From:	David Crews <David.Crews@ekpc.coop>
Sent:	Wednesday, February 07, 2018 3:05 PM
To:	Barry Myers; Bill Prather; Bobby Sexton; Carol Fraley; Carol Wright - Jackson Energy; Chris Brewer - Clark Energy; Debbie Martin; Dennis Holt; Jerry Carter; Joni Hazelrigg; Kerry Howard; Mark Stallons; Mickey Miller; Mike Williams; Ted Hampton; Tim Sharp - Salt River Electric
Subject:	Amendment 3 Allotment Jan 2018 for distribution.xlsx
Attachments:	Amendment 3 Allotment Jan 2018 for distribution.xlsx

This is the spreadsheet updated with notices received today.

EKPC 5% Limit

Owner-Member Cooperative	EKPC CP (MW) for Month of Feb 2015-Jan 2016	Feb 2016-Jan 2017	Feb 2017-Jan 2018	Average	5% Limit
Big Sandy	89.5	56.9	74.3	73.6	3.7
Blue Grass	410.9	324.4	382.2	372.5	18.6
Clark	154.0	113.6	139.4	135.7	6.8
Cumberland Valley	158.3	109.6	141.3	136.4	6.8
Farmers	136.4	115.9	138.4	130.2	6.5
Fleming Mason	196.9	166.9	189.1	184.3	9.2
Grayson	85.2	57.6	72.7	71.9	3.6
Inter-County	171.1	134.1	158.6	154.6	7.7
Jackson	325.6	230.2	293.6	283.2	14.2
Licking Valley	88.6	58.7	75.0	74.1	3.7
Nolin	211.1	199.1	215.5	208.6	10.4
Owen	347.4	350.7	423.8	374.0	18.7
Salt River	314.4	262.0	306.4	294.3	14.7
Shelby	120.5	99.6	113.9	111.3	5.6
South Kentucky	458.9	353.4	426.2	412.9	20.6
Taylor	159.4	139.1	157.0	151.8	7.6
Total	3,428.1	2,771.8	3,307.4	3,169.1	158.5

A3 Allotments, Based on Data Through January 2018

Owner-Member Cooperative	Owner-Member Peak (MW) Feb 2015-Jan 2016	Feb 2016-Jan 2017	Feb 2017-Jan 2018	Average	5% Election	15% Election
Big Sandy	89.5	58.8	74.3	74.2	3.7	11.1
Blue Grass	410.9	324.4	383.2	372.8	18.6	55.9
Clark	154.0	113.6	140.1	135.9	6.8	20.4
Cumberland Valley	158.3	110.0	141.3	136.5	6.8	20.5
Farmers	136.8	115.9	138.4	130.3	6.5	19.6
Fleming Mason	198.0	179.7	189.1	188.9	9.4	28.3
Grayson	85.2	58.3	72.7	72.1	3.6	10.8
Inter-County	171.1	134.4	158.6	154.7	7.7	23.2
Jackson	327.7	232.2	293.6	284.5	14.2	42.7
Licking Valley	88.6	60.6	76.6	75.3	3.8	11.3
Nolin	230.4	199.1	216.1	215.2	10.8	32.3
Owen	430.9	401.5	447.5	426.6	21.3	64.0
Salt River	316.1	262.0	306.4	294.8	14.7	44.2
Shelby	120.5	101.6	113.9	112.0	5.6	16.8
South Kentucky	458.9	353.4	426.2	412.9	20.6	61.9
Taylor	160.2	139.1	157.0	152.1	7.6	22.8
Total	3,537.0	2,844.5	3,335.0	3,238.8	161.9	

A3 Balances as of January 2018

Owner-Member Cooperative	Allocation %	Allocation MW	5% Balance MW	Pro-rata Share of Balance MW
Big Sandy	5%	3.7	3.7	1.8
Blue Grass	5%	18.6	18.6	9.2
Clark	5%	6.8	6.8	3.4
Cumberland Valley	5%	6.8	6.8	3.4
*Farmers**	*5%*	*6.5*	*1.9*	1.0
*Fleming Mason**	*5%*	*9.4*	*8.0*	4.0
Grayson	5%	3.6	3.6	1.8
Inter-County	5%	7.7	7.7	3.8
*Jackson**	*5%*	*14.2*	*0.1*	0.1
*Licking Valley**	*5%*	*3.8*	*3.5*	1.7
Nolin	5%	10.8	10.8	5.3
*Owen**	*5%*	*21.3*	*0.0*	0.0
*Salt River**	*5%*	*14.7*	*0.0*	0.0
Shelby	5%	5.6	5.6	2.8
*South Kentucky**	*15%*	*61.9*	*3.9*	1.9
Taylor	5%	7.6	7.6	3.8
Total			88.8	44.1

** indicates project in place or in process.*

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

Noticed Projects

Owner-Member	Project	Notice Given	MW	Delivery
Jackson	Irvine LFGTE		1.6	10/2013
Jackson	Dupree Energy Sys		1.0	3/2015
Farmers	Federal Mogul DG		3.6	2005
Farmers	Glasgow LFGTE		1.0	11/2015
Salt River	Lock 7		2.0	2013
Owen	Owen Office		2.0	2016
South Kentucky	PJM/Market	12/2018	58.0	6/2019
Salt River	PJM/Market	2/2018	12.7	9/2019
Owen	PJM/Market	2/2018	19.3	9/2019
Fleming-Mason	LFG PPA	2/2018	1.4	10/2018
Licking Valley	Solar Installation	2/2018	0.3	5/2018
Jackson	Lock 12	2/2018	1.7	12/2018
Jackson	Lock 14	2/2018	1.7	12/2019
Jackson	PJM/Market	2/2018	8.0	9/2019
Total Projects			**114.4**	
Not to Exceed 158.5 MW				
Remaining			**44.1**	

From: Mark Stallons <mstallons@owenelectric.com>
Sent: Tuesday, January 30, 2018 9:01 AM
To: CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com)
Cc: Tim Sharp; Carol Wright; mikew@bgenergy.com; Joni Hazelrigg; Debbie Martin
Subject: Amendment 3 RFP Process

Chris,

Based upon your recent discussions with Mike Williams and for your information and consideration, Bluegrass Energy, Jackson Energy, Owen Electric and Salt River Electric have entered into Non-Disclosure Agreements (NDA's) with five (5) power suppliers, one of which is presently contacting multiple cooperatives and marketing their services. We have received power supply RFP's and intend to make a decision on or before the end of the February. If you would like to join the group, please reply to this email notice, contact Elaine Johns, and we will be glad to include you into the RFP process if timing and availability are favorable or if timing and availability are not favorable we will assist in facilitating a second RFP. Shelby Energy and Fleming Mason Energy have expressed interest in joining the group and are also discussing the opportunity with their Board of Directors.

The requirement to participate includes a Board Resolution authorizing the cooperative CEO to sign an agreement with our consulting firm, sign the necessary Confidentiality Agreements, and agree to financially contribute to the cost of the process. The timeline required to participate is as follows:

Timeline:
1. Board commitment to the RFP process on or before Monday February 5, 2018.
2. Decision to provide notice to EKPC on or before Friday February 23, 2018.

Should you need any information, please feel free to contact Elaine Johns, President/CEO, EnerVision, at 678.910.1122 or Elaine.Johns@enervision-inc.com.

Sincerely,

Mike Williams, Bluegrass Energy President/CEO
Carol Wright, Jackson Energy President & CEO
Mark Stallons, Owen Electric President & CEO
Tim Sharp, Salt River Electric President & CEO

From: Mark Stallons <mstallons@owenelectric.com>
Sent: Tuesday, February 06, 2018 11:09 AM
To: Elaine.Johns@enervision-inc.com
Cc: mikew@bgenergy.com; Tim Sharp; Carol Wright; Joni Hazelrigg; Debbie Martin; CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com); Jim Crawford; Missy Moore
Subject: EKPC A3 Notice
Attachments: Letter of Notice -Final.docx

Elaine,

I have revised my notice after confirming with David Crews that Owen's 5% maximum 36 month rolling coincident peak has moved from 18.5MW to 18.9MW as a result of the January 2018 load levels. Please review and advise. I would like to send this update later today.

Thanks,

Mark

Mark A. Stallons
President & CEO

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

☎ **Direct Line**: 502-563-3500
☎ **Mobile**: 502-514-1650
✉ **Email:** mstallons@owenelectric.com

OWEN Electric

"One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."
Source: The One Minute Manager, Page 30.

February 2, 2018

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

Dear Mr. Campbell,

Pursuant to the provisions of the Amendment No. 3 to the Wholesale Power Contact between East Kentucky Power Cooperative, Inc. ("EKPC"), and Owen Electric Cooperative Inc. ("Owen Electric") dated October 23, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including Owen Electric, dated July 16, 2015 ("MOU"), Owen Electric does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

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

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

The Alternate Source (which is further described below) will be used to supply 18.9 MW's of Owen Electric's power requirements outside of and separate from the Wholesale Power contract between Owen Electric and EKPC for a term of 5-20 years commencing at 12:00 a.m. (EST) on September 1, 2019.

(ii) *the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the Alternate Sources, appropriately taking into account expected losses, if any*

The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is 18,900 kW.

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

The Alternate Source shall be in the form of Owen Electric becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM Market.

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

The Alternate Source will supply the 18,900 kW of energy all hours of each year of the 5-20 year term, by purchasing same from the PJM wholesale market.

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

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

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

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

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

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

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

Sincerely,

Mark A. Stallons
President and CEO
Owen Electric Cooperative

From: Tim Sharp <tjsharp@srelectric.com>
Sent: Friday, February 02, 2018 7:12 AM
To: bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com); CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com); ted.hampton@cumberlandvalley.coop; bprather@farmersrecc.com; Joni Hazelrigg; 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@tcrecc.com
Cc: tony.campbell@ekpc.coop
Subject: EKPC Amendment Three Notification

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

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

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

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

Tim Sharp
Salt River Electric

From: Dennis Holt <dholt@skrecc.com>
Sent: Monday, February 12, 2018 6:25 AM
To: bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com); CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com); ted.hampton@cumberlandvalley.coop; Joni Hazelrigg; carol.fraley@graysonrecc.com; jerry@intercountyenergy.net; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; debbiem@shelbyenergy.com; bmyers@tcrecc.com; tony.campbell@ekpc.coop; Don Mosier; Mike McNalley; david.crews@ekpc.coop; Mark Stallons; Bill Prather; Tim Sharp
Subject: EKPC Amendment Three
Attachments: DOC021218-02122018072337.pdf

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

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

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

Dennis Holt
President & CEO
Phone (606) 678-4121

South Kentucky RECC
A Touchstone Energy Cooperative

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

February 12, 2018

Dear Fellow Managers,

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

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

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

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

South Kentucky has expended significant expense in staff time, consultants and attorneys to reach this point in the process. We would hope that whoever ultimately benefits from this transfer will recognize this fact and South Kentucky would expect some reasonable mitigation of its financial outlay from the participant(s).

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

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

Sincerely Yours,

Dennis Holt

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

From: Terri Combs <terri.combs@ekpc.coop>
Sent: Friday, December 29, 2017 2:32 PM
To: A L Rosenberger ; Alan Ahrman - Owen; Barry Myers -- Taylor County; Bill Prather -- Farmers; Bobby Sexton--Big Sandy; Boris Haynes; Carol Fraley -- Grayson; Carol Wright - Jackson Energy; Chris Brewer - Clark Energy; Debbie Martin -- Shelby; Dennis Holt; Elbert Hampton; Jerry Carter; Jim Jacobus -- Inter-County; Jimmy Longmire -- Salt River; Jody Hughes; Joe Spalding, Inter-County Energy; Joni Hazelrigg; Kelly Shepherd; Ken Arrington -- Grayson; Kerry Howard -- Licking Valley; Landis Cornett; Mark Stallons -- Owen; Mickey Miller -- Nolin; Mike Williams -- Blue Grass; Paul Hawkins -- Farmers; Raymond Rucker; Ted Hampton; Ted Holbrook; Tim Eldridge; Tim Sharp - Salt River Electric; Wayne Stratton -- Shelby; William Shearer -- Clark
Cc: Tony Campbell; Mike McNalley; Don Mosier; David Smart
Subject: From Tony Campbell re: Amendment 3 Memo
Attachments: A3 Load Loss Mitigation Discussion Final.docx

Sending on behalf of Tony Campbell

All:

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

Regards,

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

EAST KENTUCKY POWER COOPERATIVE
A Touchstone Energy Cooperative

EKPC SAFETY IS R.I.G.H.T.

East Kentucky Power Cooperative

Mitigation of Amendment 3 Load Loss

December 27, 2017

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

South Kentucky Billing

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

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

Cost Shift and Mitigation

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

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

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

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

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

Amendment3 (and SK) provides for a long notice period, which is necessary for EKPC to achieve the best mitigation of the load loss for its owner-members. This is important because it gives EKPC the time to develop and execute numerous options. Without the time to act, EKPC would have only two options: sales of the energy into PJM in the day-ahead and real-time market, and a base rate increase. For 2017, the energy market would have provided approximately $5/MWh of margin, or $2.3 million, leaving an unmitigated balance of $14.8 million. Given EKPC's low margins this year, this might be large enough to tip us into a base rate increase, especially if we had no further mitigation options.

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

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

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

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

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

Additional Load Loss (more Amendment 3 Notices)

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

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

From: Mark Stallons <mstallons@owenelectric.com>
Sent: Friday, February 02, 2018 4:22 PM
To: Tim Sharp; Carol Wright; mikew@bgenergy.com; Joni Hazelrigg; Debbie Martin; CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com)
Cc: Jim Crawford; Rusty Williams; April Brown; Judy Osborne; Missy Moore; Mary Ellen Cole; Elaine.Johns@enervision-inc.com
Subject: FW: Amendment 3 Notice
Attachments: 2018 A3 Notice.pdf

All,

We finished our board meeting this afternoon at 2pm and my board passed a motion requesting that I provide notice to EKPC as soon as possible. Please see the attached notice that I emailed to Tony at 4:50pm this afternoon. Owen's notice is a blend of South Kentucky and Salt River's recent notices.

I then left a message on Tony's mobile and work phone explaining that Owen views this as a defensive strategy and desires to work with EKPC and our fellow Member Owners. Please call if you would like to discuss in more depth.

Thanks,

Mark

From: Mark Stallons
Sent: Friday, February 02, 2018 4:51 PM
To: tony.campbell@ekpc.coop
Cc: James M Crawford (jcrawford@cbkylaw.com) <jcrawford@cbkylaw.com>
Subject: Amendment 3 Notice

Tony,

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

Sincerely,

Mark A. Stallons
President & CEO

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

☎ **Direct Line**: 502-563-3500
☎ **Mobile**: 502-514-1650
✉ **Email**: mstallons@owenelectric.com

OWEN Electric

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

Source: The One Minute Manager, Page 30.

OWEN Electric

A Touchstone Energy® Cooperative

February 2, 2018

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

Dear Mr. Campbell,

Pursuant to the provisions of the Amendment No. 3 to the Wholesale Power Contact between East Kentucky Power Cooperative, Inc. ("EKPC"), and Owen Electric Cooperative Inc. ("Owen Electric") dated October 23, 2003 ("Amendment 3"), and the Memorandum of Understanding and Agreement regarding Alternate Power Sources, between EKPC and the 16 Owner Members of EKPC including Owen Electric, dated July 16, 2015 ("MOU"), Owen Electric does hereby provide the following notice of its election to reduce its purchases of electric power from EKPC and replace same with electric power furnished from an Alternate Source.

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

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

The Alternate Source (which is further described below) will be used to supply Owen Electric's power requirements outside of and separate from the Wholesale Power Contract between Owen Electric and EKPC for a term of 5-20 years commencing at 12:00 a.m. (EST) on September 1, 2019.

(ii) *the maximum electrical capacity, in kW, to be available from the Alternate Source and the corresponding amount of reduction in demands to be served by EKPC as a result of the Alternate Sources, appropriately taking into account expected losses, if any*

The maximum electrical capacity to be available from the Alternate Source, and the corresponding amount of reduction in demands to be served by EKPC as a result of the use of the Alternate Source, is to be calculated at the level equal to five percent (5%) of the rolling average of Owen Electric's coincident peak demand for the single calendar month with the highest average peak demand occurring during each of the three (3) twelve-month (12-month) periods immediately preceding this notice, less previously-noticed 2MW Bromley DG Unit upon calculation of the five percent (5%)

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

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

The Alternate Source shall be in the form of Owen Electric becoming a PJM member and purchasing energy, capacity, transmission and services required by PJM policies from the PJM Market.

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

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

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

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

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

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

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

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

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

Sincerely,

Mark A. Stallons
President and CEO
Owen Electric Cooperative

From: Mark Stallons <mstallons@owenelectric.com>
Sent: Saturday, February 10, 2018 8:20 AM
To: Mike Williams; Carol Wright; Tim Sharp; Joni Hazelrigg; Debbie Martin; Chris Brewer
Subject: Fwd: A3 Path Forward

> All,
>
> Below please find an email string between Mike McNalley and me earlier in the week. Mike & I have had several phone calls as well. Based on conversations with all of you and EKPC the past few weeks , I suggest we consider the following as a possible path forward:
>
> 1. We approve S Kentucky's notice - to not approve would invite and basically guarantee a lawsuit battle much worse than Grayson
> 2. We form a special committee comprised of interested CEO's/Manager's; EKPC key staff including Tony, Mike, Don & David; and Board Representation to accomplish the following:
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> a. Agree to Identify possible pathways to move our portfolio in a financially prudent manner away from carbon risk assets by a defined time and present to the EKPC Board for further discussion and hopefully an agreement.
> b. Provide a pathway for Member Owners to move to an increasing market based alternate source power supply portfolio without shifting costs. I believe we need to do this to give SKY reason to talk. They have spent considerable funds to secure market power and they will not simply give it up.
> c. Based on January 2018 Amendment 3 (A3) load Allocation calculations, EKPC agrees to use the Jan 2018 method resulting in 161.9 MW to allocate present and future A3 market based power available to Member Owners.
> d. Member Owner's agree that no one can exceed 5% of their cooperative's rolling 36 month coincident peak as identified by A3 and in the MOU and at present totals 161.9 MW.
> e. S KY agrees to reduce their A3 percentage to 5% and assigns Morgan Stanley agreement to EKPC as an A3 noticed project.
> f. The Kentucky Group of 7 agrees to work with EKPC and open their RFP process to any EKPC member owner.
g. Member Owner's have a defined x day window to join the S KY Morgan Stanley Agreement up to 58MW or join the Kentucky Group and purchase up to their full 5% allocation as defined above.
>
> 3. If item 2 above fails, then we are left with intervention at the PSC and/or moving forward with the Kentucky Group RFP process.

> Can we discuss either in person or by phone Monday, after BROC and
> before SI in between Committee Meetings during lunch.

> Your thoughts,
>
> Mark
>
>
>
> -----Original Message-----
> From: Mark Stallons
> Sent: Wednesday, February 07, 2018 6:11 AM
> To: Mike McNalley <Michael.McNalley@ekpc.coop>
> Subject: Re: A3 Cost Shift Spreadsheet
>
> Mike,
>

>> On Feb 5, 2018, at 5:31 PM, Mark Stallons <mstallons@owenelectric.com<mailto:mstallons@owenelectric.com>> wrote:
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>> Mike,
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>> Here is my simple spreadsheet. What is a good time to call tomorrow?
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>> Thanks,
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>> Mark
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>> Mark A. Stallons
>> President & CEO
>>
>> Owen Electric Cooperative
>> 8205 Hwy 127N; PO Box 400
>> Owenton, KY 40359
>>
>> * Direct Line: 502-563-3500
>> *Mobile: 502-514-1650
>> *Email:
>> mstallons@owenelectric.com<mailto:mstallons@owenelectric.com>
>> <image001.jpg>
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>> "One of your goals for the future is for you to identify and solve your own problems. But since you are new, come on up and we'll talk."
>> Source: The One Minute Manager, Page 30.
>>

>>
>>
>> <Cost Shift 020318.xlsx>

From: Debbie Martin <debbiem@shelbyenergy.com>
Sent: Saturday, February 10, 2018 4:55 PM
To: Mark Stallons
Cc: Mike Williams; Carol Wright; Tim Sharp; Joni Hazelrigg; Chris Brewer
Subject: Re: A3 Path Forward

I won't be available on Monday but will be available Tuesday following the board meeting.

Debra J. Martin
President & CEO
Shelby Energy Cooperative
Office: (502) 633- 4163
Fax: (502) 633-2387

On Feb 10, 2018, at 4:33 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

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> I can meet Monday at lunch between Committee Meeting with whoever would like to talk. Meeting Tuesday at Clark after the EKPC board meeting sounds like a very good idea and works with my schedule.
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> Sent from my iPhone
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> > *Debra J. Martin*
> > *President & CEO*
> > *Shelby Energy Cooperative*
> > *Office: (502) 633- 4163*

Fax: (502) 633-2387

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Your thoughts,

Mark

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

From: Mark Stallons

Sent: Wednesday, February 07, 2018 6:11 AM

To: Mike McNalley <Michael.McNalley@ekpc.coop>

Subject: Re: A3 Cost Shift Spreadsheet

Mike,

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

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

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

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

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

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I can talk about the above anytime this morning.

Thanks,

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Sent from my iPhone

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

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

Mike McNalley

EVP & CFO

East Kentucky Power
Cooperative, Inc.

859-745-9209 office

859-595-3897 cell

michael.mcnalley@ekpc.coop<mailto:michael.mcnalley@ekpc.coop>

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8205 Hwy 127N; PO Box 400

Owenton, KY 40359

* Direct Line: 502-563-3500

*Mobile: 502-514-1650

*Email: mstallons@owenelectric.com<mailto:mstallons@owenelectric.com>

<image001.jpg>

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

Source: The One Minute Manager, Page 30.

<Cost Shift 020318.xlsx>

From: Carol Wright <carolwright@jacksonenergy.com>
Sent: Saturday, February 10, 2018 4:53 PM
To: Mark Stallons
Cc: Debbie Martin; Mike Williams; Tim Sharp; Joni Hazelrigg; Chris Brewer
Subject: Re: A3 Path Forward

I will be calling into the BROC meeting on Monday and not be there in person.

I can meet after the EKPC Board meeting Tuesday and I do suggest we meet somewhere other than EKPC.

Carol

Sent from my iPad

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message as well as any attachments. Shelby Energy Cooperative cannot guarantee the security of the transmission and assumes no responsibility for intentional or accidental receipt by a third party.

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