COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF EAST	)	
KENTUCKY POWER COOPERATIVE, INC.	)	
FOR A GENERAL ADJUSTMENT OF RATES,	)	Case No. 2025-00208
APPROVAL OF DEPRECIATION STUDY,	)	
AMORTIZATION OF CERTAIN REGULATORY	)	
ASSETS AND OTHER GENERAL RELIEF	)	

SUPPLEMENTAL TESTIMONY OF JACOB R. WATSON
MANAGER OF RATES AND REGULATORY
ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: November 24, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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	))))))	Case No. 2025-00208

VERIFICATION OF JACOB R. WATSON

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF CLARK)

Jacob R. Watson, Manager of Rates and Regulatory for East Kentucky Power Cooperative, Inc., being duly sworn, states that he has supervised the preparation of his Stipulation Testimony 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.

Jacob R. Watson
Jacob R. Watson

The foregoing Verification was signed, acknowledged and sworn to before me this 21 day of November, 2025, by Jacob R. Watson.

Jeannie M. Jones

Notary Commission No. KYNP 41703

Commission expiration: 1-15-2026

JEANNIE M. JONES
NOTARY PUBLIC
STATE AT LARGE
KENTUCKY
COMMISSION # KYNP41703
MY COMMISSION EXPIRES JANUARY 15, 2026

I. INTRODUCTION

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

A. My name is Jacob R. Watson. I am the Manager of Rates and Regulatory for East Kentucky Power Cooperative, Inc. ("EKPC"). My business address is 4775 Lexington Road, Winchester, Kentucky 40391.

Q. DID YOU PREVIOUSLY PROVIDE TESTIMONY IN THIS CASE?

A. Yes. I provided direct testimony that was filed as part of EKPC's Application.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. I am supporting the reasonableness of the Stipulation, Settlement Agreement and Recommendation that EKPC and the intervenors in this case entered into on November 24, 2025 ("Stipulation").

Q. WHO ARE THE INTERVENORS?

A. Two parties were allowed to intervene in this docket – the Attorney General through his Office of Rate Intervention ("AG") and Nucor Steel Gallatin ("Nucor").

II. THE STIPULATION

Q. PLEASE SUMMARIZE THE TERMS OF THE STIPULATION.

A. The stipulation agreement details the following:

- An increase to revenue requirements of $63.727 million
- A revenue allocation achieving a recovery of $63.726 million
- Authorized a 1.50 TIER for base rates
- A Symmetrical Earnings Mechanism (detailed in the direct testimony of Cliff Scott in support of the settlement)
- EKPC's commitment to amend the Pumping Station Special Contracts

- An increase to the Interruptible Credit of $2/kW-month
- Approval of the Depreciation Study (with removal of terminal net salvage from production)
- Amortization of Certain Regulatory Assets
    - Extending the amortization for the cancellation of the Smith Unit 1 generation station that was authorized in Case No. 2010-00449, and consistent with the provisions of the Stipulation Agreement approved in Case No. 2015-00358, for 6 years
    - Amortizing the Generation Maintenance regulatory asset for 6 years
    - Amortizing the RTEP regulatory asset that was approved by the Commission in Case No. 2025-00193 for 6 years
- Relief from certain existing reporting requirements
    - The PJM Annual report as Ordered in Case No. 2012-00169 and modified in Case No. 2021-00103 that details the benefits of EKPC's membership in PJM
    - The Annual Operating Report for Bluegrass Station from Case No. 2015-00267
- Aligning EKPC's filing of its PURPA Tariff Updates to a biennial basis in accordance with 807 KAR 5:054
- Approval of the tariff adjustments proposed in the application
- Approving the recovery of Rate Case Expense, including the expense for the Owner-Members' pass-through cases, based on a three (3) year amortization

- A stay-out provision of three (3) years, with standard provisions with a requirement to file a rate case within six (6) years.

Q. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO REACH THE REVENUE REQUIREMENT AGREED TO IN THE STIPULATION.

A. The Stipulation's proposed revenue requirement increase is calculated as shown in Table 1 below. Additional details are attached to the Stipulation Agreement as Exhibit A. Please note that the calculations begin with EKPC's adjusted proposed revenue requirement and makes adjustments as shown to arrive at the final stipulated increase:

TABLE 1

Stipulation Revenue Requirement and Adjustments

Description	**Amount**
EKPC's Filed Revenue Requirement	$79,757,474
Generator Maintenance Tracker – 6-year Amortization	$(4,583,042)
Generator Maintenance Adjustment – 5-year Average	$(2,367,854)
Reduce Depreciation Expense to remove Terminal Net Salvage from Production	$(2,559,120)
Remove Amortization Expense Associated with Prior Rate Case Deferred Costs	$(247,498)
Reduce Amortization Expense for Smith 1 Cancellation Costs Becoming Fully Amortized (6-year Amortization)	$(9,608,890)
2025-00193 RTEP Regulatory Asset 6-year Amortization	$3,360,984
Reduce PSC Assessment	($24,872)
Stipulated Revenue Requirement	$63,727,181

Q. PLEASE EXPLAIN THE "GENERATOR MAINTENANCE TRACKER – 6-YEAR AMORTIZATION" ENTRY IN THE TABLE ABOVE.

A. The stipulated revenue requirement increase reflects a longer amortization period of six years for EKPC's Generator Maintenance Tracker Regulatory Asset for ratemaking purposes as compared to the proposed three-year amortization period in EKPC's application. This adjustment reduces EKPC's revenue requirement increase by $4,583,042.

Q. PLEASE EXPLAIN THE "GENERATOR MAINTENANCE ADJUSTMENT – 5-YEAR AVERAGE" ENTRY IN THE TABLE ABOVE.

A. The stipulated revenue requirement increase reflects a change in the calculation of the threshold for recovery of EKPC's Generator Maintenance Tracker Regulatory Asset for ratemaking purposes. EKPC's application proposed using a historical 4-year average of generation maintenance expenses based on actuals from 2020 through 2023 to calculate the Generator Maintenance Tracker Regulatory Asset threshold for recovery for ratemaking purposes. The Stipulation changes this threshold to be based on a 5-year historical average from 2020 through 2024. This adjustment reduces EKPC's revenue requirement increase by $2,367,854.

Q. PLEASE EXPLAIN THE "REDUCE DEPRECIATION EXPENSE TO REMOVE TERMINAL NET SALVAGE FROM PRODUCTION" ENTRY IN THE TABLE ABOVE.

A. The stipulated revenue requirement increase reflects a recommendation proposed by AG-Nucor witness Mr. Kollen who proposed the removal of Terminal Net

Salvage from the depreciation expense adjustment included in EKPC's application. This adjustment reduces EKPC's revenue requirement increase by $2,559,120. Other than this adjustment, the Stipulation provides that the proposed depreciation rates as filed in EKPC's application shall be approved for ratemaking purposes.

Q. **PLEASE EXPLAIN THE "REMOVE AMORTIZATION EXPENSE ASSOCIATED WITH PRIOR RATE CASE DEFERRED COSTS" ENTRY IN THE TABLE ABOVE.**

A. The stipulated revenue requirement increase reflects a recommendation proposed by AG-Nucor witness Mr. Kollen who proposed removing amortization expenses associated with the 2021 EKPC rate case. This adjustment reduces EKPC's revenue requirement increase by $247,928

Q. PLEASE EXPLAIN THE "REDUCE AMORTIZATION EXPENSE FOR DEFERRED SMITH 1 CANCELLATION COSTS BECOMING FULLY AMORTIZED (6-YEAR AMORTIZATION)" ENTRY IN THE TABLE ABOVE.

A. The stipulated revenue requirement increase reflects a recommendation to reduce the amortization of the Smith 1 cancellation costs ("Smith 1") regulatory asset which was initially approved in Case No. 2010-00409. The Commission then granted EKPC to amortize the Smith 1 regulatory asset over 10 years in Case No. 2015-00358 to be fully amortized on Jan. 1, 2027. As part of this Stipulation, The Smith 1 regulatory asset's amortization period will be extended by six years starting May 2026. This adjustment reduces EKPC's proposed revenue requirement increase by $9,608,890.

Q. PLEASE EXPLAIN THE "2025-00193 RTEP REGULATORY ASSET 6-YEAR AMORTIZATION" ENTRY IN THE TABLE ABOVE.

A. EKPC received an order from the Commission allowing for the establishment of a regulatory asset for RTEP expenses from PJM expensed to EKPC in calendar year 2025 in Case No. 2025-00193 above the amount already included in EKPC's base rates. The order authorized amortization of RTEP expenses to be included in rates during EKPC's next base rate case. EKPC projects the amount authorized for the regulatory asset, in excess of what EKPC is allowed to recover in base rates, in that order will be $20,165,905 based on the most recent billings from PJM through October 2025. EKPC is proposing to collect the costs associated with the RTEP Regulatory Asset over a six-year amortization period. This adjustment increases EKPC's proposed revenue requirement by $3,360,984.

Q. HOW DOES THE STIPULATION PROPOSE TO ALLOCATE THE REVENUE INCREASE?

A. The Stipulation proposes an overall revenue increase of $63,727,181, which equates to an increase of approximately 5.99% above 2023 base rate revenues. The Parties agreed to a maximum increase to any rate class of 9.64% which was applied to Rates B, C, G, Large Special Contract, and Steam Service. The remaining revenue requirements after this recommendation was then allocated to Rate E which results in a proposed increase of 4.95% for Rate E. The Special Contract Pumping Stations receive no allocation of the stipulated increase. Additional details are attached to the Stipulation Agreement as Exhibit C. A summary of the revenue allocation is shown in Table 2 below:

TABLE 2 Stipulated Revenue Allocation	
Customer Class	**% Increase**
Rate E	4.95%
Rate B	9.64%
Rate C	9.64%
Rate G	9.64%
Large Special Contract	9.64%
Special Contract – Pumping Stations	0.00%
Steam Service	9.64%
Total System	5.99%

Q. PLEASE DESCRIBE WHAT THE PROPOSED ALLOCATION MEANS FOR THE MONTHLY BILLS OF EACH RATE CLASS.

A. As compared to EKPC's original application, the stipulated revenue allocation results in a balanced overall allocation with three rate classes receiving a lower allocation of the stipulated revenue requirement and three rate classes receiving a higher allocation. Classes that receive a lower allocation of the revenue requirement are Rates E, G, and Large Special Contract, which will result in those classes receiving a lower increase on their monthly bills as compared to EKPC's original position. Classes that receive a higher allocation of the revenue requirement are Rates B, C, and Steam Service, which will result in those classes receiving a higher increase on their monthly bills as compared to EKPC's original position. Table 3 shows a comparison of EKPC's original proposed revenue allocation and the Stipulation revenue allocation on a percentage basis:

TABLE 3

Comparison of Revenue Increase Allocation by Rate Class

Customer Class	EKPC's Filed Position	Stipulation	Difference
Rate E	6.94%	4.95%	-1.99%
Rate B	9.00%	9.64%	0.64%
Rate C	9.00%	9.64%	0.64%
Rate G	11.00%	9.64%	-1.36%
Large Special Contract	11.00%	9.64%	-1.36%
Special Contract – Pumping Stations	0.00%	0.00%	0.00%
Steam Service	2.50%	9.64%	7.14%
Total System	7.49%	5.99%	-1.50%

Q. PLEASE DESCRIBE THE INCREASE TO THE INTERRUTIBLE CREDIT AND WHY THAT CHANGE IS BEING MADE.

A. As a part of the Stipulation Agreement, the parties have agreed to a $2/kW increase in each of the Interruptible Credits outlined in Rate D of EKPC's Tariff and in the Interruptible Credits applicable only to the Large Special Contract rate class. This increase in the Interruptible Credit was proposed in the Direct Testimony of AG-Nucor witness Mr. Baron.

In prior base rate proceedings, EKPC had excess generation capacity available to serve potential new loads seeking service, and the price of capacity in

PJM was much lower than it is today which justified no change in the Interruptible Credits in Rate D. That is not the case today. EKPC is currently forecasting an additional generation capacity need by the 2026/2027 winter season as discussed in EKPC's Certificate of Public Convenience and Necessity ("CPCN") case to construct the Liberty RICE units in Case No. 2024-00310 and EKPC's most recent Integrated Resource Plan in Case No. 2025-00087. With this in mind, it is appropriate at this time to increase the credit given to load that makes itself available to EKPC for interruption due to capacity being more valuable than it has been in prior base rate proceedings.

Q. WHAT IS THE OVERALL REVENUE IMPACT OF THE $2/KW INCREASE IN THE INTERRUPTIBLE CREDIT?

A. The increase in the Interruptible credit results in additional credit given to members taking interruptible service of $8,093,981. This results in a lower net revenue requirement for EKPC by the same amount. EKPC proposes to collect these additional credits evenly across all rate classes to arrive back at the Stipulated Revenue Requirement shown in Table 1 above. This results in a 0.77% increase for all classes. A more detailed percentage breakdown is shown below:

TABLE 4
Breakdown of Percentage Increase for Each Class between Base Rates and Interruptible Credit

Customer Class	Base Rates	Interruptible Credit	Total
Rate E	4.18%	0.77%	4.95%
Rate B	8.87%	0.77%	9.64%

Rate C	8.77%	0.77%	9.64%
Rate G	8.77%	0.77%	9.64%
Large Special Contract	8.77%	0.77%	9.64%
Special Contract – Pumping Stations	0.00%	0.00%	0.00%
Steam Service	8.77%	0.77%	9.64%
Total System	5.23%	0.76%	5.99%

Q. IS EKPC WITHDRAWING ITS REQUEST TO DEFER RTEP EXPENSES AND TO RENEW THE GENERATION MAINTENANCE TRACKER? IF SO, WHY?

A. Yes. As discussed in more detail in the Stipulation Testimony of Cliff Scott, included as part of this Stipulation, the Symmetrical Earnings Mechanism ("SEM") would eliminate the need for EKPC to track or record those expenses as regulatory assets in excess of what is currently allowed in base rates. The SEM would essentially grant EKPC the ability to book those excess costs against its margin and recover them, if EKPC's TIER goes below 1.40, through the SEM in the following year. Additionally, considering EKPC is agreeing to a stay out provision of no less than three years and no longer than six years, EKPC did not think it would be financially appropriate to book those costs as regulatory assets and EKPC not seek recovery of those regulatory assets for approximately six years.

Q. WHY IS EKPC AGREEING TO A THREE-YEAR RATE CASE STAYOUT WHEN IT HAD PROJECTED THAT IT WOULD NEED TO FILE RATE INCREASES EVERY EIGHTEEN TO TWENTY-FOUR MONTHS FOR THE FORESEEABLE FUTURE?

A. As discussed above, EKPC would not need to come in for multiple base rate case increases in the near future due to the SEM eliminating the need for them. Instead, EKPC would file annual filings with the Commission in the event that EKPC would need to recover revenues through the SEM if EKPC's TIER goes below 1.40.

III. CONCLUSION

Q. DO YOU BELIEVE THE STIPULATION REPRESENTS A FAIR COMPROMISE AND REASONABLE OUTCOME IN THIS CASE?

A. Yes. As a whole, the Stipulation is a fair, just and reasonable outcome and should be approved by the Commission without any modification.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes.