

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

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF EAST</b>	<b>)</b>	
<b>KENTUCKY POWER COOPERATIVE, INC.</b>	<b>)</b>	
<b>FOR A GENERAL ADJUSTMENT OF RATES,</b>	<b>)</b>	<b>Case No. 2021-00103</b>
<b>APPROVAL OF DEPRECIATION STUDY,</b>	<b>)</b>	
<b>AMORTIZATION OF CERTAIN REGULATORY</b>	<b>)</b>	
<b>ASSETS, AND OTHER GENERAL RELIEF</b>	<b>)</b>	

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**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 PSC STAFF**

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The Office of the Attorney General, Office of Rate Intervention, and Nucor Steel Gallatin provide the following responses to the Data Requests filed by PSC Staff. Mr. Kollen sponsors the testimony in the response.

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Respectfully submitted,

DANIEL J. CAMERON  
ATTORNEY GENERAL



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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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this 15<sup>th</sup> day of July, 2021.



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Assistant Attorney General

**DATA REQUEST RESPONSES REGARDING REQUESTS FROM PSC STAFF 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**

STAFF 1-1

Refer to the direct testimony of Lane Kollen, page 46, lines 15–20. Explain why the average interest rate of 4.21 percent was selected to calculate the additional interest expense removal needed for the ES project.

RESPONSE:

This is the average interest rate of the debt issues allocated to the environmental surcharge by Company witness Isaac Scott, as shown on the Company's Excel workbook Application\_Exhibit\_13\_-\_Exhibit\_ISS-1\_-\_Schedules\_1.00-1.30\_FINAL\_REV\_03-08. The 4.21% itself is not shown on the Company's Excel workbook, but is calculated and shown in Mr. Kollen's Excel workbook (tab WP 1.02 Interest & Principal) filed with his testimony wherein he replicates the Company's allocation of the debt issues, and then adds the calculation of the 4.21%. The Company's allocation of the debt issues for this purpose excluded the CCR/ELG CWIP, so that the interest on the CCR/ELG CWIP was retained in the base revenue requirement. This was an error since it would result in the recovery of CCR/ELG CWIP financing costs in both base rates and the environmental surcharge.

Mr. Kollen assumed that more of the same debt issues identified and allocated by Mr. Scott to the environmental projects were used to finance the CCR/ELG CWIP, so he used the same average interest rate to calculate the additional interest to exclude from the base revenue requirement. Mr. Kollen also reviewed the calculations in a recent environmental surcharge filing, which used an average interest rate of 3.98% and a TIER of 1.50X to calculate the return on the environmental projects, which included the CCR/ELG CWIP. Mr. Kollen did not have access to the calculation of the 3.98% used in that environmental surcharge filing, but determined that the 3.98% likely was slightly less than the 4.21% due to reductions in the Company's average cost of debt after the test year or after the June 30, 2020 post test year adjustment date assumed in the Company's filing.