,872	43,980,377	817,876,063
24	Energy Percentage		2.701%	13.122%	5.443%	5.364%	5.295%	5.472%	2.719%	5.322%	10.326%	3.080%	7.466%	12.222%	12.009%	4.081%	5.377%	99.995%
26	Allocated Demand \$	\$232,372	\$8,239	\$32,430	\$12,602	\$12,160	\$12,232	\$11,444	\$6,023	\$14,364	\$24,917	\$6,506	\$19,769	\$23,751	\$27,304	\$8,953	\$13,694	\$232,377
27	Allocated Energy \$	\$1,383,932	\$37,380	\$181,600	\$75,327	\$74,234	\$73,529	\$75,729	\$37,529	\$73,653	\$142,932	\$42,625	\$103,311	\$169,144	\$185,193	\$58,478	\$74,614	\$1,383,918
29	February																	
30	Demand kW		54,976	254,231	105,142	102,692	86,393	95,595	52,106	106,393	204,542	57,808	139,219	197,594	209,552	71,622	94,578	1,832,411
31	Demand Percentage		3.000%	13.874%	5.736%	5.604%	4.715%	5.217%	2.644%	5.804%	11.162%	3.155%	7.589%	10.783%	11.436%	3.909%	5.161%	100.000%
32	Energy kWh		18,003,248	81,727,524	34,640,561	36,346,461	33,964,221	35,573,739	17,941,043	32,466,833	66,822,543	20,456,202	46,471,308	78,856,424	76,460,631	25,768,253	34,478,332	639,977,919
33	Energy Percentage		2.813%	12.770%	5.413%	5.679%	5.307%	5.559%	2.803%	5.073%	10.441%	3.196%	7.261%	12.322%	11.947%	4.026%	5.367%	99.997%
35	Allocated Demand \$	\$232,372	\$6,971	\$32,239	\$13,334	\$13,022	\$10,956	\$12,123	\$6,809	\$13,487	\$25,937	\$7,331	\$17,656	\$25,057	\$26,574	\$9,083	\$11,993	\$232,372
36	Allocated Energy \$	\$1,250,003	\$35,163	\$159,625	\$67,663	\$70,988	\$66,338	\$69,488	\$35,038	\$63,413	\$130,513	\$39,950	\$59,763	\$154,025	\$149,338	\$50,325	\$67,338	\$1,249,968
38	March																	
39	Demand kW		56,345	240,893	101,182	108,679	91,219	98,740	49,931	97,584	202,823	56,455	136,534	190,371	203,806	67,516	100,666	1,893,625
40	Demand Percentage		3.124%	13.339%	5.610%	6.037%	5.057%	5.475%	2.768%	5.409%	11.301%	3.100%	7.570%	10.555%	11.300%	3.743%	5.961%	99.999%
41	Energy kWh		19,371,183	87,187,732	37,470,156	38,310,027	36,330,410	38,415,132	19,330,132	34,157,811	70,155,841	21,919,015	48,484,222	64,470,000	61,552,433	27,328,637	36,211,029	680,910,289
42	Energy Percentage		2.845%	12.805%	5.503%	5.629%	5.336%	5.642%	2.869%	5.016%	10.303%	3.219%	7.121%	12.406%	11.977%	4.014%	5.318%	100.002%
44	Allocated Demand \$	\$232,372	\$7,259	\$30,996	\$13,098	\$14,028	\$11,751	\$12,722	\$6,432	\$12,589	\$26,260	\$7,273	\$17,591	\$24,527	\$26,258	\$8,698	\$12,969	\$232,368
45	Allocated Energy \$	\$1,383,932	\$39,373	\$177,212	\$76,158	\$77,668	\$73,647	\$78,061	\$39,705	\$69,418	\$142,597	\$44,549	\$98,550	\$171,891	\$185,754	\$58,551	\$73,590	\$1,383,962
47	April																	
48	Demand kW		29,321	145,127	62,245	61,267	57,231	64,242	31,097	57,054	116,160	35,617	75,711	146,256	129,470	44,561	58,272	1,113,451
49	Demand Percentage		2.633%	13.034%	5.590%	5.502%	5.140%	5.770%	2.793%	5.124%	10.436%	3.181%	6.800%	11.336%	11.629%	4.002%	5.233%	99.999%
50	Energy kWh		14,010,306	66,288,445	28,088,518	29,071,596	29,328,674	28,700,252	14,533,489	24,634,832	51,982,166	16,628,818	38,375,140	68,632,437	69,327,618	21,240,955	28,711,167	529,754,343
51	Energy Percentage		2.645%	12.613%	5.302%	5.488%	5.536%	5.418%	2.743%	4.898%	9.813%	3.139%	7.244%	12.956%	13.087%	4.010%	5.420%	100.002%
53	Allocated Demand \$	\$232,372	\$6,119	\$30,287	\$12,960	\$12,785	\$11,944	\$13,408	\$6,490	\$11,907	\$24,246	\$7,392	\$15,901	\$30,522	\$37,020	\$9,300	\$12,160	\$232,370
54	Allocated Energy \$	\$1,339,289	\$35,424	\$167,585	\$71,009	\$73,500	\$74,143	\$72,563	\$36,737	\$62,786	\$131,424	\$42,040	\$97,019	\$173,518	\$175,273	\$53,705	\$72,589	\$1,339,314
56	May																	
57	Demand kW		33,944	165,520	65,710	66,702	67,513	62,832	34,544	60,086	121,587	37,853	95,276	170,683	176,961	51,701	65,681	1,276,893
58	Demand Percentage		2.893%	12.965%	5.147%	5.225%	4.921%	4.705%	2.714%	4.705%	9.524%	2.965%	7.465%	13.369%	13.861%	4.050%	5.137%	100.002%
59	Energy kWh		14,449,034	72,294,570	29,656,150	30,912,627	32,383,506	30,217,622	15,057,788	26,705,714	54,549,228	17,102,854	42,785,322	74,993,928	78,193,936	23,209,880	31,302,764	573,794,304
60	Energy Percentage		2.518%	12.594%	5.169%	5.387%	5.644%	5.265%	2.624%	4.654%	9.507%	2.961%	7.457%	13.070%	13.629%	4.049%	5.455%	99.999%
62	Allocated Demand \$	\$232,372	\$6,179	\$30,127	\$11,960	\$12,141	\$12,306	\$11,435	\$6,307	\$10,935	\$22,131	\$6,890	\$17,342	\$31,066	\$32,209	\$9,411	\$11,937	\$232,376
63	Allocated Energy \$	\$1,404,804	\$35,373	\$176,921	\$72,614	\$75,677	\$79,287	\$73,977	\$36,862	\$65,380	\$133,555	\$41,877	\$104,756	\$193,600	\$191,447	\$56,824	\$76,632	\$1,404,790
66	June																	
67	Demand kW		35,678	189,950	75,196	63,400	62,424	72,911	39,636	72,284	127,692	40,257	115,506	192,838	204,882	58,928	79,878	1,451,232
68	Demand Percentage		2.458%	13.069%	5.162%	4.369%	5.680%	5.024%	2.731%	4.981%	8.797%	2.774%	7.959%	13.286%	14.104%	4.081%	5.504%	100.001%
69	Energy kWh		16,202,668	82,017,533	33,364,678	33,037,467	36,605,561	32,885,707	16,914,452	30,015,344	58,616,096	18,677,888	48,782,339	87,538,107	89,535,034	26,320,276	35,235,856	646,751,005
70	Energy Percentage		2.505%	12.681%	5.159%	5.106%	5.960%	5.055%	2.615%	4.641%	9.216%	2.889%	7.543%	13.535%	13.844%	4.070%	5.448%	100.000%
72	Allocated Demand \$	\$232,372	\$5,712	\$30,415	\$12,042	\$10,152	\$13,199	\$11,874	\$6,346	\$11,574	\$20,442	\$6,446	\$18,494	\$30,878	\$32,774	\$9,437	\$12,790	\$232,375
73	Allocated Energy \$	\$1,359,487	\$34,055	\$172,397	\$70,136	\$69,443	\$76,947	\$69,130	\$35,551	\$63,054	\$125,318	\$39,252	\$102,546	\$184,007	\$188,207	\$55,331	\$74,065	\$1,359,488
75	July																	
76	Demand kW		42,410	216,753	85,919	82,738	93,582	78,517	41,874	62,427	158,641	49,850	128,880	210,314	224,213	64,094	90,253	1,650,465
77	Demand Percentage		2.870%	13.133%	5.206%	5.013%	5.670%	4.757%	2.537%	4.994%	9.612%	3.020%	7.809%	12.743%	13.565%	3.883%	5.468%	100.000%
78	Energy kWh		19,533,790	98,056,379	38,909,899	39,285,786	43,980,331	38,573,860	20,390,814	36,836,353	72,113,298	22,625,191	58,626,706	103,053,421	106,480,978	30,755,911	43,137,496	773,306,165
79	Energy Percentage		2.526%	12.860%	5.148%	5.080%	5.688%	4.988%	2.637%	4.763%	9.325%	2.926%	7.581%	13.332%	13.770%	3.977%	5.578%	99.999%
81	Allocated Demand \$	\$232,372	\$5,972	\$30,517	\$12,027	\$11,649	\$13,175	\$11,054	\$5,895	\$11,605	\$22,336	\$7,018	\$18,146	\$29,611	\$31,568	\$9,023	\$12,300	\$232,372
82	Allocated Energy \$	\$1,404,804	\$35,465	\$179,129	\$72,319	\$71,364	\$79,905	\$70,072										

1 SoKentuckyAmend3-2017 38.6MW.xlsx  
 2 Allocation of Demand and Energy Revenues from South Kentucky Purchase  
 3  
 4 Allocation will be based on Rate E Demand (in kW) and Energy (in kWh); Salt River totals adjusted for generator credit.  
 5  
 6 "Before Rate Case" Scenario  
 7  
 8

	Month	South Kentucky Allocation	Big Sandy	Blue Grass	Clark	Cumberland Valley	Farmers	Fleming-Mason	Grayson	Inter-County	Jackson	Licking Valley	Nolin	Owen	Salt River	Shelby	Taylor County	Totals		
98																				
99	Allocated Demand \$	\$232,372	\$5,493	\$29,730	\$11,258	\$11,226	\$12,829	\$11,665	\$5,949	\$11,052	\$20,783	\$8,288	\$16,497	\$32,581	\$33,025	\$9,643	\$12,151	\$232,370		
100	Allocated Energy \$	\$1,293,343	\$32,230	\$161,655	\$64,745	\$68,120	\$73,281	\$66,426	\$33,782	\$59,904	\$121,742	\$37,227	\$97,841	\$174,834	\$177,809	\$62,691	\$70,642	\$1,293,329		
101																				
102	October																			
103	Demand kW		37,727	173,122	73,677	78,084	72,979	73,862	38,592	71,728	149,845	41,583	96,507	146,284	153,982	51,037	77,708	1,335,647		
104	Demand Percentage		2.825%	12.962%	5.515%	5.914%	5.484%	5.830%	2.740%	5.370%	11.219%	3.119%	7.223%	10.951%	11.529%	3.821%	5.818%	100.001%		
105	Energy kWh		14,986,538	89,982,852	29,259,112	32,004,659	32,030,368	30,886,355	15,576,351	26,622,917	56,362,576	17,810,857	41,776,449	73,189,024	73,340,019	22,855,794	31,240,619	568,124,320		
106	Energy Percentage		2.638%	12.318%	5.190%	5.633%	5.638%	5.437%	2.742%	4.721%	9.921%	3.135%	7.393%	12.883%	12.909%	4.023%	5.499%	100.000%		
107																				
108	Allocated Demand \$	\$232,372	\$6,585	\$30,120	\$12,818	\$13,742	\$12,697	\$12,850	\$6,367	\$12,478	\$26,070	\$7,234	\$16,798	\$25,447	\$26,790	\$8,679	\$13,519	\$232,374		
109	Allocated Energy \$	\$1,315,581	\$34,705	\$162,053	\$67,752	\$74,107	\$74,172	\$71,528	\$36,073	\$62,109	\$130,519	\$41,243	\$96,735	\$169,486	\$169,828	\$62,926	\$72,344	\$1,315,580		
110																				
111	November																			
112	Demand kW		45,113	210,505	87,548	89,575	82,904	84,651	41,236	86,270	175,149	47,713	120,384	169,875	185,175	59,509	90,231	1,574,849		
113	Demand Percentage		2.865%	13.367%	5.559%	5.688%	5.264%	5.375%	2.618%	5.414%	11.222%	3.030%	7.645%	10.787%	11.758%	3.779%	5.730%	100.001%		
114	Energy kWh		18,917,333	84,776,471	36,444,480	37,417,931	36,033,462	37,179,126	18,999,829	34,033,262	68,926,605	21,382,734	48,365,921	81,937,399	81,579,968	27,077,331	36,254,433	669,326,005		
115	Energy Percentage		2.828%	12.666%	5.445%	5.590%	5.384%	5.565%	2.839%	5.065%	10.298%	3.195%	7.226%	12.242%	12.188%	4.049%	5.417%	100.001%		
116																				
117	Allocated Demand \$	\$232,372	\$6,657	\$31,061	\$12,818	\$13,217	\$12,232	\$12,490	\$6,083	\$12,581	\$25,844	\$7,041	\$17,765	\$25,066	\$27,322	\$8,781	\$13,315	\$232,373		
118	Allocated Energy \$	\$1,273,144	\$35,979	\$161,256	\$69,323	\$71,169	\$68,546	\$70,723	\$36,145	\$64,739	\$131,108	\$40,677	\$91,997	\$155,856	\$155,171	\$51,459	\$68,968	\$1,273,156		
119																				
120	Totals:																			
121	Allocated Demand \$	\$2,788,464	\$75,332	\$370,002	\$149,886	\$147,243	\$148,621	\$144,625	\$75,021	\$147,076	\$284,081	\$83,284	\$214,710	\$335,595	\$350,173	\$109,733	\$152,788	\$2,788,470		
122	Allocated Energy \$	\$16,197,054	\$428,445	\$2,056,189	\$864,368	\$875,127	\$894,146	\$863,680	\$438,944	\$790,878	\$1,596,993	\$494,973	\$1,198,457	\$2,080,046	\$2,080,428	\$653,119	\$881,265	\$16,197,060		
123																				
124																				
125																				
																		Total	\$18,985,530	
																			Change in South Kentucky billing	\$18,985,518

1 Allocation of Demand and Energy Revenues from South Kentucky Purchase																				
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5																				
6 "Aller Rate Case" Scenario																				
7																				
8																				
9																				
10																				
	Month	South Kentucky Allocation	Big Sandy	Blue Grass	Clark	Cumberland Valley	Farmers	Fleming-Mason	Grayson	Inter-County	Jackson	Licking Valley	Nolin	Owen	Salt River	Shelby	Taylor County	Subtotals	South Kentucky	Totals
11	December 2016																			
12	Demand kW		51,893	259,882	105,521	94,906	100,826	101,208	50,654	107,309	153,053	57,592	157,319	212,549	227,300	75,195	108,521	1,903,728	249,929	2,153,657
13	Demand Percentage		2.410%	12.067%	4.900%	4.407%	4.692%	4.893%	2.352%	4.983%	6.964%	2.674%	7.305%	9.869%	10.554%	3.492%	5.039%	88.397%	11.605%	106.002%
14	Energy kWh		23,954,845	113,599,770	47,595,116	47,179,731	46,483,205	46,843,758	23,707,171	46,812,850	91,038,878	27,148,889	65,335,740	106,067,312	104,401,173	35,280,422	47,269,516	672,787,974	94,407,191	967,175,165
15	Energy Percentage		2.477%	11.746%	4.920%	4.878%	4.803%	4.843%	2.485%	4.840%	8.413%	2.807%	6.755%	10.967%	10.794%	3.648%	4.881%	90.230%	9.791%	98.999%
16	Allocated Demand \$	\$232,372	\$5,600	\$26,040	\$11,386	\$10,241	\$10,880	\$10,519	\$5,465	\$11,579	\$20,830	\$6,214	\$16,975	\$22,933	\$24,525	\$8,114	\$11,709	\$205,410	\$26,987	\$232,377
17	Allocated Energy \$	\$1,363,932	\$34,260	\$162,597	\$68,089	\$67,508	\$66,470	\$67,024	\$34,045	\$66,982	\$130,270	\$38,847	\$93,485	\$151,778	\$149,382	\$50,486	\$67,633	\$1,248,834	\$135,086	\$1,383,920
18	January																			
19	Demand kW		56,265	292,425	113,618	109,649	110,305	103,183	54,300	129,420	224,678	58,680	178,236	214,151	246,197	80,729	123,473	2,095,287	302,169	2,397,456
20	Demand Percentage		2.347%	12.187%	4.601%	4.304%	4.574%	4.304%	2.265%	4.937%	6.971%	2.447%	7.434%	9.832%	10.269%	3.367%	5.165%	87.395%	12.604%	98.999%
21	Energy kWh		22,094,730	107,323,960	44,518,120	43,870,038	43,302,743	44,752,666	22,237,788	43,527,796	84,470,673	25,192,068	61,052,937	99,961,152	96,213,543	33,978,872	43,960,977	617,876,063	85,917,833	903,793,886
22	Energy Percentage		2.445%	11.876%	4.926%	4.791%	4.654%	4.654%	2.460%	4.816%	9.346%	2.787%	6.755%	11.060%	10.687%	3.693%	4.866%	90.493%	9.506%	99.999%
23	Allocated Demand \$	\$232,372	\$5,454	\$26,342	\$11,012	\$10,829	\$10,691	\$10,601	\$5,263	\$12,543	\$21,776	\$5,686	\$17,275	\$20,758	\$23,962	\$7,624	\$11,967	\$203,060	\$29,288	\$232,368
24	Allocated Energy \$	\$1,363,932	\$33,837	\$164,342	\$68,172	\$67,116	\$66,304	\$66,532	\$34,045	\$66,650	\$126,342	\$38,570	\$93,485	\$153,053	\$150,389	\$51,109	\$67,342	\$1,252,361	\$131,557	\$1,383,918
25	February																			
26	Demand kW		54,976	254,231	105,142	102,692	86,393	95,595	52,106	106,353	204,542	57,808	135,219	197,584	209,582	71,822	94,676	1,832,411	231,928	2,064,339
27	Demand Percentage		2.653%	12.215%	5.093%	4.979%	4.185%	4.631%	2.524%	5.132%	9.900%	2.800%	6.744%	9.572%	10.152%	3.469%	4.591%	86.754%	11.235%	98.999%
28	Energy kWh		18,003,248	81,727,524	34,640,561	36,346,461	33,964,221	35,573,739	17,941,043	32,496,833	66,822,543	20,456,208	46,471,906	78,868,424	76,460,631	25,785,253	34,478,323	638,977,919	63,153,802	702,131,721
29	Energy Percentage		2.560%	11.623%	4.927%	5.169%	4.830%	5.059%	2.522%	4.617%	9.504%	2.809%	6.809%	11.215%	10.674%	3.664%	4.804%	91.016%	9.992%	98.996%
30	Allocated Demand \$	\$232,372	\$6,188	\$28,617	\$11,835	\$11,561	\$9,725	\$10,761	\$5,865	\$11,972	\$23,023	\$6,508	\$15,671	\$22,243	\$23,590	\$8,081	\$10,645	\$206,263	\$26,107	\$232,370
31	Allocated Energy \$	\$1,250,003	\$32,000	\$145,288	\$61,588	\$61,561	\$60,375	\$60,238	\$31,900	\$61,713	\$118,800	\$36,568	\$82,613	\$140,186	\$135,825	\$45,800	\$61,300	\$1,127,704	\$112,275	\$1,240,079
32	March																			
33	Demand kW		56,345	240,583	101,182	106,879	91,218	96,740	49,931	97,564	203,823	56,455	136,534	190,371	203,806	67,516	100,666	1,809,825	238,258	2,048,083
34	Demand Percentage		2.758%	11.777%	4.953%	4.933%	4.465%	4.465%	2.444%	4.778%	9.977%	2.783%	6.883%	9.319%	9.978%	3.305%	4.928%	86.287%	11.712%	99.900%
35	Energy kWh		19,371,183	87,187,732	37,470,155	38,319,927	36,330,410	38,419,067	19,535,132	34,157,811	70,155,841	21,919,915	48,484,222	84,470,806	81,552,433	27,329,837	36,211,028	680,910,289	65,586,627	746,496,926
36	Energy Percentage		2.559%	11.688%	5.019%	5.133%	4.667%	5.146%	2.617%	4.578%	9.398%	2.838%	6.495%	11.316%	10.525%	3.651%	4.851%	91.215%	8.788%	100.001%
37	Allocated Demand \$	\$232,372	\$6,409	\$27,365	\$11,509	\$12,385	\$10,375	\$11,231	\$5,123	\$11,096	\$23,184	\$6,420	\$15,529	\$21,855	\$23,181	\$7,680	\$11,451	\$60,152	\$27,215	\$232,367
38	Allocated Energy \$	\$1,363,932	\$35,613	\$161,843	\$69,480	\$71,037	\$67,356	\$71,217	\$36,218	\$63,329	\$130,062	\$40,832	\$89,886	\$156,606	\$151,195	\$50,888	\$67,135	\$1,262,356	\$121,592	\$1,383,947
39	April																			
40	Demand kW		29,321	145,127	62,245	61,267	57,231	64,242	31,097	57,054	116,180	36,417	75,711	146,258	129,470	44,581	56,272	1,113,451	115,030	1,228,481
41	Demand Percentage		2.367%	11.814%	5.067%	4.699%	4.699%	4.699%	2.292%	4.644%	6.457%	2.828%	6.153%	11.909%	10.539%	3.627%	9.039%	90.639%	9.999%	99.999%
42	Energy kWh		14,010,306	66,288,445	28,088,516	20,071,596	29,326,874	28,700,202	14,533,469	24,634,832	51,082,186	16,628,819	36,375,140	68,632,437	69,327,618	21,240,955	29,711,167	629,754,343	44,217,336	673,971,679
43	Energy Percentage		2.441%	11.549%	4.694%	4.694%	4.694%	5.065%	2.532%	4.327%	9.057%	2.897%	6.885%	12.079%	10.022%	3.701%	5.002%	92.297%	7.704%	100.001%
44	Allocated Demand \$	\$232,372	\$5,847	\$27,452	\$11,774	\$11,588	\$10,826	\$12,151	\$5,861	\$10,791	\$21,975	\$6,699	\$14,321	\$27,864	\$24,490	\$8,428	\$11,021	\$210,608	\$21,795	\$232,367
45	Allocated Energy \$	\$1,339,286	\$32,692	\$154,674	\$65,545	\$65,545	\$64,438	\$64,438	\$32,692	\$65,545	\$121,299	\$39,549	\$89,545	\$139,131	\$139,131	\$49,567	\$66,991	\$1,236,123	\$103,179	\$1,339,302
46	May																			
47	Demand kW		33,944	165,520	65,710	66,702	62,832	34,644	80,086	121,587	37,853	95,276	170,683	176,961	151,701	55,581	1,276,893	125,476	1,402,369	
48	Demand Percentage		2.421%	11.805%	4.668%	4.757%	4.622%	4.461%	2.471%	4.285%	8.871%	2.700%	6.795%	12.173%	12.621%	3.687%	81.052%	9.849%	100.001%	
49	Energy kWh		14,449,034	72,284,570	29,656,150	30,912,627	32,383,506	30,217,202	16,057,769	26,705,714	54,949,228	17,102,658	42,785,322	74,993,928	78,193,596	23,209,880	31,302,764	573,784,304	47,885,530	621,669,834
50	Energy Percentage		2.324%	11.625%	4.771%	4.873%	5.209%	4.861%	2.422%	4.296%	8.775%	2.751%	6.883%	12.064%	12.579%	3.734%	5.039%	92.303%	7.698%	100.001%
51	Allocated Demand \$	\$232,372	\$5,847	\$27,452	\$11,774	\$11,588	\$10,826	\$12,151	\$5,861	\$10,791	\$21,975	\$6,699	\$14,321	\$27,864	\$24,490	\$8,428	\$11,021	\$210,608	\$21,795	\$232,367
52	Allocated Energy \$	\$1,339,286	\$32,692	\$154,674	\$65,545	\$65,545	\$64,438	\$64,438	\$32,692	\$65,545	\$121,299	\$39,549	\$89,545	\$139,131	\$139,131	\$49,567	\$66,991	\$1,236,123	\$103,179	\$1,339,302
53	June																			
54	Demand kW		35,678	189,960	75,198	63,400	82,424	72,911	39,636	72,284	127,662	40,257	118,508	192,838	204,882	58,808	78,879	1,451,232	154,502	1,605,734
55	Demand Percentage		2.222%	11.829%	4.693%	3.948%	4.693%	4.693%	2.469%	4.622%	7.050%	2.507%	7.193%	12.009%	12.747%	3.670%	81.377%	9.922%	99.999%	
56	Energy kWh		16,202,688	82,017,633	33,364,678	33,037,497	36,605,561	32,885,707	16,914,452	30,015,344	56,018,096	19,677,888	49,782,339	87,538,107	89,535,033	26,320,278	35,235,836	646,751,005	56,887,936	703,618,941
57	Energy Percentage		2.303%	11.607%	4.742%	4.995%	5.202%	4.674%	2.404%	4.258%	6.473%	2.655%	6.933%	12.441%	12.725%	3.741%	5.009%	91.919%	8.082%	100.001%
58	Allocated Demand \$	\$232,372	\$5,163	\$27,467	\$10,882	\$9,174	\$11,928	\$10,552	\$5,126	\$10,461	\$18,474	\$6,274	\$15,790	\$26,287	\$26,328	\$8,566	\$10,869	\$211,582	\$20,795	\$232,377
59	Allocated Energy \$	\$1,404,804	\$32,648	\$163,308	\$67,023	\$69,881	\$73,176	\$68,288	\$34,024	\$60,350	\$123,272	\$38,846	\$96,693	\$169,476	\$176,710	\$52,455	\$70,746	\$1,296,576	\$105,142	\$1,401,818
60	July																			
61	Demand kW		42,410	216,753	85,919</															

1 SoKentuckyAmend3-2017 38 6MW.xlsx  
2 Allocation of Demand and Energy Revenues from South Kentucky Purchase  
3  
4 Allocation will be based on Rate E Demand (in kW) and Energy (in kWh), Salt River totals adjusted for generator credit.  
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6 "After Rate Case" Scenario

Month	South Kentucky Allocation	Big Sandy	Blue Grass	Clark	Cumberland Valley	Farmers	Fleming-Mason	Grayson	Inter-County	Jackson	Licking Valley	Nolin	Owen	Salt River	Shelby	Taylor County	Substate	South Kentucky	Totals
105 Energy kWh		14,886,536	69,982,852	29,258,112	32,004,859	32,030,368	30,886,355	15,576,351	26,822,917	55,362,578	17,810,857	41,776,448	73,189,024	73,340,019	22,855,794	31,240,619	568,124,320	49,028,850	617,153,170
106 Energy Percentage		2.428%	11.340%	4.741%	5.186%	5.190%	5.005%	2.524%	4.346%	9.133%	2.686%	6.768%	11.659%	11.884%	3.703%	5.062%	92.056%	7.944%	100.000%
108 Allocated Demand \$	\$232,372	\$5,809	\$26,962	\$11,347	\$12,165	\$11,240	\$11,375	\$5,635	\$11,047	\$23,077	\$6,404	\$14,869	\$22,526	\$23,714	\$7,859	\$11,967	\$205,696	\$26,679	\$232,375
100 Allocated Energy \$	\$1,315,581	\$31,942	\$148,167	\$62,372	\$68,226	\$68,279	\$65,845	\$33,205	\$57,175	\$120,152	\$37,968	\$69,052	\$156,015	\$156,344	\$48,710	\$66,960	\$1,211,073	\$104,510	\$1,315,583
111 November																			
112 Demand kW		45,113	210,505	87,548	89,575	82,904	84,651	41,236	85,270	175,149	47,713	120,394	169,876	185,175	59,509	90,231	1,574,648	206,867	1,781,738
113 Demand Percentage		2.532%	11.815%	4.914%	5.027%	4.853%	4.751%	2.314%	4.786%	9.830%	2.678%	6.757%	5.534%	10.393%	3.340%	5.064%	88.388%	11.612%	100.000%
114 Energy kWh		19,917,333	84,776,471	36,444,480	37,417,931	36,033,462	37,179,126	16,909,929	34,033,202	68,926,005	21,382,734	48,366,521	81,937,399	81,579,968	27,077,331	36,254,433	689,326,005	63,924,354	733,250,359
115 Energy Percentage		2.890%	11.962%	4.970%	5.103%	4.914%	5.070%	2.591%	4.641%	9.400%	2.916%	6.866%	11.175%	11.126%	3.693%	4.944%	91.281%	8.718%	99.999%
116 Allocated Demand \$	\$232,372	\$5,884	\$27,455	\$11,419	\$11,661	\$10,612	\$11,040	\$5,377	\$11,121	\$22,842	\$6,223	\$15,701	\$22,154	\$24,150	\$7,761	\$11,767	\$205,387	\$26,983	\$232,370
118 Allocated Energy \$	\$1,273,144	\$32,847	\$147,201	\$63,275	\$64,969	\$62,562	\$64,546	\$32,967	\$59,087	\$119,676	\$37,125	\$69,577	\$142,274	\$141,680	\$47,017	\$62,944	\$1,162,139	\$110,593	\$1,273,132
119																			
120 Totals:																			
121 Allocated Demand \$	\$2,788,464	\$67,376	\$331,101	\$134,098	\$131,715	\$133,064	\$129,700	\$67,148	\$131,514	\$254,028	\$74,530	\$192,136	\$300,879	\$313,783	\$98,264	\$136,694	\$2,496,050	\$292,407	\$2,788,457
122 Allocated Energy \$	\$16,197,054	\$391,920	\$1,881,061	\$781,542	\$800,635	\$818,188	\$790,095	\$401,548	\$723,318	\$1,460,777	\$452,779	\$1,096,465	\$1,903,449	\$1,913,184	\$597,545	\$806,329	\$14,818,815	\$1,378,261	\$16,197,076
124																			
125																			
																		Totals	\$18,985,533
																		Change in South Kentucky billing	\$18,985,518



Statement Period: 2017 08 0000.00		
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Surcharge Factor Adjustment		
"Before New Case" Summary		
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- 1. On Karmacharya's 2017 SR 8465 plan
- 2. Expenses that is changed to Other Member
- 3. Exchange Factor Adjustment
- 4.
- 5. "Net Rate Cost" Summary

Item	Old Data		New Data		Delta	Description/Notes	Category	Expense Description	Amount	Old Costs	New Costs	Delta	Type	Other
	Amount	Cost	Amount	Cost										
### Total expense in Group (member) in Member - 12 month	\$4,918,810													
### Total cost of services	\$4,918,810													
### Costs by 12 expense average Member revenues	\$2,054,317													
### Total adjusted average Member revenues	\$1,429,877													
### Low of Best Overall Exchange Ring	20.6%													
### Adjusted Exchange Factor	20.6%													
### Day-to-day Exchange Factor	20.6%													
### Incremental Change in Exchange Factor	0.0%													
### Down Karmacharya's Rate Rate and FAS increase - 12 month	\$5,620,515													
### Add Cash Karmacharya's Rate of FAS increase - 12 month	\$137,881													
### Add Cash Karmacharya's Rate Rate increase - 12 month	\$261,407													
### Add Cash Karmacharya's Rate Rate increase - 12 month	\$1,379,281													
### Adjusted Revenue Increase Exchange - 12 month	\$6,384,024													
### Additional Cash Karmacharya's Exchange Rate as incremental	\$3,614,4													
### Add Cash Karmacharya's Exchange Rate	\$3,311,11													
### Net Savings to be shared to other Members	\$2,054,317													
###														

1 SoKentuckyAmend3-2017 38.6MW.xlsx  
2 Summary of Detailed Calculations

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4  
5 **"Before Rate Case" Scenario - Annual Impacts**

Member	Potential Pressure on Margins			Change in FAC	Change in Environ. Surch.	Percentage Change from Actual			Actual Revenues		
	Demand	Energy	Total			Base Revenues	FAC	Surcharge	Base & FAC	FAC	Base Only
10 Big Sandy	\$75,332	\$428,445	\$503,777	\$30,187	\$46,782	3.567%	-2.851%	2.132%	\$13,064,875	(\$1,058,726)	\$14,123,601
11 Blue Grass	\$370,002	\$2,056,189	\$2,426,191	\$183,920	\$262,449	2.940%	-2.841%	2.049%	\$76,038,336	(\$6,474,712)	\$82,513,048
12 Clark	\$148,686	\$854,368	\$1,004,254	\$58,458	\$64,642	3.637%	-2.847%	1.955%	\$25,557,549	(\$2,053,477)	\$27,611,026
13 Cumberland Valley	\$147,243	\$875,127	\$1,022,370	\$59,908	\$65,098	3.887%	-2.859%	1.975%	\$25,630,914	(\$2,095,353)	\$27,726,267
14 Farmers	\$148,621	\$884,146	\$1,042,767	\$65,207	\$65,481	3.313%	-2.858%	1.739%	\$29,021,488	(\$2,455,141)	\$31,476,629
15 Fleming-Mason	\$144,925	\$863,680	\$1,008,605	\$147,193	\$567,128	1.547%	-2.874%	6.047%	\$60,059,026	(\$5,122,262)	\$65,181,308
16 Grayson	\$75,021	\$438,944	\$513,965	\$34,523	\$48,671	3.242%	-2.856%	1.973%	\$14,645,794	(\$1,208,636)	\$15,854,430
17 Inter-County	\$147,076	\$790,878	\$937,954	\$63,429	\$90,930	3.163%	-2.846%	1.967%	\$27,421,220	(\$2,228,897)	\$29,650,117
18 Jackson	\$284,081	\$1,596,993	\$1,881,074	\$119,114	\$170,206	3.381%	-2.854%	1.971%	\$51,308,719	(\$4,173,510)	\$55,482,229
19 Licking Valley	\$83,284	\$494,975	\$578,259	\$33,893	\$48,207	3.881%	-2.857%	1.971%	\$14,523,387	(\$1,188,232)	\$15,709,619
20 Nolin	\$214,710	\$1,198,457	\$1,413,167	\$105,300	\$144,362	3.012%	-2.855%	1.978%	\$43,222,864	(\$3,687,923)	\$46,910,787
21 Owen	\$335,595	\$2,080,046	\$2,415,641	\$319,542	\$252,785	2.014%	-2.858%	1.370%	\$108,792,867	(\$11,178,662)	\$119,971,529
22 Salt River	\$350,173	\$2,090,428	\$2,440,601	\$163,077	\$223,806	3.347%	-2.855%	1.969%	\$67,199,144	(\$5,711,062)	\$72,910,226
23 Shelby	\$109,733	\$653,119	\$762,852	\$69,581	\$93,639	2.521%	-2.860%	2.001%	\$27,829,355	(\$2,433,118)	\$30,262,473
24 Taylor County	\$152,788	\$881,265	\$1,034,053	\$63,800	\$347,181	3.161%	-2.838%	7.088%	\$30,460,542	(\$2,247,838)	\$32,708,380
25 Totals	\$2,788,470	\$16,197,054	\$18,985,523	\$1,517,132	\$2,971,567	2.842%	-2.846%	2.484%	\$614,774,080	(\$53,315,589)	\$668,089,669
26 South Kentucky:											
27 Initial Bill Reduction	\$2,788,464	\$16,197,054	\$18,985,518	(\$1,652,235)	\$2,913,111						
28 Share of FAC and Surcharge	\$0	\$0	\$0	\$127,581	\$346,007						
29 Net Effect	\$2,788,464	\$16,197,054	\$18,985,518	(\$1,524,654)	\$2,573,104						

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49 **"After Rate Case" Scenario - Annual Impacts**

Member	Increase in Base Rates to Members			Change in FAC	Change in Environ. Surch.	Percentage Change from Actual			Actual Revenues		
	Demand	Energy	Total			Base Revenues	FAC	Surcharge	Base & FAC	FAC	Base Only
54 Big Sandy	\$67,376	\$391,920	\$459,296	\$30,187	\$68,701	3.252%	-2.851%	3.131%	\$13,064,875	(\$1,058,726)	\$14,123,601
55 Blue Grass	\$331,101	\$1,881,061	\$2,212,162	\$183,920	\$314,500	2.681%	-2.841%	2.456%	\$76,038,336	(\$6,474,712)	\$82,513,048
56 Clark	\$134,098	\$781,542	\$915,640	\$58,458	\$130,646	3.316%	-2.847%	3.033%	\$25,557,549	(\$2,053,477)	\$27,611,026
57 Cumberland Valley	\$131,715	\$800,635	\$932,350	\$59,908	\$133,214	3.363%	-2.859%	3.091%	\$25,630,914	(\$2,095,353)	\$27,726,267
58 Farmers	\$133,084	\$818,168	\$951,252	\$65,207	\$123,497	3.022%	-2.856%	2.513%	\$29,021,488	(\$2,455,141)	\$31,476,629
59 Fleming-Mason	\$129,700	\$790,095	\$919,795	\$147,193	\$490,055	1.411%	-2.874%	5.047%	\$60,059,026	(\$5,122,262)	\$65,181,308
60 Grayson	\$67,148	\$401,548	\$468,696	\$34,523	\$65,642	2.956%	-2.856%	2.851%	\$14,645,794	(\$1,208,636)	\$15,854,430
61 Inter-County	\$131,514	\$723,318	\$854,832	\$63,429	\$119,209	2.863%	-2.846%	2.579%	\$27,421,220	(\$2,228,897)	\$29,650,117
62 Jackson	\$254,028	\$1,460,777	\$1,714,805	\$119,114	\$241,665	3.091%	-2.854%	2.789%	\$51,308,719	(\$4,173,510)	\$55,482,229
63 Licking Valley	\$74,530	\$452,779	\$527,309	\$33,893	\$75,390	3.357%	-2.857%	3.083%	\$14,523,387	(\$1,188,232)	\$15,709,619
64 Nolin	\$192,138	\$1,096,465	\$1,288,601	\$105,300	\$179,521	2.747%	-2.855%	2.460%	\$43,222,864	(\$3,687,923)	\$46,910,787
65 Owen	\$300,879	\$1,903,449	\$2,204,328	\$319,542	\$167,527	1.837%	-2.859%	0.908%	\$108,792,867	(\$11,178,662)	\$119,971,529
66 Salt River	\$313,783	\$1,913,184	\$2,226,967	\$163,077	\$316,145	3.054%	-2.855%	2.781%	\$67,199,144	(\$5,711,062)	\$72,910,226
67 Shelby	\$88,264	\$597,545	\$685,809	\$69,581	\$93,956	2.299%	-2.860%	2.004%	\$27,829,355	(\$2,433,118)	\$30,262,473
68 Taylor County	\$136,694	\$806,329	\$943,023	\$63,800	\$377,752	2.883%	-2.838%	7.713%	\$30,460,542	(\$2,247,838)	\$32,708,380
69 Totals	\$2,496,050	\$14,818,815	\$17,314,865	\$1,517,132	\$2,897,420	2.592%	-2.846%	2.810%	\$614,774,080	(\$53,315,589)	\$668,089,669
70 South Kentucky:											
71 Initial Bill Reduction	\$2,788,464	\$16,197,054	\$18,985,518	(\$1,652,235)	\$2,913,111						
72 Share of Base Rates, FAC, and Surcharge	\$392,407	\$1,378,251	\$1,670,658	\$127,581	\$25,649						
73 Net Effect	\$2,496,057	\$14,818,793	\$17,314,850	(\$1,324,654)	\$2,893,462						

## Gwyn Willoughby

---

**From:** Mark Stallons <mstallons@owenelectric.com>  
**Sent:** Monday, February 5, 2018 5:31 PM  
**To:** Mike McNalley  
**Subject:** A3 Cost Shift Spreadsheet  
**Attachments:** Cost Shift 020318.xlsx

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

Mike,

Here is my simple spreadsheet. What is a good time to call tomorrow?

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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EKPC A3 Allotments, Based on Data Through October 2017 (per Sally Witt)													
Owner-Member Cooperative	EKPC CP (MW) for Month of			Average	Load Ratio Share of the 5% Cap	15% Election	5% Election	Existing Projects	Noticed Projects	Remaining MW Share	All In	RFP Election	Percent
	Feb. 2015	Jan. 2016	Jan. 2017										
Blue Grass	410.92	315.86	324.44	350.40	17.52	53.37	17.80	0.00	0.00	17.80	11.33	11.30	63.48%
Owen	347.37	313.05	350.69	337.03	16.85	61.71	20.60	2.00	0.00	18.60	11.84	11.80	63.44%
Salt River	314.39	248.65	262.00	275.01	13.75	41.79	13.90	2.00	0.00	11.90	7.58	7.60	63.87%
Jackson	327.70	241.36	230.23	266.43	13.32	40.06	13.40	2.60	2.64	8.16	5.2	5.10	62.50%
Nolin	211.10	188.12	199.11	199.44	9.97	31.08	10.40	0.00	0.00	10.40	6.62	6.60	63.46%
Fleming Mason	196.87	179.19	166.89	180.98	9.05	27.41	9.10	0.00	0.00	9.10	5.79	5.80	63.74%
Inter-County	171.14	126.10	134.05	143.76	7.19	21.83	7.30	0.00	0.00	7.30	4.65	4.60	63.01%
Taylor	159.42	126.55	139.07	141.68	7.08	21.36	7.10	0.00	0.00	7.10	4.52	4.50	63.38%
Cumberland Valley	158.27	120.75	109.65	129.55	6.48	19.45	6.50	0.00	0.00	6.50	4.14	4.10	63.08%
Clark	153.99	114.84	113.62	127.48	6.37	19.14	6.40	0.00	0.00	6.40	4.07	4.00	62.50%
Shelby	120.51	102.00	99.56	107.35	5.37	16.27	5.40	0.00	0.00	5.40	3.44	3.40	62.96%
Big Sandy	89.48	64.77	56.94	70.40	3.52	10.65	3.50	0.00	0.00	3.50	2.23	2.20	62.86%
Licking Valley	88.57	62.72	58.66	69.98	3.50	10.64	3.50	0.00	0.00	3.50	2.23	2.20	62.86%
Grayson	85.17	62.79	57.65	68.53	3.43	10.30	3.40	0.00	0.00	3.40	2.16	2.10	61.76%
Farmers	136.36	120.49	115.85	124.23	6.21	18.81	6.30	4.60	0.00	1.70	1.08	1.00	58.82%
South Kentucky	458.91	352.24	353.44	388.20	19.41	58.46	19.50	0.00	58.00	0.46	0.00	0.00	
<b>Total</b>	<b>3430.15</b>	<b>2739.47</b>	<b>2771.82</b>	<b>2980.48</b>	<b>149.02</b>	<b>462.32</b>	<b>154.10</b>	<b>11.20</b>	<b>60.64</b>	<b>121.22</b>	<b>76.88</b>	<b>76.30</b>	
<b>Remaining Notice Amount</b>										<b>77.18</b>			

Noticed Projects				
Owner-Member	Project	MW	Delivery Date	
Jackson	Irvine LFGTE	1.60	10/2013	
Jackson	Dupree Energy Sys	1.00	3/2015	
Farmers	Federal Mogul DG	3.60	2005	
Farmers	Glasgow LFGTE	1.00	11/2015	
Salt River	Lock 7	2.00	2013	
Owen	Bromley DG Unit	2.00	2016	
South Kentucky	PPA	58.00	6/2019	
Jackson	Hydro	2.64	1/2019	Not yet Noticed
<b>Total Projects</b>		<b>71.84</b>		

Savings Based on Number that gives Notice			7	Discount Rate			4.00%
Cooperative	MW Load Oct 31, 2017	Savings per MW	Savings per Year	NPV 5 Years	NPV 10 Years	NPV 15 Years	NPV 20 Years
Blue Grass	17.80	\$ 20.00	\$ 3,118,560	\$ 13,883,275	\$ 25,294,315	\$ 34,673,358	\$ 42,382,248
Owen	18.60	\$ 20.00	\$ 3,258,720	\$ 14,507,242	\$ 26,431,138	\$ 36,231,711	\$ 44,287,068
Salt River	11.90	\$ 20.00	\$ 2,084,880	\$ 9,281,515	\$ 16,910,244	\$ 23,180,504	\$ 28,334,200
Jackson	8.16	\$ 20.00	\$ 1,429,632	\$ 6,364,468	\$ 11,595,596	\$ 15,895,202	\$ 19,429,165
Nolin	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Fleming Mason	9.10	\$ 20.00	\$ 1,594,320	\$ 7,097,629	\$ 12,931,363	\$ 17,726,267	\$ 21,667,329
Inter-County	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Taylor	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Cumberland Valley	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Clark	6.40	\$ 20.00	\$ 1,121,280	\$ 4,991,739	\$ 9,094,585	\$ 12,466,825	\$ 15,238,561
Shelby	5.40	\$ 20.00	\$ 946,080	\$ 4,211,780	\$ 7,673,556	\$ 10,518,884	\$ 12,857,536
Big Sandy	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Licking Valley	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Grayson	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
Farmers	0.00	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -
	77.36		13,553,472	60,337,649	109,930,799	150,692,753	184,196,108
South Kentucky	\$ 58.00	\$ 20.00	\$ 10,161,600	\$ 45,237,638	\$ 82,419,679	\$ 112,980,606	\$ 138,099,460

<b>Amendment 3 Impact on EKPC (DRAFT)</b>						
<b>Notice</b>	<b>MW</b>	<b>MWh/Year</b>	<b>ES \$ Shift</b>	<b>ES %</b>	<b>Base \$ Shift</b>	<b>Total \$ Shift</b>
South Kentucky	58.0	508,080	\$ 4,100,000.00	42.85%	\$ 13,000,000.00	\$ 17,100,000.00
Blue Grass	17.8	155,928	\$ 1,258,275.86	13.15%	\$ 3,989,655.17	\$ 5,247,931.03
Owen	18.6	162,936	\$ 1,314,827.59	13.74%	\$ 4,168,965.52	\$ 5,483,793.10
Salt River	11.9	104,244	\$ 841,206.90	8.79%	\$ 2,667,241.38	\$ 3,508,448.28
Jackson	8.2	71,482	\$ 576,827.59	6.03%	\$ 1,828,965.52	\$ 2,405,793.10
Nolin	0.0	-	\$ -	0.00%	\$ -	\$ -
Fleming Mason	9.1	79,716	\$ 643,275.86	6.72%	\$ 2,039,655.17	\$ 2,682,931.03
Inter-County	0.0	-	\$ -	0.00%	\$ -	\$ -
Taylor	0.0	-	\$ -	0.00%	\$ -	\$ -
Cumberland Valley	0.0	-	\$ -	0.00%	\$ -	\$ -
Clark	6.4	56,064	\$ 452,413.79	4.73%	\$ 1,434,482.76	\$ 1,886,896.55
Shelby	5.4	47,304	\$ 381,724.14	3.99%	\$ 1,210,344.83	\$ 1,592,068.97
Big Sandy	0.0	-	\$ -	0.00%	\$ -	\$ -
Licking Valley	0.0	-	\$ -	0.00%	\$ -	\$ -
Grayson	0.0	-	\$ -	0.00%	\$ -	\$ -
Farmers	0.0	-	\$ -	0.00%	\$ -	\$ -
<b>Member Owner Total</b>	<b>135.4</b>	<b>1,185,754</b>	<b>\$ 9,568,551.72</b>		<b>\$ 30,339,310.34</b>	<b>\$ 39,907,862.07</b>
<b>EKPC 2018 Budget</b>	<b>29,194</b>	<b>13,534,101</b>	<b>EKPC Pass Thru</b>		<b>EKPC Rate Increase</b>	

<b>Cost Shift Percentages</b>				
<b><u>EKPC Base Rate</u></b>	<b><u>EKPC 2018 Budget</u></b>	<b><u>Base Shift</u></b>	<b><u>Percent</u></b>	<b><u>SKY</u></b>
<b><u>Impact</u></b>	<b><u>(pqA2)</u></b>		<b><u>Increase</u></b>	<b><u>Alone</u></b>
Base Rate	\$ 777,941,988.00	\$ 30,339,310.34	3.90%	1.67%
EKPC ES Revenue	\$ 109,603,865.00	\$ 9,568,551.72	8.73%	3.74%

<b><i>A3 Cost Shift</i></b>							
		8.73%		3.90%			
<b><i>Member Owner</i></b>	<b><i>Member Owner ES Power Bill</i></b>	<b><i>ES Cost Increase</i></b>	<b><i>Member Owner Base Rate Power Bill</i></b>	<b><i>Base Rate Increase</i></b>	<b><i>Base Rate Savings</i></b>	<b><i>Net Base Rate Savings (Loss)</i></b>	<b><i>Net Member Savings (Loss)</i></b>
Blue Grass							
Owen	\$ 10,178,329.52	\$ 766,479.58	\$ 79,426,899.01	\$ 3,097,605.45	\$ 3,258,720.00	\$ 161,114.55	\$ (605,365.02)
Salt River							
Jackson							
Nolin							
Fleming Mason							
Inter-County							
Taylor							
Cumberland Valley							
Clark							
Shelby							
Big Sandy							
Licking Valley							
Grayson							
Farmers							
South Kentucky							
<b>Total</b>	<b>\$ 10,178,329.52</b>	<b>\$ 766,479.58</b>	<b>\$ 79,426,899.01</b>	<b>\$ 3,097,605.45</b>	<b>\$ 3,258,720.00</b>	<b>\$ 161,114.55</b>	

## Gwyn Willoughby

---

**From:** Mike McNalley  
**Sent:** Monday, February 5, 2018 2:34 PM  
**To:** David Crews  
**Subject:** MOU Allocation  
**Attachments:** Amendment 3 Updated Limits thru Nov 2017 mm.xlsx

David,

Here is the modified spreadsheet I mentioned, with the updated allocations calculated. Just FYI as I will want to do the same thing when the Jan numbers are available.

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)



**A3 Allotments, Based on Data Through October 2017**

Owner-Member Cooperative	EKPC CP (MW) for Month of			Average	Load Ratio Share	15% Election	Previously Noticed	Newly Noticed	Remainder	Limited to 5%	Totals
	Feb. 2015	Jan. 2016	Jan. 2017								
Big Sandy	89.5	64.8	56.9	70.4	3.5	10.6			3.5	2.0	2.0
Blue Grass	410.9	315.9	324.4	350.4	17.5	53.4			17.5	10.0	10.0
Clark	154.0	114.8	113.6	127.5	6.4	19.1			6.4	3.7	3.7
Cumberland Valley	158.3	120.7	109.6	129.6	6.5	19.5			6.5	3.7	3.7
Farmers	136.4	120.5	115.9	124.2	6.2	18.8	4.6		1.6	0.9	5.5
Fleming Mason	196.9	179.2	166.9	181.0	9.0	27.4		1.4	7.6	4.4	5.8
Grayson	85.2	62.8	57.6	68.5	3.4	10.3			3.4	2.0	2.0
Inter-County	171.1	126.1	134.1	143.8	7.2	21.8			7.2	4.1	4.1
Jackson	325.6	241.4	230.2	265.7	13.3	40.1	2.6		10.7	6.1	8.7
Licking Valley	88.6	62.7	58.7	70.0	3.5	10.6			3.5	2.0	2.0
Nolin	211.1	188.1	199.1	199.4	10.0	31.1			10.0	5.7	5.7
Owen	347.4	313.0	350.7	337.0	16.9	61.7	2.0	14.9	-	0.0	16.9
Salt River	314.4	248.7	262.0	275.0	13.8	41.8	2.0	11.8	-	0.0	13.8
Shelby	120.5	102.0	99.6	107.4	5.4	16.3			5.4	3.1	3.1
South Kentucky	458.9	352.2	353.4	388.2	19.4	58.5		58.0	-	0.0	58.0
Taylor	159.4	126.6	139.1	141.7	7.1	21.4			7.1	4.1	4.1
<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>	<b>11.2</b>	<b>86.0</b>	<b>90.4</b>	<b>51.8</b>	<b>149.0</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
South Kentucky	PPA	58.0	6/2019
Jackson	Hydro	2.64	1/2019 Not yet Noticed
<b>Total Projects</b>		<b>71.8</b>	

**Gwyn Willoughby**

---

**From:** Mike McNalley  
**Sent:** Monday, February 5, 2018 2:23 PM  
**To:** Tony Campbell  
**Subject:** RE: MOU Numbers

Just spoke to Mike – he is going to SKRECC on Wed. Should be calling you any minute.

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 5, 2018 2:13 PM  
**To:** Mike McNalley  
**Subject:** MOU Numbers

Mike,

We might want to have Mike Williams in on Wednesday when Mark S. comes in. Mike has been running numbers too.

*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:** Saturday, February 3, 2018 8:44 PM  
**To:** Mike McNalley  
**Subject:** Re: Load Graph

Good point!

On Feb 3, 2018, at 8:41 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

Let's discuss strategy first. A low forecast can be useful...might be better to ask at what growth rate we are not concerned about mitigation.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Feb 3, 2018, at 8:30 PM, Don Mosier <[Don.Mosier@ekpc.coop](mailto:Don.Mosier@ekpc.coop)> wrote:

Will look at the assumptions Monday.

On Feb 3, 2018, at 8:21 PM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Mike,

I understand where and how they derived this graph. However, I don't believe this at all?? If we do not have a major recession, I will be letting people go for not doing their job!!!!!!

This reminds me of when I first got here. They were still using historical which suggested we were growing at 6% per year. I finally beat Jim Lamb all over our board room and demanded they reduce it. Now they are clearly to conservative.

TC

Sent from my iPhone

On Feb 2, 2018, at 8:01 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

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.

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

---

**From:** Sally Witt  
**Sent:** Thursday, February 1, 2018 2:54 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**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  
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[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:** Mike McNalley  
**Sent:** Saturday, February 3, 2018 8:25 PM  
**To:** Tony Campbell  
**Subject:** Re: Load Graph

I agree with that sentiment, Tony. I just had Julie and Sally start from their existing load forecast - I didn't challenge that because I only wanted to know the impact of the load loss.

We both know that a couple of Rodney's hits, some faster general Econ growth etc could make a huge difference.

I can leave this out of the slides for the board meeting if you want.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Feb 3, 2018, at 8:21 PM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Mike,

I understand where and how they derived this graph. However, I don't believe this at all?? If we do not have a major recession, I will be letting people go for not doing their job!!!!!!

This reminds me of when I first got here. They were still using historical which suggested we were growing at 6% per year. I finally beat Jim Lamb all over our board room and demanded they reduce it. Now they are clearly to conservative.

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Sent from my iPhone

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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.

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

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**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>

**Subject:** RE: Load Graph

Just for a look...assuming 100% If...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

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Maybe....

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**Sent:** Friday, January 05, 2018 9:23 AM

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

**Subject:** RE: Load Graph

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**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>

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**Subject:** RE: Load Graph

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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

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**Subject:** RE: Load Graph

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---

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**Sent:** Thursday, January 04, 2018 7:39 AM

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

**Subject:** FW: Load Graph

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---

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**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:** Don Mosier  
**Sent:** Friday, February 2, 2018 9:08 PM  
**To:** Tony Campbell  
**Cc:** David Smart; Mike McNalley; David Crews  
**Subject:** Re: Amendment 3 Notice

Will do.

On Feb 2, 2018, at 9:03 PM, Tony Campbell <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)> wrote:

Guys,

Here is Owen's request. Don please help Mark get his request correct.

TC

Sent from my iPhone

Begin forwarded message:

**From:** Mark Stallons <[mstallons@owenelectric.com](mailto:mstallons@owenelectric.com)>  
**Date:** February 2, 2018 at 4:51:24 PM EST  
**To:** "[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)" <[tony.campbell@ekpc.coop](mailto:tony.campbell@ekpc.coop)>  
**Cc:** Jim Crawford <[JCrawford@cbkylaw.com](mailto:JCrawford@cbkylaw.com)>  
**Subject:** Amendment 3 Notice

Tony,

Attached please find Owen Electric's notice of its election to reduce its purchases of electric power from EKPC and replace same with power furnished from an alternate source. We will follow with a written letter in the mail this coming Monday, February 5, 2018. Should you have any questions, please do not hesitate to call.

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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A Touchstone Energy Cooperative 

February 2, 2018

Mr. Anthony S. Campbell  
President and CEO  
East Kentucky Power Cooperative  
4775 Lexington Road  
P.O. Box 707  
Winchester, KY 40392-0707

Dear Mr. Campbell,

Pursuant to the provisions of the Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. ("EKPC"), and Owen Electric Cooperative Inc. ("Owen Electric") dated October 23, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including Owen Electric, dated July 16, 2015 ("MOU"), Owen Electric 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, Owen Electric 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 Owen Electric's power requirements outside of and separate from the Wholesale Power Contract between Owen Electric and EKPC for a term of 5-20 years commencing at 12:00 a.m. (EST) on September 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 Alternate Sources, 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 to be calculated at the level equal to five percent (5%) of the 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 three (3) twelve-month (12-month) periods immediately preceding this notice, less previously-noticed 2MW Bromley DG Unit upon calculation of the five percent (5%)**

level as defined by the A3 Allotment spreadsheet by EKPC which includes the month of January 2018 in the calculation.

- (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 Owen Electric 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 the hourly reductions in energy to be purchased by the Owner Member from EKPC*

**The Alternate Source will provide for delivery of the capacity designated above in every hour of the term of the Alternate Source.**

- (v) *a designation of whether the Alternate Sources 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 in the MOU&A as "Behind the Meter Sources". The "Related EKPC Point of Delivery" with respect to any Alternate Sources 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.**

Owen Electric will provide additional detail regarding the Alternate Source when it is available and looks forward to work with EKPC on implementation.

Please let me know if you have any questions regarding this Alternate Source.

Sincerely,



Mark A. Stallons  
President and CEO  
Owen Electric Cooperative

## Gwyn Willoughby

---

**From:** Sally Witt  
**Sent:** Friday, February 2, 2018 10:02 AM  
**To:** Mike McNalley  
**Cc:** David Crews; Julie Tucker  
**Subject:** RE: Load Graph  
**Attachments:** SoKy and 150 reduction charts.pptx

Here you go Mike. I should have done that anyway. I simply didn't notice it.  
Please let me know what else you need!

Happy Friday!

---

**From:** Mike McNalley  
**Sent:** Friday, February 02, 2018 8:18 AM  
**To:** Sally Witt  
**Cc:** David Crews ; Julie Tucker  
**Subject:** RE: Load Graph

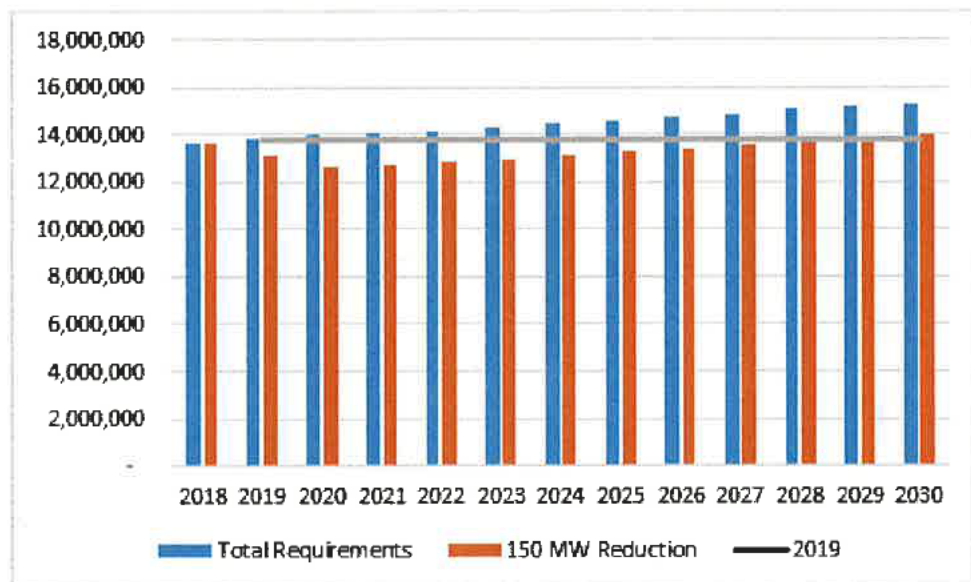
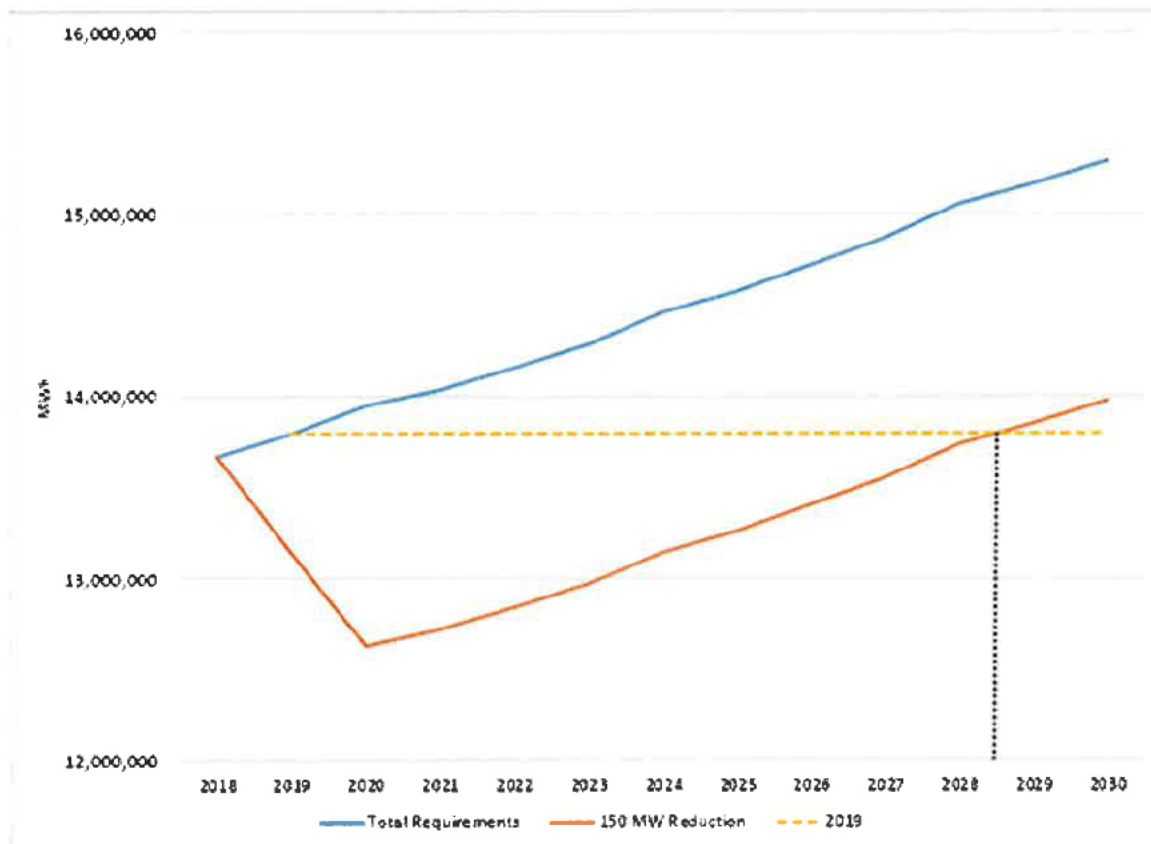
Can you do the bar chart with the same scale you used for the SK bar chart last month?

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:** Thursday, February 1, 2018 2:54 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Cc:** David Crews <[David.Crews@ekpc.coop](mailto:David.Crews@ekpc.coop)>; Julie Tucker <[julie.tucker@ekpc.coop](mailto:julie.tucker@ekpc.coop)>  
**Subject:** RE: Load Graph

Just for a look...assuming 100% If...I'll change whatever you need...



**From:** Mike McNalley  
**Sent:** Thursday, February 01, 2018 2:19 PM  
**To:** Sally Witt <sally.witt@ekpc.coop>  
**Cc:** David Crews <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)

---

**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:** Terri Combs  
**Sent:** Thursday, February 1, 2018 3:41 PM  
**To:** 'Joe Spalding'  
**Cc:** Tony Campbell; David Smart; Don Mosier; Mike McNalley  
**Subject:** February Board meeting agendas  
**Attachments:** Agenda-Directors and CEOs Executive Session.pdf; Agenda-Directors Only Executive Session.pdf; Agenda-February Board Meeting.pdf

Hello, Joe,

Attached you will find the proposed February Board meeting agenda for your review at your earliest convenience. I am also including agendas for Directors/Owner-Member CEO's Executive Session and Directors Only Executive Session. If you have any changes, please let me know as soon as possible so that I may post them to BoardPaq.

Thanks so much. Hope you have a great evening.

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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**AGENDA****EAST KENTUCKY POWER COOPERATIVE**   
**BOARD**  
**FEBRUARY BOARD MEETING**  
Tuesday, February 13, 2018, 9:30 am - 3:30 pm  
**BOARD ROOM**




- I. Call To Order**
- II. Invocation**
- III. Roll Call**
- IV. Safety Moment - Volunteer**
- V. Adoption of Agenda**
- VI. Approval of Previous Board Meeting Minutes**
  - Board Meeting Minutes December 12 2017 Final.pdf
- VII. Action Items for Vote by Full Board**
  - 1. Approval of Resolution Honoring Kelly Shepherd
    - Executive Summary-Resolution-Honoring Kelly Shepherd.pdf
  - 2. Acceptance of Big Sandy RECC's Election of Danny Wallen as Director for EKPC
    - Executive Summary-Resolution-Attachment-seating Director-Big Sandy RECC-Danny Wallen.pdf
- VIII. Monthly Financial Overview – CFO**
- IX. Report of Officers - President & CEO**
  - 1. Board Room Upgrades - CAMPBELL
  - 2. Legislative Update - MAYFIELD
  - 3. Legal Update - SMART
  - 4. Economic Development Report 2017 & Industrial Electric Usages - HITCH/THOMAS
  - 5. Engineer Retention - LINDEMAN
  - 6. Director Training 2018 Discussion - CAMPBELL
- X. Audit Committee - next meeting February 22,2018**
  - 1. Board Action Items
    - a. None
  - 2. Information and Discussion Items
    - a. None
- XI. Strategic Issues Committee**

1. Board Action Items
  - a. Approval of South KY RECC's Amendment #3 (REQUEST WILL BE DISCUSSED/VOTED ON DURING DIRECTORS & OWNER-MEMBER CEO'S EXECUTIVE SESSION) (See Executive Session Agenda for the Executive Summary/Resolution)
2. Information and Discussion Items
  - a. Private Placement Funding Request - STACHNIK (information in February / vote in March)
  - b. Spurlock CCR/ELG Compliance Project & Initial Equipment Contracts - JOHNSON (information in February / vote in March)
  - c. Spurlock Units 1 & 2 Absorber Spray Header Replacements - JOHNSON (information in February / vote in March)
  - d. Update from February 12, 2018 Meeting

**XII. Board Risk Oversight Committee**

1. Board Action Items
  - a. None
2. Information and Discussion Items
  - a. Update from February 12, 2018 meeting

**XIII. Governance Committee**

1. Board Action Items
  - a. None
2. Information and Discussion Items
  - a. Annual Approval of Policy 109, Nepotism (with no recommended changes)
  - b. Request Approval of Revisions to Policy 116 - Conflict of Interest (information in February / vote in March)  
 Executive Summary-Resolution-Policy 116-Conflict of Interest -redline-.pdf
  - c. Request Approval of Proposed Revisions to Policy 119 - Fraud Risk Assessment & Deterrence (information in February / vote in March)  
 Executive Summary-Resolution-Policy 119-Fraud Risk Assessment - Deterrence -redline-.pdf
  - d. Request Approval of Proposed Revisions to Policy 201 - Financial Transaction & Procurement Authorization (information in February / vote in March)  
 Executive Summary-Resolution-Policy 201-Financial Transaction - Procurement Authorization Policy -redline-.pdf
  - e. Discuss Committee Recommendation regarding Director Completion of ACES Online Training Modules (PJM Training)
  - f. General Update from January 11, 2018 meeting

**XIV. Member System Needs**

**XV. Issues List (Additions or Deletions)**

**XVI. EKPC Business Unit Monthly Reports**

Human Resources  
Finance  
Legal  
Environmental  
Power Production  
Power Supply  
System Operations  
Safety

**XVII. Agenda Items for Next Agenda**

**XVIII. Other Business**

**XIX. Executive Session - See Agendas for Directors & Owner-Member CEO's  
Executive Session and Directors Only Executive Session**

1. None

**XX. Adjourn**

---

Jody Hughes, Secretary  
East Kentucky Power Cooperative, Inc.

**AGENDA**

**EAST KENTUCKY POWER COOPERATIVE**   
**DIRECTOR AND OWNER-MEMBER CEO EXECUTIVE SESSION AGENDA**  
**FEBRUARY DIRECTOR AND OWNER-MEMBER CEO EXECUTIVE SESSION**  
**Tuesday, February 13, 2018, 2:00 pm - 3:00 pm**  
**BOARD ROOM**

**I. Executive Session**

1. Approval of the Executive Session Minutes of Regular Board Meeting of December 12, 2017
  2. Chairman's Report - SPALDING
  3. AEP's Bank Request - CAMPBELL
  4. MOU Cost & Mitigation Plan - MCNALLEY/MOSIER
  5. EKPC Proposal for Remainder of MOU - CAMPBELL/MOSIER/MCNALLEY
  6. Approval of South KY RECC's Amendment #3 Request from the Strategic Issues Committee - ELDRIDGE
- Executive Summary-Resolution-South KY RECC A3 Purchase from PJM Market.pdf

**II. Adjourn to Directors Only Executive Session**

---

Jody E. Hughes, Secretary  
East Kentucky Power Cooperative, Inc.



## AGENDA

**EAST KENTUCKY POWER COOPERATIVE  
DIRECTORS ONLY EXECUTIVE SESSION AGENDA  
FEBRUARY DIRECTORS ONLY EXECUTIVE SESSION  
Tuesday, February 13, 2018, 3:00 pm - 3:30 pm  
BOARD ROOM**

### **I. Executive Session**

1. CEO Evaluation Update - HAWKINS/SMART
2. Treasurer's Quarterly Report of Directors' Fees and Expenses for the 4th Quarter of 2017 - CORNETT

### **II. Adjourn**

---

Jody E. Hughes, Secretary  
East Kentucky Power Cooperative, Inc.

## Gwyn Willoughby

---

**From:** Tony Campbell  
**Sent:** Friday, February 2, 2018 9:41 AM  
**To:** David Crews; David Smart; Don Mosier; Mike McNalley  
**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:** Terri Combs  
**Sent:** Thursday, February 1, 2018 3:41 PM  
**To:** 'Joe Spalding'  
**Cc:** Tony Campbell; David Smart; Don Mosier; Mike McNalley  
**Subject:** February Board meeting agendas  
**Attachments:** Agenda-Directors and CEOs Executive Session.pdf; Agenda-Directors Only Executive Session.pdf; Agenda-February Board Meeting.pdf

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Thanks so much. Hope you have a great evening.

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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**AGENDA**

**EAST KENTUCKY POWER COOPERATIVE**   
**BOARD**  
**FEBRUARY BOARD MEETING**  
**Tuesday, February 13, 2018, 9:30 am - 3:30 pm**  
**BOARD ROOM**

- I. Call To Order**
- II. Invocation**
- III. Roll Call**
- IV. Safety Moment - Volunteer**
- V. Adoption of Agenda**
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  - Board Meeting Minutes December 12 2017 Final.pdf
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- IX. Report of Officers - President & CEO**
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  - 2. Legislative Update - MAYFIELD
  - 3. Legal Update - SMART
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  - 5. Engineer Retention - LINDEMAN
  - 6. Director Training 2018 Discussion - CAMPBELL
- X. Audit Committee - next meeting February 22,2018**
  - 1. Board Action Items
    - a. None
  - 2. Information and Discussion Items
    - a. None
- XI. Strategic Issues Committee**

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  - c. Spurlock Units 1 & 2 Absorber Spray Header Replacements - JOHNSON (information in February / vote in March)
  - d. Update from February 12,2018 Meeting

**XII. Board Risk Oversight Committee**

1. Board Action Items
  - a. None
2. Information and Discussion Items
  - a. Update from February 12, 2018 meeting

**XIII. Governance Committee**

1. Board Action Items
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    - ☰ Executive Summary-Resolution-Policy 116-Conflict of Interest -redline-.pdf
  - c. Request Approval of Proposed Revisions to Policy 119 - Fraud Risk Assessment & Deterrence (information in February / vote in March)
    - ☰ Executive Summary-Resolution-Policy 119-Fraud Risk Assessment - Deterrence -redline-.pdf
  - d. Request Approval of Proposed Revisions to Policy 201 - Financial Transaction & Procurement Authorization (information in February / vote in March)
    - ☰ Executive Summary-Resolution-Policy 201-Financial Transaction - Procurement Authorization Policy -redline-.pdf
  - e. Discuss Committee Recommendation regarding Director Completion of ACES Online Training Modules (PJM Training)
  - f. General Update from January 11, 2018 meeting

**XIV. Member System Needs**

**XV. Issues List (Additions or Deletions)**

**XVI. EKPC Business Unit Monthly Reports**

Human Resources  
Finance  
Legal  
Environmental  
Power Production  
Power Supply  
System Operations  
Safety

**XVII. Agenda Items for Next Agenda**

**XVIII. Other Business**

**XIX. Executive Session - See Agendas for Directors & Owner-Member CEO's  
Executive Session and Directors Only Executive Session**

1. None

**XX. Adjourn**

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Jody Hughes, Secretary  
East Kentucky Power Cooperative, Inc.

**AGENDA**

**EAST KENTUCKY POWER COOPERATIVE**   
**DIRECTOR AND OWNER-MEMBER CEO EXECUTIVE SESSION AGENDA**  
**FEBRUARY DIRECTOR AND OWNER-MEMBER CEO EXECUTIVE SESSION**  
**Tuesday, February 13, 2018, 2:00 pm - 3:00 pm**  
**BOARD ROOM**

**I. Executive Session**

1. Approval of the Executive Session Minutes of Regular Board Meeting of December 12, 2017
  2. Chairman's Report - SPALDING
  3. AEP's Bank Request - CAMPBELL
  4. MOU Cost & Mitigation Plan - MCNALLEY/MOSIER
  5. EKPC Proposal for Remainder of MOU - CAMPBELL/MOSIER/MCNALLEY
  6. Approval of South KY RECC's Amendment #3 Request from the Strategic Issues Committee - ELDRIDGE
- Executive Summary-Resolution-South KY RECC A3 Purchase from PJM Market.pdf

**II. Adjourn to Directors Only Executive Session**

---

Jody E. Hughes, Secretary  
East Kentucky Power Cooperative, Inc.



**AGENDA**

**EAST KENTUCKY POWER COOPERATIVE  
DIRECTORS ONLY EXECUTIVE SESSION AGENDA  
FEBRUARY DIRECTORS ONLY EXECUTIVE SESSION  
Tuesday, February 13, 2018, 3:00 pm - 3:30 pm  
BOARD ROOM**

**I. Executive Session**

1. CEO Evaluation Update - HAWKINS/SMART
2. Treasurer's Quarterly Report of Directors' Fees and Expenses for the 4th Quarter of 2017 - CORNETT

**II. Adjourn**

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Jody E. Hughes, Secretary  
East Kentucky Power Cooperative, Inc.

**Gwyn Willoughby**

---

**From:** Don Mosier  
**Sent:** Thursday, February 1, 2018 10:04 AM  
**To:** Tony Campbell; Mike McNalley; David Smart; David Crews  
**Subject:** SKRECC filing comments

I've read through most of the filing focusing on the commercial terms. The agreements executed are typical of the type and kind expected when dealing with sophisticated counterparties like MS.

Energy contract:

- Deal signed 12/19/2017, had 45 days to file with PSC
- 58 MWs 7x24 commences June 1, 2019 through May 31, 2039 (20 years)
- Fixed, LD, physical at EKPC zone, day ahead schedule
- Contract specifies EKPC as agent, MS as scheduling agent, SKRECC becomes PJM member
- Has both **change in laws and Enviro majeure clauses**
- SKRECC signed ISDA and EEI master purchase agreements
- Asks for expedited PSC approval by May 31
- **No exit provision other than a non-appealable decision by PSC**

Capacity contract:

- 68 MWs which included 18% ?? reserves
- Fixed until 21/22 then becomes higher of fixed or floating price in auction
- Enviro majeure clause, NRG FERC/PJM settlement majeure clause

[REDACTED]

Don Mosier  
EVP & COO



## Gwyn Willoughby

---

**From:** Joni Hazelrigg <jhazelrigg@fme.coop>  
**Sent:** Thursday, February 1, 2018 2:24 PM  
**To:** Tony Campbell; Don Mosier; Mike McNalley; David Smart; David Crews  
**Cc:** Earl Rogers III; Marvin Suit  
**Subject:** RE: MOU Request  
**Attachments:** Alt\_Source\_Notice.pdf

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

Hi -  
Attached is the Alternate Source Notice. As I discussed with Tony yesterday, this has been in the works since the fall of 2016. The Air Permit was filed in January, 2018 and the most recent timeline I was given shows the Plant in operation in October, 2018. I had planned to wait until 90 days prior to production time to file the intent, but due to recent events decided to go ahead and send the notice. FME already has an executed contract with the Seller and is committed to this project.

I will leave it to your discretion as to when this is presented to the rest of the coops, but I appreciate your help in this process.

Let me know if you have questions or need further info.

Be safe!  
Joni

**Joni Hazelrigg, President & CEO**  
**Fleming-Mason Energy Cooperative, Inc.**  
**P. O. Box 328 1449 Elizaville Rd.**  
**Flemingsburg, KY 41041**  
**O: 606.845.2661 C: 606.782.4526 F: 606.845.1008**



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---

**From:** Tony Campbell [mailto:tony.campbell@ekpc.coop]  
**Sent:** Thursday, February 1, 2018 11:30 AM

**To:** Don Mosier ; Mike McNalley ; David Smart ; David Crews  
**Cc:** Joni Hazelrigg  
**Subject:** RE: MOU Request  
**Importance:** High

Guys,

I want Joni to send in her request for the 1 MW today. Then I want to keep it quiet unless another Owner submits for their 5% share of the remaining MOU allotment. No matter what Joni will be first in line, but we don't need to cause everyone heightened concern just because Joni needs 1 MW.

If you have any concerns, or questions please let me know.

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



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## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Thursday, February 1, 2018 11:18 PM  
**To:** Tony Campbell  
**Cc:** David Smart; Don Mosier; Mike McNalley  
**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:** Isaac Scott  
**Sent:** Thursday, February 1, 2018 8:29 AM  
**To:** Mike McNalley  
**Cc:** Patrick Woods  
**Subject:** South Kentucky Analysis - Two More Questions

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  
**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:** Don Mosier  
**Sent:** Wednesday, January 31, 2018 10:11 AM  
**To:** Tony Campbell; David Smart; Mike McNalley; David Crews  
**Subject:** RE: Fleming Mason

I just got in from breakfast with Tim. He didn't mention this one, but he is keen on the idea regarding EKPC assisting in the remaining 15's rights. He is not optimistic (I surmised) that the SK issue will not cause disruptions in our boardroom's unity. Also believes several others will grab theirs before this gets traction.

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

**From:** Tony Campbell  
**Sent:** Wednesday, January 31, 2018 10:03 AM  
**To:** Don Mosier <Don.Mosier@ekpc.coop>; David Smart <david.smart@ekpc.coop>; Mike McNalley <Michael.McNalley@ekpc.coop>; David Crews <David.Crews@ekpc.coop>; Terri Combs <terri.combs@ekpc.coop>  
**Subject:** RE: Fleming Mason

All:

I just spoke with Joni, at Fleming Mason, regarding a land-field gas project they have been working on for a long while. Joni stated it was moving forward. Joni is out of the office today, but wanted to exercise her rights under the MOU to take this 1 MW. She will e-mail a signed request tomorrow morning.

If anyone feels she needs to do anything special, or faster, please let her know.

TC

Sent from my iPhone

## Gwyn Willoughby

---

**From:** David Crews  
**Sent:** Tuesday, January 30, 2018 2:57 PM  
**To:** Mike McNalley  
**Subject:** RE: Amend 3 Rolling 36 month load data

I would suggest waiting for Jan data. The EKPC 5% will go up modestly because of the peak in January 2018. When Feb. rolls off, the number will move down modestly because Feb 2015 rolls off. They should stay somewhat steady after that unless we have spell in Feb that is colder than Jan. We can hope.

The member 5% are calculated from a different data set than the EKPC 5%. Members 5% is calculated based on the member's peak which may not occur during the same hour as EKPC's.

Its like we were trying to make it as confusing as possible.

---

**From:** Mike McNalley  
**Sent:** Tuesday, January 30, 2018 2:47 PM  
**To:** David Crews  
**Subject:** RE: Amend 3 Rolling 36 month load data

Last I have is November billing data. If not done for December I can just wait a few days to get Jan.

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:** Tuesday, January 30, 2018 2:07 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Re: Amend 3 Rolling 36 month load data

To update the members 5% numbers we need the member meter data for January. We have been getting it piecemeal so far as members ask for their data. When Jan is over we will get a report that includes all member data and be able to calculate all the 5%.

Sent from my iPhone

On Jan 30, 2018, at 10:31 AM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

David,

Has this table been updated?

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:** Tuesday, December 5, 2017 5:07 PM  
**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

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 2:45 PM  
**To:** Tony Campbell  
**Subject:** SK Margin Impact

Tony,

If SKRECC had taken their 58 MW for all of 2016 (the most recent year I have full margin allocation data completed for), and we had fully mitigated the load loss such that our margin was unchanged, their allocation of EKPC margin would have fallen from \$6.2 million to \$4.0 million.

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:** 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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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: *Dino 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

*Pat Harris*  
ATTEST, SECRETARY

(H:Legal/misc/amend-3-wpc)

**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.

- (iii) If, at the time the Owner Member submits an election notice pursuant to Section 4, the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be less than two and one half percent (2.5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice, the Owner Member's aggregate demand reduction from Alternate Sources (including the demand reduction from the proposed new Alternate Source) may not exceed 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 the date the Owner Member delivers such election notice. If this 15% threshold would be exceeded, the Alternate Source shall not be permitted unless the load proposed to be served by it is reduced such that this 15% threshold is not exceeded.
  
- (iv) If, at the time the Owner Member submits an election notice pursuant to Section 4, the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be equal to or greater than two and one half percent (2.5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice, the Owner Member's aggregate demand reduction from Alternate Sources (including the demand reduction from the proposed new Alternate Source) may not exceed five percent (5%) 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 the date the Owner Member delivers such election notice. If this five percent (5%) threshold would be exceeded, the Alternate Source shall not be permitted unless the load proposed to be served by it is reduced such that this five percent (5%) threshold is not exceeded.
  
- (v) If, at the time the Owner Member submits an election notice pursuant to Section 4, the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be greater than five percent (5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice, the

Alternate Source shall not be permitted unless the load proposed to be served by it is reduced such that this five percent (5%) threshold is not exceeded.

- (vi) The term of any Alternate Source (inclusive of any renewal options), whether the Alternate Source is a generating facility owned or controlled by the Owner Member or a contract with a third party, shall not exceed twenty (20) years.
  - (a) Any Alternate Source that is a contract in effect at the time when the 2.5% threshold defined in Section 3(A)(iii) is reached will be honored for the remaining term of the contract (without exercise of any renewal option). However, if at the end of the existing contract's term that was in effect when the 2.5% threshold was reached, the 2.5% threshold continues to be reached or is exceeded, and the Owner Member's aggregate amount of Alternate Source elections then exceeds the 5% threshold defined in Section 3(A)(iv), then the Alternate Source contract may not be renewed unless the Owner Member reduces the aggregate amount of the Owner Member's load served by Alternate Sources such that the aggregate amount of the Owner Member's load served by Alternate Sources (taking into account the renewal of the contract) does not exceed the 5% threshold set forth in Section 3(A)(iv). The Owner Member may meet this requirement by using demand reduction available to another Owner Member, in accordance with Section 3(B).
  - (b) Any Alternate Source that is a generating facility owned or controlled by the Owner Member that is in effect when the 2.5% threshold defined in Section 3(A)(iii) is reached will be honored for the remaining term of the Alternate Source as set forth in the notice provided under Section 4(A).

(B) Demand reduction available to one Owner Member may be used by another Owner Member if those two Owner Members so agree; provided, however, that in no event may a new Alternate Source proposed by an Owner Member in an election notice pursuant to Section 4 be approved if:

- (i) the aggregate amount of all Owner Members' loads being served with Alternate Sources (including the load proposed to be served by the Owner Member's new Alternate Source) would be greater than five percent (5%) of the rolling average of EKPC's coincident peak demand for the single calendar month with the highest peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding the date the Owner Member delivers such election notice; or

(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
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South Kentucky Rural Electric Cooperative Corporation

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Date

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Taylor County Rural Electric Cooperative Corporation

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Date