

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	)	CASE NO.
OF EAST KENTUCKY POWER COOPERATIVE,	)	2025-00266
INC. FOR THE TWO-YEAR EXPENSE PERIOD	)	
ENDING MAY 31, 2025, AND THE PASS-	)	
THROUGH MECHANISM OF ITS SIXTEEN	)	
MEMBER DISTRIBUTION COOPERATIVES	)	

RESPONSES TO STAFF’S FIRST INFORMATION REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.

DATED SEPTEMBER 19, 2025

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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 the Commission Staff's First Request for Information in the above-referenced case dated September 19, 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
Mark Horn

Subscribed and sworn before me on this 14th day of October, 2025.

Christine Embury
Notary Public

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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 the Commission Staff's First Request for Information in the above-referenced case dated September 19, 2025, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.


Thomas J. Stachnik

Subscribed and sworn before me on this 8th day of October, 2025.


Notary Public

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

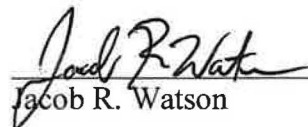
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Jacob R. Watson, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Commission Staff's First Request for Information in the above-referenced case dated September 19, 2025, 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 R. Watson

Subscribed and sworn before me on this 8th day of October, 2025.



Notary Public

EAST KENTUCKY POWER COOPERATIVE, INC.
CASE NO. 2025-00266
FIRST REQUEST FOR INFORMATION RESPONSE

STAFF'S REQUEST DATED SEPTEMBER 19, 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 two-year review. 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 attachment *Staff DRI Response 1 - Summary Schedule.xlsx*.

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REQUEST 2

RESPONSIBLE PARTY: Jacob R. Watson

Request 2. This question is addressed to EKPC and the Member Cooperatives. For each of the Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the two-year review. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the two-year review. 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 Owner-Member's over- or under-recovery for the 24 months covered by this review:

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

Staff DR1 Response 2 – Licking Valley Surcharge Summary.xlsx
Staff DR1 Response 2 – Nolin Surcharge Summary.xlsx
Staff DR1 Response 2 – Owen Surcharge Summary.xlsx
Staff DR1 Response 2 – Salt River Surcharge Summary.xlsx
Staff DR1 Response 2 – Shelby Surcharge Summary.xlsx
Staff DR1 Response 2 – South Kentucky Surcharge Summary.xlsx
Staff 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 24-month review period is broken down into six-month segments. Each Excel spreadsheet has eight tabs containing the calculation of the over- or under-recovery for the applicable six-month period:

- Tab “Current 5-31-25” reflects the expense months of December 2024 through May 2025.
- Tab “2025-00013 Summary” reflects the over- or under-recovery from the last review which impacts the current over- or under-recovery. There are six tabs supporting this summary.
 - Tab “A - 05-31-22”
 - Tab “B - 11-30-22”
 - Tab “C - 05-31-23”
 - Tab “D - 11-30-23”
 - Tab “E - 05-31-24”
 - Tab “F - 11-30-24”

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 2024 through May 2025 correspond to

the billing months of January 2025 through June 2025. 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 Owner-Member, the proposed amortization period, and the monthly amortization amount.

Owner-Member	Total Net (Over)/Under Recovery		Months to Amortize	Monthly Amortization	
	(Over)	Under		(Over)	Under
Big Sandy	(\$21,017)		6	(\$3,503)	
Blue Grass	(\$220,549)		6	(\$36,758)	
Clark		\$140,507	6		\$23,418
Cumberland Valley	(\$442,980)		6	(\$73,830)	
Farmers		\$76,662	6		\$12,777
Fleming-Mason	(\$7,144)		6	(\$1,191)	
Grayson		\$27,456	6		\$4,576
Inter-County		\$141,584	6		\$23,597
Jackson	(\$39,064)		6	(\$6,511)	
Licking Valley	(\$6,422)		6	(\$1,070)	
Nolin		\$179,812	6		\$29,969
Owen		\$186,579	6		\$31,096
Salt River	(\$146,076)		6	(\$24,346)	
Shelby	(\$67,774)		6	(\$11,296)	
South Kentucky		\$46,770	6		\$7,795
Taylor County	(\$4,725)		1	(\$4,725)	
Cumulative Totals	(\$955,749)	\$799,370			

EKPC and the Owner-Members were requested to prepare a summary schedule showing the Owner-Member's pass-through revenue requirement for the months corresponding with the 24-month review period. As discussed in Direct Testimony of Jacob R. Watson, filed contemporaneously with these responses, this 24-month review proceeding includes the fifth 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 Owner-Member that included four "tabs." The first three tabs provided the six-month

schedules filed in the previous surcharge review case, 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 Owner-Member's revenue requirement during the review period. The most recent two-year reviews, Case No. 2022-00141 and 2025-00013, covered more than 24-months and were presented similarly. In the most recent review, Case No. 2025-00013, 36-months were in the review. To understand the previous over- or under-recovery presented in the tab "Current 05-31-25", a summary tab and supporting tabs from Case No. 2025-00013 are included to provide the complete view.

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CASE NO. 2025-00266
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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 the last six expense months of the two-year period under review.

- a. For the sulfur dioxide emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
- b. For the nitrogen oxide emission allowance inventory, explain the reason(s) for all purchases of allowances reported during these expense months.
- c. Explain how the purchases of allowances in the last six expense months under review comply with EKPC's emissions allowance strategy plan.

Response 3.

- a. During the review period, EKPC's current banked sulfur dioxide allowances in inventory did not require any additional purchases to meet regulatory requirements during these months.

b. During the review period, EKPC's current banked nitrogen oxide allowances in inventory did not require any additional purchases to meet regulatory requirements during these months.

c. During the review period, EKPC did not purchase any allowances for either sulfur dioxide or nitrogen oxide.

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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 of the two-year period 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. Please see the following attachments which are grouped in six-month blocks corresponding with the following expense months:

- *Staff DR1 Response 4 – O&M Analysis Surcharge JUN23 - NOV23.xlsx*
- *Staff DR1 Response 4 – O&M Analysis Surcharge DEC23 - MAY24.xlsx*
- *Staff DR1 Response 4 – O&M Analysis Surcharge JUN24 - NOV24.xlsx*
- *Staff DR1 Response 4 – O&M Analysis Surcharge NOV24 - MAY25.xlsx*

EAST KENTUCKY POWER COOPERATIVE, INC.
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REQUEST 5

RESPONSIBLE PARTY: Thomas J. 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, 2025:

- 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. Please see the Excel spreadsheet *Staff DRI Response 5 - Surcharge ROR May 2025.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 4.325% based on the debt cost of each debt issuance directly related to the projects in the environmental compliance plan as of May 31, 2025, and debt cost for the Credit Facility for all environmental compliance plan construction work in progress as of May 31, 2025. 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 6.488%. The Requests specifies the calculation use a TIER of 1.50. EKPC's TIER was authorized at 1.50 in Case No. 2025-00013 as part of the July 28, 2025 Order.

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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.

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

b. 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.

c. 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, workpapers, and assumptions.

d. 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.

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

Response 6.

a. As stated in the Direct Testimony of Jacob R. Watson, filed contemporaneously with these responses, EKPC does not believe that any surcharge amounts should be incorporated into its existing base rates. However, EKPC provided a calculation of the estimated roll-in amount, as shown on the spreadsheets provided in the Excel spreadsheet *Staff DR1 Response 6 – Potential Roll-in 5-31-25.xlsx*. The total estimated roll-in (revenue requirement) is \$173,372,168 and EKPC further estimated that \$95,619,864 of the total would be assigned to demand and \$77,752,304 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 May 31, 2025, the last expense

month included in the 24-month review. This rate base was multiplied by the rate of return that was authorized as of May 31, 2025, which was 6.484%, to calculate the dollar return on rate base. Pollution control operating expenses reflect the actual balances for the twelve-month period ending May 31, 2025. There were no proceeds from the sale of by-products or emission allowances for the twelve months ending May 31, 2025, 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 May 31, 2025, of 98.76% 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 No. 6a of the Commission Staff's First Request for Information in Case Nos. 2012-00486, 2022-00141, and 2025-00013.

b. 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 No. 6a. EKPC 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.

c. EKPC's BESF as of May 31, 2025, 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. EKPC is not proposing any adjustments to BESF. In the response to Request No. 6a, EKPC 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 May 31, 2025, the BESF would be 18.31%. 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.

d. 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.

e. The Excel spreadsheet *Staff DRI Response 6 – Potential Roll-in 5-31-25.xlsx* provided with this response includes all schedules in Excel spreadsheet format with all cells and formulas intact and unprotected.