
Mike Sullivan

From: Dennis Holt <dholt@skrecc.com>
Sent: Tuesday, November 28, 2017 6:19 PM
To: Bobby Sexton; mikew@bgenergy.com; cbrewer@clarkenergy.com; ted.hampton@cumberlandvalley.coop; bprather@farmersrecc.com; jhazelrigg@fme.coop; Carol Fraley (carol.fraley@graysonrecc.com); Jim Jacobus; Carol Wright; 'Kerry Howard'; Mickey Miller (mmiller@nolinrecc.com); Mark Stallons (mstallons@owenelectric.com); sharp@srelectric.com; Debbie Martin; Barry Myers (tcrecc.com)
Cc: Tony Campbell; Don Mosier; Mike McNalley; David Crews
Subject: EKPC Amendment Three Notification

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

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

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

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

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

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

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

Mike Sullivan

From: Mark Stallons <mstallons@owenelectric.com>
Sent: Friday, February 09, 2018 12:44 PM
To: Bill Prather; Tim Sharp
Cc: bsxton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com); CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com); ted.hampton@cumberlandvalley.coop; jhazelrigg@fme.coop; carol.fraley@graysonrecc.com; Jerry Carter; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; 'Dennis Holt' (dholt@skrecc.com); debbiem@shelbyenergy.com; bmyers@tcrecc.com; tony.campbell@ekpc.coop; Don Mosier; Mike McNalley; david.crews@ekpc.coop
Subject: RE: EKPC Amendment Three Notification
Attachments: A3 Cost Shift 020818.xlsx

Fellow Manager's,

Owen has likewise given EKPC notification on the remaining balance of our Amendment 3 rights. As Tim and Bill have expressed, Owen is also hopeful that we can work together to find common ground and determine a pathway that meets all of our 500,000 plus members desire for affordable and reliable energy. As developed in 2003, Amendment 3's differential between an individual coops ability to go to market for 15% while EKPC's allotment is simply 5%, has always been recognized and is a serious problem that creates major inequities. When we negotiated the MOU, unfortunately we were unable to mitigate this risk and agree on a common percentage that applied to both EKPC and the Member Owners.

In Owen's board room discussions, we used the attached excel spreadsheet to understand the Amendment 3 impacts to EKPC and all 16 member owners. You are welcome to modify and use this model to see what your Cooperative's impacts are under a variety of scenarios. Please understand that some data is not readily available and as a result I have made assumptions that affect the outcome. For example in the last tab entitled "Cost shift", I used the 2017 capital credit allocations to estimate each cooperatives power bill. To receive a more accurate estimated impact, please input your actual 2017 Environmental Surcharge power expense in column D (highlighted green) and your Base Rate power bill in column F also highlighted green.

The first tab, tiled "Jan 2018 Allotment", is a historical summary of Amendment 3 notices and the balances by cooperative as of February 8, 2018. I have included Farmer's recent notice, however, I simply applied the notice to the remaining balance. If a prior notice has been rescinded then my assumption is not accurate. If you want to see the impact of your Cooperative's decision to give notice or to not give notice please update column X and Y highlighted in green and entitled 2018 PJM Notices with either your remaining balance in column Z, the pro-rata share in column AA, or leave as zero. Please note that column AE, titled "Net Member Savings(Loss)" identifies the resulting cost impact. As you change your notice and as others change their notice the impacts shift.

The second tab, titled "A3 Savings" takes the noticed amount from tab 1 "Jan 2018 Allotment" and calculates the annual savings that your individual cooperative could expect in year 1 if the price spread was \$20. You can change the price spread highlighted in green to any number you choose.

The third tab, titled "EKPC Impact" shows the impact on the Environmental Surcharge and on the Base Rates charged to each member owner based upon the number of cooperatives who have given notice. Please note that the cost shifts are proportional to the cost shifts identified in EKPC's letter dated December 27, 2017 which

discusses said cost shifts and mitigation. Please also note that the notices provided since November 2017 are estimated to result in roughly a \$7 Million dollar reduction (6.44%) in EKPC's environmental surcharge revenue and roughly a \$22 Million reduction (2.88%) in base rate revenue. As you change your notice choice on tab 1, the impact is updated.

The fourth tab, entitled "Cost Shift", displays the savings if you exercise Amendment 3, the resulting cost shifts, and the net impact on all 16 cooperatives. Unfortunately, the bottom line is that exercising your Amendment 3 option will not completely mitigate the negative cost impacts or totally reduce the cost shifts. The only successful way forward is for all of us is to sit down and develop a new path that is beneficial to all concerned.

I do not claim the attached spreadsheet to be perfect, however, I do believe it is directionally correct and a good start. I am also very willing to work with interested parties to modify and improve the model. Should you have any questions, please do not hesitate to call.

Sincerely,

Mark

From: Bill Prather [mailto:bprather@farmersrecc.net]

Sent: Thursday, February 08, 2018 3:53 PM

To: Tim Sharp

Cc: bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com) ; CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com) ; ted.hampton@cumberlandvalley.coop; jhazlrigg@fme.coop; carol.fraley@graysonrecc.com; jerry@intercountyenergy.net; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; Mark Stallons ; 'Dennis Holt' (dholt@skrecc.com) ; debbiem@shelbyenergy.com; bmyers@trecc.com; tony.campbell@ekpc.coop
Subject: Re: EKPC Amendment Three Notification

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

Folks,

Like Tim at Salt River, I wanted to give you a heads up that Farmers has likewise given EKPC notification on the remaining balance of our Amendment 3 rights. Farmers too, is hopeful that we can all determine a path forward that will be beneficial to all sixteen member-owners. We look forward to working together to find common ground that is fair to all. We do not philosophically support where Amendment 3 is currently taking us all, and hope we can find a better way for our sixteen members.

Bill Prather
Farmers RECC

On Fri, Feb 2, 2018 at 7:11 AM, Tim Sharp <tjsharp@srelectric.com> wrote:

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

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

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

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

Tim Sharp

Salt River Electric

--

William T. Prather

President/CEO

Farmers Rural Electric Cooperative Corporation

504 South Broadway

Glasgow, Kentucky 42141

270-651-2191, ext. 8300

bprather@farmersrecc.com



EKPC 5% Limit					A3 Allotments, Based on Data Through January 2018					A3 Balances as of January 2018												
Owner-Member Cooperative	EKPC CP (MW) for Month of			Average	5% Limit	Owner-Member Cooperative	Owner-Member Peak (MW)			Average	5% Election	15% Election	Owner-Member Cooperative	Allocation		Notice Before 2018 & 2018 Non PJM Notices	PJM Notice Yor N	Please choose your 2018 PJM Notice	5% Balance	Live Pro-rata Share of Balance	Feb 8 2018 Pro-Rata Share of Balance	Net Member Savings (Loss)
	Feb 2015- Jan 2016	Feb 2016- Jan 2017	Feb 2017- Jan 2018				Feb 2015- Jan 2016	Feb 2016- Jan 2017	Feb 2017- Jan 2018					%	MW							
Big Sandy	89.5	56.9	74.3	73.6	3.7	Big Sandy	89.5	58.8	74.3	74.2	3.710	11.1	Big Sandy	5%	3.7	0.0	N	0.0	3.7	1.9	1.9	\$ (588,982.46)
Blue Grass	410.9	324.4	382.2	372.5	18.6	Blue Grass	410.9	324.4	383.2	372.8	18.642	55.9	Blue Grass	5%	18.6	0.0	N	0.0	18.6	9.5	9.5	\$ (3,282,993.21)
Clark	154.0	113.6	139.4	135.7	6.8	Clark	154.0	113.6	140.1	135.9	6.796	20.4	Clark	5%	6.8	0.0	N	0.0	6.8	3.5	3.5	\$ (1,164,186.09)
Cumberland Valley	158.3	109.6	141.3	136.4	6.8	Cumberland Valley	158.3	110.0	141.3	136.5	6.826	20.5	Cumberland Valley	5%	6.8	0.0	N	0.0	6.8	3.5	3.5	\$ (1,149,739.70)
Farmers	136.4	115.9	138.4	130.2	6.5	Farmers	136.8	115.9	138.4	130.3	6.517	19.6	Farmers*	5%	6.5	4.6	Y	1.9	0.0	0.0	0.0	\$ (923,097.44)
Fleming Mason	196.9	166.9	189.1	184.3	9.2	Fleming Mason	198.0	179.7	189.1	188.9	9.445	28.3	Fleming Mason*	5%	9.4	1.4	N	0.0	8.0	4.1	4.1	\$ (2,056,554.62)
Grayson	85.2	57.6	72.7	71.9	3.6	Grayson	85.2	58.3	72.7	72.1	3.603	10.8	Grayson	5%	3.6	0.0	N	0.0	3.6	1.8	1.8	\$ (651,386.55)
Inter-County	171.1	134.1	158.6	154.6	7.7	Inter-County	171.1	134.4	158.6	154.7	7.736	23.2	Inter-County	5%	7.7	0.0	N	0.0	7.7	4.0	4.0	\$ (1,228,455.28)
Jackson	325.6	230.2	293.6	283.2	14.2	Jackson	327.7	232.2	293.6	284.5	14.226	42.7	Jackson*	5%	14.2	6.0	Y	8.0	0.0	0.0	0.0	\$ (860,434.50)
Licking Valley	88.6	58.7	75.0	74.1	3.7	Licking Valley	88.6	60.6	76.6	75.3	3.763	11.3	Licking Valley	5%	3.8	0.0	N	0.0	3.8	1.9	1.9	\$ (648,061.60)
Nolin	211.1	199.1	215.5	208.6	10.4	Nolin	230.4	199.1	216.1	215.2	10.760	32.3	Nolin	5%	10.8	0.0	N	0.0	10.8	5.5	5.5	\$ (1,856,016.34)
Owen	347.4	350.7	423.8	374.0	18.7	Owen	490.9	401.5	447.5	426.6	21.390	64.0	Owen*	5%	21.3	2.0	Y	19.3	0.0	0.0	0.0	\$ (139,603.98)
Salt River	314.4	262.0	306.4	294.3	14.7	Salt River	316.1	262.0	306.4	294.8	14.742	44.2	Salt River**	5%	24.7	2.0	Y	12.7	0.0	0.0	0.0	\$ (623,384.41)
Shelby	120.5	99.6	113.9	111.3	5.6	Shelby	120.5	101.6	113.9	112.0	5.599	16.8	Shelby	5%	5.6	0.0	N	0.0	5.6	2.9	2.9	\$ (1,163,148.54)
South Kentucky	458.8	353.4	426.2	412.9	20.6	South Kentucky	458.9	353.4	426.2	412.9	20.643	61.9	South Kentucky*	15%	61.9	58.0	N	0.0	0.0	0.0	0.0	\$ 7,312,405.28
Taylor	159.4	139.1	157.0	151.8	7.6	Taylor	160.2	139.1	157.0	152.1	7.604	22.8	Taylor	5%	7.6	0.0	N	0.0	7.6	3.9	3.9	\$ (1,212,109.99)
Total	3,428.1	2,771.8	3,307.4	3,169.1	158.5	Total	3,537.0	2,844.5	3,335.0	3,238.8	161.9		Total		203.2	74.0		41.9	83.2	42.6	42.5	

Noticed Projects				
Owner-Member	Project	Notice Given	MW	Delivery Date
Jackson	Prime LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Federal Mogul DG		3.6	2005
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Jackson	PJM Market	2/2019	8.0	
Jackson	Hydro	2/2020	3.4	
Total Projects			114.0	
Not to Exceed 158.5 MW				
Remaining Balance of 5% Amendment 3 Pool Feb 8, 2018			44.66	
Noticed February 8, 2019 not in above			1.9	

Total projects MW cannot exceed 5% of the 3 year average of EKPC CP, which is currently 158.5 MW.

Feb 2015-Jan 2016 Peak Occurred Feb 2015
 Feb 2016-Jan 2017 Peak Occurred Jan 2017
 Feb 2017-Jan 2018 Peak Occurred Jan 2018

Assumed Savings per Year (DRAFT)			
Cooperative	MW Load Noticed 2018	Savings per MW	Savings per Year
Big Sandy	0.00	\$ 20.00	\$ -
Blue Grass	0.00	\$ 20.00	\$ -
Clark	0.00	\$ 20.00	\$ -
Cumberland Valley	0.00	\$ 20.00	\$ -
Farmers	1.90	\$ 20.00	\$ 332,880
Fleming Mason	0.00	\$ 20.00	\$ -
Grayson	0.00	\$ 20.00	\$ -
Inter-County	0.00	\$ 20.00	\$ -
Jackson	8.00	\$ 20.00	\$ 1,401,600
Licking Valley	0.00	\$ 20.00	\$ -
Nolin	0.00	\$ 20.00	\$ -
Owen	19.30	\$ 20.00	\$ 3,381,360
Salt River	12.70	\$ 20.00	\$ 2,225,040
Shelby	0.00	\$ 20.00	\$ -
South Kentucky	\$ 58.00	\$ 20.00	\$ 10,161,600
Taylor	0.00	\$ 20.00	\$ -
Totals	99.90		17,502,480

Input Savings per MW assumed to \$20

Amendment 3 Impact on EKPC (DRAFT)						
Notice	MW	MWh/Year	ES \$ Shift	ES %	Base \$ Shift	Total \$ Shift
Big Sandy	0.0	-	\$ -	0.00%	\$ -	\$ -
Blue Grass	0.0	-	\$ -	0.00%	\$ -	\$ -
Clark	0.0	-	\$ -	0.00%	\$ -	\$ -
Cumberland Valley	0.0	-	\$ -	0.00%	\$ -	\$ -
Farmers	1.9	16,644	\$ 134,310.34	1.90%	\$ 425,862.07	\$ 560,172.41
Fleming Mason	0.0	-	\$ -	0.00%	\$ -	\$ -
Grayson	0.0	-	\$ -	0.00%	\$ -	\$ -
Inter-County	0.0	-	\$ -	0.00%	\$ -	\$ -
Jackson	8.0	70,080	\$ 565,517.24	8.01%	\$ 1,793,103.45	\$ 2,358,620.69
Licking Valley	0.0	-	\$ -	0.00%	\$ -	\$ -
Nolin	0.0	-	\$ -	0.00%	\$ -	\$ -
Owen	19.3	169,068	\$ 1,364,310.34	19.32%	\$ 4,325,862.07	\$ 5,690,172.41
Salt River	12.7	111,252	\$ 897,758.62	12.71%	\$ 2,846,551.72	\$ 3,744,310.34
Shelby	0.0	-	\$ -	0.00%	\$ -	\$ -
South Kentucky	58.0	508,080	\$ 4,100,000.00	58.06%	\$ 13,000,000.00	\$ 17,100,000.00
Taylor	0.0	-	\$ -	0.00%	\$ -	\$ -
Member Owner Total	99.9	875,124	\$ 7,061,896.55		\$ 22,391,379.31	\$ 29,453,275.86
EKPC 2018 Budget	29,194	13,534,101	EKPC Pass Thru		EKPC Rate Increase	

Cost Shift Percentages			
EKPC Base Rate Impact	EKPC 2018 Budget (pgA2)	Base Shift	Percent Increase
Base Rate	\$ 777,941,988.00	\$ 22,391,379.31	2.88%
EKPC ES Revenue	\$ 109,603,865.00	\$ 7,061,896.55	6.44%

A3 Cost Shift Draft (2017 Actuals)								
			6.44%			2.88%		
<u>Member Owner</u>	<u>2017 Capital Credits</u>	<u>Est. 2017 Member Owner ES Power Bill</u>	<u>ES Cost Increase</u>	<u>Est. 2017 Member Owner Base Rate Power Bill</u>	<u>Base Rate Increase</u>	<u>Base Rate Savings</u>	<u>Net Base Rate Savings (Loss)</u>	<u>Net Member Savings (Loss)</u>
Big Sandy	\$ 456,552.84	\$ 2,332,135.41	\$ 150,262.03	\$ 15,242,430.52	\$ 438,720.43	\$ -	\$ (438,720.43)	\$ (588,982.46)
Blue Grass	\$ 2,544,829.40	\$ 12,999,342.52	\$ 837,561.82	\$ 84,961,436.94	\$ 2,445,431.40	\$ -	\$ (2,445,431.40)	\$ (3,282,993.21)
Clark	\$ 902,424.95	\$ 4,609,712.16	\$ 297,008.78	\$ 30,128,275.19	\$ 867,177.31	\$ -	\$ (867,177.31)	\$ (1,164,186.09)
Cumberland Valley	\$ 891,226.76	\$ 4,552,510.25	\$ 293,323.20	\$ 29,754,413.47	\$ 856,416.50	\$ -	\$ (856,416.50)	\$ (1,149,739.70)
Farmers	\$ 978,324.48	\$ 4,997,417.51	\$ 315,865.14	\$ 32,662,249.82	\$ 940,112.29	\$ 332,880.00	\$ (607,232.29)	\$ (923,097.44)
Fleming Mason	\$ 1,594,149.10	\$ 8,143,135.32	\$ 524,671.09	\$ 53,222,113.14	\$ 1,531,883.54	\$ -	\$ (1,531,883.54)	\$ (2,056,554.62)
Grayson	\$ 504,925.70	\$ 2,579,230.70	\$ 166,182.65	\$ 16,857,402.32	\$ 485,203.90	\$ -	\$ (485,203.90)	\$ (651,386.55)
Inter-County	\$ 952,243.55	\$ 4,864,192.50	\$ 313,405.23	\$ 31,791,514.33	\$ 915,050.05	\$ -	\$ (915,050.05)	\$ (1,228,455.28)
Jackson	\$ 1,789,997.81	\$ 9,143,557.77	\$ 541,951.87	\$ 59,760,699.90	\$ 1,720,082.63	\$ 1,401,600.00	\$ (318,482.63)	\$ (860,434.50)
Licking Valley	\$ 502,348.35	\$ 2,566,065.24	\$ 165,334.38	\$ 16,771,355.15	\$ 482,727.22	\$ -	\$ (482,727.22)	\$ (648,061.60)
Nolin	\$ 1,438,700.80	\$ 7,349,083.79	\$ 473,509.48	\$ 48,032,330.69	\$ 1,382,506.86	\$ -	\$ (1,382,506.86)	\$ (1,856,016.34)
Owen	\$ 2,870,788.29	\$ 14,664,385.87	\$ 762,305.26	\$ 95,843,870.04	\$ 2,758,658.72	\$ 3,381,360.00	\$ 622,701.28	\$ (139,603.98)
Salt River	\$ 2,281,982.31	\$ 11,656,683.03	\$ 655,573.62	\$ 76,186,048.52	\$ 2,192,850.80	\$ 2,225,040.00	\$ 32,189.20	\$ (623,384.41)
Shelby	\$ 901,620.69	\$ 4,605,603.89	\$ 296,744.08	\$ 30,101,424.24	\$ 866,404.46	\$ -	\$ (866,404.46)	\$ (1,163,148.54)
South Kentucky	\$ 2,592,576.90	\$ 13,243,243.39	\$ 357,880.78	\$ 86,555,530.52	\$ 2,491,313.94	\$ 10,161,600.00	\$ 7,670,286.06	\$ 7,312,405.28
Taylor	\$ 939,573.41	\$ 4,799,471.66	\$ 309,235.19	\$ 31,368,510.21	\$ 902,874.79	\$ -	\$ (902,874.79)	\$ (1,212,109.99)
Total	\$ 22,142,265.34	\$ 113,105,771.00	\$ 6,460,814.60	\$ 739,239,605.00	\$ 21,277,414.84	\$ 17,502,480.00	\$ (3,774,934.84)	\$ (10,235,749.43)

Please input actual data