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. 2021-00103**
APPROVAL OF DEPRECIATION STUDY,	**)**	
AMORTIZATION OF CERTAIN REGULATORY	**)**	
ASSETS, AND OTHER GENERAL RELIEF	**)**	

RESPONSES TO REQUESTS FOR INFORMATION TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY, THROUGH HIS OFFICE OF RATE INTERVENTION, AND NUCOR STEEL GALLATIN FROM EKPC

The Office of the Attorney General, Office of Rate Intervention and Nucor Steel Gallatin provide the following responses to the Data Requests filed by East Kentucky Power Cooperative, Inc. Mr. Kollen sponsors the testimony in all of the responses with the exception of request #22.

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Respectfully submitted,

DANIEL J. CAMERON
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Certificate of Service and Filing

Pursuant to the Commission's Order dated March 17, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on July 15, 2021, an electronic copy of the forgoing was served by e-mail to the following. A physical copy of the filing will be submitted to the Commission once the State of Emergency has ceased.

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DATA REQUEST RESPONSES REGARDING REQUESTS FROM EKPC IN THE 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

EKPC 1-1

Please refer to the Direct Testimony of Lane Kollen ("Kollen Testimony"), page 5.

a. Confirm that EKPC utilized a historic test year rather than a forecasted test year.

b. Confirm that EKPC's test year is the 12 months ending December 31, 2019.

c. Confirm that when a historic test year is utilized, the Kentucky Commission recognizes known and measurable changes that occur up to six months beyond the end of the test year.

RESPONSE:

a. Confirmed.
b. Denied. EKPC utilized 2019 as historic test year, but only as a starting point. As a practical matter, EKPC modified the 2019 test year to the twelve months ending June 30, 2020 for certain costs, September 2020 for certain other costs, and an average of 2015-2019 for yet other costs.
c. Denied. The question implies that the Commission has adopted some standard that limits post-test year adjustments to six months beyond the end of the test year. Mr. Kollen is not aware of any such standard. However, the Commission has consistently applied the known and measurable standard and the matching principle for post-test year adjustments. In other proceedings, the Commission has allowed post-test year adjustments for known and measurable changes, including, but not limited to, adjustments that were known and measurable as of six months after the end of the test year. In Case No. 2006-00472, a prior EKPC base rate case proceeding, the Commission addressed the Company's request for various post-test year adjustments. It accepted certain post-test year adjustments in that proceeding, but only where the adjustments were consistent with the matching principle.

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EKPC 1-2

Please refer to the Kollen Testimony, pages 6 and 7. Confirm that Mr. Kollen's proposed adjustment to normalize capacity benefit revenues is based on the balance for that account as of December 31, 2020.

RESPONSE:

Mr. Kollen recommends that the Commission utilize the actual capacity benefit revenues, net of expenses, recorded in 2020, which is known and measurable.

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EKPC 1-3

Please refer to the Kollen Testimony, pages 7 and 8. Confirm that Mr. Kollen's proposed adjustment to normalize leased property income is based on the balance for that account as of December 31, 2020.

RESPONSE:

Mr. Kollen recommends that the Commission utilize the actual leased property income recorded in 2020, which is known and measurable.

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EKPC 1-4

Please refer to the Kollen Testimony, pages 8 through 12.

a. Please provide references supporting Mr. Kollen's statements concerning savings in contractor expenses noted on pages 10 and 11.

b. Did Mr. Kollen perform or have performed any analyses of wage and salary adjustments awarded to regulated electric utilities during 2019 and 2020? If yes, provide the analyses.

RESPONSE:

a. Refer to the response to Staff 2-12 related to the Company's intent to reduce outside consulting/contracting services and perform these services in-house.

b. No. However, Mr. Kollen notes that Duke Energy Kentucky provided the following table in its direct testimony in Case No. 2021-00190. It shows the Duke Energy annual salary increase history and the industry history from 2017 through 2020 and forecast for 2021. In this proceeding, Mr. Kollen recommends that the Commission use a 2.5% increase applied to the actual payroll costs incurred in 2019, without any increases for additional positions, in lieu of the Company's requested increase of 6.5%, which includes both increases due to cost of living and merit, as well as additional positions. This recommendation is consistent with the industry increases presented by Duke Energy Kentucky in its pending base rate case proceeding.

Salary Increase History								
	All Groups		Executive		Exempt		Non-Exempt	
Year	Industry*	Duke Energy	Industry*	Duke Energy	Industry*	Duke Energy	Industry*	Duke Energy
2017	3%	3%	3%	3%	3%	3%	3%	3%
2018	3%	3%	3%	3%	3%	3%	3%	3%
2019	3%	3%	3%	3%	3%	3%	3%	3%
2020	3%	3%	3%	3%	3%	3%	3%	3%
2021	2.7% - 3%	2%	2.7% - 3%	2%	2.7% - 3%	2%	2.6% - 3%	2%
*WorldatWork Salary Budget Survey, U.S. Salary Increase Budget								

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EKPC 1-5

Please refer to the Kollen Testimony, pages 12 and 13. Confirm that Mr. Kollen's proposed adjustment to reduce other postretirement benefits expense is based on the net periodic benefit cost reported for calendar year 2020.

RESPONSE:

Mr. Kollen recommends that the Commission utilize the actual other postretirement benefits expense recorded in 2020, which is known and measurable.

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EKPC 1-6

Please refer to the Kollen Testimony, pages 13 through 17.

a. Confirm that the 2020 balances Mr. Kollen utilizes for his proposed adjustment to forced outage and highest purchased power expense annualization reflect the balances as of December 31, 2020.
b. Did Mr. Kollen perform or have performed any analyses supporting his conclusion on page 15 that the 2015 expense was not recurring or indicative of future highest purchased power expense or that the 2017 disallowed forced outage was due to unusual events? If yes, provide the analyses.

RESPONSE:

a. Mr. Kollen recommends that the Commission utilize the actual forced outage and highest purchased power expense recorded in 2020, which is known and measurable, in the calculation of a five-year average.

b. Mr. Kollen cited the Company's discovery responses in his testimony and the actual expense incurred in 2020, which reflects a downward trend and was substantially less than the amounts in the prior five years, especially the years 2015 through 2018, two of which reflected the higher expense associated with unusual events.

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EKPC 1-7

Please refer to the Kollen Testimony, pages 17 through 19.

a. Confirm that the 2020 balances Mr. Kollen utilizes for his proposed normalization of generation maintenance expense reflects the balances as of December 31, 2020.
b. On page 17 Mr. Kollen notes that the Commission has allowed or required Kentucky Utilities Company, Louisville Gas & Electric Company, Kentucky Power Company, and Duke Energy Kentucky to normalize major generation outage expense. For each of the listed utilities, please provide the following information:
    i. The case number of the rate case where the generation maintenance expense normalization was first authorized or required.
    ii. Indicate if the rate case was fully adjudicated or settled.

RESPONSE:

a. Mr. Kollen recommends that the Commission utilize the actual generation maintenance expense recorded in 2020, which is known and measurable, in the calculation of a 2016-2020 five-year average of $81.067 million. This is nearly identical to the 2015-2019 five year average of $81.029 million.

b. i. Mr. Kollen does not have and has not performed the research required to provide this information.

ii. Refer to the response to part (i) of part (b) of this question.

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EKPC 1-8

Please refer to the Kollen Testimony, Exhibit LK-10, page 4 of 10. In explaining why generation maintenance expense was lower in 2020 than 2019, EKPC stated "However, it should be noted that EKPC does not believe that production maintenance expense for 2020 is a representative year for comparison purposes. Several projects, including a scheduled major overhaul, were deferred or cancelled due to COVID-19."

a. Would Mr. Kollen agree that the COVID-19 pandemic impacted the normal operations of virtually every business in the United States during 2020?
b. Would Mr. Kollen agree that such impacts would constitute an unusual circumstance or occurrence?
c. At no time during the discussion of his proposed adjustments to EKPC's test year does Mr. Kollen mention or acknowledge the possible effects or impacts of the COVID-19 pandemic. Please provide an explanation of why this factor was not addressed by Mr. Kollen.

RESPONSE:

a. The Covid pandemic affected many businesses, some negatively and some positively.

b. As a general matter, the pandemic was an unusual event. As a specific matter, the ongoing rescheduling of generation outages, whether delays or earlier dates, is normal in the ordinary course of business; it is not unusual. Similarly, the scope of scheduled outages changes, not only in the planning stages, but also in the execution states. The use of a five-year average in generation maintenance expense recognizes all variations in the timing and scope of outages. As noted in the response to EKPC 1-7, the 2016-2020 five year average ($81.067 million) is almost identical to the 2015-2019 five year average ($81.029 million) which excludes the pandemic year.

c. Refer to the response to part (b) of this question. The fact that an outage was delayed or that there was a change in the scope of an outage is not unusual regardless of the actual or stated reasons.

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EKPC 1-9

Please refer to the Kollen Testimony, pages 20 through 35. Concerning Mr. Kollen's comments on depreciation:

a. Is Mr. Kollen a Certified Depreciation Professional, a certification program administered by the Society of Depreciation Professionals?
b. Has Mr. Kollen ever conducted a full depreciation study?

RESPONSE:

a. No. Mr. Kollen is a member of the Society of Depreciation Professionals.

b. No. The utility retains an expert to conduct a depreciation study, which Mr. Kollen reviews. Mr. Kollen does not perform the depreciation study. Instead, he addresses specific parameters or assumptions reflected in the utility's studies, such as the life spans of generating units, interim retirements, and net salvage, among others, and recommends adjustments as appropriate and necessary.

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EKPC 1-10

Please refer to the Kollen Testimony, page 22, lines 4 through 7 and footnote 25. Mr. Kollen makes the statement ". . . although its witness in the prior rate proceeding filed testimony that it planned to do so when base rates were reset in that proceeding" and cites the Direct Testimony of Frank Oliva from Case No. 2010-00167. The testimony by Mr. Oliva cited by Mr. Kollen states:

> Q. How is depreciation expense budgeted?
> A. For existing plant, Plant Accounting calculates the most recent month's depreciation expense then annualizes that amount to arrive at the budgeted expense for the year. For new plant, Plant Accounting analyzes budgeted capital additions, categorizes these additions into the appropriate asset account noting the date the project is to be completed or the asset is to be placed in service, then calculates depreciation with the rate associated with the asset account. EKPC's last depreciation study was approved by the Commission in Case No. 2006-00236. A summary of depreciation rates is included under tab 41.

Confirm that Mr. Kollen's summary does not reflect the testimony of Mr. Oliva.

REPONSE:

Denied. Mr. Oliva's testimony states that it "calculates depreciation with the rate associated with the asset account." The phrase "for new plant," appears to apply to the analysis and categorization of budgeted capital additions to get the additions to the appropriate asset account so that the depreciation expense can be calculated for the specific plant accounts. The Company did not propose and there is no indication that the Company planned to depreciate existing production plant and new production plant using two different depreciation methodologies, nor would that have been reasonable.

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EKPC 1-11

Please refer to the Kollen Testimony, page 23, beginning at line 9.

a. Can Mr. Kollen cite any authoritative depreciation texts that support the use of a depreciation methodology where depreciation rates are developed without the consideration of interim retirements or net salvage?
b. Is Mr. Kollen aware of other electric utilities that have depreciation rates developed based on the inclusion of interim retirements (interim survivor curves) or net salvage?

RESPONSE:

a, b. No. Nor does that correctly describe the Company’s present depreciation methodology or Mr. Kollen’s recommendation to maintain and continue to use that same methodology. The Company’s production plant depreciation methodology reflects actual interim retirements and actual net salvage through the actual gross plant in service and actual accumulated depreciation used in the calculations. Other rate regulated electric utilities utilize depreciation rates that reflect forecast interim retirements and forecast net salvage. No other (non-rate regulated) electric utilities and no other entities are allowed to record depreciation expense using rates that include forecast interim retirements or forecast net salvage pursuant to GAAP, except for the future cost of legal obligations, such a asbestos removal. Instead, they record actual interim retirements and actual net salvage when incurred, the same methodology employed by EKPC for production plant.

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EKPC 1-12

Do the proposed depreciation rates for transmission and distribution plant include a net salvage component?

a. If the answer is yes, why does Mr. Kollen believe it is appropriate to exclude any net salvage component for production plant?
b. If the answer is no, please explain why the answer is no.

RESPONSE:

a,b. Yes. The Company's actual and proposed depreciation rates for transmission and distribution plant include interim retirements and net salvage. However, the Company's present depreciation methodology for production plant does not utilize depreciation rates. Instead, the Company's present depreciation methodology includes the effects of actual interim retirements and actual net salvage in the net book value in the numerator of the calculation of depreciation expense. This has been the Company's historic practice, which accurately reflects the Company's actual interim retirements and net salvage without the need to forecast these costs. There is no evidence in the record in this proceeding that the Company ever has used depreciation rates to calculate depreciation expense on production plant accounts, at least that the Company was able to locate in response to AG-Nucor discovery in this proceeding. Mr. Kollen also notes that production assets have a defined life span; most transmission and distribution assets do not, with limited exceptions. Most transmission and distribution asset plant accounts are considered mass asset accounts and therefore lend themselves to aggregation for statistical analyses and the use of aggregate parameters across all assets in the accounts for depreciation study and depreciation rate calculation purposes.

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EKPC 1-13

Please refer to the Kollen Testimony, page 24, line 20 through page 25, line 6.

a. Confirm that the stipulation agreement in the Kentucky Utilities and Louisville Gas & Electric rate cases, Case Nos 2020-00349 and 2020-00350, states in paragraph 6.12 that "This Stipulation shall not have any precedential value in this or any other jurisdiction."
b. Confirm that the settlement agreement in the Kentucky Power rate case, Case No. 2014-00396, states in paragraph 28(b) that "This Settlement Agreement shall not have any precedential value in this or any other jurisdiction."
c. Confirm that the Commission's Order in Case No. 2014-00396 states on page 74 that "Our approval of the Settlement, as modified herein, is based solely on its reasonableness and does not constitute precedent on any issue except as specifically provided for therein."

RESPONSE:

a, b, c. Confirmed. Mr. Kollen referenced the retirement cost riders of the other Kentucky utilities for their substance as a valid and reasonable form of recovery and did not assert that the settlement agreements in the proceedings cited were precedential. Regardless, the Commission did find the retirement riders to be reasonable and approved them.

DATA REQUEST RESPONSES REGARDING REQUESTS FROM EKPC IN THE 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

EKPC 1-14

Concerning Mr. Kollen's proposed treatment of terminal net salvage for production plant, please provide a detailed explanation as to why it is reasonable for current customers to enjoy the benefits from the production plant assets but not be required to pay any of the costs associated with the retirement of those assets. In addition, explain why is it reasonable for future customers who received no benefits from those production plant assets to be required to pay the full costs associated with the retirement of those assets.

RESPONSE:

It has been the Company's historic practice to include retirement costs in depreciation costs after the costs actually is incurred. The Company now seeks to change this practice without disclosing the proposed change. Fundamentally, the retirement costs are not incurred until after the production plant assets are retired. The production plant assets typically are retired because they no longer are economic, meaning that it is more economic to acquire capacity and energy from new resources. The retirement costs are incurred to obtain the economic benefits of the new capacity and therefore should be recovered from the customers who benefits from those savings at that time. In addition, forecast retirement costs will not be incurred until many years in the future, and are not known and measurable at this time.

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EKPC 1-15

Please refer to the Kollen Testimony, page 31, line 31 through page 32, line 1 and footnote 34. In this section of his testimony Mr. Kollen discusses operating lives of combustion turbines to be 45 to 70 years and references an Energy Information Agency publication as support. Please admit or deny that the actual average age of combustion turbine retirements in the referenced document is actually 36 years.

RESPONSE:

Mr. Kollen has not calculated the average age at retirement and does not believe that is a relevant statistic. The more relevant statistic is the range of life spans from a physical or operating perspective. The longer life spans provide actual evidence that utilities can and do operate their CTs for 45 to 70 years as long as it is economic for them to do so. As Mr. Kollen noted in his testimony, the Company has a history of operating its CTs for substantially longer than it initially assumed when they were installed and extending the life spans for depreciation expense purposes. In addition, as a member of PJM, there is a strong incentive to keep existing CTs in operation as long as possible to meet capacity requirements even though they produce little energy. For example, the Company owns and operates 967 MW of CTs at the J.K Smith site. Since EKPC joined PJM in 2013, the Smith CTs annual capacity factors have ranged from a low of 1.81% in 2017 to a high of 5.22% in 2014.

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EKPC 1-16

Please refer to the Kollen Testimony, pages 35 through 38. Concerning Section 1.2.5 of the Stipulation Agreement approved by the Commission in Case No. 2015-00358,

a. Confirm that the 10-year amortization period that began on January 1, 2017 would end at December 31, 2026.
b. Assuming the effective date of new rates in this proceeding was October 1, 2021, confirm that under Mr. Kollen's recommendation the amortization of the Smith 1 regulatory asset would end at September 30, 2028.

RESPONSE:

a, b. There are two separate calculations of the amortization expense, one for accounting purposes and one for ratemaking purposes. The Company calculates the amortization expense for accounting purposes over a 10-year period that began on January 1, 2017 and will end at December 31, 2026. The Company calculated the amortization expense for ratemaking purposes through December 31, 2019 using the methodology specified in the Stipulation Agreement. However, it discontinued the amortization expense for ratemaking purposes starting January 1, 2020 and seeks authorization to restart it effective October 1, 2021 and complete it by December 31, 2026. The Stipulation does not require that the amortization for ratemaking purposes be completed by December 31, 2026; it only requires that the amortization be spread over the remaining months in the ten year amortization period that started with January 1, 2017; in other words, 84 months, calculated as 120 months less the 36 months that the regulatory asset was amortized from January 1, 2017 through December 31, 2019. The Company has not amortized any amount from January 1, 2020 through September 30, 2021, so the remaining 84 months will commence on October 1, 2021 and the amortization will be completed at September 30, 2028 for ratemaking purposes.

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EKPC -17

Please refer to the Kollen Testimony, pages 38 through 44.

a. On page 39, lines 3 through 6, Mr. Kollen states "The Company is not entitled to recover the interest expense incurred to finance non-utility investments and a related TIER through the ratemaking process unless there is interest income that exceeds the interest expense and related TIER." Please provide references to where this standard is codified in rate-making theory.

b. On page 40, lines 10 through 12, Mr. Kollen claims that EKPC's balance for short-term temporary investments at June 30, 2020 was $111,000,000 and cites in footnote 39 this information comes from Application Exhibit 13 – Exhibit ISS-2 – Balance Sheet. Confirm that the balance sheet shown on Exhibit ISS-2 clearly states the reported balances are as of test year end, which is December 31, 2019.

c. On page 42, lines 2 and 5, Mr. Kollen discusses the impact on EKPC relevant credit metrics if it were to sell its short-term investment portfolio and redeemed an ***equivalent*** amount of long-term debt.
    i. Confirm that the "Farm Bill" enabled balance holders to use existing cushion of credit funds to prepay RUS and FFB debt without a prepayment penalty through September 30, 2020.
    ii. Confirm that if EKPC were to sell its short-term investment portfolio and use those funds to prepay RUS and FFB debt, it would incur prepayment penalties.
    iii. Has Mr. Kollen calculated what the prepayment penalties would be for such a prepayment of RUS and FFB debt? If so, provide the amount with all supporting calculations.

d. On page 43, line 19 through page 44, line 6, Mr. Kollen states his recommendation and the effect. Confirm that the recommendation as proposed by Mr. Kollen adjusts only EKPC's interest expense and not its interest income.

RESPONSE:

a. Mr. Kollen is not aware that there is a codification of ratemaking theory; however, it is standard practice to deny rate base and operating expense recovery for investments that are imprudent, unreasonable, uneconomic, and/or not used to provide utility service and/or not used to provide utility service in the ratemaking jurisdiction.

b. The referenced exhibit does not actually state a December 31, 2019 date. Nevertheless, Mr. Kollen's understanding of the exhibit is that the first numeric column provides the per books amounts at December 31, 2019, the second column provides the Company's proposed proforma adjustments, which include the unwinding of the RUS cushion of credit investments and the redemptions of debt, and the third column provides the Company's proforma balances at June 30, 2020 after

proforma adjustments, including the unwinding of the RUS cushion of credit investments and the redemptions of debt.

c. i. Confirmed.

ii. Mr. Kollen can neither confirm nor deny without reviewing the terms of the Indenture and other debt instruments for this purpose. Nevertheless, the Company could have, but did not, utilize its short term investments to prepay additional RUS and FFB debt during the unwinding of the RUS cushion of credit when it would not have incurred prepayment penalties. The Company also has the option to use its short-term investments to fund capital expenditures in lieu of additional loans against its credit facility, although the interest rate on the credit facility is substantially lower than the average cost of its other debt. Mr. Kollen notes that the credit facility has an interest cost of 1.14% compared to interest return (earned) on short term investments of about 0.2%. Although less beneficial than redeeming higher cost debt, even this option would provide annual savings of approximately of $1.65 million.

iii. No. Refer to the response to part ii of part (b) of this question.

d. Confirmed.

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EKPC 1-18

Please refer to the Kollen Testimony, pages 44 through 47.

a. In calculating his recommended adjustment, explain why Mr. Kollen used the average interest rate based on the 2019 actual interest expense rather than the normalized interest expense.
b. Please refer to Exhibit LK-22, page 2 of 5. Does Mr. Kollen agree that construction work in progress included in the environmental surcharge is financed with general funds rather than long-term debt financing? If he does not, provide supporting documentation for his position.
c. If it were assumed that 100% of the general funds used to finance construction work in progress came from borrowing from the credit facility, explain why the interest expense adjustment recommended by Mr. Kollen shouldn't be determined utilizing the interest rate for the credit facility rather than long-term debt.

RESPONSE:

a. Refer to the response to Staff 1-1 to AG-Nucor.
b. The question is unclear as drafted due to the failure to adequately define the term "general funds." The Company appears to have multiple definitions of "general funds." In some responses to AG-Nucor discovery, it defines "general funds" as having zero cost, apparently equating the term to members' equity, which has a zero cost to the Company. In part (c) of this question, it now appears to have redefined "general funds" to include loans against the credit facility, perhaps as much as 100%, although it hasn't previously used this definition in this proceeding. As Mr. Kollen notes in his testimony, including relevant cites to the Company's CPCN proceeding, the Company did not and does not finance CWIP in the ES with members' equity. It used and uses debt for this purpose, which includes or may include loans against the credit facility during construction and other long-term debt after construction is completed.
c. Refer to the response to Staff 1-1 to AG-Nucor.

Case No. 2021-00103

DATA REQUEST RESPONSES REGARDING REQUESTS FROM EKPC IN THE 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

EKPC 1-19

Please refer to the Kollen Testimony, pages 47 to 58.

a. Confirm that any TIER authorized by the Commission does not guarantee that TIER level will actually be achieved in any subsequent period.
b. On page 52, line 16 through page 53, line 1, Mr. Kollen compares the last authorized TIER of 1.50 with the average actual earned TIER of 1.34 for the years 2016 through 2020. This represents a difference of approximately 11% between the authorized and average earned TIER levels. Assuming this relationship between authorized and actual TIER levels were to continue, confirm that an authorized TIER of 1.30 could result in an actually earned TIER of 1.16.
c. On page 54, lines 7 through 14, Mr. Kollen compares EKPC's TIER proposal with the currently authorized TIER for Big Rivers Electric Corporation ('Big Rivers").
    i. Please provide Big Rivers' investment ratings and identify the corresponding rating agencies.
    ii. Confirm that Big Rivers received its second investment rating in December 2020.
    iii. Are the investment ratings for Big Rivers the lowest ratings possible that are still considered investment grade? If not, how close to the minimum level are the current ratings?

RESPONSE:

a. Confirmed as to the Company under present ratemaking practice.
b. Denied, except as a mathematical exercise based on the posited assumption. The actual earned TIER is the result of circumstances and management decisions in the real world. This includes the economic development and new load discussed in my testimony. EKPC has a growing service territory and continues to add new loads, which include the 195 MW Nucor plant expected to go commercial at the end of 2021, as well as many other new or expansions of existing business customers. The Nucor plant expansion alone is expected to increase EKPC's energy sales by approximately 7.5%.
c. i. Refer to Exhibit TJS-2 attached to Mr. Stachnik's testimony.

    ii. Mr. Kollen does not know when Big Rivers received any of the three investment ratings shown on Exhibit TJS-2 attached to Mr. Stachnik's testimony.

    iii. The Big Rivers ratings from Fitch and S&P are less than the EKPC ratings from Fitch and S&P, indicating that Big Rivers is a greater credit risk than EKPC. The Big Rivers ratings are at the low end of investment grade. This is due almost entirely to Big Rivers' loss of 850 MW of aluminum smelter load in the 2012-2013 time frame and the resulting generation stranded costs. In contrast, EKPC has a growing service territory.

DATA REQUEST RESPONSES REGARDING REQUESTS FROM EKPC IN THE 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

EKPC 1-20

Throughout his direct testimony, Mr. Kollen recommends additional adjustments for other known and measurable changes in 2020 not recognized by EKPC that he contends should be made. Please refer to EKPC's response to the AG and Nucor's Initial Request for Information, Request 16. At the request of the AG and Nucor, EKPC calculated an adjustment to annualize its test year revenues for changes in customers and usage. In the response, EKPC calculated an annualization of base rate revenues based on actual sales data for the first six months of 2020. This calculation indicated a reduction in base rate revenues of $67.01 million. EKPC also included a comparison of the change in base rate revenues between calendar years 2019 and 2020. The comparison indicated a reduction in base rate revenues of $50.03 million. Explain why Mr. Kollen proposed no adjustment to recognize either of these base rate revenue reductions.

RESPONSE:

There are several reasons. First, the calculations do not rise to the level of known and measurable.

Second, the Company did not include an adjustment to annualize the test year revenues, excluding any FAC and ES revenues rolled in to the base revenues subject to true-up through the FAC and ES riders. AG and Nucor request sought an annualization of the test year base revenues, not an annualization using 2020 billing determinants. The Company's response was not responsive to the request. The AG and Nucor requested the following:

> Provide calculations of adjustments to annualize test year revenues for changes in customers and usage. Provide all supporting assumptions, data, and calculations, including electronic workpapers in live format with all formulas intact.

Third, the Company's calculations are inherently flawed, unreliable, and unusable for any purpose in this proceeding. The methodology is flawed because it annualizes six months of revenue, apparently under the assumption that the first six months and second six months during a calendar year have identical billing determinants and base revenues, among other flawed and unsupportable assumptions. The methodology is flawed because it reflects the FAC revenues included in base rates and revenues. There are other flaws and unsupportable assumptions. The Company's response to the AG-Nucor request is as follows:

> Please see the Excel spreadsheet *AG Nucor DR1 Response 16 CONFIDENTIAL.xlsx*, which is subject to a motion for confidential treatment. The requested calculations reflect only the impacts to base rates – demand and energy – as the FAC and environmental surcharge have been removed from the

test year. The energy revenues reflect the annualization of the change in the energy rates to reflect the roll-in of base fuel costs effective in February 2020. The revenues have been annualized by taking the actual sales data for each of the first six months of 2020, applying the applicable rates, and then doubling the recalculated revenues from the first six months of 2020.

Fourth, lower billing determinants during 2020 were temporary due to the widespread business shutdowns.

DATA REQUEST RESPONSES REGARDING REQUESTS FROM EKPC IN THE 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

EKPC 1-21

Please refer to the Kollen Testimony, page 1, line 15 through page 2, line 5 and Exhibit LK-1, page 1 of 37.

a. Explain why the professional certifications listed on page 2 do not match the listing on Exhibit LK-1.
b. Concerning the professional certifications, please describe each license and the current status of that license.
c. On page 2 Mr. Kollen states is a "member of numerous" professional organizations and lists three of these organizations. On Exhibit LK-1, Mr. Kollen lists only four organizations as "professional affiliations". Please explain if the affiliations listed on Exhibit LK-1 are the only professional organizations Mr. Kollen currently has membership with.
d. For each of the professional affiliations listed in Exhibit LK-1, please provide the status of Mr. Kollen's membership as of the filing date of his direct testimony.

RESPONSE:

a. Mr. Kollen is a CPA, CMA, and CGMA. Mr. Kollen inadvertently did not list the CGMA certification on Exhibit___(LK-1).
b. Mr. Kollen is a CPA, licensed by the Ohio Board of Accountancy. He holds an active practice license. Mr. Kollen is a CMA, a certification issued by the Institute of Management Accountants. His certification is active and current. Mr. Kollen is a CGMA, a certification issued by the American Institute of Certified Public Accountants. His certification is active and current.
c. Mr. Kollen is a member of the four professional organizations listed on Exhibit___(LK-1).
d. Mr. Kollen is a current member of each of the four professional organizations. Mr. Kollen's membership in the Society of Depreciation Professionals temporarily lapsed in August 2020 due to an administrative oversight and failure to complete the annual membership renewal process. Mr. Kollen was not aware of this lapse when he filed his testimony. The oversight has been remedied.

DATA REQUEST RESPONSES REGARDING REQUESTS FROM EKPC IN THE 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

EKPC 1-22

The following question is directed to the Office of the Attorney General. Does the Attorney General have an opinion on the rate design proposed by Mr. Stephen J. Baron? If so, please state the Attorney General's opinion.

RESPONSE: The Attorney General objects to this request because he is not a witness in this proceeding. To the extent the Attorney General provides an argument on this issue, it will be provided through the Office of Rate Intervention's advocacy in subsequent pleadings.