

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>AN ELECTRONIC EXAMINATION BY THE PUBLIC</b>	)	
<b>SERVICE COMMISSION OF THE</b>	)	
<b>ENVIRONMENTAL SURCHARGE MECHANISM</b>	)	
<b>OF EAST KENTUCKY POWER COOPERATIVE,</b>	)	<b>CASE NO.</b>
<b>INC. FOR THE TWO-YEAR EXPENSE PERIOD</b>	)	<b>2019-00380</b>
<b>ENDING MAY 31, 2019, AND THE PASS-</b>	)	
<b>THROUGH MECHANISM OF ITS SIXTEEN</b>	)	
<b>MEMBER DISTRIBUTION COOPERATIVES</b>	)	

**DIRECT TESTIMONY OF ISAAC S. SCOTT**  
**ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.**

**Filed: December 20, 2019**

1 **Q. Please state your name, business address, and occupation.**

2 A. My name is Isaac S. Scott and my business address is East Kentucky Power Cooperative,  
3 Inc. (“EKPC”), 4775 Lexington Road, Winchester, Kentucky 40391. I am the Manager of  
4 Pricing for EKPC.

5 **Q. Please state your education and professional experience.**

6 A. I received a B.S. degree in Accounting, with distinction, from the University of Kentucky  
7 in 1979. After graduation I was employed by the Kentucky Auditor of Public Accounts,  
8 where I performed audits of numerous state agencies. In December 1985, I transferred to  
9 the Kentucky Public Service Commission (“Commission”) as a public utilities financial  
10 analyst, concentrating on the electric and natural gas industries. In August 2001, I became  
11 manager of the Electric and Gas Revenue Requirements Branch in the Division of Financial  
12 Analysis at the Commission. In this position, I supervised the preparation of revenue  
13 requirement determinations for electric and natural gas utilities as well as determined the  
14 revenue requirements for the major electric and natural gas utilities in Kentucky. I retired  
15 from the Commission effective August 1, 2008. In November 2008, I became the Manager  
16 of Pricing at EKPC.

17 **Q. Please provide a brief description of your duties at EKPC.**

18 A. As Manager of Pricing, I am responsible for rate-making activities which include designing  
19 and developing wholesale and retail electric rates and developing pricing concepts and  
20 methodologies. I report directly to the Director of Regulatory and Compliance Services.

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to address the following topics:

- 1 • Describe how EKPC and its Member Cooperatives have applied the environmental  
2 surcharge mechanism and the pass through mechanism in a reasonable manner during  
3 the period under review;
- 4 • Propose updating the rate of return used in the environmental surcharge calculation;
- 5 • Propose a change in the pass-through mechanism for three of the Member  
6 Cooperatives; and
- 7 • Discuss EKPC and its Member Cooperatives' position concerning a roll-in of the  
8 environmental surcharge into EKPC's wholesale base rates.

9 **Q. Is EKPC preparing testimony and responding to data requests on behalf of its**  
10 **Member Cooperatives?**

11 A. Pursuant to the Commission's November 15, 2019 Order, EKPC is preparing testimony on  
12 behalf of each Member Cooperative. The Member Cooperatives are: Big Sandy Rural  
13 Electric Cooperative Corporation ("RECC"), Blue Grass Energy Cooperative Corporation,  
14 Clark Energy Cooperative, Inc., Cumberland Valley Electric, Inc., Farmers RECC,  
15 Fleming-Mason Energy Cooperative ("Fleming-Mason"), Grayson RECC, Inter-County  
16 Energy Cooperative Corporation ("Inter-County"), Jackson Energy Cooperative, Licking  
17 Valley RECC, Nolin RECC ("Nolin"), Owen Electric Cooperative ("Owen"), Salt River  
18 Electric Cooperative Corporation, Shelby Energy Cooperative, Inc. ("Shelby"), South  
19 Kentucky RECC, and Taylor County RECC. EKPC is also providing Response 2 to the  
20 Commission Staff's First Request for Information ("Staff's First Request").

21 **Q. Have other EKPC representatives provided responses to Commission Staff's First**  
22 **Request for Information in this proceeding?**

23 A. Yes. Mark Horn, Manager of Fuel and Emissions, has provided emission allowance  
24 information in Response 3 to the Staff's First Request. Thomas Stachnik, Vice President

1 – Finance and Treasurer, has provided the debt and average interest rate information in  
2 Response 5 to the Staff’s First Request.

3 **Q. Previous Commission Orders required EKPC to incorporate certain provisions into**  
4 **the calculation of the monthly environmental surcharge factors. Please comment on**  
5 **how EKPC has addressed the most significant aspects of these Orders during the**  
6 **periods under review.**

7 A. A brief description of each component of the environmental surcharge calculation, applied  
8 consistently with Commission Orders, is discussed below.

9 • **Compliance Plan Projects**

10 As of the end of the two-year review period, EKPC has 26 projects in its Environmental  
11 Compliance Plan. These projects were approved by the Commission in Case Nos.  
12 2004-00321,<sup>1</sup> 2008-00115,<sup>2</sup> 2010-00083,<sup>3</sup> 2013-00259,<sup>4</sup> 2014-00252,<sup>5</sup> 2017-00376,<sup>6</sup>

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<sup>1</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Environmental Compliance Plan and Authority to Implement an Environmental Surcharge*, Order, Case No. 2004-00321, (Ky. P.S.C., Mar. 17, 2005).

<sup>2</sup> See *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Approval of an Amendment to Its Environmental Compliance Plan and Environmental Surcharge*, Order, Case No. 2008-00115, (Ky. P.S.C., Sep. 29, 2008).

<sup>3</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval of an Amendment to Its Environmental Compliance Plan and Environmental Surcharge*, Order, Case No. 2010-00083, (Ky. P.S.C., Sep. 24, 2010).

<sup>4</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for Alteration of Certain Equipment at the Cooper Station and Approval of a Compliance Plan Amendment for Environmental Surcharge Cost Recovery*, Order, Case No. 2013-00259, (Ky. P.S.C., Feb. 20, 2014).

<sup>5</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for construction of an Ash Landfill at J.K. Smith Station, the Removal of Impounded Ash from William C. Dale Station for Transport to J.K. Smith and Approval of a Compliance Plan Amendment for Environmental Surcharge Recovery*, Order, Case No. 2014-00252, (Ky. P.S.C., Mar. 6, 2015).

<sup>6</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval to Amend Its Environmental Compliance Plan and Recover Costs Pursuant to Its Environmental Surcharge, Settlement of Certain Asset Retirement Obligations and Issuance of a Certificate of Public Convenience and Necessity and Other Relief*, Order, Case No. 2017-00376, (Ky. P.S.C., May 18, 2018).

1 and 2018-00270.<sup>7</sup> In conjunction with the establishment of a regulatory asset for the  
2 undepreciated balance of the William C. Dale Generating Station assets that were being  
3 retired early, EKPC was required in Case No. 2015-00302<sup>8</sup> to remove Project 5, Dale  
4 Low Nitrogen Oxide Burners, and Project 10, Dale Continuous Monitoring Equipment,  
5 from the environmental surcharge. The monthly environmental surcharge reports,  
6 incorporated by reference in this case, show the capital costs for the remaining projects.

7 • **Base/Current Method**

8 The surcharge mechanism, as shown in EKPC’s Rate ES – Environmental Surcharge,  
9 reflects the base/current method through the formula  $MESF = CESF - BESF$ .<sup>9</sup> As  
10 shown in Response 1 to the Staff’s First Request, EKPC’s BESF is 0%.

11 • **Actual Emission Allowance Expense**

12 EKPC included only actual sulfur dioxide (“SO<sub>2</sub>”) and nitrogen oxide (“NO<sub>x</sub>”)  
13 emission allowance expense in the monthly filings.

14 • **Return on Emission Allowance Inventory and Limestone Inventory**

15 EKPC has included a return on all environmental surcharge assets, including emission  
16 allowances. This is addressed in Response 3 to the Staff’s First Request. EKPC has  
17 also included a return on its limestone inventory.

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<sup>7</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for Approval to Amend Its Environmental Compliance Plan and Recover Costs Pursuant to Its Environmental Surcharge, and for the Issuance of a Certificate of Public Convenience and Necessity*, Order, Case No. 2018-00270, (Ky. P.S.C., Apr 1, 2019).

<sup>8</sup> See *In the Matter of Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Undepreciated Balance of the William C. Dale Generating Station*, Order, Case No. 2015-00302, (Ky. P.S.C. Feb. 11, 2016). Projects 5 and 10 were originally approved as part of EKPC’s environmental compliance plan and eligible for surcharge recovery in Case No. 2008-00115.

<sup>9</sup> MESF is the Monthly Environmental Surcharge Factor; CESF is the Current Environmental Surcharge Factor; and BESF is the Base Environmental Surcharge Factor.

1 EKPC's emission allowance inventories for SO<sub>2</sub> and NO<sub>x</sub> reflect operations under the  
2 Cross-State Air Pollution Rules ("CSAPR") along with a continuation of the Acid Rain  
3 program. Under CSAPR, SO<sub>2</sub> and NO<sub>x</sub> allowances are awarded annually with carry-  
4 forward of unused balances from prior years. The allowances allocated to EKPC by  
5 the Environmental Protection Agency ("EPA") under CSAPR have a dollar value of  
6 \$0, which is consistent with the valuation afforded EPA allocated allowances under  
7 prior programs. EKPC's SO<sub>2</sub> inventory as of the end of the review period reflects the  
8 allowances remaining from the Acid Rain program. The NO<sub>x</sub> inventory as of the end  
9 of the review period has a \$0 balance as all the allowances were issued under CSAPR.

10 • **Return on Construction Work in Progress ("CWIP"), Net of Allowance for Funds**  
11 **Used During Construction**

12 As approved in Case No. 2008-00115, EKPC has included a return on CWIP during  
13 the period under review.

14 • **Rate of Return**

15 Four rates of return were in effect during the periods under review. For the expense  
16 months of June through November 2017, the rate of return was 6.068%, which was  
17 approved by the Commission in Case No. 2017-00071.<sup>10</sup> For the expense months of  
18 December 2017 through June 2018, the rate of return was 6.075%, which was approved  
19 by the Commission in Case No. 2017-00326.<sup>11</sup> For the expense months of July through

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<sup>10</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2016 and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2017-00071, (Ky. P.S.C., Jul. 7, 2017).

<sup>11</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Two-Year Billing Period Ending June 30, 2017 and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2017-00326, (Ky. P.S.C., Jan. 5, 2018).

1 December 2018, the rate of return was 6.023%, which was approved by the  
2 Commission in Case No. 2018-00075.<sup>12</sup> For the expense months of January through  
3 May 2019, the rate of return was 6.032%, which was approved by the Commission in  
4 Case No. 2018-00306.<sup>13</sup> In each case, the Commission approved EKPC's request to  
5 incorporate a Times Interest Earned Ratio ("TIER") of 1.50 in the determination of the  
6 rate of return.

7 EKPC's rate of return on environmental compliance rate base is determined by  
8 multiplying the weighted average debt cost for the debt issuances directly related to  
9 projects in the approved compliance plan times a stated TIER. The rate of return on  
10 the environmental compliance rate base is updated to reflect current average debt cost  
11 at the conclusion of the six-month and two-year surcharge reviews.<sup>14</sup> The use of debt  
12 costs is based on the fact that all of EKPC's environmental compliance investments are  
13 financed with long-term debt.<sup>15</sup> The use of a 1.50 TIER was first approved by the  
14 Commission in Case No. 2011-00032.<sup>16</sup> This rate-making methodology is different

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<sup>12</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2017, and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2018-00075, (Ky. P.S.C., Jul. 23, 2018).

<sup>13</sup> See *In the Matter of an Electronic Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Expense Period Ending May 31, 2018, and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2018-00306, (Ky. P.S.C., Jan. 29, 2019).

<sup>14</sup> The determination of the rate of return was a provision in the settlement agreement filed in Case No. 2004-00321, which the Commission approved in ordering paragraph 4 of the March 17, 2005 Order authorizing an environmental surcharge for EKPC.

<sup>15</sup> Many of EKPC's environmental compliance investments are initially funded through existing general funds or short-term debt; however, these forms of financing are later replaced by long-term debt.

<sup>16</sup> See *In the Matter of An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2010; and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2011-00032, (Ky. P.S.C., Aug. 2, 2011). EKPC requested authority to use the 1.50 TIER as it was consistent with the TIER authorized by the Commission in EKPC's last base rate case, Case No. 2010-00167. The Commission found the request reasonable and approved the use of the 1.50 TIER.

1 from that employed by investor-owned utilities. The rate of return for the  
2 environmental compliance rate base for investor-owned utilities reflects a weighted  
3 average cost of capital approach. The weighted average cost of capital reflects the  
4 blended interest rates for the investor-owned utilities' long-term and short-term debt  
5 and a return on the common equity. The weighted average cost of capital is then  
6 "grossed up" for income taxes. Consequently, the rate of return for the investor-owned  
7 utilities is higher than the rate of return proposed by or authorized for EKPC.<sup>17</sup>

8 When determining a reasonable TIER for the environmental surcharge rate of return,  
9 consideration first must be given to the Debt Service Coverage Ratio ("DSC"), which  
10 is EKPC's critical financial metric. This metric evaluates EKPC's ability to service  
11 principal and interest payments and thus is more relevant to lenders than TIER, which  
12 only considers interest payment. The two metrics can be related in that the margin  
13 required to achieve an acceptable DSC implies a TIER level.

14 EKPC's target annual DSC range is set forth in Board Policy 203, which states, "The  
15 Debt Service Coverage Ratio (DSC) is a financial measurement of EKPC's ability to  
16 repay its long-term debt and is computed as depreciation plus interest on long-term debt  
17 plus net margins divided by interest on long-term debt plus scheduled principal  
18 payments. EKPC shall strive to maintain an average DSC of at least 1.25 for two of  
19 every three successive years and not less than a DSC of 1.10 in any given year. DSC  
20 above 1.30 is preferred."

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<sup>17</sup> See *In the Matter of Electronic Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Period Ending October 31, 2016*, Order, Case No. 2016-00437 (Ky. P.S.C., Jun. 23, 2017). Utilizing the weighted average cost of capital approach with a gross up for income taxes, the Commission authorized a rate of return for the Kentucky Utilities Company of 10.35%.

1 Further, the credit rating agencies, Fitch Ratings (“Fitch”) and Standard & Poor’s  
2 (“S&P”), both prefer high DSC ratios to support EKPC’s BBB+ Stable and A Stable  
3 credit ratings respectively, which in turn result in lower cost of borrowings. In its  
4 October 2015 report on EKPC, Fitch had set a DSC of 1.25 as a threshold that would  
5 support EKPC’s upgrade to A-, which occurred in October 2016. The median DSC for  
6 A- rated Generation and Transmission Cooperatives as of Fitch’s June 15, 2018 Public  
7 Power Peer Study was 1.30. Fitch has implemented a new rating methodology which  
8 focuses more on Net Debt divided by Funds Available for Debt Service (“FADS”)<sup>18</sup>  
9 than DSC which is FADS divided by Debt Service. Since Debt Service is correlated  
10 to Net Debt, these measures are similar. While EKPC was downgraded to BBB+ on  
11 June 7, 2019 due to Fitch’s new expectations set for this ratio, EKPC would expect that  
12 maintaining its current DSC targets would result in an upgrade back to A- within the  
13 next two to three years. S&P does not publish medians for ratings because its ratings  
14 are based on several factors. However, S&P has repeatedly praised EKPC’s DSC ratio  
15 being at or above 1.25. Most recently, in the October 29, 2019 report which affirmed  
16 EKPC’s A rating, S&P highlighted as a credit strength that EKPC’s DSC was  
17 approximately 1.30 from 2014-2018. Moody’s, which does not rate EKPC, targets a  
18 DSC of 1.2 – 1.4 for “A” rated companies.

19 Based on the Board Policy and Rating Agency input, EKPC management targets a DSC  
20 ratio of 1.30 each year. This target recognizes that the DSC will vary each year as its  
21 components vary (for example, mild weather would result in lower margins and a lower  
22 DSC) and thus allows for some decline without crossing the 1.25 threshold discussed

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<sup>18</sup> FADS is calculated as Margin plus Interest Expense plus Depreciation and Amortization Expenses.

1 above. An actual DSC below this level, and forecasted to remain low, would be a  
2 primary indicator of the need for a base rate increase.

3 EKPC's achieved DSC and TIER<sup>19</sup> were as follows for calendar years 2014 through  
4 2018:

Calendar Year Ending	DSC	TIER
December 31, 2014	1.30	1.56
December 31, 2015	1.26	1.44
December 31, 2016	1.33	1.48
December 31, 2017	1.26	1.19
December 31, 2018	1.33	1.35
Five-Year Averages	1.30	1.40

5  
6 Note that because interest expense and depreciation change from year to year, the  
7 relationship between DSC and TIER is not locked in but should be recalculated. That  
8 is, a DSC of 1.30 will not always imply a TIER of 1.50. Because DSC is the critical  
9 metric, but not the only metric, for credit evaluation and financial performance, EKPC  
10 will strive to maintain the DSC near target and adjust the TIER accordingly over time.  
11 Based upon the foregoing, EKPC proposes no change to the TIER component of the  
12 rate of return. EKPC is proposing a rate of return of 5.975% in this proceeding, as  
13 shown in Response 5 to the Staff's First Request. EKPC's proposed rate of return is  
14 consistent with the Settlement Agreement approved in Case No. 2004-00321, which  
15 provided that the rate of return on compliance-related capital expenditures would be  
16 updated to reflect current average debt cost as of the end of each six-month review  
17 period.

18 **• Operation and Maintenance (“O&M”) Expenses**

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<sup>19</sup> DSC is calculated by dividing the sum of depreciation, interest expense, and net margins by the sum of interest expense and principal payments. TIER is calculated by dividing the sum of interest expense and net margins by interest expense.

1 EKPC has continued to use a 12-month rolling average for O&M expenses associated  
2 with the compliance plan projects. For those instances where the change in the level  
3 of O&M expenses exceeded 10 percent, EKPC has provided an explanation. These  
4 explanations are provided in Response 4 to the Staff's First Request.

5 **Q. Were the environmental-related amounts included in the monthly surcharge**  
6 **calculation based on booked costs?**

7 A. Yes. EKPC continues to use the amounts booked for the various cost categories included  
8 in the surcharge calculation and these costs were actual costs and incurred in a prudent  
9 manner.

10 **Q. Did EKPC incur any over- or under-recoveries during the period under review?**

11 A. Yes. However, as shown in Response 1 to the Staff's First Request, EKPC applied its May  
12 2019 under-recovery to the June 2019 expense month, which was billed in July 2019. Thus,  
13 from the normal operation of the surcharge mechanism, no adjustment is needed in this  
14 proceeding to collect any under-recovery from the Member Cooperatives.

15 **Q. Previous Commission Orders also required EKPC's Member Cooperatives to**  
16 **incorporate certain provisions into the calculation of the monthly pass-through**  
17 **factors. Please comment on how the Member Cooperatives have addressed the most**  
18 **significant aspects of these Orders during the periods under review.**

19 A. Under the pass-through mechanism, the environmental surcharge factors computed for  
20 retail customers were billed by EKPC's Member Cooperatives at approximately the same  
21 time as EKPC billed the Member Cooperatives at wholesale. The calculation of the  
22 monthly factors for each Member Cooperative was provided in the monthly reports filed  
23 with the Commission. EKPC and the Member Cooperatives adhered to these and all other  
24 requirements and provisions of the Commission's Orders for the periods under review.

1 **Q. Did the Member Cooperatives incur any over- or under-recoveries during the review**  
2 **period?**

3 A. Yes. The over- or under-recovery amounts for each Member Cooperative are shown in  
4 Response 2 to the Staff's First Request. The determination of the over- or under-recovery  
5 amounts has been prepared utilizing the revised methodology approved by the Commission  
6 in Case No. 2015-00281.<sup>20</sup>

7 This is the second two-year review since the adoption of the revised methodology approved  
8 in Case No. 2015-00281. Request 2 directs EKPC and the Member Cooperatives to prepare  
9 a summary schedule showing the Member Cooperative's pass-through revenue  
10 requirement for the months corresponding with the two-year review. In the previous two-  
11 year review, Case No. 2017-00326, EKPC provided Excel spreadsheets for each Member  
12 Cooperative that include four "tabs". The first three tabs provided the six-month schedules  
13 filed in the previous surcharge review cases, identified by the applicable case number. The  
14 fourth tab covered the last six-months of the review period that had yet to be reviewed and  
15 contained the determination of the over- or under-recovery for the current review period.  
16 EKPC believes viewing all four schedules together accomplishes the desired review of  
17 each Member Cooperative's revenue requirement during the review period and EKPC is  
18 following this same approach when preparing the response to Request 2 in this review  
19 proceeding.

20 **Q. How will the Member Cooperatives reflect recovery of these over- or under-recovery**  
21 **amounts?**

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<sup>20</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Periods Ending June 30, 2014 and December 31, 2014, Two-Year Billing Period Ending June 30, 2015, and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2015-00281, (Ky. P.S.C., Apr. 8, 2016).

1 A. As approved in the Commission’s November 5, 2010 Order in Case No. 2010-00021,<sup>21</sup> the  
2 Member Cooperatives propose that the over- or under-recovery amounts be amortized over  
3 a period of six months beginning in the first month after the Commission’s Order in this  
4 proceeding.

5 **Q. Has EKPC updated the rate of return to be used prospectively?**

6 A. Yes. As previously discussed, EKPC proposes an updated rate of return of 5.975%. This  
7 updated rate of return reflects an average debt cost as of May 31, 2019 of 3.983% and a  
8 TIER of 1.50. The determination of the average debt cost as of May 31, 2019 is shown in  
9 Response 5 to the Staff’s First Request. EKPC notes that its weighted average debt cost in  
10 the five previous surcharge review cases and as reported in this case are relatively constant,  
11 fluctuating no more than 0.31% between cases. While this is due in part to a favorable  
12 interest rate environment, EKPC’s ability to build equity is also a major contributor to this  
13 trend.

14 **Q. When does EKPC propose to apply the updated rate of return in its surcharge  
15 calculations?**

16 A. EKPC proposes to use the updated rate of return in the surcharge calculations in the first  
17 month following the Commission’s final Order in this proceeding.

18 **Q. Does EKPC believe that its environmental surcharge should be rolled into its  
19 wholesale base rates?**

20 A. No. While EKPC is providing the information related to a potential roll-in of the  
21 environmental surcharge into the wholesale base rates in Response 6 to the Staff’s First

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<sup>21</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2009 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2010-00021, (Ky. P.S.C., Nov. 5, 2010).

1 Request, EKPC does not believe it is appropriate at this time to roll its environmental  
2 surcharge into its wholesale base rates.

3 **Q. Would you explain the reasons in support of EKPC's position?**

4 A. Yes. EKPC would initially note that whether or not there are amounts of environmental  
5 costs incorporated into wholesale base rates, the effect on EKPC, the Member Systems,  
6 and the retail ratepayer is that the total environmental revenue requirement should remain  
7 the same. In addition, EKPC believes there are several reasons why a roll-in of the  
8 environmental surcharge is not appropriate at this time.

9 First, like the environmental surcharge mechanisms approved for Kentucky Utilities  
10 Company, Louisville Gas and Electric Company, Kentucky Power Company, Duke Energy  
11 Kentucky, and Big Rivers Electric Corporation, the environmental costs included in  
12 EKPC's revenue requirement represent both investment costs and energy costs. As a  
13 general matter, investment costs are usually reflected in demand charges while energy costs  
14 are reflected in the energy charge. Because both investment costs and energy costs make  
15 up the environmental costs, a roll-in of the surcharge into base rates is more complicated  
16 than the roll-in performed in a two-year fuel adjustment clause proceeding. In the two-  
17 year fuel adjustment clause proceeding, only energy costs are rolled into the energy charge  
18 of base rates. If EKPC is required to roll-in its environmental surcharge into its wholesale  
19 base rates, it believes the roll-in will have to be allocated to both the demand and energy  
20 charges. Included in Response 6 is a rough allocation of the calculated roll-in amount  
21 between demand and energy components. Please note that this rough allocation assumes  
22 that the entire return on environmental compliance rate base would be assigned to demand.  
23 A cost-of-service study would likely assign the components of the environmental  
24 compliance rate base to both demand and energy.

1 Ideally, such an allocation should be performed utilizing a cost-of-service study. However,  
2 there has not been any time in this review proceeding for EKPC to undertake a cost-of-  
3 service study that would provide a reasonable allocation of an environmental surcharge  
4 roll-in into demand and energy related components. The belief that a cost-of-service study  
5 should be the basis for allocating a surcharge roll-in between demand and energy rate  
6 components is the primary reason why EKPC believes a roll-in of environmental costs  
7 should occur at the time of a wholesale base rate case proceeding. Including a roll-in as  
8 part of a wholesale base rate case would allow for the allocation of environmental costs in  
9 a manner consistent with other costs through the utilization of a cost-of-service study.  
10 EKPC notes that the Commission has accepted the argument that a surcharge roll-in should  
11 be undertaken as part of a base rate case in previous environmental surcharge reviews.<sup>22</sup>  
12 The second reason concerns how the change in the wholesale base rates would be reflected  
13 in the Member Systems' retail base rates. When the Commission approved the  
14 environmental surcharge mechanism for EKPC and the corresponding pass-through  
15 mechanism for the Member Systems, there was no discussion of how or when retail base  
16 rates would be adjusted to reflect the change in the wholesale base rates resulting from the  
17 surcharge roll-in. Clearly any adjustment to the retail base rates should be accomplished  
18 in the same proceeding as the roll-in to wholesale base rates and both changes in the base

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<sup>22</sup> See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Power Company for the Six-Month Billing Periods Ending June 30, 2006 and December 31, 2006, and for the Two-Year Billing Period Ending June 30, 2007*, Order, Case No. 2007-00381, p. 6 (Ky. P.S.C., Aug. 19, 2008); See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Two-Year Billing Period Ending June 30, 2009 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2009-00317, p. 5 (Ky. P.S.C., Jan. 28, 2010); See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Two-Year Billing Period Ending June 30, 2011, for the Six-Month Billing Periods Ending December 31, 2011 and June 30, 2012, and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2012-00486, p. 5-6 (Ky. P.S.C., Aug. 2, 2013); also see the March 21, 2014 Order in Case No. 2013-00324, page 6 and the April 8, 2016 Order in Case No. 2015-00281, page 9.

1 rates become effective at the same time. If a surcharge roll-in was required as part of the  
2 two-year review case, EKPC believes the necessary adjustments to the retail base rates  
3 need to correspond as closely as possible to the change in the wholesale base rates. The  
4 change in the wholesale demand-related base rates should be reflected in the corresponding  
5 retail customer charges and demand base rates. The change in the wholesale energy-related  
6 base rates should be reflected in the corresponding retail energy base rates. However, as a  
7 surcharge roll-in during the two-year review to the wholesale base rates would not be cost-  
8 of-service based, neither would the corresponding adjustment to the retail base rates be  
9 cost-of-service based.

10 From May 2011 through August 2012, EKPC undertook a detailed rate design project that  
11 looked closely at cost-of-service study results and the potential impacts on the Member  
12 Systems. The Member Systems participated in numerous discussions held during this  
13 period. One of the topics discussed extensively was whether or not the environmental  
14 surcharge should be rolled into the wholesale base rates in conjunction with a base rate  
15 proceeding. While there was a difference of opinion among the Member Systems  
16 concerning whether there should be a roll-in, the Member Systems were in general  
17 agreement that a roll-in should only take place during a base rate proceeding.

18 As with a roll-in to its wholesale base rates, EKPC believes that the corresponding  
19 adjustment to retail base rates should be performed in conjunction with a base rate  
20 proceeding and not as part of a two-year surcharge review. The amount of the roll-in each  
21 Member System receives as a result of the change in wholesale base rates would be cost-  
22 of-service based.

23 A final reason is related to the disclosure of the cost of environmental compliance to retail  
24 customers. EKPC's currently approved environmental compliance plan contains 26

1 projects and the monthly surcharge filings reflect the investment costs and operating  
2 expenses associated with those projects. The monthly cost of environmental compliance  
3 will be known to EKPC even if there is a roll-in of the surcharge revenue requirement into  
4 wholesale base rates. As there to date has been no roll-in of the environmental surcharge  
5 into base rates, the Member Systems' monthly surcharge pass-through factors serve as a  
6 means to disclose to the retail customer the cost of environmental compliance for the  
7 approved projects. However, if there were a roll-in, a significant portion of the EKPC  
8 monthly surcharge factor would be collected through wholesale base rates and the  
9 corresponding Member Systems' monthly surcharge pass-through factors would be  
10 reduced. The monthly surcharge pass-through factors would no longer easily disclose to  
11 retail customers the full cost of environmental compliance for the approved projects.  
12 Several of the Member Systems believe it is important that retail customers be aware of  
13 the full cost of environmental compliance for the approved projects and the impact this  
14 compliance cost has on the monthly retail bill. Consequently, until an acceptable method  
15 can be developed to facilitate transparency with regard to full cost of environmental  
16 compliance, EKPC and the Member Systems believe roll-in should not be undertaken as  
17 part of the two-year review proceeding.

18 **Q. Is EKPC aware of any problems or concerns the Member Cooperatives may have**  
19 **with the surcharge pass-through mechanism?**

20 A. Yes. Inter-County, Nolin, and Shelby have discussed with EKPC concerns about the  
21 allocation methodology utilized to pass through the monthly environmental surcharge.  
22 Specifically, the concern focuses on retail industrial customers whose rates are based on  
23 EKPC's Rate B, C, G, and special contracts.

1 **Q. Would you describe the allocation methodology utilized by 14 of the Member**  
2 **Cooperatives to pass through the monthly environmental surcharge?**

3 A. The allocation methodology utilized by 14 of the 16 Member Cooperatives divides the  
4 monthly surcharge billed by EKPC to the Member Cooperative by the applicable retail  
5 revenues to determine the surcharge pass-through factor.

6 **Q. Would you describe the allocation methodology utilized for the remaining two**  
7 **Member Cooperatives?**

8 A. For Fleming-Mason and Owen, before the surcharge pass-through factor is determined, the  
9 environmental surcharge billed by EKPC for the Rate B, C, and special contract customers  
10 are passed directly on to those customers. The net balance of the monthly surcharge billed  
11 by EKPC is then divided by the retail revenues from non-Rate B, C, and special contract  
12 customers. The Commission authorized this allocation methodology for Fleming-Mason  
13 and Owen in Case No. 2009-00039.<sup>23</sup>

14 **Q. In Case No. 2009-00039 did EKPC examine the impact this alternative allocation**  
15 **methodology would have on the Member Cooperatives?**

16 A. Yes. In response to the Commission Staff's First Data Request EKPC provided an analysis  
17 of the annual impact the alternative allocation methodology would have on each Member  
18 Cooperative. The analysis showed Fleming-Mason and Owen would experience the  
19 greatest shifts in the allocation of the wholesale environmental surcharge for Rate B, C,

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<sup>23</sup> See *In the Matter of An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Periods Ending December 31, 2007; June 30, 2008; and December 31, 2008; and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order, Case No. 2009-00039, (Ky. P.S.C., Nov. 6, 2009). During the proceeding Fleming-Mason and Owen claimed and documented that the original allocation methodology had not allocated enough of the monthly environmental surcharge costs to large industrial customers, resulting in an under-recovery of surcharge revenue from that customer group. This under-recovery was collected from the remaining retail customers of Fleming-Mason and Owen.

1 and special contract customers.<sup>24</sup> At the time of the data response, no other Member  
2 Cooperative believed it was necessary to request approval to utilize the alternative  
3 allocation methodology.

4 **Q. Do Inter-County, Nolin, and Shelby want to adopt the allocation methodology utilized**  
5 **by Fleming-Mason and Owen?**

6 A. Yes. Since the analysis conducted in Case No. 2009-00039, industrial customer loads have  
7 changed and EKPC's environmental surcharge has grown. Inter-County, Nolin, and  
8 Shelby have reviewed the operation of their current surcharge allocation methodology and  
9 believe it is now appropriate to adopt the allocation methodology utilized by Fleming-  
10 Mason and Owen. As part of this review, Inter-County, Nolin, and Shelby have analyzed  
11 past surcharge billings to determine if there was an under-recovery of the monthly  
12 environmental surcharge allocated to large industrial customers. Based on their review and  
13 analysis, Inter-County, Nolin, and Shelby have determined that the alternative allocation  
14 methodology produces a fair, just, and reasonable result for all of their retail customers.  
15 Inter-County, Nolin, and Shelby have sent written notices of this change in the surcharge  
16 mechanism to all of their Rate B and G customers.<sup>25</sup>

17 **Q. Will the change in allocation methodology require any changes to Inter-County's,**  
18 **Nolin's, and Shelby's Environmental Surcharge tariffs?**

19 A. Yes, there will be a need to modify the existing tariffs to reflect that the environmental  
20 surcharge billed by EKPC for the Rate B, C, G, and special contract customers are passed

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<sup>24</sup> See EKPC's Responses to the Commission Staff's First Data Request dated February 23, 2009, Request No. 8, pages 14-16 of 33. The alternative allocation methodology is identified as the "Flow Through Method" in the analysis.

<sup>25</sup> Currently the affected large industrial customers of Inter-County, Nolin, and Shelby are served on rates based on EKPC's Rate B and G. In order to cover current and potential future large industrial customers, the cooperatives are proposing amendments to their respective Environmental Surcharge tariffs to cover Rates B, C, G, and special contracts.

1 directly on to those customers. In addition, the monthly surcharge format used to determine  
2 Inter-County's, Nolin's, and Shelby's pass-through factors will need to be modified.

3 **Q. What information is Inter-County, Nolin, and Shelby providing in support of the**  
4 **proposed change in allocation methodology?**

5 A. Attached to my testimony are Exhibits ISS-1, ISS-2, and ISS-3. Exhibit ISS-1 is  
6 information for Inter-County, Exhibit ISS-2 is information for Nolin, and Exhibit ISS-3 is  
7 information for Shelby. Each exhibit contains the following items in support of the  
8 proposed change in allocation methodology:

- 9 • An analysis of past surcharge billings to determine if there was an under-  
10 recovery of the monthly environmental surcharge allocated to large industrial  
11 customers;
- 12 • Examples of the written notices Inter-County, Nolin, and Shelby have sent to  
13 their Rate B and G customers concerning the change in the surcharge  
14 mechanism;
- 15 • Marked up copies of Inter-County's Rate Schedule ES, Nolin's Schedule ES,  
16 and Shelby's Rate Schedule ES reflecting the change in allocation  
17 methodology; and
- 18 • Copies of Inter-County's, Nolin's, and Shelby's monthly pass through  
19 mechanism report format modified to reflect the change in allocation  
20 methodology.

21  
22 **Q. When does Inter-County, Nolin, and Shelby propose that the change in allocation**  
23 **methodology begin?**

24 A. Inter-County, Nolin, and Shelby recommend that the alternative allocation methodology  
25 be utilized in the first monthly surcharge filing submitted after the issuance of a final Order  
26 in this review proceeding.

27 **Q. Does EKPC have a request concerning the timing of the issuance of the final Order**  
28 **in this surcharge review proceeding?**

29 A. Yes. EKPC is requesting that the Commission issue its final Order in this case either within  
30 the first 10 days of the month or after the 21<sup>st</sup> day of the month. This is due to the

1 processing procedure for the monthly surcharge factor filing and the critical processing  
2 period between the 11<sup>th</sup> and 20<sup>th</sup> of the month.

3 **Q. Does this conclude your testimony?**

4 A. Yes it does.

## **Exhibit ISS-1**

### **Inter-County – Support for Proposed Change in Allocation Methodology**

1. Analysis of Surcharge Billings – pages 1 through 11 of 15.
2. Sample of Notice sent to Rate B customers concerning the proposed change in allocation methodology – page 12 of 15.
3. Mark up copy of Inter-County’s Schedule ES tariff reflecting the proposed change in allocation methodology – pages 13 and 14 of 15.
4. Copy of Inter-County’s monthly pass through mechanism report format modified to reflect the proposed change in allocation methodology – page 15 of 15.

## Analysis of Over- or Under-Recovery of Surcharge from Rate B Customers

**Total Over- or Under-Recovery for 24-Month Period by Customer**

Rate B Customer	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Member A	\$58,396	\$46,028	(\$12,368)
Member B	\$80,402	\$62,199	(\$18,203)
Member C	\$169,136	\$132,308	(\$36,828)
Member D	\$175,852	\$135,876	(\$39,976)
Member E	\$249,115	\$195,499	(\$53,616)
Member F	\$35,543	\$32,023	(\$3,520)
Member G	\$167,061	\$128,919	(\$38,142)
Member H	\$39,221	\$32,168	(\$7,053)
Member I	\$45,220	\$35,669	(\$9,551)
Member J	\$40,524	\$33,011	(\$7,513)
Totals	\$1,060,470	\$833,701	(\$226,769)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.

**Total Over- or Under-Recovery for 24-Month Period by Month**

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$57,005	\$43,187	(\$13,818)
Sep-17	\$42,928	\$32,536	(\$10,392)
Oct-17	\$50,975	\$38,324	(\$12,651)
Nov-17	\$55,446	\$43,422	(\$12,024)
Dec-17	\$45,641	\$35,765	(\$9,876)
Jan-18	\$50,351	\$41,086	(\$9,265)
Feb-18	\$35,540	\$29,709	(\$5,831)
Mar-18	\$22,005	\$18,271	(\$3,734)
Apr-18	\$38,639	\$31,476	(\$7,163)
May-18	\$45,896	\$37,465	(\$8,431)
Jun-18	\$50,809	\$41,991	(\$8,819)
Jul-18	\$39,917	\$32,665	(\$7,252)
Aug-18	\$39,166	\$30,536	(\$8,630)
Sep-18	\$39,475	\$30,061	(\$9,414)
Oct-18	\$45,712	\$35,288	(\$10,424)
Nov-18	\$44,279	\$34,430	(\$9,849)
Dec-18	\$47,838	\$37,727	(\$10,111)
Jan-19	\$42,631	\$33,256	(\$9,375)
Feb-19	\$32,527	\$25,190	(\$7,337)
Mar-19	\$34,647	\$27,482	(\$7,165)
Apr-19	\$42,735	\$33,741	(\$8,994)
May-19	\$47,010	\$34,977	(\$12,033)
Jun-19	\$56,311	\$44,150	(\$12,161)
Jul-19	\$52,987	\$40,966	(\$12,021)
Totals	\$1,060,470	\$833,701	(\$226,769)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member A

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$3,237	\$2,440	(\$797)
Sep-17	\$2,388	\$1,822	(\$566)
Oct-17	\$2,674	\$2,022	(\$652)
Nov-17	\$2,838	\$2,238	(\$600)
Dec-17	\$2,529	\$2,004	(\$525)
Jan-18	\$2,376	\$1,969	(\$407)
Feb-18	\$1,645	\$1,383	(\$262)
Mar-18	\$1,028	\$865	(\$163)
Apr-18	\$1,892	\$1,561	(\$331)
May-18	\$2,616	\$2,142	(\$474)
Jun-18	\$3,021	\$2,462	(\$559)
Jul-18	\$2,780	\$2,250	(\$530)
Aug-18	\$2,505	\$1,936	(\$569)
Sep-18	\$2,515	\$1,940	(\$576)
Oct-18	\$2,450	\$1,897	(\$553)
Nov-18	\$2,225	\$1,732	(\$493)
Dec-18	\$2,546	\$1,993	(\$553)
Jan-19	\$1,986	\$1,563	(\$423)
Feb-19	\$1,611	\$1,278	(\$333)
Mar-19	\$1,652	\$1,316	(\$336)
Apr-19	\$2,253	\$1,787	(\$466)
May-19	\$2,671	\$1,995	(\$676)
Jun-19	\$3,334	\$2,614	(\$720)
Jul-19	\$3,624	\$2,820	(\$804)
Totals	\$58,396	\$46,028	(\$12,368)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member B

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$3,006	\$2,239	(\$767)
Sep-17	\$2,462	\$1,844	(\$618)
Oct-17	\$3,525	\$2,591	(\$934)
Nov-17	\$4,652	\$3,557	(\$1,095)
Dec-17	\$5,445	\$4,177	(\$1,268)
Jan-18	\$5,622	\$4,483	(\$1,139)
Feb-18	\$3,037	\$2,469	(\$568)
Mar-18	\$1,849	\$1,514	(\$335)
Apr-18	\$2,835	\$2,272	(\$563)
May-18	\$2,582	\$2,083	(\$499)
Jun-18	\$2,906	\$2,345	(\$561)
Jul-18	\$2,642	\$2,130	(\$512)
Aug-18	\$2,488	\$1,907	(\$581)
Sep-18	\$2,600	\$1,979	(\$621)
Oct-18	\$2,940	\$2,269	(\$671)
Nov-18	\$4,442	\$3,362	(\$1,080)
Dec-18	\$5,172	\$3,920	(\$1,252)
Jan-19	\$4,461	\$3,408	(\$1,053)
Feb-19	\$2,897	\$2,241	(\$656)
Mar-19	\$3,018	\$2,335	(\$683)
Apr-19	\$3,061	\$2,353	(\$708)
May-19	\$2,571	\$1,909	(\$662)
Jun-19	\$3,048	\$2,378	(\$670)
Jul-19	\$3,141	\$2,435	(\$706)
Totals	\$80,402	\$62,199	(\$18,203)

Over-recovery means Inter-County billed more than EKPC.  
Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member C

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$9,833	\$7,357	(\$2,476)
Sep-17	\$6,621	\$5,022	(\$1,599)
Oct-17	\$7,931	\$5,961	(\$1,970)
Nov-17	\$8,318	\$6,462	(\$1,856)
Dec-17	\$6,332	\$4,893	(\$1,439)
Jan-18	\$6,759	\$5,511	(\$1,248)
Feb-18	\$4,906	\$4,069	(\$837)
Mar-18	\$3,084	\$2,560	(\$524)
Apr-18	\$5,895	\$4,805	(\$1,090)
May-18	\$8,449	\$6,948	(\$1,501)
Jun-18	\$9,850	\$7,954	(\$1,896)
Jul-18	\$9,301	\$7,471	(\$1,830)
Aug-18	\$3,144	\$2,878	(\$266)
Sep-18	\$5,358	\$4,054	(\$1,304)
Oct-18	\$7,217	\$5,494	(\$1,723)
Nov-18	\$6,469	\$4,959	(\$1,510)
Dec-18	\$7,273	\$5,609	(\$1,664)
Jan-19	\$5,840	\$4,511	(\$1,329)
Feb-19	\$4,876	\$3,794	(\$1,082)
Mar-19	\$5,070	\$3,969	(\$1,101)
Apr-19	\$6,778	\$5,286	(\$1,492)
May-19	\$8,772	\$6,445	(\$2,327)
Jun-19	\$10,493	\$8,138	(\$2,355)
Jul-19	\$10,567	\$8,159	(\$2,408)
Totals	\$169,136	\$132,308	(\$36,828)

Over-recovery means Inter-County billed more than EKPC.  
Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member D

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$8,821	\$6,545	(\$2,276)
Sep-17	\$7,262	\$5,374	(\$1,888)
Oct-17	\$7,856	\$5,848	(\$2,008)
Nov-17	\$9,239	\$7,110	(\$2,129)
Dec-17	\$7,135	\$5,593	(\$1,542)
Jan-18	\$8,214	\$6,711	(\$1,503)
Feb-18	\$6,400	\$5,259	(\$1,141)
Mar-18	\$3,937	\$3,217	(\$720)
Apr-18	\$6,959	\$5,570	(\$1,389)
May-18	\$7,800	\$6,240	(\$1,560)
Jun-18	\$8,744	\$8,078	(\$666)
Jul-18	\$4,378	\$3,476	(\$902)
Aug-18	\$7,368	\$5,542	(\$1,826)
Sep-18	\$6,974	\$5,204	(\$1,770)
Oct-18	\$8,403	\$6,372	(\$2,031)
Nov-18	\$7,935	\$5,947	(\$1,988)
Dec-18	\$7,428	\$5,528	(\$1,900)
Jan-19	\$7,652	\$5,821	(\$1,831)
Feb-19	\$5,552	\$3,677	(\$1,875)
Mar-19	\$6,240	\$4,807	(\$1,433)
Apr-19	\$7,640	\$5,889	(\$1,751)
May-19	\$8,079	\$5,921	(\$2,158)
Jun-19	\$9,234	\$7,138	(\$2,096)
Jul-19	\$6,602	\$5,012	(\$1,590)
Totals	\$175,852	\$135,876	(\$39,976)

Over-recovery means Inter-County billed more than EKPC.  
Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member E

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$13,877	\$10,857	(\$3,020)
Sep-17	\$10,223	\$7,811	(\$2,412)
Oct-17	\$12,615	\$9,566	(\$3,049)
Nov-17	\$13,159	\$10,266	(\$2,893)
Dec-17	\$9,410	\$7,259	(\$2,151)
Jan-18	\$12,314	\$9,974	(\$2,340)
Feb-18	\$9,263	\$7,723	(\$1,540)
Mar-18	\$5,506	\$4,589	(\$917)
Apr-18	\$9,489	\$7,636	(\$1,853)
May-18	\$10,562	\$8,719	(\$1,843)
Jun-18	\$10,121	\$8,078	(\$2,043)
Jul-18	\$6,730	\$5,995	(\$735)
Aug-18	\$10,244	\$7,962	(\$2,282)
Sep-18	\$8,970	\$6,842	(\$2,128)
Oct-18	\$11,130	\$8,601	(\$2,529)
Nov-18	\$10,314	\$7,951	(\$2,363)
Dec-18	\$11,460	\$8,853	(\$2,607)
Jan-19	\$10,756	\$8,403	(\$2,353)
Feb-19	\$7,748	\$5,960	(\$1,788)
Mar-19	\$8,880	\$7,053	(\$1,827)
Apr-19	\$9,813	\$7,663	(\$2,150)
May-19	\$10,968	\$8,122	(\$2,846)
Jun-19	\$13,493	\$10,407	(\$3,086)
Jul-19	\$12,070	\$9,209	(\$2,861)
Totals	\$249,115	\$195,499	(\$53,616)

Over-recovery means Inter-County billed more than EKPC.  
Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member F

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$1,922	\$1,480	(\$442)
Sep-17	\$1,531	\$1,234	(\$297)
Oct-17	\$1,802	\$1,465	(\$337)
Nov-17	\$2,006	\$1,762	(\$244)
Dec-17	\$1,721	\$1,569	(\$152)
Jan-18	\$1,687	\$1,537	(\$150)
Feb-18	\$1,146	\$1,145	(\$1)
Mar-18	\$731	\$691	(\$40)
Apr-18	\$1,285	\$1,246	(\$39)
May-18	\$1,422	\$1,329	(\$93)
Jun-18	\$1,714	\$1,476	(\$238)
Jul-18	\$1,563	\$1,300	(\$263)
Aug-18	\$1,386	\$1,141	(\$245)
Sep-18	\$1,380	\$1,230	(\$150)
Oct-18	\$1,395	\$1,300	(\$95)
Nov-18	\$1,468	\$1,363	(\$105)
Dec-18	\$1,648	\$1,534	(\$114)
Jan-19	\$1,363	\$1,238	(\$125)
Feb-19	\$1,119	\$1,074	(\$45)
Mar-19	\$1,091	\$1,038	(\$53)
Apr-19	\$1,385	\$1,367	(\$18)
May-19	\$1,386	\$1,298	(\$88)
Jun-19	\$1,670	\$1,643	(\$27)
Jul-19	\$1,722	\$1,563	(\$159)
Totals	\$35,543	\$32,023	(\$3,520)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member G

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$9,751	\$7,293	(\$2,458)
Sep-17	\$7,359	\$5,462	(\$1,897)
Oct-17	\$8,528	\$6,243	(\$2,285)
Nov-17	\$8,669	\$6,663	(\$2,006)
Dec-17	\$7,260	\$5,563	(\$1,697)
Jan-18	\$7,803	\$6,291	(\$1,512)
Feb-18	\$5,225	\$4,231	(\$994)
Mar-18	\$3,402	\$2,755	(\$647)
Apr-18	\$5,886	\$4,647	(\$1,239)
May-18	\$7,058	\$5,593	(\$1,465)
Jun-18	\$8,173	\$6,472	(\$1,701)
Jul-18	\$7,062	\$5,578	(\$1,484)
Aug-18	\$7,142	\$5,397	(\$1,745)
Sep-18	\$6,566	\$4,869	(\$1,697)
Oct-18	\$7,056	\$5,296	(\$1,760)
Nov-18	\$6,418	\$5,001	(\$1,417)
Dec-18	\$6,733	\$5,641	(\$1,092)
Jan-19	\$5,918	\$4,546	(\$1,372)
Feb-19	\$4,903	\$3,944	(\$959)
Mar-19	\$4,896	\$3,809	(\$1,087)
Apr-19	\$6,804	\$5,213	(\$1,591)
May-19	\$7,133	\$5,191	(\$1,942)
Jun-19	\$8,703	\$6,669	(\$2,034)
Jul-19	\$8,613	\$6,554	(\$2,059)
Totals	\$167,061	\$128,919	(\$38,142)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member H

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$1,937	\$1,480	(\$457)
Sep-17	\$1,489	\$1,234	(\$255)
Oct-17	\$1,841	\$1,465	(\$376)
Nov-17	\$2,019	\$1,762	(\$257)
Dec-17	\$1,841	\$1,569	(\$272)
Jan-18	\$1,863	\$1,537	(\$326)
Feb-18	\$1,298	\$1,145	(\$153)
Mar-18	\$822	\$691	(\$131)
Apr-18	\$1,395	\$1,246	(\$149)
May-18	\$1,644	\$1,334	(\$310)
Jun-18	\$1,960	\$1,595	(\$365)
Jul-18	\$1,587	\$1,300	(\$287)
Aug-18	\$1,486	\$1,141	(\$345)
Sep-18	\$1,598	\$1,230	(\$368)
Oct-18	\$1,642	\$1,300	(\$342)
Nov-18	\$1,619	\$1,363	(\$256)
Dec-18	\$1,762	\$1,534	(\$228)
Jan-19	\$1,593	\$1,249	(\$344)
Feb-19	\$1,296	\$1,076	(\$220)
Mar-19	\$1,259	\$1,038	(\$221)
Apr-19	\$1,608	\$1,367	(\$241)
May-19	\$1,726	\$1,298	(\$428)
Jun-19	\$1,932	\$1,643	(\$289)
Jul-19	\$2,004	\$1,569	(\$435)
Totals	\$39,221	\$32,168	(\$7,053)

Over-recovery means Inter-County billed more than EKPC.  
Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member I

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$2,475	\$1,878	(\$597)
Sep-17	\$1,919	\$1,465	(\$454)
Oct-17	\$2,231	\$1,683	(\$548)
Nov-17	\$2,358	\$1,841	(\$517)
Dec-17	\$1,988	\$1,569	(\$419)
Jan-18	\$1,865	\$1,537	(\$328)
Feb-18	\$1,331	\$1,142	(\$189)
Mar-18	\$836	\$697	(\$139)
Apr-18	\$1,523	\$1,246	(\$277)
May-18	\$1,872	\$1,529	(\$343)
Jun-18	\$2,205	\$1,804	(\$401)
Jul-18	\$2,004	\$1,641	(\$363)
Aug-18	\$1,862	\$1,447	(\$415)
Sep-18	\$1,922	\$1,483	(\$439)
Oct-18	\$1,883	\$1,460	(\$423)
Nov-18	\$1,803	\$1,387	(\$416)
Dec-18	\$2,042	\$1,582	(\$460)
Jan-19	\$1,629	\$1,278	(\$351)
Feb-19	\$1,344	\$1,074	(\$270)
Mar-19	\$1,360	\$1,081	(\$279)
Apr-19	\$1,832	\$1,450	(\$383)
May-19	\$1,997	\$1,502	(\$495)
Jun-19	\$2,375	\$1,878	(\$497)
Jul-19	\$2,564	\$2,016	(\$548)
Totals	\$45,220	\$35,669	(\$9,551)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member J

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Inter-County	
Aug-17	\$2,146	\$1,618	(\$528)
Sep-17	\$1,674	\$1,267	(\$407)
Oct-17	\$1,972	\$1,479	(\$493)
Nov-17	\$2,188	\$1,762	(\$426)
Dec-17	\$1,980	\$1,569	(\$411)
Jan-18	\$1,848	\$1,537	(\$311)
Feb-18	\$1,289	\$1,145	(\$144)
Mar-18	\$810	\$691	(\$119)
Apr-18	\$1,480	\$1,246	(\$234)
May-18	\$1,891	\$1,546	(\$345)
Jun-18	\$2,115	\$1,728	(\$388)
Jul-18	\$1,870	\$1,525	(\$345)
Aug-18	\$1,541	\$1,184	(\$357)
Sep-18	\$1,592	\$1,230	(\$362)
Oct-18	\$1,596	\$1,300	(\$296)
Nov-18	\$1,586	\$1,363	(\$223)
Dec-18	\$1,774	\$1,534	(\$240)
Jan-19	\$1,433	\$1,238	(\$195)
Feb-19	\$1,181	\$1,074	(\$107)
Mar-19	\$1,181	\$1,038	(\$143)
Apr-19	\$1,561	\$1,367	(\$194)
May-19	\$1,707	\$1,298	(\$409)
Jun-19	\$2,029	\$1,643	(\$386)
Jul-19	\$2,080	\$1,630	(\$450)
Totals	\$40,524	\$33,011	(\$7,513)

Over-recovery means Inter-County billed more than EKPC.

Under-recovery means Inter-County billed less than EKPC.



A Touchstone Energy Cooperative 

Please be advised that the method in which the Environmental Surcharge (ES) is currently being distributed by East Kentucky Power and Inter-County Energy Cooperative on certain industrial loads is being examined by the Kentucky Public Service Commission (PSC). Specifically, the “LPB” rate that your company is on is included in this review. In some instances, industrial customers on special contracts and “LPB rates” pay less ES at the retail level than the wholesale level. As a result, certain retail classes are paying a larger portion of the surcharge or subsidizing the industrial customers. If the Commission rules this is not equitable, a new method will be used to more fairly apply the ES.

As a review, the ES is a mechanism to recoup cost incurred while meeting EPA regulation on power plant emissions. Such costs include the purchase, maintenance and operation of expensive equipment like scrubbers to “clean” coal used in the production of power. State regulators ensure that only proper expenses are included in the ES. Future pollution control equipment and climate legislation mandates will be a driver of future ES costs.

I will continue to update you further as developments occur. Please feel free to contact me with additional questions about this issue. You may reach me directly at (859) 936-7820 or by email at [dan@intercountyenergy.net](mailto:dan@intercountyenergy.net).

Sincerely,

Dan Hitchcock  
VP, Member Services/Communications  
Inter-County Energy  
859-936-7820

*This institution is an equal opportunity provider and employer.*

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. 8

~~ORIGINAL~~ REVISION #1 SHEET NO. 45

**INTER-COUNTY ENERGY**

(Name of Utility)

CANCELLING P.S.C. KY. NO. 7

ORIGINAL SHEET NO. \_\_\_\_\_

CLASSIFICATION OF SERVICE

**RATE SCHEDULE ES – ENVIRONMENTAL SURCHARGE**

**Availability**

In all of the Company's service territory.

**Applicability**

This rate schedule shall apply to all electric rate schedules and special contracts.

**Rate**

CES(m) = ES(m)

Where CES(m) = Current Month Environmental Surcharge Factor

ES(m) = Current Month Environmental Surcharge Calculation

*For all rate schedules excluding those whose retail rates are based on EKPC's Rate B, C, G, or special contract rates:*

ES(m) = [((WESF) x (Average of 12-months ended revenues from sales to Member System, excluding environmental surcharge)) + (Over)/Under Recovery] divided by [Average of 12-months ending Retail Revenue from all rate schedules excluding those whose retail rates are based upon EKPC's Rate B, C, G, or special contract rates (excluding environmental surcharge)] = \_\_\_\_\_%

Where WESF = Wholesale Environmental Surcharge Factor for Current Expense Month

*For all rate schedules whose retail rates are based upon EKPC's Rate B, C, G, or special contract rates:*

ES(m) = Direct pass-through of the wholesale environmental surcharge amount as billed by EKPC.

(Over)/Under Recovery =

6-months cumulative (over)/under recovery as defined by amount billed by EKPC to Member System minus the amount billed by Member System to retail customer. Over or under recoveries shall be amortized over a six-month period.

DATE OF ISSUE August 1, 2019 December 20, 2019  
Month / Date / Year

DATE EFFECTIVE August 31, 2019 April 1, 2020  
Month / Date / Year

ISSUED BY Jerry W. Carter  
Signature of Officer

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2019-00380 DATED \_\_\_\_\_

FOR ENTIRE TERRITORY SERVED  
Community, Town or City

P.S.C. KY. NO. 8  
ORIGINAL SHEET NO. 45.1

CANCELLING P.S.C. KY. NO. 7  
SHEET NO. \_\_\_\_\_

**INTER-COUNTY ENERGY**

(Name of Utility)

CLASSIFICATION OF SERVICE

**RATE SCHEDULE ES – ENVIRONMENTAL SURCHARGE**

(Continued)

**Billing**

The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE August 1, 2019 December 20, 2019  
Month / Date / Year

DATE EFFECTIVE August 31, 2019 April 1, 2020  
Month / Date / Year

ISSUED BY Jerry W. Carter  
Signature of Officer

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2019-00380 DATED \_\_\_\_\_

**East Kentucky Power Cooperative, Inc. - Distribution Cooperatives  
Pass Through Mechanism Report for Inter County ECC**

**For the Month Ending**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Inter County	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Inter County	EKPC 12-months Ended Average Monthly Revenue from Sales to Inter County	Inter County Revenue Requirement	Rates B, C, G & Special Credits & Discounts (Revenues)	Inter County Revenue Requirements Net of Rates B, C, G & Spec. Cts.	Amortization of (Over)/Under Recovery	Inter County Net Revenue Requirement	Inter County Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Inter County Net Monthly Retail Revenues	12-months ended Avg Retail Revenues	Inter County Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col. (8) x Col. (7)	Col. (8b) - (8c)		Col. (8b) + Col. (9)	Col. (8b) + Col. (9)	Col. (11) - Col. (12)	Col. (11) - Col. (12)	Col. (11) - Col. (12)	Col. (10) / Col. (14)	

Notes:  
Inter County Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.  
Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

## **Exhibit ISS-2**

### **Nolin – Support for Proposed Change in Allocation Methodology**

1. Analysis of Surcharge Billings – pages 1 through 3 of 6.
2. Sample of Notice sent to Rate B and G customers concerning the proposed change in allocation methodology – page 4 of 6.
3. Mark up copy of Nolin’s Schedule ES tariff reflecting the proposed change in allocation methodology – page 5 of 6.
4. Copy of Nolin’s monthly pass through mechanism report format modified to reflect the proposed change in allocation methodology – page 6 of 6.

## Analysis of Over- or Under-Recovery of Surcharge from Rate B &amp; G Customers

**Total Over- or Under-Recovery for 24-Month Period by Customer**

Rate B Customer	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Nolin	
Member A	\$1,642,837	\$1,200,719	(\$442,118)
Member B	\$562,250	\$445,665	(\$116,585)
Totals	\$2,205,087	\$1,646,384	(\$558,703)

Over-recovery means Nolin billed more than EKPC.

Under-recovery means Nolin billed less than EKPC.

**Total Over- or Under-Recovery for 24-Month Period by Month**

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Nolin	
Oct-17	\$113,662	\$86,825	(\$26,837)
Nov-17	\$120,720	\$95,127	(\$25,593)
Dec-17	\$102,694	\$80,465	(\$22,229)
Jan-18	\$104,808	\$81,231	(\$23,577)
Feb-18	\$75,310	\$57,051	(\$18,259)
Mar-18	\$48,762	\$38,887	(\$9,875)
Apr-18	\$85,924	\$66,129	(\$19,795)
May-18	\$94,483	\$72,283	(\$22,200)
Jun-18	\$99,123	\$74,404	(\$24,719)
Jul-18	\$90,009	\$70,753	(\$19,256)
Aug-18	\$86,451	\$62,998	(\$23,453)
Sep-18	\$87,982	\$63,992	(\$23,990)
Oct-18	\$94,161	\$67,847	(\$26,314)
Nov-18	\$93,890	\$67,883	(\$26,007)
Dec-18	\$103,786	\$73,705	(\$30,081)
Jan-19	\$88,553	\$65,978	(\$22,575)
Feb-19	\$69,797	\$49,432	(\$20,365)
Mar-19	\$72,478	\$52,178	(\$20,300)
Apr-19	\$94,861	\$66,352	(\$28,509)
May-19	\$96,051	\$69,435	(\$26,616)
Jun-19	\$111,125	\$80,583	(\$30,542)
Jul-19	\$97,469	\$72,298	(\$25,171)
Aug-19	\$96,824	\$74,235	(\$22,589)
Sep-19	\$76,164	\$56,313	(\$19,851)
Totals	\$2,205,087	\$1,646,384	(\$558,703)

Over-recovery means Nolin billed more than EKPC.

Under-recovery means Nolin billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member A

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Nolin	
Oct-17	\$81,441	\$62,888	(\$18,553)
Nov-17	\$85,335	\$66,016	(\$19,319)
Dec-17	\$72,385	\$55,964	(\$16,421)
Jan-18	\$75,028	\$57,274	(\$17,754)
Feb-18	\$54,600	\$41,651	(\$12,949)
Mar-18	\$35,640	\$26,992	(\$8,648)
Apr-18	\$63,619	\$48,040	(\$15,579)
May-18	\$68,187	\$50,942	(\$17,245)
Jun-18	\$73,779	\$54,782	(\$18,997)
Jul-18	\$64,175	\$47,663	(\$16,512)
Aug-18	\$62,466	\$44,624	(\$17,842)
Sep-18	\$62,944	\$44,877	(\$18,067)
Oct-18	\$69,101	\$49,462	(\$19,639)
Nov-18	\$68,514	\$48,906	(\$19,608)
Dec-18	\$77,445	\$55,177	(\$22,268)
Jan-19	\$65,036	\$46,166	(\$18,870)
Feb-19	\$51,471	\$36,145	(\$15,326)
Mar-19	\$53,172	\$37,290	(\$15,882)
Apr-19	\$69,835	\$48,943	(\$20,892)
May-19	\$73,204	\$51,703	(\$21,501)
Jun-19	\$87,062	\$61,649	(\$25,413)
Jul-19	\$80,534	\$56,825	(\$23,709)
Aug-19	\$81,416	\$58,989	(\$22,427)
Sep-19	\$66,448	\$47,751	(\$18,697)
Totals	\$1,642,837	\$1,200,719	(\$442,118)

Over-recovery means Nolin billed more than EKPC.

Under-recovery means Nolin billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member B

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Nolin	
Oct-17	\$32,221	\$23,937	(\$8,284)
Nov-17	\$35,385	\$29,111	(\$6,274)
Dec-17	\$30,309	\$24,501	(\$5,808)
Jan-18	\$29,780	\$23,957	(\$5,823)
Feb-18	\$20,710	\$15,400	(\$5,310)
Mar-18	\$13,122	\$11,895	(\$1,227)
Apr-18	\$22,305	\$18,089	(\$4,216)
May-18	\$26,296	\$21,341	(\$4,955)
Jun-18	\$25,344	\$19,622	(\$5,722)
Jul-18	\$25,834	\$23,090	(\$2,744)
Aug-18	\$23,985	\$18,374	(\$5,611)
Sep-18	\$25,038	\$19,115	(\$5,923)
Oct-18	\$25,060	\$18,385	(\$6,675)
Nov-18	\$25,376	\$18,977	(\$6,399)
Dec-18	\$26,341	\$18,528	(\$7,813)
Jan-19	\$23,517	\$19,812	(\$3,705)
Feb-19	\$18,326	\$13,287	(\$5,039)
Mar-19	\$19,306	\$14,888	(\$4,418)
Apr-19	\$25,026	\$17,409	(\$7,617)
May-19	\$22,847	\$17,732	(\$5,115)
Jun-19	\$24,063	\$18,934	(\$5,129)
Jul-19	\$16,935	\$15,473	(\$1,462)
Aug-19	\$15,408	\$15,246	(\$162)
Sep-19	\$9,716	\$8,562	(\$1,154)
Totals	\$562,250	\$445,665	(\$116,585)

Over-recovery means Nolin billed more than EKPC.

Under-recovery means Nolin billed less than EKPC.

December 11, 2019

ATTN

ELIZABETHTOWN KY 42702-5000

Dear :

Please be advised that the method in which the Environmental Surcharge (ES) is currently being applied by East Kentucky Power and Nolin RECC on certain industrial loads is being examined by the Public Service Commission (PSC). Specifically, the special contract rate for AGC is included in this review. In some instances, industrial customers on special contracts and "B" rates pay less ES at the retail level than the wholesale level. As a result, certain retail classes are paying a larger portion of the surcharge, thus subsidizing the industrial customers. If the Commission rules this is not equitable, a new method will be used to more fairly apply the ES.

The ES is a mechanism to recoup costs incurred while meeting EPA regulations on power plant emissions. Such costs include the purchase, maintenance and operation of expensive equipment like emissions controls systems to "scrub" and "clean" fossil fuels used in the production of power. State regulators ensure that only proper expenses are extracted in the ES. Future pollution control equipment and climate legislation mandates will be a driver of future ES costs.

We will continue to update you as developments occur. Please feel free to contact us if you have questions about this issue.

Sincerely,

Gregory R. Lee  
President & CEO

FOR ENTIRE SERVICE AREA

Nolin RECC  
 411 Ring Road  
Elizabethtown, KY 42701-6767

**PSC KY NO. 10**  
 2<sup>nd</sup> Revision Sheet No. 79

**CANCELING PSC KY NO.**  
 1<sup>st</sup> Revision Sheet No. 79

**CLASSIFICATION OF SERVICE**

**RATES SCHEDULE ES – ENVIRONMENTAL SURCHARGE**

**AVAILABILITY**

In all of the Cooperative’s service territory.

**APPLICABILITY**

This rate schedule shall apply to all electric rate schedules and special contracts.

**RATE**

$$CES(m) = ES(m)$$

where CES(m) = Current Month Environmental Surcharge Factor  
 ES(m) = Current Month Environmental Surcharge Calculation

*For all rate schedules excluding those whose retail rates are based upon EKPC’s Rate B, C, G, or special contract rates:* (T)

$$ES(m) = \frac{[(WESF) \times (\text{Average of 12-months ended revenues from sales to Member System, excluding environmental surcharge}) + (\text{Over})/(\text{Under Recovery})]}{[\text{Average of 12-months ending Retail Revenue from all rate schedules excluding those whose retail rates are based on EKPC’s Rate B, C, G, or special contract rates (excluding environmental surcharge)}]}$$

= \_\_\_\_\_ %

where WESF = Wholesale Environmental Surcharge Factor for Current Expense Month

*For all rate schedules whose retail rates are based upon EKPC’s Rate B, C, G, or special contract rates:* (T)  
*ES(m) = Direct pass-through of the wholesale environmental surcharge amount as billed by EKPC.*

(Over)/Under Recovery =

6-months cumulative (over)/under recovery as defined by amount billed by EKPC to Member System minus the amount billed by Member System to retail customer. Over or under recoveries shall be amortized over a six-month period.

**BILLING**

The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE      December 20, 2019  
 DATE EFFECTIVE    April 1, 2020

ISSUED BY \_\_\_\_\_  
 President & CEO

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2019-00380, Dated \_\_\_\_\_.

**East Kentucky Power Cooperative, Inc. - Distribution Cooperatives  
Pass Through Mechanism Report for Nolin RECC**

**For the Month Ending**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Nolin	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Nolin	EKPC 12-months Ended Average Monthly Revenue from Sales to Nolin	Nolin Revenue Requirement	Rates B, C, G & Special Contracts Surcharge Revenues	Nolin Revenue Requirements Net of Rates B, C, G & Spec. Cts.	Amortization of (Over)/Under Recovery	Nolin Net Revenue Requirement	Nolin Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Nolin Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues	Nolin Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col. (3) x Col. (7)		Col. (8a) - (8b)		Col. (8c) + Col. (9)			Col. (11) - Col. (12)		Col. (10) / Col. (14)

Notes:  
Nolin Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.  
Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

## **Exhibit ISS-3**

### **Shelby – Support for Proposed Change in Allocation Methodology**

1. Analysis of Surcharge Billings – pages 1 through 14 of 18.
2. Sample of Notice sent to Rate B customers concerning the proposed change in allocation methodology – page 15 of 18.
3. Mark up copy of Shelby’s Schedule ES tariff reflecting the proposed change in allocation methodology – pages 16 and 17 of 18.
4. Copy of Shelby’s monthly pass through mechanism report format modified to reflect the proposed change in allocation methodology – page 18 of 18.

## Analysis of Over- or Under-Recovery of Surcharge from Rate B Customers

## Total Over- or Under-Recovery for 24-Month Period by Customer

Rate B Customer	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Member A	\$223,433	\$200,005	(\$23,428)
Member B	\$54,397	\$47,818	(\$6,579)
Member C	\$98,059	\$88,878	(\$9,181)
Member D	\$179,188	\$157,281	(\$21,907)
Member E	\$81,280	\$71,883	(\$9,397)
Member F	\$311,464	\$267,949	(\$43,515)
Member G	\$212,410	\$190,612	(\$21,798)
Member H	\$767,008	\$572,569	(\$194,439)
Member I	\$208,222	\$169,602	(\$38,620)
Member J	\$344,577	\$280,586	(\$63,991)
Member K	\$101,175	\$88,957	(\$12,218)
Member L	\$52,606	\$48,139	(\$4,467)
Member M	\$44,364	\$37,217	(\$7,147)
Totals	\$2,678,183	\$2,221,494	(\$456,689)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Total Over- or Under-Recovery for 24-Month Period by Month

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$126,881	\$96,793	(\$30,088)
Nov-17	\$137,220	\$117,198	(\$20,022)
Dec-17	\$116,111	\$111,921	(\$4,190)
Jan-18	\$120,831	\$100,818	(\$20,013)
Feb-18	\$84,917	\$72,050	(\$12,867)
Mar-18	\$54,833	\$50,447	(\$4,386)
Apr-18	\$96,503	\$92,573	(\$3,930)
May-18	\$113,805	\$96,040	(\$17,765)
Jun-18	\$123,595	\$100,450	(\$23,145)
Jul-18	\$103,238	\$112,179	\$8,941
Aug-18	\$106,063	\$80,889	(\$25,174)
Sep-18	\$112,627	\$88,923	(\$23,704)
Oct-18	\$117,282	\$84,678	(\$32,604)
Nov-18	\$111,593	\$87,060	(\$24,533)
Dec-18	\$123,010	\$97,625	(\$25,385)
Jan-19	\$101,656	\$86,423	(\$15,233)
Feb-19	\$83,221	\$66,319	(\$16,902)
Mar-19	\$86,179	\$66,702	(\$19,477)
Apr-19	\$111,444	\$86,132	(\$25,312)
May-19	\$118,843	\$96,904	(\$21,939)
Jun-19	\$144,337	\$109,309	(\$35,028)
Jul-19	\$137,517	\$113,686	(\$23,831)
Aug-19	\$137,397	\$112,826	(\$24,571)
Sep-19	\$109,080	\$93,549	(\$15,531)
Totals	\$2,678,183	\$2,221,494	(\$456,689)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member A

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$9,716	\$8,910	(\$806)
Nov-17	\$10,284	\$11,132	\$848
Dec-17	\$9,986	\$10,317	\$331
Jan-18	\$9,852	\$8,972	(\$880)
Feb-18	\$6,707	\$6,231	(\$476)
Mar-18	\$4,342	\$4,362	\$20
Apr-18	\$7,578	\$8,257	\$679
May-18	\$9,478	\$8,809	(\$669)
Jun-18	\$10,817	\$9,764	(\$1,053)
Jul-18	\$9,672	\$9,787	\$115
Aug-18	\$8,861	\$7,369	(\$1,492)
Sep-18	\$9,600	\$7,636	(\$1,964)
Oct-18	\$9,521	\$7,295	(\$2,226)
Nov-18	\$8,515	\$7,789	(\$726)
Dec-18	\$10,272	\$8,309	(\$1,963)
Jan-19	\$7,979	\$7,630	(\$349)
Feb-19	\$6,359	\$5,602	(\$757)
Mar-19	\$6,630	\$5,692	(\$938)
Apr-19	\$8,824	\$7,970	(\$854)
May-19	\$10,348	\$8,747	(\$1,601)
Jun-19	\$13,156	\$10,252	(\$2,904)
Jul-19	\$13,105	\$10,174	(\$2,931)
Aug-19	\$12,162	\$10,546	(\$1,616)
Sep-19	\$9,669	\$8,451	(\$1,218)
Totals	\$223,433	\$200,005	(\$23,428)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member B

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$2,211	\$1,951	(\$260)
Nov-17	\$2,685	\$2,411	(\$274)
Dec-17	\$2,243	\$2,145	(\$98)
Jan-18	\$2,220	\$1,739	(\$481)
Feb-18	\$1,465	\$1,167	(\$298)
Mar-18	\$883	\$891	\$8
Apr-18	\$1,704	\$1,557	(\$147)
May-18	\$1,888	\$1,612	(\$276)
Jun-18	\$2,011	\$2,644	\$633
Jul-18	\$2,469	\$2,526	\$57
Aug-18	\$2,223	\$1,879	(\$344)
Sep-18	\$2,377	\$1,808	(\$569)
Oct-18	\$2,166	\$1,927	(\$239)
Nov-18	\$2,425	\$1,957	(\$468)
Dec-18	\$2,708	\$2,285	(\$423)
Jan-19	\$2,293	\$1,986	(\$307)
Feb-19	\$1,847	\$1,412	(\$435)
Mar-19	\$1,795	\$1,514	(\$281)
Apr-19	\$2,403	\$1,751	(\$652)
May-19	\$2,257	\$2,269	\$12
Jun-19	\$3,090	\$2,746	(\$344)
Jul-19	\$3,328	\$2,710	(\$618)
Aug-19	\$3,144	\$2,771	(\$373)
Sep-19	\$2,562	\$2,163	(\$399)
Totals	\$54,397	\$47,818	(\$6,579)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member C

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	Member was not billed		\$0
Nov-17	under EKPC's Rate B		\$0
Dec-17	prior to January 2018		\$0
Jan-18	\$4,747	\$4,753	\$6
Feb-18	\$3,794	\$3,285	(\$509)
Mar-18	\$2,300	\$2,313	\$13
Apr-18	\$4,074	\$4,322	\$248
May-18	\$4,957	\$4,692	(\$265)
Jun-18	\$5,565	\$5,232	(\$333)
Jul-18	\$4,913	\$5,426	\$513
Aug-18	\$4,763	\$3,744	(\$1,019)
Sep-18	\$4,600	\$3,937	(\$663)
Oct-18	\$4,679	\$3,855	(\$824)
Nov-18	\$4,906	\$4,144	(\$762)
Dec-18	\$4,966	\$4,418	(\$548)
Jan-19	\$3,654	\$4,045	\$391
Feb-19	\$3,324	\$2,991	(\$333)
Mar-19	\$3,517	\$3,019	(\$498)
Apr-19	\$4,628	\$3,888	(\$740)
May-19	\$4,872	\$4,499	(\$373)
Jun-19	\$6,091	\$5,394	(\$697)
Jul-19	\$6,641	\$5,333	(\$1,308)
Aug-19	\$6,360	\$5,363	(\$997)
Sep-19	\$4,708	\$4,224	(\$484)
Totals	\$98,059	\$88,878	(\$9,181)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member D

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$8,807	\$6,720	(\$2,087)
Nov-17	\$9,076	\$8,691	(\$385)
Dec-17	\$8,149	\$7,879	(\$270)
Jan-18	\$7,151	\$6,856	(\$295)
Feb-18	\$5,264	\$4,929	(\$335)
Mar-18	\$3,448	\$3,546	\$98
Apr-18	\$6,702	\$6,742	\$40
May-18	\$7,928	\$6,961	(\$967)
Jun-18	\$8,730	\$6,880	(\$1,850)
Jul-18	\$6,965	\$7,373	\$408
Aug-18	\$6,810	\$5,413	(\$1,397)
Sep-18	\$7,304	\$6,151	(\$1,153)
Oct-18	\$7,430	\$5,860	(\$1,570)
Nov-18	\$7,226	\$6,154	(\$1,072)
Dec-18	\$8,209	\$6,363	(\$1,846)
Jan-19	\$6,068	\$5,908	(\$160)
Feb-19	\$5,280	\$4,481	(\$799)
Mar-19	\$5,537	\$4,751	(\$786)
Apr-19	\$7,333	\$6,520	(\$813)
May-19	\$8,558	\$7,121	(\$1,437)
Jun-19	\$10,353	\$7,883	(\$2,470)
Jul-19	\$9,149	\$8,625	(\$524)
Aug-19	\$9,911	\$8,454	(\$1,457)
Sep-19	\$7,800	\$7,020	(\$780)
Totals	\$179,188	\$157,281	(\$21,907)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member E

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$4,253	\$3,238	(\$1,015)
Nov-17	\$3,762	\$3,612	(\$150)
Dec-17	\$3,096	\$3,371	\$275
Jan-18	\$3,033	\$3,044	\$11
Feb-18	\$2,185	\$2,042	(\$143)
Mar-18	\$1,415	\$1,475	\$60
Apr-18	\$2,432	\$3,021	\$589
May-18	\$3,612	\$3,323	(\$289)
Jun-18	\$4,271	\$3,187	(\$1,084)
Jul-18	\$3,134	\$3,772	\$638
Aug-18	\$3,380	\$2,603	(\$777)
Sep-18	\$3,196	\$3,116	(\$80)
Oct-18	\$4,081	\$2,812	(\$1,269)
Nov-18	\$3,645	\$2,969	(\$676)
Dec-18	\$4,205	\$3,001	(\$1,204)
Jan-19	\$2,907	\$2,608	(\$299)
Feb-19	\$2,334	\$2,079	(\$255)
Mar-19	\$2,546	\$2,234	(\$312)
Apr-19	\$3,431	\$2,858	(\$573)
May-19	\$3,811	\$3,211	(\$600)
Jun-19	\$4,708	\$3,686	(\$1,022)
Jul-19	\$4,009	\$3,907	(\$102)
Aug-19	\$4,453	\$3,556	(\$897)
Sep-19	\$3,381	\$3,156	(\$225)
Totals	\$81,280	\$71,883	(\$9,397)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member F

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$15,995	\$13,371	(\$2,624)
Nov-17	\$17,704	\$13,937	(\$3,767)
Dec-17	\$12,564	\$14,202	\$1,638
Jan-18	\$13,986	\$12,510	(\$1,476)
Feb-18	\$10,185	\$9,582	(\$603)
Mar-18	\$6,956	\$6,466	(\$490)
Apr-18	\$11,840	\$11,444	(\$396)
May-18	\$13,622	\$11,178	(\$2,444)
Jun-18	\$13,853	\$12,828	(\$1,025)
Jul-18	\$12,810	\$14,062	\$1,252
Aug-18	\$13,045	\$10,395	(\$2,650)
Sep-18	\$13,576	\$10,617	(\$2,959)
Oct-18	\$13,635	\$10,723	(\$2,912)
Nov-18	\$13,441	\$10,071	(\$3,370)
Dec-18	\$13,452	\$11,793	(\$1,659)
Jan-19	\$12,382	\$10,834	(\$1,548)
Feb-19	\$10,348	\$8,066	(\$2,282)
Mar-19	\$9,911	\$7,783	(\$2,128)
Apr-19	\$12,504	\$9,836	(\$2,668)
May-19	\$12,990	\$10,645	(\$2,345)
Jun-19	\$14,981	\$11,886	(\$3,095)
Jul-19	\$14,856	\$13,512	(\$1,344)
Aug-19	\$15,595	\$11,832	(\$3,763)
Sep-19	\$11,233	\$10,375	(\$858)
Totals	\$311,464	\$267,949	(\$43,515)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member G

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$9,797	\$7,899	(\$1,898)
Nov-17	\$10,045	\$8,681	(\$1,364)
Dec-17	\$7,371	\$8,892	\$1,521
Jan-18	\$8,364	\$8,390	\$26
Feb-18	\$6,418	\$5,713	(\$705)
Mar-18	\$4,155	\$4,320	\$165
Apr-18	\$7,674	\$9,033	\$1,359
May-18	\$10,339	\$10,004	(\$335)
Jun-18	\$12,127	\$9,457	(\$2,670)
Jul-18	\$9,355	\$11,284	\$1,929
Aug-18	\$9,918	\$7,864	(\$2,054)
Sep-18	\$9,878	\$8,351	(\$1,527)
Oct-18	\$10,524	\$6,782	(\$3,742)
Nov-18	\$8,114	\$5,736	(\$2,378)
Dec-18	\$7,810	\$6,826	(\$984)
Jan-19	\$6,566	\$6,430	(\$136)
Feb-19	\$5,560	\$4,971	(\$589)
Mar-19	\$5,852	\$5,492	(\$360)
Apr-19	\$8,182	\$7,531	(\$651)
May-19	\$9,604	\$8,510	(\$1,094)
Jun-19	\$12,173	\$9,251	(\$2,922)
Jul-19	\$10,940	\$10,534	(\$406)
Aug-19	\$11,972	\$10,507	(\$1,465)
Sep-19	\$9,672	\$8,155	(\$1,517)
Totals	\$212,410	\$190,612	(\$21,798)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member H

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$41,114	\$27,651	(\$13,463)
Nov-17	\$45,499	\$34,787	(\$10,712)
Dec-17	\$39,206	\$32,968	(\$6,238)
Jan-18	\$38,122	\$27,683	(\$10,439)
Feb-18	\$26,139	\$20,023	(\$6,116)
Mar-18	\$16,786	\$14,081	(\$2,705)
Apr-18	\$29,503	\$24,179	(\$5,324)
May-18	\$32,717	\$24,291	(\$8,426)
Jun-18	\$33,998	\$21,819	(\$12,179)
Jul-18	\$24,635	\$28,820	\$4,185
Aug-18	\$29,648	\$20,240	(\$9,408)
Sep-18	\$30,286	\$21,939	(\$8,347)
Oct-18	\$31,361	\$20,943	(\$10,418)
Nov-18	\$30,815	\$22,580	(\$8,235)
Dec-18	\$34,864	\$25,988	(\$8,876)
Jan-19	\$29,866	\$22,412	(\$7,454)
Feb-19	\$24,059	\$17,948	(\$6,111)
Mar-19	\$26,040	\$16,849	(\$9,191)
Apr-19	\$31,250	\$21,036	(\$10,214)
May-19	\$32,075	\$24,169	(\$7,906)
Jun-19	\$39,086	\$28,110	(\$10,976)
Jul-19	\$38,441	\$25,500	(\$12,941)
Aug-19	\$33,643	\$26,305	(\$7,338)
Sep-19	\$27,855	\$22,248	(\$5,607)
Totals	\$767,008	\$572,569	(\$194,439)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member I

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$10,609	\$7,826	(\$2,783)
Nov-17	\$11,262	\$9,533	(\$1,729)
Dec-17	\$9,682	\$8,885	(\$797)
Jan-18	\$9,670	\$7,984	(\$1,686)
Feb-18	\$7,014	\$5,628	(\$1,386)
Mar-18	\$4,421	\$3,559	(\$862)
Apr-18	\$6,973	\$6,858	(\$115)
May-18	\$8,337	\$7,434	(\$903)
Jun-18	\$9,644	\$8,431	(\$1,213)
Jul-18	\$8,685	\$8,715	\$30
Aug-18	\$8,214	\$6,206	(\$2,008)
Sep-18	\$8,448	\$6,573	(\$1,875)
Oct-18	\$8,888	\$6,247	(\$2,641)
Nov-18	\$8,547	\$6,649	(\$1,898)
Dec-18	\$9,697	\$6,896	(\$2,801)
Jan-19	\$7,654	\$5,741	(\$1,913)
Feb-19	\$6,044	\$4,487	(\$1,557)
Mar-19	\$6,222	\$4,667	(\$1,555)
Apr-19	\$8,221	\$5,941	(\$2,280)
May-19	\$8,455	\$6,841	(\$1,614)
Jun-19	\$10,350	\$8,824	(\$1,526)
Jul-19	\$11,406	\$9,199	(\$2,207)
Aug-19	\$11,157	\$8,730	(\$2,427)
Sep-19	\$8,622	\$7,749	(\$873)
Totals	\$208,222	\$169,602	(\$38,620)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member J

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$17,444	\$13,197	(\$4,247)
Nov-17	\$19,228	\$16,667	(\$2,561)
Dec-17	\$16,941	\$16,094	(\$847)
Jan-18	\$16,923	\$12,965	(\$3,958)
Feb-18	\$11,296	\$9,286	(\$2,010)
Mar-18	\$7,282	\$6,597	(\$686)
Apr-18	\$12,999	\$11,688	(\$1,311)
May-18	\$14,574	\$11,630	(\$2,944)
Jun-18	\$15,171	\$13,298	(\$1,873)
Jul-18	\$13,944	\$13,325	(\$619)
Aug-18	\$12,769	\$10,084	(\$2,685)
Sep-18	\$13,637	\$10,906	(\$2,731)
Oct-18	\$14,986	\$10,672	(\$4,314)
Nov-18	\$14,719	\$11,093	(\$3,626)
Dec-18	\$16,217	\$12,594	(\$3,623)
Jan-19	\$13,244	\$11,073	(\$2,171)
Feb-19	\$11,036	\$8,378	(\$2,658)
Mar-19	\$10,980	\$8,589	(\$2,391)
Apr-19	\$14,803	\$10,763	(\$4,040)
May-19	\$15,070	\$11,744	(\$3,326)
Jun-19	\$17,560	\$11,395	(\$6,165)
Jul-19	\$13,920	\$13,529	(\$391)
Aug-19	\$16,548	\$13,652	(\$2,896)
Sep-19	\$13,286	\$11,366	(\$1,920)
Totals	\$344,577	\$280,586	(\$63,991)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member K

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$4,544	\$3,946	(\$598)
Nov-17	\$5,192	\$5,126	(\$66)
Dec-17	\$4,685	\$4,824	\$139
Jan-18	\$4,690	\$3,815	(\$875)
Feb-18	\$3,041	\$2,756	(\$285)
Mar-18	\$1,943	\$1,826	(\$117)
Apr-18	\$3,335	\$3,411	\$76
May-18	\$3,933	\$3,808	(\$125)
Jun-18	\$4,525	\$4,320	(\$205)
Jul-18	\$4,101	\$4,543	\$442
Aug-18	\$4,105	\$3,273	(\$832)
Sep-18	\$4,174	\$3,450	(\$724)
Oct-18	\$4,545	\$3,419	(\$1,126)
Nov-18	\$4,217	\$3,612	(\$605)
Dec-18	\$5,043	\$4,119	(\$924)
Jan-19	\$4,177	\$3,433	(\$744)
Feb-19	\$3,155	\$2,648	(\$507)
Mar-19	\$3,194	\$2,663	(\$531)
Apr-19	\$4,406	\$3,382	(\$1,024)
May-19	\$4,617	\$3,749	(\$868)
Jun-19	\$5,133	\$4,472	(\$661)
Jul-19	\$5,177	\$4,341	(\$836)
Aug-19	\$5,114	\$4,397	(\$717)
Sep-19	\$4,129	\$3,622	(\$507)
Totals	\$101,175	\$88,957	(\$12,218)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

## Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member L

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	\$2,391	\$2,083	(\$309)
Nov-17	\$2,483	\$2,622	\$139
Dec-17	\$2,188	\$2,343	\$155
Jan-18	\$2,073	\$2,109	\$36
Feb-18	\$1,409	\$1,410	\$1
Mar-18	\$902	\$1,013	\$111
Apr-18	\$1,689	\$2,060	\$371
May-18	\$2,420	\$2,300	(\$120)
Jun-18	\$2,883	\$2,591	(\$292)
Jul-18	\$2,555	\$2,547	(\$9)
Aug-18	\$2,327	\$1,819	(\$508)
Sep-18	\$2,387	\$1,751	(\$636)
Oct-18	\$2,196	\$1,724	(\$472)
Nov-18	\$1,934	\$1,841	(\$93)
Dec-18	\$2,178	\$1,959	(\$219)
Jan-19	\$1,717	\$1,784	\$67
Feb-19	\$1,391	\$1,321	(\$70)
Mar-19	\$1,458	\$1,337	(\$121)
Apr-19	\$1,979	\$1,779	(\$200)
May-19	\$2,324	\$2,075	(\$249)
Jun-19	\$2,993	\$2,614	(\$379)
Jul-19	\$3,192	\$2,619	(\$573)
Aug-19	\$3,103	\$2,608	(\$495)
Sep-19	\$2,434	\$1,832	(\$602)
Totals	\$52,606	\$48,139	(\$4,467)

Over-recovery means Shelby billed more than EKPC.

Under-recovery means Shelby billed less than EKPC.

Analysis of Surcharge Over/(Under) Recovery

Rate B Customer: Member M

EKPC Billing Period	Surcharge Billed		Over/(Under) Recovery
	By EKPC	By Shelby	
Oct-17	Member was not billed under EKPC's Rate B prior to September 2018		\$0
Nov-17			\$0
Dec-17			\$0
Jan-18			\$0
Feb-18			\$0
Mar-18			\$0
Apr-18			\$0
May-18			\$0
Jun-18			\$0
Jul-18	\$0		
Aug-18	\$0		
Sep-18	\$3,164	\$2,687	(\$477)
Oct-18	\$3,270	\$2,420	(\$850)
Nov-18	\$3,089	\$2,465	(\$624)
Dec-18	\$3,389	\$3,074	(\$315)
Jan-19	\$3,149	\$2,540	(\$609)
Feb-19	\$2,484	\$1,934	(\$550)
Mar-19	\$2,497	\$2,110	(\$387)
Apr-19	\$3,480	\$2,875	(\$605)
May-19	\$3,862	\$3,323	(\$539)
Jun-19	\$4,663	\$2,793	(\$1,870)
Jul-19	\$3,353	\$3,702	\$349
Aug-19	\$4,235	\$4,107	(\$128)
Sep-19	\$3,729	\$3,187	(\$542)
Totals	\$44,364	\$37,217	(\$7,147)

Over-recovery means Shelby billed more than EKPC.  
Under-recovery means Shelby billed less than EKPC.

Date

Name

Address

Dear Member:

Please be advised that the method in which the Environmental Surcharge is currently being distributed by East Kentucky Power and Shelby Energy Cooperative on certain industrial loads is being examined by the Public Service Commission (PSC). Specifically, the “B” rate that your company is on is included in this review. In some instances, industrial customers on special contracts and “B” rates pay less of the Environmental Surcharge at the retail level than the wholesale level. As a result, certain retail classes are paying a larger portion of the surcharge or subsidizing the industrial customers. If the Commission rules that this is not equitable, a new method will be used to more fairly apply the Environmental Surcharge.

As a review, the Environmental Surcharge is a mechanism designed to recoup cost incurred while meeting EPA regulations on power plant emissions. Such costs include the purchase, maintenance, and operation of high cost pollution control equipment such as scrubbers to “clean” coal used in the production of power. State regulators ensure that only proper expenses are extracted via the Environmental Surcharge. Future pollution control equipment and climate legislation mandates will be a driver of future Environmental Surcharge costs.

I will continue to keep you updated on the progress of the review. Please feel free to contact me with any additional questions you may have concerning this issue.

Sincerely,

Jack Bragg, Jr.

President and CEO

Shelby Energy Cooperative

502-437-8161

FOR All Territory Served

PSC KY NO. 9

1st Revised SHEET NO. 319

Shelby Energy Cooperative, Inc.  
(NAME OF UTILITY)

CANCELLING PSC KY NO. 9

Original SHEET NO. 319

**RATE SCHEDULE ES - ENVIRONMENTAL SURCHARGE**

**AVAILABILITY:**

In all of the Company's service territory.

**APPLICABILITY:**

This rate schedule shall apply to all electric rate schedules and special contracts.

**RATE:**

$CES(m) = ES(m)$

where CES(m) = Current Month Environmental Surcharge Factor  
 ES(m) = Current Month Environmental Surcharge Calculation

*For all rate schedules excluding those whose retail rates are based upon EKPC's Rate B,C,G, or special contract rates:*

$ES(m) = [((WESF) \times (\text{Average of 12-months ended revenues from sales to Member System, excluding environmental surcharge})) + (\text{Over/Under Recovery})] \text{ divided by } [\text{Average of 12-months ending Retail Revenue from all rate schedules excluding those whose retail rates are based on EKPC's Rate B,C,G, or special contract rates (excluding environmental surcharge)}]$   
 = \_\_\_\_\_ %

T  
T  
T  
T

where WESF = Wholesale Environmental Surcharge Factor for Current Expense Month

DATE OF ISSUE December 20, 2019  
MONTH / DATE / YEAR

DATE EFFECTIVE April 1, 2020  
MONTH / DATE / YEAR

ISSUED BY   
(SIGNATURE OF OFFICER)

TITLE President & CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
 IN CASE NO. 2019-00380 DATE \_\_\_\_\_

FOR All Territory Served

PSC KY NO. 9

1st Revised SHEET NO. 319.1

CANCELLING PSC KY NO. 9

Original SHEET NO. 319.1

Shelby Energy Cooperative, Inc.  
(NAME OF UTILITY)

**RATE SCHEDULE ES - ENVIRONMENTAL SURCHARGE**

RATE: (continued)

*For all rate schedules whose retail rates are based upon EKPC's Rate B, C, G or special contract rates:  $ES(m)$  = Direct pass-through of the wholes sale environmental surcharge amount as billed by EKPC.*

T  
T  
T

(Over)/Under Recovery =

6-months cumulative (over)/under recovery as defined by amount billed by EKPC to Member System minus the amount billed by Member System to retail customer. Over or under recoveries shall be amortized over a six-month period.

**BILLING**

The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge billed.

DATE OF ISSUE December 20, 2019  
MONTH / DATE / YEAR

DATE EFFECTIVE April 1, 2020  
MONTH / DATE / YEAR

ISSUED BY   
SIGNATURE OF OFFICER

TITLE President & CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2019-00380 DATE \_\_\_\_\_

**East Kentucky Power Cooperative, Inc. - Distribution Cooperatives  
Pass Through Mechanism Report for Shelby Energy Cooperative**

For the Month Ending

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Shelby	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Shelby	EKPC 12-months Ended Average Monthly Revenue from Sales to Shelby	Shelby Revenue Requirement	Rates B, C, G & Special Contracts Surcharge Revenues	Shelby Revenue Requirements Net of Rates B, C, G & Spec. Cts.	Amortization of (Over)/Under Recovery	Shelby Net Revenue Requirement <i>Net Rates B, C, G &amp; Spec. Cts.</i>	Shelby Total Monthly Retail Revenues <i>Net Rates B, C, G &amp; Spec. Cts.</i>	On-Peak Retail Revenue Adjustment	Shelby Net Monthly Retail Revenues <i>Net Rates B, C, G &amp; Spec. Cts.</i>	12-months ended Avg. Retail Revenues, <i>Net Rates B, C, G &amp; Spec. Cts.</i>	Shelby Pass Through Mechanism Factor <i>Net Rates B, C, G &amp; Spec. Cts.</i>
			Col (1) - Col (2)			Col (4) - Col (5)		Col (3) x Col (7)		Col (8a) - (8b)		Col (8c) + Col (9)			Col (11) - Col (12)		Col (10) / Col (14)

Notes:  
Shelby Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.  
Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.



**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**AN ELECTRONIC EXAMINATION BY THE PUBLIC )  
SERVICE COMMISSION OF THE )  
ENVIRONMENTAL SURCHARGE MECHANISM )  
OF EAST KENTUCKY POWER COOPERATIVE, )  
INC. FOR THE TWO-YEAR EXPENSE PERIOD )  
ENDING MAY 31, 2019 AND THE PASS- )  
THROUGH MECHANISM OF ITS SIXTEEN )  
MEMBER DISTRIBUTION COOPERATIVES )**

**CASE NO.  
2019-00380**

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.  
DATED NOVEMBER 15, 2019**

**EAST KENTUCKY POWER COOPERATIVE, INC.**

**PSC CASE NO. 2019-00380**

**PUBLIC SERVICE COMMISSION REQUEST DATED 11/15/19**

East Kentucky Power Cooperative, Inc. ("EKPC") hereby submits responses to the information requests contained in Appendix B to the Order of the Public Service Commission ("Commission") in this case dated November 15, 2019. Each response with its associated supportive reference materials is individually tabbed.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC	)	
SERVICE COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR THE TWO-	)	CASE NO.
YEAR EXPENSE PERIOD ENDING	)	2019-00380
MAY 31, 2019 AND THE PASS-THROUGH	)	
MECHANISM OF ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

CERTIFICATE

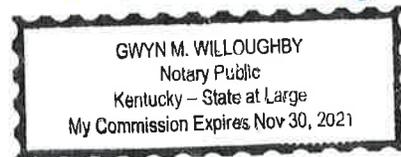
STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Mark Horn, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's First Request for Information contained in Appendix B in the above-referenced case dated November 15, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Mark Horn

Subscribed and sworn before me on this 20<sup>th</sup> day of December, 2019.

Gwyn M. Willoughby #570567  
 Notary Public



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC )  
SERVICE COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR THE TWO- )  
YEAR EXPENSE PERIOD ENDING )  
MAY 31, 2019 AND THE PASS-THROUGH )  
MECHANISM OF ITS SIXTEEN MEMBER )  
DISTRIBUTION COOPERATIVES )

CASE NO.  
2019-00380

CERTIFICATE

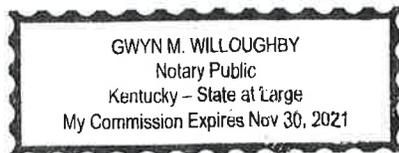
STATE OF KENTUCKY )  
 )  
COUNTY OF CLARK )

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's First Request for Information contained in Appendix B in the above-referenced case dated November 15, 2019, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

*Isaac S. Scott*  
\_\_\_\_\_

Subscribed and sworn before me on this 20<sup>th</sup> day of December, 2019.

*Gwyn M. Willoughby #590567*  
\_\_\_\_\_  
Notary Public





**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2019-00380**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/15/19**  
**REQUEST 1**

**RESPONSIBLE PARTY:**           **Isaac S. Scott**

**Request 1.**           This question is addressed to EKPC. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months under review. Form 1 .1 can be used as a model for this summary. Include the two expense months subsequent to the review period in order to show the over- and under-recovery adjustments for the months included for the review period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for the two-year review. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

**Response 1.**           Please see the response included on file “Response #1 – Summary Schedule E(m) - EKPC Over-Under.xlsx”. As shown in the response, EKPC is not proposing any additional over- or under-recovery to be recognized for the expense months under review.

**EAST KENTUCKY POWER COOPERATIVE, INC.  
PSC CASE NO. 2019-00380  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/15/19  
REQUEST 2**

**RESPONSIBLE PARTY:**           **Isaac S. Scott**

**Request 2.**           This question is addressed to EKPC and the Member Cooperatives. For each of the 16-Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the two-year review. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the two-year review. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

**Response 2.**           Please see the 16 files included with this response styled "2-year {Member Name} Response #2.xlsx". The calculations follow the revised methodology approved by the Commission in Case No. 2015-00281. Concerning the amortization periods for the resulting over- or under-recoveries, all of the Member Cooperatives have notified EKPC that they are proposing six-month amortization periods.

EKPC and the Member Cooperatives have been requested to prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the two-year review. As discussed in Mr. Scott's direct testimony, this is the second two-year review since the adoption of the revised methodology approved in Case No. 2015-00281. In the previous two-year review, Case No. 2017-00326, EKPC provided Excel spreadsheets for each Member Cooperative that included four "tabs". The first three tabs provided the six-month schedules filed in the previous surcharge review cases, identified by the applicable case number. The fourth tab covered the last six-months of the review period that had yet to be reviewed and contained the determination of the over- or under-recovery for the current review period. EKPC believes viewing all four schedules together accomplishes the desired review of each Member Cooperative's revenue requirement during the review period. EKPC and the Member Cooperatives have followed the same approach for this two-year review case.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2019-00380**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/15/19**  
**REQUEST 3**

**RESPONSIBLE PARTY: Mark Horn**

**Request 3.** This question is addressed to EKPC. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for the last six expense months under review.

**Request 3a.** For the sulfur dioxide emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

**Response 3a.** No SO<sub>2</sub> purchases were made during the period of December 1, 2018, through May 31, 2019.

**Request 3b.** For the nitrogen oxide emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.

**Response 3b.** No NO<sub>x</sub> purchases were made during the period of December 1, 2018, through May 31, 2019.

**Request 3c.** Explain how the purchases of allowances in the last six expense months under review comply with EKPC's emissions allowance strategy plan.

**Response 3c.** No purchases of allowances were made in the expense months covered by the applicable billing periods.

**EAST KENTUCKY POWER COOPERATIVE, INC.  
PSC CASE NO. 2019-00380  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/15/19  
REQUEST 4**

**RESPONSIBLE PARTY: Isaac S. Scott**

**Request 4.** This question is addressed to EKPC. Refer to Form 2.5, Operating and Maintenance Expenses, for the last six expense months under review. For each of the expense account numbers listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

**Response 4.** Please see pages 2 through 11 of this response.

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period December 2018 to May 2019

501010 - SP03	Fuel Coal Gilbert	Nov	Dec	Jan	Feb	Mar	Apr	May
400-2610	Expense Dollars	\$ 209,174	\$ 49,890	\$ 96,552	\$ 85,308	\$ 2,371	\$ 51,266	\$ 204,744
	Expense Dollars Change		\$ (159,284)	\$ 46,662	\$ (11,244)	\$ (82,937)	\$ 48,895	\$ 153,478
	Percent Change		-76.15%	93.53%	-11.65%	-97.22%	2062.21%	299.38%

Monthly expense changes are due to increases or decreases in volume of ash removed.

501010 - SP04	Fuel Coal Spurlock 4	Nov	Dec	Jan	Feb	Mar	Apr	May
400-2610	Expense Dollars	\$ 50,787	\$ 218,758	\$ 64,348	\$ 62,004	\$ 87,400	\$ 29,082	\$ 656
	Expense Dollars Change		\$ 167,971	\$ (154,410)	\$ (2,344)	\$ 25,396	\$ (58,318)	\$ (28,426)
	Percent Change		330.74%	-70.58%	-3.64%	40.96%	-66.73%	-97.74%

Monthly expense changes are due to increases or decreases in volume of ash removed.

501010 - CPxx	Fuel Coal Cooper (Unit 2 AQCS)	Nov	Dec	Jan	Feb	Mar	Apr	May
Project 02610	Expense Dollars	\$ 77	\$ 23,519	\$ 11,830	\$ 18,743	\$ 77	\$ 5,591	\$ -
	Expense Dollars Change		\$ 23,442	\$ (11,689)	\$ 6,913	\$ (18,666)	\$ 5,514	\$ (5,591)
	Percent Change		30444.16%	-49.70%	58.44%	-99.59%	7161.04%	-100.00%

Monthly expense changes are due to increases or decreases in volume of ash removed.

512000 - CPxx	Maintenance of Cooper (Unit 2 AQCS)	Nov	Dec	Jan	Feb	Mar	Apr	May
Projects 03350 and 03521	Expense Dollars	\$ 22,008	\$ 7,017	\$ 74,518	\$ 11,100	\$ 15,554	\$ 13,667	\$ 27,364
	Expense Dollars Change		\$ (14,991)	\$ 67,501	\$ (63,418)	\$ 4,454	\$ (1,887)	\$ 13,697
	Percent Change		-68.12%	961.96%	-85.10%	40.13%	-12.13%	100.22%

Project 03350 is Bag House, Dry Scrub, SNCR & SCR, Project 03521 is Scrubber Maintenance

December18 -

Project 03350- Contractor payments increased \$0.4k, EKPC Payroll & Benefits decreased \$3.5k, Accruals decreased \$7k  
 Project 03521- Contractor payments decreased \$4.8k, EKPC Payroll & Benefits increased \$0.6k, Materials decreased \$2.6k, Accruals increased \$2k  
 No significant maintenance performed.

January19 -

Project 03350- Contractor payments decreased \$0.1k, EKPC Payroll & Benefits decreased \$0.7k, Materials increased \$1.4k, Accruals increased \$3.7k  
 Project 03521- Contractor payments increased \$58.2k, EKPC Payroll & Benefits increased \$10.8k, Materials decreased \$1.9k, Accruals decreased \$4k  
 Project 03351 was reported in December instead of project 03521. January includes reporting correction of the \$74k that should have been reported along with regular activity listed on line above.  
 January includes correction of December activity related to replacement of water strainers in the scrubber building

February19 -

Project 03350- Contractor payments decreased \$0.2k, EKPC Payroll & Benefits increased \$6.3k, Materials decreased \$1.4k, Accruals decreased \$0.2k  
 Project 03521- Contractor payments increased \$58.2k, EKPC Payroll & Benefits decreased \$13.2k, Materials decreased \$0.4k, Accruals increased \$4k  
 No significant maintenance performed.

March19 -

Project 03350- EKPC Payroll & Benefits decreased \$7.4k, Materials increased \$0.8k,  
 Project 03521- Contractor payments increased \$0.9k, EKPC Payroll & Benefits increased \$6.7k, Materials increased \$3.3k,  
 No significant maintenance performed.

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period December 2018 to May 2019**

April19 -

Project 03350- Contractor payments decreased \$0.2k, EKPC Payroll & Benefits increased \$1.6k, Materials decreased \$0.8k, Accruals decreased \$0.2k

Project 03521- Contractor payments increased \$1.3k, Materials decreased \$4.6k, Accruals increased \$1.1k

No significant maintenance performed.

May19 -

Project 03350- Contractor payments decreased \$0.1k, EKPC Payroll & Benefits increased \$5.2k, Materials increased \$0.5k, Accruals increased \$9.2k

Project 03521- Contractor payments increased \$0.5k, EKPC Payroll & Benefits decreased \$1.8k, Materials increased \$2.6k, Accruals decreased \$2.3k

No significant maintenance performed.

512000 - SP01	Maintenance of Boiler Plant Spurlock 1	Nov	Dec	Jan	Feb	Mar	Apr	May
Projects 03330 and 03501	Expense Dollars	\$ 36,315	\$ 74,591	\$ 2,609	\$ 9,086	\$ 17,442	\$ 35,932	\$ 79,595
	Expense Dollars Change		\$ 38,276	\$ (71,982)	\$ 6,477	\$ 8,356	\$ 18,490	\$ 43,663
	Percent Change		105.40%	-96.50%	248.26%	91.97%	106.01%	121.52%

Project 03330 is for the Spurlock 1 Electrostatic Precipitator and Project 03501 is for Spurlock 1 SCR maintenance.

December18 -

Project 03330- Contractor payments increased \$7.7k, EKPC Payroll & Benefits increased \$0.3k, Materials decreased \$5k, Accruals increased \$4.4k

Project 03501- Contractor payments increased \$23.7k, EKPC Payroll & Benefits increased \$2k, Materials increased \$0.5k, Accruals increased \$4.7k

Work done on the catalyst and precipitators

January19 -

Project 03330- Contractor payments decreased \$5.8k, EKPC Payroll & Benefits decreased \$1.6k, Materials increased \$0.2k, Accruals decreased \$9.1k

Project 03501- Contractor payments increased \$12.7k, EKPC Payroll & Benefits decreased \$5.7k, Materials decreased \$0.5k, Accruals decreased \$62.1k

No significant maintenance performed.

February19 -

Project 03330- Contractor payments decreased \$3.2k, EKPC Payroll & Benefits increased \$3k, Materials decreased \$0.5k, Accruals increased \$7.7k

Project 03501- Contractor payments decreased \$41.5k, EKPC Payroll & Benefits increased \$2.3k, Accruals increased \$38.7k

No significant maintenance performed.

March19 -

Project 03330- Contractor payments increased \$10.9k, EKPC Payroll & Benefits increased \$0.4k, Materials increased \$0.2k, Accruals decreased \$4.6k

Project 03501- Contractor payments increased \$0.2k, EKPC Payroll & Benefits increased \$1.5k, Accruals decreased \$0.2k

No significant maintenance performed.

April19 -

Project 03330- Contractor payments decreased \$11k, EKPC Payroll & Benefits decreased \$0.5k, Materials increased \$5.5k, Accruals increased \$1.4k

Project 03501- Contractor payments increased \$22.5k, EKPC Payroll & Benefits decreased \$0.7k, Accruals increased \$1.2k

No significant maintenance performed.

May19 -

Project 03330- Contractor payments decreased \$1.2k, EKPC Payroll & Benefits increased \$10.9k, Materials decreased \$5.6k, Accruals increased \$1.2k

Project 03501- Contractor payments increased \$3.7k, EKPC Payroll & Benefits increased \$2.9k, Materials increased \$7.8k, Accruals increased \$24k

Tuning of Ammonia Injection Grid on the SCR

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period December 2018 to May 2019**

512000 - SP02	Maintenance of Boiler Plant Spurlock 2	Nov	Dec	Jan	Feb	Mar	Apr	May
Projects 03330 and 03501	Expense Dollars	\$ 72,113	\$ 416,360	\$ 8,646	\$ 20,355	\$ 5,297	\$ 17,609	\$ 7,431
	Expense Dollars Change		\$ 344,247	\$ (407,714)	\$ 11,709	\$ (15,058)	\$ 12,312	\$ (10,178)
	Percent Change		477.37%	-97.92%	135.43%	-73.98%	232.43%	-57.80%

Project 03330 is for the Spurlock 2 Electrostatic Precipitator and Project 03501 is for Spurlock 2 SCR maintenance.

**December18 -**

Project 03330- Contractor payments increased \$395k, EKPC Payroll & Benefits decreased \$4.5k, Materials decreased \$30.8k, Accruals increased \$1.8k  
 Project 03501- Contractor payments decreased \$9.7k, EKPC Payroll & Benefits decreased \$4.4k, Materials decreased \$3.2k, Accruals decreased \$0.1k  
 Unit 2 outage - precipitator repairs/inspections

**January19 -**

Project 03330- Contractor payments decreased \$393k, EKPC Payroll & Benefits decreased \$6.7k, Materials increased \$15k, Accruals decreased \$3.8k  
 Project 03501- Contractor payments decreased \$17.3k, EKPC Payroll & Benefits decreased \$1.4k, Materials decreased \$0.4k, Accruals increased \$0.1k  
 No significant maintenance performed.

**February19 -**

Project 03330- Contractor payments increased \$0.2k, EKPC Payroll & Benefits increased \$2.8k, Materials increased \$10.9k, Accruals increased \$1.9k.  
 Project 03501- Contractor payments decreased \$5.2k, EKPC Payroll & Benefits decreased \$1k, Materials increased \$2.1k.  
 Installed current limiting reactor and interface module

**March19 -**

Project 03330- Contractor payments decreased \$1k, EKPC Payroll & Benefits decreased \$3.2k, Materials decreased \$10.2k.  
 Project 03501- Contractor payments increased \$0.1k, EKPC Payroll & Benefits increased \$1.3k, Materials decreased \$2.1k.  
 No significant maintenance performed.

**April19 -**

Project 03330- Contractors increased \$0.6k, EKPC Payroll & Benefits increased \$9.1k, Materials decreased \$0.7k.  
 Project 03501- Contractor payments decreased \$0.6k, EKPC Payroll & Benefits increased \$2.1k, Accruals increased \$1.8k.  
 No significant maintenance performed.

**May19 -**

Project 03330- Contractor payments increased \$0.1k, EKPC Payroll & Benefits decreased \$6.4k.  
 Project 03501- Contractor payments increased \$1.3k, EKPC Payroll & Benefits decreased \$1.8k, Accruals decreased \$3.4k.  
 No significant maintenance performed.

512000 - SP03	Maintenance of Boiler Plant Gilbert	Nov	Dec	Jan	Feb	Mar	Apr	May
Projects 03206 and 03350	Expense Dollars	53,391	98,746	66,513	1,261,341	2,358,575	311,406	191,829
	Expense Dollars Change		45,355	(32,233)	1,194,828	1,097,234	(2,047,169)	(119,577)
	Percent Change		84.95%	-32.64%	1796.38%	86.99%	-86.80%	-38.40%

Project 03206 is for Spurlock 3 Boiler Pollution Control equipment and Project 03350 is for Spurlock 3 Bag House, SNCR and FDA equipment.

**December18 -**

Project 03206- Contractor payments increased \$49.4k, EKPC Payroll & Benefits increased \$17.2k, Materials decreased \$17.1k, Accruals decreased \$0.5k  
 Project 03350- Contractor payments decreased \$3.8k, EKPC Payroll & Benefits decreased \$1.4k, Materials decreased \$0.6k, Accruals increased \$2.2k  
 Work on 3A limestone mill breaker and LM journal rebuild/repair

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period December 2018 to May 2019**

January19 -

Project 03206- Contractor payments decreased \$34.9k, EKPC Payroll & Benefits decreased \$14.3k, Materials increased \$13.3k, Accruals increased \$29.3k  
 Project 03350- Contractor payments decreased \$9.1k, EKPC Payroll & Benefits decreased \$13.7k, Materials increased \$1k, Accruals decreased \$3.8k  
 Toshiba power module repairs

February19 -

Project 03206- Contractor payments increased \$388.5k, EKPC Payroll & Benefits increased \$11.9k, Materials increased \$24.1k, Accruals increased \$60.6k  
 Project 03350- Contractor payments increased \$690.7k, EKPC Payroll & Benefits increased \$14.3k, Materials increased \$0.2k, Accruals increased \$4.6k  
 Refractory and baghouse repairs, bag replacements

March19 -

Project 03206- Contractor payments increased \$1091.2k, EKPC Payroll & Benefits increased \$122.6k, Materials increased \$220k, Accruals decreased \$69.2k  
 Project 03350- Contractor payments decreased \$354.9k, EKPC Payroll & Benefits increased \$17.4k, Materials increased \$45k, Accruals increased \$25.1k  
 Unit 3 outage repairs

April19 -

Project 03206- Contractor payments decreased \$1312.5k, EKPC Payroll & Benefits decreased \$131.1k, Materials decreased \$225.8k, Accruals decreased \$122.5k  
 Project 03350- Contractor payments decreased \$227.8k, EKPC Payroll & Benefits increased \$56.9k, Materials decreased \$45.6k, Accruals decreased \$38.8k  
 Continued outage repairs

May19 -

Project 03206- Contractor payments decreased \$107.9k, EKPC Payroll & Benefits increased \$4.5k, Materials increased \$26.8k, Accruals increased \$126k  
 Project 03350- Contractor payments decreased \$92.8k, EKPC Payroll & Benefits decreased \$84.3k, Materials decreased \$0.9k, Accruals increased \$9k  
 Trailing outage expenses

512000 - SP04	Maintenance of Boiler Plant Spurlock 4	Nov	Dec	Jan	Feb	Mar	Apr	May
Projects 03206 and 03350	Expense Dollars	235,981	108,059	80,751	428,227	299,159	1,840,727	931,724
	Expense Dollars Change		(127,922)	(27,308)	347,476	(129,068)	1,541,568	(909,003)
	Percent Change		-54.21%	-25.27%	430.31%	-30.14%	515.30%	-49.38%

Project 03206 is for Spurlock 4 Boiler Pollution Control equipment and Project 03350 is for Spurlock 4 Bag House, SNCR and FDA equipment.

December18 -

Project 03206- Contractor payments decreased \$120.8k, EKPC Payroll & Benefits increased \$8.5k, Materials decreased \$3.1k, Accruals decreased \$0.2k  
 Project 03350- Contractor payments decreased \$8.8k, EKPC Payroll & Benefits decreased \$6.2k, Materials decreased \$1.7k, Accruals increased \$4.4k  
 Cyclone repairs

January19 -

Project 03206- Contractor payments decreased \$7.6k, EKPC Payroll & Benefits decreased \$12.7k, Materials decreased \$14.7k, Accruals increased \$1.2k.  
 Project 03350- Contractor payments increased \$17.7k, EKPC Payroll & Benefits decreased \$8.8k, Materials increased \$5.7k, Accruals decreased \$8.1k  
 Refractory repairs

February19 -

Project 03206- Contractor payments increased \$122.8k, EKPC Payroll & Benefits increased \$18.8k, Materials increased \$131.8k, Accruals increased \$40.9k  
 Project 03350- Contractor payments decreased \$18.8k, EKPC Payroll & Benefits increased \$5.9k, Materials increased \$21k, Accruals increased \$25k  
 Refractory repairs

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period December 2018 to May 2019**

**March19 -**

Project 03206- Contractor payments decreased \$51k, EKPC Payroll & Benefits decreased \$19.3k, Materials increased \$75.4k, Accruals decreased \$85.3k  
 Project 03350- Contractor payments increased \$8k, EKPC Payroll & Benefits decreased \$3.3k, Materials decreased \$28.2k, Accruals decreased \$25.4k  
 Boiler vacuum services

**April19 -**

Project 03206- Contractor payments increased \$1212.8k, EKPC Payroll & Benefits increased \$36.8k, Materials decreased \$153.1k, Accruals increased \$373.6k  
 Project 03350- Contractor payments increased \$38.8k, EKPC Payroll & Benefits increased \$3.6k, Materials increased \$9.1k, Accruals increased \$20k  
 Spring outage and turbine overhaul

**May19 -**

Project 03206- Contractor payments decreased \$522.8k, EKPC Payroll & Benefits increased \$59.3k, Materials decreased \$9.7k, Accruals decreased \$457.7k  
 Project 03350- Contractor payments decreased \$3.1k, EKPC Payroll & Benefits increased \$14.2k, Materials decreased \$0.7k, Accruals increased \$11.5k  
 Spring outage and turbine overhaul

512000 - SP21	Maintenance of Boiler Plant Scrubber 1	Nov	Dec	Jan	Feb	Mar	Apr	May
Project 03521	Expense Dollars	\$ 91,107	\$ 479,215	\$ 226,241	\$ 122,576	\$ 77,709	\$ 70,013	\$ 274,373
	Expense Dollars Change		\$ 388,108	\$ (252,974)	\$ (103,665)	\$ (44,867)	\$ (7,696)	\$ 204,360
	Percent Change		425.99%	-52.79%	-45.82%	-36.60%	-9.90%	291.89%

**December18 -**

Project 03521- Contractor payments increased \$34.4k, EKPC Payroll & Benefits increased \$4.3k, Materials increased \$32.5k, Accruals increased \$316.9k  
 Limetone silo repairs A and B

**January19 -**

Project 03521- Contractor payments increased \$136.9k, EKPC Payroll & Benefits decreased \$13k, Materials decreased \$39.7k, Accruals decreased \$337.1k  
 Limetone silo repairs A and B

**February19 -**

Project 03521- Contractor payments decreased \$183k, EKPC Payroll & Benefits increased \$7.8k, Materials decreased \$14.6k, Accruals increased \$86.1k.  
 Limetone silo repairs A and B

**March19 -**

Project 03521- Contractor payments increased \$381.7k, EKPC Payroll & Benefits increased \$5.1k, Materials decreased \$3.1k, Accruals decreased \$428.5k  
 No significant maintenance performed.

**May19 -**

Project 03521- Contractor payments increased \$45.4k, EKPC Payroll & Benefits increased \$14k, Materials increased \$43.4k, Accruals increased \$101.7k  
 Various seal repairs and associated labor

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period December 2018 to May 2019**

512000 - SP22	Maintenance of Boiler Plant Scrubber 2	Nov	Dec	Jan	Feb	Mar	Apr	May
Project 03521	Expense Dollars	\$ 645,209	\$ 1,320,688	\$ 389,755	\$ 140,429	\$ 400,659	\$ 69,977	\$ 184,358
	Expense Dollars Change		\$ 675,479	\$ (930,933)	\$ (249,326)	\$ 260,230	\$ (330,682)	\$ 114,381
	Percent Change		104.69%	-70.49%	-63.97%	185.31%	-82.53%	163.46%

**December18 -**

Project 03521- Contractor payments increased \$366.5k, EKPC Payroll & Benefits decreased \$1.5k, Materials increased \$36.9k, Accruals increased \$273.6k  
 Rebuild dewatering cyclone and related expenses

**January19 -**

Project 03521- Contractor payments decreased \$14.1k, EKPC Payroll & Benefits decreased \$15.1k, Materials decreased \$63.9k, Accruals decreased \$837.8k  
 Removal and installation of FRP oxidation air piping

**February19 -**

Project 03521- Contractor payments decreased \$498.7k, EKPC Payroll & Benefits increased \$7.3k, Materials decreased \$15.4k, Accruals increased \$257.5k  
 Contract maintenance

**March19 -**

Project 03521- Contractor payments increased \$390.3k, EKPC Payroll & Benefits decreased \$7.4k, Materials increased \$90k, Accruals decreased \$212.7k.  
 Limetone silo repairs A and B

**April19 -**

Project 03521- Contractor payments decreased \$283.2k, EKPC Payroll & Benefits increased \$16.2k, Materials decreased \$122.3k, Accruals increased \$58.6k.  
 No significant maintenance performed.

**May19 -**

Project 03521- Contractor payments decreased \$139.2k, EKPC Payroll & Benefits decreased \$5.4k, Materials increased \$49.2k, Accruals increased \$209.7k  
 Contract maintenance accruals

**Air Permit Fees**

506002 - CP00	Misc Stm Pwr Env - Cooper	Nov	Dec	Jan	Feb	Mar	Apr	May
	Expense Dollars	\$ 1,572	\$ 48,895	6,224	\$ 7,040	\$ -	\$ 212	\$ 27
	Expense Dollars Change		\$ 47,323	\$ (42,671)	\$ 816	\$ (7,040)	\$ 212	\$ (185)
	Percent Change		3010.37%	-87.27%	13.11%	-100.00%	0.00%	-87.26%

506002 - SP00	Misc Stm Pwr Env - Spurlock	Nov	Dec	Jan	Feb	Mar	Apr	May
	Expense Dollars	\$ 34,078	\$ 753,223	\$ 1,430	\$ -	\$ 58,030	\$ 13,690	\$ -
	Expense Dollars Change		\$ 719,145	\$ (751,793)	\$ (1,430)	\$ 58,030	\$ (44,340)	\$ (13,690)
	Percent Change		2110.29%	-99.81%	-100.00%	0.00%	-76.41%	-100.00%

Air permit fees paid for Cooper and Spurlock for calendar 2019 emissions.

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period December 2018 to May 2019

Operating Expense- Ammonia

506001 - CPxx	Misc Stm Pwr Exp - Cooper	Nov	Dec	Jan	Feb	Mar	Apr	May
	Expense Dollars	\$ 10,709	\$ 14,478	\$ 17,381	\$ 6,656	\$ 9,949	\$ -	\$ -
	Expense Dollars Change		\$ 3,769	\$ 2,903	\$ (10,725)	\$ 3,293	\$ (9,949)	\$ -
	Percent Change		35.19%	20.05%	-61.71%	49.47%	-100.00%	0.00%

The monthly change in expense is due to the increase or decrease in Ammonia usage.

Operating Expense- Ammonia

506001 - CP22	Misc Stm Pwr Exp - Cooper Unit #2 AQCS	Nov	Dec	Jan	Feb	Mar	Apr	May
	Expense Dollars	\$ 66,326	\$ 94,785	\$ 179,712	\$ 58,153	\$ 58,746	\$ -	\$ -
	Expense Dollars Change		\$ 28,459	\$ 84,927	\$ (121,559)	\$ 593	\$ (58,746)	\$ -
	Percent Change		42.91%	89.60%	-67.64%	1.02%	-100.00%	0.00%

The monthly change in expense is due to the increase or decrease in Ammonia usage based on generation.

Operating Expense- Ammonia

506001 - SP01	Misc Stm Pwr Exp - Spurlock 1	Nov	Dec	Jan	Feb	Mar	Apr	May
	Expense Dollars	\$ 83,273	\$ 63,912	\$ 64,062	\$ 45,591	\$ 57,678	\$ 31,378	\$ 38,314
	Expense Dollars Change		\$ (19,361)	\$ 150	\$ (18,471)	\$ 12,087	\$ (26,300)	\$ 6,936
	Percent Change		-23.25%	0.23%	-28.83%	26.51%	-45.60%	22.10%

The monthly change in expense is due to the increase or decrease in Ammonia usage based on generation.

506001 -SP02	Misc Steam Power Exp - Spurlock 2	Nov	Dec	Jan	Feb	Mar	Apr	May
	Expense Dollars	\$ 3,861	\$ 36,580	\$ 38,094	\$ 32,143	\$ 20,294	\$ 15,408	\$ 30,528
	Expense Dollars Change		\$ 32,719	\$ 1,514	\$ (5,951)	\$ (11,849)	\$ (4,886)	\$ 15,120
	Percent Change		847.42%	4.14%	-15.62%	-36.86%	-24.08%	98.13%

The monthly change in expense is due to the increase or decrease in Ammonia usage based on generation.

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period December 2018 to May 2019

**Operating Expense- Ammonia and Limestone**

506001 - SP03	Misc Steam Power Expense- Gilbert	Nov	Dec	Jan	Feb	Mar	Apr	May
	Ammonia Expense	\$ 41,826	\$ 34,422	\$ 29,405	\$ 15,884	\$ 3,437	\$ 12,884	\$ 30,437
	Limestone Expense	\$ 340,955	\$ 342,581	\$ 276,604	\$ 151,448	\$ -	\$ 136,403	\$ 242,439
	Limestone Tons Used	24,767	24,867	19,866	10,840	0	9,781	17,362
	Total Expense Dollars	\$ 382,781	\$ 377,003	\$ 306,009	\$ 167,332	\$ 3,437	\$ 149,287	\$ 272,876
	Expense Dollars Change		\$ (5,778)	\$ (70,994)	\$ (138,677)	\$ (163,895)	\$ 145,850	\$ 123,589
	Percent Change		-1.51%	-18.83%	-45.32%	-97.95%	4243.53%	82.79%

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone, but the noted change in limestone primarily reflects the level of stockpile usage by the unit for the month indicated.

January19 - Limestone expenses decreased by \$66k and Ammonia expenses decreased by \$5k  
 Tons burned decreased by 5,001 tons

February19 - Limestone expenses decreased by \$125.2k and Ammonia expenses decreased by \$13.5k  
 Tons burned decreased by 9,026 tons

March19 - Limestone expenses decreased by \$151.4k and Ammonia expenses decreased by \$12.4k  
 Unit off-line for March for spring outage, no burn

April19 - Limestone expenses increased by \$136.4k and Ammonia expenses increased by \$9.4k  
 Unit 3 back on-line mid-April

May19 - Limestone expenses increased by \$106k and Ammonia expenses increased by \$17.6k  
 Tons burned increased by 7,581 tons

**Operating Expense- Limestone and Magnesium**

506001 - SP21	Misc Strm Pwr Exp- Spurlock 1	Nov	Dec	Jan	Feb	Mar	Apr	May
	Magnesium Expense	\$ 19,219	\$ 3,330	\$ 10,135	\$ 24,797	\$ 22,322	\$ 19,781	\$ (17,843)
	Limestone Expense	\$ 104,883	\$ 90,300	\$ 81,987	\$ 30,351	\$ 89,451	\$ 54,964	\$ 44,167
	Limestone Tons Used	9,676	8,315	7,477	2,742	8,077	4,957	3,976
	Expense Dollars	\$ 124,102	\$ 93,630	\$ 92,122	\$ 55,148	\$ 111,773	\$ 74,745	\$ 26,324
	Expense Dollars Change		\$ (30,472)	\$ (1,508)	\$ (36,974)	\$ 56,625	\$ (37,028)	\$ (48,421)
	Percent Change		-24.55%	-1.61%	-40.14%	102.68%	-33.13%	-64.78%

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone, but the noted change in limestone primarily reflects the level of stockpile usage by the unit for the month indicated.

December18 - Limestone expenses decreased by \$14.6k and Ammonia expenses decreased by \$15.9k

February19 - Limestone expenses decreased by \$51.6k and Ammonia expenses increased \$14.7k  
 Tons burned decreased by 4,735 tons

**East Kentucky Power Cooperative, Inc.**  
**Environmental Surcharge Operating and Expense Month over Month Analysis**  
**For the Expense Period December 2018 to May 2019**

March19 - Limestone expenses increased by \$59.1k and Ammonia expenses decreased \$2.5k.  
Tons burned increased by 5,335 tons

April19 - Limestone expenses decreased \$34.5k and Ammonia expenses decreased \$2.5k  
Tons burned decreased by 3,120 tons

May19 - Limestone expenses decreased \$10.8k and Ammonia expenses decreased \$37.6k  
Mercontrol Inventory Adjustment of (\$24,057.95)

**Operating Expense-Limestone and Magnesium**

506001 - SP22	Misc Strm Pwr Exp- Spurlock 2	Nov	Dec	Jan	Feb	Mar	Apr	May
	Magnesium Expense	\$ 50,470	\$ 95,480	\$ 58,584	\$ 61,916	\$ 42,470	\$ 47,987	\$ 118,260
	Limestone Expense	\$ 11,654	\$ 129,944	\$ 122,980	\$ 159,343	\$ 79,324	\$ 69,954	
	Limestone Tons Used	1,075	11,966	11,215	14,397	7,162	6,310	
	Expense Dollars	\$ 62,124	\$ 225,424	\$ 181,564	\$ 221,259	\$ 121,794	\$ 117,941	\$ 118,260
	Expense Dollars Change		\$ 163,300	\$ (43,860)	\$ 39,695	\$ (99,465)	\$ (3,853)	\$ 319
	Percent Change		262.86%	-19.46%	21.86%	-44.95%	-3.16%	0.27%

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone, but the noted change in limestone primarily reflects the level of stockpile usage by the unit for the month indicated.

December18- Limestone expenses increased by \$118.3k and Ammonia expenses increased by \$45k  
Tons burned increased by 10,891 tons

January19 - Limestone expenses decreased by \$6.9k and Ammonia expenses decreased by \$36.9k  
No deliveries 1/10 thru 1/14

February19 - Limestone expenses increased by \$36.4k and Ammonia expenses increased by \$3.3k  
Tons burned increased by 3,182 tons

March19 - Limestone expenses decreased by \$80k and Ammonia expenses decreased by \$19.4k  
Tons burned decreased by 7,235 tons

East Kentucky Power Cooperative, Inc.  
 Environmental Surcharge Operating and Expense Month over Month Analysis  
 For the Expense Period December 2018 to May 2019

Operating Expense- Ammonia and Limestone

506001 - SP04	Misc Strm Pwr Exp- Spurlock 4	Nov	Dec	Jan	Feb	Mar	Apr	May
	Ammonia Expense	\$ 43,668	\$ 36,512	\$ 22,082	\$ 8,775	\$ 26,671	\$ 3,577	\$ 10,459
	Limestone Expense	\$ 415,603	\$ 430,344	\$ 215,164	\$ 59,932	\$ 370,797	\$ -	\$ -
	Limestone Tons Used	30,190	31,238	15,450	4,286	26,580	-	-
	Expense Dollars	\$ 459,271	\$ 466,856	\$ 237,246	\$ 68,707	\$ 397,468	\$ 3,577	\$ 10,459
	Expense Dollars Change		\$ 7,585	\$ (229,610)	\$ (168,539)	\$ 328,761	\$ (393,891)	\$ 6,882
	Percent Change		1.65%	-49.18%	-71.04%	478.50%	-99.10%	192.40%

Limestone is stockpiled throughout the year and taken from the stockpile for usage. There may be slight variances in the cost according to fluctuations in contract prices and freight cost per shipment of limestone, but the noted change in limestone primarily reflects the level of stockpile usage by the unit for the month indicated.

January19 - Limestone expenses decreased by \$215.2k and Ammonia expenses decreased by \$14.4k  
 Tons burned decreased 15,788 tons

February19- Limestone expenses decreased by \$155.2k and Ammonia expenses decreased by \$13.3k  
 Tons burned decreased 13,307 tons

March19 - Limestone expenses increased by \$310.9k and Ammonia expenses increased by \$17.9k  
 Unit 3 off-line in March, tons burned by unit 4 increased 22,294 tons

April19 - Limestone expenses decreased by \$370.8k and Ammonia expenses decreased by \$23.1k  
 Unit off-line for April - spring outage, turbine overhaul

May19 - Ammonia expenses increased by \$6.9k  
 Unit off-line for May - turbine overhaul; increase in Ammonia expense was due to an inventory adjustment

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2019-00380**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/15/19**  
**REQUEST 5**

**RESPONSIBLE PARTY: Thomas Stachnik**

**Request 5.** This question is addressed to EKPC. The Settlement Agreement approved in Case No. 2004-00321 provides that EKPC's rate of return on compliance-related capital expenditures will be updated to reflect current average debt cost at the conclusion of the surcharge review period. Provide the following information as of May 31, 2019:

- a. The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance.
- b. The debt cost for each debt issuance directly related to the projects in the approved compliance plan, and whether the debt cost is a fixed or variable rate.
- c. EKPC's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.50 Times Interest Earned Ratio (TIER). Include all supporting calculations showing how the weighted average debt cost was determined.
- d. Provide all schedules and supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

**Responses 5a-d.** Please see the response included on file “Response #5 – WAC of Debt 05-31-2019.xlsx”. The debt cost for each debt issuance is at a fixed interest rate. EKPC is proposing a weighted average cost of debt of 3.983% based on the debt cost for each debt issuance directly related to the projects in the environmental compliance plan as of May 31, 2019. Using a weighted average cost of debt and a TIER of 1.50 produces a rate of return on the environmental compliance related capital expenditures of 5.975%.

**EAST KENTUCKY POWER COOPERATIVE, INC.**  
**PSC CASE NO. 2019-00380**  
**ENVIRONMENTAL SURCHARGE MECHANISM**  
**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 11/15/19**  
**REQUEST 6**

**RESPONSIBLE PARTY:** Isaac S. Scott

**Request 6.** This question is addressed to EKPC. KRS 278.183(3) provides that during the two-year review, the Commission must, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

**Request 6a.** Provide the surcharge amount that EKPC believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.

**Response 6a.** As stated in Mr. Scott's direct testimony, EKPC does not believe that any surcharge amounts should be incorporated into its existing base rates. However, EKPC has provided a calculation of the estimated roll-in amount, as shown on the spreadsheets provided in the file "Response #6 – Potential Roll-in 05-31-2019.xlsx". The total estimated roll-in (revenue requirement) is \$114,314,631 and EKPC has further estimated that \$76,955,573 of the total would be assigned to demand and \$37,359,057 would be assigned to energy.<sup>1</sup> Please note that this demand and energy assignment assumes the entire return on environmental compliance rate

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<sup>1</sup> The \$1 difference in the sum of the demand and energy components is attributable to rounding.

base would be assigned to demand. A cost of service study would likely assign the components of the environmental compliance rate base to both demand and energy. Likewise, the return on environmental compliance rate base would likely be assigned to demand and energy as well.

To determine this estimated roll-in, EKPC used the environmental compliance rate base as shown in the monthly surcharge report for the expense month of May 31, 2019, the last expense month included in the two-year review. This rate base was multiplied by the rate of return that was authorized as of May 31, 2019, with was 6.032%, to calculate the dollar return on rate base. Pollution control operating expenses reflect the actual balances for the twelve month period ending May 31, 2019. There were no proceeds from the sale of by-products or emission allowances for the twelve months ending May 31, 2019 to include in the calculations. The sum of the dollar return on rate base and pollution control operating expenses was multiplied by the Member System allocation ratio for May 31, 2019 of 99.27% to recognize that only the portion of the surcharge applicable to Member sales would be rolled into base rates. This adjusted surcharge revenue requirement constitutes the estimated roll-in amount.

In preparing this response, EKPC has utilized the same approach it followed when it responded to Request 6a of the Commission Staff's First Data Request in Case No. 2012-00486.

**Request 6b.** The surcharge factor reflects a percentage of revenue approach, rather than a per-kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into EKPC's base rates. Include any analysis that EKPC believes supports its

position. Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

**Response 6b.** The environmental costs included in EKPC's revenue requirement represent both investment costs and energy costs. Because both types of costs are present, a roll-in of the surcharge into base rates is more complicated than the roll-in performed in a two-year fuel adjustment clause proceeding, where only energy costs are involved. EKPC believes that the most appropriate approach for incorporating surcharge amounts into its base rates is through a traditional cost of service study performed during a base rate proceeding. EKPC has not performed a cost of service study in conjunction with this surcharge review proceeding. Absent a cost of service study, EKPC would propose allocating a portion of the revenue requirement to demand and a portion to energy, as shown in the response to Request 6a. EKPC has assigned the dollar return on compliance rate base and depreciation to the demand portion. The portion assigned to energy reflects the pollution control operating expenses minus the depreciation expense.

**Request 6c.** Provide the Base Period Jurisdictional Environmental Surcharge Factor (BESF) that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, work papers, and assumptions.

**Response 6c.** EKPC's BESF as of May 31, 2019 was zero, as established by the Commission in Case No. 2009-00317. In the response to Request 6a, EKPC has provided a calculated amount of a base rate roll-in. If the Commission were to require EKPC to roll-in its environmental surcharge into base rates, based on the Member System base rate revenues for the twelve months ending May 31, 2019, the BESF would be 15.01%. However, EKPC notes that it would need to recalculate the BESF based on the most recent twelve month revenue information following the Order in this proceeding. EKPC believes this recalculation is consistent with the approach followed by Louisville Gas and Electric Company and Kentucky Utilities Company when recalculating its BESF.

**Request 6d.** Does EKPC believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into EKPC's existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

**Response 6d.** Although EKPC does not support incorporating the environmental surcharge revenue requirement into base rates as part of this proceeding, such a roll-in would not require the need to modify the surcharge mechanism or monthly surcharge reports utilizing the approved base/current mechanism. While a roll-in of the environmental surcharge revenue requirement into EKPC's wholesale base rates would not require a modification to the surcharge

mechanism or monthly surcharge reports, such a roll-in would require the Member Systems to modify their retail base rates accordingly. No mechanism to accomplish a retail base rate change due to an environmental surcharge roll-in was established in conjunction with the approval of the environmental surcharge for EKPC or the pass-through mechanism for the Member Systems.

**Request 6e.** Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

**Response 6e.** The file “Response #6 – Potential Roll-in 05-31-2019.xlsx” provided with this response includes all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.