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East Kentucky Power
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859-745-9209 office

859-595-3897 cell

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

On Feb 5, 2018, at 5:31 PM,
Mark Stallons
<mstallons@owenelectric.com<<mailto:mstallons@owenelectric.com>>>
wrote:

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What is a good time to call tomorrow?

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President & CEO

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

* Direct Line: 502-563-3500

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<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.

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<Cost Shift 020318.xlsx>

From: Mark Stallons
To: [Debbie Martin](#)
Cc: [Mike Williams](#); [Carol Wright](#); [Tim Sharp](#); [Joni Hazelrigg](#); [Chris Brewer](#)
Subject: Re: A3 Path Forward
Date: Saturday, February 10, 2018 4:33:49 PM

All,

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.

Thanks,

Mark Stallons
Sent from my iPhone

On Feb 10, 2018, at 4:12 PM, Debbie Martin <debbiem@shelbyenergy.com> wrote:

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

I like the suggestion of meeting after we have the EKPC board meeting on Tuesday. Also, if agreeable with the group, Chris's idea of meeting someplace other than EKPC may be good.

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

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

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Subject: Re: A3 Cost Shift Spreadsheet

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To: Mark Stallons
Cc: Carol Wright; Tim Sharp; Joni Hazelrigg; Debbie Martin; Chris Brewer
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Date: Saturday, February 10, 2018 3:50:15 PM

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To: [Mark Stallons](#); [Mike Williams](#); [Carol Wright](#); [Tim Sharp](#); [Joni Hazelrigg](#); [Debbie Martin](#)
Subject: RE: A3 Path Forward
Date: Saturday, February 10, 2018 3:43:55 PM

To All

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Chris

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>>
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>>
>> Here is my simple spreadsheet. What is a good time to call tomorrow?
>>
>> 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<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.
>>
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>>
>> <Cost Shift 020318.xlsx>

From: Mark Stallons
To: Mike Williams; Carol Wright; Tim Sharp; Joni Hazelrigg; Debbie Martin; Chris Brewer
Subject: Fwd: A3 Path Forward
Date: Saturday, February 10, 2018 9:19:35 AM

> 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:
>
> 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 BROCC 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,
>
> 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.
>
> The ES and base rate 2018 EKPC budget numbers by Cooperative is necessary to finish the model. Without that I can not accurately show the impact on a Cooperative basis.
>
> Would also like to see present capacity and energy costs by generating unit for all of EKPC's units compared to market. In addition a range of expected market selling price and revenue, the remaining depreciation and resulting annual regulatory asset cost for each of EKPC's generating assets.
>
> 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.
>
> I found this simple spreadsheet to be a useful tool to educate my board concerning the impact of SKy's actions as well as a means to explain the possible outcomes associated with a variety of mitigation strategies. If we work together, I believe we can develop a more accurate model to educate all stakeholders including the PSC.
>
> I can talk about the above anytime this morning.
>
> Thanks,
>
> Mark
>
>
> Mark Stallons
> Sent from my iPhone
>
>> On Feb 6, 2018, at 5:25 PM, Mike McNalley <Michael.McNalley@ekpc.coop> wrote:
>>
>> Didn't hear from you today but did see a couple of issues. One is the \$20/MWh savings could decline over time if (a) EKPC continues to lower cost, and/or (b) there are any escalators or Re-openers in the contract. So using the first year savings probably overstates it, and the NPVs should be adjusted.
>> 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>
>>
>>
>> On Feb 5, 2018, at 5:31 PM, Mark Stallons
>> <mstallons@owenelectric.com<mailto:mstallons@owenelectric.com>> wrote:
>>
>> Mike,
>>

>> Here is my simple spreadsheet. What is a good time to call tomorrow?

>>

>> 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<<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.

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>> <Cost Shift 020318.xlsx>

From: Mark Stallons
To: Bill Prather; Tim Sharp
Cc: bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com); Chris Brewer; ted.hampton@cumberlandvalley.coop; jhazelrigg@fme.coop; carol.fraley@graysonrecc.com; jerry@intercountyenergy.net; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; "Dennis Holt" (dholt@skrecc.com); debblem@shelbyenergy.com; bmyers@trecc.com; tony.campbell@ekpc.coop; Don Mosier; Mike McNalley; david.crews@ekpc.coop
Subject: RE: EKPC Amendment Three Notification
Date: Friday, February 9, 2018 1:44:28 PM
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, 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@big sandyrecc.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

--

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-Rate 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	371.5	18.6	Blue Grass	410.9	324.4	383.2	371.8	18,941	55.9	Blue Grass	5%	18.6	0.0	N	0.0	18.6	9.5	9.5	\$ (3,287,999.21)
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	\$ (1,149,186.09)
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)
Neelin	211.1	159.1	215.5	208.6	10.4	Neelin	230.4	199.1	215.1	215.2	10,760	33.3	Neelin	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	430.9	401.5	447.5	426.6	21,330	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%	14.7	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	5,999	16.8	Shelby	5%	5.6	0.0	N	0.0	5.6	2.9	2.9	\$ (1,183,148.54)
South Kentucky	458.9	353.4	426.2	412.9	20.6	South Kentucky	458.9	353.4	426.2	412.9	20,943	63.9	South Kentucky*	5%	20.6	89.0	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	

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 LFSTE		1.6	10/2013
Jackson	Dupee Energy Sys		1.0	3/2015
Farmers	Federal Mogul DG		3.6	2005
Farmers	Glasgow LFSTE		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			44.46	
Notified 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	\$ 20.00	17,502,480

Input Savings per MW assumed to \$20

Amendment 3 Impact on EKPC (DRAFT)						
<i>Notice</i>	<i>MW</i>	<i>MWh/Year</i>	<i>ES \$ Shift</i>	<i>ES %</i>	<i>Base \$ Shift</i>	<i>Total \$ Shift</i>
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			
<i>EKPC Base Rate Impact</i>	<i>EKPC 2018 Budget (pgA2)</i>	<i>Base Shift</i>	<i>Percent Increase</i>
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

From: Bill Prather
To: Tim Sharp
Cc: bsexton@bigsandyrecc.com; Mike Williams (mikew@bgenergy.com); Chris Brewer; ted.hampton@cumberlandvalley.coop; jhazelrigg@fme.coop; carol.fraley@graysonrecc.com; jerry@intercountvenergy.net; carolwright@jacksonenergy.com; kkhoward@lvrecc.com; mmiller@nolinrecc.com; Mark Stallons; "Dennis Holt" (dholt@skrecc.com); debbiem@shelbyenergy.com; bmyers@tcrecc.com; tony.campbell@ekpc.coop
Subject: Re: EKPC Amendment Three Notification
Date: Thursday, February 8, 2018 3:53:36 PM

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



From: David Crews
To: [Barry Myers](#); [Bill Prather](#); [Bobby Sexton](#); [Carol Fraley](#); [Carol Wright - Jackson Energy](#); [Chris Brewer](#); [Debbie Martin](#); [Dennis Holt](#); [Jerry Carter](#); [Joni Hazeligg](#); [Kerry Howard](#); [Mark Stallons](#); [Mickey Miller](#); [Mike Williams](#); [Ted Hampton](#); [Tim Sharp - Salt River Electric](#)
Subject: Amendment 3 Allotment Jan 2018 for distribution.xlsx
Date: Wednesday, February 7, 2018 4:04:58 PM
Attachments: [Amendment 3 Allotment Jan 2018 for distribution.xlsx](#)

This is the spreadsheet updated with notices received today.

From: Elaine Johns
To: [Chris Brewer](mailto:Chris.Brewer); [Debbie Martin](mailto:Debbie.Martin); [Joni Hazelrigg](mailto:Joni.Hazelrigg)
Subject: FW: Amendment 3 Allotment Jan 2018 for distribution.xlsx
Date: Wednesday, February 7, 2018 10:06:16 AM
Attachments: [Amendment 3 Allotment Jan 2018 for distribution.xlsx](#)

From: Mark Stallons [<mailto:mstallons@owenelectric.com>]
Sent: Wednesday, February 7, 2018 10:01 AM
To: Elaine Johns <Elaine.Johns@enervision-inc.com>; Tim Sharp <tjsharp@srelectric.com>; Carol Wright <carolwright@jacksonenergy.com>; mikew@bgenergy.com
Subject: FW: Amendment 3 Allotment Jan 2018 for distribution.xlsx

Carol, Tim & Mike;

Here is the latest A3 load allocations including January.

Mark

From: Mike McNalley [<mailto:Michael.McNalley@ekpc.coop>]
Sent: Wednesday, February 07, 2018 9:33 AM
To: Mark Stallons <mstallons@owenelectric.com>
Subject: FW: Amendment 3 Allotment Jan 2018 for distribution.xlsx

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

Mike McNalley
EVP & CFO
East Kentucky Power Cooperative, Inc.
859-745-9209 O
859-595-3897 C
Michael.mcnalley@ekpc.coop

From: Sally Witt
Sent: Tuesday, February 6, 2018 4:51 PM
To: David Crews <David.Crews@ekpc.coop>; Don Mosier <Don.Mosier@ekpc.coop>; Mike McNalley <Michael.McNalley@ekpc.coop>
Cc: Julie Tucker <julie.tucker@ekpc.coop>
Subject: Amendment 3 Allotment Jan 2018 for distribution.xlsx

Attached is an updated version, including Mike's additional column. Please let me know what

changes you have.

Thanks!

Sally

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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		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	383.2	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	20.5	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	28.3	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	23.2	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	11.3	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	16.8	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

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
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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	3.8
Cumberland Valley	158.3	109.6	141.3	136.4	6.8	Cumberland Valley	158.3	110.0	141.3	136.5	6.8	20.5	Cumberland Valley	5%	6.8	6.8	3.8
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	1.1
Fleming Mason	196.9	166.9	189.1	184.3	9.2	Fleming Mason	198.0	179.7	189.1	188.9	9.4	28.3	Fleming Mason*	5%	9.4	8.0	4.5
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	2.0
Inter-County	171.1	134.1	158.6	154.6	7.7	Inter-County	171.1	134.4	158.6	154.7	7.7	23.2	Inter-County	5%	7.7	7.7	4.3
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	11.6	6.5
Licking Valley	88.6	58.7	75.0	74.1	3.7	Licking Valley	88.6	60.6	76.6	75.3	3.8	11.3	Licking Valley	5%	3.8	3.8	2.1
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	6.0
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
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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	4.2
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	#####	161.9		Total		100.6		55.9

* 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.

offsetting

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	Dupres 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

Total Projects	102.6
Not to Exceed 158.5 MW	
Balance	55.9

From: Elaine Johns
To: [Joni Hazelrigg](#)
Cc: [Chris Brewer](#); [Debbie Martin](#)
Subject: Letter of Credit for Mark to Market
Date: Wednesday, February 7, 2018 9:52:07 AM

(copying Chris and Debbie on reply)

Joni – good question. We had discussed this with the original 4 coops back in December, so I’m replying to you 3 to catch you up.

We should expect marketers to require mark to market for long term transactions with fixed pricing. “Long term” is defined by each marketer and their comfort levels. A letter/line of credit specified for this kind of power supply transaction is recommended to keep it separate from your other letter/line of credit. As you can see in the examples, the movement of collateral (thus your line of credit) is at least annual as the total term MWH sales decreases.

Please let me know if you have any questions – thanks,
Elaine

From: Joni Hazelrigg [mailto:jhazelrigg@fme.coop]
Sent: Wednesday, February 7, 2018 8:51 AM
To: Elaine Johns <Elaine.Johns@enervision-inc.com>
Subject: RE: Executed EnerVision Agreement

Thanks.

Question:

Would FME be required to have the letter of credit referred to in the SKRECC filing?

From the testimony filed by Michelle:

“The underlying master letter of credit or line of credit would be considered unsecured debt from South Kentucky’s lenders. It is the cooperative’s intention to maintain the master letter of credit or the line of credit for the duration of the twenty (20) year contract with Morgan Stanley Capital Group. The cost of maintaining the line of credit or the master letter of credit is still being investigated, but it is not expected to significantly diminish the total value of the deal to South Kentucky and is merely one of the costs associated with the proposed transactions.”

Since FME’s contract would be for substantially less – just wondering if that would still be required.

Joni

Joni Hazelrigg, President & CEO
Fleming-Mason Energy Cooperative, Inc.

P. O. Box 328 1449 Elizaville Rd.
Flemingsburg, KY 41041
O: 606.845.2661 C: 606.782.4526 F: 606.845.1008



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From: Carol Wright
To: Mark Stallons
Cc: Elaine Johns; mikew@bgenergy.com; Tim Sharp; Joni Hazelrigg; Debbie Martin; Chris Brewer; Jim Crawford; Missy Moore
Subject: Re: EKPC A3 Notice
Date: Wednesday, February 7, 2018 8:54:29 AM

I don't have one, please ask for one. My Board meeting starts at 9:30am.

Thanks,

Carol

Sent from my iPad

On Feb 7, 2018, at 8:48 AM, Mark Stallons <mstallons@owenelectric.com> wrote:

Elaine,

I received the update from a phone call and have not received an email copy yet. Does anyone else have the February updated A# allocation spreadsheet? If not, I will ask David to forward and send to everyone.

Mark

From: Elaine Johns [mailto:Elaine.Johns@enervision-inc.com]
Sent: Tuesday, February 06, 2018 12:12 PM
To: Mark Stallons <mstallons@owenelectric.com>
Cc: mikew@bgenergy.com; Tim Sharp <tsharp@srelectric.com>; Carol Wright <carolwright@jacksonenergy.com>; Joni Hazelrigg <jhazelrigg@fme.coop>; Debbie Martin <debbiem@shelbyenergy.com>; CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com) <cbrewer@clarkenergy.com>; Jim Crawford <JCrawford@cbkylaw.com>; Missy Moore <mmoore@owenelectric.com>
Subject: Re: EKPC A3 Notice

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Ok, can you please send the latest and greatest A3 Allotment spreadsheet?

Thanks!

Sent from my iPhone

On Feb 6, 2018, at 12:09 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

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

<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.

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<Letter of Notice -Final.docx>

From: Elaine Johns
To: Mark Stallons
Cc: mikew@bgenergy.com; Tim Sharp; Carol Wright; Joni Hazelrigg; Debbie Martin; Chris Brewer; Jim Crawford; Missy Moore
Subject: RE: EKPC A3 Notice
Date: Tuesday, February 6, 2018 12:51:19 PM

1. Yes, this language is consistent with our RFP requirements:

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

2. Making sure that you have documentation that backs your 18.9MW number – please get Sally's spreadsheet to confirm your MWs. Second alternative (but not ideal) is to document your phone call with David Crews when he provided you with 18.9MW for Owen.

Tim, I'm assuming EKPC has asked you to revise your notice with the specific MWs?

Thanks,
Elaine

From: Mark Stallons [mailto:mstallons@owenelectric.com]
Sent: Tuesday, February 6, 2018 12:09 PM
To: Elaine Johns <Elaine.Johns@enervision-inc.com>
Cc: mikew@bgenergy.com; Tim Sharp <tjsharp@srelectric.com>; Carol Wright <carolwright@jacksonenergy.com>; Joni Hazelrigg <jhazelrigg@fme.coop>; Debbie Martin <debbiem@shelbyenergy.com>; CHRIS BREWER (cbrewer@clarkenergy.com) (cbrewer@clarkenergy.com) <cbrewer@clarkenergy.com>; Jim Crawford <JCrawford@cbkylaw.com>; Missy Moore <mmoore@owenelectric.com>
Subject: EKPC A3 Notice

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,

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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



"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.

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[Forget previous vote](#)

From: Mark Stallons
To: Elaine Johns
Cc: mikew@bgenergy.com; [Tim Sharp](mailto:Tim.Sharp); [Carol Wright](mailto:Carol.Wright); [Joni Hazelrigg](mailto:Joni.Hazelrigg); [Debbie Martin](mailto:Debbie.Martin); [Chris Brewer](mailto:Chris.Brewer); [Jim Crawford](mailto:Jim.Crawford); [Missy Moore](mailto:Missy.Moore)
Subject: RE: EKPC A3 Notice
Date: Tuesday, February 6, 2018 12:16:04 PM

Elaine,

I received the update from a phone call and have not received an email copy yet. Does anyone else have the February updated A# allocation spreadsheet? If not, I will ask David to forward and send to everyone.

Mark

From: Elaine Johns [mailto:Elaine.Johns@enervision-inc.com]
Sent: Tuesday, February 06, 2018 12:12 PM
To: Mark Stallons <mstallons@owenelectric.com>
Cc: mikew@bgenergy.com; [Tim Sharp <tjsharp@srelectric.com>](mailto:Tim.Sharp@srelectric.com); [Carol Wright <carolwright@jacksonenergy.com>](mailto:Carol.Wright@jacksonenergy.com); [Joni Hazelrigg <jhazelrigg@fme.coop>](mailto:Joni.Hazelrigg@fme.coop); [Debbie Martin <debbiem@shelbyenergy.com>](mailto:Debbie.Martin@shelbyenergy.com); [CHRIS BREWER \(cbrewer@clarkenergy.com\) <cbrewer@clarkenergy.com>](mailto:CHRIS.BREWER@clarkenergy.com); [Jim Crawford <JCrawford@cbkylaw.com>](mailto:Jim.Crawford@cbkylaw.com); [Missy Moore <mmoore@owenelectric.com>](mailto:Missy.Moore@owenelectric.com)
Subject: Re: EKPC A3 Notice

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On Feb 6, 2018, at 12:09 PM, Mark Stallons <mstallons@owenelectric.com> wrote:

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

<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.

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<Letter of Notice -Final.docx>

From: Mark Stallons
To: Elaine.Johns@enervision-inc.com
Cc: mikew@bgenenergy.com; Tim Sharp; Carol Wright; Joni Hazelrigg; Debbie Martin; Chris Brewer; Jim Crawford; Missy Moore
Subject: EKPC A3 Notice
Date: Tuesday, February 6, 2018 12:09:28 PM
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,

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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 Contract 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: Elaine Johns
To: mstallons@owenelectric.com; [Tim Sharp](#); [Carol Wright](#); mikew@bgenergy.com; [Chris Brewer](#); [Debbie Martin](#); [Jonl Hazelrigg](#)
Cc: [Mary Ellen Cole](#); [Barry Birkett](#)
Subject: Mark to Market Examples
Date: Tuesday, February 6, 2018 7:54:04 AM
Attachments: [Mark to Market Examples for Kentucky Group 02 2018.xlsx](#)

All, we have put together 3 examples on how mark to market works. Please note Example #3 – we discuss a concept of credit threshold which is a component negotiated in mark to market transactions. The goal is to have a credit threshold high enough so that a mark is not triggered.

Note: the print paper is set to 11x17 so it's all on one page!

Please let me know if you'd like to discuss further. Thanks,
Elaine

Elaine Johns President/CEO
T (678) 510-2910 | C (678) 910-1122 | (888) 999-8840
elaine.johns@enervision-inc.com | www.enervision-inc.com

ENERVISION® 4170 Ashford Dunwoody Road | Suite 550 | Atlanta, GA 30319

Look for us in Booth #1518 at the NRECA Tech-Advantage Conference & Expo in Nashville, TN Feb. 26th-28th, 2018!

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From: Mark Stallons
To: mikew@bgenegy.com; [Tim Sharp](#); [Carol Wright](#); [Joni Hazelrigg](#); [Debbie Martin](#); [Chris Brewer](#)
Cc: [Mark Stallons](#); [Rusty Williams](#); [April Brown](#); [Judy Osborne](#)
Subject: Amendment 3 Cost Impact
Date: Monday, February 5, 2018 10:59:32 AM
Attachments: [Cost Shift All IN 020318.xlsx](#)

Kentucky Group,

Attached please find an excel model to understand the cost impacts and shifts associated with giving Amendment 3 notice. To use the model please complete the following:

1. Note that on the A3 Savings tab cell E2 it has a zero (0) entered to date meaning that no coops other than SKY have exercised their Amendment 3 option. You can change the number to 7 to see the impact of the Kentucky Group or you can change the number to 15 and see the impact of all the cooperatives using the remaining allotment.
2. Note that the Allotment tab includes Sally Witt's load data up through October 31, 2017. When January 2018 numbers are available this week I will update this tab.
3. Note on the Cost Shift tab, please add your 2018 Environmental Surcharge power budget in column titled the same and also add your Base Rate 2018 Budget number in the column titled the same. This will allow you to see the cost impact on your cooperative for all three cases discussed above.

Please add your cooperative data and reply to all of us. Please review and vet the model from an accuracy stand point. I welcome your gentle corrections. I suggest we share this or a similar tool with EKPC to aide our discussions at EKPC next week.

Thanks,

Mark

Mark A. Stallons
President & CEO

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

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EKPC A3 Allotments, Based on Data Through October 2017 (per Sally Witt)													
Owner-Member Cooperative	EKPC CP (MW) for Month of			Average	Load Ratio Share of the 5% Cap	15% Election	5% Election	Existing Projects	Noticed Projects	Remaining MW Share	All In	RFP Election	Percent
	Feb. 2015	Jan. 2016	Jan. 2017										
Blue Grass	410.92	315.86	324.44	350.40	17.52	53.37	17.80	0.00	0.00	17.80	11.33	11.30	63.48%
Owen	347.37	313.05	350.69	337.03	16.85	61.71	20.60	2.00	0.00	18.60	11.84	11.80	63.44%
Salt River	314.39	248.65	262.00	275.01	13.75	41.79	13.90	2.00	0.00	11.90	7.57	7.60	63.87%
Jackson	325.61	241.36	230.23	265.73	13.29	40.06	13.40	2.60	2.64	8.16	5.19	5.10	62.50%
Nolin	211.10	188.12	199.11	199.44	9.97	31.08	10.40	0.00	0.00	10.40	6.62	6.60	63.46%
Fleming Mason	196.87	179.19	166.89	180.98	9.05	27.41	9.10	0.00	0.00	9.10	5.79	5.80	63.74%
Inter-County	171.14	126.10	134.05	143.76	7.19	21.83	7.30	0.00	0.00	7.30	4.65	4.60	63.01%
Taylor	159.42	126.55	139.07	141.68	7.08	21.36	7.10	0.00	0.00	7.10	4.52	4.50	63.38%
Cumberland Valley	158.27	120.75	109.65	129.55	6.48	19.45	6.50	0.00	0.00	6.50	4.14	4.10	63.08%
Clark	153.99	114.84	113.62	127.48	6.37	19.14	6.40	0.00	0.00	6.40	4.07	4.00	62.50%
Shelby	120.51	102.00	99.56	107.35	5.37	16.27	5.40	0.00	0.00	5.40	3.44	3.40	62.96%
Big Sandy	89.48	64.77	56.94	70.40	3.52	10.65	3.50	0.00	0.00	3.50	2.23	2.20	62.86%
Licking Valley	88.57	62.72	58.66	69.98	3.50	10.64	3.50	0.00	0.00	3.50	2.23	2.20	62.86%
Grayson	85.17	62.79	57.65	68.53	3.43	10.30	3.40	0.00	0.00	3.40	2.16	2.10	61.76%
Farmers	136.36	120.49	115.85	124.23	6.21	18.81	6.30	4.60	0.00	1.70	1.08	1.00	58.82%
South Kentucky	458.91	352.24	353.44	388.20	19.41	58.46	19.50	0.00	58.00	0.46	0.00	0.00	
Total	3428.06	2739.47	2771.82	2979.79	148.99	462.32	154.10	11.20	60.64	121.22	76.86	76.30	
										Remaining Notice Amount		77.15	

Noticed Projects				
Owner-Member	Project	MW	Delivery Date	
Jackson	Irvine LFGTE	1.60	10/2013	
Jackson	Dupree Energy Sys	1.00	3/2015	
Farmers	Federal Mogul DG	3.60	2005	
Farmers	Glasgow LFGTE	1.00	11/2015	
Salt River	Lock 7	2.00	2013	
Owen	Bromley DG Unit	2.00	2016	
South Kentucky	PPA	58.00	6/2019	
Jackson	Hydro	2.64	1/2019	Not yet Noticed
Total Projects		71.84		

Amendment 3 Impact on EKPC (DRAFT)							
<i>Notice</i>	<i>MW</i>	<i>MWh/Year</i>	<i>ES \$ Shift</i>	<i>ES %</i>	<i>Base \$ Shift</i>	<i>Total \$ Shift</i>	
South Kentucky	58.0	508,080	\$ 4,100,000.00	100.00%	\$ 13,000,000.00	\$ 17,100,000.00	
Blue Grass	0.0	-	\$ -	0.00%	\$ -	\$ -	
Owen	0.0	-	\$ -	0.00%	\$ -	\$ -	
Salt River	0.0	-	\$ -	0.00%	\$ -	\$ -	
Jackson	0.0	-	\$ -	0.00%	\$ -	\$ -	
Nolin	0.0	-	\$ -	0.00%	\$ -	\$ -	
Fleming Mason	0.0	-	\$ -	0.00%	\$ -	\$ -	
Inter-County	0.0	-	\$ -	0.00%	\$ -	\$ -	
Taylor	0.0	-	\$ -	0.00%	\$ -	\$ -	
Cumberland Valley	0.0	-	\$ -	0.00%	\$ -	\$ -	
Clark	0.0	-	\$ -	0.00%	\$ -	\$ -	
Shelby	0.0	-	\$ -	0.00%	\$ -	\$ -	
Big Sandy	0.0	-	\$ -	0.00%	\$ -	\$ -	
Licking Valley	0.0	-	\$ -	0.00%	\$ -	\$ -	
Grayson	0.0	-	\$ -	0.00%	\$ -	\$ -	
Farmers	0.0	-	\$ -	0.00%	\$ -	\$ -	
Member Owner Total	58.0	508,080	\$ 4,100,000.00		\$ 13,000,000.00	\$ 17,100,000.00	
EKPC 2018 Budget	29,194	13,534,101	EKPC Pass Thru		EKPC Rate Increase		

Cost Shift Percentages				
<i>EKPC Base Rate Impact</i>	<i>EKPC 2018 Budget (pgA2)</i>	<i>Base Shift</i>	<i>Percent Increase</i>	<i>SKY Alone</i>
Base Rate	\$ 777,941,988.00	\$ 13,000,000.00	1.67%	1.67%
EKPC ES Revenue	\$ 109,603,865.00	\$ 4,100,000.00	3.74%	3.74%