COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST	**)**	
KENTUCKY POWER COOPERATIVE, INC.	**)**	
FOR A GENERAL ADJUSTMENT OF RATES,	**)**	**CASE NO.**
APPROVAL OF DEPRECIATION STUDY,	**)**	**2021-00103**
AMORTIZATION OF CERTAIN REGULATORY	**)**	
ASSETS, AND OTHER GENERAL RELIEF	**)**	

RESPONSES TO COMMISSION STAFF'S SECOND REQUEST

FOR INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.

DATED MAY 12, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Ann F. Bridges, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F Bridges

Subscribed and sworn before me on this 28th day of May __, 2021.

Gwyn M Willoughby

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Anthony S. Campbell, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, 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.

Anthony S Campbell

Subscribed and sworn before me on this 28th day of May __, 2021.

Gwyn M. Willoughby

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Michelle K. Carpenter, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle K. Carpenter

Subscribed and sworn before me on this 28th day of May __, 2021.

Gwyn M. Willoughby

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Barry Lindeman, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, 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.

Subscribed and sworn before me on this 28th day of May __, 2021.

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

STATE OF MINNESOTA)
)
COUNTY OF WASHINGTON)

Richard J. Macke, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second for Information in the above-referenced case dated May 12, 2021, 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.

Rich J. Mack

Subscribed and sworn before me on this 26 day of May 26, 2021.

JAKE A. LINDEMAN
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2025

Jake A Linden

Notary Public - # 11405081000034

Commission expires - 01/31/2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	**))))))**	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH 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 Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021 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 28th day of May __, 2021.

Gwyn M. Willoughby

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	**))))))**	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF PENNSYLVANIA	**)**
	)
COUNTY OF CUMBERLAND	**)**

John J. Spanos, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, 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.

John J. Spanos

Subscribed and sworn before me on this 21st day of May 21, 2021.

Commonwealth of Pennsylvania - Notary Seal
MEGAN LYNN ECKRICH - Notary Public
Cumberland County
My Commission Expires Sep 16, 2023
Commission Number 1264513

Notary Public - # 1264513

Commission expires - Sep. 16, 2023

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	)	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Thomas J. Stachnik**,** being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, 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.

Subscribed and sworn before me on this 24th day of May __, 2021.

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	**)**	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Julia J. Tucker, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Julia J. Tucker

Subscribed and sworn before me on this 28th day of May 2021.

Gwyn M. Willoughby

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Mary Jane Warner, being duly sworn, states that she has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Mary Jane Warner

Subscribed and sworn before me on this 28th day of May __, 2021.

Gwyn M. Willoughby

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	**CASE NO. 2021-00103**

CERTIFICATE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Denver York, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's Second Request for Information in the above-referenced case dated May 12, 2021, 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.

Subscribed and sworn before me on this 28th day of May __, 2021.

Notary Public - #590567
Commission expires - 11/30/2021

GWYN M. WILLOUGHBY
Notary Public
Kentucky – State at Large
My Commission Expires Nov 30, 2021

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 1

RESPONSIBLE PERSON: **Isaac S. Scott**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 1. Refer to the Application, Exhibit 6, page 4 of 24, Rate C. Under Minimum Monthly Charge, indicate whether language should be added to b. to clarify that the fuel base per kWh is the fuel base established in the Fuel Adjustment Clause (FAC).

Response 1. EKPC would agree adding such language would provide clarity to the tariff. EKPC would be agreeable for b. under the Minimum Monthly Charge to read "The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh as established in the Fuel Adjustment Clause."

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 2
RESPONSIBLE PERSON: Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to the Application, Exhibit 6, page 5 of 24, Rate E. Explain why special contract participants were added under the Availability section of this rate schedule.

Response 2. The intent was to clarify that the power usage for special contract participants was to be excluded from the "power usage at the load center" just like the power usage subject to the provisions of Rate B, Rate C, or Rate G. EKPC felt that the description of the power usage exclusion was not complete without the inclusion of the special contract participants. In addition, adding this clarification would be consistent with the descriptions for "Billing Demand" and "Billing Energy" later in EKPC's Rate E tariff.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 3
RESPONSIBLE PERSON: **Isaac S. Scott**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 3. Refer to the Application, Exhibit 6, page 8 of 24, Rate G – Special Electric Contract Rate. Under Monthly Minimum Charge, indicate whether language should be added to b. to clarify that the fuel base per kWh is the fuel base established in the FAC.

Response 3. EKPC would agree that adding such language would provide clarity to the tariff; however, EKPC believes the language should be added to subpart c. instead of b. EKPC would be agreeable for c. under the Minimum Monthly Charge to read "The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh as established in the Fuel Adjustment Clause."

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 4

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Refer to the Application, Exhibit 6, page 24 of 24, Wholesale Power Invoice. Explain what the following additions represent and why they have been added to the Owen-Gallatin Wholesale Power Invoice:

a. Air Liquide;
b. CPS1; and
c. 12 Mo.

Response 4. Air Liquide. As disclosed in Section 3.a. of the 2013 Gallatin Steel, Owen Electric Cooperative, and EKPC Agreement for Electric Service ("2013 Gallatin Contract"), Air Liquide is served by the same substation as Nucor. This provision has been in effect for several years and since 2006 the on-peak demand, off-peak demand, and energy for Air Liquide have been shown in the upper portion of the Nucor invoice. However, there was never an identification that these amounts were associated with Air Liquide. The proposed addition is to provide clarity to the Owen-Gallatin Wholesale Power Invoice.

<u>CPS1 and 12 Mo</u>. EKPC's intent in proposing these additions was to have the tariff version of the Owen-Gallatin Wholesale Power Invoice reflect the actual invoice format. However, upon further examination, EKPC has determined the references to "CPS1" and "12 Mo" refer to earlier contract provisions that are no longer in effect. Consequently, EKPC requests that the Commission permit it to withdraw the requests to include these additions to the tariff version of the invoice.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 5

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to the Application, Exhibit 7, page 28 of 28, Wholesale Power Invoice and the Direct Testimony of Isaac S. Scott (Scott Testimony), page 38, lines 1–5, which discusses the proposed changes to the Wholesale Power Invoice for Owen-Gallatin. Explain why the PJM Capacity Performance Auction Credit and the Case No. 2015-00358 Credit – Smith Station will no longer be in effect.

Response 5. The PJM Capacity Performance Auction Credit was the result of the September 6, 2016 Letter Amending Industrial Power Agreement with Interruptible Service to the 2013 Gallatin Contract. The letter amendment was accepted by the Commission and became effective October 26, 2016.[1] The monthly bill credits described on page 3 of the letter amendment started in August 2016 and were completed in May 2018. The credits envisioned by the letter amendment are now completed and are not continuing, so the line reference should be deleted from the Wholesale Power Invoice.

[1]https://psc.ky.gov/tariffs/Electric/East%20Kentucky%20Power%20Cooperative,%20Inc/Contracts/Owen%20Electric/Nucor%20Steel%20Gallatin/2016-10-26_Amendment%20to%20Industrial%20Power%20Agreement%20with%20Interruptible%20Service.pdf.

Case No. 2015-00358 is described in Mr. Scott's direct testimony on page 24, line 9, through page 26, line 14, and on page 31, line 22, through page 32, line 5. Pursuant to Section 1.2.3 of the Stipulation in Case No. 2015-00358, Nucor was to receive a temporary monthly bill credit of $35,000 from the date of the final Order in Case No. 2015-00358 until the effective date for new rates resulting from EKPC's next general base rate proceeding. The current rate application is that next general base rate proceeding and the bill credit will be ending. Consequently, the line reference should be deleted from the Wholesale Power Invoice.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 6

RESPONSIBLE PERSON: **Isaac S. Scott**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 6. Refer to the Application, Exhibit 13, Excel spreadsheet entitled "Application_Exhibit_13_-_Exhibit_ISS-1_-_Schedules_1.00-1.30_FINAL_REV_ 03-08.xlsx", Tab labeled "1.01 – FAC", column labeled "MWH Sales Subject to FAC". The cells in this include formulas. Explain what is included in the formulas for each month listed and how the values were determined.

Response 6. As noted on row 25 of the referenced Excel spreadsheet tab, the amounts reported in the column labeled "MWH Sales Subject to FAC" reflect the total MWH sales to EKPC's sixteen (16) Owner-Member Cooperatives ("owner-members"), including the Steam sales, reduced by the MWH sales to TGP and the MWH sales associated with the Generator Credit. The MWH sales data was taken from EKPC's billing invoices. See the table on page 2 of 2 of this response for a breakdown of the "MWH Sales Subject to FAC" information.

Tab 1.01 - FAC - MWH Sales Subject to FAC

Month	Total MWH Sales	Less MWH Sales to TGP	Less MWH Sales Related to Generator Credit	MWH Sales Subject to FAC (rounded)
January	1,363,964.905	9,174.755	612.188	1,354,178
February	1,069,584.625	4,011.043	369.474	1,065,204
March	1,121,690.473	4,440.989	983.954	1,116,266
April	863,869.104	4,725.745	1,118.169	858,025
May	940,983.173	3,966.787	1,117.905	935,898
June	976,847.654	8,188.250	876.590	967,783
July	1,184,045.771	19,112.344	1,014.920	1,163,919
August	1,148,332.285	26,629.900	306.172	1,121,396
September	1,075,931.110	28,690.715	16.858	1,047,224
October	919,552.916	28,832.574	349.341	890,371
November	1,131,967.156	25,026.390	820.195	1,106,121
December	1,183,223.790	20,217.353	726.155	1,162,280
Totals	12,979,992.962	183,016.845	8,311.921	12,788,664

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 7
RESPONSIBLE PERSON: Anthony S. Campbell / Julia J. Tucker
COMPANY: East Kentucky Power Cooperative, Inc.

Request 7. Refer to the Direct Testimony of Anthony Campbell (Campbell Testimony), page 10, lines 3–6. Mr. Campbell notes the important role Cooper Station played during the 2020 winter storms in providing a hedge again the spike in market prices.

Request 7a. Explain how Cooper Station provided this hedge.

Response 7a. EKPC was able to dispatch Cooper Station and meet a portion of native load energy requirements in lieu of relying on natural gas or market supplied energy resources. Cooper Station generated 115,748 MWh during February 2021 at an average cost of $32.44/MWh. Gas prices averaged $12.60/MMBtu during this same time period, resulting in an average cost of $122.78/MWh to run combustion turbines. Cooper generation was $90.34/MWh more cost effective for EKPC owner-members. During the times when EKPC needed its combustion turbines plus market purchases to cover its native load requirements, Cooper Station was $68.27/MWh lower than the average market price. In total, Cooper Station provided an estimated $1.23M benefit to owner-members in February 2021. The majority of the benefit was provided between February 15, 2021 and February 19, 2021 during the height of the winter storm event in Kentucky. This benefit was delivered to the owner-members via the Fuel Adjustment Clause (FAC) as a net reduction to the overall expense to serve load in February 2021.

Request 7b. Provide the cost savings that resulted.

Response 7b. Refer to Response 7a.

Request 7c. Provide other examples of how Cooper Station has hedged against market spikes.

Response 7c. PJM has dispatched Cooper Station to provide economic generation and system support during the following significant events in recent history. During the "Cold Snap of 2015" event in February 2015, Cooper Station provided an estimated $3.37M benefit to owner-members. Cooper Station provided an estimated $735,000 benefit in December 2017 and an estimated $4.44M benefit in January 2018, for a combined estimate of $5.18M during the "2017/2018 Polar Bomb" event. Including the winter storms in February 2021, EKPC estimates that these dispatch periods have resulted in a $10M savings for its owner-members over the last 6 years alone. In addition to the economic benefits provided during these events, Cooper Station provides critical voltage support to the southern Kentucky load area served by both EKPC and other neighboring utilities. Without that generation source, additional load shed events would have resulted during the winter storms in February 2021.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 8

RESPONSIBLE PERSON: **Mary Jane Warner / Craig A. Johnson**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 8. Refer to the Campbell Testimony, page 13, lines 20–23. Provide a list of the lower-risk maintenance projects EKPC has deferred, the reason why they were considered lower-risk, the cost of each project, the amount included as an adjustment to the test year per project, the projected start date of each project, the projected completion date of each project, and an explanation of the need for each project.

Response 8. Maintenance projects are recommended by EKPC's station management team based upon these five categories: 1) Environmental, 2) Safety, 3) Reliability, 4) Probability of failure, and 5) Severity of failure. Each maintenance project is given a ranking score in each of the five categories and are ranked 1 to 10. The higher the combined ranking score means that the maintenance project is more than likely going to be given priority in the next budget cycle. A ranking of ten in either Environmental or Safety typically means that the project is a must-do and will be funded regardless of the overall score. Maintenance projects that have an overall low combined score are either deferred or cancelled. Deferred projects usually get funded at some point in the future because as the condition requiring the project worsens, the overall project score will increase.

The tables included on pages 3 through 6 of this response are the maintenance projects in 2019 and 2020 that did not receive funding in the next budget cycle. The projects that are deferred will be reevaluated in the next budget cycle. The projects that have been permanently cancelled are likely not to be funded in the future. To try to answer the Commission's question regarding reliability, EKPC has added a column that gives EKPC's professional assessment of whether the maintenance project has a high or low risk when related to Reliability.

2019 Cuts

BLUEGRASS TTL	210,983
COOPER TTL:	2,280,742
LANDFILLS TTL:	0
SMITH TTL:	2,343,170
SPURLOCK TTL:	14,201,643
TOTAL listed projects:	**19,036,538**

RISK TO RELIABILITY		
High	$	9,843,615
Low	$	9,192,923

Plant	Scope of Work	Anticipated Total Cost		Permanent/Deferral?	Risk to Reliability
Cooper	Structural Steel Painting (Interior)	$	159,135	Deferred to 2020	Low
Cooper	Replace Turbine Bay Lights	$	92,000	Deferred to 2020	Low
Cooper	Cooper Total Plant Drain and Water Systems Addition	$	310,000	Deferred to 2020	Low
Cooper	Overhaul 1B Boiler Feed Pump Fluid Drive	$	88,000	Deferred to 2020	High
Cooper	Unit No. 2 Feedwater Heater and Control Upgrade	$	702,460	Permanent	High
Cooper	CPS Rebuild Truck Sampler Auger	$	142,500	Permanent	Low
Cooper	Crusher House reskin	$	33,847	Deferred to 2020	Low
Cooper	Subchain Hydr Tensioning Assembly	$	33,750	Deferred to 2020	High
Cooper	Subchain Hydr Tensioning Assembly	$	88,750	Deferred to 2020	High
Cooper	Unit No. 2 FD Fan Overhaul	$	335,300	Deferred to 2022	High
Cooper	General Service U1 relay upgrade	$	295,000	Deferred to 2020	High
Smith	Structure Painting- Units 2 and 4 and bay	$	440,189	Deferred to 2020	Low
Smith	Paint Tank- Fuel Oil (1)	$	508,645	Deferred to 2020	High
Smith	Structure Painting- Units 1 and 3	$	526,536	Deferred to 2020	Low
Smith	Unit No. 7 Refurbishment parts	$	600,000	Deferred to 2020	Low
Smith	Waterwash or Cleaning for CO or Nox- No. 9 and 10	$	267,800	Deferred to 2020	High
Bluegrass	Paint Unit No. 3 Structure	$	174,783	Permanent	Low
Bluegrass	Paint/Repair Window Seals/Replace Flooring in three roo	$	8,200	Permanent	Low
Bluegrass	Vinyl sign for Water Tank	$	8,000	Deferred to 2020	Low
Bluegrass	Paint piping	$	20,000	Permanent	Low
Spurlock	SCR Unit 1 SCR Painting	$	800,000	Deferral	Low
Spurlock	Paint Areas on North Side of Boiler Building	$	100,000	Deferral	Low
Spurlock	Unit 2 SCR & Precip Painting	$	1,450,000	Deferral	Low
Spurlock	Water Service Building Piping Replacement	$	100,000	Deferral	Low
Spurlock	Underground Well Water Line Valve Upgrade	$	250,000	Deferral	Low
Spurlock	Unit 2 Elevator Overhaul	$	300,000	Deferral	Low
Spurlock	Boiler Igniter upgrade	$	635,000	Deferral	High
Spurlock	Air cooled transformer testing (19)	$	95,000	Deferral	Low
Spurlock	SH panel replacement	$	1,324,000	Deferral	High
Spurlock	Ash Vac Trucks to Landfill - CCR Rqmts (JV,DH,BB)	$	23,000	Permanent	Low
Spurlock	Ash Vac Trucks to Landfill - CCR Rqmts (JV,DH,BB)	$	35,000	Permanent	Low
Spurlock	Upgrade Precipitator Hopper Gates	$	110,000	Deferral	High
Spurlock	Permanent Vac lines	$	60,000	Deferral	Low
Spurlock	PULSE AIR HEADER	$	60,000	Deferral	High
Spurlock	Permanent Vac lines	$	60,000	Deferral	Low
Spurlock	NESCO TEMP EMPLOYEES	$	100,385	Deferral	Low
Spurlock	Dredge River around Unloading Cells	$	200,000	Deferral	Low
Spurlock	Replace/refurbish Digging Ladder on CBU	$	2,234,910	Deferral	High
Spurlock	Install a Catwalk on the River Side of UC5 Conveyor	$	520,728	Deferral	Low
Spurlock	Replace Lower Slew Bearing on SR2	$	325,000	Deferral	Low
Spurlock	#3 Scraper Replace 4 Tires	$	55,000	Deferral	Low
Spurlock	14H Grader Raplace 6 Tires	$	9,504	Deferral	Low
Spurlock	CAT C5563 Compactor Replace Tires & Wheels	$	4,591	Deferral	Low
Spurlock	Upgrade Equipment Fueling Station	$	129,525	Deferral	Low
Spurlock	ASH POND CLEANING	$	2,000,000	Deferral	Low
Spurlock	COOLING TOWER WETTED AREA STRUCTURE REPL	$	2,250,000	Permanent	High
Spurlock	COOLING TOWER CHEMICAL FEED PUMP REPL	$	9,000	Deferral	Low

Spurlock	COOLING TOWER CHEMICAL FEED PUMP REPL	$	9,000	Deferral	Low
Spurlock	Cooling Tower Testing	$	30,000	Deferral	Low
Spurlock	COOLING TOWER CHEMICAL FEED PUMP REPL	$	6,000	Deferral	Low
Spurlock	HMI Upgrade for Mark VI System	$	170,000	Deferral	High
Spurlock	INSTALL STARTERS FOR FBAC & FBHE BLOWERS MOTORS	$	270,000	Deferral	High
Spurlock	COOLING TOWER CHEMICAL FEED PUMP REPL	$	6,000	Deferral	Low
Spurlock	HMI Upgrade for Mark VI System	$	200,000	Deferral	High
Spurlock	INSTALL STARTERS FOR FBAC & FBHE BLOWERS MOTORS	$	270,000	Deferral	High

2020 Cuts

BLUEGRASS TTL	1,234,185
COOPER TTL:	2,556,158
LANDFILLS TTL:	495,000
SMITH TTL:	6,017,340
SPURLOCK TTL:	14,227,516
TOTAL listed projects:	**24,530,199**

RISK TO RELIABILITY		
High	**$**	**13,104,447**
Low	**$**	**11,425,752**

Plant	Scope of Work	Anticipated Total Cost	Permanent/Deferral?	Risk To Reliability
Smith	Unit 2 C-Inspection (labor)	$ 1,750,613	Deferred to 2021	High
Smith	Unit 2 Generator	$ 750,000	Deferred to 2021	High
Smith	Unit 2 Stack	$ 222,000	Deferred to 2021	High
Bluegrass	Maintenance Mode Addition	$ 63,000	Deferred to 2021	Low
Smith	Unit9 Boroscope	$ 15,000	Permanent	High
Smith	Unit1 & 3 A-Inspection	$ 60,000	Permanent	High
Smith	Bridge Inspection for entrance road	$ 50,000	Deferred to 2021	Low
Smith	Replacement Isolation Valves	$ 45,000	Deferred to 2021	High
Smith	Intake Fan PLC Replacements on U1, 2, & 3	$ 213,060	Deferred to 2022	High
Smith	Units No. 9 and 10 - Block Upgrade	$ 128,750	Deferred to 2021	High
Bluegrass	Vinyl sign for Water Tank	$ 8,200	Deferred to 2021	Low
Bluegrass	Add'l security cameras in Turbine Package (Duel Fuel) all :	$ 26,000	Permanent	Low
Bluegrass	Boroscope	$ 26,000	Deferred to 2021	High
Bluegrass	Torque Converter Install - VOITH (TFA)	$ 34,200	Permanent	High
Bluegrass	Coupling Rebuild	$ 28,000	Permanent	High
Bluegrass	Exhaust, Rake & Thermocouple Upgrade	$ 25,000	Deferred to 2021	High
Bluegrass	Emerg LO Pump, Pressure Switch Sensing Line Upgrade- 1	$ 62,412	Permanent	High
Bluegrass	Emerg LO Pump, Pressure Switch Sensing Line Upgrade- a	$ 55,570	Permanent	High
Bluegrass	Emerg LO Pump, Pressure Switch Sensing Line Upgrade- p	$ 26,970	Permanent	High
Smith	15 Yr Breaker Maintenance Units 2 and 3	$ 251,226	Deferred to 2021	High
Bluegrass	relay upgrade	$ 128,833	Deferred to 2021	High
Bluegrass	Emergent work	$ 750,000	Permanent	Low
Cooper	base budget trim	$ 1,182,000	Permanent	Low
Cooper	Structural Steel Painting (Interior) REMOVED	$ 159,135	Permanent	Low
Cooper	Cooper Total Plant Drain and Water Systems Addition- RE	$ 310,000	Permanent	Low
Cooper	New Plant Water Softener	$ 80,000	Deferred to 2021	Low
Cooper	1A FD Fan Balance	$ 40,248	Permanent	High
Cooper	1B FD Fan Balance	$ 40,248	Permanent	High
Cooper	ACQS - Balance of Plant Atomizing Air Compressor B Rebu	$ 47,910	Deferred to 2022	High
Cooper	U1 FPS SYSTEM (FLAME SCANNER SW/HW) UPG	$ 76,270	Deferred to 2022	High
Cooper	U1 ABB SYMPHONY PLUS OPERATIONS REV. UPG	$ 88,000	Deferred to 2022	High
Cooper	U1 ABB SYMPHONY PLUS OPERATIONS REV. UPG	$ 88,000	Deferred to 2022	High
Cooper	CPS TRUCK SAMPLER AUGER RECONDITION	$ 85,000	Deferred to 2022	Low
Cooper	Crusher House reskin	$ 33,847	Permanent	Low
Cooper	Subchain Hydr Tensioning Assembly	$ 33,750	Permanent	High
Cooper	Subchain Hydr Tensioning Assembly	$ 88,750	Permanent	High
Cooper	U1 ISO PHASE BUS DUCT INSPECTION	$ 203,000	Deferred to 2022	High
Smith	Structure Painting- Units 2 and 4 and bay	$ 440,189	Deferred to 2022	Low
Smith	Paint Tank- Fuel Oil (1)	$ 508,645	Deferred to 2022	High
Smith	Structure Painting- Units 1 and 3	$ 526,536	Deferred to 2022	Low
Smith	Unit No. 7 Refurbishment parts	$ 600,000	Deferred to 2021	Low
Smith	#2 Neut Basin Liner	$ 86,086	Deferred to 2022	High
Smith	Waterwash or Cleaning for CO or Nox- No. 9 and 10	$ 267,800	Deferred to 2022	High
Smith	Access Doors for 7ea Exhaust	$ 67,890	Deferred to 2022	Low
Smith	Replace Sullair Air Compressors	$ 34,545	Deferred to 2021	Low
Spurlock	ROOF MAINTENANCE	$ 75,000	Structure	Low
Spurlock	PLANT LIGHTING	$ 45,000	Structure	Low
Spurlock	HVAC	$ 40,000	Structure	Low

Spurlock	DOORS/WINDOWS/LOCKS MAINTENANCE	$	40,000	Structure	Low
Spurlock	Unit 2 SCR and Precip Painting (Eng)	$	1,450,000	Structure	Low
Spurlock	Unit 1 SCR Painting	$	800,000	Structure	Low
Spurlock	Paint Areas on North Side of Boiler Building	$	100,000	Structure	Low
Spurlock	Unit 1 Precip/ID Fan Platform Painting	$	210,000	Structure	Low
Spurlock	Resurface Existing Blacktop	$	150,000	Structure	Low
Spurlock	Day/Night Lighting Control	$	100,000	Continuous Improvement	Low
Spurlock	Recoat SCU Tank	$	250,000	Equip Reliability	Low
Spurlock	DIESEL FIRE PUMP MOTOR REPLACEMENT	$	100,000	Delete because the proj wa	High
Spurlock	REPLACE ORIGINAL SECTION OF UNDERGROUND FUEL OI	$	350,000	Environmental	High
Spurlock	Pulverizer inching drive and motor stubbing	$	100,000	Equip Reliability	High
Spurlock	ID Fan Stall Protection System	$	160,000	Continuous Improvement	High
Spurlock	Boiler Igniter System	$	729,106	Equip Reliability	High
Spurlock	PENTHOUSE COOLING BLOWERS	$	100,000	Equip Reliability	High
Spurlock	HMI Operators Interface Control System	$	400,000	Continuous Improvement	High
Spurlock	Repair Boiler Corner Tilts on 2 Corners	$	300,000	Equip Reliability	High
Spurlock	Air Register and Burner Tilts Separation	$	100,000	Continuous Improvement	High
Spurlock	Soot blowing air tie for boiler testing	$	55,000	Equip Reliability	High
Spurlock	Replace boiler plenum expansion joint skirts	$	100,000	Equip Reliability	High
Spurlock	FBHE and FBAC Blower Starters	$	50,000	Equip Reliability	High
Spurlock	MS blackout valve silencers	$	140,000	Continuous Improvement	High
Spurlock	Soot blowing air tie for air testing on boiler	$	55,000	Equip Reliability	High
Spurlock	Replace boiler plenum expansion joint skirts	$	100,000	Equip Reliability	High
Spurlock	FBHE and FBAC Blower Starters	$	50,000	Environmental	High
Spurlock	SH Controls Temp Monitoring	$	60,000	Continuous Improvement	High
Spurlock	MS blackout valve silencers	$	140,000	Equip Reliability	High
Spurlock	Pulverizer Isolation Valves	$	600,000	Equip Reliability	High
Spurlock	Economizer Outlet Duct Replacement	$	500,000	Continuous Improvement	High
Spurlock	High Energy Pipe Assessment (Reduce Original Bdgt)	$	250,000	Environmental	High
Spurlock	Precip Unit Substation Upgrade	$	559,000	Equip Reliability	High
Spurlock	Compartment 2 and 3 Wall Lining	$	200,000	Environmental	High
Spurlock	Permanent Vac Lines	$	60,000	Environmental	Low
Spurlock	Compartment 2 and 3 Wall Lining	$	200,000	Environmental	High
Spurlock	Permanent Vac Lines	$	60,000	Environmental	Low
Spurlock	Upgrade Unloaded Mooring Cells (Cells 3 & 4)	$	300,000	Equip Reliability	High
Spurlock	Upgrade Loaded Mooring Cells (Cell 18)	$	215,000	Safety	High
Spurlock	Replace 75 ft of the hoods on UC4 Conveyor	$	107,000	Structure	Low
Spurlock	Install A Catwalk on The River Side of UC4 Conveyor	$	469,410	Structure	Low
Spurlock	Dredge River around Unloading Cells	$	200,000	Structure	Low
Spurlock	Crusher House MCC Replacement	$	360,000	Equip Reliability	High
Spurlock	Crusher House MCC Replacement	$	360,000	Equip Reliability	High
Spurlock	Replace SR2 Lower Slew Bearing	$	325,000	Environmental	Low
Spurlock	Replace 1/2 Hoods on SRC1	$	60,000	Equip Reliability	Low
Spurlock	Ash Pond Cleaning	$	2,000,000	Environmental	Low
Spurlock	Muck Pump - replace existing pump	$	18,000	Equip Reliability	Low
Spurlock	Silo Bin Vent Replacement	$	450,000	Equip Reliability	Low
Spurlock	Replace 2 Inlet Expansion Joints	$	200,000	Environmental	High
Spurlock	Absorber Pump Liner Replacement	$	150,000	Environmental	High
Spurlock	Absorber Pump Liner Replacement	$	150,000	Environmental	High
Spurlock	Rebuild Circ Pump	$	85,000	Equip Reliability	High
Landfills	Hardin County- Major Overhaul #2	$	165,000	Deferral to 2023	High
Landfills	Pendleton- Major Overhaul #1	$	165,000	Deferral	High
Landfills	Pendleton- Major Overhaul #2	$	165,000	Deferral	High

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 9
RESPONSIBLE PERSON: Thomas J. Stachnik
COMPANY: East Kentucky Power Cooperative, Inc.

Request 9. Refer to the Campbell Testimony, page 14, lines 2–4. Provide EKPC's budgeted TIER with and without the requested rate increase for the next five years.

Response 9. EKPC has an approved budget for 2021, which indicates a TIER of 0.97 with no rate increase. If the requested rate increase becomes effective for service rendered on and after October 1, 2021, this projected TIER will improve to 1.09x. EKPC does not have an approved budget for subsequent years, but estimates that TIER will improve to closer to the 1.5x target as increased rates are effective for the entire year.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 10

RESPONSIBLE PERSON: **Ann Bridges**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 10. Refer to the Campbell Testimony, page 19, lines 10–12. Provide the cost benefit analysis that supports that statement that Bluegrass Station continues to pay for itself and has allowed EKPC to avoid tens of millions of dollars in unnecessary environmental projects.

Response 10. The Commission approved EKPC's purchase of Bluegrass Station in Case No. 2015-00267. The purchase price of Bluegrass Station was $130.1 million. Bluegrass Station provided much needed replacement capacity (567 net MW winter) upon the retirement of Dale Station (196 MW.) The reference to avoiding tens of millions of dollars in unnecessary environmental projects referred to Dale Station. Bringing Dale Station, a 1950's design, into environmental compliance would have required the construction of a dry flue gas desulfurization system, selective catalytic reduction system, stacks, dry ash system and cooling towers - all within a 28-acre footprint.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2021-00103
SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 11
RESPONSIBLE PERSON: **Anthony S. Campbell**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 11. Refer to the Campbell Testimony, page 20, lines 22–23. Provide support that targeted investments have resulted in an annual savings of at least $1.3 million.

Response 11. The following improvements at Cooper and Smith Stations have yielded annual cost savings:

Cooper	
Operational changes to ash/lime recirculation	$520,000
Ash hauling-change to self-perform	$400,000
Lube oil program	$134,000
Scrubber LED light upgrade	$68,000
Turbine bay LED light upgrade	$58,000
Leachate generator conversion to propane	$2,000
Subtotal Cooper	$1,182,000
Smith	
Convert acid batteries to gel cell	$50,000
DLN tuning	$50,000
Unit boroscope	$20,000
Filter oil versus replace	$13,000
Subtotal Smith	$133,000
Grand Total	**$1,315,000**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 12
RESPONSIBLE PERSON: **Ann Bridges**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 12. Refer to the Direct Testimony of Ann Bridges (Bridges Testimony), page 8, lines 4–5. Itemize the cost containment measures that EKPC will do to make up the approximately $6 million need.

Response 12. EKPC will reduce travel and training costs by $1 million. This can be achieved by participating in certain training activities virtually, as this may be the trend of the future. EKPC will reduce outside consulting/contracting services by $5 million and perform such services in-house. The reductions in consulting/contracting services will be on a corporate-wide basis—no single service reduction can be identified. In the event these targeted savings cannot be achieved, EKPC will reduce maintenance costs, but only those that will not adversely impact reliability.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 13

RESPONSIBLE PERSON: **Isaac S. Scott**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 13. Refer to the Bridges Testimony, page 10, lines 8–14, which states that "[i]n its two-year environmental surcharge review proceedings, EKPC has consistently stated that a base rate proceeding is the appropriate vehicle for rolling the environmental surcharge into base rates," yet in the instant case, a base rate proceeding, EKPC states that rolling the environmental surcharge into base rates is not appropriate due to the pass-through option allowed under KRS 278.455.

Request 13a. Explain whether EKPC took KRS 278.455 into consideration during previous two-year environmental reviews.

Response 13a. While EKPC has not specifically referenced KRS 278.455 during previous two-year environmental reviews, the concerns about the pass-through option allowed by statute that EKPC has noted in this proceeding have been expressed in those reviews. In Case No. 2019-00380, Mr. Scott expressed this concern in his direct testimony:

> . . . If a surcharge roll-in was required as part of the two-year review case, EKPC believes the necessary adjustments to the retail base rates need to correspond as closely as possible to the change in the wholesale base rates. The change in the wholesale demand-related base rates should be reflected in the corresponding retail customer charges and demand base rates. The change in the wholesale energy-related base rates should be reflected in the corresponding retail energy base rates.[2]

While the specific quotation was focused on a roll-in as part of a two-year review, the same concerns would exist during a base rate case. Mr. Scott repeated this concern in his direct testimony in this proceeding, Exhibit 13 of the Application, page 10, line 23 through page 11, line 12.

Request 13b. Describe what vehicle is appropriate for rolling the environmental surcharge into base rates.

Response 13b. EKPC believes that the appropriate vehicle for rolling the environmental surcharge into base rates for both itself and its owner-members is a general base rate case. EKPC realizes this would result in 17 simultaneous general base rate cases before the Commission at the same time. For the owner-members, the general base rate case would need to be one where a cost of service study could be utilized for the determination of changes in retail rates.

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[2] *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 Two-Year Expense Period Ending May 31, 2019, and the Pass-Through Mechanism of Its Sixteen Member Distribution Cooperatives,* Case No. 2019-00380, Direct Testimony of Isaac S. Scott, page 16, lines 1 through 6.

Request 13c. Provide when EKPC anticipates rolling in the environmental surcharge.

Response 13c. EKPC has not determined when it would expect to roll its environmental surcharge into its base rates. EKPC believes such a roll in needs to be planned with input and coordination with its owner-members.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 14
RESPONSIBLE PERSON: **Isaac S. Scott**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 14. Refer to the Scott Testimony, page 5, lines 11–18 and lines 21–23.

Request 14a. Provide specific examples of how EKPC will make up the difference between the fully justified increase of $48,983,937 in its application and the alternatively requested revenue increase of $43,000,000.

Response 14a. The cost containment measures described in EKPC's response to Request 12 reflect general categories of costs and detailed specific adjustments have not been developed to correspond with those categories. Thus, EKPC is not able to provide the specific examples sought by this request.

Request 14b. Explain whether, if the Commission orders the requested increase of $43,000,000, EKPC will be able to achieve the additionally requested 1.50 TIER.

<u>Response 14b.</u> If the Commission orders the requested increase of $43,000,000, EKPC's ability to achieve the requested 1.50 TIER will be dependent on numerous variables, many of which are beyond the control of EKPC. The authorization to increase base rates to recover an additional $43,000,000 will certainly help. However, the amount of additional revenues actually realized will be dependent on the level of demand and energy sales experienced. Sales in turn will be dependent on the condition of the overall economy and the weather. EKPC's continuing efforts to manage and control its costs will also be an important factor in achieving the 1.50 TIER. But changes in the cost to provide electric service, such as the cost of fuel and the price of power purchases, interest rates on the credit facility and any new issuances of debt, and the extent inflation exists will all impact EKPC's ability to control its costs.

Thus, EKPC may or may not be able to achieve the requested 1.50 TIER even with an increase of revenues of $43,000,000. There are just too many variables that can affect that result over which EKPC has no control.

<u>Request 14c.</u> Quantify and explain how EKPC can achieve the requested 1.50 TIER in its application if the total increase authorized by the Commission is limited to $43,000,000.

<u>Response 14c.</u> EKPC is not able to quantify the specific mix of sales levels and costs necessary to result in a net margin that will produce a 1.50 TIER, as there would be multiple combinations that could produce the same results. The variables that could impact those combinations are discussed in the response to Request 14b above.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2021-00103
SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 15
RESPONSIBLE PERSON: **Isaac S. Scott**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 15. Refer to the Scott Testimony, page 15, lines 1–3.

Request 15a. Provide updated interest rates associated with EKPC's long-term debt as of the date of this request.

Request 15b. Provide updated calculations of the interest expense normalization based on the interest rates provided in part (a) of this request.

Response 15a-b. Please see the schedule shown on pages 3 thru 6 of this response. The schedule format is the same as that used in Exhibit ISS-1, Attachment 2 – Workpaper 1.06 – Cushion of Credit. The FFB Notes highlighted in blue were paid off in 2020 using Cushion of Credit funds. The interest rates that changed since test year end are highlighted in green. The interest expense associated with the environmental surcharge has not changed, as there was no change to the interest rates applicable to that debt.

Request 15c. As a continuing request, provide supplemental updates of the information requested in parts (a) and (b) on a monthly basis.

Response 15c. EKPC will provide supplemental updates of the interest rates associated with its long-term debt through the month of the public hearing. EKPC intends on filing this monthly update along with its monthly update of actual rate case expenses.

Interest Rate Update - April.xlsx

East Kentucky Power Cooperative, Inc.
Adjustment to Normalize Interest Expense on Long-Term Debt
Reflects Cushion of Credit Paydown

Type of Debt Issue	Amount Outstanding as of 12/31/2019	Interest Rate as of 12/31/2019	Interest Rate ***as of 4/30/2021***	Normalized Interest Expense as of 12/31/2019	Normalized Interest Expense ***as of 4/30/2021***	Actual Test Year Interest Expense
Bonds:						
Private Placement Bonds	$179,000,000	4.610%	4.610%	$8,251,900	$8,251,900	$8,274,310
Private Placement Bonds - 2019	$150,000,000	4.450%	4.450%	$6,675,000	$6,675,000	$4,691,042
Cooper Solid Waste Disposal Bonds	$2,700,000	1.250%	0.300%	$33,750	$8,100	$53,259
Total Bonds	$331,700,000			$14,960,650	$14,935,000	$13,018,611
Notes:						
National Rural Utilities Cooperative Finance Corporation ("CFC") -						
CFC - Term Loan	$100,000,000	4.300%	4.300%	$4,300,000	$4,300,000	$3,008,037
Clean Renewable Energy Bonds	$1,776,838	0.400%	0.400%	$7,107	$7,107	$7,529
New Clean Renewable Energy Bonds	$17,396,627	1.560%	1.530%	$271,387	$266,168	$266,794
NCSC Unsecured #9061009	$0	4.850%	4.850%	$0	$0	$48,512
NCSC Unsecured #9061010	$1,335,822	5.050%	5.050%	$67,459	$67,459	$67,460
NCSC Unsecured #9061011	$1,544,167	5.150%	5.150%	$79,525	$79,525	$79,524
NCSC Unsecured #9061012	$1,389,610	5.250%	5.250%	$72,955	$72,955	$72,955
NCSC Unsecured #9061013	$980,127	5.400%	5.400%	$52,927	$52,927	$52,927
NCSC Unsecured #9061014	$325,315	5.500%	5.500%	$17,892	$17,892	$17,892
Total CFC	$124,748,506			$4,869,252	$4,864,033	$3,621,628
Rural Utilities Service ("RUS") Notes -						
T62-1-B650	$0	5.125%	5.125%	$0	$0	$51,783
T62-1-B655	$0	5.125%	5.125%	$0	$0	$51,783
Total RUS	$0			$0	$0	$103,565
Federal Financing Bank ("FFB") Notes -						
H0615	$0	5.451%	5.451%	$0	$0	$99,292
H0635	$0	5.426%	5.426%	$0	$0	$84,186
H0640	$0	5.104%	5.104%	$0	$0	$105,301
H0645	$4,228,070	4.709%	4.709%	$199,100	$199,100	$220,760
H0655	$0	5.447%	5.447%	$0	$0	$325,908
H0660	$0	5.678%	5.678%	$0	$0	$103,959
H0665	$0	5.538%	5.538%	$0	$0	$100,651
H0670	$4,957,922	4.695%	4.695%	$232,774	$232,774	$258,202
H0675	$3,327,846	4.802%	4.802%	$159,803	$159,803	$177,205
H0680	$4,854,099	4.366%	4.366%	$211,930	$211,930	$235,306
H0685	$3,237,956	4.375%	4.375%	$141,661	$141,661	$157,282
H0690	$4,964,878	4.717%	4.717%	$234,193	$234,193	$259,760
H0695	$3,294,535	4.644%	4.644%	$152,998	$152,998	$169,737
H0700	$1,132,265	4.557%	4.557%	$51,597	$51,597	$57,236
H0705	$0	4.790%	4.790%	$0	$0	$179,236
H0710	$1,749,461	4.624%	4.624%	$80,895	$80,895	$84,384
H0715	$1,398,374	4.442%	4.442%	$62,116	$62,116	$68,952
H0720	$15,297,619	4.460%	4.460%	$682,274	$682,274	$706,276
H0725	$0	4.819%	4.819%	$0	$0	$776,819
H0730	$0	4.950%	4.950%	$0	$0	$796,590
H0735	$0	5.055%	5.055%	$0	$0	$38,864
H0740	$0	4.753%	4.753%	$0	$0	$70,575
H0745	$868,340	4.501%	4.501%	$39,084	$39,084	$43,378
H0750	$0	5.091%	5.091%	$0	$0	$422,234
H0755	$0	5.149%	5.149%	$0	$0	$428,196
H0760	$0	5.065%	5.065%	$0	$0	$419,568
H0765	$0	5.011%	5.011%	$0	$0	$414,047
H0770	$0	5.149%	5.149%	$0	$0	$462,451
H0775	$0	4.854%	4.854%	$0	$0	$185,592
H0780	$0	5.240%	5.240%	$0	$0	$36,359
H0785	$0	5.020%	5.020%	$0	$0	$40,935
H0790	$0	4.921%	4.921%	$0	$0	$495,569
H0795	$3,796,183	4.672%	4.672%	$177,358	$177,358	$184,985
H0800	$0	4.795%	4.795%	$0	$0	$92,389
H0805	$1,907,079	4.577%	4.577%	$87,287	$87,287	$96,855
H0810	$0	4.744%	4.744%	$0	$0	$1,804,594
H0815	$0	4.825%	4.825%	$0	$0	$1,841,436
H0820	$0	4.946%	4.946%	$0	$0	$1,896,769
H0825	$18,574,615	4.658%	4.658%	$865,206	$865,206	$882,829
H0830	$18,444,160	4.497%	4.497%	$829,434	$829,434	$846,634
H0835	$0	4.705%	4.705%	$0	$0	$893,457
H0840	$18,308,805	4.332%	4.332%	$793,137	$793,137	$809,889
H0845	$13,909,672	4.324%	4.324%	$601,454	$601,454	$614,168

0 Interest Rate Update - April.xlsx

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2 **East Kentucky Power Cooperative, Inc.**

3 **Adjustment to Normalize Interest Expense on Long-Term Debt**

4 **Reflects Cushion of Credit Paydown**

5

6		Amount	Interest Rate		Normalized Interest Expense		Actual
7		Outstanding	as of	***as of***	as of	***as of***	Test Year
8	Type of Debt Issue	as of 12/31/2019	12/31/2019	***4/30/2021***	12/31/2019	***4/30/2021***	Interest Expense
9							
81	H0850	$3,845,909	4.353%	4.353%	$167,412	$167,412	$191,012
82	H0855	$22,104,590	4.468%	4.468%	$987,633	$987,633	$1,008,180
83	H0860	$22,106,550	4.470%	4.470%	$988,163	$988,163	$1,008,716
84	H0865	$2,095,281	4.485%	4.485%	$93,973	$93,973	$98,062
85	H0870	$0	4.769%	4.769%	$0	$0	$1,089,569
86	H0875	$0	4.858%	4.858%	$0	$0	$61,371
87	H0880	$0	4.789%	4.789%	$0	$0	$10,617
88	H0885	$0	4.890%	4.890%	$0	$0	$210,517
89	H0890	$0	5.345%	5.345%	$0	$0	$317,449
90	H0895	$0	5.333%	5.333%	$0	$0	$211,066
91	H0900	$0	5.070%	5.070%	$0	$0	$278,622
92	H0905	$0	5.061%	5.061%	$0	$0	$278,033
93	H0910	$0	5.053%	5.053%	$0	$0	$425,514
94	H0915	$0	4.776%	4.776%	$0	$0	$853,140
95	H0920	$0	4.812%	4.812%	$0	$0	$869,911
96	H0925	$0	4.821%	4.821%	$0	$0	$1,982,507
97	H0930	$0	4.736%	4.736%	$0	$0	$971,256
98	H0935	$40,228,612	4.669%	4.669%	$1,878,274	$1,878,274	$1,911,086
99	H0940	$19,922,391	4.384%	4.384%	$873,398	$873,398	$889,204
100	H0945	$40,200,662	4.648%	4.648%	$1,868,527	$1,868,527	$1,901,254
101	H0950	$19,863,594	4.511%	4.511%	$896,047	$896,047	$912,010
102	H0955	$40,143,265	4.605%	4.605%	$1,848,597	$1,848,597	$1,881,149
103	H0960	$7,157,759	4.338%	4.338%	$310,504	$310,504	$321,527
104	H0965	$6,377,782	4.396%	4.396%	$280,367	$280,367	$285,434
105	H0970	$8,701,142	4.385%	4.385%	$381,545	$381,545	$388,449
106	H0975	$15,922,073	4.355%	4.355%	$693,406	$693,406	$706,001
107	H0980	$15,929,178	4.368%	4.368%	$695,787	$695,787	$708,404
108	H0985	$20,019,292	4.527%	4.527%	$906,273	$906,273	$922,387
109	H0990	$0	4.754%	4.754%	$0	$0	$975,485
110	H0995	$20,083,659	4.623%	4.623%	$928,468	$928,468	$944,780
111	H1000	$6,276,875	4.298%	4.298%	$269,780	$269,780	$274,715
112	H1005	$2,777,952	4.306%	4.306%	$119,619	$119,619	$123,875
113	H1010	$19,897,120	4.347%	4.347%	$864,928	$864,928	$880,653
114	H1015	$19,936,698	4.405%	4.405%	$878,212	$878,212	$894,064
115	H1020	$5,566,338	2.846%	2.846%	$158,418	$158,418	$161,872
116	H1025	$2,732,553	3.801%	3.801%	$103,864	$103,864	$106,190
117	H1030	$19,377,038	3.651%	3.651%	$707,456	$707,456	$721,461
118	H1035	$28,086,406	3.988%	3.988%	$1,120,086	$1,120,086	$1,141,369
119	H1040	$20,306,048	4.374%	4.374%	$888,187	$888,187	$904,281
120	H1045	$20,316,623	4.391%	4.391%	$892,103	$892,103	$908,234
121	H1050	$20,448,405	4.605%	4.605%	$941,649	$941,649	$958,230
122	H1055	$32,717,447	4.605%	4.605%	$1,506,638	$1,506,638	$1,533,168
123	H1060	$20,445,354	4.600%	4.600%	$940,486	$940,486	$957,057
124	H1065	$11,624,991	4.252%	4.252%	$494,295	$494,295	$503,387
125	H1070	$20,235,983	4.262%	4.262%	$862,458	$862,458	$878,303
126	H1075	$20,133,439	4.100%	4.100%	$825,471	$825,471	$840,942
127	H1080	$10,356,831	4.382%	4.382%	$453,836	$453,836	$462,052
128	H1085	$20,361,857	4.464%	4.464%	$908,953	$908,953	$925,241
129	H1090	$8,014,073	4.396%	4.396%	$352,299	$352,299	$359,149
130	H1095	$20,316,002	4.390%	4.390%	$891,872	$891,872	$908,002
131	H1100	$20,426,411	4.569%	4.569%	$933,283	$933,283	$949,790
132	H1105	$16,128,128	4.142%	4.142%	$668,027	$668,027	$680,483
133	H1110	$16,154,490	4.194%	4.194%	$677,519	$677,519	$690,072
134	H1115	$16,144,871	4.175%	4.175%	$674,048	$674,048	$686,566
135	H1120	$15,897,384	4.137%	4.137%	$657,675	$657,675	$670,856
136	H1125	$15,024,984	3.978%	3.978%	$597,694	$597,694	$609,896
137	H1130	$4,815,121	3.990%	3.990%	$192,123	$192,123	$195,773
138	H1135	$19,858,967	4.117%	4.117%	$817,594	$817,594	$834,018
139	H1140	$19,858,967	4.117%	4.117%	$817,594	$817,594	$834,018
140	H1145	$19,883,835	4.156%	4.156%	$826,372	$826,372	$842,897
141	H1150	$19,883,835	4.156%	4.156%	$826,372	$826,372	$842,897
142	H1155	$16,018,645	4.377%	4.377%	$701,136	$701,136	$714,800
143	H1160	$5,667,142	4.398%	4.398%	$249,241	$249,241	$253,744
144	H1165	$7,207,489	4.373%	4.373%	$315,184	$315,184	$321,329
145	H1170	$15,495,626	4.508%	4.508%	$698,543	$698,543	$710,992
146	H1175	$927,182	3.224%	3.224%	$29,892	$29,892	$34,222
147	H1180	$235,175	3.943%	3.943%	$9,273	$9,273	$9,555
148	H1185	$523,283	3.922%	3.922%	$20,523	$20,523	$20,916
149	H1190	$730,349	3.922%	3.922%	$28,644	$28,644	$29,193
150	H1195	$987,293	3.897%	3.897%	$38,475	$38,475	$39,268
151	H1200	$342,385	3.913%	3.913%	$13,398	$13,398	$13,673

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2 **East Kentucky Power Cooperative, Inc.**

3 **Adjustment to Normalize Interest Expense on Long-Term Debt**

4 **Reflects Cushion of Credit Paydown**

5

Row	Type of Debt Issue	Amount Outstanding as of 12/31/2019	Interest Rate as of 12/31/2019	Interest Rate *as of 4/30/2021*	Normalized Interest Expense as of 12/31/2019	Normalized Interest Expense *as of 4/30/2021*	Actual Test Year Interest Expense
9							
152	H1205	$10,035,053	4.197%	4.197%	$421,171	$421,171	$429,553
153	H1210	$20,513,367	4.067%	4.067%	$834,279	$834,279	$846,322
154	H1215	$1,479,441	3.954%	3.954%	$58,497	$58,497	$59,613
155	H1220	$10,337,320	3.954%	3.954%	$408,738	$408,738	$416,536
156	H1225	$5,140,689	2.852%	2.852%	$146,612	$146,612	$149,807
157	H1230	$28,806,744	2.811%	2.811%	$809,758	$809,758	$828,646
158	H1235	$21,451,598	2.590%	2.590%	$555,596	$555,596	$568,081
159	H1240	$16,678,739	2.713%	2.713%	$452,494	$452,494	$462,515
160	H1245	$25,052,907	2.791%	2.791%	$699,227	$699,227	$711,379
161	H1250	$25,180,650	2.916%	2.916%	$734,268	$734,268	$746,803
162	H1255	$25,280,617	3.094%	3.094%	$782,182	$782,182	$795,199
163	H1260	$8,890,223	2.800%	2.800%	$248,926	$248,926	$254,383
164	H1265	$15,972,579	2.928%	2.928%	$467,677	$467,677	$475,648
165	H1270	$24,632,021	2.495%	2.495%	$614,569	$614,569	$625,707
166	H1275	$1,335,613	2.369%	2.369%	$31,641	$31,641	$32,370
167	H1280	$19,717,927	2.302%	2.302%	$453,907	$453,907	$465,114
168	H1285	$19,078,145	2.338%	2.338%	$446,047	$446,047	$457,016
169	H1290	$22,841,761	2.724%	2.724%	$622,210	$622,210	$633,126
170	H1295	$985,882	2.549%	2.549%	$25,130	$25,130	$25,698
171	H1300	$8,100,915	2.549%	2.549%	$206,492	$206,492	$211,155
172	H1305	$10,393,048	2.510%	2.510%	$260,866	$260,866	$267,159
173	H1310	$5,658,666	2.393%	2.393%	$135,412	$135,412	$138,722
174	H1315	$11,650,515	2.573%	2.573%	$299,768	$299,768	$305,141
175	H1320	$2,599,735	2.432%	2.432%	$63,226	$63,226	$64,673
176	H1325	$9,805,188	3.338%	3.338%	$327,297	$327,297	$334,489
177	H1330	$30,297,663	3.162%	3.162%	$958,012	$958,012	$979,490
178	H1335	$9,540,986	3.202%	3.202%	$305,502	$305,502	$311,886
179	H1340	$17,957,985	3.316%	3.316%	$595,487	$595,487	$608,605
180	H1345	$14,227,270	3.513%	3.513%	$499,804	$499,804	$510,570
181	H1350	$17,935,061	2.563%	2.563%	$459,676	$459,676	$470,037
182	H1355	$19,068,882	2.656%	2.656%	$506,470	$506,470	$515,442
183	H1360	$569,585	2.378%	2.378%	$13,545	$13,545	$13,857
184	H1365	$30,848,228	2.982%	2.982%	$919,894	$919,894	$931,851
185	FFB-25-1	$22,682,795	2.942%	2.942%	$667,328	$667,328	$676,063
186	FFB-26-1	$122,621,794	2.683%	2.683%	$3,289,943	$3,289,943	$3,392,776
187	F1380	$10,608,551	2.634%	2.634%	$279,429	$279,429	$283,287
188	FFB-25-2	$4,166,911	2.634%	2.634%	$109,756	$109,756	$111,272
189	F1390	$7,883,131	2.679%	2.679%	$211,189	$211,189	$214,082
190	FFB-25-3	$28,669,310	2.679%	2.679%	$768,051	$768,051	$778,573
191	F1400	$7,924,494	2.688%	2.688%	$213,010	$213,010	$215,924
192	FFB-25-4	$6,474,247	2.688%	2.688%	$174,028	$174,028	$176,408
193	FFB-24-5	$2,214,004	2.990%	2.990%	$66,199	$66,199	$67,058
194	FFB-25-5	$10,428,350	2.990%	2.990%	$311,808	$311,808	$315,855
195	FFB-24-6	$2,068,084	3.131%	3.131%	$64,752	$64,752	$65,572
196	FFB-25-6	$2,460,138	3.131%	3.131%	$77,027	$77,027	$78,002
197	FFB-25-7	$27,254,260	3.281%	3.281%	$894,212	$894,212	$904,715
198	FFB-26-2	$2,902,210	3.118%	3.118%	$90,491	$90,491	$93,160
199	FFB-27-1	$64,982,306	3.056%	3.056%	$1,985,859	$1,985,859	$2,004,160
200	FFB-28-1	$2,496,401	3.056%	3.056%	$76,290	$76,290	$76,993
201	FFB-24-7	$1,778,852	2.804%	2.804%	$49,879	$49,879	$31,701
202	FFB-25-8	$2,672,235	2.804%	2.804%	$74,929	$74,929	$47,622
203	FFB-24-8	$5,902,116	1.914%	1.914%	$112,966	$112,966	$38,306
204	FFB-25-9	$18,394,050	1.914%	1.914%	$352,062	$352,062	$119,382
205	FFB-24-9	$3,726,000	2.222%	2.222%	$82,792	$82,792	$3,415
206	FFB-25-10	$4,210,000	2.222%	2.222%	$93,546	$93,546	$3,859
207							
208	Total FFB	$1,845,678,449			$67,783,821	$67,783,821	$89,373,504
209							
210	Total Long-Term Debt and Interest Expense	$2,302,126,955			$87,613,723	$87,582,854	$106,117,308
211							
212	Unsecured Credit Facility	$185,000,000	2.700%	1.060%	$4,995,000	$1,961,000	$6,244,332
213							
214	Totals	$2,487,126,955			$92,608,723	$89,543,854	$112,361,640
215							
216	Interest Expense associated with Environmental Surcharge				$22,165,396	$22,165,396	$28,573,691
217							

0 Interest Rate Update - April.xlsx

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2 **East Kentucky Power Cooperative, Inc.**

3 **Adjustment to Normalize Interest Expense on Long-Term Debt**

4 **Reflects Cushion of Credit Paydown**

5

Row	Type of Debt Issue	Amount Outstanding as of 12/31/2019	Interest Rate as of 12/31/2019	Interest Rate ***as of 4/30/2021***	Normalized Interest Expense as of 12/31/2019	Normalized Interest Expense ***as of 4/30/2021***	Actual Test Year Interest Expense
9							
218	Proposed Adjustment to Interest Expense, exclusive of Interest Expense associated						
219	with Environmental Surcharge:						
220	Total Normalized Interest Expense, based on 6/30/2020 rates					$89,543,854	
221	Less: Normalized Interest Expense associated with Environmental Surcharge					$22,165,396	
222	Net Normalized Interest Expense, based on 6/30/2020 rates						$67,378,458
223	Total Test Year Actual Interest Expense					$112,361,640	
224	Less: Test Year Interest Expense associated with Environmental Surcharge					$28,573,691	
225	Net Test Year Actual Interest Expense						$83,787,949
226	Proposed Adjustment to Interest Expense						($16,409,491)
227							

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2021-00103
SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 16
RESPONSIBLE PERSON: **Isaac S. Scott**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 16. Refer to the Scott Testimony, page 15, lines 6–17.

Request 16a. Provide updated interest rates associated with the balances of investments as of the date of this request.

Request 16b. Provide updated calculations of the proposed adjustment to test year actual interest income for each investment by applying the updated interest rates provided in part (a) of this request.

Response 16a-b. Please see the schedule shown on pages 3 and 4 of this response. The schedule format is the same as that used in Exhibit ISS-1, Attachment 2 – Workpaper 1.06 – Cushion of Credit. The interest rates that changed since test year end are highlighted in green.

<u>Request 16c.</u> As a continuing request, provide supplemental updates of the information requested in parts (a) and (b) on a monthly basis.

<u>Response 16c.</u> EKPC will provide supplemental updates of the interest rates associated with its interest income through the month of the public hearing. EKPC intends on filing this monthly update along with its monthly update of actual rate case expenses.

Interest Rate Update - April.xlsx

East Kentucky Power Cooperative, Inc.
Normalize Interest Income
Reflects Cushion of Credit Paydown

Investment	Balance as of 12/31/2019	Interest Rate as of 12/31/2019	Test Year Interest Income	Interest Rate ***as of 4/30/2021***	Normalized Interest Income
U.S. Treasury Securities (2)	$38,246,728	1.65% - 2.50%	$843,011	0.08%	$30,597
CFC Commercial Paper (2)	$51,000,000	1.52% - 1.71%	$1,329,436	0.14%	$71,400
Money Market Funds (2):					
Federated Money Market Funds	$30,000,000	1.52%	$503,561	0.02%	$6,000
Fidelity Money Market Funds	$30,000,000	1.54%	$639,346	0.02%	$6,000
Funds Held in Misc. Bank Accounts: (2)					
Money Market Deposit Account	$5,000,000	1.50%	$168,958	0.00%	$0
Insured Cash Sweep Account	$5,008,501	2.00%	$45,638	0.35%	$17,530
PJM Account	$1,731,894	1.50%	$35,818	0.01%	$173
RUS Cushion of Credit (3)	$697,829	5.00%	$21,310,987	4.00%	$27,913
CFC Securities					
Capital Term Certificates - Gen.	$6,998,144	5.00%	$349,907	5.00%	$349,907
Capital Term Certificates - CB/RUS	$657,500	3.00%	$19,725	3.00%	$19,725
Zero Term Certificates	$426,094	0.00%	$0	0.00%	$0
Subordinated Term Certificates	$165,000	6.59%	$10,869	6.59%	$10,874
Cooper Debt Service Reserve	$1,100,000	1.98%	$22,788	0.05%	$550
Member Cooperative Marketing					
Loan Interest:					
Loan #24	$0	1.50%	$81	0.00%	$0
Loan #25	$4,436	1.70%	$99	1.50%	$67
Loan #26	$6,782	1.80%	$145	1.70%	$115
Loan #27	$50,125	2.20%	$1,047	1.80%	$902
Loan #28	$146,853	2.80%	$4,111	2.80%	$4,112
Propane Loan Interest	$411,527	5.00%	$29,436	2.75%	$11,317
Miscellaneous					
Member Late Power Bill (1)	$0		$7,506		$0
Interest - KY Sales Tax Refund (1)	$0		$1,707		$0
Interest from Investment (1)	$0		$134		$0
TVA Security Deposit - Cap. Proj. (2)	$667,452	1.67%	$7,452	0.01%	$67
Rounding Adjustment			$3		
Totals	$172,318,865		$25,331,765		$557,249
Adjustment to normalize interest income					($24,774,516)

0 Interest Rate Update - April.xlsx

2 **East Kentucky Power Cooperative, Inc.**
3 **Normalize Interest Income**
4 **Reflects Cushion of Credit Paydown**

55 Notes:
56 (1) These items were a source of interest income during the test year but do not reflect investments.
57 (2) The interest rates for these investments are established daily or monthly and fluctuate reflecting current market conditions.
58 In order to determine a reasonable current interest rate, EKPC has applied the approach discussed in the Commission's
59 December 5, 2007 Order in Case No. 2006-00472, specifically footnote 36. The calculation of the applicable interest
60 rates is shown below.

	Investment	Balance as *of 04/30/2021*	Interest Income *for April 2021*	Blended Interest Rate	Annualized Interest Rate
65	U.S. Treasury Securities	$38,875,331	$2,647	0.007%	0.08%
67	CFC Commercial Paper	$75,000,000	$8,885	0.012%	0.14%
69	Money Market Funds	$20,000,000	$371	0.002%	0.02%
71	Funds Held in Misc. Bank Accounts:				
72	Money Market Deposit Account	$250,000	$1	0.000%	0.00%
73	Insured Cash Sweep Account	$5,001,439	$1,439	0.029%	0.35%
74	PJM Account	$1,738,277	$14	0.001%	0.01%
76	TVA Security Deposit - Cap. Proj.	$1,105,535	$9	0.001%	0.01%

78 (3) Changes in the balance in the Cushion of Credit account between January 1, 2020 and September 9, 2020

	Date	Accrued Interest	Quarterly FFB Payment	Principal Paydown	Balance
83	Beginning Balance, January 1, 2020				$349,593,355.60
84	January 31, 2020	$1,484,574.52			$351,077,930.12
85	February 28, 2020	$1,380,944.79			$352,458,874.91
86	March 31, 2020	$1,480,518.31	($40,077,552.07)		$313,861,841.15
87	April 30, 2020	$1,286,319.02			$315,148,160.17
88	May 31, 2020	$1,329,196.32			$316,477,356.49
89	June 30, 2020	$1,286,319.02			$317,763,675.51
90	July 31, 2020	$1,345,720.48			$319,109,395.99
91	August 31, 2020	$1,345,720.48			$320,455,116.47
92	September 9, 2020			($320,149,976.61)	$305,139.86
93	September 30, 2020	$392,689.29			$697,829.15

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 17
RESPONSIBLE PERSON: Thomas J. Stachnik
COMPANY: East Kentucky Power Cooperative, Inc.

Request 17. Refer to the Scott Testimony, page 16, lines 7–22, and page 17, lines 1–19.

Request 17a. Explain why EKPC did not begin participating in the RUS Cushion of Credit Program until 2005 if it was established in 1987.

Response 17a. The attractiveness of the Cushion of Credit program depended on the spread between EKPC's borrowing cost and the 5% Cushion of Credit interest rate. In 1987 when the Cushion of Credit program was established, short-term interest rates were much higher than 5%. Also, prior to 2005, EKPC did not maintain a large syndicated credit facility, and only maintained a small line of credit with the National Rural Utilities Cooperative Finance Corporation based on the prime rate which resulted in higher cost than the current credit facility's LIBOR-based rates. The attractiveness of the Cushion of Credit program increased over time as short-term interest rates declined and EKPC gained better access to short-term liquidity.

Request 17b. Provide what the application Treasury rates would be for EKPC's balances if the effective date was May 1, 2021, and not October 1, 2021.

Response 17b. The 1-year Treasury rate on April 30, 2021 was 0.05% (May 1, 2021 was a Saturday). The Treasury rates can be found at:

https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yieldYear&year=2021 .

Request 17c. Provide the current balance of the Cushion of Credit.

Response 17c. EKPC's Cushion of Credit balance as of April 30, 2021 is $714,137.63.

Request 17d. Explain whether EKPC plans to apply the remaining Cushion of Credit to debt prior to the change in the interest rates on October 1, 2021.

Response 17d. EKPC plans to deplete the remaining funds in the Cushion of Credit by applying the funds to its September 30, 2021 Federal Financing Bank debt service payment.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 18
RESPONSIBLE PERSON: Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 18. Refer to the Scott Testimony, page 33, line 19, through page 34, line 2, regarding the interruptible demand credit. Also refer to the Scott Testimony, Exhibit ISS-3, which contains the cost justification for interruptible service credit that reflects a monthly avoided cost of interruptible power of $5.26 per kW, and the current demand credit for 400 hours of interruption is $5.60 per kW. Explain why EKPC is not proposing to lower the current demand credit for 400 hours of interruption.

Response 18. The cost justification of $5.26 per kW shown in Exhibit ISS-3 reflects approximately 94% of the current demand credit for 400 hours of interruption of $5.60 per kW. EKPC would note that the cost justification calculations were based on a generic combustion turbine and used commercially available pricing information. The calculations did not represent the costs for an EKPC-specific unit. EKPC believes this level of justification supports the conclusion that the current demand credit is reasonable, and therefore no reduction in the credit is necessary at this time.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 19

RESPONSIBLE PERSON: **Isaac S. Scott**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 19. Refer to the Scott Testimony, page 36, lines 4–8, which discusses the proposed minimum demand of 15,000 kW. Explain why EKPC is proposing a minimum demand of 15,000 kW for Rate G and how it arrived at that amount.

Response 19. EKPC's Rate G was originally developed in conjunction with a special contract for a large industrial customer with a high load factor. The rate was incorporated into EKPC tariff sheets in 1995, and through 2009 the tariff was restricted to the specific large industrial customer. In 2009, the reference to the industrial customer was removed but the tariff failed to include any statement of a minimum demand like EKPC's Rates B and C. During the preparation for the 2008 base rate case, EKPC was advised by its consultants that based on the configuration of the rates, the minimum demand should not go below 15,000 kW. EKPC has followed that advice and generally required any customers considering Rate G to have a minimum demand of 15,000 kW. Since 2009, any special contracts utilizing Rate G have included a minimum demand of

15,000 kW. When preparing for this rate case, EKPC realized that a minimum demand requirement should be established for Rate G and EKPC set that minimum demand at the level that it had been following in practice for the last decade or more.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 20
RESPONSIBLE PERSON: Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 20. Refer to the Scott Testimony, page 36, lines 8–10, which discusses the possibility that the ratchet provision for new or expanding loads may need to be temporarily waived. Explain the circumstances under which the ratchet provision would need to be temporarily waived and why EKPC is proposing this revision.

Response 20. New customers and existing customers expanding their operations usually experience an initial "ramping up" period of a year or more. During this ramp-up period, the actual loads can fluctuate from month to month rather than show a steady consistent build up. Under the ratchet provision, the highest demand in the current month or preceding 11 months is used in the determination of the billing demand. The following hypothetical example illustrates the ratchet effect.

Month	Actual Demand (kW)	Billing Demand per Ratchet	Bill at $6.98 per kW – Actual	Bill at $6.98 per kW – Billing
1	150	150	$1,047	$1,047
2	400	400	$2,792	$2,792
3	325	400	$2,269	$2,792
4	380	400	$2,652	$2,792
5	510	510	$3,560	$3,560
6	420	510	$2,932	$3,560

EKPC believes it is reasonable during the customer's ramping up period to temporarily waive the ratchet provision, to allow the customer time to settle into its normal operating conditions. EKPC would note that if the customer actually experienced a steady consistent build up in its load, then the customer's bills would be the same under either the ratchet or with the ratchet waived.

EKPC is proposing the temporary waiver provision only for Rate G, a rate which is intended for large industrial customers. A large industrial customer will experience a ramping up period, as the full demand load will not happen in the first billing period. EKPC believes it is reasonable to offer this temporary assistance to a new or expanding customer because it recognizes the challenges faced by that customer.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 21

RESPONSIBLE PERSON: **Isaac S. Scott**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 21. Refer to the Scott Testimony, page 40, lines 13–23, and page 41, lines 1–4. Provide the DSM cost recovery versus DSM program costs study.

Response 21. Please see the Excel file *PSC DR2 Response 21.xlsx*.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 22
RESPONSIBLE PERSON: Richard J. Macke / Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 22. Refer to the Direct Testimony of Richard J. Macke (Macke Testimony), page 9, lines 3–5, which states that the Average and Excess Demand (AED) method is widely applied by utilities.

Request 22a. Specify any electric generating utilities in Kentucky that have used the AED method and provide the corresponding case numbers.

Response 22a. EKPC is aware that Duke Energy Kentucky filed three cost of service studies in its last two electric base rate cases, and one of the methodologies utilized was the AED method. Those cases were Case No. 2017-00321 and Case No. 2019-00271. However, Duke Energy Kentucky did not base its rate design proposals on the results of the AED methodology. EKPC utilized the AED method in Case No. 1994-00336 and Case No. 2006-00472. EKPC is not aware of any other electric generating utilities in Kentucky utilizing the AED methodology.

<u>Request 22b.</u> Provide examples of any electric generating utilities outside of Kentucky that have used the AED method.

<u>Response 22b.</u> In response to the request for examples, EKPC is providing a survey, on pages 5 through 11 of this response, that was filed as an exhibit in a rate proceeding before the Arkansas Public Service Commission as being illustrative of the prevalence of the AED method in allocating production costs in the cost of service studies for generating utilities outside of Kentucky. Specifically, this survey was attached to the Prefiled Surrebuttal Testimony of Larry Blank in Arkansas Public Service Commission Docket No 15-015-U, filed on November 24, 2015 on Behalf of the Hospitals and Higher Education Group. This survey of 20 states has not been independently verified by EKPC or Mr. Macke and neither EKPC nor Mr. Macke can attest to how or if methods identified in this survey have changed since it was conducted. However, it indicates the following use of the AED method and contains some rate case references as requested:

a. Alaska: Alaska Administrative Code requires both the average and excess and Peak responsibility (CP) be filed.

b. Arizona (no requirement but utilities general use two methods; Arizona Public Service Company (APS) uses the Average and Excess method while UN Electric Inc. (UNS) and Tucson Electric Power (TEP) use an Average and Peak method with 4-CP based on the 4 summer peaks of June through September.

c. Colorado: No required method, however, “In a recent example, Public Service Company of Colorado used a 4-CP Average and Excess method to allocate production costs.”

d. Hawaii: Uses various methods, but “Hawaiian Electric Company HECO, has used an Average-Excess Demand Method (AED Method) since 2007.”

e. Iowa: “[T]he Board has determined that the average and excess (A&E) method complies with the rule.” Further, “In Interstate’s most recent rate proceeding… the Board approved IPL’s proposal to continue its use of the A&E methodology for allocating generation costs.”

f. New Mexico: Various methods used, including, “El Paso Electric Company (EPE) in its most recent rate case filed in 2009 used the 4 CP Average and Excess method…”

g. North Dakota: Various methods being used, including, “In the case of Northern States Power these costs are allocated using a seasonal Average and Excess Method.”

h. Oklahoma: “OG&E uses a single coincident peak average and excess method.”

i. South Dakota: Various method used, including, “In the current Black Hills case, the company asked to use a 12CP jurisdictional allocator and an Average and Excess method for the class allocations.”

j. Texas: "The Texas PUC does not require an allocation method by statute or rule. However, by general precedent the Average and Excess with 4-CP Demand Method is the norm for vertically integrated utilities in Texas.

Request 22c. Explain if any other cost of service study (COSS) methods were evaluated.

Response 22c. EKPC's management decided to utilize the AED methodology in this proceeding. During EKPC's last base rate proceeding in 2010, EKPC was evaluating the wholesale rate designs of EKPC and the retail rate designs of its owner-members, trying to understand the interrelationship between the rate designs. The evaluation considered three different methodologies: the 100% Capacity method, the Equivalent Peaker method, and the AED method. EKPC determined that the AED method was the most reasonable approach, considering the diversity and characteristics of its owner-members.

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LB-SURR-2

Production Cost Allocation Survey 2013 Results By State

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Exhibit LB-SURR-2

Surrebuttal Testimony of Larry Blank
15-015-U

Production Cost Allocation Survey 2013
Results By State

Alaska: (Regulatory Commission, Tyler Clark, Finance Manager, 907-276-6222) Alaska has not responded at this time. Alaska Administrative Code requires both the average and excess and peak responsibility (CP) be filed by the electric utility:

> §3 AAC 48.540(e) – Cost-of-Service Methods states that in a cost-of-service study required by this section, demand capacity costs will be considered as follows:
> (1) Each electric utility that sells 100,000,000 kilowatt-hours or more annually shall provide cost-of-service analyses that show the impact of (A) allocating demand-related generation and transmission costs to rate classes on the basis of both the peak responsibility method and the average and excess method; and (B) allocating demand-related distribution costs on the basis of the non-coincident peak method.

Arizona: (Corporation Commission, Barbara Keene, Public Utilities Analyst Manager, 602-542-0853) Arizona does not require the use of a particular allocation method by statute or rule. In practice, Arizona utilities use two methods; Arizona Public Service Company (APS) uses the Average and Excess method while UNS Electric Inc. (UNS) and Tucson Electric Power (TEP) use an Average and Peak method with 4-CP based on the 4 summer peaks of June through September. The results of these studies are not stringently followed. The cost of service studies are used as a tool. For example, settlements can result in a generally even, "across the board" percentage increase in rates. The cost of service studies can be used as a starting point for these settlements. In addition, the Commission considers gradualism and other factors in addition to the results of the cost of service studies when setting rates. This issue is no longer very contentious, but current practice resulted from earlier litigated cases which were highly contested by advocates for the residential and industrial classes who argued for 100% energy and 100% demand methods respectively. The current treatments are demonstrated in APS rate cases E-01345A-11-0224 and E-01345A-08-0172 and in the immediate UNS Electric Inc. rate case, Docket No. E-04204A-12-0504.

California: (CPUC, Christopher Danforth, Supervisor DRA – Rate Design, 415-703-1481) In California, electricity generation production costs are allocated to customer classes using marginal cost principles. The energy costs have been allocated using marginal costs that either come from production cost simulation models or market indexes. The generation capacity costs generally are based on a combustion turbine proxy

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plant. Those costs are often adjusted to reflect the resource balance year, when new capacity would be required, and the costs savings from the new combustion turbine displacing older and less efficient plants. These costs are allocated to time periods using loss-of-load probabilities. Once marginal costs are calculated, they are scaled up or down to reconcile them against the authorized revenue requirement.

Colorado: (PUC, Karl Kunzie, Financial Analyst: Economics Section, 303-894-2882) There is no required method in Colorado; the utility may propose any method it choose. However, the Commission's well established practice is to follow its previous orders. In a recent example, Public Service Company of Colorado (an Xcel Energy company) used a 4-CP Average and Excess method to allocate production costs (see Docket: 09AL-299E, Order: C10-0286).

Hawaii: (PUC, Richard VanDrunen, Engineer, 808-586-2043) Hawaii uses various allocation methods and considers the issue on a case by case basis. However, Hawaii's large utility, Hawaiian Electric Company HECO, has used an Average-Excess Demand Method (AED Method) since 2007 (Docket No. 2006-0386). Cases here tend to result in settlements that divide the dollar amount of any rate increase according to the current percentages paid by the classes. However, in the same 2006 case, the Commission accepted a modification to the classification of non-fuel production O&M expenses from 100% demand-related to partly energy-related. The resulting classification is 60.3% demand and 39.7% energy for these expenses.

Idaho: (PUC, Terri Carlock, Utility Division Deputy Administrator, Accounting Section Supervisor, 208-334-0356) Idaho does not have one standard allocation requirement and evaluates the issue case by case. Methods for each of its three major utilities have been set by multiple orders and settlements. PacifiCorp's allocator uses 75% capacity and 25% energy (see PAC-E-10-09). Idaho Power's longstanding use of a Weighted 12CP allocation method based on load factors produces an energy component between 55% and 60%. Avista uses a Peak Credit method to the classes which considers combined cycle turbine production as demand and all above that as energy. This method results in an energy component of about 70%, and is demonstrated in their most recent 2012 rate case: AVU-E-12-08. Avista may propose changing the allocation method in their next rate case in 2015.

Iowa: (Iowa Utilities Board, Barb Oswalt, Senior Utility Analyst, 515-725-7342) The administrative rules related to electric cost of service and rate design are set out in 199 IAC 20.10. Although, the rules do not prescribe a specific allocation method, the Board has determined that the average and excess (A&E) method complies with the rule. Iowa has two investor-owned rate-regulated electric utilities—Interstate Power and Light Company (Interstate) and MidAmerican Energy Company (MidAmerican). In Interstate's most recent rate proceeding (RPU-2010-0001), the Board approved IPL's proposal to continue its use of the A&E methodology for allocating generation costs. IPL noted that it has used the A&E method since 1984. MidAmerican has had a voluntary electric rate revenue freeze in effect since 1997. On May 17, 2013, MidAmerican filed a rate increase request in Docket No. RPU-2012-0004 which includes four separate cost-of-service alternatives. Per the Direct Testimony of Charles B. Rea, the four alternatives

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allocate generation costs as follows: 1) two of the alternatives use the Hourly Costing Model, 2) one alternative uses A&E with wholesale margins allocated on excess demand, and 3) one alternative uses A&E with wholesale margins allocated on average demand. MidAmerican supports use of the Hourly Costing Model. This docket is pending.

Kansas: (Corporation Commission, Utilities Division, Bob Glass PhD, Chief of Economic Policy (785-271-3356) Kansas uses several allocators including a Peak and Average hybrid as well as 4-CP and 12-CP methods. Kansas production includes coal and nuclear and its consumers include those with significant use that is non-congruent with major demand peaks (e.g. summer irrigation). To fairly share the production cost burden among the classes the commission there uses the various allocators to add an energy component to the allocations. This treatment is not proscribed by statute or rule but is reflected in commission orders and settlements such as the recent Kansas City Power and Light rate case docket 12-KCPE-764-RTS. An open Generic Docket is being developed that will address this issue and others.

Louisiana: (PSC, Brian McManus, Economist, Division of Economics and Rates Analysis, 225-342-2720) Louisiana has not responded at this time. In a data response in the immediate Entergy Arkansas rate case: Docket No. 13-028-U, the company states that Louisiana PSC has adopted the 12-CP Production Demand Allocation Factor.

Minnesota: (PUC, Clark Kaml, Rate Analyst, 651-201-2246) Minnesota has not responded at this time. In its last rate case (Docket No. PUC E-002/GR-12-961) Excel Energy in Minnesota (Northern States Power Company) used a "stratification" method to divide Fixed Production Plant into capacity and energy components. The capacity component is allocated "based on customer demand at peak times."

Missouri: (PSC, Robert Schallenberg, Director, Audits, Accounting and Financial Analysis Department, 573-751-7162) MPSC does not endorse any particular allocation method. Cases in Missouri usually settle and settlement methodologies do not have any precedential value.

A recent Missouri PSC Staff report on their cost model related to Ameren Missouri Co. indicates that they used a Base-Intermediate-Peak ("BIP") methodology with the base component allocated by energy, the intermediate capacity allocated with 12-NCP, and the peaking capacity allocated with 3-NCP.

Montana: (PSC, Will Rosquist, Chief Rate Design and Economics Bureau, 406-444-6359) The Montana PSC does not require use of a specific allocation method. Allocation methods are addressed on a case by case basis. Often, cost allocation issues settle without reference to a particular allocation method.

Nebraska: (Public Service Commission, Laura Demman, Director and Legal Council, Natural Gas Department, NPSC, 402-471-3101) Nebraska has no investor-owned electric

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utilities; all electric demand is supplied by consumer-owned power districts, cooperatives, and municipalities.

Nevada: Generation production costs are allocated to customer classes using marginal cost principles. The generation capacity costs generally are based on a combustion turbine proxy plant. These costs are allocated to time periods using loss-of-load probabilities. Once marginal costs are calculated, they are scaled up or down to reconcile them against the authorized revenue requirement.

New Mexico: (Public Regulation Commission, Charles Gunter, Accounting Bureau Chief, Economist, 505-827-6977) New Mexico has no specific requirement for determining the allocation of production costs, and various methods have evolved and been proposed and accepted. The NMPRC regulates three investor owned electric utilities: Southwestern Public Service Company (SPS), Public Service Company of New Mexico (PNM) and El Paso Electric Company (EPE). SPS, in a pending rate case and in three rate cases filed since 2006, used the 12 CP method for allocating production costs between the New Mexico, Texas and FERC jurisdictions, and the 4 CP method (which includes the 4 peak summer months of June – September) for allocating demand costs among customer classes (see 10-00395-UT). Public Service Company of New Mexico (PNM) in past rate cases has used the 4 CP method, the 12 CP method, and a winter and summer peak method for allocating production demand costs. El Paso Electric Company (EPE) in its most recent rate case filed in 2009 used the 4 CP Average and Excess method, and discussed how that method was more representative of its system costs at that time than the 12 CP method it had used in previous cases.

North Dakota: (PSC, Mike Diller, Director of Accounting, 701-328-4079) The allocation method used in North Dakota varies from company to company. The various methods the companies use are well established and rarely challenged. In general, NDPSC staff does not focus on rate design and class allocations nor does it regularly file testimony on these issues in rate cases. Most cases end in settlement and the class cost of service studies are consulted to arrive at an allocation of any rate increase that slightly weights (increases) the percentage assigned to the residential class in order to gradually bring them to parity with the other classes. Prior to allocation, production costs are "stratified" into capacity and energy components. The cost of a gas turbine peaking plant is used as the lowest cost to meet peak demand. The percentage of the costs to build the state's other 5 types of generation that exceed the price of a peaking plant are considered "energy-related." These percentages are applied to the revenue requirement components of each generation type. The resulting "capacity-related" costs are allocated to the classes with a 4-CP, 12-CP or other method. In the case of Northern States Power these costs are allocated using a seasonal Average and Excess method. This treatment is described in the recent docket, PU-12-813 (see NSP Volume 1, Notice of Petition, Michael Peppin).

Oklahoma: OG&E uses a single coincident peak average and excess method (1-CP AED). They first calculate average demand by taking the total kWh sales divided by the number of hours in a year 8760 . The peak demand is the highest demand expected (OG&E uses a weather normalized peak not the actual peak). The peak demand minus the

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average demand is the excess portion. PSO uses a 4-CP method. They use the recorded or actual demand of the months of June, July, August and September to allocate production plant.

Oregon: (PUC, George Compton, 503-378-6123) Oregon has two major electric utilities and the allocation method is similar for both. Utilities are required by statute to start with marginal costs when allocating production costs. For Portland General Electric (PGE) marginal costs for demand are considered to be the capital cost of a simple cycle combined turbine peaking plant with a 13% reserve. This capital cost is then allocated to the classes by a 4CP (2 winter and 2 summer peaks) allocator. An energy component is calculated based on 8760 (hr/yr) marginal costs at the hub with some wind cost factored in. The shared sum of these demand and energy components is then used to allocate the imbedded cost of production to the classes. PacifiCorp has asked recently to incorporate a 12CP method as opposed to the 4CP method favored by staff. The issue was not clarified in the settlement. In that case an increase to the residential class was smaller than that to the commercial and industrial classes, but similar to the proportions indicated in the cost of service studies of the company and staff.

South Dakota: (PUC, Brittany Mehlhaff, Utility Analyst, 605-773-8372) Allocation method is not established by statute or rule and can vary by utility and case. Both Ottertail and Xcel have had settlements recently using the 12CP Method for both jurisdictional and class allocation of production cost. In the current Black Hills case, the company has asked to use a 12CP jurisdictional allocator and an Average and Excess method for the class allocations. Northern States, MidAmerican, Northwestern and other South Dakota utilities do not have recently litigated cases.

Texas: (PUC, William Abbott, Director Tariff and Rate Analysis, 512-936-7453) The Texas PUC does not require an allocation method by statute or rule. However, by general precedent the Average and Excess with 4-CP Demand Method is the norm for vertically integrated utilities in Texas. This treatment is demonstrated in the most recent Entergy Texas rate case: Docket No. 39896 in the Order on Rehearing.

Utah: (PSC, Jamie Dalton, Technical Consultant, 801-530-6707) Utah classifies fixed generation costs as 75% related to demand and 25% related to energy and then allocates to the classes using a 12-CP method. This treatment is consistent with prior decisions and supported by analysis which was accepted by the commission in the past. The order in the Rocky Mountain Power rate case docket 09-035-23 filed February 18th, 2010 discusses and accepts this treatment.

Washington: (Utilities and Transportation Commission, Roland Martin, Accounting Advisor, 360-664-1304): Generation and transmission related costs are allocated based on the relative customer class energy and capacity needs. The energy and capacity/demand factors are weighted (e.g. 75/25) based on peak credit methodology. The energy portion is based on each class annual energy as a percentage of total and the demand portion is based on each class contribution to the total peaks (e.g. 12 CP, 200 CP or other system peak measurements). The Commission regulates three electric utilities: Avista, Pacific Power and Light Company (PacifiCorp) and Puget Sound Energy. The peak

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credit method is used with varying demand/energy weightings. PacifiCorp uses the same 75% demand and 25% energy weighting it uses elsewhere but is proposing to modify the allocation factor in the pending case UE-130043.

Wyoming: (PSC, Marci Norby, Senior Rate Analyst, 307-777-5720) Class allocation of production costs use a 12-CP method and are based on 75% Demand and 25% Energy. This is a well established practice based on Commission orders and approval.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 23
RESPONSIBLE PERSON: Richard J. Macke
COMPANY: East Kentucky Power Cooperative, Inc.

Request 23. Refer to the Macke Testimony, page 16, lines 17–19, and page 20, lines 2–7. The COSS illustrated that the demand rates were relatively low and needed a larger than system average increase to lower the subsidy. EKPC proposes a 9 percent increase in the demand charge and a 4.5 increase in the energy charge and notes that this 2:1 ratio is reasonable.

Request 23a. Explain why EKPC choose a 9 percent increase in the demand charge.

Response 23a. The 9% was not a "choice" so much as it was an outcome of balancing a variety of rate design choices. The 2:1 ratio was one of the rate design choices, along with the overall rate increase proposal, and distribution of the increase between the rate classes. When taken together, the 9% demand charge and 4.5% energy rates increase was found to accomplish the goals.

Request 23b. Provide support that the 2:1 ratio is reasonable.

Response 23b. The 2:1 ratio was used as a way to balance the competing objectives of: 1) pursuing the cost of service study results that showed a need to increase the demand charge; 2) a decision to avoid an abrupt change from the present rate design that could result in a disparate impact between the owner-members of EKPC; and 3) avoiding a disruptive impact on owner-member retail rate cost recovery and cost structures. The latter was particularly important to EKPC because its owner-members are making a flow-through filing to incorporate EKPC's increase into retail rates. In doing so, there is not a significant opportunity to "cure" cost shifting between classes or within retail rate design components which might otherwise become necessary under a more drastic EKPC wholesale rate design change.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2021-00103
SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 24
RESPONSIBLE PERSON: Richard J. Macke
COMPANY: East Kentucky Power Cooperative, Inc.

Request 24. Refer to the Macke Testimony, page 18, line 15, and page 19, line 1. Explain how the COSS was used in determining the proposed allocation of the revenue increase.

Response 24. Within the confines of the other rate design parameters described in my testimony, the allocation of the revenue increases generally followed the distribution of the COSS changes allocated as shown on Exhibit RJM-2, Page 17 of 17, Line 29. The table on page 2 of this response provides a side-by-side comparison by rate schedule of the distribution of the COSS determined change versus the distribution of the rate change being proposed. For example, while Rate E was showing it was responsible of 78% of the increase need on a strict COSS basis, the rate change proposal distributed 81% of the change to Rate E, or 105% of its COSS share.

Rate	COSS	COSS Change Allocated	Proposed Increase	Rate Design Change Allocated	Rate Design Change Allocation Pct. vs. COSS Change Allocated Pct.
Rate B	$2,000,381	4%	$2,286,285	5%	130%
Rate C	$971,419	2%	$814,747	2%	95%
Rate E	$37,838,133	78%	$34,925,736	81%	105%
Rate G	$1,839,735	4%	$1,323,966	3%	82%
Contract	$5,814,264	12%	$3,381,554	8%	66%
Steam	$309,227	1%	$257,888	1%	95%
Rate TGP	$0	0%	$0	0%	N/A
Total	$48,773,159	100%	$42,990,176	100%	

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 25

RESPONSIBLE PERSON: **Richard J. Macke**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 25. Refer to the Macke Testimony, page 19, lines 6–7. Explain why the 8 percent increase limit was included in the general guidelines.

Response 25. The 8% increase limit was established to incorporate the principle of gradualism into the rate design proposal. As stated in my testimony, it represents a relationship of the maximum-to-average increase of about 1.5:1.

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 26
RESPONSIBLE PERSON: **Richard J. Macke**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 26. Refer to the Macke Testimony, page 20, lines 1–5. Explain why the 2:1 ratio approach was used for Rate E, Rate C, and Contract, but was not used for Rate B and Rate G.

Response 26. EKPC wanted to maintain the relationship between the energy rates for Rates B and C. The COSS results show that the present practice of also using the same demand rate is not supported. Consequently, the same energy rates were utilized for both rate schedules. However, the Rate B demand rate was not increased as much as Rate C to reflect the difference in demand cost supported by the COSS. As for Rate G, this rate was originally developed for a large industrial customer. EKPC advises that the rate has generally been used as an alternative rate option for economic development purposes. Further, EKPC's experience is that in some situations and prospective inquiries, industrial customers prefer lower demand charges. Thus, although EKPC decided to increase the Rate G demand charge, it decided not to follow the 2:1 ratio approach which would have increased it more.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 27
RESPONSIBLE PERSON: Richard J. Macke / Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 27. Refer to the Macke testimony, page 20.

Request 27a. Explain why all the customers choose Option 1 for Rate E.

Response 27a. EKPC's 16 owner-members currently are billed under Option 2 for Rate E, not Option 1. EKPC believes the owner-members have selected their Rate E option based on the applicable load characteristics of the substations serving each owner-member and which option was the most financially beneficial.

Request 27b. Under the proposed rates, explain why EKPC expects to have customers choose Option 1 for Rate E over Option 2.

Response 27b. EKPC has not, nor has Mr. Macke, made a statement on the referenced page that it expects to have customers choose Option 1 for Rate E over Option 2. As stated in response to Request 27a., EKPC would expect each owner-member to continue to make its own decisions as to which Rate E Option to purchase under based on its situation and preferences.

Request 27c. Identify the last time a customer was served under Rate E Option 2.

Response 27c. As noted in the response to Request 27a, all of EKPC's owner-members are served under Option 2 for Rate E. Concerning Option 1, EKPC has researched its billing records and notes that as of January 1, 2000, two owner-members were served under Option 1 while the remaining owner-members were served under Option 2. Cumberland Valley Electric switched from Option 1 to Option 2 effective October 1, 2002 and Owen Electric Cooperative switched from Option 1 to Option 2 effective January 1, 2015.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 28
RESPONSIBLE PERSON: Richard J. Macke / Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 28. Refer to the Macke Testimony, Exhibit RJM-2, page 17 of 17.

Request 28a. The Total Revenue in column (d) is $422,130,617. Also, refer to the Scott Testimony, Exhibit ISS-1, page 1 of 47. The Total Operating Revenue from Power Sales to Members after adjustments is $400,045,561. Reconcile this difference.

Response 28a. The primary differences between total revenues from Power Sales to Members shown in Exhibits RJM-2 and ISS-1 are:

1. Exhibit RJM-2 includes Steam sales of $10,716,264 which are reported as Other Operating revenues on Exhibit ISS-1.
2. Exhibit RJM-2 has been adjusted to eliminate the following revenue items that are established outside of the COSS, such as:

Interruptible Credits				(12,018,989)
EDR Discount				(23,719)
Buy-Through Net				469,050
Special Adjustments				(83,303)
Rate H - Green Energy				49,170
DSM Riders				(1,109,853)
Total Items Eliminated				(12,717,644)

These items are added back to Power Sales to Members in Exhibit RJM-3.

Request 28b. Provide the rate of return on rate base for each rate class.

Response 28b. Traditionally in an investor-owned, vertically integrated electric utility base rate case, a review of the rate of return on the rate base for each rate class is a means to identify potential subsidization between the retail rate classes of residential, commercial, and industrial customers. However, EKPC is a wholesale provider of power while its owner-members are the retail providers. EKPC's rate schedules (Rates B, C, E, and G) do not correspond to specific retail rate classes. Rates B and C reflect both commercial and industrial retail customers of the owner-members. Rate G does reflect certain industrial retail customers of the owner-members, but not all of the industrial retail customers of the owner-members. Rate E reflects residential, commercial, and industrial retail customers of the owner-members. Consequently, a rate of return on rate base for each rate schedule would not indicate whether there were subsidization issues between the retail residential, commercial, and industrial rate classes of EKPC's owner-members. In addition, and for those same types of reasons, rate bases were not determined for each of EKPC's rate schedules as part of the cost of service study nor was this type of analysis conducted in the previous base rate case.

In light of these facts, EKPC respectfully requests that it not be required to undertake this analysis that is historically used in the retail rate context.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 29
RESPONSIBLE PERSON: Richard J. Macke
COMPANY: East Kentucky Power Cooperative, Inc.

Request 29. Refer to the Macke Testimony, Exhibit RJM-3, page 1 of 5, Table 3. Also, refer to EKPC's 2019 Annual Report,[3] Sales of Electricity by Rate Schedules, page 80 of 175.

a. For the Total Revenue at the Present Rate for Rate B, explain the difference between the $59,815,719 amount shown and the $59,915,366 listed in the EKPC 2019 Annual Report as Revenue for Rate B.

b. For the Total Revenue at the Present Rate for Rate C, explain the difference between the $17,153,311 amount shown and the $23,314,174 listed in the EKPC 2019 Annual Report as Revenue for Rate C.

c. For the Total Revenue at the Present Rate for Rate E, explain the difference between the $664,081,280 amount shown and the $662,907,325 listed in the EKPC 2019 Annual Report as Revenue for Rate E.

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[3] *Annual Report of East Kentucky Power Cooperative to the Kentucky Public Service Commission for the Year Ending December 31, 2019* (EKPC 2019 Annual Report).

d. For the Total Revenue at the Present Rate for Rate G, explain the difference between the $25,516,274 amount shown and the $19,355,427 listed in the EKPC 2019 Annual Report as Revenue for Rate G.

e. For the Total Revenue at the Present Rate for Contract, explain the difference between the $42,471,101 amount shown and the $42,055,070 listed in the EKPC 2019 Annual Report as Revenue for Special Contract (Gallatin).

f. For the Total Revenue at the Present Rate for Steam, explain the difference between the $10,716,264 amount shown and the $10,687,040 listed in the EKPC 2019 Annual Report as Revenue for Special Contract (International Paper Steam).

g. For the Total Revenue at the Present Rate for Rate H, explain the difference between the $49,170 amount shown and the $6,349,857 listed in the EKPC 2019 Annual Report as Revenue for Rate H.

h. Explain which Rate Schedule in the EKPC 2019 Annual Report the Rate TGP falls under. Also, explain the difference if any between the $6,349,849 amount shown for Rate TGP in Table 3 and that Rate Schedule in the EKPC 2019 Annual Report as Revenue.

Response 29a-h. Please see the table on page 3 of this response for an explanation of the differences in Present Rate Revenues in Exhibit RJM-3 and the EKPC 2019 Annual Report.

Description	Exhibit (RJM-3)	2019 Annual Report	Difference	Reason for Difference
Total Revenues by Rate				
Rate B	$59,815,719	$59,915,366	$(99,647)	Annualized interruptible customer; annualized reduction in EDR credit
Rate C	$17,153,311	$23,314,174	$(6,160,863)	Industrial customer was classified in the Annual Report as Rate C but was actually served under Rate G
Rate E	$664,081,280	$662,907,325	$1,173,955	Annual Report includes DSM Riders in Rate E totals
Rate G	$25,516,274	$19,355,427	$6,160,847	Industrial customer was classified in the Annual Report as Rate C but was actually served under Rate G
Contract	$42,471,101	$42,055,070	$416,031	Monthly bill credit was eliminated as a pro-forma adjustment to the test year
Steam	$10,716,264	$10,687,040	$29,224	Rounding errors related to FAC roll in and MMBTU conversion
Rate TGP	$6,349,849	$6,349,857	$(8)	Rounding
Subtotal	$826,103,797	$824,584,259	$1,519,538	
Rate H	$49,170	$49,170	$0	
DSM Riders	$(1,109,853)	$0	$(1,109,853)	Annual Report includes DSM Riders in Rate E totals
Total Rate Revenues	$825,043,114	$824,633,429	$409,685	

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 30
RESPONSIBLE PERSON: **Richard J. Macke**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 30. Refer to the Macke Testimony, Exhibit RJM-3, Page 2 and 3 of 5. Also, refer to the EKPC 2019 Annual Report, Sales of Electricity by Rate Schedules, page 80 of 175.

Request 30a. Refer to Rate C, Fuel Adjustment in kWh in the Unit column. Explain the difference in the 290,461,443 kWh shown and the 417,713 MWh Sold in column (b) for Rate C in the EKPC 2019 Annual Report.

Response 30a. The difference in kWh for Rate C in Exhibit RJM-3 versus EKPC's 2019 Annual Report is due primarily to a customer classified as Rate C being actually Rate G. The customer was correctly billed under Rate G even though internal records listed the customer as Rate C.

<u>Request 30b.</u> Refer to Rate G, Fuel Adjustment in kWh in the Unit column. Explain the difference in the 485,775,112 kWh shown and the 362,733 MWh Sold in column (b) for Rate G in the EKPC 2019 Annual Report.

<u>Response 30b.</u> Please see the response to Request 30a.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 31
RESPONSIBLE PERSON: Richard J. Macke
COMPANY: East Kentucky Power Cooperative, Inc.

Request 31. Refer to the Macke Testimony, Exhibit RJM-3.

Request 31a. Provide Exhibit RJM-3 with the percent increases to the proposed rates in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 31a. Exhibit RJM-3 was filed with the Commission on April 15, 2021 as part of the responses to the Commission Staff's First Request for Information dated March 4, 2021. Exhibit RJM-3 is included in the Excel spreadsheet *PSC DR1 Response 16 – Application Exhibit 39 COSS and RD CONFIDENTIAL.xlsx*, Tabs "Summary Comparison" and "Revenue Calcs by Rate".

Request 31b. Provide Exhibit RJM-3 net of riders with the percent increases to the proposed rates in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 31b. Our interpretation of the request is to remove the Fuel Adjustment Rider and Environmental Surcharge Rider amounts from Exhibit RJM-3. To that end, we are attaching a revised Exhibit RJM-3 as requested, please see Excel file *PSC DR2 Response 31b CONFIDENTIAL.xlsx* which is subject to a motion for confidential treatment

Request 31c. Provide a revision of Exhibit RJM-3 based on the $49 million needed to meet a 1.5 TIER with the percent increases in the proposed rates in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 31c. In developing the proposed rates to implement the approximate $43 million rate increase requested in this case, we balanced a variety of ratemaking objectives – as described in my testimony and subsequent responses to information requests. The process resulted in multiple rate design options and variations that took weeks and even months to complete and included review and feedback provided by EKPC staff and the owner-members. It would be burdensome, and frankly there is not adequate time, to complete such a rate design process in relation to the requested $49 million rate proposal. Developing an alternative rate design in response to this request that has not gone through an adequate review process at EKPC and with the owner-members would be hypothetical and speculative. For these reasons, EKPC respectfully requests that it be allowed to forego creating the requested information.

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 32

RESPONSIBLE PERSON: Richard J. Macke

COMPANY: East Kentucky Power Cooperative, Inc.

Request 32. Provide a table listing EKPC's rate classes, the current rate components of each rate class, the COSS results of the components, and the proposed rate components.

Response 32. Please see the schedule on pages 2 and 3 of this response.

East Kentucky Power Cooperative, Inc.
Present, Full COS ($48.8M Increase) and Proposed Rates

Line No.	Description		Present Rates	Full COS Rates (48.8M Inc)	Proposed Rates
1					
2	**Rate B**				
3	*Metering Charge*	Meters	$0.00	$497.98	$0.00
4	*Demand Charges*				
5	Demand Charge	CP kW	$7.17	$7.99	$7.49
6	Excess Demand Charge	CP kW	$9.98	$10.78	$10.38
7	Interruptible (400 Hrs)	CP kW	-$5.60	-$5.60	-$5.60
8	*Energy Charges*				
9	Energy Charge	kWh	$0.038982	$0.039050	$0.040541
10	Min kWh Adjustment	kWh	-$0.026240	-$0.026240	-$0.026240
11	Fuel Adjustment	kWh	-$0.002702	-$0.002702	-$0.002702
12	Environmental Surcharge		16.200%	15.617%	15.532%
13					
14	**Rate C**				
15	*Metering Charge*	Meters	$0.00	$497.98	$0.00
16	*Demand Charges*				
17	Demand Charge	CP kW	$7.17	$8.78	$7.78
18	*Energy Charges*				
19	Energy Charge	kWh	$0.038982	$0.038920	$0.040541
20	Min kWh Adjustment	kWh	-$0.026240	-$0.026240	-$0.026240
21	Fuel Adjustment	kWh	-$0.002684	-$0.002684	-$0.002684
22	Environmental Surcharge		16.100%	15.106%	15.260%
23					
24	**Rate E**				
25	*Demand Charges*				
26	Demand Charge	CP kW	$6.02	$9.75	$6.56
27	Power Factor Penalty	CP kW	$6.02	$9.75	$6.56
28	*Energy Charges*				
29	On-Peak Energy Charge	kWh	$0.049379	$0.039620	$0.051566
30	Off-Peak Energy Charge	kWh	$0.040654	0.038660	$0.042841
31	*Metering Charge*	Meters	$144.00	$497.98	$151.20
32	*Sub-Station Charges*				
33	1000-2999 kVa	Subs	$1,088.00	$1,362.97	$1,142.40
34	3000-7499 kVa	Subs	$2,737.00	$3,078.01	$2,873.85
35	7500-14999 kVa	Subs	$3,292.00	$4,473.96	$3,456.60
36	15000 kVa and Up	Subs	$5,310.00	$8,307.50	$5,575.50
37	Fuel Adjustment	kWh	-$0.002698	-$0.002698	-$0.002698
38	Environmental Surcharge		16.225%	15.213%	15.287%
39					

East Kentucky Power Cooperative, Inc.
Present, Full COS ($48.8M Increase) and Proposed Rates

Line No.	Description		Present Rates	Full COS Rates (48.8M Inc)	Proposed Rates
40	**Rate G**				
41	*Metering Charge*	Meters	$144.00	$497.98	$151.20
42	*Sub-Station Charges*	Subs	$5,310.00	$8,307.50	$5,575.50
43	*Demand Charges*				
44	Demand Charge	CP kW	$6.98	$7.91	$7.29
45	Interruptible (200 Hrs)	CP kW	-$4.20	-$4.20	-$4.20
46	*Energy Charges*				
47	Energy Charge	kWh	$0.036947	$0.039100	$0.039158
48	Fuel Adjustment	kWh	-$0.002710	-$0.002710	-$0.002710
49	Environmental Surcharge		16.310%	15.069%	15.395%
50					
51	**Contract**				
52	*Metering Charge*	Meters	$0.00	$497.98	$0.00
53	*Demand Charges*				
54	Demand Charge	CP kW	$6.92	$8.71	$7.64
55	Interruptible (10 Min)	CP kW	-$6.22	-$6.22	-$6.22
56	Interruptible (90 Min)	CP kW	-$4.20	-$4.20	-$4.20
57	*Energy Charges*				
58	On-Peak Energy Charge	kWh	$0.038905	$0.039500	$0.040929
59	Off-Peak Energy Charge	kWh	$0.035477	$0.038550	$0.037501
60	Min kWh Adjustment	kWh	-$0.026240	-$0.026240	-$0.026240
61	Load Following Charge				
62	Fuel Adjustment	kWh	-$0.002737	-$0.002737	-$0.002737
63	Environmental Surcharge		16.130%	13.913%	14.736%
64			-		
65	**Steam**				
66	*Metering Charge*	Meters	$0.00	$497.98	$0.00
67	*Demand Charges*				
68	Demand Charge	CP kW	$577.15	$584.55	$582.18
69	*Energy Charges*				
70	Energy Charge	kWh	$4.166	$4.318	$4.300
71	Fuel Adjustment	kWh	-$0.002662	-$0.002662	-$0.002662
72	Environmental Surcharge		16.328%	15.801%	15.882993%
73					
74	**Rate TGP**				
75	*Metering Charge*	Meters	$0.00	$0.00	$0.00
76	*Demand Charges*				
77	Demand Charge	CP kW	$1.75	$1.75	$1.75
78	*Energy Charges (Averaged)*				
79	On-Peak Energy Charge	kWh	$0.030160	$0.030160	$0.030160
80	Off-Peak Energy Charge	kWh	$0.022270	$0.022270	$0.022270
81	Fuel Adjustment	kWh	$0.000000	$0.000000	$0.000000
82	Environmental Surcharge		9.909%	9.909%	9.909%

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 33
RESPONSIBLE PERSON: Thomas J. Stachnik
COMPANY: East Kentucky Power Cooperative, Inc.

Request 33. Refer to the Direct Testimony of Thomas Stachnik (Stachnik Testimony) in general. With the clean energy initiatives from the Biden administration and investors asking about environmental, social, and government (ESG) factors revolving around clean power, explain the impact of ESG investment goals will have on EKPC's credit ratings.

Response 33. The potential adverse effects and increased costs resulting from ESG factors are reflected in EKPC's current credit ratings. If more stringent legislation or regulations are enacted that result in the deterioration of EKPC's credit metrics due to asset write-downs or stranded investments, EKPC would have to address how it intends to recover these additional costs. Ultimately, these costs would be recovered from EKPC's owner-members. To the degree that EKPC achieves revenue that adequately recovers any additional costs and maintains its credit metrics, EKPC should be able to maintain its investment-grade ratings.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 34
RESPONSIBLE PERSON: Thomas J. Stachnik
COMPANY: East Kentucky Power Cooperative, Inc.

Request 34. Refer to the Stachnik Testimony, page 19, line 4. Provide the 2020 equity to asset ratio.

Response 34. The 2020 equity to asset ratio based on audited financial statements is 21.2% (no change from the preliminary number provided).

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 35

RESPONSIBLE PERSON: **Scott Drake**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 35. Refer to the Direct Testimony of Scott Drake in general. Explain whether EKPC has evaluated additional low-income DSM programs, and if so, provide a list of programs evaluated and reasons why EKPC has not submitted the programs for approval.

Response 35. On June 3, 2015, EKPC received Commission approval for the Community Assistance Resources for Energy Savings ("CARES") program. EKPC's CARES Tariff Sheet Nos. 84-86 are available on the following link:

https://psc.ky.gov/tariffs/Electric/East%20Kentucky%20Power%20Cooperative,%20Inc/Tariff.pdf

The CARES program is a low-income program administered in partnership with the Community Action Agencies. EKPC has not evaluated any additional low-income programs beyond the CARES program.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 36
RESPONSIBLE PERSON: **Scott Drake**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 36. Refer to Case No. 2019-00193,[4] in which Big Rivers Electric Cooperation (BREC) received approval to create a pilot DSM program to provide weatherization assistance to low income residents for weatherization related measures that otherwise would not be completed due to limitations on other funding to correct residential health and safety issues. BREC's program provides $1,500 to local Community Action Agencies that provide weatherization assistance to low-income residential customers of BREC's member distribution cooperatives pursuant to the Federal Department of Energy's Weatherization Assistance Program. Explain whether EKPC has evaluated implementing a similar program to provide weatherization assistance to low-income residents.

Response 36. EKPC's CARES low-income program was approved by the Commission in 2015 and is a similar low-income weatherization program to Big Rivers Electric Cooperative's pilot program noted in Case No. 2019-00193.

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[4] Case No. 2019-00193, *Demand-Side Management Filing of Big Rivers Electric Corporation to Implement a Low-Income Weatherization Support Program* (Ky. PSC Nov. 13, 2019).

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 37
RESPONSIBLE PERSON: Denver York
COMPANY: East Kentucky Power Cooperative, Inc.

Request 37. Refer to the Direct Testimony of Denver York, page 5. Provide an approximate breakdown of the $15,290,000 cost of investments in smart grid technologies by the example categories listed, as well as any additional categories not explicitly stated.

Response 37. Approximately $12,480,000 was invested in electronic relays, $1,020,000 in digital fault recorders, $338,400 in power quality metering, $1,394,000 in remote controlled motor operated switches, and $36,000 in traveling wave relay devices.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 38
RESPONSIBLE PERSON: Michelle K. Carpenter
COMPANY: East Kentucky Power Cooperative, Inc.

Request 38. Refer to the Direct Testimony of Michelle K. Carpenter, page 7–13. For each of the regulatory assets for which EKPC is proposing to amortize, provide detailed explanations for the amortization period length chosen for each regulatory asset.

Response 38. As previously discussed in Ms. Carpenter's testimony, Application – Exhibit 14, EKPC is proposing the amortization of four regulatory assets as part of this rate case proceeding. The rationale used in determining the proposed amortization period for each regulatory asset is outlined below.

The ten-year amortization period currently in place for the Smith Unit 1 regulatory asset, which became effective January 1, 2017, was the result of a Stipulation and Recommendation Agreement between EKPC, the Office of the Attorney General of the Commonwealth of Kentucky and the Kentucky Industrial Utility Customers, Inc. and a subsequent Order by the Commission in Case No. 2015-00358. This ten-year amortization period was agreed upon by all parties as being fair, just, and reasonable and enabled EKPC to begin amortizing the regulatory asset without triggering an immediate rate case proceeding. However, the agreement also acknowledged the remaining balance of the regulatory asset would amortize over the remaining months of the 10-year amortization period and be considered as part of the revenue requirements in EKPC's next rate case. EKPC believes continuing with this amortization period is appropriate as it will enable recovery of the regulatory asset without causing undue burden to EKPC's owner-members or the end-use retail members. Therefore, the adjustment proposed utilizes a 63-month amortization period, which is the expected number of months remaining in the 10-year recovery period at the time the rates are implemented, which is expected to occur October 1, subject to Commission approval.

EKPC proposed a shorter amortization period of two years to recover both the balance of the Dale Station capital projects 5 and 10 regulatory asset and the regulatory asset associated with the settlement of the Dale Station asbestos asset retirement obligation. The two-year amortization is based upon the following facts: (1) the balances of the these accounts are small ($2.1 million combined); (2) the amortization of the non-environmental surcharge related Dale Station regulatory asset ended on June 30, 2019; and (3) the plant was subsequently demolished in 2019. Therefore, it is prudent both administratively and from an accounting perspective, to clear the remaining Dale Station regulatory assets from EKPC's books over a shorter period of time.

EKPC's major maintenance regulatory asset of $7,244,184 is comprised of five projects completed in 2019. The eight-year amortization approved by

The Rural Utilities Service ("RUS") was based upon the minimum cycle of major maintenance activities and the expected period of benefit for those projects. EKPC's goal was to ensure the regulatory asset balance would be fully amortized in advance of when the next cycle of major maintenance is expected to occur.

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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 39
RESPONSIBLE PERSON: **John J. Spanos**
COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 39. Refer to the Direct Testimony of John Spanos, Exhibit JJS-1, page 42. The depreciation study states that the final net salvage estimates in the study were based on industry decommissioning analyses performed by various engineering organizations. Provide the analyses that were relied upon to determine the final net salvage estimates.

Response 39. The decommissioning analyses performed by various engineering organizations including Black & Veatch, Burns & McDonnell, Sargent & Lundy and Sega Consultants, cannot be provided as these analyses are considered proprietary by the utilities requesting the studies. As explained in the Direct Testimony of John Spanos, the information in these studies produced a range of costs per Kw. The most common $/Kw were: $40/kw for steam facilities, $10/Kw for combustion turbines and landfill facilities, and $5/Kw for solar facilities. The result of these amounts was applied to the individual locations for EKPC and presented on pages VIII-2 through VIII-4 of Exhibit

JJS-1 to determine the final net salvage estimate and weighted with the interim net salvage in order to calculate depreciation rates.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 40
RESPONSIBLE PERSON: John J. Spanos
COMPANY: East Kentucky Power Cooperative, Inc.

Request 40. Refer to the depreciation study included in Case No. 2006-00236[5] pages II-13 and II-14. Explain in detail the changes that occurred with EKPC's production plant that relates to net salvage value subsequent to the development of the depreciation study filed in 2006.

Response 40. There have been numerous changes for both EKPC and the electric industry that relate to the reasons for change in net salvage for production plant subsequent to the development of the depreciation study filed in 2006. First, EKPC properly considered cost of removal and gross salvage by account. The statistical analysis is set forth in Part VIII of the depreciation study. This statistical analysis was a component of the net salvage percentages in this depreciation study. Second, within the industry there is more certainty that production plants will be retired and decommissioned and the rate of retirements has increased, particularly in steam facilities. Third, the

[5] Case No. 2006-00236, *Application of East Kentucky Power Cooperative, Inc. for Approval of a Depreciation Study*.

increased retirements have increased the actual decommissioning of steam facilities which allows for a more reasonable expectation of costs to decommission plants into the future. The calculations in Part VIII of the depreciation study show the amounts determined for EKPC by location and it should be noted these amounts are lower than most others in the electric industry.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21
REQUEST 41
RESPONSIBLE PERSON: Isaac S. Scott
COMPANY: East Kentucky Power Cooperative, Inc.

Request 41. Refer to EKPC's response to Commission Staff's First Request (Staff's First Request), Item 16, Application Exhibit 23.xlsx. Provide a similar schedule by member system in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 41. Please see the Excel file *PSC DR2 Response 41.xlsx*. It was not clear from the request whether the information should be shown by rate schedule and then owner-member or by owner-member and then the applicable rate schedule to that owner-member. Both analyses have been provided. The customer counts shown in the schedules are based on the information provided in EKPC's response to the Commission Staff's First Request for Information, Request 15 and the owner-member RUS Form 7 reports.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2021-00103

SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 42

RESPONSIBLE PERSON: Barry Lindeman

COMPANY: East Kentucky Power Cooperative, Inc.

Request 42. Refer to EKPC's response to Staff's First Request, Item 24, Excel spreadsheet entitled "PSC DR1 Response 24.xlsx."

Request 42a. Provide a summary of the expected Executive Officers Salaries and Other Compensation for the calendar year ended December 31, 2021, in the format provided in the table to this response.

Response 42a. Refer to the provided Excel spreadsheet entitled *PSC DR2 Response 42a final CONFIDENTIAL.xlsx*, Tab PSC DR2 #42a Projected Comp, which is subject to a motion for confidential treatment. The spreadsheet provides a summary of the expected Executive Officers Salaries and Other Compensation for the calendar year end of December 31, 2021. The Tab Detail of Projected Other Comp displays taxable and nontaxable compensation and benefits including 401K, 457f and changes in actuarial value of the RS Plan (Pension Plan), if applicable. The President & CEO is eligible for a

Pension Restoration Plan payment upon reaching vesting age. The purpose of the PRP is to restore the pension plan benefits which eligible employees and their beneficiaries would otherwise lose as a result of Internal Revenue Code limitations upon contributions to, and payment of benefits from, the Pension Plan. The President & CEO is the only individual eligible for the PRP.

Request 42b. Provide with specificity the details of the amounts reported as "Other Reportable Compensation" in column (F) of the spreadsheet.

Response 42b. Please see the Excel file *PSC DR2 Response 42b.xlsx* for a detailed itemization of all amounts comprising "Other Reportable Compensation" in column (F) of the spreadsheet for the test year and three most recent calendar years.

EAST KENTUCKY POWER COOPERATIVE, INC.

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SECOND REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 43

RESPONSIBLE PERSON: **Isaac S. Scott**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 43. Refer to EKPC's response to Staff's First Request, Item 47.b., Excel spreadsheet entitled "PSC_DR1_Response_47b.xlsx." Schedule L2 of the spreadsheet includes the adjustments EKPC proposes to exclude for ratemaking purposes. Provide a detailed list that corresponds to the AP Vouchered Detail provided in the same response that clearly shows the transactions excluded from the total amounts recorded in Account 930 for the test period.

Response 43. Please see the Excel spreadsheet *PSC DR2 Response 43.xlsx.*