

**Gwyn Willoughby**

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**From:** Bill Prather <bprather@farmersrecc.net>  
**Sent:** Thursday, February 22, 2018 4:01 PM  
**To:** Mike McNalley  
**Subject:** Re: Analyses of SK Scenarios

Yup. He's right.

I see that Nucor and the AG have intervened. I think that is good. Now we need the Community Action Agency(s) to do the same.

On Thu, Feb 22, 2018 at 2:40 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

David Bodek at S&P commented once, referring to the entire industry, "You all call yourselves cooperatives, but you often don't act like it!"

Mike McNalley

EVP & CFO

East Kentucky Power Cooperative, Inc.

[859-745-9209](tel:859-745-9209) O

[859-595-3897](tel:859-595-3897) C

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

**From:** Bill Prather [mailto:[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)]  
**Sent:** Thursday, February 22, 2018 3:05 PM

**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Re: Analyses of SK Scenarios

The second was just an observation about us.

On Thu, Feb 22, 2018 at 2:03 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:

That looks like two responses!

Mike McNalley

EVP & CFO

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

**From:** Bill Prather [mailto:[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)]  
**Sent:** Thursday, February 22, 2018 2:52 PM  
**To:** Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)>  
**Subject:** Re: Analyses of SK Scenarios

I got one response....."kill it at the Commission"

*"We have met the enemy, and it is us"*

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

Special Committee Members:

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

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

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

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

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

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

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

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

Feel free to call to discuss this.

Best,

Mike McNalley

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[859-595-3897](tel:859-595-3897) C

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

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**Gwyn Willoughby**

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**From:** Mike McNalley  
**Sent:** Tuesday, February 20, 2018 3:26 PM  
**To:** Bill Prather  
**Subject:** Re: numbers on South Kentucky

I'm with you. Kill it. Don't negotiate.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Feb 20, 2018, at 3:19 PM, Bill Prather <[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)> wrote:

Ok.

On Tue, Feb 20, 2018 at 2:18 PM, Mike McNalley <[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)> wrote:  
Agree and understand. Just trying to get them polished up and be sure anyone contrary (SK) can't use them against us.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Feb 20, 2018, at 3:16 PM, Bill Prather  
<[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)<<mailto:bprather@farmersrecc.net>>> wrote:

Which is what I want - are consistent numbers.

On Tue, Feb 20, 2018 at 2:11 PM, Mike McNalley  
<[Michael.McNalley@ekpc.coop](mailto:Michael.McNalley@ekpc.coop)<<mailto:Michael.McNalley@ekpc.coop>>> wrote:  
Maybe - got put on hold pending interventions and potential for the numbers to become testimony. Need to be sure we can put a witness up and that all parties use the numbers consistently.

Mike McNalley  
EVP and CFO  
East Kentucky Power Cooperative

On Feb 20, 2018, at 3:10 PM, Bill Prather  
<[bprather@farmersrecc.net](mailto:bprather@farmersrecc.net)<<mailto:bprather@farmersrecc.net>><<mailto:bprather@farmersrecc.net>>>> wrote:

Mike,

Are you still planning to put out some numbers on what this means to each of us?

Bill

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[<https://docs.google.com/uc?export=download&id=0BzskuyDgQ3NOVmZvOFRfZWNCbVE&revid=0BzskuyDgQ3NOaTdlYjYyR2RiS3FVVW9relZZL0oxL1NMK25FPQ>]

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[<https://docs.google.com/uc?export=download&id=0BzskuyDgQ3NOVmZvOFRfZWNCbVE&revid=0BzskuyDgQ3NOaTdlYjYyR2RiS3FVVW9relZZL0oxL1NMK25FPQ>]

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A Touchstone Energy Cooperative 