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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2012-00503

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ORIGINAL

In the Matter of:

PETITION AND COMPLAINT OF GRAYSON)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING PURCHASE OF ELECTRIC)
POWER AT THE RATE OF SIX CENTS PER)
KILOWATT HOUR UP TO 9.4 MEGAWATTS)
OF POWER VS. A RATE IN EXCESS OF SEVEN)
CENTS PER KILOWATT HOUR PURCHASED)
FROM EAST KENTUCKY POWER COOPERATIVE)
UNDER A WHOLESALE POWER CONTRACT AS)
AMENDED BETWEEN GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION AND)
EAST KENTUCKY POWER COOPERATIVE, INC.)

DEPOSITION OF ANTHONY CAMPBELL

On Wednesday, the 8th day of January, 2014, at the approximate hour of 10:02 a.m., at the Hampton Inn, located at 1025 Early Drive, Winchester, Kentucky, before me, Nicol L. Voiles, Court Reporter and Notary Public within and for the Commonwealth of Kentucky, ANTHONY CAMPBELL, Witness, gave his oral deposition in the causes pursuant to Notice of Counsel for the respective parties as herein above set forth. Said deposition was taken for the purpose of discovery and any and all other purposes permitted by the Kentucky Rules of Civil Procedure.

CBS REPORTING
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1 APPEARANCES: **On behalf of Grayson Rural**
2 **Electric:**

3 Hon. W. Jeffrey Scott
4 W. Jeffrey Scott PSC
5 311 West Main Street
6 P.O. Box 608
7 Grayson, Kentucky 41143

8 **On behalf of East Kentucky Power**
9 **Cooperative:**

10 Hon. Mark David Goss
11 Goss Samford PLLC
12 2365 Harrodsburg Road, Suite B-325
13 Lexington, Kentucky 40504

14 **ALSO PRESENT:**

15 Don Mosier
16 Carol Ann Fraley
17 Don Combs
18 Bradley Cherry

19 I N D E X Page

20 EXAMINATION OF THE WITNESS
21 ANTHONY CAMPBELL:

22 EXAMINATION BY MR. SCOTT..... 3

23 EXHIBITS..... None

24 REPORTER'S CERTIFICATION..... 114
ERRATA SHEET..... None
SIGNATURE PAGE..... Waived

1 ANTHONY CAMPBELL
2 of lawful age, Witness herein, having been first
3 duly cautioned and sworn, as hereinafter
4 certified, was examined and said as follows:

5 MR. SCOTT: Who is the gentleman to your
6 left?

7 MR. GOSS: That is Don Mosier.

8 MR. SCOTT: You want him --

9 MR. GOSS: Yeah, he's my corporate
10 representative for the purpose of the deposition.

11 EXAMINATION

12 BY MR. SCOTT:

13 Q. Would you state your name for the record
14 please?

15 A. Anthony Scott Campbell.

16 Q. Mr. Campbell, why are you here today?

17 A. I was being deposed by Grayson.

18 Q. And you're seated in a room at the
19 Hampton Inn in Winchester; is that correct?

20 A. That's correct.

21 Q. And did someone inform you that this is
22 the place you needed to be?

23 A. Correct.

24 Q. And were you informed that there would

1 be a deposition today?

2 A. Correct.

3 Q. And did you receive that information by
4 way of a phone call or did your secretary tell you
5 or did you get an e-mail or a letter or how were
6 you informed of that?

7 A. E-mail.

8 Q. Okay. And when you were put on notice
9 to be here, did you know who would be asking you
10 questions?

11 A. No, I didn't. But I just assumed.

12 Q. Did you know the number of questions
13 that you would be asked?

14 A. No.

15 Q. Did you know when you were put on notice
16 to be here how long the deposition would take?

17 A. No.

18 Q. Okay. When you got that notice, did you
19 know the number of attorneys who would be asking
20 you questions?

21 A. No.

22 Q. All right. But nevertheless you arrived
23 at the time that that notice advised you that you
24 needed to be here; correct?

1 A. That's correct.

2 Q. Have you ever given a deposition before?

3 A. Yes.

4 Q. And in what kind of case?

5 A. It was a litigation over transmission.

6 Q. And would you tell us please by whom you
7 are employed and what your job title is?

8 A. East -- I'm employed by East Kentucky
9 Power Cooperative and my title is CEO, president
10 and CEO.

11 Q. Okay. And how long have you had that
12 title?

13 A. For just a little over four and a half
14 years.

15 Q. And how old a man are you?

16 A. 54.

17 Q. And did you go to college?

18 A. Yes.

19 Q. Where did you go to college?

20 A. I went -- my undergraduate or my
21 graduate?

22 Q. Undergrad.

23 A. Undergrad was at Southern Illinois
24 University, Carbondale, Illinois.

1 Q. Is that where Walt Frazier went?

2 A. I don't know.

3 Q. Carbondale, Illinois. Did you graduate
4 from Southern Illinois?

5 A. Yes, sir.

6 Q. And when did you graduate?

7 A. 1993.

8 Q. And after that did you start attending
9 and complete a graduate program?

10 A. Not immediately, but soon after that,
11 yes.

12 Q. Where was that?

13 A. University of Illinois.

14 Q. And did you complete a graduate program
15 there?

16 A. Yes.

17 Q. And what was that?

18 A. Masters in business administration.

19 Q. Okay. And do you have any other
20 degrees?

21 A. No.

22 Q. And when did you get your masters in
23 business administration at the University of
24 Illinois?

1 A. 1996.

2 Q. After that did you start working
3 somewhere?

4 A. Actually I started working right after I
5 got my undergraduate degree.

6 Q. Where was that?

7 A. Corn Belt Energy -- Corn Belt
8 Cooperative, Corn Belt Electric Cooperative.

9 Q. Okay. And where was that?

10 A. Bloomington, Illinois.

11 Q. And that is Illinois State, isn't it?

12 A. Yeah, it's Illinois State in
13 Bloomington, correct.

14 Q. Doug Collins?

15 A. Yeah, yes, sir.

16 Q. And how long did you work there?

17 A. I was there five years.

18 Q. Okay. And what did you do there?

19 A. I -- well, I started in as -- I'm trying
20 to think what my title was, but it was head of
21 electronics, IT. I was really hired to put in
22 their SCADA system. They didn't have anything.
23 Didn't have any automation whatsoever. Automate
24 their substations, things like that. I don't

1 remember my title exactly. I was in charge of
2 purchasing too.

3 Q. So you started there in '93ish?

4 A. Correct.

5 Q. And stayed there a couple years after
6 you got your MBA?

7 A. Yeah, that is right, uh-huh.

8 Q. And then left there and went where?

9 A. I went to Soyland Power Cooperative.

10 Q. Where was that?

11 A. That was in Decatur, Illinois.

12 Q. And what did you do there?

13 A. I was -- I don't remember my title
14 either, but I was really a power sales. You know,
15 I went out and tried to sell power, small deals to
16 off system sales.

17 Q. And was that a distribution?

18 A. No, it was a G&T.

19 Q. And how long did you work there?

20 A. About a year.

21 Q. How did you perform the essential
22 functions of your task at Soyland? What did you
23 do to accomplish your job?

24 A. Well, you know, mostly was to try to

1 structure deals such that the cooperative could
2 make money and mitigate risk and then find
3 opportunities out there with the end consumers.

4 Q. To whom did you make sales?

5 A. Well, we were working with -- when I
6 left, we were working close to a deal with a city
7 up in Chicago, by Chicago, Charleston or somewhere
8 like that, St. Charles, St. Charles. And then we
9 were in Missouri trying to do a deal with Citizens
10 Electric actually.

11 Q. Who owned that cooperative?

12 A. Well, we had owners, just distribution
13 owners that owned the cooperative. I can't tell
14 you how many because it was kind of in a
15 transition, a flux period.

16 Q. So you were there about a year?

17 A. Yes.

18 Q. And then went where?

19 A. Then the CEO of Corn Belt Electric
20 Cooperative actually had just took over another
21 distribution system and came and asked if I would
22 come back.

23 Q. And did you?

24 A. I did.

1 Q. As?

2 A. Vice president of engineering and
3 operation.

4 Q. And how long did you stay there?

5 A. Five years.

6 Q. Okay. So we're now what about 2002 or
7 so or 2001?

8 A. 3.

9 Q. 3. Okay. And then where did you go?

10 A. Then I went to -- I was hired at
11 Citizens Electric Cooperative -- actually
12 Corporation over at St. Genevieve, Missouri.

13 Q. And what did you do there?

14 A. President and CEO.

15 Q. And did you say that was or was not a
16 cooperative?

17 A. It was a cooperative.

18 Q. And the name of it again was what?

19 A. Citizens Electric Corporation.

20 Q. Citizens?

21 A. Yeah.

22 Q. And how long did you stay there?

23 A. I was there six years.

24 Q. And then how many members did that

1 cooperative have?

2 A. None. It was just -- it was owned by
3 itself.

4 Q. Oh, okay.

5 A. You mean end consumers you're talking
6 about?

7 Q. Yeah. It was a distribution
8 cooperative?

9 A. I see what you are asking. I was
10 thinking you were thinking it was a G&T. It had
11 owners. I don't remember, but I'm thinking like
12 30,000 roughly.

13 Q. Okay. And was it when you left there
14 that you came to East Kentucky?

15 A. That's correct.

16 Q. And that was four and a half years ago?

17 A. That's correct.

18 Q. In this other case in which you gave a
19 deposition, by whom were you employed at that
20 time?

21 A. Corn Belt Energy Corporation.

22 Q. Is that the only deposition you have
23 ever given?

24 A. That's the only one.

1 Q. Okay. Then you know then as we go
2 through here this morning that when I ask you a
3 question and you want to say yes, it's better to
4 say yes than uh-huh because we have a court
5 reporter over here that is taking everything down.
6 If you want to say no, it's better to say no than
7 huh-uh or if you do not understand a question that
8 I have asked or if I have not stated it very
9 clearly, that you can just ask me to repeat it and
10 I will. Okay?

11 A. That's good advice. Thank you.

12 Q. And I would like to also see if you and
13 I could agree that -- I hope this would work this
14 way. If I say in a question "did you" or if I
15 refer to "you", I'm going to try to do that in a
16 way that "you" means East Kentucky Power. Is that
17 okay to try to -- unless I say, "now,
18 Mr. Campbell, in this question when I say you, I
19 want it to be Mr. Campbell." All right? Can we
20 do that? Is that okay?

21 A. It's up to counsel.

22 MR. GOSS: Yeah.

23 THE WITNESS: As far as I am concerned.

24 Q. I don't know. It just seems to me that

1 that might work. If I say you, then --

2 A. You means East Kentucky Power
3 Cooperative.

4 Q. If I say you, I'm talking about East
5 Kentucky Power. Okay. I don't know if that is
6 good or not. Anyway, I just thought it might be a
7 way to try to get through this.

8 East Kentucky Power is owned by who?

9 A. We have 16 owners, distribution
10 cooperatives that own us.

11 Q. And one of those owners is Grayson Rural
12 Electric; correct?

13 A. That is correct.

14 Q. And is there a contract that is known as
15 a wholesale power contract that East Kentucky
16 Power has with its distribution cooperative
17 owners?

18 A. That is correct.

19 Q. And was that entered into in 1964?

20 A. I don't remember the exact date, but
21 close to that.

22 Q. And has it been supplemented or amended
23 two or three times with one of those amendments
24 called Amendment 3 to the wholesale power

1 contract?

2 A. Yes.

3 Q. Okay. And what is it that East Kentucky
4 Power believes Amendment 3 does?

5 A. Well, our interpretation of Amendment 3
6 is that it allows our end consumer or our owners,
7 16 owners, to procure power outside of our system
8 to a certain percentage without having EKPC as
9 their provider.

10 Q. Let me back up a little bit and ask you
11 to explain what your job duties are as president
12 and CEO? What is it that either by board policy
13 or written directive from the board as a whole you
14 believe your actual day-to-day duties are.

15 A. My day-to-day duties are operating the
16 -- running the cooperative and relative to the
17 strategic plan developed by our board of directors
18 given in the confines of the policies that we have
19 and contracts that we have.

20 Q. Does East Kentucky Power have a COO?

21 A. Yes.

22 Q. And who is that?

23 A. Mr. Don Mosier.

24 Q. And that is Mr. Mosier that is seated

1 over here to your left?

2 A. That's correct.

3 Q. Or to the left of your attorney?

4 A. Yes.

5 Q. And what are the duties of the COO?

6 A. The chief operating officer is actually
7 responsible for all day-to-day operating
8 responsibilities of the cooperative generation,
9 the delivery system, actually power purchases,
10 making sure we comply with environmental, things
11 like that.

12 Q. Okay. Does that wholesale power
13 contract as you, Tony Campbell, understand it --

14 A. Was that Tony Campbell me or not East
15 Kentucky Power?

16 Q. It's Tony Campbell. It's Tony Campbell
17 or Mr. Campbell. I will call you Mr. Campbell.
18 As Mr. Campbell understands it, do you,
19 Mr. Campbell, believe that that wholesale power
20 contract requires East Kentucky Power to deliver
21 electric power to the distribution cooperatives?

22 A. Yes. It actually in my -- and this is
23 Tony Campbell's thought process. It not only
24 requires us to deliver power to our 16 owners, but

1 it requires our 16 owners to buy power from East
2 Kentucky Power Cooperative.

3 Q. It requires, does it not, East Kentucky
4 to sell and deliver to the 16 distribution
5 cooperatives and also the 16 distribution
6 cooperatives to buy and receive that power;
7 correct?

8 A. That's correct.

9 Q. And the only modification of those
10 things is what Amendment 3 would allow?

11 A. That's correct.

12 Q. All right. Now, would you agree with
13 me, would East Kentucky agree with me, that East
14 Kentucky under that wholesale power contract is to
15 pay for all final connections at points of
16 delivery?

17 A. I'm not sure I'm understanding the
18 question. Could you ask that again please?

19 Q. Okay. Do you know if that contract
20 requires East Kentucky to pay for all final
21 connections at points of delivery?

22 A. And you're talking -- I just want to
23 make sure I understand the question. You are
24 talking like all the facilities' final connections

1 being the hardware, the substations to our
2 delivery points?

3 Q. Yeah. Let's just -- let's just take a
4 look here. Let me show you a document here and
5 you can show your lawyer here in case he wants to
6 look at that to see if that -- and there may be
7 more than one copy there. I think that might be a
8 copy of the wholesale power contract.

9 MR. GOSS: What are you asking him?

10 Q. Do you see on the section there,
11 Mr. Campbell, right in numerical paragraph 2?

12 A. Uh-huh.

13 Q. Can you read that?

14 A. Sure. You want me to start with the 2?

15 Q. Correct.

16 A. Electric characteristics and delivery
17 points. Electric power and energy to be furnished
18 hereunder shall be alternating current, three
19 phase, four wire, 60 cycle. The seller shall make
20 and pay for all final connections between the
21 systems of the seller and the member points of
22 delivery.

23 Q. So the answer to my question I asked you
24 a minute ago would be yes?

1 A. For all physical connections, yes.

2 Q. Okay. Could I have all of that back?

3 A. Certainly.

4 Q. I believe that sheet there might be --

5 A. Sorry.

6 Q. For what purpose that is like that I
7 don't know. So what does that mean? What does
8 that mean that section you just read?

9 A. Well, to me that would mean like the
10 substations, all the transmission line, the meters
11 to our metering point, that we pay for all the
12 breakers, all the regulators, transformers, et
13 cetera, to get electric power to flow to our end
14 consumers or owners.

15 Q. And then the next section, section 3
16 that kind of goes on. I don't know if it's kind
17 of redundant from the previous section or if it's
18 trying to add something else, but it says the
19 seller shall own, read that part right there.

20 A. Okay. Substations, the seller shall
21 install and own, maintain the necessary substation
22 equipment at the points of connection. Want me to
23 read on?

24 Q. Yeah.

1 A. The seller shall own and maintain
2 switching and protective equipment which may be
3 reasonably necessary to enable the member to take
4 and use electric power and energy hereunder and to
5 protect the system of the seller. Meters and
6 metering equipment shall be furnished and
7 maintained by the seller and shall be located at
8 the point of delivery on the low voltage side of
9 such transforming equipment. Member will be
10 responsible for reading meters and making reading
11 information available to seller.

12 Q. Now, would you agree with me, sir, and
13 would East Kentucky agree with me that Amendment 3
14 to this contract does not change the provisions
15 that you just read?

16 A. No. That is correct. I agree with you
17 that we should still own all the physical
18 equipment.

19 MR. GOSS: Jeff, just for the record let
20 the record reflect that the witness was reading
21 from subsection 3 of the October 1, 1964 wholesale
22 power contract between East Kentucky and Grayson
23 and previously paragraph 2.

24 Q. Does East Kentucky Power send the

1 distribution cooperatives a notice once each year
2 of the rate that they are going to be charged for
3 this power?

4 A. I don't know that I can answer that. I
5 would assume so, but I don't know that for sure.

6 Q. If it does, and would you through
7 counsel agree to provide a copy of any notice that
8 has been sent annually for that purpose in the
9 last, let's say each of the last three years?

10 A. I would think we would.

11 MR. GOSS: Yes, yes. So let me just
12 make sure. You want 2010, '11, '12 or 2011, '12,
13 '13? What three years do you want?

14 MR. SCOTT: Start with '10.

15 MR. GOSS: '10, '11, '12.

16 MR. SCOTT: And '13. So we will call it
17 four years.

18 MR. GOSS: And 13.

19 Q. Upon what is that rate based?

20 A. The cost of service study that we have
21 done in the past and taking it to the Public
22 Service Commission and had approved.

23 Q. In that cost of service study most
24 recently I guess, you tell me if I'm wrong, would

1 have been submitted to the Public Service
2 Commission in 2010, 167 case I think is the case
3 number maybe, where you got your last rate fixed?

4 A. That is right. We used as I recollected
5 that cost of service study we used in 2010 for the
6 rate -- base rate increase that we requested was
7 maybe dated by a year or two, but I'm not sure of
8 that.

9 Q. Whenever it was. That was the one that
10 --

11 A. That was the basis --

12 Q. -- was submitted on which the rate that
13 came out of that case was set?

14 A. That is correct, yeah. The Commission
15 set -- allowed us to set those rates based on that
16 cost of service study.

17 Q. And is there an expense associated with
18 administrative and general expenses of East
19 Kentucky that are components of that?

20 A. I'm not sure what you're asking, please.

21 Q. Is there an expense of administrative
22 and general expenses or a heading such as that
23 that is a component of --

24 A. Oh, the rates?

1 Q. Yes.

2 A. Yes, sir.

3 Q. Okay. And what is it that fits within
4 administrative and general?

5 A. Well, there is a whole host of things in
6 administration and general that are -- the way we
7 book administrative and general. In fact it
8 starts with the salaries, it starts with legal
9 fees, a whole host of things. In fact I've been
10 trying to push accounting on modifying that. I
11 think there are probably too many things in A&G
12 that shouldn't be.

13 Q. And maybe should be assigned somewhere
14 else. Is that your point?

15 A. Exactly, correct.

16 Q. And that is part of the cost of service
17 study that was submitted?

18 A. Yes.

19 Q. You have stated that Amendment 3, what
20 East Kentucky believes Amendment 3 does or can do.
21 Let me ask you if you got some letters from Carol
22 Fraley and I'm not going to ask you if you
23 received notice from Carol Fraley because that'd
24 probably be met with an objection because that is

1 what lawyers do when they talk about words that
2 have some meaning or term of art or something like
3 that. So I'm not going to give Mr. Goss the
4 opportunity to object to that. But I'm going to
5 ask if you got certainly pieces of correspondence
6 from Carol Fraley and they be deemed to be
7 whatever it is that they would be deemed to be
8 rather than somebody trying to argue if its,
9 quote, unquote, noticed. But did you get a letter
10 dated June 22, 2012 from Carol Fraley?

11 A. Yes, I did get a letter from
12 Miss Fraley.

13 Q. And is that a copy of it that you've got
14 in your hand?

15 A. Is this the letter?

16 THE WITNESS: Would you want to check
17 that letter?

18 MR. GOSS: Yeah. Let me check. Yeah.

19 THE WITNESS: Yes.

20 Q. And did you get a letter here -- this
21 purports -- this is an unsigned copy, but did you
22 get a letter dated August 9, 2012 from Carol
23 Fraley?

24 A. I did get a letter from Miss Fraley on

1 the 29th of August -- on the 9th of August. I'm
2 sorry.

3 Q. And is that a copy of it?

4 A. Yes.

5 Q. That I have handed you. And did you
6 also get a letter from Carol Fraley actually
7 addressed to you I believe January 18, 2013?

8 MR. GOSS: Yes.

9 THE WITNESS: Yes, I did.

10 Q. And is that a copy of it that you've got
11 there?

12 A. Yes, sir.

13 Q. And did you also get a letter from Carol
14 Fraley dated September 26, 2013?

15 MR. GOSS: Yeah.

16 THE WITNESS: Yes, I did.

17 Q. The last one seems to be drafted a whole
18 lot better than the other ones, wouldn't you
19 agree?

20 A. I'm not an attorney. So I wouldn't
21 know.

22 Q. Well, you don't have to be an attorney.
23 I mean an MBA could answer that question. What --
24 whatever -- and you have got copies of all of

1 those with you there; right?

2 A. Correct.

3 Q. And whatever it is that makes up the
4 content of those letters, the words that are in
5 there, the paragraphs that are used, and the
6 meaning that you gleaned from them, whatever
7 meaning you gleaned from them, you did glean a
8 meaning from them, didn't you?

9 A. Correct.

10 Q. All right. And you received them at or
11 about the time of a day or two following the date
12 on each of the letters, wouldn't you think?

13 A. That's correct.

14 Q. So the one in September 26, 2013 you
15 probably got in September. The one in January 18,
16 2013 you probably got in January.

17 A. I think that is a fair assumption.

18 Q. Okay. Go to the very first one there,
19 the June 2012 letter.

20 A. Okay.

21 Q. When you got that, what did you do with
22 it or about what did you do? Did you have a
23 discussion with somebody? Did you notify
24 somebody, Mr. Mosier or an attorney or a staff

1 member or a secretary or anybody?

2 A. Well, let me just read this letter again
3 and make sure I'm on the right page with you. I
4 don't want to give you misinformation.

5 (Pause in proceedings).

6 A. Yeah, this is the letter. As I
7 recollect, when I received this letter I think I
8 called -- I did a number of things. I called
9 Miss Fraley and said that I was in receipt of the
10 letter and that we would be taking it to the
11 board. I called the chairman of the board and
12 shared this letter and told him that I was going
13 to put it on the agenda and I believe I shared it
14 with David Smart and maybe -- I don't know if I
15 shared it with Don or not. But I did because I
16 said we were -- I must have because I said we were
17 going to put it on the SI Committee for
18 discussion.

19 MR. GOSS: Say for the record what the
20 SI Committee is.

21 THE WITNESS: The Strategic Issues
22 Committee is a committee of our board of directors
23 at East Kentucky Power Cooperative.

24 Q. Now, that letter refers to a certain

1 number of megawatts, does it not?

2 A. Correct.

3 Q. And what is that number?

4 A. Well, the peak demand of 2009 to 2011 is
5 71.4 megawatts.

6 Q. Yeah. I guess it has got a lot of them
7 on it. All right. Very good. Would you go to
8 the August letter, August 9, 2012 letter?

9 A. I have that letter.

10 Q. And similarly when you got it -- and you
11 have already said you did get it. When you got
12 it, what did you do with it?

13 A. Let me just read it. I want to make
14 sure that I'm on the same page. So this -- this
15 letter I'm sure I didn't call Miss Fraley, but I
16 did call Chairman Hawkins, told him that I
17 received this, David Smart and I think Don Mosier
18 too and stating that we would put this on the SI
19 Committee.

20 Q. David Smart is general counsel for East
21 Kentucky Power?

22 A. General counsel for East Kentucky, yes,
23 sir.

24 Q. And does that letter, that August 9

1 letter, inform East Kentucky that Grayson intends
2 to purchase from Magnum Drilling of Ohio 5
3 megawatts of power commencing in the year 2012?

4 A. That is correct.

5 Q. Now, does 5 megawatts of power mean
6 anything to East Kentucky with respect to Grayson
7 and that letter? Does that number 5 have any
8 particular meaning?

9 A. Well, the only -- I mean I'm not sure
10 what it meant for Grayson, but to me and East
11 Kentucky Power Cooperative it meant that it would
12 qualify under Amendment 3 to be allowed with
13 90-days notice.

14 Q. Okay. Would it also mean that it would
15 be within 15 percent of Grayson's load ratio?

16 A. I don't remember what your load ratio
17 was at the time, but as I recollect, you were
18 below that and so it would have been within the 15
19 percent.

20 Q. Okay. And certainly 5 megawatts would
21 have been significantly less than 5 percent of
22 East Kentucky's production; correct?

23 A. That is -- well, our three-year rolling
24 average? Is that what you mean?

1 Q. Yeah.

2 A. Yes, that would have been well within
3 the three-year rolling average. Even when added
4 back with the current Amendment 3 exercises that
5 we already had out there.

6 Q. So you said when you got the August 9
7 letter you called Mr. Hawkins?

8 A. Yes.

9 Q. And Mr. Hawkins is Paul Hawkins.

10 A. That is correct.

11 Q. He's the chairman of the board of East
12 Kentucky Power?

13 A. That is correct.

14 Q. And for what reason did you call him?

15 A. To tell him that we needed to put this
16 on the agenda of the next board meeting.

17 Q. For the SI, the Strategic Issues
18 Committee?

19 A. That's correct.

20 Q. I want to show you another letter that I
21 have received from your lawyer finally the weekend
22 before Christmas and you can let your lawyer look
23 at that.

24 MR. GOSS: Yeah, yeah.

1 Q. Is that a letter on East Kentucky's
2 letterhead from its then general counsel to Larry
3 Hicks the president and CEO of Salt River?

4 A. Yes, it is.

5 Q. And the date of that is what?

6 A. April 20, 2005.

7 Q. And does that letter -- that is from
8 Dale Henley?

9 A. This is from Dale Henley, yes.

10 Q. And was Dale Henley at that time general
11 counsel of East Kentucky Power?

12 A. It -- the way he signed it, it says he
13 was general counsel. That was before I started
14 East Kentucky so I don't recollect, but --

15 Q. Yeah. Does that letter from the general
16 counsel of East Kentucky Power to Mr. Hicks,
17 president and CEO of a distribution member owner
18 cooperative of East Kentucky, tell Mr. Hicks that
19 his earlier notice to East Kentucky of Salt River
20 wanting to purchase a certain number of megawatts
21 of power is within it's load ratio and is within
22 the load ratio of East Kentucky's 5 percent and
23 therefore need not be presented to the Allocation
24 Committee?

1 A. It does.

2 Q. Could you reconcile then, sir, the
3 import of that or the content of that with the
4 statement that you made a minute ago that when you
5 got the August 9 letter from Grayson Rural
6 Electric you notified Mr. Hawkins and said this
7 needs to go to the committee?

8 A. Well, first thing is --

9 Q. If there is a need to reconcile it. But
10 I mean it seems that they are the same. You tell
11 me what is different about them, if any?

12 A. I'm not sure exactly where Mr. Henley
13 was in the process of exercising Amendment 3, but
14 after I came and was requested to exercise -- by a
15 different owner to exercise Amendment 3, I quickly
16 realized we didn't have a process in place and we
17 needed one. And I adopted a process for Amendment
18 3 so everybody would get exactly the same
19 treatment.

20 Q. Is that process that you adopted one
21 that is in writing?

22 A. No.

23 Q. So when did you adopt this unwritten
24 process?

1 A. I don't recollect the exact date, but I
2 can tell you that what stimulated that adoption
3 was a request by Mr. Don Schaefer, president and
4 CEO of Jackson Energy, request for 40 megawatts.

5 Q. Is that down in Bowling Green?

6 MR. GOSS: No, Jackson, Kentucky.

7 MR. SCOTT: Yeah. I mean the 40 -- no,
8 that was -- the 40 that they wanted was --

9 MR. GOSS: OMU.

10 MR. SCOTT: Was that the Wellhead thing?

11 MR. GOSS: OMU, Owensboro.

12 MR. SCOTT: Owensboro. I knew it was
13 somewhere west of here. Yeah.

14 Q. And that was 2010? When was that?

15 A. Well, I'm not sure of the exact dates,
16 but we can certainly look those up and give them
17 to you.

18 Q. It's in some of this.

19 A. But it started, his first verbal request
20 to me was when Jim Lamb who was vice president of
21 power supply was still at East Kentucky. It was
22 right after I started. So I'm going to guess
23 about September of 2009. His formal request to me
24 was probably very early in 2010.

1 Q. I think we probably got that. So did
2 you communicate this unwritten policy to anybody
3 at all?

4 A. Yes.

5 Q. So whom did you communicate?

6 A. The board of directors.

7 Q. Is there a board minutes or are there
8 minutes reflecting that?

9 A. I don't know, Mr. Scott, but we can sure
10 check. There should be something in the minutes
11 where I just said, hey, we are going to have a
12 process where we are going to bring these
13 Amendment 3s back to the board of director and
14 actually do what the Amendment 3 suggests we do.

15 Q. So you think if there was a board minute
16 reflecting that, that it would be in late summer,
17 early fallish of '09, maybe into early 2010,
18 somewhere in there?

19 A. Actually -- well, I will have to check
20 that out, Mr. Scott. First thing, the 40
21 megawatts -- we need to get our timeline square.
22 And I don't have the exact dates and I do
23 apologize for that. My memory is getting worse as
24 I get older. But when Mr. Schaefer came for the

1 40 megawatts, I went back to Mr. Schaefer and had
2 a meeting with him. No, he came in and had a
3 meeting with Mr. Schaefer and I said look you
4 can't do a 40 megawatt block, 7 by 24. You need
5 to follow load and you need to designate load if
6 you are going to do that.

7 And then he sent a request back to me
8 and said I'm going to withdraw my 40 megawatt
9 request because I started talking about the cost.
10 You need -- you need to make sure that the other
11 members are compensated for any stranded
12 investment that we have. And then he said I will
13 withdraw my 40 megawatts, although I still want to
14 make sure that it is out there and let's try to
15 fix this if you would. Fix the language of
16 Amendment 3. That is what really promulgated the
17 suggested Amendment 5 which was language to try to
18 fix Amendment 3, which was unsuccessful.

19 Q. Does that letter I handed you refresh
20 your memory any?

21 A. Yeah. This is the letter.

22 MR. GOSS: Let me -- it's your
23 deposition, Mr. Scott, but we're handing him
24 letters and contracts and everything and we're

1 identifying them by date. I presume you're going
2 to move for admission of these with the court
3 reporter. And if you want to refer to them by
4 date and then the letter that is fine or if you
5 want to refer to them by exhibit number that might
6 be better. Again I don't want to tell you how to
7 do your deposition, but in fairness to the witness
8 and in fairness to whoever reads this transcript,
9 we probably need to maybe identify these documents
10 as they are being handed to him or, you know, so
11 the record will be made up in some fashion,
12 however you want to do it.

13 Q. Does that help you? That letter that
14 you are looking at?

15 A. Uh-huh.

16 MR. GOSS: I'm sorry. Would you
17 identify the letter by date and who the author is?

18 MR. SCOTT: We will get there, Mr. Goss.

19 MR. GOSS: Well, I mean you have asked
20 him, Mr. Scott, to look at a letter you handed
21 him.

22 MR. SCOTT: I know and I'm getting
23 there. I mean if there is any other question you
24 want me to ask, write them down and I will try to

1 ask them, you know.

2 MR. GOSS: Well, I mean, you have taken
3 enough deposition, you ought to know how to -- and
4 I know you know how to identify a document in
5 fairness to the witness and whoever is reading a
6 deposition transcript. So and I don't want to --
7 I don't mean to interrupt you, but if you can just
8 identify the document so the record will be clear
9 and then I will hush.

10 THE WITNESS: The letter that I'm
11 looking at is from Jackson Energy Cooperative. It
12 is to Wayne Stratton chairman of the EKPC board of
13 directors from the Jackson Energy Cooperative
14 board of directors dated September 1, 2010
15 regarding 40 megawatts, Amendment 3, 40 megawatt
16 wholesale power contract purchase. This is the
17 letter.

18 Q. So we are then September of 2010 rather
19 than September of 2009?

20 A. No, no. I said he initially approached
21 me roughly September of 2009 verbally saying, hey,
22 we're looking at the 40 megawatt deal. Then he
23 formally came in 2010. I just didn't know the
24 date.

1 Q. So go back to the Dale Henley letter
2 that I showed you that is dated what?

3 A. This date of Dale Henley letter from --
4 to Mr. Larry Hicks is dated April 20, 2005.

5 Q. And it's your belief as president and
6 CEO of East Kentucky Power that what Mr. Henley
7 was conveying to Mr. Hicks was not the way you
8 thought it should be handled with respect to
9 Amendment 3 notices?

10 A. Clearly I think my interpretation of
11 this letter to Mr. Hicks is pretty sloppy work.

12 Q. Okay. All right. You said something a
13 minute ago about you told -- I believe you said
14 you told Mr. Schaefer you can't -- cannot --
15 something about you cannot buy a 7 by 24 block of
16 power. Did you say that?

17 A. No. I said you have to designate the
18 load.

19 Q. The load.

20 A. You can buy it although you can't come
21 in and take a base load block of power off of our
22 system. You have to designate load and then
23 follow that load. If you want to buy a -- if
24 Mr. Schaefer wanted to buy a block, 7 by 24 block,

1 follow the load, do whatever he wanted to do with
2 the rest, that is fine. I didn't have a problem
3 with that. And --

4 Q. And you told him that.

5 A. Yeah. And I also said that one would
6 have to make sure that they paid all stranded
7 investment to the other -- to cover the other
8 members, to make sure there wasn't a subsidy going
9 on.

10 Q. Is that the position of East Kentucky
11 Power today?

12 A. That if --

13 Q. What you just said?

14 A. So the position of East Kentucky Power
15 is if an owner comes in and then wants something
16 less equal to or less than their 5 percent share,
17 we have no problem. We feel that that should just
18 be really exercised on and we certainly would
19 recommend.

20 Q. 5 percent or 15?

21 A. No, 5 percent, their 5 percent share.
22 However if it goes over their 5 percent share,
23 then we believe that it needs to go back to the
24 Allocation Committee and be allocated to that

1 board or -- and I really promoted this, one
2 cooperative working with another cooperative
3 outside of our realm to do that.

4 Q. You said their 5 percent share?

5 A. Correct.

6 Q. Distribution cooperative's 5 percent
7 share of what?

8 A. Our owners share of their three-year
9 rolling average.

10 Q. And you get that position from what?

11 A. Well, I get that position first thing is
12 mathematically East Kentucky Power Cooperative is
13 only exposed to 5 percent no matter who gets what.
14 We really don't have a dog in the fight, a bone in
15 the fight of how the owners split it up, but I do
16 have a fiduciary responsibility as CEO of East
17 Kentucky Power Cooperative to make sure that we
18 try to do it as fair as we can.

19 My discussion with the board of
20 directors was, look, if an owner wants to take
21 their 5 percent share, their three-year rolling
22 average, 5 percent share, they should be allowed
23 to do about whatever they want with that, I mean
24 given the confines of, you know, not endangering

1 the other owners. However if they go over that 5
2 percent share and then want to take more than
3 that, then I think -- and I actually emphatically
4 said it to the board, then you have an issue of
5 fairness and think it needs to go through the
6 process, which would be Amendment 3 and then push
7 it into the 305. That is the way it is set up
8 right now.

9 Q. So 5 -- you're throwing --

10 A. Although could I say one other thing?

11 Q. Yeah. Go ahead.

12 A. Do you mind? I also make an appeal at
13 the same time that I did that and I actually did
14 this through a presentation. I've probably done a
15 number of them, but I made an appeal to all our
16 owners to try to work together to solve this with
17 the 5 percent because I think that would -- that
18 really is the most fair thing.

19 Q. Is that what started the Amendment 5?
20 Is that what you are talking about or did it come
21 after that?

22 A. No. Amendment 5 came actually right
23 after I received the formal request -- oh, I don't
24 have that right now.

1 Q. From Jackson.

2 A. From the Jackson Energy for the 40
3 megawatts. And the reason for that, Mr. Scott,
4 was because I told Don that I wouldn't support
5 that. First thing he -- it was written such that
6 it was a 7 by 24 and you can't take a block of
7 power away. I mean because clearly the Amendment
8 3 says load or loads and I pointed that out. And
9 we had a lot of discussion about that.

10 However, I asked him, I said look, I
11 agree that Amendment 3 is not written as well as
12 it should be and I have had meetings with other
13 counsel, older counsel that said the same thing.
14 So I said, well, why didn't we just fix this and
15 he said if you fix it, I will withdraw my 40
16 megawatt request and that is what started
17 Amendment 5 to try to get to that process which
18 ultimately failed, Amendment 5.

19 Q. Explain to me -- when you say 5 percent
20 in your answer there, 5 percent of what? What are
21 you talking about?

22 A. The 5 percent of our owners? Is that
23 what you mean?

24 Q. Whatever you refer to it as. Whatever

1 you meant for it to be. I want to know what you
2 Tony Campbell or you East Kentucky think 5 percent
3 means. 5 percent of what? We know 5 percent is a
4 percentage. It's a percentage of what?

5 A. Let's go through our interpretation of
6 the 5 percent. There is two 5 percents. One 5
7 percent is -- the way the Amendment 3 is, East
8 Kentucky Power Cooperative and the wholesale power
9 contract and Amendment 3 is exposed to potentially
10 losing 5 percent of our three-year rolling average
11 load, period. Can't go over that 5 percent.

12 Then when you start dispersing it, if
13 you just look at it mathematically, each member
14 really has 5 percent. And in the amendment,
15 Amendment 3, I believe it states -- or 305, I'm
16 not sure. It says each member will get their 5
17 percent share. I mean mathematically that is the
18 way it works. Right? Has to. And then a member
19 has an option to go up to actually 15 percent if
20 no one else is using, but nobody -- there is
21 absolutely no owners that can go over our rolling,
22 East Kentucky Power Cooperative's rolling three
23 year 5 percent average in totality.

24 Q. So you say that each distribution

1 cooperative getting 15 percent of their average
2 coincident peak could exceed the 5 percent and
3 therefore that is why you believe there is this
4 fairness issue?

5 A. It can't exceed the 5 percent. Clearly
6 that is in the contract.

7 Q. Well, if you did the math and they all
8 did it, than that is greater than 5 percent.

9 A. Mathematically it would be greater.

10 Q. So therefore that is why you think or
11 East Kentucky thinks or maybe East Kentucky and
12 Tony Campbell, that they ought not be able to get
13 that for lack of a better term willy-nilly because
14 in the aggregate if they did, it would exceed the
15 5 percent, which is not allowed by Amendment 3.

16 A. Could you state that one more time? I
17 just want to make sure because I'm not so sure.

18 Q. Probably not, but I guess your position
19 is that if Grayson Rural Electric got 15 percent
20 of his average coincident peak, Jackson did, Owen
21 did, and everybody did, then in the aggregate that
22 would exceed 5 percent of East Kentucky's;
23 correct?

24 A. Yes, and that is disallowed.

1 Q. But Amendment 3 does not allow that?

2 A. That is correct.

3 Q. Now, tell me -- let me show you a
4 document here. To satisfy Mr. Goss it's dated
5 November 21, 2003. It has got a copy of exhibit 2
6 on there for reasons that I don't know. Probably
7 something that I attached to the complaint in this
8 case. It says Amendment 3 to the wholesale power
9 contract. And I suggest to you that it is in fact
10 Amendment 3 to the wholesale power contract?

11 A. Thank you.

12 Q. You can show Mr. Goss that to see if he
13 concurs if it is that.

14 A. Yes, sir, Mr. Scott. This is Amendment
15 3 to the wholesale power contract.

16 Q. And you see there where it says
17 numerical paragraph 1 where it says general and
18 general is underlined?

19 A. Yes, sir.

20 Q. Go on over to the second page which
21 would be still under general, but lower case a,
22 where it says during any calendar year the member,
23 blah, blah, blah. Do you see that?

24 A. Yes, sir.

1 Q. May make or cancel any such election or
2 elections by giving at least 90-days notice to the
3 seller with respect to any load or loads. Do you
4 see that?

5 A. Yes.

6 Q. Did I read that correctly?

7 A. Yes.

8 Q. Is that the language upon which you base
9 -- East Kentucky bases and Tony Campbell bases its
10 belief that you must designate a particular load
11 on your system to which the 15 percent or up to 15
12 percent that you are going to buy outside East
13 Kentucky would apply?

14 A. Yes. And it actually says it again in
15 paragraph B.

16 Q. Correct. With a greater than --

17 A. Yes.

18 Q. So is a load --

19 A. But I will -- I will say and this
20 probably does need to be on the record. You know,
21 I softened that in my thought process. Whether it
22 be fair or unfair, softened that in that I kind of
23 told the board of directors if an owner wants to
24 come in for some of their 5 percent, not to exceed

1 their 15 percent of their load, that I think they
2 should be able to do whatever they want. I don't
3 think -- I don't think we care what you do with
4 that. It's only in my personal opinion when you
5 go over the 5 percent, then all of a sudden you
6 get cost shifting and we have to just make sure
7 that it is fair and equitable for everyone.

8 Q. So if Grayson Rural Electric's -- if 15
9 percent of Grayson Rural Electric's average
10 coincident peak is 9.3 megawatts, you think that
11 they should only be allowed to use 3.1?

12 A. No. I believe that Grayson Rural
13 Electric can still exercise their right under
14 Amendment 3 to request up to 15 percent of their
15 average three-year -- rolling average three-year
16 peak. However, if it's the 5 percent, let's say
17 that number and I don't have a calculator with me,
18 but it is roughly 3 megawatts. I believe --

19 Q. Let's assume for purposes that 15 is
20 9.3. so the 5 would be 3.1. right?

21 A. Okay.

22 Q. Okay.

23 A. So assuming that is correct, I believe
24 that the 3.1 should be -- the board should approve

1 and really I think the board approved just to make
2 sure that everybody knows and that is in the
3 minutes that Grayson is going to do something. I
4 don't believe, that's my belief, Tony Campbell,
5 that we should say that you have to designate a
6 lead. I really think --

7 Q. If it's up to --

8 A. Up to their 5 percent.

9 Q. 5 percent of your 15?

10 A. Right. Because every --

11 Q. And tell me why you say that?

12 A. My hypothesis is that every member has 5
13 percent of the load, of East Kentucky Power
14 Cooperatives three-year rolling 5 percent average
15 of our peak load. Every member has that 5
16 percent.

17 Q. You know it's not going to exceed East
18 Kentucky's 5 percent if everybody took --

19 A. 5 percent.

20 Q. It's never going to get higher than
21 that.

22 A. Plus every owner has exactly the same
23 opportunity to exercise their right for that 5
24 percent. And so if there is some cost shifting,

1 that is because one owner would chose not to
2 exercise that right and cost shift back. But then
3 I think when it goes over the 5 percent, then I
4 thought well then we need to really go back into
5 the 305 because there is probably going to be some
6 cost shifting.

7 Q. Would you agree with me, Mr. Campbell,
8 that -- I'm sure you won't, but I'm going to ask
9 you. As we sit here today and you know we lawyers
10 have sent stuff back and forth about notices or
11 requests for election under Amendment 3 that Salt
12 River has done or that Jackson has done or Farmers
13 and just as a practical down to earth matter here
14 I want to ask you, this thing has been in effect
15 since what, November of 2003, a little over ten
16 years. And the requests that have been made or
17 the notices that have been sent to East Kentucky
18 are a far cry from that 5 percent.

19 So is it your interpretation or your
20 position that you just gave here one that is based
21 upon things that aren't really in existence and
22 maybe an effort to try to fix something that is
23 really not broken?

24 A. And that's a really good question

1 actually. And so I agree with you in that we're a
2 long ways from our East Kentucky Power
3 Cooperatives three-year rolling average peak.
4 We're a long ways from that. However I think I
5 also have that fiduciary responsibility to say if
6 something comes along and some owner has more than
7 their 5 percent and everybody wants their 5
8 percent, there is not going to be enough to go
9 around. And I just want to make sure that
10 everybody understands that, because that is the
11 only bone in the fight that I have.

12 I mean I'm really not worried about
13 let's say the 150 megawatts, our 5 percent, our
14 three-year rolling average 5 percent which is
15 going to go up now that we had this big peak
16 yesterday, but roughly it was about 150 megawatts.
17 I mean I can certainly mitigate that. We have a
18 staff that can do that as best we can as long as
19 it's fair with all the owners.

20 I only am concerned that if owners take
21 over their 5 percent, that the other owners need
22 to understand that there is still only -- we are
23 only going to give up to that 5 percent so
24 somebody is going to be left out.

1 Q. Tell me what you think defines your
2 fiduciary duty?

3 A. Well, I believe as a cooperative CEO
4 that I need to follow the seven cooperative
5 principles and that it has to be fair and
6 equitable for everyone.

7 Q. So to whom do you owe a fiduciary duty
8 and what do you think sets forth that basis for
9 your fiduciary duty?

10 A. All of our owners. I think each and
11 every one of our owners needs to be protected by
12 me. I shouldn't favor any owner over another
13 owner.

14 Q. Is that the board of directors fiduciary
15 duty rather than the president and CEO?

16 A. I think it's the board of directors
17 fiduciary duty too, but personally I think that is
18 my ethical responsibility and fiduciary duty to
19 our owners.

20 Q. I have seen the number and done the
21 math, but I can't remember it. If every co-op did
22 go after their 15 percent, it would exceed the 150
23 by how much? Do you know off the top of your
24 head?

1 A. Well, it would -- it would exceed it
2 mathematically by 10 percent.

3 Q. Do you know what that number is off the
4 top of your head?

5 A. I don't off the top of my head, but I
6 can hypothesize which I don't like to do in a
7 deposition, but I will hypothesize.

8 Q. I'm not going to hold you to it.

9 A. If East Kentucky Power Cooperative's 5
10 percent is 150 megawatts, assuming we had a 3,000
11 megawatt average peak, that is 150 megawatts. If
12 it's 15 percent, it's going to be what, 400 and --

13 Q. -- 50.

14 A. -- 50 megawatts. So it's going to
15 exceed that by 300 megawatts.

16 Q. Do you East Kentucky have any document
17 where RUS, Rural Utility Service, approved
18 Amendment 3?

19 A. Yes. I think they had to sign off on
20 that, Mr. Scott. I don't have that in my hand.

21 Q. I saw something referencing December of
22 2003 or something like that. Maybe even Christmas
23 Eve, something like December 24, which I thought
24 was strange. Could you provide --

1 A. If we have it, we can certainly provide
2 that.

3 MR. GOSS: Tell me exactly what it is
4 you want.

5 MR. SCOTT: RUS presumably sent written
6 notification of approval of Amendment 3 and I
7 believe it might have been in December of 2003 or
8 whenever it was. And if East Kentucky has a copy
9 of that, I would like to have a copy.

10 A. In actuality too, Amendment 3 was
11 written by RUS.

12 Q. I was going to ask you that a minute ago
13 when you said something about its drafting. Do
14 you know who actually drafted that?

15 A. I was told by Roy Polk I believe that
16 Amendment 3 was drafted by Rural Utility Services
17 and the reason that was done was because obviously
18 they were the -- at the time they were the only
19 lending institution we had and they wanted to make
20 sure that they -- that it was drafted such that
21 they still had adequate security for their loans.

22 Q. Is it, sir, as reasonable to infer from
23 the language in Amendment 3, 1A and 1B, that we
24 looked at there a minute ago.

1 A. I have it before me.

2 Q. That the reference to load or loads is
3 referencing the entirety of the distribution
4 systems load as it is to believe that it is
5 referencing a specific load of a customer on that
6 system?

7 A. Well, I think that is a really good
8 question. And we had some fairly intense
9 discussion with Jackson Energy. You know, could
10 you reference your load as a substation instead of
11 a load. Now, I was told the spirit of this
12 agreement, and that came from Roy Polk, that it
13 was really for a new load, economic development
14 new load, but it is really poorly written and
15 doesn't say that. I met with Jackson Energy and
16 also I believe I met with Owen, Mr. Crawford and
17 Mr. Stallings and I said, well, I understand that
18 is poorly written, but I believe you could in my
19 interpretation of it say, hey, I want to have this
20 industrial customer or this substation would be
21 the load and deliver to that point.

22 Q. But East Kentucky is not agreeing that
23 that could be done at this point? Do I understand
24 that correctly? That you don't think it could

1 apply to just a substation?

2 A. No. I haven't been in any discussions
3 with anybody at East Kentucky that has given me
4 any concern that you can't point to a load. As
5 long as you can point to that load and then we
6 know we won't serve that load anymore and it's
7 within the guidelines of Amendment 3, I believe
8 that would be fine.

9 Q. Well, you know what Grayson Rural
10 Electric is trying to do here, don't you?

11 MR. GOSS: I'm going to object to that
12 question. It's a very general question. Maybe
13 you can be more specific.

14 Q. Well, that probably opens up for you to
15 say a whole hell of a lot, but let me ask you
16 this, do you know what Grayson Rural Electric is
17 trying to do with respect to the content of the
18 letters that were sent to you in June and August
19 of 2012 and January of 2013 and September of 2013
20 and in the complaint that is filed with the
21 Commission and the notice of amendment and Duke
22 Energy? Do you know what it is that Grayson is
23 trying to do?

24 A. I assume that Grayson is trying to buy

1 some portion of their load off of East Kentucky
2 Power Cooperative system.

3 Q. From Duke?

4 A. Well, whoever.

5 Q. Yeah. Well, did you get from the -- I
6 guess the September 26 letter that it was Duke
7 Energy that they were seeking to buy that from?

8 A. I think one was Duke and one was Magnum
9 and I don't remember who the other one was. There
10 was another one in there. When you went to 5
11 megawatts, was that a different supplier? I don't
12 know.

13 Q. No. But you know that the September 26
14 letter tells you that they want to buy power from
15 Duke; correct?

16 A. Yes.

17 Q. All right. And have you seen any -- a
18 financial model that a consultant from Grayson
19 Rural Electric put together?

20 A. I have not.

21 Q. Okay. You haven't seen anything from a
22 Mr. Greg Shepler with EnerVision?

23 A. I haven't seen any of the documentation.
24 I have heard about it, but I haven't seen

1 anything.

2 Q. Do you have an understanding of how it
3 is that Grayson Rural Electric believes that this
4 can be accomplished purchasing this power from
5 Duke and putting it on their system? Do you have
6 an understanding of how you believe this can
7 happen?

8 A. I haven't been involved in those
9 discussions, no.

10 Q. Okay. All right. So you wouldn't know
11 anything about that?

12 A. No.

13 Q. Okay. Have you read the deposition of
14 David Crews that was given here a couple months
15 ago?

16 A. I haven't read it word for word, but I
17 have scanned it.

18 Q. Okay. All right. So why is it that
19 East Kentucky believed Grayson can't do what it
20 desires to do as you understand it?

21 A. So let me just make sure that the
22 assumptions are right. I'm assuming that Grayson
23 wants to take up to 15 percent of their three-year
24 rolling average peak load to the market off of

1 East Kentucky Power Cooperative system. And I see
2 no reason why you can't if you follow the rules
3 and make sure that your obligations are paid. I
4 mean I -- and we run it through the process and
5 305 -- either 305 is approved through the
6 Allocations Committee or if your neighbors would
7 want to give you some portion of their 5 percent,
8 I see no reason why Grayson can't do that.

9 Q. What is it about Amendment 3 that says
10 for Grayson to do this a neighboring cooperative
11 must give them a portion of their 5 percent?

12 A. There is nothing in there that says
13 that.

14 Q. Okay.

15 A. So my interpretation, and I talked with
16 the board about this, was if every member -- and
17 I'm going to kind of restate, if every member
18 wants to take their 5 percent, I don't believe
19 East Kentucky Power Cooperative has any bone in
20 the fight because really it's a fairness issue
21 that you can mitigate yourself, if everybody gets
22 their 5 percent.

23 If somebody wants to go over their 5
24 percent, I think from a cooperative principle that

1 is just a good thing to do and everybody gets
2 their 5 percent and somebody can give you a
3 portion of their 5 percent and I think there is no
4 bones in the fight there either. So to me I just
5 highly recommended that. That is just a good
6 cooperative way to solve the problem.

7 Q. So Grayson could go out and get 6.2
8 megawatts from 15 other distribution co-ops and --
9 well, no, that wouldn't -- yeah, 6.2 megawatts
10 from 15 other distribution co-ops and to arrive at
11 their total of 9.3, assuming 9.3 is 15 percent,
12 and East Kentucky would think that that would be
13 swell?

14 A. Assuming the 9.3 is actually the
15 three-year rolling average of your peak demand, I
16 believe that we would just run that through just
17 like we do on everyone else. It is just 5
18 percent. And I don't think there should be -- in
19 my personal opinion, that is Tony Campbell's
20 opinion, and the board has said that seems fair
21 and equitable. There shouldn't be any stranded
22 investment because every owner has the same
23 opportunity with those 5 percent. That doesn't
24 mean we won't have to exercise something, but that

1 -- I see no reason why that won't work.

2 Q. Let me change to something else here,
3 Mr. Campbell.

4 A. Could I say one other thing?

5 Q. Say whatever you want to say.

6 A. That is one avenue, but still Grayson
7 could -- so the notices that were given to me were
8 taken to the SI Committee and tabled. And then
9 finally brought off the table and I think Ken
10 Arrington made the motion actually and we -- we
11 just did away with those. Right?

12 But you could -- Grayson still has the
13 right, as does any of our owners, to petition East
14 Kentucky Power Cooperative. We will run it
15 through the SI Committee and then the SI
16 Committee -- if it's over your 5 percent in all
17 probability I would assume the SI Committee -- and
18 I don't want to get ahead of them too far, but
19 they will send that to the Allocation Committee.
20 You may -- may well get that through the
21 Allocation Committee and get it anyway. It may
22 not make any difference. Although I'm sure there
23 will be stranded investment issue, but then I
24 don't know that for a fact.

1 Q. But this letter that Dale Henley sent
2 that you said was sloppily done.

3 A. Yes, I don't have that in front of me.

4 Q. That references since Salt River's
5 request was within its load ratio it need not go
6 to the Allocation Committee. You think that that
7 is improper. That irrespective of whether the
8 number is within or over the load ratio, that it
9 would still need to go to the Allocation Committee
10 and you are required on Board Policy 305 to say
11 that?

12 A. Correct. So let me just specify. I
13 think first off the Larry Hicks letter that
14 Mr. Dale Henley wrote April 20, 2005, the two
15 megawatt request that they made was still under
16 their 5 percent. However he didn't take that into
17 consideration. He only looked at East Kentucky
18 Power Cooperative's 5 percent cap. And I don't
19 think he took into any consideration -- the reason
20 I thought it was sloppy, he didn't let anybody
21 know. He didn't have it documented and he didn't
22 let the board of directors know. And I think the
23 board of directors need to know so that every
24 system knows what is going on within our system.

1 Because no matter what -- no matter what
2 power leaves, there is going to be some maybe
3 almost minute and negligible, but there is going
4 to be some impact to our power portfolio supply
5 and they need to understand that.

6 Q. And on that score Mr. Crews' deposition
7 testimony at least partially and in his answers to
8 interrogatories that he signed off on, and maybe
9 Mr. Mosier, and I think two or three people signed
10 off on those, talked about really the only impact
11 to East Kentucky for Grayson to do this is the
12 revenue loss of a little less than 4 million
13 dollars. Is that 3. -- I think he said 3.6 one
14 time. Then he said 3.993 or something maybe in
15 the answers to interrogatories. Let's call it 4
16 million. Is that your recollection?

17 A. Well, I saw those numbers, but obviously
18 I don't know if the numbers are right. I don't
19 know that those numbers have been scrubbed. They
20 haven't been presented to me, but I mean it is a
21 number that can be derived. You know, whatever
22 that stranded investment is.

23 Q. And he said that it was just the only
24 impact is that the loss of that revenue and that

1 would be accurate, wouldn't it?

2 A. I think that's an accurate statement.
3 The only thing is East Kentucky Power Cooperative
4 will do everything we can to mitigate that. So it
5 might be smaller than that actually. We will do
6 whatever we can to mitigate that for you and the
7 rest of our owners. So there is two costs, right,
8 that -- potentially -- I'm just going to use
9 somewhat of a hypothetical.

10 Let's assume Grayson gives us notice to
11 buy their 15 percent. We take that to the SI
12 Committee and the SI Committee would send that to
13 305 and you would get that allocation, then you
14 transact and get your deal. We would have some
15 stranded investment that would need to be
16 mitigated and we would do our best to mitigate
17 that for you as our owner and our other owners,
18 but there is also a cost.

19 So that is why we have 18 months to try
20 to mitigate that and then before you can come
21 back, we have to have 18 months to mitigate that
22 because there is going to be a -- you are never
23 going to come back -- I can say this firsthand,
24 you are never going to come back when markets are

1 low. You are going to come back at the worst
2 possible time when markets are very high and so
3 there is going to be some costs to blend that back
4 in that -- and that is what that 18 months really
5 does. You are kind of pushing that owner out
6 there.

7 Q. Let me interrupt you if I could and ask
8 you does East Kentucky's deal with PJM change that
9 in any way --

10 A. Well --

11 Q. -- on how that operates?

12 A. Yes, sir. It does change that
13 significantly because there are some delivery
14 issues that you will be doing with PJM. However,
15 it doesn't change that from the Amendment 3
16 because the Amendment 3 we were in MISO at the
17 time. So we have just really flipped from MISO to
18 PJM.

19 Q. But the PJM deal makes it easier,
20 doesn't it, as far as East Kentucky is concerned,
21 doesn't it?

22 A. Does it make it easier? I don't know
23 that I am qualified or experienced enough to say
24 that it makes it easier for us, but --

1 Q. Okay.

2 A. I don't know that I know that actually.

3 Q. Okay.

4 A. I really need to think that through, but
5 I think we're indifferent. I don't think it makes
6 any difference either way. I know. I see. Okay.
7 Now I get it. I'm slow apparently. So what it
8 does make it easier -- I don't think it makes it
9 any easier from the transaction or -- and it may
10 be even maybe a little more complicated as far as
11 you have got a lot of costs and, you know, you
12 have costs that you are going to have to pay and
13 watch and materially that is -- that is a
14 challenge.

15 I had that challenge back when I was at
16 Citizens, but when you are small and not have the
17 staff to do that. However, it does make being in
18 PJM or MISO in a market makes it easier for us to
19 mitigate stranded investment. So I think we can
20 do a much better job mitigating the stranded
21 investment than we could when we were on our own.

22 Q. And certainly how East Kentucky works
23 with PJM is not really contemplated in Amendment
24 3. I mean that is --

1 A. Well, it kind of is because it says you
2 will pay all MISO. MISO is just a market just
3 like this. So they were in MISO at the time. I
4 think they got out of MISO when LG&E and KU bought
5 their way out, I think that threw East Kentucky
6 out. But I'm not sure, Mr. Scott.

7 THE WITNESS: Could I get a cup of
8 coffee while you are --

9 MR. SCOTT: Yeah, sure. Do you all want
10 to take a break?

11 MR. GOSS: The court reporter might want
12 to. Let's take five minutes.

13 (Thereupon, a short break was taken.)

14 Q. Mr. Campbell, what does behind the meter
15 mean?

16 A. Behind the meter means if you had that
17 context that we're talking about means that if you
18 had generation and it was operated behind the
19 meter and serving all the load behind the meter
20 but not having excess generation, that is where
21 you would have to have a detented meter, feed it
22 both ways.

23 Q. In a response to document request that I
24 sent early October, I received the weekend before

1 Christmas in this case, I was looking at and there
2 is in that response that your lawyers sent letters
3 from other co-ops sending notice about exercising
4 rights under Amendment 3 and things like that.
5 Have you had discussions with Paul Hawkins in the
6 year 2012 or the first part of 2013 concerning
7 Farmers Rural Electric utilizing diesel generators
8 for peak shaving or other purposes?

9 A. I don't recollect the conversation, but
10 I'm sure I did. I'm sure I did. Certainly had
11 conversations with Mr. Bill Prather, the CEO
12 there.

13 Q. Do you know what is going on there with
14 respect to those generators?

15 A. Well, I -- I'm sorry.

16 Q. Whether they are using or how that
17 applies if at all to Amendment 3?

18 A. I'm sorry. I didn't mean to interrupt
19 you. So I just found out about that I don't
20 remember when, maybe mid 2012, early 2012. I
21 didn't realize they were doing peak shaving and
22 they weren't a part of Amendment 3 actually. And
23 I think we were owned -- and this is really
24 shooting from the hip a little bit, but I think

1 they were owned by hospitals or something and then
2 Farmers ended up taking them over. But I didn't
3 know about it and I don't believe they had
4 exercised their right under Amendment 3 at the
5 time.

6 So my conversations were, hey, you have
7 got these out here. You have got two issues. I
8 don't believe this is confidential with them. You
9 have two issues, one is RICE MACT and if you are
10 using them to generate power, peak clip, and you
11 are an electric utility, they have to be -- they
12 have to be licensed by the Department of --
13 Kentucky Department of Air Quality and they had to
14 be careful. I was warning them about that and
15 then the new RICE MACT rules that they were going
16 to have to comply with.

17 And the second thing I said, if you are
18 going to have those and you can generate, you have
19 to be under Amendment 3. You should run those
20 through under Amendment 3 since they are less than
21 your 5 percent and they did. But I -- that was a
22 long answer to your question. I apologize. I
23 don't remember if that was with Chairman Hawkins.

24 Q. How did you learn -- how did you learn

1 of that?

2 MR. GOSS: I'm sorry. What was the
3 question?

4 Q. How did you learn of that?

5 A. I don't know how I learned of that, but
6 it got to me somehow because I didn't know about
7 it. But I don't know who brought it to me,
8 Mr. Scott.

9 Q. So is it your belief then, East
10 Kentucky's belief and Tony Campbell's belief, that
11 as a result of those conversations that you had
12 with Mr. Prather, written notice then was sent to
13 East Kentucky in an attempt to comply with
14 Amendment 3?

15 A. Yes. I think they're complying with two
16 things, Mr. Scott. One was they were complying
17 with Amendment 3, but most importantly they were
18 complying with the wholesale power contract.

19 Q. So were there some dollars lost that
20 should not have been lost by East Kentucky as a
21 result of them doing that?

22 A. No, there wasn't.

23 Q. Then how were they earlier in
24 noncompliance with the wholesale power contract?

1 A. Well, first thing is the wholesale power
2 contract says that everything that you sell to
3 your customers will be purchased through East
4 Kentucky Power Cooperative. That is our
5 guarantee. Obviously we use that for our banks
6 and when we buy assets. That is the first part.

7 The second part that you need to
8 understand is if they are doing peak clipping --
9 when they were doing peak clipping with one of
10 their owners, the end consumer, that is -- that is
11 outside of the wholesale power contract. We can't
12 stop that. To serve -- like hospitals serving
13 their own load or whatever.

14 However, when they are doing peak
15 clipping, which I think they were doing, we're --
16 that is within the wholesale power contract and
17 they just can't do that. They have to stop that
18 or we would have taken action.

19 The second thing is, and I'm sure this
20 is your next question. I will go ahead and answer
21 it. I have said that we didn't lose revenues and
22 we didn't lose revenues because anytime owners
23 peak clip, whether that be with a generator or
24 whether that be with demand side management, that

1 is cost shifting. We're still going to recover at
2 East Kentucky.

3 So that is much like what this is. This
4 discussion with Amendment 3 is if owners go over
5 their 5 -- their allotted 5 percent, if they want
6 to take up to 15 percent, what you have is cost
7 shifting. Because no matter what, being a
8 cooperative, you know, we're going to recover our
9 -- whether we have to have raised rates or
10 whatever, we are going to recover and make enough
11 margin that we cover our loan covenants and the
12 Commission will grant that, but there is cost
13 shifting from that.

14 Now, in Amendment 3 there is cost
15 shifting too, right. Still those are under
16 Amendment 3, but in my mind first thing is I think
17 that is what the amendment says and we don't have
18 any choice and everybody agreed to that, but also
19 every member has the same opportunity to do that
20 with their 5 percent.

21 Q. What about their 15 percent?

22 A. Yeah. I think every member has the
23 right to petition East Kentucky Power Cooperative
24 for 15 percent and we will run it through and see

1 what the Allocation Committee would allocate.

2 Q. What is it or where is it in Amendment 3
3 where it says that for a distribution cooperative
4 to utilize 15 percent it must petition East
5 Kentucky to do that?

6 A. Yeah. It -- and certainly I will concur
7 with you that Amendment 3 is not well written
8 whatsoever. However, there is two things, it
9 doesn't say that, although when you look at the
10 Policy 305, it was ratified by our board
11 unanimously. Actually the person that made the
12 motion was from Jackson Energy at the time and
13 they were petitioning for 40 megawatts.

14 And all of our board members say, yeah,
15 that is how we're going to operate Amendment 3 by.
16 That was a 305.

17 On the other hand Amendment 3 also
18 doesn't state that an owner can go up -- can
19 necessarily get their 15 percent. It just says
20 you can't go over 15 percent. So it's not a -- in
21 my interpretation, and I'm not an attorney, but my
22 interpretation, it doesn't say you can necessarily
23 get 15 percent. It just says you can't go over 15
24 percent.

1 Q. Wouldn't you take the language that
2 says, "shall have the option from time to time
3 with notice to the seller to receive electric
4 power and energy provided at the aggregate
5 measured in 15 percent -- or 15 minute," blah,
6 blah, blah. That "shall" and "option to receive,"
7 does that not imply that it grants a right to the
8 15 percent?

9 MR. GOSS: Note my objection as to the
10 question calls for a legal conclusion and the
11 witness has not been -- has stated that he is not
12 an attorney. If you can answer the question, go
13 ahead.

14 THE WITNESS: Well, all I can -- I'm not
15 an attorney, but all I can say is that my
16 interpretation is that it doesn't say you can
17 necessarily go up to the 15, but it certainly says
18 you cannot go over the 15 percent. But maybe my
19 interpretation is incorrect.

20 Q. And as a matter of fact, you would
21 agree, would you not, that with the Public Service
22 Commission's order of July 2013 wherein it said,
23 among other things, that there is no requirement
24 in Amendment 3 that East Kentucky must grant

1 permission to receive the 15 percent?

2 A. I would like to see the language. I
3 don't remember it.

4 Q. Okay.

5 A. Right off hand if we have that please.

6 MR. GOSS: If you want to point to that,
7 then I am happy to show it to him.

8 THE WITNESS: I apologize. I just don't
9 remember that document well.

10 MS. SCOTT: See if I don't spill my
11 coffee here whether I find it.

12 MR. GOSS: Jeff, I think your question
13 is correct up to the point where -- up to the
14 point were you said 15 percent. I think you're
15 right. I think the Commission said that East
16 Kentucky --

17 MR. SCOTT: Well, that was the very last
18 thing I stuck in here last night.

19 MR. GOSS: I'm trying to find it myself.

20 MR. SCOTT: So I would make sure that I
21 had it. Here we go.

22 MR. GOSS: What page?

23 MR. SCOTT: July 17, 2013 --

24 MR. GOSS: I can show it to him, if you

1 just give me the page number. I have got it here
2 in front of me to show him.

3 MR. SCOTT: Let me find it.

4 MR. GOSS: If you go to page 16, middle
5 of the page. This is off the record.

6 (Thereupon, an off-the-record discussion
7 was had.)

8 Q. If you look there, your lawyer has found
9 it for me there. I believe it says about the
10 middle of the page, it is in the second paragraph
11 that starts with "under Amendment 3", blah, blah,
12 blah. But I believe there is a sentence there
13 that says, "however, a review of Amendment 3 does
14 not reveal any requirement that a member's
15 purchase of power from an alternative source be
16 approved by EKPC."

17 A. I see that sentence.

18 Q. I don't know if that is an actual
19 finding by the Commission, but at least it's a --
20 it could be determined to have been a finding. At
21 least it's -- it's some dictum in there. But do
22 you agree or disagree with that statement?

23 A. Well, I don't know how this is -- I
24 don't know the context that this statement is

1 made, but I guess I've got to get back to my
2 interpretation of Amendment 3 -- my interpretation
3 of Amendment 3, like I said East Kentucky doesn't
4 have a bone in the fight. We are only exposed to
5 losing 5 percent. Is that I'm hoping that it's
6 fair and equitable to all of our owners as the
7 load is dispersed. If the Commission determines
8 that that is fair and equitable, then I will
9 certainly accept the Commission's ruling.

10 Q. Well, I would expect that. But now I've
11 got to go back and see what started all of this.
12 What question started it, but --

13 A. You know, the MOU was another avenue
14 that -- so let's just go through the process. I
15 asked Jackson to withdraw their request for the 40
16 megawatts 7 by 24 deal and was trying to fix
17 Amendment 3 because we knew there was different
18 interpretations of Amendment 3.

19 However we were using East Kentucky's
20 interpretation. And so then we came with
21 Amendment 5 and that failed, clearly failed. And
22 then four of the CEOs, our owner CEOs tried to fix
23 Amendment 3 valiantly. And that avenue failed.
24 And I don't remember what they called that. And

1 then all the owners, all the CEOs, our owner CEOs
2 got together and I backed away. I purposefully
3 backed away thinking that I might be the lightning
4 rod that wasn't allowing this to get fixed and
5 they derived the MOU.

6 Now, my interpretation of the MOU is
7 that it's not necessarily fair. However, as I
8 have said, East Kentucky Power Cooperative doesn't
9 have a bone in the fight if all of our owners
10 construe that the MOU is fair, then we will be all
11 right with it and we will say that it is fair and
12 I think the same thing with the Commission. If
13 the Commission --

14 Q. And I think you said that way back in
15 May or June of 2012 at East Kentucky in some
16 meeting you said that when there was -- maybe it
17 was the Strategic Issues Committee that I was at
18 you said, "you guys figure it out." Pointing to
19 the distribution cooperative. "You guys come up
20 with something."

21 A. Probably didn't say it that way, but I
22 certainly said --

23 Q. I mean words to that effect.

24 A. If all of our 16 owners get together and

1 construe fairness, I'm fine with that certainly.

2 Q. But you said there, Mr. Campbell, we
3 knew that there were other interpretations to
4 Amendment 3.

5 A. Yes.

6 Q. And if Grayson Rural Electric gets 9.3
7 megawatts of power onto its system from Duke
8 Energy or John's Electric Company or whoever it is
9 and no other entity within East Kentucky system
10 has asked for any outside power other than these
11 that are disclosed, Jackson's two or whatever, and
12 the differences to East Kentucky is 4 million
13 dollars in revenue over a course of a year and
14 East Kentucky has margins of 60 million dollars or
15 50 million dollars over the course of a year.
16 What is wrong with that?

17 A. Are you asking Tony Campbell or are you
18 asking Tony Campbell East Kentucky?

19 Q. Either way -- however you want to answer
20 it. Just tell me which way it is when you start
21 answering it.

22 A. So I will answer it as Tony Campbell
23 East Kentucky since I'm here being deposed as East
24 Kentucky. To East Kentucky Power Cooperative I

1 think we're indifferent. It's just all -- all we
2 are bound by is try to be fair and equitable and I
3 think the fair and equitable part in Amendment 3
4 is our interpretation. However our owners that
5 don't interpret it the same, I hope can come up
6 with a resolution to what they consider fair and
7 equitable and I don't have a bone in the fight
8 then.

9 Q. Are there owners who with that scenario
10 that I just gave, the scenario that Grayson is
11 seeking here, are there owners that you think
12 disagree with that occurrence? Even though they
13 at this point have not sought to use any of their
14 allotment?

15 A. I think that is a great question. So my
16 interpretation of the MOU and everyone that signed
17 it, and even Grayson initially had approved it.
18 The only one that I can't speak for is Salt River.
19 They didn't approve it at all.

20 Q. Now, wait a minute. Nobody signed an
21 MOU, did they?

22 A. Or approved it I should say. I'm sorry.
23 Approved the MOU. All of other owners approved it
24 except for Salt River and Grayson did originally

1 or initially. I think -- I don't know that any
2 owners other than maybe Salt River and I don't
3 know -- I don't want to speak for Grayson. I
4 don't think that that is a problem.

5 Q. Have you told me all you know about the
6 Farmers' generators and the conversations and I
7 could ask you more pointed questions, but if you
8 can tell me that whatever you recall about all of
9 that you think you have told me, I will shut up
10 about it.

11 A. Well, I believe you know everything that
12 I know there.

13 Q. Now, don't be so sure of that. But just
14 what you have said here today you think is all you
15 know about it?

16 A. That's all I can certainly remember,
17 yes.

18 Q. What do you know, if anything, about --
19 I believe that was this year or -- strike that.
20 2013 where discussions were held with Salt River
21 regarding their, I think they call it Lock 7, and
22 East Kentucky deciding well, they are going to
23 bill you for some things and then maybe decide
24 they are not going to bill you and then some

1 letter that maybe Mr. Crews sent to Salt River
2 explaining a new arrangement. What do you know
3 about any of that?

4 A. Well, let me just tell you what I know.
5 I'm assuming that is what you want me to do.

6 Q. Yeah.

7 A. So that stems back to Jackson Energy's
8 request for the 40 megawatts. When they requested
9 the 40 megawatts --

10 Q. All roads lead to Jackson.

11 A. Yeah, they do because that opened the
12 door. I wasn't even paying attention to Amendment
13 3. Then when that happened, all of a sudden I
14 really started opening all the books and all the
15 doors and turning over all the stones and that is
16 when I started running into, hey, we didn't really
17 have a good methodology of doing this. We weren't
18 even tracking it. Doing it very haphazardly. And
19 I find that disheartening for East Kentucky.

20 So then I found out that we had their
21 Lock 7 and then I started taking a look at the
22 Lock 7 and I felt that they were being subsidized
23 by other of our owners. And I contacted Larry
24 Hicks and I said --

1 Q. When did you do that?

2 A. Oh, boy, it was a long time, Mr. -- ago,
3 Mr. Scott. I'm going to guess 2000 and -- I'm
4 guessing, totally guessing, but maybe fall of 2011
5 or, you know, when I finally dug into it and found
6 out what was going on, maybe the summer of 2011.

7 I contacted Mr. Hicks and said, look, I
8 get that you are doing this and we don't have a
9 problem with that. I mean, you know, it wasn't
10 done very well, but you're still under your 5
11 percent. Plus it was, you know, I mean to a
12 certain degree you had to grandfather. Couldn't
13 go back. But I said the transmission is clearly a
14 subsidy, being subsidized by all the other owners
15 and that is just not fair and equitable.

16 So then Mr. Hicks came in with the --
17 his partner on the Lock 7 and we had a long
18 meeting with them complaining that, hey, we had a
19 deal. So I informed them to get all the paperwork
20 they had on the deal. If they could prove to me
21 that East Kentucky Power Cooperative had signed a
22 deal where we were going to pick up that
23 transmission and it was going to be fair and
24 equitable. He couldn't supply anything. He said

1 everything was verbal. And then I contacted the
2 people he said it was verbal with and they
3 disagreed that that was their understanding.

4 I don't know if that is true or not, but
5 at any rate then I went to Don Mosier and David
6 Crews and I said we've got a transmission issue
7 and it's not fair and we've got -- we have got to
8 fix this.

9 Q. When did you do that?

10 A. I'm going to guess that was probably the
11 summer or fall of 2012. What we did, they went to
12 Mr. Hicks and gave him notice that we were going
13 to change that transmission. He asked for an
14 opportunity to get that through KU because he said
15 he knew the CEO of KU real well and he can get all
16 -- because that is who it was flowing across.

17 Their power was flowing across KU.
18 There was a wheel there that was being subsidized
19 by our other owners. And I said we were not going
20 to do that. That that -- we just will not do
21 that, allow that. So he said I know the CEO of KU
22 and he will do this for free and chastised me
23 quite a bit. And so we gave him an opportunity
24 then to go to KU and get this deal done.

1 He never called us back. Never called
2 us back. Then I finally had it in my tickler
3 file. Came up. I called David Crews and/or Don
4 Mosier. Maybe it would have been Don Mosier
5 first, but I said go to Larry and change it.
6 Don't care what you got to do. Fix this. We're
7 not going to continue to pay this.

8 And then I don't remember what that came
9 to fruition, but it was 2013 when we started
10 telling Mr. Hicks, hey, this is the deal. We are
11 going to change this. You have to pay at least
12 this wheel.

13 Q. It looks to me like in documents that I
14 received in December of 2013 that there were some
15 arrangements reached between East Kentucky and
16 Salt River in the summer of 2013?

17 A. Yeah, I would say -- I would say spring
18 or summer.

19 Q. And those arrangements are what as
20 initially and what did they become if they changed
21 from what they were initially?

22 A. I don't know that I'm the guy that can
23 tell you that because I didn't -- I didn't
24 consummate the deal or approve that deal. I just

1 wanted them to pay it, but I don't remember.
2 David Crews is the fellow that handled that and
3 maybe Don can shed some light on that for you.

4 Q. Well, you told David Crews or Don Mosier
5 to fix it?

6 A. Yeah. It needed to be fair and
7 equitable.

8 Q. Do you know if it got fixed? Do you
9 know if it got fixed?

10 A. Yes.

11 Q. And how were you informed that it got
12 fixed?

13 A. That they -- that he was going to begin
14 to pay some portion of his transmission obligation
15 to make it fair and equitable.

16 Q. Do you know if they are paying it?

17 A. Yes, I do know. They are. They are
18 doing it begrudgingly, but they are doing it.

19 Q. And that commenced July or August or
20 when did that commence?

21 A. I don't recollect, but I would say
22 sometime in there. I know initially Mr. Hicks had
23 refused to pay and there was some discussion on
24 what our actions would be and I told him I would

1 carry out my fiduciary responsibilities to the
2 cooperative.

3 Q. Your lawyer sent me December 2 and then
4 again on December 17 a copy of a May 9 letter from
5 David Crews to Larry Hicks regarding this topic
6 and there was some billings attached. There were
7 some billings attached. Sounds like I'm from
8 Carter County.

9 MR. GOSS: Jeff, was that in response to
10 your request following David Crews' deposition?

11 MR. SCOTT: Yeah. Actually David
12 Samford's letter is December 2 and your letter is
13 December 17.

14 MR. GOSS: Yeah.

15 Q. And there is just -- and there is
16 discussion in there about NITS and all that kind
17 of -- OATT and all that stuff that I --

18 A. Point to point and I think they were
19 negotiated should it be point to point or should
20 it be NITS. And as I recollect, and I am really
21 recollecting, but I remember, you know, we wanted
22 to be fair and equitable on both sides and Larry
23 was pointing out some things, but I was told it
24 was -- it ended fair and equitable and they were

1 paying.

2 Q. Let me get to what I'm really after on
3 this thing just to see if I understand all I know
4 about it.

5 MR. SCOTT: Do you have the August 22
6 letter, Mark David, from David Crews? Actually
7 it's basically I hate to say memorandum of
8 understanding, but it looks like it's a letter
9 where -- that you sent me December 17?

10 MR. GOSS: Yeah, and believe it or not I
11 think that is about the only document I don't have
12 in my notebook. I didn't include that. So if you
13 could show it to him.

14 Q. Let me show you this. This was sent to
15 me by Mr. Goss under cover of December 17. And it
16 appears to be a letter of -- I think it's called
17 letter of agreement or something like that where
18 Larry Hicks and Mr. Crews both signed
19 acknowledging an arrangement on this matter. Is
20 that basically what you think that is?

21 A. That is what I would interpret this to
22 be.

23 Q. Have you seen that before?

24 A. Yeah, I have. I don't recollect it, but

1 I'm sure I did. Because I was pushing hard to get
2 this done.

3 Q. Read that first sentence there.

4 A. "This letter is to confirm our
5 discussions of July 17, 2013."

6 Q. Well, shot, let me -- yeah, see where I
7 have marked that? That is my markings there.
8 "EKPC has worked with PJM to have the Lock 7
9 resource be treated as a behind the meter resource
10 at the PJM treatment coupled with the Amendment 3
11 MOU." And I have made a remark there. How -- how
12 is the MOU applicable there?

13 A. I don't know. That is a good question,
14 Mr. Scott, that I can't answer. But I can
15 certainly find out.

16 Q. I'm just tickled to death that about
17 four times you've said those are great questions.
18 Why would the MOU be applicable?

19 A. I can't answer that.

20 Q. Let me ask you if it might be this.
21 Might it be that if the MOU were in effect, then
22 this arrangement would be within the MOU, but if
23 it is not in effect, then it would not be
24 appropriate and would be in noncompliance with

1 Amendment 3?

2 A. Yeah. I think -- I think I need to
3 check this out because I want to make sure
4 Mr. Hicks is paying everything he is supposed to
5 be paying.

6 Q. All right.

7 A. I'm sorry I can't shed more light on
8 that.

9 Q. That's good. That's good.

10 A. I want to know too.

11 Q. Tell me what distributed generation is
12 or what that means. What that term means.

13 A. Distributed generation to me means
14 smaller -- not the mainframe generation that we
15 have. Smaller generation is distributed out
16 closer to the load to the system. A lot of times
17 it can be behind the meter, but it doesn't
18 necessarily have to be behind the meter. And a
19 lot of times end consumers can have it or even our
20 owners could have distributive generation.
21 Distributed throughout system. It really just
22 kind of means what it says.

23 Q. If a distribution cooperative had one of
24 its members use solar panels at their let's say

1 home and is that distributed generation?

2 A. I think that could be construed as
3 distributed generation.

4 Q. If a member system of East Kentucky
5 Power had generators that were behind the meter
6 utilization, does East Kentucky believe that that
7 is something that must come within the purview of
8 Amendment 3?

9 A. Were you saying our owners have that?

10 Q. Yes.

11 A. Yes, it has to because the wholesale
12 power contract prevents any of our owners from
13 generating and selling retail.

14 Q. So behind the meter doesn't change that
15 at all?

16 A. Doesn't make any difference.

17 Q. If it is -- if there is a member owner
18 of East Kentucky that has a generator that is
19 declared or stated to be used solely where there
20 is an outage or something like that, is that
21 something that is within Amendment 3? And does
22 that exist anywhere?

23 A. Yeah, I think that does exist. It
24 probably exists at a lot of our owners that have

1 generation for their facilities and I think that
2 is outside the wholesale power contract because
3 they are not used for peak clipping and things
4 like that, but just for a backup generation
5 source.

6 Q. Redundant?

7 A. Correct.

8 Q. How does East Kentucky monitor that, if
9 it does?

10 A. Well, you know, that is always a
11 challenge with every G&T is how you monitor that
12 and I think some of these things kind of happen
13 over time and we don't know about it and I think
14 we just need to do the best we can to try to find
15 out if somebody is utilizing distributed
16 generation in counter to the wholesale power
17 contract. But we don't have a clearcut way. We
18 don't -- we're -- we don't make everybody sign
19 everything every year that you are not doing that.
20 So we hope that everybody enjoys the cooperative
21 principles and doesn't do that.

22 Q. Are there one or two of these generators
23 at Farmers that are -- did I see there where one
24 of those was supposedly just for backup or did I

1 make that part up?

2 A. Well, I'm talking beyond what I really
3 know, but it is my understanding they were for
4 backup and their end consumer went a different
5 direction or left and they were just left sitting
6 there. But I believe -- I believe --

7 MR. GOSS: Here is the letter that says
8 for backup -- for emergency backup service. That
9 is the first letter.

10 THE WITNESS: Okay. My counsel Mr. Goss
11 has given me a letter from Mr. Prather to our
12 chairman that says they were for backup. Oh, it
13 says they are -- the units are used to provide
14 emergency backup service.

15 Q. So why is it --

16 A. And to an industrial member and for peak
17 shaving conservation. The units are owned though
18 by Farmers Rural Electric Cooperative.

19 Q. And there is another one though that is
20 owned by East Kentucky or their plan is to have
21 one that will be owned or is owned or will be
22 owned beginning in 2015 by East Kentucky. What is
23 the deal on that?

24 A. That is a landfill. That -- and I was a

1 lot more involved with that. That is going to be
2 a landfill project that's at the city landfill
3 that they have. East Kentucky -- well, it
4 wouldn't be a profitable if Farmers couldn't run
5 that through Amendment 3 and avoid our cost at the
6 end. Keep that under their 5 percent.

7 So East Kentucky is going to own that
8 and operate that, but we won't take any risk. All
9 the risk will be shed to Farmers. So Farmers
10 really ultimately is doing that.

11 Q. How is the Green Valley landfill work up
12 our way? How is that --

13 A. The Green Valley is owned by East
14 Kentucky Power Cooperative as just exactly a part
15 of our power supply portfolio.

16 Q. What is the production there?

17 A. I don't know. Specifically on that one
18 I can't tell you. But overall we're generating
19 about 16 megawatts and a lot of credits. We have
20 a lot of credits there, but that's all I know.

21 Q. Let's talk just for a minute. I'm about
22 through, Mr. Campbell, but tell me how PJM --
23 well, strike that.

24 There was -- there was a letter that I

1 think Miss Fraley sent you several months ago
2 about any documents that East Kentucky has
3 executed concerning its involvement with PJM and I
4 believe you responded and said here they are and
5 you had I think maybe a cover letter with it or
6 something. And then you said I believe that there
7 are other documents to be signed or words to that
8 effect.

9 A. That letter came from me?

10 Q. I think it was from you.

11 A. I don't recollect that letter.

12 Q. But anyway, to the extent that you can,
13 do you think you and your counsel could gather up
14 whatever documents there are that set forth East
15 Kentucky's involvement with PJM and make a copy
16 and send that to us. You sent a couple, but I
17 seem to recall a reference that there is still
18 something to be signed or something like that and
19 this goes back maybe even before -- I think you
20 started -- was it July or June when you --

21 A. June 2009. Who me?

22 Q. East Kentucky.

23 A. I thought you meant my start date.

24 Q. East Kentucky into PJM.

1 A. Yes, June 1, 2013.

2 Q. And this was in that time May maybe or
3 even April, but -- and you said there were -- I
4 believe that there were other documents to be
5 signed.

6 A. Yes.

7 Q. And could you maybe take a look and see
8 what there are.

9 A. Sure.

10 Q. And make a copy of them and send that to
11 us?

12 A. Sure. There were lots of documents that
13 had to be consummated and those are all done.

14 Q. You sent two or three and then I think
15 you referenced that there were others. Tell me
16 how PJM works. Tell me what -- how that deal gets
17 done and how the power gets distributed or I guess
18 transmitted rather.

19 A. Well, PJM is just a market and PJM has
20 been in existence for a long, long time. Probably
21 the oldest market in the United States and
22 probably the most successful market so far in the
23 United States. But what happens there is we still
24 own our transmission system, we still own our

1 generates and still have the load, but PJM
2 actually manages all of that for us as a market
3 and our transmission system at the high voltage
4 level they do, but not the subtransmission or any
5 of our distribution owners systems.

6 Every day they have a day ahead and then
7 the realtime market. And you have to pick your
8 own strategy. Every day we bid the load in as we
9 expect it. We do mostly day ahead because we are
10 very conservative and we don't want to speculate.
11 Then we will bid in the day ahead. They will go
12 out to the market -- we bid in our load and we bid
13 in our generates.

14 So we have really separated them
15 completely. Our load is completely separated from
16 our generators now. And our generators are truly
17 just a hedge against our load. Every day we will
18 bid those in and PJM will start down through the
19 generator list and they will say, okay, we got
20 this load to serve with day ahead and they will
21 keep picking these generators and say, okay, we
22 are going to run this one tomorrow, this one
23 tomorrow, and this one tomorrow. And then you
24 will get to the bottom, and they will say we don't

1 need these depending on what the day is like.
2 Recently they have been saying we need everything.

3 Q. And that is based upon the cost of
4 generation that they --

5 A. Yes.

6 Q. -- they would -- PJM would look at the
7 cost of production of one generating plant being
8 higher than another and then use that data to base
9 their decision?

10 A. They go from the lowest cost to highest
11 cost. Always start that way. And of course there
12 is a lot of other things that go into that. You
13 know, depends on where the generation is, what the
14 transmission constraints are to get that
15 generation to the load. I mean you can't take
16 something from here and serve New England, right,
17 because of all the transmission congestion.

18 They take all those things into
19 consideration. So then you get a price and you
20 are going into the real day. Then you start to
21 settle out, right, because we project what our
22 load is, but sometimes weather systems don't come
23 in or humidity may change, whatever it is or maybe
24 a Gallatin goes offline, something like that. Our

1 load doesn't match the day ahead and it may not
2 match under or may not match over.

3 So then that is settled in the realtime
4 market. And the realtime market is same with the
5 generators have a realtime. They may call on more
6 generators or they may call on less generators.
7 If they call on less and you're scheduled to run,
8 you know you are going to get paid whatever that
9 amount is because all the load is going to be
10 paying for that.

11 If they come in let's say they need
12 more, they call on extra. Then they will do an
13 economic dispatch and it is whatever -- it's
14 whatever the market bears for the generate -- for
15 the load that didn't get predicted right and for
16 the generator that wasn't called on. So then it
17 settles out every day.

18 So we're -- we have a team that is
19 strategizing every day trying to make sure that we
20 match up and make sure that we hedge. So the --
21 the nice thing -- there is a lot of things about
22 PJM. One of the nice things is if we have excess
23 generation, we can sell it into the market to
24 somebody that is away from here. And we did that

1 last summer. But then in the market like when
2 it's really cold, like and we need everything we
3 can get, we can import. And we have kind of -- we
4 have kind of done away with those boundaries
5 around us. PJM allows us to import because we can
6 just buy people. They have to serve that load.
7 Although the cost is whatever it is every five
8 minutes. I mean the costs change.

9 And so then the hedge is -- I lost my
10 train of thought. The real hedge is our steel in
11 the ground. That is our hedge. And it may be at
12 \$35 or \$23 or whatever it is, but if the market
13 happens to be less than that, we will idle these
14 plants. And I mean that there are other numbers
15 that go into it. Like you can't idle a coal plant
16 and bring it back without spending a lot of money
17 heating it back up. We will idle those and we
18 will buy from the market to exploit that for the
19 end consumer. Did I confuse you?

20 Q. Like Spurlock -- Spurlock runs more than
21 the others; right?

22 A. Spurlock is our least cost asset and
23 actually Spur 3 and 4 are the least cost because
24 they can burn the lowest cost coal. So the fuel

1 is so cheap. Spur 1 and 2 are a little bit
2 higher, but they are our next least cost and they
3 run almost all the time. Although in off peak
4 times during the fall and the spring we have seen
5 some potential opportunities to idle either
6 Spurlock 1 or Spurlock 2.

7 Now, there is a lot that goes into that
8 strategy other than just price, right. When we
9 idle that, we also serve steam to Inland Container
10 up there and we only have two units that can serve
11 steam. Unit 1 and unit 2 and unit 2 is the
12 traditional one. It's a 550 megawatt generator
13 and they have grown so much. It really works
14 better if they are on unit 2. So we have a little
15 concern if we really start to idling that we need
16 to keep our steam going to them. They are paying
17 for that.

18 Also we don't want any hiccups when
19 those units come back on. And there is also a
20 maintenance analysis that we do. You know, when
21 you ramp these coal units up, they don't really
22 like going up and down. They kind of like being
23 taken to the top. So it costs us a little bit
24 more. We have to bill that into our scheme. So

1 to make a long story short, mostly those units run
2 full out all the time.

3 Q. Except when they are -- you do the
4 maintenance?

5 A. Maintenance.

6 Q. You got to bring them down for that.

7 A. Yes, sir.

8 Q. Then will you pick up with Cooper or --
9 I mean whatever else --

10 A. Well, it could be the market. You know,
11 because traditionally when we are doing
12 maintenance id spring and fall when the load is
13 really low and we will replace a lot of that with
14 the market.

15 Q. Speaking of the steam, has -- who pays
16 -- does Fleming-Mason pay that?

17 MR. GOSS: Do you understand the
18 question?

19 THE WITNESS: I do understand the
20 question. I just don't know that I know the --
21 remember the answer. And I should because we just
22 worked on that, but I know they do the electric,
23 but I think the steam is direct.

24 Q. To Inland?

1 A. To us. East Kentucky to Inland. I
2 believe we bill that directly because there are no
3 margin put on. I know that for a fact. I
4 remember that. There is no margin put on there by
5 Fleming-Mason. It is direct from us. But I don't
6 think we bill that through Fleming-Mason, but that
7 is all I can remember.

8 Q. Can you take a look and see?

9 A. Sure.

10 Q. Maybe and any documents that would
11 evidence that.

12 A. We can get back with you on that.

13 Q. And then you mentioned --

14 MR. GOSS: So you want to know
15 specifically what --

16 MR. SCOTT: Correct, the billing on
17 that.

18 MR. GOSS: Billing reference. Okay

19 Q. And is there -- is that anything that --
20 did the Commission have to approve that
21 arrangement?

22 A. Yes. The Commission approved that
23 contract and arrangement.

24 Q. Do you know about when that was? How

1 long that has been?

2 A. Well, initially, no, I don't remember,
3 but it has been over ten years. I know that. So
4 with have just had a modification, not really a
5 modification, but it has just been reapproved by
6 the Commission just recently, the contract.

7 Q. Yeah, yeah. And then there is another
8 special contract with Gallatin; right?

9 A. Yes.

10 Q. And how is that done?

11 A. That is negotiated. That is a three-way
12 contract -- well, actually -- oh, I'm getting
13 confused. I want to back up. Let me say Gallatin
14 I know for sure is a three-way contract between --

15 Q. Owen.

16 A. -- Owen, East Kentucky and Gallatin.
17 And we still sell through Owen. So they take the
18 risk. If Gallatin wouldn't show up to pay their
19 bill, it would default back to Owen. They would
20 still owe us. But it's a three-way contract
21 because it has nuances in the contract.

22 Q. Do the other distribution co-ops
23 basically help pay for that?

24 A. So you are asking if there is a subsidy?

1 So before we consummated the new contract. So
2 that contract expires every so often. Before that
3 one was consummated, and I don't remember the date
4 on that, maybe the end of 2010 I believe. So we
5 went from a ten-year contract to a five-year
6 contract now. And I believe it was consummated in
7 the fall of 2000 -- Septemberish 2010 and approved
8 by the Public Service Commission.

9 There was some subsidy going on because
10 the contract didn't cover some of the
11 environmental -- actually Owen had some
12 environmental -- they were losing money too. But
13 with the new contract there is no subsidy. Now, I
14 will say we don't make a lot of margin off of Owen
15 or off of Gallatin. I think we should make more
16 when we have another contract, which will be
17 coming up here soon. We will -- because our cost
18 of service says we need -- but we are not losing
19 any -- there is no cost subsidization there now.

20 Actually I follow that quite closely. I
21 mean, you know, every year at least or not -- six
22 months, I will be asking what is our margins on
23 this account.

24 Q. And East Kentucky's margins for 2013

1 were what?

2 A. Well, we don't know for 2013 because our
3 books just closed and we're in the process
4 of working through all the depreciation.

5 Q. Was there not just a board meeting
6 yesterday or day before or some kind of --

7 A. Yesterday was our board meeting, but
8 remember we close -- we close our books and then
9 it takes a while to get the numbers. So yesterday
10 our board was looking at our close of November.
11 But we haven't -- we just closed December and our
12 accounting hasn't got that all --

13 Q. So close the November looked like what
14 for margins?

15 MR. GOSS: Hold on a second. Is that --
16 I mean I know you don't mind Grayson knowing, but
17 is that confidential in any regard? Somebody that
18 might be reading this transcript, is that
19 something that --

20 THE WITNESS: Well, it's going to be in
21 our annual report.

22 MR. GOSS: Okay. Fine.

23 THE WITNESS: It will be in our annual
24 report. So just at the close of November, which

1 it wouldn't be specific. It would be close of
2 December, but we were at about 61 million as I
3 recollect.

4 Q. Hey, speaking of yesterday or day --
5 maybe it was the day before. Was there some kind
6 of Strategic Issues Committee meeting that was
7 going to discuss this distributed generation that
8 we talked about a minute ago? Maybe some proposed
9 modification or something like that?

10 A. Well --

11 Q. Or do you know?

12 A. Monday was a challenge because we moved
13 both of our Board Risk Oversight Committee and our
14 Strategic Issues Committee to the exact same time
15 in the afternoon because it was so cold. So I
16 didn't -- I was in the Board Risk Oversight
17 Committee, but I think Don, he's the liaison to
18 the strategic issues. He could probably answer
19 that for you much better than me.

20 Q. Mr. Ericton's deposition was Monday
21 morning. He said he had to get down there and he
22 thought there was some discussion on that, but he
23 didn't know what it was going to be. So I just
24 wondered if -- you think Mr. Mosier would know if

1 there was or not?

2 A. Yeah. What I do know is everything
3 would have been informational. The only one thing
4 that the Strategic Issues Committee --

5 Q. Not an action.

6 A. -- voted on, but that wasn't that issue.

7 Q. Okay. Is it accurate that there were no
8 -- let's go back to this Salt River thing. That
9 there were no charges billed to Salt River prior
10 to June 1 of 2013?

11 A. That is accurate.

12 Q. Is that something about which there
13 should be some inquiry by East Kentucky on whether
14 or not that is something that recoupment should be
15 made or some kind of adjustment or something like
16 that?

17 A. Well --

18 Q. In other word if it was --

19 A. I know exactly what you are saying. I
20 know exactly what you are saying and I -- you
21 know, the sad thing is we were a little sloppy on
22 the front end at East Kentucky unfortunately and
23 we are kind of trying to clean these up. Should
24 we go back and say, well, Salt River needs to pay

1 more?

2 Q. But for Grayson filing this complaint,
3 it may not have been brought up.

4 A. No, no, no, no, no, no. That was a done
5 deal anyway. He knew he was going -- way before
6 you filed the complaint I had already gone to Salt
7 River and said this is not fair. You have got to
8 pay transmission. The question was what magnitude
9 and when would he start.

10 Should he pay back transmission? I mean
11 I guess one could go either way on that. To a
12 certain degree me as CEO of East Kentucky kind of
13 said, look we have had sins in the past. We are
14 turning over all the rocks. We are going to
15 correct this for all of our owners and make it
16 fair and equitable. And I didn't go back on that,
17 but one could certainly say that we should maybe.
18 I don't know.

19 Q. But whether -- whether you should or
20 shouldn't, whether East Kentucky should or
21 shouldn't, you East Kentucky and you as CEO of
22 East Kentucky said, well, let's at least start it
23 now. Let's at least go forward.

24 A. Yes.

1 Q. Whatever should -- whatever did not
2 happen, let's at least start now with what we
3 think ought happen going forward?

4 A. Clearly we have been cleaning up since
5 2010. Absolutely. I mean as I said initially,
6 you know, I feel that I have a fiduciary -- an
7 ethical responsibility to all of our owners that
8 it is fair. Has to be fair. And if I find out
9 there is a not fair, it is my fiduciary
10 responsibility to fix it.

11 Q. Can you get me documents -- Mr. Goss or
12 maybe it's Mr. Samford in his December 2 letter
13 attachment, had the billing to Salt River and it
14 looked like the November billing was very minor.
15 I'm not sure I understand why its amount was so
16 much different. But can you get me through your
17 lawyer documents evidencing what has been paid? I
18 saw that billing, but I would like to see what has
19 been paid.

20 A. Sure. I think we can. And I'm going to
21 look into the MOU language in that.

22 Q. And this letter that you looked at that
23 had the signature of Mr. Hicks and Mr. Crews, this
24 letter of agreement, is that the way agreements

1 are done with distribution co-ops or is that
2 something that maybe ought have been approved by
3 the board rather than Mr. Crews and Mr. Hicks
4 cutting the deal?

5 A. Well, I think -- you know, I think --

6 MR. GOSS: First of all note my
7 objection to the phrase cutting the deal, but go
8 ahead and answer the question.

9 THE WITNESS: Yeah. Thank you for
10 objecting to that because I don't think it was
11 cutting a deal.

12 MR. SCOTT: Well, it was kind of cutting
13 a deal.

14 THE WITNESS: But it was certainly
15 cleaning up a mess.

16 MR. GOSS: That's your interpretation.
17 I think the phrase is incorrect and unfair, but go
18 ahead and answer the question.

19 THE WITNESS: So at East Kentucky Power
20 Cooperative we have authority levels and I think
21 we have to do that and try to get things done.
22 Should we take that back to the board and have
23 that approved? Well, I guess that gets back to
24 kind of Amendment 3. Are they going to approve

1 everything on Amendment 3 or are they not? They
2 were made aware of it, of the correction to the
3 transmission cost. But I don't -- but I did not
4 take it to them and have them approve that
5 document.

6 Q. Similarly the Farmers' situation was not
7 how that got --

8 A. That was taken back to the board.

9 Q. Oh, it was?

10 A. Yes, and approved, yes, sir.

11 Q. Do you know when that was? 2013?

12 A. I don't recollect. It was 2013, yes,
13 sir.

14 Q. So this Lock 7 matter even back in '05,
15 that was not anything that East Kentucky ever
16 quote, unquote, approved, was it? Basically just
17 kind of acquiesced?

18 A. Well, Dale Henley it looked like
19 approved it, but I don't believe that that is a
20 very good way to do it.

21 Q. So it was kind of acquiesced rather than
22 formal approval?

23 A. Yes, it was not formal.

24 Q. Mr. Campbell, I might be through. Could

1 we have a couple minutes here? I might be
2 through.

3 (Thereupon, a short recess was taken.)

4 MR. SCOTT: I am through with
5 Mr. Campbell.

6 MR. GOSS: For the record, Jeff, let me
7 make sure that we are on the same page in regard
8 to what I am supposed to provide you because I
9 don't want to leave anything out. The first thing
10 I have is we are going to provide notices sent to
11 Grayson providing the cost of all power to Grayson
12 for the four years, 2010 through 2013 inclusive.

13 The next thing we're to produce is
14 written notification by RUS of Amendment 3s
15 approval.

16 MR. SCOTT: Correct.

17 MR. GOSS: Notification given to East
18 Kentucky which probably would have been sometime
19 in 2003.

20 Next we're to produce all documents
21 which were signed by East Kentucky and PJM in
22 order to finalize East Kentucky's integration into
23 PJM.

24 And then the final thing -- no, the next

1 to the last thing we are to produce.

2 MR. SCOTT: The Salt River --

3 MR. GOSS: Any information describing
4 how billing is handled for the Inland Container
5 steam service. And then we're to produce
6 documents which show what Salt River has actually
7 paid for transmission since this arrangement in
8 the summer of 2013. Is there anything else that I
9 missed?

10 MR. SCOTT: No.

11 MS. FRALEY: Did you want Gallatin
12 special contract. I've got down special contract.

13 MR. SCOTT: I didn't ask for that.

14 MR. GOSS: That's all.

15 MR. SCOTT: Because he said that there
16 was no payment made before June of '13. So it
17 would be just --

18 THE WITNESS: For transmission?

19 MR. SCOTT: Correct.

20 THE WITNESS: That is right.

21 MS. FRALEY: And you have got the most
22 recent cost of service study.

23 MR. SCOTT: Cost of service study is
24 filed in the 2010 167.

1 MR. GOSS: So the only other thing,
2 there has been a lot of documents that have been
3 referred to. Are you going to move for their
4 admission or --

5 MR. SCOTT: Nah.

6 MR. GOSS: It's your deposition.

7 MR. SCOTT: No. They will eventually
8 make it in.

9 (Thereupon, the deposition was concluded
10 at 12:36 o'clock p.m.)

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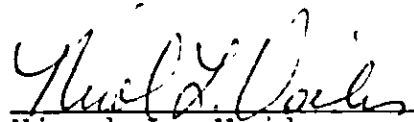
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2012-00503

In the Matter of:

PETITION AND COMPLAINT OF GRAYSON)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING PURCHASE OF ELECTRIC)
POWER AT THE RATE OF SIX CENTS PER)
KILOWATT HOUR UP TO 9.4 MEGAWATTS)
OF POWER VS. A RATE IN EXCESS OF SEVEN)
CENTS PER KILOWATT HOUR PURCHASED)
FROM EAST KENTUCKY POWER COOPERATIVE)
UNDER A WHOLESALE POWER CONTRACT AS)
AMENDED BETWEEN GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION AND)
EAST KENTUCKY POWER COOPERATIVE, INC.)

CERTIFICATION OF THE COURT REPORTER

I, Nicol L. Voiles, Stenotype Reporter and Notary Public within and for the Commonwealth of Kentucky, do hereby certify that the foregoing one hundred and fourteen (114) pages is a true and correct transcript of the proceedings had in this matter, as herein above set forth, and that I have no interest of any nature whatsoever in the ultimate disposition of this litigation.



Nicol L. Voiles
Stenotype Reporter