COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE	)	
PUBLIC SERVICE COMMISSION OF THE	)	**CASE NO.**
ENVIROMENTAL SURCHARGE MECHANISM	)	**2025-00013**
OF EAST KENTUCKY POWER COOPERATIVE,	)	
INC. FOR THE SIXTH-MONTH EXPENSE	)	
PERIODS ENDING MAY 31, 2022, NOVEMBER	)	
30, 2022, NOVEMBER 30, 2023, MAY 31, 2024	)	
AND NOVEMBER 30, 2024, THE TWO-YEAR	)	
EXPENSE PERIOD ENDING MAY 31, 2023, AND	)	
THE PASS-THROUGH MECHANISM OF ITS	)	
SIXTEEN MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

RESPONSES TO COMMISSION STAFF'S FIRST INFORMATION REQUEST

TO EAST KENTUCKY POWER COOPERATIVE, INC.

DATED MARCH 5, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE	**)**	
PUBLIC SERVICE COMMISSION OF THE	**)**	
ENVIROMENTAL SURCHARGE MECHANISM	**)**	
OF EAST KENTUCKY POWER COOPERATIVE,	**)**	
INC. FOR THE SIXTH-MONTH EXPENSE	**)**	
PERIODS ENDING MAY 31, 2022, NOVEMBER	**)**	**CASE NO.**
30, 2022, NOVEMBER 30, 2023, MAY 31, 2024	**)**	**2025-00013**
AND NOVEMBER 30, 2024, THE TWO-YEAR	**)**	
EXPENSE PERIOD ENDING MAY 31, 2023, AND	**)**	
THE PASS-THROUGH MECHANISM OF ITS	**)**	
SIXTEEN MEMBER DISTRIBUTION	**)**	
COOPERATIVES	**)**	

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Mark Horn**,** being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to Commission Staff's First Request for Information in the above-referenced case dated March 5, 2025, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Mark Horn
____

Subscribed and sworn before me on this 27th day of March, 2025.

Gwyn McWilloughby
Notary Public

GWYN M. WILLOUGHBY
Notary Public
Commonwealth of Kentucky
Commission Number KYNP38003
My Commission Expires Nov 30, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE	)	
PUBLIC SERVICE COMMISSION OF THE	)	
ENVIROMENTAL SURCHARGE MECHANISM	)	
OF EAST KENTUCKY POWER COOPERATIVE,	)	
INC. FOR THE SIXTH-MONTH EXPENSE	)	
PERIODS ENDING MAY 31, 2022, NOVEMBER	)	**CASE NO.**
30, 2022, NOVEMBER 30, 2023, MAY 31, 2024	)	**2025-00013**
AND NOVEMBER 30, 2024, THE TWO-YEAR	)	
EXPENSE PERIOD ENDING MAY 31, 2023, AND	)	
THE PASS-THROUGH MECHANISM OF ITS	)	
SIXTEEN MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

CERTIFICATE

STATE 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 Commission Staff's First Request for Information in the above-referenced case dated March 5, 2025, 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.

Thomas J. Stachnik

Subscribed and sworn before me on this 27th day of March, 2025.

Gwyn M. Willoughby
Notary Public

GWYN M. WILLOUGHBY
Notary Public
Commonwealth of Kentucky
Commission Number KYNP38003
My Commission Expires Nov 30, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIROMENTAL SURCHARGE MECHANISM OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR THE SIXTH-MONTH EXPENSE PERIODS ENDING MAY 31, 2022, NOVEMBER 30, 2022, NOVEMBER 30, 2023, MAY 31, 2024 AND NOVEMBER 30, 2024, THE TWO-YEAR EXPENSE PERIOD ENDING MAY 31, 2023, AND THE PASS-THROUGH MECHANISM OF ITS SIXTEEN MEMBER DISTRIBUTION COOPERATIVES	**) CASE NO.) 2025-00013**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Jacob Ray Watson**,** being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to Commission Staff's First Request for Information in the above-referenced case dated March 5, 2025, 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.

Jacob Watson

Subscribed and sworn before me on this 27th day of March, 2025.

Notary Public

GWYN M. WILLOUGHBY
Notary Public
Commonwealth of Kentucky
Commission Number KYNP38003
My Commission Expires Nov 30, 2025

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2025-00013
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST INFORMATION REQUEST DATED MARCH 5, 2025
REQUEST 1
RESPONSIBLE PARTY: Jacob R. Watson

Request 1. This question is addressed to EKPC. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months under review. Form 1.1 can be used as a model for this summary. Include the two expense months subsequent to the review period in order to show the over- and under-recovery adjustments for the months included for the review period. Include a calculation of any additional over- or under-recovery amount EKPC believes needs to be recognized for the six-month and two-year reviews. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 1. Please see the response included in the Excel spreadsheet *DR1 Response 1 – Summary Schedule E(m) – EKPC Over-Under.xlsx*. All schedules, supporting calculations, and documentation are in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2025-00013
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST INFORMATION REQUEST DATED MARCH 5, 2025
REQUEST 2
RESPONSIBLE PARTY: Jacob R. Watson

Request 2. This question is addressed to EKPC and the Member Cooperatives. Foreach of the Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month and two-year reviews. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the six-month and two-year reviews. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 2. Please see the following Excel spreadsheets that show the calculation of each Member Cooperative's over- or under-recovery for the 36 months covered by this review:

DR1 Response 2 – Big Sandy Surcharge Summary.xlsx
DR1 Response 2 – Blue Grass Surcharge Summary.xlsx
DR1 Response 2 – Clark Surcharge Summary.xlsx
DR1 Response 2 – Cumberland Valley Surcharge Summary.xlsx
DR1 Response 2 – Farmers Surcharge Summary.xlsx
DR1 Response 2 – Fleming-Mason Surcharge Summary.xlsx
DR1 Response 2 – Grayson Surcharge Summary.xlsx
DR1 Response 2 – Inter-County Surcharge Summary.xlsx
DR1 Response 2 – Jackson Surcharge Summary.xlsx

DR1 Response 2 – Licking Valley Surcharge Summary.xlsx
DR1 Response 2 – Nolin Surcharge Summary.xlsx
DR1 Response 2 – Owen Surcharge Summary.xlsx
DR1 Response 2 – Salt River Surcharge Summary.xlsx
DR1 Response 2 – Shelby Surcharge Summary.xlsx
DR1 Response 2 – South Kentucky Surcharge Summary.xlsx
DR1 Response 2 – Taylor County Surcharge Summary.xlsx

The calculations follow the revised methodology approved by the Commission in Case No. 2015-00281. Following that methodology, the 36-month review period is broken down into six-month segments. Each Excel spreadsheet has seven tabs. The "Summary" tab shows the over- or under-recovery for each six-month period included in this 36-month review. The Summary tab also determines a total "net" over- or under-recovery for the entire 36-month review period and shows two amortization options. The remaining six tabs contain the calculation of the over- or under-recovery for the applicable six-month period:

- Tab "A – 05-31-22" reflects the expense months of December 2021 through May 2022.
- Tab "B – 11-30-22" reflects the expense months of June 2022 through November 2022.
- Tab "C – 05-31-23" reflects the expense months of December 2022 through May 2023.
- Tab "D – 11-30-23" reflects the expense months of June 2023 through November 2023.
- Tab "E – 05-31-24" reflects the expense months of December 2023 through May 2024.
- Tab "F – 11-30-24" reflects the expense months of June 2024 through November 2024.

Please note that while the tabs are labeled to correspond with the applicable surcharge expense month, the spreadsheets reflect the surcharge billing month, which is one month later than the expense month. Thus, the expense months December 2021 through May 2022 correspond to the billing months of January 2022 through June 2022. This approach has been consistently followed since the adoption of the revised methodology in Case No. 2015-00281.

The following table summarizes the resulting over- or under-recoveries for each Member Cooperative, the proposed amortization period, and the monthly amortization amount.

Member Cooperative	Total Net (Over)/Under Recovery		Months to Amortize	Monthly Amortization	
	(Over)	Under		(Over)	Under
Big Sandy	($71,974)		6	($11,996)	
Blue Grass	($347,512)		6	($57,919)	
Clark	($176,102)		6	($29,350)	
Cumberland Valley		$247,191	6		$41,199
Farmers	($261,666)		6	($43,611)	
Fleming-Mason		$352,336	12		$29,361
Grayson		$220,152	6		$36,692
Inter-County	($77,100)		6	($12,850)	
Jackson		$175,785	6		$29,297
Licking Valley	($641,389)		6	($106,898)	
Nolin	($397,394)		6	($66,232)	
Owen		$1,741,005	6		$290,168
Salt River	($614,526)		6	($102,421)	
Shelby		$84,852	6		$14,142
South Kentucky	($1,038,492)		6	($173,082)	
Taylor County	($831,718)		6	($138,620)	
Cumulative Totals	($4,457,875)	$2,821,321			

EKPC and the Member Cooperatives have been requested to prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the 36-month review period. As discussed in Mr. Watson's direct testimony, this 36-month review proceeding includes the fourth two-year review since the adoption of the revised methodology approved in Case No. 2015-00281. In the two-year reviews, Case No. 2017-00326 and 2019-00380, EKPC provided Excel spreadsheets for each Member Cooperative that included four "tabs". The first three tabs provided the six-month schedules filed in the previous surcharge review cases, identified by the applicable case number. The fourth tab covered the last six-months of the review period that had yet to be reviewed and contained the determination of the over- or under-recovery for the current review period. In those two-year review proceedings, EKPC stated its belief that viewing all four schedules together accomplished the desired review of each Member Cooperative's revenue requirement during the review period. EKPC and the Member Cooperatives followed the same conceptual approach for the 30-month review in Case No. 2022-00141 as well this 36-month review proceeding.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2025-00013
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST INFORMATION REQUEST DATED MARCH 5, 2025
REQUEST 3
RESPONSIBLE PARTY: Mark Horn

Request 3. This question is addressed to EKPC. Refer to Form 2.3, Inventory and Expense of Emission Allowances, for each of the six-month review periods and last six expense months of the two-year periods under review.

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

Response 3a. No sulfur dioxide allowance purchases were made during the period of December 1, 2021 through November 30, 2024.

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

Response 3b. No nitrogen oxide allowance purchases were made during the period of December 1, 2021 through November 30, 2024.

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

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

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2025-00013
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST INFORMATION REQUEST DATED MARCH 5, 2025
REQUEST 4
RESPONSIBLE PARTY: Jacob R. Watson

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

Response 4. The attachments are grouped in six-month blocks corresponding with the following expense months:

- Expense months December 2021 through May 2022 – see attachment *DR1 Response 4 - OM Expenses 01 DEC21_MAY22.pdf*;
- Expense months June 2022 through November 2022 – see attachment *DR1 Response 4 - OM Expenses 02 JUN22_NOV22.pdf*;
- Expense months December 2022 through May 2023 – see attachment *DR1 Response 4 - OM Expenses 03 DEC22_MAY23.pdf*;
- Expense months June 2023 through November 2023 – see attachment *DR1 Response 4 - OM Expenses 04 JUN23_NOV23.pdf*;

- Expense months December 2023 through May 2024 – see attachment *DR1 Response 4 - OM Expenses 05 DEC23_MAY24.pdf*; and
- Expense months June 2024 through November 2024 – see attachment *DR1 Response 4 - OM Expenses 06 JUN24_NOV24.pdf*.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2025-00013
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST INFORMATION REQUEST DATED MARCH 5, 2025
REQUEST 5
RESPONSIBLE PARTY: Tom Stachnik

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

a. The debt issuances directly related to projects in the approved compliance plan and corresponding outstanding balances of each debt issuance;

b. The debt cost for each debt issuance directly related to the projects in the approved compliance plan, and whether the debt cost is a fixed or variable rate;

c. EKPC's calculation of the weighted average debt cost and the rate of return resulting from multiplying the weighted average debt cost by a 1.50 Times Interest Earned Ratio (TIER), including all supporting calculations showing how the weighted average debt cost was determined; and

d. Provide all schedules and supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 5a-d. EKPC believes Staff would like the information as of November 30, 2024 instead of May 31, 2019. Please see the Excel spreadsheet *DR1 Response 5 – WAC of Debt 11-30-21.xlsx*. The debt cost for each long-term debt issuance is at a fixed interest rate, while the Credit Facility is at a variable interest rate. EKPC is proposing a weighted average cost of debt of 4.316% based on the debt cost of each debt issuance directly related to the projects in the environmental compliance plan as of November 30, 2024, and debt cost for the Credit Facility for all environmental compliance plan construction work in progress as of November 30, 2024. Using a weighted average cost of debt and a TIER of 1.5 produces a rate of return on the environmental compliance related capital expenditures of 6.474%. The Requests specifies the calculation use a TIER of 1.50. EKPC acknowledges that TIER was authorized at 1.475 in Case No. 2021-00103 as part of the September 30, 2021 Order. EKPC believes moving back to a TIER of 1.50 is prudent.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. PSC CASE NO. 2025-00013
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST INFORMATION REQUEST DATED MARCH 5, 2025
REQUEST 6
RESPONSIBLE PARTY: Jacob R. Watson

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

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

Response 6a. As stated in Mr. Watson's direct testimony, EKPC does not believe that any surcharge amounts should be incorporated into its existing base rates. However, EKPC has provided a calculation of the estimated roll-in amount, as shown on the spreadsheets provided in the Excel spreadsheet *DR1 Response 6 – Potential Roll-in 11-30-24.xlsx*. The total estimated roll-in (revenue requirement) is $166,836,695 and EKPC has further estimated that $96,868,723 of the total would be assigned to demand and $69,967,972 would be assigned to energy. Please note that this demand and energy assignment assumes the entire return on environmental compliance rate base would be assigned to demand. A cost of service study would likely assign the components of the environmental compliance rate base to both demand and energy. Likewise, the return on environmental compliance rate base would likely be assigned to demand and energy as well.

To determine this estimated roll-in, EKPC used the environmental compliance rate base as shown in the monthly surcharge report for the expense month of November 30, 2024, the last expense month included in the 36-month review. This rate base was multiplied by the rate of return that was authorized as of November 30, 2024, which was 6.474%, to calculate the dollar return on rate base. Pollution control operating expenses reflect the actual balances for the twelve-month period ending November 30, 2024. There were no proceeds from the sale of by-products or emission allowances for the twelve months ending November 30, 2024 to include in the calculations. The sum of the dollar return on rate base and pollution control operating expenses was multiplied by the Member System allocation ratio for November 30, 2024 of 99.06% to recognize that only the portion of the surcharge applicable to Member sales would be rolled into base rates. This adjusted surcharge revenue requirement constitutes the estimated roll-in amount.

In preparing this response, EKPC has utilized the same approach it followed when it responded to Request 6a of the Commission Staff's First Data Request in Case No. 2012-00486 and 2022-00141.

Request 6b. The surcharge factor reflects a percentage of revenue approach, rather than a per-kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into EKPC's base rates. Include any analysis that EKPC believes supports its position. Provide all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.

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

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

Response 6c. EKPC's BESF as of November 30, 2024 was 0.34%, as established in Case No. 2024-00048. EKPC has not identified any additional Environmental Compliance Plan expenses that are included in Base Rate. From that, EKPC is not proposing any adjustments to

BESF. In the response to Request 6a, EKPC has provided a calculated amount of a base rate roll-in. If the Commission were to require EKPC to roll-in its environmental surcharge into base rates, based on the Member System base rate revenues for the twelve months ending November 30, 2024, the BESF would be 19.75%. However, EKPC notes that it would need to recalculate the BESF based on the most recent twelve month revenue information following the Order in this proceeding. EKPC believes this recalculation is consistent with the approach followed by Louisville Gas and Electric Company and Kentucky Utilities Company when recalculating its BESF.

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

Response 6d. Although EKPC does not support incorporating the environmental surcharge revenue requirement into base rates as part of this proceeding, such a roll-in would not require the need to modify the surcharge mechanism or monthly surcharge reports utilizing the approved base/current mechanism. While a roll-in of the environmental surcharge revenue requirement into EKPC's wholesale base rates would not require a modification to the surcharge mechanism or monthly surcharge reports, such a roll-in would require the Member Systems to modify their retail base rates accordingly. No mechanism to accomplish a retail base rate change due to an environmental surcharge roll-in was established in conjunction with the approval of the environmental surcharge for EKPC or the pass-through mechanism for the Member Systems.

Request 6e. Provide all schedules in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 6e. The Excel spreadsheet *DR1 Response 6 – Potential Roll-in 11-30-24.xlsx* provided with this response includes all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.