COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL REPORT ON THE	)	
EARNINGS MECHANISM AND	)	
APPLICATION OF EAST KENTUCKY	)	**CASE NO.**
POWER COOPERATIVE, INC. FOR	)	**2023-00142**
APPROVAL OF A MODIFICATION TO	)	
THE EARNINGS MECHANISM	)	
ESTABLISHED IN CASE NO. 2021-00103	)	

ANNUAL REPORT AND APPLICATION FOR
APPROVAL OF A MODIFICATION TO THE EARNINGS MECHANISM
ESTABLISED IN CASE NO. 2021-00103

Comes now East Kentucky Power Cooperative, Inc., ("EKPC" or the Company"), by and through the undersigned counsel, pursuant to 807 KAR 5:001 and other applicable law, and hereby tenders its annual report for the Earnings Mechanism as required in the Kentucky Public Service Commission's ("Commission") Final Order in Case No. 2021-00103, *In the Matter of: Electronic Application of East Kentucky Power Cooperative, Inc., for a General Adjustment of Rates, Approval of a Depreciation Study, Amortization of Certain Regulatory Assets and Other General Relief* and its Application requesting approval for an amended settlement agreement in Case No. 2021-00103. In support of the annual report and Application, EKPC respectfully states as follows:

I. INTRODUCTION

1. EKPC is a not-for-profit, rural electric cooperative corporation established under KRS Chapter 279 with its headquarters in Winchester, Kentucky. Pursuant to various agreements, EKPC provides electric generation capacity and electric energy to its sixteen (16) Owner-Member

Cooperatives ("owner-members"), which in turn serve over 545,000 Kentucky homes, farms and commercial and industrial establishments in eighty-seven (87) Kentucky counties. EKPC's Board has stated its strategic objective is to maintain a generation fleet that prudently diversifies its fuel sources while maximizing its capital investments and minimizing stranded assets. EKPC is a "utility" as that term is defined in KRS 278.010(3)(a) and a "generation and transmission cooperative" as that term is defined in KRS 278.010(9).

2. In total, EKPC owns and operates approximately 2,965 MW of net summer generating capacity and 3,267 MW of net winter generating capacity. EKPC owns and operates coal-fired generation at the John S. Cooper Station in Pulaski County, Kentucky (341 MW) and the Hugh L. Spurlock Station (1,346 MW) in Mason County, Kentucky. EKPC also owns and operates natural gas-fired generation at the J. K. Smith Station in Clark County, Kentucky (753 MW (summer)/989 MW (winter)) and the Bluegrass Generating Station in Oldham County, Kentucky (501 MW (summer)/567 MW (winter)), landfill gas-to-energy facilities in Boone County, Laurel County, Greenup County, Hardin County, Pendleton County and Barren County (16 MW total), and a Community Solar facility (8 MW) in Clark County, Kentucky. Finally, EKPC purchases hydropower from the Southeastern Power Administration at Laurel Dam in Laurel County, Kentucky (70 MW), and the Cumberland River system of dams in Kentucky and Tennessee (100 MW). EKPC also has 158 MWs of interruptible load and approximately 28 MWs in peak reduction mechanisms. EKPC's record peak demand of 3,507 MW occurred on February 20, 2015.

3. EKPC owns 2,956 circuit miles of high voltage transmission lines in various voltages, mainly 69kV and greater. EKPC also owns the substations necessary to support this transmission line infrastructure. Currently, EKPC has seventy-four (74) free-flowing

interconnections with its neighboring utilities. EKPC's transmission system is operated by PJM Interconnection, LLC ("PJM"), of which EKPC has been a fully integrated member since June 1, 2013. PJM is a regional electric grid and market operator with operational control of over 180,000 MW of regional electric generation. It operates the largest capacity and energy market in North America.

II. FILING REQUIREMENTS

4. Pursuant to 807 KAR 5:001, Section 14(1), EKPC's business address is 4775 Lexington Road, Winchester, Kentucky 40391 and its mailing address is Post Office Box 707, Winchester, Kentucky 40392-0707. EKPC's email address is: psc@ekpc.coop. EKPC requests that the following individuals be included on the service list:

Chris Adams, EKPC's Director of Regulatory and Compliance Services:

chris.adams@ekpc.coop

L. Allyson Honaker, Counsel for EKPC:

allyson@hloky.com

5. Pursuant to 807 KAR 5:001, Section 14(2), EKPC is a Kentucky corporation, in good standing, and was incorporated on July 9, 1941.

REQUEST TO AMEND SETTLEMENT AGREEMENT

6. EKPC filed its Application in Case No. 2021-00103 on April 1, 2021. A Joint Stipulation and Settlement Agreement ("Joint Stipulation") was filed in that case on July 29, 2021, and was signed by EKPC, the Attorney General's Office ("AG"), Nucor Steel Gallatin ("Nucor") and AppHarvest Morehead Farm, LLC ("AppHarvest") (collectively "the Parties").

7. The Parties entered into Amendment No. 1 of the Joint Stipulation and filed an Application with the Commission to approve the revisions to Paragraph 5 of the Joint Stipulation and Ordering Paragraph of the Commission's Final Order, on December 22, 2023.[1]

8. The Parties, excluding the AG, are filing the current Application to Amend Paragraph 6 of the Joint Stipulation which discussed the Earnings Sharing Mechanism. This called for EKPC to pass-through any amount of earnings EKPC realized, above a TIER of 1.40. This amount over the 1.40 TIER was to be pass-through to the Owner-Members as a bill credit and in turn the Owner-Members were to pass the amount through to the end-use members as a credit on the bill.

9. EKPC discovered, while preparing its annual report to be filed pursuant to the Commission's Final Order, that it had achieved a TIER of 1.42. This corresponds to a total credit amount to be returned to Owner-Members of $1,392,834. This amount would result in the average residential end-use member receiving a one-time credit of approximately $2.07, with many residential end-use members receiving less.

10. EKPC is proposing to place the $1,392,834 that would be returned to Owner-Members for the 2022 calendar year, into an interest-bearing escrow account and combine the 2022 amount to the 2023 amount over the 1.40 TIER, if any, and return the total amount to EKPC's Owner-Members as required in 2024. EKPC would also return any interest earned on the 2022 amount to the Owner-Members, which will then be passed on to the end-use members.

11. Neither EKPC nor its Owner-Members would count this amount in its margins. If EKPC does not achieve a TIER of 1.40 in 2023, the amount for 2022 will not be offset by any loss.

[1] *In the Matter of: Electronic Application of East Kentucky Power Cooperative, Inc., To Amend the Joint Stipulation and Settlement Agreement and the Commission's Final Order in Case No. 2021-00103;* Case No. 2022-00430, Order (Jan. 27, 2023).

12. EKPC has met with each of the Parties, and Nucor and AppHarvest are in agreement with EKPC that Paragraph 6 of the Joint Stipulation should be amended as follows:

> The Parties agree that EKPC should return any excess margins to its Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit in the event that EKPC achieves per book margin in excess of a 1.40 TIER in any calendar year. **However, at the time an Order is entered approving this amendment to the Settlement, EKPC is permitted to temporarily retain the excess margins for 2022. The 2022 excess margin amount will earn interest at the Commission's published rate for Customer Deposits until paid. Any interest earned on the 2022 amount will be returned to EKPC's Owner-Members for pass-through to the ratepayers via a bill credit. The 2022 amount together with interest and the 2023 excess earnings, if any, will be paid to Owner-Members in 2024 via a bill credit.** Any excess margins will be returned to EKPC's Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit that is allocated based upon the percentage of each rate class's total revenue for the most recent calendar year. EKPC agrees to make an annual filing with the Commission which sets forth its calculations of margins and any required bill credit on or before April 30th of each year. This earnings mechanism will remain in place until EKPC's base rates are next adjusted. EKPC will file a tariff for Commission review within thirty (30) days of the Commission entering a final Order approving this Stipulation.

13. Ordering Paragraph 6 of the Commission's Final Order in Case No. 2021-00103 entered on September 30, 2021, would also need to be amended to reflect these changes. Nucor and AppHarvest agree with EKPC that no other portion of the Joint Stipulation or the Commission's Final Order would need to be amended.

14. These changes would not affect any of the rates approved by the Commission and would prevent the need for the Owner-Members to quickly upgrade the billing and accounting systems to pass-through such a small amount to the end-use members. Because no rates are affected, public notice is not required to be given.

15. Nucor, AppHarvest and EKPC have signed an Amended Joint Stipulation and Settlement Agreement ("Amended Joint Stipulation"). The Amended Joint Stipulation is attached

to this Application as Exhibit 1. The Direct Testimony of Mike McNalley in Support of the Amended Joint Stipulation is attached as Exhibit 2 and letters in support of the Amended Joint Stipulation from eleven of EKPC's Owner-Members are attached as Exhibit 3. Please note that at the time of signing the Amended Joint Stipulation, the Owner-Member tariffs had not been approved as indicated therein. However, the Commission approved the Owner-Member tariffs on April 27, 2023 with minor modifications.

ANNUAL REPORT OF EARNINGS MECHANISM

16. As required in the Commission's Final Order in Case No. 2021-00103, EKPC is filing its calculation of the Earnings Mechanism that would be returned to its Owner-Members and ultimately the ratepayers. This calculation is attached to the Exhibit 2, the Direct Testimony of Mike McNalley, Exhibit MM-1. As stated above, the total amount of the credit to Owner-Members is $1,392,834. This correlates to an estimated $2.07 to the average residential ratepayer, with some credits being less.

WHEREFORE, EKPC respectfully requests the Commission to approve the Amended Joint Stipulation (Amendment No. 2), signed by EKPC, Nucor and AppHarvest, and change the requirement to pass-through the small amount of the Earnings Sharing Mechanism and to allow EKPC to place the amount in an interest-bearing escrow account to be returned with the 2023 amounts and for the Final Order in Case No. 2021-00103 to reflect the same and to accept the annual report of the Earnings Mechanism.

This 28th day of April, 2023.

Respectfully Submitted,

L. Allyson Honaker
Honaker Law Office, PLLC
1795 Alysheba Way, Suite 6202
Lexington, KY 40509
(859) 368-8803
allyson@hloky.com

Counsel for East Kentucky Power Cooperative, Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing document was electronically filed with the Commission on April 28, 2023 and that there are currently no parties that the Commission has excused from electronic service. Pursuant to prior Commission orders, no paper copies of this filing will be made.

Counsel, East Kentucky Power Cooperative, Inc.

EXHIBIT 1

AMENDED JOINT STIPULATION AND SETTLEMENT AGREEMENT

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**

AMENDMENT NO. 2 TO JOINT STIPULATION, SETTLEMENT AGREEMENT AND RECOMMENDATION

On April 1, 2021, East Kentucky Power Cooperative, Inc. ("EKPC") tendered its Application with the Kentucky Public Service Commission ("Commission"), pursuant to KRS 278.180, KRS 278.190 and other applicable law, for an adjustment of its wholesale rates, approval of a depreciation study, amortization of certain regulatory assets and other general relief ("Application"). The Attorney General ("AG"), Nucor Steel Gallatin ("Nucor") and AppHarvest Morehead Farm, LLC ("AppHarvest") were permitted to intervene in the case. EKPC, the AG, Nucor and AppHarvest (the "Parties") subsequently entered into a Joint Stipulation, Settlement Agreement and Recommendation on or about July 29, 2021 ("Settlement"). Subject to minor modifications, the Commission accepted the Settlement in an Order entered on September 30, 2021.

The Parties entered into an Amendment to the Settlement and filed an Application with the Commission on December 27, 2022 to amend the Settlement concerning the generation maintenance expense regulatory asset/liability mechanism, which was originally set forth in

Paragraph 5 of the Settlement ("Amendment No. 1"). The Commission entered an Order accepting Amendment No. 1 on January 27, 2023.[1]

As part of the Settlement, EKPC agreed to an Earnings Mechanism. Paragraph 6 of the Settlement states as follows:

> The Parties agree that EKPC should return any excess margins to its Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit in the event that EKPC achieves per book margin in excess of a 1.40 TIER in any calendar year. Any excess margins will be returned to EKPC's Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit that is allocated based upon the percentage of each rate class's total revenue for the most recent calendar year. EKPC agrees to make an annual filing with the Commission which sets forth its calculations of margins and any required bill credit on or before April 30th of each year. This earnings mechanism will remain in place until EKPC's base rates are next adjusted. EKPC will file a tariff for Commission review within thirty (30) days of the Commission entering a final Order approving this Stipulation.[2]

While reviewing and preparing the annual filing for the Commission, EKPC discovered that it had achieved a TIER of 1.42 for 2022 and would be required, pursuant to the Settlement, to return $1,392,834, to its Owner-Member Cooperatives ("Owner-Members"). The Owner-Members would then be required to pass this through to the End-Use Retail Members ("retail members"), which would result in the average residential retail member receiving a one-time bill credit of an estimated $2.07, but with many credits being below this amount.

The Owner-Members have filed tariffs with the Commission for this pass-through but those tariffs have not been approved by the Commission. The Owner-Members are also having to

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[1] *In the Matter of: Electronic Application of East Kentucky Power Cooperative, Inc., To Amend the Joint Stipulation and Settlement Agreement and the Commission's Final Order in Case No. 2021-00103;* Case No. 2022-00430, Order (Jan. 27, 2023).

[2] Stipulation, p. 4, Case No. 2021-00103 (July 29, 2021).

perform upgrades to their individual billing systems in order to be able to list this pass-through credit separately on the end-use members' bills. Due to the small amount that EKPC's margins was over the 1.40 TIER, the amount passed through to the end-use members will be a very small. Some end-use members could view this credit negatively because it will be such a small amount. The credit will also likely result in questions from the end-use members which could create a burden on the Owner-Members' staff with questions and telephone calls from the end-use members.

EKPC has proposed, and Nucor and AppHarvest have agreed, that due to the small amount of pass-through to end- use members, EKPC would place the amount of $1,392,834, this amount of the pass-through for 2022, into an interest-bearing escrow account and roll that amount over to be combined with the amount of pass-through for 2023 should EKPC achieve a TIER above 1.40. By making this amendment to the Settlement, the retail members will receive a larger credit, will give the Owner-Members time to make the necessary changes to the billing systems and will give time for the Owner-Members tariffs to be approved.

If EKPC does not achieve a TIER in 2023 over the 1.40 threshold, the amounts will not be netted to result in a decrease in the amount to be returned to the Owner-Members and ultimately to the retail members. Neither EKPC nor its Owner-Members will consider this amount in its margin. EKPC would also not hold the 2022 amount again for another year. EKPC would then pass-through the original amount, plus the interest gained in the escrow account for the year, on to the Owner-Members.

Therefore, the Nucor, AppHarvest and EKPC agree that Paragraph 6 of the Settlement should read as follows:

> The Parties agree that EKPC should return any excess margins to its Owner-Members for contemporaneous pass-through to ratepayers

> in the form of a bill credit in the event that EKPC achieves per book margin in excess of a 1.40 TIER in any calendar year. **<u>However, at the time an Order is entered approving this amendment to the Settlement, EKPC is permitted to temporarily retain the excess margins for 2022. The 2022 excess margin amount will earn interest at the Commission's published rate for Customer Deposits until paid. Any interest earned on the 2022 amount will be returned to EKPC's Owner-Members for pass-through to the ratepayers via a bill credit. The 2022 amount together with interest and the 2023 excess earnings, if any, will be paid to Owner-Members in 2024 via a bill credit.</u>** Any excess margins will be returned to EKPC's Owner-Members for contemporaneous pass-through to ratepayers in the form of a bill credit that is allocated based upon the percentage of each rate class's total revenue for the most recent calendar year. EKPC agrees to make an annual filing with the Commission which sets forth its calculations of margins and any required bill credit on or before April 30th of each year. This earnings mechanism will remain in place until EKPC's base rates are next adjusted. EKPC will file a tariff for Commission review within thirty (30) days of the Commission entering a final Order approving this Stipulation.

Nucor, AppHarvest and EKPC further agree that: (1) Ordering Paragraph 6 of the Commission's September 30, 2021 Order should be amended to reflect the changes to Paragraph 6 of the Settlement; and (2) no other component of the Settlement Agreement or the Commission's September 30, 2021 Order should be changed.

EAST KENTUCKY POWER COOPERATIVE, INC.

BY: Anthony S. Campbell ______________________ DSS
Anthony S. Campbell
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: ______________________

TITLE:______________________

NUCOR STEEL GALLATIN

BY: Mike Kurtz with permission by L. Allyson Honaker

TITLE: Attorny for Nucor Steel Gallatin

APPHARVEST MOREHEAD FARM, LLC

BY: Jim Gardner with permission by L. Allyson Honaker

TITLE: Attorney for AppHarvest Morehead Farm LLC

EXHIBIT 2
DIRECT TESTIMONY OF
MICHAEL MCNALLEY

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL REPORT ON THE EARNINGS MECHANISM AND APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF A MODIFICATION TO THE EARNINGS SHARING MECHANISM ESTABLISHED IN CASE NO. 2021-00103	)	**CASE NO. 2023-00142**

DIRECT TESTIMONY OF MICHAEL MCNALLEY

ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: April 28, 2023

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL REPORT ON THE EARNINGS MECHANISM AND APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR APPROVAL OF A MODIFICATION TO THE EARNINGS MECHANISM ESTABLISHED IN CASE NO. 2021-00103	)	**CASE NO. 2023-00142**

VERIFICATION OF MICHAEL McNALLEY

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Michael McNalley, Interim Chief Financial Officer for East Kentucky Power Cooperative, Inc., being duly sworn, states that he has supervised the preparation of his Direct Testimony and the exhibits in the above-referenced case 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.

Michael McNalley

The foregoing Verification was signed, acknowledged and sworn to before me this 27th day of April, 2023 by Michael McNalley.

Jeannie M. Jones

Notary Commission No. KYNP 41703

Commission expiration: 01-15-2026

Jeannie M. Jones
Notary Public, ID KYNP41703
State at Large, Kentucky
My Commission Expires on Jan. 15, 2026

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Mike McNalley and my business address is care of East Kentucky Power Cooperative, Inc. ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391. I am Interim Chief Financial Officer for EKPC.

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I obtained my undergraduate degree in economics from Reed College in Portland, Oregon, and my Masters of Business Administration from Dartmouth College. Prior to joining EKPC, I held various positions with DTE Energy ("DTE"), including Chief Financial Officer and Chief Operating Officer of one of DTE's subsidiaries, DTE Energy Technologies. Prior to joining DTE, I served as the corporate leader of finance or as a senior executive at various companies including Corrillian Corp., System2, Inc., and Oliver & Thompson, Inc., all located in Portland, Oregon, and Ford Motor Company, then located in Detroit, MI. I was employed by EKPC from July 2010 to January 2021 as the Executive Vice President and Chief Financial Officer. I have been the Interim Chief Financial Officer since January 2023.

Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AT EKPC.

A. I am responsible, on an interim basis, for accounting, finance, performance measures, pricing and regulatory services, risk management, marketing, information technology, and economic development at EKPC.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. In Case No. 2021-00103,[1] EKPC reached a settlement with the intervenors in the proceeding: the Attorney General's Office of Rate Intervention ("AG"), NUCOR Steel Gallatin ("Nucor"), and AppHarvest Morehead Farm LLC ("AppHarvest"). One of the components of the settlement agreement was the establishment of an earnings sharing mechanism. The order in that case requires EKPC to refund margin earned above a TIER of 1.40, through a bill credit.

Q. WHY DOES EKPC NEED TO MODIFY THIS MECHANISM?

A. As stated in the required annual report filing, attached as Exhibit MM-1, EKPC earnings above the 1.40 TIER threshold amount to $1,392,834 million for 2022. When this is applied to the 16 Owner-Member Cooperatives ("owner-members") and then to the End-Use Retail Members ("retail members"), it equates to an estimated $2.07 per average residential customer in a one-time bill credit. While EKPC's compliance with the Commission's Order is relatively straight-forward, EKPC's owner-members have raised concerns that the small amounts will generate more questions and confusion because of the small size. The credit likely will generate calls with questions from members, which creates a burden on staff and a potential frustration for members. There is also an outsized administrative burden on the owner-member to distribute the allocation including updating accounting practices, administering billing system changes, and developing notifications to retail members explaining the credit. In addition, the tariffs needed to pass credit

[1] *See 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, (Ky. P.S.C. Sep. 30, 2021).

from the owner-member through to the retail member are currently pending before the Commission as of this application filing.

Q. WHAT MODIFICATION IS EKPC PROPOSING TO THIS MECHANISM?

A. For 2022 only, EKPC is proposing to retain the $1,392,834 until next year. Any credit calculated for 2023 would be added to the $1,392,834 and the combined amount would be credited next year. If EKPC margins are below 1.40 TIER for 2023, EKPC would not net the 2022 and 2023 amounts and EKPC would not hold the 2022 amount again for another year. EKPC would pass-through the original amount, plus the interest gained in the escrow account for the year, to the Owner-Members.

Q. HAS EKPC DISCUSSED THE PROPOSED MODIFICATION TO THE MECHANISM WITH THE INTERVENORS IN CASE NO. 2021-00103?

A. Yes. EKPC met with the Intervenors on April 20, 2023 and explained the reason for the requested modification. Nucor and AppHarvest are supportive of this modification.

Q. HAVE EKPC OWNER-MEMBERS EXPRESSED SUPPORT FOR THE PROPOSED MODIFICATION TO THE MECHANISM?

A. Yes, attached as Exhibit MM-2 are letters in support of the modification signed by owner-member CEOs.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

EXHIBIT MM-1
ANNUAL CALCULATION OF EARNINGS MECHANISM IS AN EXCEL SPREADSHEET AND IS BEING UPLOADED SEPARATELY

EXHIBIT 3
OWNER-MEMBERS' LETTERS SUPPORT OF THE AMENDED EARNINGS MECHANISM

Blue Grass Energy
A Touchstone Energy Cooperative

P.O. Box 990 • 1201 Lexington Road • Nicholasville, Kentucky 40340-0990
Phone: 888-546-4243 • Fax: 859-885-2854 • bgenergy.com

April 25, 2023

Mr. Anthony Campbell
East Kentucky Power Corporation
4775 Lexington Rd
Winchester, KY 40392

RE: Earnings Mechanism Rider

Dear Tony,

Please let this letter serve as support for deferring the earnings mechanism for 2022 to the following year. We base this on the several items:

- With a TIER of 1.42 for EKPC, slightly over the 1.40 mark where the mechanism engages, the amounts at the individual retail member level are very small, estimated averaging around a $2.07 one-time bill credit with many being smaller.
- The administrative burden for this small credit is not insignificant. It would include communication to members explaining the credit, accounting practices, and billing system changes.
- We anticipate many members will be confused by the credit, with some perhaps having negative thoughts due to the small amount. This could significantly elevate call volume for our member services group.

In summary, our staff believes deferring the amounts in the mechanism would better serve our members. Thank you for your attention in this matter.

Sincerely,

Michael I. Williams
President & CEO

Copy: Mike McNalley

Big Sandy Rural Electric
Cooperative Corporation

504 11th Street
Paintsville, Kentucky 41240-1422
(606) 789-4095 • Fax (606) 789-5454
Toll Free (888) 789-RECC (7322)

Dear Mr. Tony Campbell,

Big Sandy Rural Electric Cooperative Corporation does support the update to the earnings sharing mechanism established in EKPC's 2021 base rate case settlement. We are in favor of holding the excess EKPC margin from the 2022 earnings sharing calculation until next year.

EKPC's 2022 year-end TIER was 1.42, resulting in a refund of $1,392,834. Allocation of this excess margin would result in residential end-use retail members receiving an estimated average $2.07 one-time bill credit, with many credits being well below this amount.

Retail members of the distribution coops could receive the relatively small dollar amount of the allocated credit negatively because it is so small. The credit likely will generate calls with questions from members, which creates a burden on staff and a potential frustration for members.

Respectfully,

Bruce Aaron Davis

Bruce Aaron Davis

President/CEO

CC: Mike McNalley

CLARK ENERGY
A Touchstone Energy Cooperative

April 25, 2023

Mr. Tony Campbell

President & CEO

East Kentucky Power Cooperative

4775 Lexington Road

Winchester, Kentucky 40391

Mr. Tony Campbell,

In the 2021 rate case, EKPC reached a unanimous settlement with the Intervenors in the case—Attorney General, Nucor-Gallatin, and AppHarvest. One of the components of the settlement agreement was the establishment of an earnings sharing mechanism. Under this mechanism, in any year that EKPC achieves a Times Interest Earned Ratio ("TIER") of 1.40, EKPC is required to refund, in the form of a bill credit, any excess margin over the 1.40 TIER to its owner-member cooperatives. East Kentucky Power Cooperatives 2022 year-end TIER was 1.42, resulting in a refund of $1,392,834. Allocation of this excess margin would result in residential end-use retail members receiving an estimated average $2.07 one-time bill credit, with many credits being well below this amount. Retail members of Clark Energy Cooperative could receive the relatively small dollar amount of the allocated credit negatively because it is so small. The credit likely will generate calls with questions from members, which creates a burden on our staff and a potential frustration for members. With that being said, Clark Energy Cooperative supports the decision of holding off on the excess EKPC margin from the 2022 earnings sharing calculation until next year.

Respectfully submitted,

Chris Brewer

Chris Brewer

President & CEO

Clark Energy Cooperative

cc: Mike McNalley

East Kentucky Power Cooperative

Cumberland Valley Electric
A Touchstone Energy Cooperative

April 26, 2023

Tony Campbell
President and Chief Executive Officer
East Kentucky Power Cooperative
4775 Lexington Road
Winchester, KY 40392

Dear Mr. Campbell:

I am writing to indicate Cumberland Valley Electric's support for the update to the earnings mechanism that will enable East Kentucky Power (EKPC) and the distribution cooperatives to hold the bill credit for the calendar year 2022 until next year.

The bill credits for 2022 will likely only amount to pennies for most of Cumberland Valley's members given EKPC's 2022 year-end TIER was 1.42 resulting in a relatively small refund of $1,393,834. This will create a burden on Cumberland Valley staff answering questions about a two-cent bill credit, and potential frustration for the members.

Cumberland Valley's billing and accounting systems will need to be modified to accomplish any distribution of this type of bill credit. Any change to bill calculations or bill print requires testing and validation. Members will need to be notified to explain the bill credit. Additional time for this testing, validation and notification would be prudent.

It is Cumberland Valley's recommendation and request that the excess EKPC margin for 2022 earnings share calculation be held until next year.

Sincerely,

Ted Hampton

Ted Hampton
President & CEO

MAIN OFFICE:
P.O. Box 440 • Gray, KY 40734
Phone: 606-528-2677 • Fax: 606-523-2698

DISTRICT OFFICE:
P.O. Box C • Cumberland, KY 40823
Phone: 606-589-4421 • Fax: 606-589-5297

Farmers Rural Electric Cooperative Corporation
504 S. Broadway, Glasgow, KY 42141 • P.O. Box 1298, Glasgow, KY 42142 • (270) 651-2191 • Fax (270) 651-7332

Office of the President and CEO

DATE: **04/26/2023**
RE: **Earnings Sharing**
FROM: **Toby Moss, President & CEO, FRECC**
TO: **Tony Campbell, President & CEO, EKPC**

Mr. Campbell:

As you are aware, EKPC reached a unanimous settlement with the Intervenors (Attorney General, Nucor-Gallatin, and AppHarvest) in the 2021 rate case.

One of the components of the settlement agreement was the establishment of an earnings sharing mechanism. Under this mechanism, in any year that EKPC achieves a Times Interest Earned Ratio “TIER” of 1.40, EKPC is required to refund, in the form of a bill credit, any excess margin over the 1.40 TIER to its owner-member cooperatives.

EKPC’s 2022 year-end TIER was 1.42, resulting in a refund of $1,392,834. Allocation of this excess margin would result in residential end-use retail members receiving an estimated average $2.07 one-time bill credit, with many credits being well below this amount.

In our experience, our retail members of Farmers RECC will likely react negatively to this credit because it is so small. Furthermore, as was experienced with the sales tax changes earlier this year, the credit likely will create a burden on our staff and a potential frustration for members with a significant increase in call volume with questions from members, Additionally, there is an outsized administrative burden on Farmers RECC including accounting practices, billing system changes, and notification to retail members explaining the credit.in order to distribute the allocation

While the tariff needed to pass credit through to end-use retail member has been submitted to Public Service Commission, it has not yet been accepted.

Farmers RECC requests excess EKPC margin from the 2022 earnings sharing calculation to be held until next year (2024).

Toby Moss
President/CEO
Farmers Rural Electric Cooperative Corporation

Grayson Rural Electric Cooperative Corporation

109 Bagby Park ♦ Grayson, KY 41143-1292
Telephone 606-474-5136 ♦ 1-800-562-3532 ♦ Fax 606-474-5862

April 26, 2023

Mr. Tony Campbell
President & CEO
East Kentucky Power Cooperative
4775 Lexington Road
Winchester, KY 40392

Mr. Campbell:

Grayson would like to pledge their support to the modification of the earnings sharing mechanism that was established in the 2021 EKPC rate care as part of the settlement agreement reached between EKPC and the Intervenors in the case by holding the excess EKPC margin from the 2022 earnings sharing calculation until next year.

As discussed in our previous board meeting, EKPC's 2022 year-end TIER was 1.42, resulting in a refund of $1,392,834. Allocation of this excess margin would result in residential end-use retail members receiving an estimated average $2.07 one-time bill credit, with many credits being well below this amount.

While Grayson continuously focuses on its members' needs and any sort of contribution back to them would be beneficial and representative of cooperative principles, we do have concerns at this time. Those include:

- The tariff needed to pass the credit through to end-use retail members has been submitted to the Public Service Commission, but it has not been accepted.
- Our members could receive the relatively small dollar amount of the allocated credit negatively because it is so small. The credit will likely generate calls with questions from members, which creates a burden on staff and a potential frustration for our members.
- There is an outsized administrative burden on our staff to distribute the allocation, including accounting practices, billing system changes, and notification to retail members explaining the credit. Billing system changes have been started and may be completed in time this year, but additional time for testing and validation would be prudent.

We appreciate your teams' involvement and assistance in this matter. We hope that our comments assist in a determination to hold the earnings share mechanism refund for a year until the process is vetted and an assurance that it will be to the up most benefit to our members.

Thank You,

Bradley Cherry

Bradley Cherry
President & CEO
Grayson Rural Electric Cooperative Corporation

Cc: Mike McNalley

JACKSON ENERGY COOPERATIVE
A Touchstone Energy Cooperative

115 Jackson Energy Lane
McKee, Kentucky 40447
Telephone (606) 364-1000 ● Fax (606 364-1007

April 21, 2023

Tony Campbell
President & CEO
East Kentucky Power Cooperative
P. O. Box 707
Winchester, KY 40392

Mr. Campbell:

Jackson Energy is in favor and support of a modified settlement agreement with regards to the earnings sharing mechanism to allow East Kentucky Power Cooperative (EKPC) to hold the 2022 credit until next year.

One of the components of the settlement agreement between EKPC and the Intervenors of the 2021 rate case, was the establishment of an earnings sharing mechanism. Under this mechanism, in any year that EKPC achieves a Times Interest Earned Ratio ("TIER") of 1.40, EKPC is required to refund, in the form of a bill credit, any excess margin over the 1.40 TIER to its owner-member cooperatives.

Even though EKPC's 2022 year-end TIER was 1.42, resulting in a refund of $1,392,834, allocation of this excess margin would result in residential end-use retail members receiving an estimated average $2.00 one-time bill credit, with many credits being well below this amount. Jackson Energy fears that because this process is uncommon to our members, and the relatively small dollar amount, the credit likely will generate calls with questions from members – which will certainly create a burden on our staff and a potential frustration from our members especially with such a small bill credit.

In addition, there will be an administrative burden on Jackson Energy to distribute the allocation including accounting practices, billing system changes, and notification to members explaining the credit.

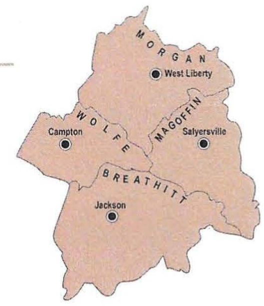
Therefore, Jackson Energy supports holding the EKPC excess margin until next year.

Sincerely,

Carol Wright
President & CEO

c: Mike McNalley

LICKING VALLEY
RURAL ELECTRIC COOPERATIVE CORPORATION
P. O. Box 605 • 271 Main Street
West Liberty, KY 41472-0605
(606) 743-3179



KERRY K. HOWARD
General Manager/CEO

May 26, 2023

Tony Campbell President EKPC
P.O. Box 707
4775 Lexington RD
Winchester, Ky. 40392-0707

REF: EKPC Earning Sharing Mechanism

Dear Mr. Campbell:

Licking Valley RECC is very much in support of the Earnings Sharing Mechanism and also, of the Settlement modification of the Earning Sharing Mechanism.

Thank you for always being mindful of our members to keeping their energy needs affordable, reliable and safe.

If additional information is needed, please advise.

Sincerely,

Kerry K. Howard
General Manager/CEO

Cc: Mike McNalley CFO

A Touchstone Energy® Cooperative

April 26, 2023

TONY CAMPBELL
EKPC
PO BOX 707
WINCHESTER KY 40392-0707

Dear Tony,

In the 2021 rate case, EKPC reached a unanimous settlement with the Intervenors in the case—Attorney General, Nucor-Gallatin, and AppHarvest. One of the components of the settlement agreement was the establishment of an earnings sharing mechanism. Under this mechanism, in any year that EKPC achieves a Times Interest Earned Ratio ("TIER") of 1.40, EKPC is required to refund, in the form of a bill credit, any excess margin over the 1.40 TIER to its owner-member cooperatives.

EKPC's 2022 year-end TIER was 1.42, resulting in a refund of $1,392,834. Allocation of this excess margin would result in residential end-use retail members receiving an estimated average $2.07 one-time bill credit, with many credits being well below this amount.

Retail members of the distribution coops could receive the relatively small dollar amount of the allocated credit negatively because it is so small. The credit likely will generate calls with questions from members, which creates a burden on staff and a potential frustration for members.

The tariff needed to pass credit through to end-use retail member has been submitted to Public Service Commission, but it has not been accepted.

There is an outsized administrative burden on Nolin RECC to distribute the allocation including accounting practices, billing system changes, and notification to retail members explaining the credit. Billing system changes have been started any may be completed in time this year, but additional time for testing and validation would be prudent.

Excess EKPC margin from the 2022 earnings sharing calculation should be held until next year.

Sincerely,

Gregory R. Lee

Gregory R. Lee
President & CEO

cc: Mike McNalley

411 Ring Road • Elizabethtown, KY 42701-6767 • (270) 765-6153

OWEN Electric

A Touchstone Energy® Cooperative

April 24, 2023

Mr. Tony Campbell
East Kentucky Power Cooperative
4775 Lexington Road
P.O. Box 707
Winchester, Kentucky 40392-0707

Re: Earnings Mechanism (EM) Refund

Dear Tony:

Issuing the earnings sharing mechanism bill credits in 2023 presents challenges to Owen Electric Cooperative. Presently, our billing system software provider does not have the programming developed to accommodate such a credit. While we requested the necessary programming several months ago, our software provider has not made meaningful progress towards complying with our request. The relatively small bill credit amount of approximately $2 dollars per residential account seems to be small compared to the corresponding administrative burden and expense associated with the refund.

A more prudent and cost-efficient option would be to retain the EM credit amount and add it to next year's credit amount. This would allow adequate time for the billing software to be suitably developed and properly tested for accuracy. Furthermore, combining two years' EM's would result in our members receiving a more substantial and meaningful credit. With these advantages in mind, I encourage your team to pursue this option with the Kentucky Public Service Commission.

Sincerely,

OWEN ELECTRIC COOPERATIVE, INC.

Michael Cobb

Michael L. Cobb,
President / CEO

cc. Mike McNalley

8205 Hwy 127 N • P.O. Box 400 • Owenton, Kentucky 40359-0400 • 800/372-7612 • Fax - 502/484-2661 • www.owenelectric.com

South Kentucky RECC
A Touchstone Energy Cooperative

200 Electric Avenue
Post Office Box 910
Somerset, KY 42502-0910
Telephone 606-678-4121
Toll Free 800-264-5112
Fax 606-679-8279
www.skrecc.com

April 26, 2023

Mr. Tony Campbell
President & Chief Executive Officer
East Kentucky Power Cooperative
4775 Lexington Road
Winchester, KY 40391

Re: Earnings Mechanism deferral

Dear Mr. Campbell:

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky') has an ongoing responsibility to its member-owners to analyze the effects of certain rate design measures implemented by its wholesale power supplier, East Kentucky Power Cooperative ("EKPC"). One such measure is the Earnings Mechanism agreed to by all parties and approved by the Kentucky Public Service Commission ("Commission") in EKPC's recent rate case.[1] For the reasons stated below South Kentucky would like to express its support for the plan recently approved by EKPC's Board of Directors to seek Commission approval to defer the return of excess margins to retail ratepayers based on a 2022 year-end TIER of 1.42 until 2023 margins are calculated and subsequently allocated in 2024.

Based on EKPC's 2022 earnings, about $1.4 million in excess margins are to be returned to EKPC's 16 owner-members which are then to be passed-through to retail ratepayers in the form of a bill credit allocated based upon the percentage of each rate class's total revenue for the most recent calendar year. However, when this amount is divided among all retail members served by the distribution cooperatives which own EKPC, the average estimated bill credit is only $2.07, with many credits being significantly less. Because of the small dollar amounts of the credits there is a substantial likelihood that many of our member-owners will perceive the credit unfavorably, since it will have a *de minimis* effect on household finances thereby negating any goodwill originally intended by implementation of the mechanism.

Furthermore, the allocation of the credit would place a substantial administrative burden on South Kentucky to distribute the excess margins. Some areas of concern include making changes to our billing system and accounting practices, as well as successfully communicating the reason for and calculation of the credit to our member-owners. Once the credit is put in place it is also likely to prompt numerous calls with questions from our member owners which will create an undue burden on our staff and potential frustration among our members when compared to the small credit amounts involved.

In summary, South Kentucky strongly supports a request for permission from the Commission to delay sharing the excess margins from 2022 and holding them until the 2023 margins are allocated in 2024.

Finally, please refer to Ordering Paragraph Six (6) of the Commission's Final Order dated September 30, 2021, where it is stated that once EKPC makes its first annual TIER filing on April 30, 2023, a Commission proceeding

[1] Case No. 2021-00103, *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.*

will be initiated "to review the reasonableness and determine a reasonable frequency for a bill credit and how the bill credits will be applied to customer accounts."[2] South Kentucky believes that when the small credit amounts resulting from a TIER only 0.02 above the threshold necessary to trigger the mechanism are balanced against the administrative costs for implementation and payment of the credit and the anticipated (at best) lukewarm reception by member-owners, reasonableness requires that the credit be deferred and included in 2024 based on 2022 and 2023 excess margins.

Sincerely,

Ken Simmons
President & Chief Executive Officer

[2] Case No. 2021-00103, Final Order at 38.