

From: Dennis Holt <dholt@skrecc.com>

Date: November 28, 2017 at 6:19:19 PM CST

To: Bobby Sexton <bsexton@bigsandyrecc.com>, "mikew@bgenergy.com" <mikew@bgenergy.com>, "cbrewer@clarkenergy.com" <cbrewer@clarkenergy.com>, "ted.hampton@cumberlandvalley.coop" <ted.hampton@cumberlandvalley.coop>, "bprather@farmersrecc.com" <bprather@farmersrecc.com>, "jhazelrigg@fme.coop" <jhazelrigg@fme.coop>, "Carol Fraley (carol.fraley@graysonrecc.com)" <carol.fraley@graysonrecc.com>, Jim Jacobus <jim@intercountvenergy.net>, Carol Wright <carolwright@jacksonenergy.com>, "Kerry Howard" <kkhoward@lvrecc.com>, "Mickey Miller (mmiller@nolinrecc.com)" <mmiller@nolinrecc.com>, "Mark Stallons (mstallons@owenelectric.com)" <mstallons@owenelectric.com>, "sharp@srelectric.com" <sharp@srelectric.com>, Debbie Martin <debbiem@shelbyenergy.com>, "Barry Myers (tcrecc.com)" <bmyers@tcrecc.com>

Cc: Tony Campbell <tony.campbell@ekpc.coop>, Don Mosier <Don.Mosier@ekpc.coop>, Mike McNalley <Michael.McNalley@ekpc.coop>, "David Crews" <David.Crews@ekpc.coop>

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

From: Terri Combs <terri.combs@ekpc.coop>

Date: December 29, 2017 at 3:32:17 PM EST

To: "A L Rosenberger" <buddvandcarol@bbtel.com>, Alan Ahrman - Owen <alanahrman@gmail.com>, Barry Myers -- Taylor County <bmyers@tcrecc.com>, Bill Prather -- Farmers <bprather@farmersrecc.com>, Bobby Sexton--Big Sandy <bsexton@bigsandyrecc.com>, Boris Haynes <borish@skrecc.com>, "Carol Fraley -- Grayson" <carol.fraley@graysonrecc.com>, Carol Wright - Jackson Energy <carolwright@jacksonenergy.com>, Chris Brewer - Clark Energy <cbrewer@clarkenergy.com>, Debbie Martin -- Shelby <debbiem@shelbyenergy.com>, Dennis Holt <dennish@skrecc.com>, Elbert Hampton <Ereedhampton@gmail.com>, Jerry Carter <jerry@intercountyenergy.net>, "Jim Jacobus -- Inter-County" <jim@intercountyenergy.net>, "Jimmy Longmire -- Salt River" <jlongmire94@icloud.com>, Jody Hughes <jodyh@bgenergy.com>, "Joe Spalding, Inter-County Energy" <spaldingfarm@windstream.net>, Joni Hazelrigg <jhazelrigg@fme.coop>, Kelly Shepherd <kshpherd@foothills.net>, "Ken Arrington -- Grayson" <karringtonrecc@foothills.net>, "Kerry Howard -- Licking Valley" <kkhoward@lvrecc.com>, Landis Cornett <ekpc@landiscornett.com>, Mark Stallons -- Owen <mstallons@owenelectric.com>, Mickey Miller -- Nolin <mmiller@nolinrecc.com>, Mike Williams -- Blue Grass <mikew@bgenergy.com>, Paul Hawkins -- Farmers <paulcat@scrtc.com>, Raymond Rucker <lakeside47@yahoo.com>, Ted Hampton <ted.hampton@cumberlandvalley.coop>, Ted Holbrook <tedh@mrtc.com>, "Tim Eldridge" <timothy.eldridge@baldwinpcas.com>, Tim Sharp - Salt River Electric <tsharp@srelectric.com>, Wayne Stratton -- Shelby <wayne@jnmcpa.com>, William Shearer -- Clark <wpshearer@bellsouth.net>
Cc: Tony Campbell <tony.campbell@ekpc.coop>, Mike McNalley <Michael.McNalley@ekpc.coop>, Don Mosier <Don.Mosier@ekpc.coop>, David Smart <david.smart@ekpc.coop>

Subject: From Tony Campbell re: Amendment 3 Memo

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
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: David Crews <David.Crews@ekpc.coop>

Date: February 7, 2018 at 4:04:53 PM EST

To: Barry Myers <bmyers@tcrecc.com>, Bill Prather <bprather@farmersrecc.com>, Bobby Sexton <bsexton@bigsandyrecc.com>, Carol Fraley <carol.fraley@graysonrecc.com>, Carol Wright - Jackson Energy <carolwright@jacksonenergy.com>, Chris Brewer - Clark Energy <cbrewer@clarkenergy.com>, Debbie Martin <debbiem@shelbyenergy.com>, "Dennis Holt" <dennish@skrecc.com>, Jerry Carter <jerry@intercountyenergy.net>, "Joni Hazelrigg" <jhazelrigg@fme.coop>, Kerry Howard <kkhoward@lvrecc.com>, "Mark Stallons" <mstallons@owenelectric.com>, Mickey Miller <mmiller@nolinrecc.com>, Mike Williams <mikew@bgenergy.com>, Ted Hampton <ted.hampton@cumberlandvalley.coop>, Tim Sharp - Salt River Electric <tisharp@srelectric.com>

Subject: Amendment 3 Allotment Jan 2018 for distribution.xlsx

This is the spreadsheet updated with notices received today.

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		5% Balance	Pro-rata Share of Balance
	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	3.7	11.1	Big Sandy	5%	3.7	3.7	1.8
Blue Grass	410.9	324.4	382.2	372.5	18.6	Blue Grass	410.9	324.4	382.2	372.8	18.6	55.9	Blue Grass	5%	18.6	18.6	9.2
Clark	154.0	113.6	139.4	135.7	6.8	Clark	154.0	113.6	140.1	135.9	6.8	20.4	Clark	5%	6.8	6.8	3.4
Cumberland Valley	158.3	109.6	141.3	136.4	6.8	Cumberland Valley	158.3	110.0	141.3	136.5	6.8	20.6	Cumberland Valley	5%	6.8	6.8	3.4
Farmers	136.4	115.9	138.4	130.2	6.5	Farmers	136.8	115.9	138.4	130.3	6.5	19.6	Farmers*	5%	6.5	1.9	1.0
Fleming Mason	196.9	166.9	189.1	184.3	9.2	Fleming Mason	198.0	179.7	189.1	188.9	9.4	28.6	Fleming Mason*	5%	9.4	8.0	4.0
Grayson	85.2	57.6	72.7	71.9	3.6	Grayson	85.2	58.3	72.7	72.1	3.6	10.8	Grayson	5%	3.6	3.6	1.8
Inter-County	171.1	134.1	158.6	154.6	7.7	Inter-County	171.1	134.4	158.6	154.7	7.7	23.9	Inter-County	5%	7.7	7.7	3.8
Jackson	325.6	230.2	293.6	283.2	14.2	Jackson	327.7	232.2	293.6	284.5	14.2	42.7	Jackson*	5%	14.2	0.1	0.1
Licking Valley	88.6	58.7	75.0	74.1	3.7	Licking Valley	88.6	60.6	76.6	75.3	3.8	11.1	Licking Valley*	5%	3.8	3.5	1.7
Nolin	211.1	199.1	215.5	208.6	10.4	Nolin	230.4	199.1	216.1	215.2	10.8	32.3	Nolin	5%	10.8	10.8	5.3
Owen	347.4	350.7	423.8	374.0	18.7	Owen	430.9	401.5	447.5	426.6	21.3	64.0	Owen*	5%	21.3	0.0	0.0
Salt River	314.4	262.0	306.4	294.3	14.7	Salt River	316.1	262.0	306.4	294.8	14.7	44.2	Salt River*	5%	14.7	0.0	0.0
Shelby	120.5	99.6	113.9	111.3	5.6	Shelby	120.5	101.6	113.9	112.0	5.6	16.4	Shelby	5%	5.6	5.6	2.8
South Kentucky	458.9	353.4	426.2	412.9	20.6	South Kentucky	458.9	353.4	426.2	412.9	20.6	61.9	South Kentucky*	15%	61.9	3.9	1.9
Taylor	159.4	139.1	157.0	151.8	7.6	Taylor	160.2	139.1	157.0	152.1	7.6	22.8	Taylor	5%	7.6	7.6	3.8
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			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: Dennis Holt <dholt@skrecc.com>
Date: February 12, 2018 at 7:25:24 AM EST
To: "bsexton@bigsandyrecc.com" <bsexton@bigsandyrecc.com>, "Mike Williams (mikew@bgenergy.com)" <mikew@bgenergy.com>, "CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com)" <cbrewer@clarkenergy.com>, "ted.hampton@cumberlandvalley.coop" <ted.hampton@cumberlandvalley.coop>, "jhazelrigg@fme.coop" <jhazelrigg@fme.coop>, "carol.fraley@graysonrecc.com" <carol.fraley@graysonrecc.com>, "jerry@intercountyenergy.net" <jerry@intercountyenergy.net>, "carolwright@jacksonenergy.com" <carolwright@jacksonenergy.com>, "kkhoward@lvrecc.com" <kkhoward@lvrecc.com>, "mmiller@nolinrecc.com" <mmiller@nolinrecc.com>, "debbiem@shelbyenergy.com" <debbiem@shelbyenergy.com>, "bmyers@tcrecc.com" <bmyers@tcrecc.com>, "tony.campbell@ekpc.coop" <tony.campbell@ekpc.coop>, Don Mosier <Don.Mosier@ekpc.coop>, Mike McNalley <Michael.McNalley@ekpc.coop>, "david.crews@ekpc.coop" <david.crews@ekpc.coop>, Mark Stallons <mstallons@owenelectric.com>, Bill Prather <bprather@farmersrecc.net>, "Tim Sharp" <tisharp@srelectric.com>
Subject: EKPC Amendment Three

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



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

From: Mark Stallons <mstallons@owenelectric.com>
Date: February 9, 2018 at 1:44:24 PM EST
To: Bill Prather <bprather@farmersrecc.net>, Tim Sharp <tjsharp@srelectric.com>
Cc: "bsexton@big sandyrecc.com" <bsexton@big sandyrecc.com>, "Mike Williams (mikew@bgenergy.com)" <mikew@bgenergy.com>, "CHRIS BREWER (cbrewer@clarkenergy.com)" <cbrewer@clarkenergy.com>, "ted.hampton@cumberlandvalley.coop" <ted.hampton@cumberlandvalley.coop>, "jhazelrygg@fme.coop" <jhazelrygg@fme.coop>, "carol.fraley@graysonrecc.com" <carol.fraley@graysonrecc.com>, "jerry@intercountyenergy.net" <jerry@intercountyenergy.net>, "carolwright@jacksonenergy.com" <carolwright@jacksonenergy.com>, "kkhoward@lvrecc.com" <kkhoward@lvrecc.com>, "mmiller@nolinrecc.com" <mmiller@nolinrecc.com>, "'Dennis Holt' (dholt@skrecc.com)" <dholt@skrecc.com>, "debbiem@shelbyenergy.com" <debbiem@shelbyenergy.com>, "bmyers@trecc.com" <bmyers@trecc.com>, "tony.campbell@ekpc.coop" <tony.campbell@ekpc.coop>, Don Mosier <Don.Mosier@ekpc.coop>, Mike McNalley <Michael.McNalley@ekpc.coop>, "david.crews@ekpc.coop" <david.crews@ekpc.coop>
Subject: RE: EKPC Amendment Three Notification

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, titled "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 <tjsharp@srelectric.com>
Cc: bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com) <mikew@bgenergy.com>; CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com) <cbrewer@clarkenergy.com>; ted.hampton@cumberlandvalley.coop; jhazelrigg@fme.coop; carol.fraley@graysonrecc.com; jerry@intercountyenergy.net; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; Mark Stallons <mstallons@owenelectric.com>; 'Dennis Holt' (dholt@skrecc.com) <dholt@skrecc.com>; debbiem@shelbyenergy.com; bmyers@tcrecc.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.

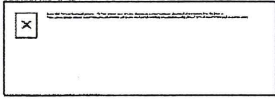
Per Tony Campbell's memo of 1/30/18, Salt River is more than willing to work toward a strategy is more beneficial to all of EKPC's members.

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

Tim Sharp
Salt River Electric

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William T. Prather
President/CEO
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Glasgow, Kentucky 42141
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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	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	\$ (2,056,554.52)	
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	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	280.4	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	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%	14.7	2.0	Y	12.7	0.0	0.0	0.0	0.0	\$ (633,384.41)
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	458.9	353.4	426.2	412.9	20.6	South Kentucky	458.9	353.4	426.2	412.9	20.648	61.9	South Kentucky*	15%	61.9	58.0	N	0.0	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		

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 Date	
Jackson	Irvine LFGTE		1.6	10/2013	
Jackson	Dupree Energy Sys		1.0	3/2015	
Farmers	Federal Mogul DG		3.6	2005	
Farmers	Glasgow LFGTE		1.0	11/2015	
Salt River	Lock 7		2.0	2013	
Owen	Owen Office		2.0	2016	
South Kentucky	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	

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			
<u>EKPC Base Rate</u> <u>Impact</u>	<u>EKPC 2018 Budget</u> <u>(pgA2)</u>	<u>Base Shift</u>	<u>Percent Increase</u>
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%			
<i>Member Owner</i>	<i>2017 Capital Credits</i>	<i>Est. 2017 Member Owner ES Power Bill</i>	<i>ES Cost Increase</i>	<i>Est. 2017 Member Owner Base Rate Power Bill</i>	<i>Base Rate Increase</i>	<i>Base Rate Savings</i>	<i>Net Base Rate Savings (Loss)</i>	<i>Net Member Savings (Loss)</i>
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