

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,	)	CASE NO.
APPROVAL OF DEPRECIATION STUDY,	)	2021-00103
AMORTIZATION OF CERTAIN REGULATORY	)	
ASSETS, AND OTHER GENERAL RELIEF	)	

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on August 3, 2021 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on August 3, 2021 in this proceeding;
- A written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on August 3, 2021.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at <https://youtu.be/GKCwgAcG5I4>.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 24<sup>th</sup> day of August 2021.

A handwritten signature in blue ink that reads "Linda C. Bridwell". The signature is written in a cursive style with a large initial 'L' and a distinct 'C'.

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Linda C. Bridwell  
Executive Director  
Public Service Commission of Kentucky

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

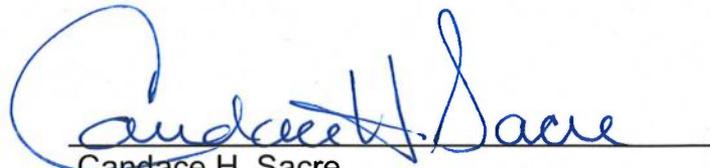
ELECTRONIC APPLICATION OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR A GENERAL	)	
ADJUSTMENT OF RATES, APPROVAL OF	)	CASE NO.
DEPRECIATION STUDY, AMORTIZATION OF	)	2021-00103
CERTAIN REGULATORY ASSETS, AND OTHER	)	
GENERAL RELIEF	)	

CERTIFICATION

I, Candace H. Sacre, hereby certify that:

1. The attached flash drive contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on August 3, 2021. The Formal Hearing Log, Exhibit List, and Exhibits are included with the recording on August 3, 2021;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Formal Hearing of August 3, 2021; and
4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of August 3, 2021, and the time at which each occurred.

Signed this 9<sup>th</sup> day of August, 2021.

  
Candace H. Sacre  
Administrative Specialist III

  
Stephanie Schweighardt  
Notary Public State at Large ID#: 614400  
Commission Expires: January 14, 2023



Date:	Type:	Location:	Department:
8/3/2021	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Stephen Baron; Ann Bridges; Anthony Campbell; Michelle Carpenter; David Crews; Scott Drake; Mark Horn; Craig Johnson; Lane Kollen; Barry Lindeman; Rich Macke; David Meade; Isaac Scott; John Spanos; Tom Stachnik; Julie Tucker; Cathy Waddell; Mary Jane Warner; Patrick Woods; Denver York  
 Judge: Kent Chandler; Amy Cubbage; Talina Mathews  
 Clerk: Candace Sacre

Event Time	Log Event	
9:06:26 AM	Session Started	
9:06:30 AM	Vice Chairman Chandler Note: Sacre, Candace	On the record in Case No. 2021-00103, Electronic Application of East Kentucky Power Cooperative, Inc. (EKPC) for a General Adjustment of Rates, Approval of Depreciation Study, Amortization of Certain Regulatory Assets, and Other General Relief.
9:06:32 AM	Camera Lock Deactivated	
9:06:52 AM	Chairman Chandler Note: Sacre, Candace	My name is Kent Chandler. I am Chairman of the Public Service Commission, and I will be presiding today. Joining me today are Commissioner Talina Mathews and Vice Chairman Amy Cubbage.
9:07:02 AM	Chairman Chandler Note: Sacre, Candace	Videoconferencing and COVID recommendations. (Click on link for further comments.)
9:08:33 AM	Chairman Chandler Note: Sacre, Candace	Hearing today for purpose of taking evidence on EKPC's proposed wholesale rate adjustment, request for amortization of regulatory assets, relief from reporting requirement, and tariff charges.
9:08:44 AM	Chairman Chandler Note: Sacre, Candace	At this time, entry of appearance of counsel.
9:08:48 AM	Atty Samford EKPC Note: Sacre, Candace	David Samford on behalf of EKPC, with me Allyson Honaker.
9:09:02 AM	Asst Atty General West Note: Sacre, Candace	For the Attorney General, Mike West and John Horne.
9:09:09 AM	Atty Kurtz Nucor Note: Sacre, Candace	For Nucor, Mike Kurtz, Jody Kyler Cohn.
9:09:28 AM	Atty Gardner AppHarvest Note: Sacre, Candace	Jim Gardner for AppHarvest Morehead Farm, LLC.
9:09:40 AM	Gen Counsel Vinsel PSC Note: Sacre, Candace	Nancy Vinsel for Commission Staff.
9:09:44 AM	Chairman Chandler Note: Sacre, Candace	Public notice filed. (Click on link for further comments.)
9:09:51 AM	Chairman Chandler Note: Sacre, Candace	Pending confidentiality motions. (Click on link for further comments.)
9:10:09 AM	Chairman Chandler Note: Sacre, Candace	Public comments. (Click on link for further comments.)
9:10:33 AM	Chairman Chandler Note: Sacre, Candace	Call first witness.
9:10:38 AM	Atty Samford EKPC Note: Sacre, Candace	Anthony Campbell.

9:10:53 AM	Vice Chairman Chandler Note: Sacre, Candace	Witness is sworn.
9:11:05 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Examination. Name and address?
9:11:22 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Direct Examination. Cause certain testimony to be filed?
9:11:36 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Corrections, additions, or changes?
9:11:41 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Same questions, same answers?
9:11:46 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Desire and intent incorporate into record?
9:11:50 AM	Atty Samford EKPC Note: Sacre, Candace	Introduce EKPC Hearing Exhibit 1, Joint Stipulation.
9:12:33 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Identify document?
9:12:53 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Page 11, signature?
9:13:07 AM	Atty Samford EKPC - witness Campbell Note: Sacre, Candace	Stipulation, Settlement Agreement, and Recommendation tendered in docket?
9:13:16 AM	Atty Samford EKPC Note: Sacre, Candace	Move as Exhibit 1.
9:13:20 AM	Chairman Chandler Note: Sacre, Candace	Assume no objection, sustained.
9:13:23 AM	EKPC EXHIBIT 1 Note: Sacre, Candace Note: Sacre, Candace	ATTY SAMFORD EKPC - WITNESS CAMPBELL JOINT STIPULATION, SETTLEMENT AGREEMENT, AND RECOMMENDATION
9:13:33 AM	Chairman Chandler Note: Sacre, Candace	Questions?
9:13:48 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Cross Examination. Rates in effect October 1?
9:14:17 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Order October 5 2021, asking Commission enter Order end of September?
9:15:50 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Saying shoulder month, consequence any rate increase, usage not go up as much as in January, rates up in October bills not as high?
9:16:34 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	What TIER established in debt covenant?
9:16:59 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Regulatory assets, Burgess discussed, Scott sponsored adjustments, Carpenter more details, more details who suggest best person to ask questions?
9:17:44 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Generation maintenance tracking mechanism?
9:18:02 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Earnings mechanism proposed, also Bridges?
9:18:19 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Original application EKPC stated justify \$49 million revenue increase but only requesting \$43 million?
9:18:40 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Difference training, travel, outside consultants?

9:18:58 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Settlement not address cost containment initially proposed, why not start \$43 million if can justify cost adjustment?
9:20:17 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	How fair, just, and reasonable exclude expense reduction EKPC willing to use if Commission approve rates as final?
9:21:55 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Capital credits, Bridges testimony, earnings mechanism not prohibit EKPC from making capital credits, process?
9:23:45 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Pushing through, EKPC pays capital credits to owner/member co-ops, then co-ops decide to flow through to members?
9:24:13 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Complete flow-through down to end customer?
9:24:22 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Tax implications with capital credits?
9:25:14 AM	General Counsel Vinsel PSC - witness Campbell Note: Sacre, Candace	Environmental surcharge TIER in settlement, proposed 1.475 tier environmental surcharge, clarify as opposed to TIER for base rates, reference settlement testimony EKPC agreed to lower TIER environmental surcharge recent decisions investor-owned utilities, decision that Commission treatment impact decision lower TIER environmental surcharge?
9:27:22 AM	Vice Chairman Cabbage - witness Campbell Note: Sacre, Candace	Examination. Page 6 of settlement, relief from reporting obligations, why believe obsolete?
9:27:58 AM	Chairman Chandler Note: Sacre, Candace	Questions?
9:28:10 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Examination. Earnings mechanism in settlement?
9:28:30 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	\$6 million amount discussed, can find in savings, determined revenue requirement expected incur test year and adjustments \$49 million?
9:29:08 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Do find \$6 million, that \$6 million thought could find in savings not reflected in stipulation?
9:29:32 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Actually reduce by \$6 million make adjustments spend \$6 million less, make adjustments rates charged to customers \$6 million for customers, under earnings mechanism happens same way but \$6 million included in rates but still find in savings, 1.5 TIER, only savings back to customers amount of TIER over 1.4?
9:30:38 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Have TIER in excess of debt covenants, amount of net margins taken into account member equity?
9:30:56 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Have to take amount out of net margins to add to member equity?
9:32:41 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Aware of debt covenants require take certain amount net margins and turn into equity?
9:33:26 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	Cannot still pay or reduce overall equity amounts, do you know if covenants require put some into that amount even if pay capital credits?

9:34:01 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	TIER credit actually work out, one-time credit, based on demand, who talk to?
9:34:47 AM	Chairman Chandler - witness Campbell Note: Sacre, Candace	If wanted clarity, who talk to about \$6 million specifics on why EKPC propose way did?
9:35:37 AM	Chairman Chandler Note: Sacre, Candace	Questions?
9:35:48 AM	Chairman Chandler Note: Sacre, Candace	Witness excused.
9:36:00 AM	Chairman Chandler Note: Sacre, Candace	Next witness?
9:36:12 AM	Atty Samford EKPC Note: Sacre, Candace	Ann Bridges.
9:36:54 AM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
9:37:00 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Examination. Name and address?
9:37:15 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Direct Examination. Cause certain testimony and responses to be filed?
9:37:30 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Corrections, additions, or changes?
9:38:03 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Ask same questions, answers be the same?
9:38:11 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Desire to have filed in hearing record?
9:38:17 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Materials in front of you today?
9:38:35 AM	Chairman Chandler Note: Sacre, Candace	Questions?
9:38:46 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Cross Examination. Give color to settlement provision effective date October 1 for rates, expand upon that?
9:39:48 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	As proposed, justify \$45 million revenue increase but only ask \$43 million and rates based on \$43 million?
9:40:16 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Speak more to \$6 million cost containment in data requests?
9:41:17 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Reason why settlement began at \$49 million?
9:41:37 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	How fair, just, and reasonable anticipate \$6 million in reductions can be achieved but not include in settlement?
9:42:50 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	\$6 million cost containment not affect liability, why not appropriate Commission reduce settlement?
9:43:42 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	EKPC intends make reductions as can proposed in training, travel, use of consultants?
9:44:21 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	What TIER established in debt covenants?
9:44:59 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	One-point-one MFI?

9:45:05 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Every year?

9:45:09 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Comparison MFI and TIER?

9:45:33 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Impute TIER, right around one-point-one?

9:45:47 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Discussed consequences EKPC approved for TIER less than 1.50. How achieve 1.50 TIER if revenue increase \$38 million to base rate authorized?

9:47:14 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Environmental surcharge TIER 1.475, part of reason having TIER level reflect Commission decisions return on equity?

9:48:01 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Believe EKPC has similar risk in surcharge as investor-owned utility would have?

9:48:50 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Risk EKPC face in environmental surcharge justify 1.475 TIER?

9:49:31 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Settlement testimony, reference COS updated pursuant to settlement, referring to Macke revisions?

9:50:04 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Accepted three Baron adjustments?

9:50:23 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Earnings mechanisms, bill credit if EKPC margins exceed 1.4 TIER, bill credits annual or monthly?

9:51:06 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace 2022?

9:51:27 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace At what point parties file additional details?

9:51:45 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Commission approve as is, considerable details affect bill, to be determined, parties file additional information or agreement?

9:52:49 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Flow-through, as applied to customer bill, what methodology be?

9:53:16 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Parties agreed more general framework earnings mechanism with more filed by EKPC?

9:53:50 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Expect if Commission approves earnings mechanism, case open to investigation, parties wish to join that case, any discussion?

9:54:35 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Generation maintenance tracking mechanism, 75/25 percent split, generation maintenance expense budgeted amount recovered in rate, track spending, comparison actual and budgeted, establish regulatory asset or liability?

9:56:00 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace How 75 percent determined?

9:56:14 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace What happens other 25 percent?

9:56:24 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Regulatory asset or regulatory liability?

9:56:35 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace At what point EKPC request regulatory asset or liability?

9:57:21 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace EKPC requesting to establish regulatory asset or liability?

9:57:36 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Be asset or liability for every year of tracking?

9:57:59 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace EKPC expectation Commission examine reasonableness in next rate case?

9:58:16 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Propose amortize mechanism in next rate case or between now and next rate case?

9:58:45 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Amortized in next rate case?

9:59:05 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace One issue AppHarvest raised negotiating commercial and industrial lighting, demand side management program discontinued in 2019?

9:59:34 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Why discontinued?

9:59:48 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Appropriate continue moving forward in this case or ongoing negotiations?

10:00:29 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Know how many AppHarvest individual companies are or will be or propose to be located in EKPC territories?

10:01:27 AM General Counsel Vinsel PSC  
Note: Sacre, Candace Post-hearing, settlement exhibit C, copy in Excel with supporting calculations unprotected and accessible, after hearing staff issue Post-Hearing Data Request.

10:01:29 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace GENERAL COUNSEL VINSEL PSC - WITNESS BRIDGES  
Note: Sacre, Candace REVENUE SUMMARY BY RATE CLASS PRESENT AND RATE REVENUES - EXCEL VERSION WITH SUPPORTING CALCULATIONS - ALL FORMULAS UNPROTECTED AND ACCESSIBLE

10:02:09 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Settlement Exhibit C, page 1, Rate E 5.2 percent increase, Rates B, C, and G 2.6 percent increase, pumping stations zero. Why increase Rate E higher?

10:04:00 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Higher increase to reflect other classes subsidizing Rate E to try to address issue?

10:04:20 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace To better align cost of serving rate with revenues?

10:04:33 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Why no increase for pumping stations?

10:04:58 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Substation charges Rates E and G increased, basis of increase?

10:05:39 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace EKPC asked include four different regulatory assets in rates, Smith, Spurlock, Dale surcharge, and Dale asbestos ARO, start with two Dale regulatory assets, 5 and 10, comfortable discussing background?

10:08:40 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace Tell us why 2.6 percent for rate increases other than E?

10:09:17 AM General Counsel Vinsel PSC - witness Bridges  
Note: Sacre, Candace How align with cost of service?

10:09:26 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Who best expand upon 2.6 percent increase?
10:09:52 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Commission additional adjustments to revenue requirement, reasonable and supported by evidence, framework of 2.6 percent increase for particular rate class, preferable maintain same if revenue requirement change, any of increase be absorbed by other rates and keep others at 2.6 percent?
10:10:53 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Any rate classes not be changed from settlement in event of adjustment?
10:11:20 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	If Commission modify rate design as proposed, EKPC have recommendation to distribute allocated revenue between rate class components?
10:11:47 AM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Demand versus energy, two-to-one ratio?
10:12:14 AM	Chairman Chandler Note: Sacre, Candace	Questions?
10:12:18 AM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	Examination. Pages 4 and 5 of settlement, at least two categories be determined at a later date, AppHarvest and Tennessee pipeline, expectations revenue changes occur later negotiations and how impact adjusted base revenue?
10:13:40 AM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	Tennessee gas pipeline, Schedule C, zero percent increase, expectation up or down?
10:14:35 AM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	Zero percent increase, do not have expected risk revenues drop and impact \$38 million?
10:15:03 AM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	Reporting obligations, proposed appear obsolete, explain why particular reporting obligations obsolete?
10:16:18 AM	Chairman Chandler Note: Sacre, Candace	Questions?
10:16:30 AM	Commissioner Mathews - witness Bridges Note: Sacre, Candace	Examination. Timing issue, suspension date October 5, prefer order by September 30, so rates in effect on or after October 1, given staff, four major gas utilities in for rate cases, if not to meet September 30, rates on or after November 1?
10:17:44 AM	Commissioner Mathews - witness Bridges Note: Sacre, Candace	Shoulder month concern, relief from certain reporting obligations, think appropriate venue to address or better addressed between company and Commission rather than in a stipulation?
10:19:19 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Examination. Environmental surcharge, investor-owned utilities earn return on capital employ for public use and necessity?
10:19:58 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Invest capital for public convenience and have defined service territory and return on investment?
10:20:10 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Commensurate with relative risk and balanced with customer concerns?
10:20:19 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Not business model for EKPC?

10:20:39 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace ROE for investor-owned, equity return, that's cushion?

10:20:52 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace For EKPC, looking at expenses, setting rates on that plus cushion based off TIER?

10:21:00 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace TIER not calculated based off commensurate risk?

10:21:11 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Set number, whatever interest in given year, that's TIER, depends what utility's interest is?

10:21:24 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace When interest rates ten percent, 1.5 TIER different than when interest rates at three percent?

10:21:34 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Environmental surcharge, costs are passed through month after expended?

10:21:48 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Annual true-up for EKPC for factor charge on bill, over-under recovery trued up next year?

10:22:13 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Spend dollars in fourth month, recover in May, over- or under-recover exchange in factor to account for over/under in June?

10:22:43 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Different how proposed in stipulation?

10:23:08 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace 1.19 or 1.7 that's what you earn?

10:23:19 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Environmental surcharge formula rate trued up monthly, traditional rate making test year on base rates?

10:23:38 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Only difference in cushion between 1.5 TIER here and 1.475 TIER for environmental surcharge?

10:23:56 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Difference in loan covenants, anything different?

10:24:16 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace 1.5 or 1.75 when MFR 1.1 incurring costs month after, same amount of cushion environmental surcharge as what's being proposed to set base rates?

10:26:05 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Not necessarily return, TIER cushion to meet debt coverage?

10:26:21 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Need that much cushion to meet debt covenants?

10:26:50 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace MFIR annual basis?

10:26:59 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace Able to true up every month and recover next month, actual risk if set at 1.475?

10:27:29 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace MFIR overall basis?

10:27:45 AM Chairman Chandler - witness Bridges  
Note: Sacre, Candace 1.5 for environmental surcharge made up for non-environmental surcharge capital and loans taken out?

10:28:11 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	The 1.5 brings up all non-environmental surcharge TIER, if at 1.3 and earning 1.5 environmental surcharge law of averages non-environmental surcharge debt actually below 1.3 level?
10:28:32 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	If averaged with 1.5, to come out with 1.3 would have to be below 1.3 in this case?
10:28:49 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Proposal have normalized amount in test year rates set on, if wasn't tracked for regulatory asset or recovery at all, in years don't earn, higher than normalized amount, but next year, spent extra in cash but saved in year after, balances out?
10:29:44 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Only difference, time value of money?
10:30:06 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Tracking mechanism, spending, 75 percent cash outlay, defer, missing out on cash, not hit to bottom line?
10:30:42 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Out cash but not an expense realized that year?
10:30:55 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Out \$1 million cash, \$7.5 million deferred, \$2.5 million expense realized in that year?
10:31:03 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Next year, \$9 million, have \$7.5 million offset regulatory asset, and saved cash?
10:31:24 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Now out time value of money for cash, added back \$750,000 to regulatory asset and \$250,000 goes to bottom line?
10:32:06 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	How works in relation to TIER credit, earnings credit?
10:33:03 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Set generation maintenance expense normalized amount \$10 million, every year it's \$9 million, save a million, only 25 percent per year passed back through TIER credit?
10:33:53 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Saving cash, customers only getting benefit of 25 percent through TIER credit?
10:34:33 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Saving cash in individual years, passing 25 percent back through TIER, amortized liability, offset rates, actually decrease revenues in future?
10:35:40 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Will find \$6 million in savings and that's what based rates on, rates set on \$43 million dollars?
10:36:35 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	In addition proposed in stipulation, EKPC expect to save \$6 million?
10:37:15 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Expect find \$6 million in savings, now saying don't expect find that savings?
10:37:54 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	More former or latter?
10:38:30 AM	Atty Samford EKPC Note: Sacre, Candace	I have testimony, like to refer to it?

10:38:49 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	All started off of single Data Request Response, \$6 million in savings, haven't identified as test year adjustment, expect to save or saying don't want to go over \$43 million and we will find ways?
10:39:35 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Stachnik right person, what happens in any year TIER above 1.1 MFIR and whether portion be retained as member equity, aware of provisions?
10:40:17 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Have minimum equity amount but not aware whether had each year a specific amount of TIER has to be put in that year in member equity?
10:40:58 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Rate E increase, 5.2 percent proposed in stipulation, higher than that?
10:41:09 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Agree application 5.3 percent for Rate E?
10:41:30 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Rate being proposed, \$34.3 million increase at 5.2 percent, know initial allocation was, page 18 Mackey direct testimony?
10:42:16 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	\$4.5 million reduction to rates and only \$600 went to Rate E with Rate E 75-80 percent EKPC revenues?
10:42:43 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Rate E under-earning that bad that kept same increase and everybody else went down?
10:43:19 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	In rebuttal testimony?
10:43:24 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Rebuttal testimony filed after initial settlement?
10:43:38 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Contract, 8 percent proposed increase?
10:43:44 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Now 2.6 percent?
10:43:47 AM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Believe due to change in COS?
10:44:13 AM	Chairman Chandler Note: Sacre, Candace	Questions?
10:44:22 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Redirect Examination. Joint stipulation product of compromise?
10:44:35 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Single element, EKPC may or may not agree?
10:44:39 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Take settlement agreement as a whole, fair, just, and reasonable?
10:44:45 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Difference between \$49 million increase can be justified and \$43 million requested, page 11, read question and answer?
10:46:18 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Fair to say when EKPC board authorized application had end in sight, and your testimony refers to 5.2 percent increase really goal?
10:46:41 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	To achieve, revenue request \$43 million?
10:46:53 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	How many years observing Commission proceedings?

10:47:02 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Usual for utility to put in application thinks justify higher revenue requirement than asking for?
10:47:53 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Stipulation consistent with testimony begin with \$49 million?
10:48:06 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	If Commission reject portion of stipulation and put in \$6 million adjustment, fall under category of no good deed goes unpunished?
10:48:26 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Keep 1.5 TIER, on other hand earnings mechanism, think relationship how will work?
10:49:32 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Provision in stipulation commercial/industrial, how applies AppHarvest, commercial/industrial lighting tariff failed to meet California test, not limited to any particular industry?
10:50:01 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Industrial lighting tariff being considered more narrow?
10:50:30 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Those discussions have taken place with AppHarvest?
10:50:34 AM	Atty Samford EKPC - witness Bridges Note: Sacre, Candace	Possible lighting tariff within limited context make more sense than general industrial lighting tariff?
10:50:49 AM	Chairman Chandler Note: Sacre, Candace	Questions?
10:51:00 AM	Chairman Chandler Note: Sacre, Candace	Witness step down, remain.
10:51:15 AM	Chairman Chandler Note: Sacre, Candace	Recess till five after 11.
10:51:36 AM	Session Paused	
11:06:43 AM	Session Resumed	
11:06:45 AM	Chairman Chandler Note: Sacre, Candace	Back on record. Another witness?
11:06:50 AM	Atty Samford EKPC Note: Sacre, Candace	Isaac Scott.
11:06:51 AM	Camera Lock Deactivated	
11:06:57 AM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
11:07:01 AM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Examination. Name and address?
11:07:16 AM	Atty Samford EKPC - witness Scott Note: Sacre, Candace	Cause certain testimony and responses to data requests to be filed in record?
11:07:25 AM	Atty Samford EKPC - witness Scott Note: Sacre, Candace	Corrections, changes, or edits?
11:07:29 AM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Asked same questions, answers identical?
11:07:37 AM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Desire and intent to have testimony and responses entered into record?
11:07:45 AM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Identify materials taken to stand?
11:08:09 AM	Chairman Chandler Note: Sacre, Candace	Questions?

11:08:20 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Cross Examination. Known and measurable changes, December 31 2010, cutoff off date June 20 2020?

11:09:19 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Discussion about Commission precedent used similar six-month period?

11:09:36 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Any other reasons EKPC decided to use six-month cut-off date for known and measurable changes?

11:10:19 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Wages and salaries one of those exceptions?

11:10:55 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace First payroll that reflected change was September 18 2020?

11:11:12 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Expand more on basis for moving date out?

11:12:41 AM General Counsel Vinsel PSC  
Note: Sacre, Candace Cleanest, post-hearing data request, salary and wage data by month from September 2020 to present, will be in writing (click on link for further comments.)

11:12:44 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT  
Note: Sacre, Candace SALARY AND WAGE DATA BY MONTH FROM SEPTEMBER 2020 TO PRESENT

11:13:42 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Rebuttal disagreed with Kollen testimony OPEB be annualized?

11:13:58 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Believed it a violation of matching principal, expand upon that?

11:14:32 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Confirm COST OPEB for 2019 \$3.28 million?

11:14:55 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace In 2020, \$1.058 million?

11:15:16 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Majority reduction 2019 to 2020 attributable move from Medicare Advantage Plan to self-funded plan?

11:16:02 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Information in record that Staff can refer to?

11:16:30 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Alleged EKPC not use authorized depreciation rate production plant accounts in Case No. 2010-00167, response to Kollen allegation?

11:18:01 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Test year, actual depreciation expense, calculated using depreciable lives approved in 2010 rate case?

11:18:44 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Service lives from 2006 depreciation study?

11:19:03 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Ask Spanos or who?

11:19:13 AM Chairman Chandler - witness Scott  
Note: Sacre, Candace Examination. Aware Commission ever approving service lives EKPC generation or production assets?

11:19:40 AM Chairman Chandler - witness Scott  
Note: Sacre, Candace Not necessarily seen it Commission said this is service life, usually depreciation rates based off number of factors, but never just this is this date expected date, we say that is a good date for service life?

11:20:20 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Book depreciation company had over last 15 years straight-line depreciation based off production service lives?
11:20:42 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	As determined by company?
11:20:56 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Changes to those assumptions between approved depreciation study and now?
11:21:16 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Depreciation book straight-line service lives not what approved in depreciation case?
11:21:45 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Difference in book and tax depreciation, consistent between assumed and depreciation rates?
11:22:38 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Cross Examination (cont'd). Interruptible service credit, sponsored Exhibit ISS-3, best person to ask about that or anyone else?
11:23:02 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Rate D, Staff reading Rate D, 400 annual hours interruption, credit decreases 70 cents for 10 annual hours of interruption?
11:23:36 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	What is basis for gap, that decreased rate?
11:24:34 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	PSC exhibit packet, ISS-3, EKPC cost justification interruptible service credit.
11:25:22 AM	General Counsel Vinsel PSC Note: Sacre, Candace	Label PSC Exhibit 1.
11:25:28 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	On what source EKPC base its avoided cost estimate interruptible power?
11:26:42 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	In the EIA document, went to specific model type?
11:27:20 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	If EKPC were short capacity needed self-build, would build similar combustion turbine?
11:28:11 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Any other witness address that question?
11:28:26 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Mentioned Baron recommended ten-minute interruptible credit be PJM net cone, should be?
11:29:43 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Ratchet provision in Rate G, explain what ratchet provision is?
11:31:54 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	One of changes include in tariff, why not handle through each special contract?
11:32:13 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Tell me why anticipate that?
11:34:09 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Rate G, minimum demand of 15,000 kW, basis for minimum?
11:36:20 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	If not in tariff now, EKPC denied customers opportunity to use Rate G if demand less than 15,000 kW?
11:37:15 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Rate B, EKPC proposes revise to codify current practice treating minimum demand as contract, difference between two?

11:38:06 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Terminology, art and article phrasing, rather than distinct differences?

11:38:27 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Other than administrative efficiency, reason EKPC not make change prior to this case?

11:39:24 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Power factor adjustment, change in terms from actual demand to billing demand, artful phrasing and not a distinct difference?

11:39:51 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Regulatory assets, regulatory asset requested in this case, familiar with four categories of expenses Commission grants approval for regulatory asset?

11:40:36 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Which of those four categories would be applicable to generational maintenance regulatory asset?

11:40:55 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Like me to read them to you?

11:41:01 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Extraordinary nonrecurring expense not reasonably anticipated or included in planning, expense resulting from statutory or administrative directive, expense in relation to industry-sponsored initiative, and extraordinary nonrecurring expense over time will result in saving that fully offsets cost.

11:41:45 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace If like, can ask as post-hearing data request?

11:42:03 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT  
Note: Sacre, Candace CATEGORY OF REGULATORY ASSET EXPENSE APPLICABLE TO GENERATIONAL MAINTENANCE

11:42:21 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Know to be a fact or not, Smith 1 regulatory asset first approved in Case No. 2010-00449?

11:42:45 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace And basis category expense was under extraordinary expense not reasonably anticipated or included in planning and also nonrecurring expense over time that result in savings fully offsets cost?

11:43:10 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Both because Smith 1 unit retired?

11:43:24 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace PSC Exhibits 2 and 3, remaining life at issue prior to settlement, turn to PSC 2 letter from Goss Samford, page 4, confirm adequate representation, Section 1.2.2, stipulation in that case, Smith 1 amortization period and recovery, book balance amortized net of expected mitigation/salvage efforts January 1 2017?

11:46:19 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace EKPC did do this?

11:46:22 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Mitigation/salvage efforts, actual results, net PJM market component?

11:47:10 AM General Counsel Vinsel PSC - witness Scott  
Note: Sacre, Candace Amortization period, ten-year period?

11:47:22 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Section 1.2.5, next general rate base proceeding, EKPC request rates adjusted per amortization expense and spread over 10 years January 1 2017, PJM delivery years not align with historical test year, PSC Exhibit 4.
11:49:17 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	What made it so unique?
11:51:47 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Basis of difference between intervenors recommendation of amortization period of 84 months differs from EKPC recommendation of 63 months?
11:53:08 AM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Walk through that, Kollen asserted per forma regulatory asset balance overstates actual balance because EKPC not calculate amortization regulatory asset January 1 2020 through December 30 2021, show where that period accounted for?
11:54:45 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Examination. Not make sense to me, started amortizing regulatory asset when?
11:55:01 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Recognized amortization?
11:55:08 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Allowed to do that outside rate case also recognized close or excess corresponding income?>
11:55:31 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Otherwise, not allowed to amortize because not in accordance with accounting standard?
11:55:54 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Booking of regulatory asset presumed to be recovered, PJM revenues came into play, recognize amortization of Smith regulatory asset?
11:56:46 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Start amortizing beginning 2017 at specified amortization expense, how calculated?
11:57:15 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	120 to represent ten years in settlement agreement?
11:57:18 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	What different between January 27 amortization and January 1 2020 amortization discussing with Ms. Vinsel?
11:58:11 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Book value of regulatory asset changes not based off amount amortized but net PJM revenues and salvage value?
11:58:39 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Net PJM revenues in excess of amortization expense in '17, '18, and '19?
11:59:11 AM	POST-HEARING DATA REQUEST Note: Sacre, Candace	Whether recognized PJM revenues between Jan 1 2017 and end of 2019 what they were and amortization expense over that period?
11:59:46 AM	Chairman Chandler - witness Scott Note: Sacre, Candace	Balance not necessarily balance for January 2020?
12:00:19 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Position is 62 months remaining amortization period of 120-month period?

12:00:38 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	84 months more to do with recalculation occurred January 1 2020 Kollen discussed?
12:01:11 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Traditional, amortized for 36 months, took a break, should have gone 36?
12:02:02 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Cross Examination (cont'd). Two other post-hearing data requests.
12:02:13 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT PROVIDE SCHEDULE 1.2.0 CALCULATED UPON 84 MONTHS AMORTIZATION BEGINNING JANUARY 1 2020 THROUGH DECEMBER 2026
12:02:57 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT PROVIDE BALANCE OF SMITH 1 REGULATORY ASSET FOR EACH MONTH IN 2021 AND FOR REMAINDER OF 2021
12:03:42 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Dale regulatory asset approved 2015-00302, arose being retired in 2015, in surcharge mechanism, only applies facilities used in production of energy from coal, could not flow through surcharge mechanism?
12:04:31 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Of four categories of expense, administrative directive, retired, environmental regulations?
12:04:55 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	EKPC requested include \$380,000 amortization expense over two-year period?
12:05:18 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Why EKPC choose two-year period to amortize?
12:06:04 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Second Dale regulatory asset, asbestos ARO, 2014-00432 approved as expense from administrative directive?
12:06:33 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Two-year amortization reasoning same as Dale surcharge projects?
12:06:57 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Spurlock maintenance regulatory asset, refer to PSC Exhibits 5, 6, and 7, request for recovery, EKPC requesting regulatory asset for Spurlock and recovery or only recovery?
12:08:49 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Agree regulatory asset never approved by Commission?
12:09:25 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Which of four categories Spurlock come under at this point in time?
12:10:52 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Because recurring maintenance expenses?
12:11:23 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Were recurring maintenance expenses due to aging of facilities?
12:11:53 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	PSC Exhibit 5, Schedule 1.2.6, Staff looked through case record and not find any breakout of \$7.2 million dollar balance, is there a breakout filed in this case?
12:12:46 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT SUPPORTING WORK PAPERS BREAKOUT 2019 SPURLOCK MAINTENANCE EXPENSES - EXCEL FORMAT

12:13:28 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Refer to Order in 2019-00146, page 9, under Discussion, reading, (click on link for further comments).
12:15:06 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Page 10, fourth line down from top, reading, (click on link for further comments.) Second paragraph, reading, (click on link for further comments.)
12:15:56 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Page 11, Conclusion, reading, (click on link for further comments.)
12:16:31 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Distinction between Spurlock regulatory asset approved by RUS and what Commission found as normalization of 2019 maintenance expenses at Spurlock?
12:17:43 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	RUS PSC Exhibit 6, second paragraph, second sentence, reading, (click on link for further comments.) Agree Commission denies recovery that EKPC would have to write off?
12:18:52 PM	General Counsel Vinsel PSC Note: Sacre, Candace	Move PSC Exhibits 1 through 7 into admission.
12:19:10 PM	PSC EXHIBIT 1 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	EKPC COST JUSTIFICATION FOR INTERRUPTIBLE SERVICE CREDIT
12:19:11 PM	PSC EXHIBIT 2 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	GOSS SAMFORD LETTER DATED AUGUST 8 2016 ENCLOSING CASE NO. 2015-00358 MOTION TO ACCEPT AND APPROVE STIPULATION AND RECOMMENDATION OF PARTIES
12:19:12 PM	PSC EXHIBIT 3 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	CASE NO. 2015-00358 APPLICATION OF EKPC FOR DEVIATION FROM OBLIGATION RESULTING FROM CASE NO. 2012-00169
12:19:13 PM	PSC EXHIBIT 4 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	EKPC ADJUSTMENT TO AMORTIZE SMITH 1 REGULATORY ASSET
12:19:14 PM	PSC EXHIBIT 5 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	EKPC AMORTIZE SPURLOCK 2019 REGULATORY ASSET FOR MAJOR MAINTENANCE
12:19:15 PM	PSC EXHIBIT 6 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	USDA RURAL DEVELOPMENT LETTER DATED JANUARY 30 2020 TO EKPC GIVING RUS APPROVAL TO IMPLEMENT SPURLOCK EXPENSE DEFERRAL PLAN
12:19:16 PM	PSC EXHIBIT 7 Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT
	Note: Sacre, Candace	CASE NO. 2019-00146 APPLICATION OF EKPC FOR AN ORDER APPROVING THE ESTABLISHMENT OF REGULATORY ASSETS FOR PRESENT AND FUTURE MAINTENANCE EXPENSES
12:19:22 PM	Chairman Chandler Note: Sacre, Candace	Questions?
12:19:30 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Examination. Passed to Carpenter expenses underlying Smith 1 regulatory asset and expenses referenced in 2019-00146 same?
12:20:00 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Agree 2019-00146 Commission did deny regulatory asset approval?

12:20:14 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Understanding from reading Order expressed what EKPC do with as relates to RUS?
12:20:49 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Page 10, Order, relief it should seek, reading, (click on link for further comments.) Does that sentence describe deferral accounting or changing accounting standards not have to expense those items, capitalize those items?
12:22:43 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Commission denied regulatory asset treatment?
12:22:54 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	You read Order as being general but Commission was very specific CFR and item?
12:23:24 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Not what EKPC got from RUS? Letter to Campbell, last sentence, first paragraph, reading, (click on link for further comments).
12:24:03 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	This letter doesn't approve accounting treatment, just granted regulatory asset approval?
12:24:20 PM	Atty Samford EKPC Note: Sacre, Candace	Calling for a legal opinion.
12:24:24 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	It says to establish a regulatory asset, what I'm asking, letter just says what McNalley letter is seeking?
12:24:38 PM	Atty Samford EKPC Note: Sacre, Candace	Note hearsay, application will speak for itself.
12:25:04 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	A regulatory asset is not a deviation from standard accounting practices?
12:25:21 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Agree 1.2.6, same as in Mr. McNalley's letter?
12:25:50 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Capacity payments, 10-minute interruptible payment, get paid on how much load is interrupted, how much EKPC pays for that credit?
12:27:04 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Per kW basis?
12:27:10 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	How measured?
12:27:35 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Paying them instead of finding additional generation?
12:27:50 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Avoiding cost of additional generation?
12:27:57 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Should that be set as utility's avoided cost?
12:28:53 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Agree what credit is supposed to represent, utility's avoided cost?
12:29:24 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Rebuttal testimony, page 20, line 18 - 22, discuss credit, reading, (click on link for further comments.) Paying to shed load and paying avoided cost otherwise cost to get replacement generation, what load is there that are charging zero dollars for?
12:31:18 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	If EKPC interrupts a customer, don't have load?

12:31:40 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Buy that through, agree not priced at net rate of zero, priced at market rate?
12:31:55 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Otherwise interrupted, no price to be added to?
12:32:31 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Page 7, normalization of capacity benefit revenues, line 16, rebuttal, take issue with Kollen proposal, included in stipulation?
12:33:34 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	When say take issue, line 21, believe adjustment violates matching principle?
12:33:53 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Matching principle requires expenses, revenues, rate base amounts have to be corresponding time period, accurate or in neighborhood?
12:34:40 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Can even go too far out, testimony page 2, line 5, reading, (click on link for further comments)?
12:35:12 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Corresponding revenues, make adjustment for expense should make adjustment from revenues?
12:35:34 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Said on page 7, normalization of capacity benefit revenues violates matching principal, what corresponding expenses rate base or capital items should have been included if you normalize revenue?
12:36:17 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Could go out if included expenses, rate base, or capital items?
12:37:28 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	Depreciation expense based on depreciation rates in Spanos proposed depreciation study?
12:37:39 PM	Chairman Chandler - witness Scott Note: Sacre, Candace	If Commission approves stipulation/depreciation study proposed, will actually use those rates for book depreciation and not depreciation rates based off service lives?
12:38:09 PM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Redirect Examination. Generation maintenance expense tracking mechanism in stipulation, recall?
12:38:39 PM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Maintenance expense mechanism in stipulation functions as tracker?
12:39:13 PM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Tracking means to affectuate that?
12:39:23 PM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Administrative directive?
12:39:29 PM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	If Commission approve maintenance expense tracking mechanism, would satisfy regulatory asset criteria to be approved by administrative directive?
12:39:29 PM	Atty Stamford EKPC - witness Scott Note: Sacre, Candace	Commission administrative agency?
12:39:49 PM	Chairman Chandler Note: Sacre, Candace	Questions?
12:39:54 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Recross Examination. Post-hearing data request withdrawn, witness answered, earlier post-hearing data request asking which of expense categories apply to generation maintenance and understanding administrative directive?

12:40:24 PM	General Counsel Vinsel PSC - witness Scott Note: Sacre, Candace	Now have one to replace it with, post-hearing data request, provide copy of McNalley January 22 2020 letter to RUS referenced in letter from RUS?
12:40:35 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS SCOTT McNALLEY LETTER TO RUS DATED JANUARY 22 2020 REFERENCED IN PSC EXHIBIT 6
12:41:13 PM	Session Paused	
1:33:47 PM	Session Resumed	
1:33:56 PM	Chairman Chandler Note: Sacre, Candace	Back on the record in Case No. 2021-00103. Before introduce next witness, Mr. Kurtz, you had something to bring up?
1:34:10 PM	Atty Kurtz Nucor Note: Sacre, Candace	No questions for Nucor witness Barry Hornstein, ask allowed stipulate testimony, and Mr. Hornstein allowed to be excused from hearing. (Click on link for further comments.)
1:34:27 PM	Chairman Chandler Note: Sacre, Candace	Objections?
1:34:47 PM	Chairman Chandler Note: Sacre, Candace	Witness can be excused.
1:34:51 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
1:34:53 PM	Atty Honaker EKPC Note: Sacre, Candace	Michelle Carpenter.
1:35:06 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
1:35:12 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Examination. Name and address?
1:35:51 PM	Atty Honaker EKPC - witness Carpenter Note: Sacre, Candace	Direct Examination. Cause testimony and responses to be filed in record?
1:36:02 PM	Atty Honaker EKPC - witness Carpenter Note: Sacre, Candace	Corrections or additions?
1:36:06 PM	Atty Honaker EKPC - witness Carpenter Note: Sacre, Candace	If asked same questions, answers be same?
1:36:12 PM	Atty Honaker EKPC - witness Carpenter Note: Sacre, Candace	Tell us what you have in front of you?
1:36:20 PM	Atty Honaker EKPC - witness Carpenter Note: Sacre, Candace	Your desire and intent to incorporate testimony and responses into record?
1:36:22 PM	Chairman Chandler Note: Sacre, Candace	Questions?
1:36:31 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Cross Examination. OPEB in 2019 was \$3.2 million, reduced in 2020 to \$1.058 million, majority of reduction and OPEB cost from 2019 to 2020, Medicare Advantage to self-funded plan?
1:38:18 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Fair to say if 2020 amount, the lower amount, more accurately reflects going forward, if EKPC allowed to use \$3.2 million as basis for OPEB, fair to say EKPC would over-recover on OPEB in rates?

1:40:09 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Spurlock 2019 maintenance regulatory asset, predicated on distinction Commission used in 2019 case, distinction between Spurlock asset approved by RUS as opposed to normalizing expenses in test year?
1:41:49 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Commission in 2019 Order discussed going to RUS to capitalize costs, denied regulatory asset, distinction between normalized expense and treatment of this as reg asset, if EKPC could point to any distinction?
1:44:18 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Computing an average more accurately reflect ebbs and flows in OPEB?
1:44:37 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Aware what ebbs and flows look like in OPEB?
1:45:17 PM	Chairman Chandler Note: Sacre, Candace	Questions?
1:45:22 PM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	Examination. Familiar with paragraph 5 of settlement agreement, 75 percent allocation of regulatory asset and liability?
1:45:40 PM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	How parties come up with 75 percent, even 25 percent?
1:45:56 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Examination. Regulatory asset Spurlock maintenance, normalization of expenses, in any part of application, EKPC proposing to normalize the type of expenses in the test year, same expenses related to 2019 Spurlock maintenance and minor items of account, normalize moving forward in this case?
1:47:34 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Familiar with application made in 2019?
1:47:43 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Problem, significant amount of expenses recognized in 2019, EKPC preferred not be expensed, effectively be decapitalized?
1:48:08 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Proposal actually go ahead do reg asset and immediately start deferring upon each year upon creation as if being capitalized over 7-8 year life?
1:48:43 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Use regulatory accounting and immediately start amortizing them the way they would have been treated if amortized?
1:49:04 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Order talks about normalizing those type of expenses in a rate case?
1:49:25 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Normalized in stipulation?
1:49:36 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Paragraph 5, page 3, stipulation, Generation Maintenance Regulatory Asset Liability, reading, (click on link for further comments), saying \$81.067 million includes accounts referenced as major expense items in application in 2019-00146?
1:51:00 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	\$81 million four-year average, five-year average?
1:51:05 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Normalized amount, not 2019 number?

1:51:26 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Would have included those types of expenses because no reg assets for those types of expenses?
1:51:43 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Those expenses are normalized?
1:51:51 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Tracking above and below normalized amount that's 75.5?
1:52:08 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	RUS approved deferral accounting?
1:52:20 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Your understanding RUS has established procedures to request departures from accounting methods or principles?
1:52:57 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Regulatory assets/liabilities not departures from accounting methods, allowed by ASC?
1:53:35 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	For requesting from RUS approval for reg asset?
1:53:51 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Also allow EKPC treat major maintenance expenses as capital costs instead of expenses?
1:54:29 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Granularity shows to describe those as being expenses rather than capital items?
1:54:55 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Wanted to change that now, explicit approval from RUS to do so?
1:55:30 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	7.244184 in his schedule 1.2.6. same amount referenced in letter to Campbell from RUS?
1:55:56 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Earlier, talking about going to RUS to get that treatment, "that treatment," deferral accounting?
1:56:36 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Questions about retained equity, Stachnik still person to ask or ask you first?
1:56:49 PM	Chairman Chandler - witness Carpenter Note: Sacre, Candace	Question asked Bridges and Campbell, aware loan covenants or indenture requires portion of each year's net margins or TIER be included in retained equity or added some percentage of net margins, net MFIR, or TIER included retained equity or class comp as equity?
1:57:38 PM	Chairman Chandler Note: Sacre, Candace	Questions?
1:57:48 PM	General Counsel Vinsel PSC - witness Carpenter Note: Sacre, Candace	Staff has post-hearing data request, schedule last five calendar years totals for OPEB.
1:57:50 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS CARPENTER SCHEDULE OF TOTALS FOR OPEB LAST FIVE CALENDAR YEARS
1:58:38 PM	Chairman Chandler Note: Sacre, Candace	Another witness?
1:58:40 PM	Atty Honaker EKPC Note: Sacre, Candace	John Spanos.
1:58:51 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.

1:58:58 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Examination. Name and address?
1:59:12 PM	Atty Honaker EKPC - witness Spanos Note: Sacre, Candace	Direct Examination. Cause to have direct testimony, rebuttal, and responses filed?
1:59:25 PM	Atty Honaker EKPC - witness Spanos Note: Sacre, Candace	Additions or corrections?
1:59:28 PM	Atty Honaker EKPC - witness Spanos Note: Sacre, Candace	If asked same questions, would answers be same?
1:59:33 PM	Atty Honaker EKPC - witness Spanos Note: Sacre, Candace	Wish to incorporate direct testimony and rebuttal and responses into record?
1:59:42 PM	Atty Honaker EKPC - witness Spanos Note: Sacre, Candace	Materials with you, tell us what they are?
1:59:50 PM	Chairman Chandler Note: Sacre, Candace	Questions?
2:00:00 PM	General Counsel Vinsel PSC - witness Spanos Note: Sacre, Candace	Cross Examination. Follow up in regard to using depreciation rates of 2006 study versus later use of service lives in depreciation, test year actual depreciation expense calculated using service lives used by EKPC of its assets?
2:01:17 PM	General Counsel Vinsel PSC - witness Spanos Note: Sacre, Candace	2019 time period?
2:01:53 PM	General Counsel Vinsel PSC - witness Spanos Note: Sacre, Candace	Referring to 2019 depreciation study you prepared?
2:02:06 PM	General Counsel Vinsel PSC - witness Spanos Note: Sacre, Candace	Actual expenses and pro forma adjustment, pro forma used 2019 depreciation study, end of life and interim retirement?
2:02:51 PM	General Counsel Vinsel PSC - witness Spanos Note: Sacre, Candace	Which witness EKPC used service lives in actual expenses?
2:03:23 PM	Vice Chairman Cabbage - witness Bridges Note: Sacre, Candace	Examination. Explain concept of intergenerational equity?
2:05:14 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Examination. Do much depreciation work for competitive firms as opposed to rate-regulated firms?
2:05:43 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Curious, intergenerational inequity/equity seems more related to recovery of costs for rates, but in competitive firms no defined customer base, fair?
2:06:59 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Rate regulated phenomena?
2:07:29 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Calculated depreciation rates applied to rate base to make depreciation rates?
2:08:23 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Stipulation includes rates based on your 2019 study?
2:08:42 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	Pro forma adjustment, what rates be according to pro forma adjustment, aware whether test year depreciation amount based off depreciation rates 2006 study or service lives conversation with Scott?
2:09:43 PM	Chairman Chandler - witness Spanos Note: Sacre, Candace	You deal with EKPC, do you know who would know that answer?
2:10:50 PM	Chairman Chandler Note: Sacre, Candace	Questions?

2:11:04 PM	Chairman Chandler Note: Sacre, Candace	Witness is excused.
2:11:57 PM	Chairman Chandler Note: Sacre, Candace	Next witness.
2:12:00 PM	Atty Stamford EKPC Note: Sacre, Candace	Tom Stachnik.
2:12:16 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
2:12:25 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Examination. Name and address?
2:12:37 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Direct Examination. Cause testimony and responses and rebuttal to be filed in record?
2:12:47 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Corrections, additions, changes, edits?
2:12:52 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Same questions, answers be same?
2:12:57 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Your desire and intent testimony and responses incorreced into record?
2:13:05 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Bring any documents to witness stand?
2:13:19 PM	Chairman Chandler Note: Sacre, Candace	Questions?
2:13:27 PM	General Counsel Vinsel PSC - witness Stachnik Note: Sacre, Candace	Cross Examination. Short-term investments and number of days of operating expenses in cash, if EKPC sold all short-term investments, what impact on total number of days operating expenses held in cash?
2:14:38 PM	General Counsel Vinsel PSC - witness Stachnik Note: Sacre, Candace	Impact of selling short-term investments be impact to EKPC investments?
2:15:11 PM	General Counsel Vinsel PSC - witness Stachnik Note: Sacre, Candace	Kollen suggested/stated EKPC losing money on short-term investments?
2:15:27 PM	General Counsel Vinsel PSC - witness Stachnik Note: Sacre, Candace	Is EKPC losing money on short-term investments?
2:15:58 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Examination. EKPC under any obligations earns specific TIER, MFIR, net margins that it retain portion as member equity?
2:16:51 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Overall equity, earn 1.6 TIER any given year and MFIR 1.6 identure requires 1.1 MFIR, net margins \$50 million, none of covenants or under no legal obligation to take portion of that year and put in overall equity amount?
2:17:45 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Have to add 20 percent every year or have to keep 20 percent?
2:18:09 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Had a formula rate and every year earn 1.1 MFIR and passed back to customers everything over 1.1 MFIR, never have to put anything into retained equity, technically pass back to customers or write down regulatory asset?

2:19:18 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Trying to ask, going back to original question about \$6 million think we can find savings, TIER in excess of 1.4 pass entire amount, assume company finds \$6 million in savings, \$6 million passed back to customer?
2:20:03 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Actually, \$6 million passed back to customer or portion have to be retained?
2:20:29 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Not a portion has to be retained, net of 1.4 can be passed back through earnings mechanism?
2:20:38 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	As long as in any year paid capital credit maintain 20 percent equity level?
2:20:54 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Redirect Examination. 20 percent equity applies to distributions?
2:21:21 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Only form distribution co-op make is through capital credit retirement?
2:21:35 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Examination. Earning mechanism separate from what discussing?
2:21:41 PM	Atty Stamford EKPC - witness Stachnik Note: Sacre, Candace	Redirect Examination. Earnings mechanism isn't distribution?
2:21:59 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Examination. Passback through earnings mechanism in excess of 1.4 not distribution requires 20 percent equity amount under debt covenant?
2:22:12 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	20 percent equity amount, where are you on equity percentage?
2:22:30 PM	Chairman Chandler - witness Stachnik Note: Sacre, Candace	Last couple years, EKPC fairly recently met that 20 percent threshold?
2:22:50 PM	Chairman Chandler Note: Sacre, Candace	Questions?
2:23:03 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
2:23:28 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
2:23:29 PM	Atty Honaker EKPC Note: Sacre, Candace	Rich Macke.
2:23:34 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
2:23:44 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Examination. Name and address?
2:24:01 PM	Atty Honaker EKPC - witness Macke Note: Sacre, Candace	Direct Examination. Cause to have direct testimony, rebuttal, and responses filed?
2:24:07 PM	Atty Honaker EKPC - witness Macke Note: Sacre, Candace	Additions or corrections?
2:24:13 PM	Atty Honaker EKPC - witness Macke Note: Sacre, Candace	If ask same questions today, answers be?
2:24:20 PM	Atty Honaker EKPC - witness Macke Note: Sacre, Candace	Wish to incorporate into record?
2:24:24 PM	Atty Honaker EKPC - witness Macke Note: Sacre, Candace	Materials, what brought with you?

2:24:35 PM	Chairman Chandler Note: Sacre, Candace	Questions?
2:24:39 PM	General Counsel Vinsel PSC - witness Macke Note: Sacre, Candace	Cross Examination. A few questions, but really post-hearing data requests.
2:24:53 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS MACKE REBUTTAL EXHIBITS RJM-4 and RJM-5 WITH SUPPORTING CALCULATIONS - EXCEL SPREADSHEET FORMAT
2:25:07 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	GENERAL COUNSEL VINSEL PSC - WITNESS MACKE ALLOCATION OF PROPOSED INCREASE TO 16 MEMBERS - EXCEL SPREADSHEET FORMAT
2:26:12 PM	General Counsel Vinsel PSC - witness Macke Note: Sacre, Candace	Settlement revenue allocation rate design diverts from COS revised, explain why diverts and why not line up, what changes made?
2:27:28 PM	Chairman Chandler Note: Sacre, Candace	Questions?
2:27:36 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Examination. Schedules are very confusing because COS and rate design. Provide schedule that showed relative rate of returns between different rate schedules?
2:28:24 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Ignoring rate of return and relative each class, provide schedule provided overall COS and each rate class COS and what their COS compared to test year revenues?
2:28:49 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Where provided?
2:29:11 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	For that exhibit, that's your direct exhibit?
2:29:25 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Rebuttal Exhibit [5] 4?
2:29:30 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	One of ones providing to Staff?
2:30:08 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Direct Exhibit 2?
2:30:19 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Which classes largest rate deficiency?
2:30:38 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Direct testimony?
2:30:49 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Direct, why contract class eight percent proposed increase, overall 5.3 approximately?
2:31:04 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Page 17 of 17?
2:31:14 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Which two lines show rates deficiency, 29 and 30?
2:31:28 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Increase/decrease percentage present revenue, what represent?
2:31:48 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Line 29 indicate every class rate deficiency for test year?
2:32:08 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Why use AED to allocate production plant?

2:33:11 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Opposed to allocated on 1, 3, or 6 CP basis, only focusing on contribution meeting peak demand, AED looks at utilization of underlying assets?
2:33:27 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	What is average part?
2:34:11 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Saying classes with better load factors get relative better allocation from average portion of calculation?
2:34:41 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Excess portion of calculation?
2:35:18 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	More beneficial to those have higher load factor?
2:35:32 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Supported AED for production costs before other rate cases?
2:36:03 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	You have?
2:36:04 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	What consistently propose for allocation purposes, what methodology?
2:36:40 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	AED methodology time differentiated?
2:36:54 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	First change in rebuttal, second remove Nucor load from 2019 as opposed to small portion in 2019 and normalized it for entire year?
2:38:14 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	Does removal of that in rebuttal lose new loads contribution moving forward from average in excess allocations and particularly excess allocations?
2:38:41 PM	Chairman Chandler - witness Macke Note: Sacre, Candace	As long as doesn't change Nucor using electricity, usage actually incur shouldn't materially change from one to the other?
2:39:08 PM	Chairman Chandler Note: Sacre, Candace	Questions?
2:39:17 PM	General Counsel Vinsel PSC - witness Macke Note: Sacre, Candace	Recross Examination. Explain justification for increase in substation charges for Rates E and G?
2:40:23 PM	Chairman Chandler Note: Sacre, Candace	Will work with Staff make sure asked correctly, make sure post-hearing data request requesting portions pass-through specific in request, demand energy and customer components see each vector going to each rate schedule including Rate E, for Rate E how that interacts and goes to each co-op per stipulation amounts.
2:41:09 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
2:41:26 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
2:41:28 PM	Atty Stamford EKPC Note: Sacre, Candace	David Crews.
2:41:39 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
2:41:49 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	Examination. Name and address?
2:42:01 PM	Atty Stamford EKPC - witness Crews Note: Sacre, Candace	Direct Examination. Not filed anything in record?

2:42:17 PM Atty Stamford EKPC - witness Crews  
Note: Sacre, Candace Bring anything with you to stand?

2:43:50 PM Chairman Chandler  
Note: Sacre, Candace Questions?

2:43:55 PM General Counsel Vinsel PSC - witness Crews  
Note: Sacre, Candace Cross Examination. Interruptible credit, Scott ISS-3, cost estimates based upon 2019 EIA outlook combustion turbine single cycle, if EKPC short on capacity and had to self-build, build single-cycle combustion turbine?

2:47:46 PM General Counsel Vinsel PSC - witness Crews  
Note: Sacre, Candace Baron recommended contract class ten-minute interruptible credit PJM net cone, what your response basing contract class interruptible credit on PJM net cone?

2:51:41 PM General Counsel Vinsel PSC - witness Crews  
Note: Sacre, Candace Commission accepts Baron recommendation on PJM net cone, particular formula to derive at rate EKPC would suggest?

2:54:49 PM Chairman Chandler  
Note: Sacre, Candace Questions?

2:55:41 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Examination. Net cone, cone, reference unit, right or wrong, all aside, EKPC position avoided generation capacity cost?

2:56:29 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Distinction, one calculation, rule, come up with calculation for shorter interruption, EKPC position where starts looking avoided generation capacity values?

2:57:53 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace PURPA said reasonable because market base approved?

3:00:48 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace EKPC does not do planning intend to be short for own system peaks, if you become short in winter, own demand exceeds generation, would not plan to take energy as a hedge against market prices?

3:02:49 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Macke average in excess COS, how studies contribution, not just peaks, also utilization of underlying assets, cost of production assets not allocated to customers based on customer demands at peak times, take that away from that as well?

3:03:57 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Heard response?

3:04:04 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Curious, talking about only paying generation for a capacity contribution to a peak, not contributions to a peak or different demands throughout year, saying can't contribute to summer or winter peak, benefit is zero?

3:07:08 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Making distinction between QF tariffs and interruptible tariffs as distinction between one looking at avoided costs on stand-alone retail basis versus utility member of an RTO?

3:10:48 PM Chairman Chandler - witness Crews  
Note: Sacre, Candace Risk to utility direction PURPA going by reducing amount of or limiting demand response programs retail level, cheaper to utility demand response level at retail level, much simpler for utility, cost utility incur demand response, energy efficiency wide open to wholesale market participation, inherent risk not giving full amount of avoided costs, cost retail customers more?

3:14:34 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	If net cone, then what appropriate reference unit or resource determining avoided capacity value?
3:17:22 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	For QF purposes use options that occur, pay incremental option, closer to delivery year as opposed to three years out?
3:18:29 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	Calculate avoided cost in same manner, QFs never fill void you may nor may not have in 2030?
3:20:52 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	ELCC class ratings, PURPA recently approved those?
3:21:22 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	Not clear where interruptible capacity credit comes from, EKPC position should be based off a reference unit, overnight capital cost, some reference unit from a public transparent publication like EIA?
3:22:52 PM	Chairman Chandler - witness Crews Note: Sacre, Candace	Is combustion turbine next unit EKPC intend to build or more like combined cycle?
3:24:37 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:24:50 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Cross Examination. Interruptible load, 400 hours more valuable than 300 which more valuable than 200?
3:25:10 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Notice periods, ten-minute, 30-minute, 90-minute?
3:26:14 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Ten-minute interruptible more valuable than 30-minute more valuable than 90-minute?
3:26:27 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Nucor electric arc furnace shut off instantaneously?
3:26:45 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	How many interruptible customers do you have?
3:26:57 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	More than a handful?
3:27:08 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	In settlement agreement, keep interruptible credits for 200 hours, 300 hours, 400 hours, 10-minute, 30-minute, 90-minute keep same?
3:27:24 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Any change up or down, change revenue requirements in this case?
3:27:38 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Agreement is keep everything where it is now?
3:28:01 PM	Atty Kurtz Nucor - witness Crews Note: Sacre, Candace	Settlement agreement is keep interruptible program exactly as filed?
3:28:29 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:28:31 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
3:28:44 PM	Session Paused	
3:51:21 PM	Session Resumed	
3:51:41 PM	Chairman Chandler Note: Sacre, Candace	Back on the record in Case No. 2021-00103.
3:51:47 PM	Chairman Chandler Note: Sacre, Candace	Next witness?

3:51:50 PM	Atty Stamford EKPC Note: Sacre, Candace	Julie Tucker.
3:51:53 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
3:52:04 PM	Chairman Chandler - witness Note: Sacre, Candace	Examination. Name and address?
3:52:19 PM	Atty Stamford EKPC - witness Tucker Note: Sacre, Candace	Direct Examination. Cause certain responses be filed?
3:52:25 PM	Atty Stamford EKPC - witness Tucker Note: Sacre, Candace	Edits, changes, corrections?
3:52:31 PM	Atty Stamford EKPC - witness Tucker Note: Sacre, Candace	Same questions, answers be the same?
3:52:34 PM	Atty Stamford EKPC - witness Tucker Note: Sacre, Candace	Desire and intent incorporate into record?
3:52:38 PM	Atty Stamford EKPC - witness Tucker Note: Sacre, Candace	Take materials to witness stand?
3:52:45 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:53:06 PM	Chairman Chandler - witness Tucker Note: Sacre, Candace	Examination. Involved in financial transmission rights, ARR, and FTRs?
3:53:18 PM	Chairman Chandler - witness Tucker Note: Sacre, Candace	One of reporting requirements EKPC requested to be relieved from annual comprehensive report detailing transmission rights, hedging strategies, and PJM benefits and costs, do you provide information, contribute to that report before filed?
3:53:51 PM	Chairman Chandler - witness Tucker Note: Sacre, Candace	Given your experience, what in report EKPC believes no longer relevant/important for Commission review/consideration?
3:55:41 PM	Chairman Chandler - witness Tucker Note: Sacre, Candace	Basis of requesting relief, running and comparing to that counterfactual, making up what would have happened, what changes would have been made, harder to create and compare to actual experience with transmission rights?
3:56:09 PM	Chairman Chandler - witness Tucker Note: Sacre, Candace	If Commission still had an interest, not wanting to report that is not basis of request?
3:56:31 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:56:37 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
3:56:41 PM	Chairman Chandler Note: Sacre, Candace	Ms. Honaker?
3:56:48 PM	Atty Honaker EKPC Note: Sacre, Candace	Patrick Woods.
3:57:01 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
3:57:11 PM	Chairman Chandler - witness Woods Note: Sacre, Candace	Examination. Name and address?
3:57:22 PM	Atty Honaker EKPC - witness Woods Note: Sacre, Candace	Direct Examination. Cause testimony be filed?
3:57:26 PM	Atty Honaker EKPC - witness Woods Note: Sacre, Candace	Additions, corrections?

3:57:29 PM	Atty Honaker EKPC - witness Woods Note: Sacre, Candace	Ask same questions, same answers?
3:57:33 PM	Atty Honaker EKPC - witness Woods Note: Sacre, Candace	Desire and intent to incorporate into record?
3:57:41 PM	Atty Honaker EKPC - witness Woods Note: Sacre, Candace	Bring anything to witness stand?
3:57:44 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:57:54 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Cross Examination. Reporting requirements EKPC requests relief, two categories obsolete or changed circumstances, three obsolete, report on variable interest rates, correct that reporting requirement put in place in 1998?
3:58:36 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Reflected reality of time period?
3:58:41 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	No longer experience same scenario, so why obsolete?
3:58:52 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Next two requirements, Smith 1 regulatory asset and Dale Projects 5 and 10, Smith 1 report on mitigation efforts?
3:59:11 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Mitigation efforts over?
3:59:16 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Dale Projects 5 and 10, reporting requirement obsolete?
3:59:30 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Changed circumstances, monthly financial filings originate from 2006 Order?
3:59:43 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Reflected time when EKPC in different financial position?
3:59:51 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Monthly monitoring necessary watch EKPC financial position, also look for improvements?
4:00:04 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Two reports on calendar interruptions, Nucor and AGC?
4:00:17 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Correct implemented because EKPC new in PJM, both monitoring?
4:00:36 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Issues?
4:00:47 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Bluegrass Station performance report, put into place same time EKPC authorized to purchase?
4:01:00 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Purpose of report monitor EKPC risk exposure PJM capacity market?
4:01:11 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	EKPC risk being managed?
4:01:21 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Last, Administrative Case 387, price elasticity forecasted information, and what EKPC filed and reported, nothing to report?
4:01:44 PM	General Counsel Vinsel PSC - witness Woods Note: Sacre, Candace	Anything else you think is relevant?
4:01:56 PM	Chairman Chandler Note: Sacre, Candace	Questions?

4:02:07 PM	Chairman Chandler - witness Woods Note: Sacre, Candace	Examination. If financial transmission rates report amended to remove references to counterfactual, compare what would have happened gone down different avenue decade ago, is report still objectionable by EKPC?
4:02:50 PM	Chairman Chandler - witness Woods Note: Sacre, Candace	No significant identification of performance issues made Bluegrass Station transfer of CTs?
4:03:05 PM	Chairman Chandler - witness Woods Note: Sacre, Candace	Only portion of Admin 387 filing relieved from one in which required to study and review and provide update on price elasticity of demand?
4:03:38 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:03:49 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:03:56 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
4:04:02 PM	Atty Samford EKPC Note: Sacre, Candace	Craig Johnson.
4:04:20 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:04:29 PM	Chairman Chandler - witness Johnson Note: Sacre, Candace	Examination. Name and address?
4:04:40 PM	Atty Samford EKPC - witness Johnson Note: Sacre, Candace	Direct Examination. Cause rebuttal and data responses filed in record?
4:04:46 PM	Atty Samford EKPC - witness Johnson Note: Sacre, Candace	Changes, additions, corrections, edits?
4:04:52 PM	Atty Samford EKPC - witness Johnson Note: Sacre, Candace	Same questions, answers be same?
4:04:55 PM	Atty Samford EKPC - witness Johnson Note: Sacre, Candace	Desire and intent incorporate into record?
4:04:58 PM	Atty Samford EKPC - witness Johnson Note: Sacre, Candace	Materials taken with you to stand?
4:05:05 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:05:17 PM	General Counsel Vinsel PSC - witness Johnson Note: Sacre, Candace	Cross Examination. Heard questions regarding generation maintenance tracking mechanism?
4:05:28 PM	General Counsel Vinsel PSC - witness Johnson Note: Sacre, Candace	75/25 percent split, have any thoughts about 75 percent, what it means to EKPC in general?
4:06:44 PM	Chairman Chandler - witness Johnson Note: Sacre, Candace	Examination. Rebuttal, Smith Units 1 - 3 wear differently or are they just rare?
4:10:05 PM	Chairman Chandler - witness Johnson Note: Sacre, Candace	Expectation of remaining service life?
4:10:41 PM	Chairman Chandler - witness Johnson Note: Sacre, Candace	Whether going forward capital cost higher than replacement cost?
4:10:53 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:11:02 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.

4:11:07 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
4:11:09 PM	Atty Stamford EKPC Note: Sacre, Candace	Mary Jane Warner.
4:11:26 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:11:35 PM	Chairman Chandler - witness Warner Note: Sacre, Candace	Examination. Name and address?
4:11:47 PM	Atty Stamford EKPC - witness Warner Note: Sacre, Candace	Direct Examination. Cause responses to be filed?
4:11:50 PM	Atty Stamford EKPC - witness Warner Note: Sacre, Candace	Corrections, changes, additions?
4:11:55 PM	Atty Stamford EKPC - witness Warner Note: Sacre, Candace	Same questions, answers same?
4:11:59 PM	Atty Stamford EKPC - witness Warner Note: Sacre, Candace	Desire and intent incorporate into record?
4:12:03 PM	Atty Stamford EKPC - witness Warner Note: Sacre, Candace	Take any material to stand with you?
4:12:11 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:12:35 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:12:58 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
4:13:02 PM	Atty Honaker EKPC Note: Sacre, Candace	Scott Drake
4:13:06 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:13:15 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Examination. Name and address?
4:13:26 PM	Atty Honaker EKPC - witness Drake Note: Sacre, Candace	Direct Examination. Cause direct and responses filed in record?
4:13:32 PM	Atty Honaker EKPC - witness Drake Note: Sacre, Candace	Corrections or additions?
4:13:36 PM	Atty Honaker EKPC - witness Drake Note: Sacre, Candace	Same questions, same answers?
4:13:40 PM	Atty Honaker EKPC - witness Drake Note: Sacre, Candace	Desire and intent incorporate into record?
4:13:44 PM	Atty Honaker EKPC - witness Drake Note: Sacre, Candace	Bring materials to witness stand?
4:13:53 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:14:10 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Examination. Involved following Order 22-22 compliance at PJM?
4:14:35 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Peripherally involved, how is that?
4:14:55 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Significant portion direct testimony DERs, energy efficiency, DSM?
4:15:03 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	How long doing DSM with EKPC?
4:15:10 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Agree spending or programs offered by EKPC waxed and waned?
4:15:26 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Some programs phased out?

4:15:39 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Where in waxing and waning of DSM is EKPC today?
4:16:27 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Hear questions myself and David Crews?
4:16:34 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	When looking cost effectiveness of programs, looking market signals specific time period or over a time, single BRE one delivery year or looking overage clearing prices number of years?
4:17:24 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	QF tariff especially for dispatchable generation resources uses incremental option nearest delivery year?
4:17:40 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Same reference amount or avoided cost for capacity use for determining cost effectiveness, payback DSM programs?
4:18:13 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Look at BRA and what will be over time horizon and how many years DSM program have value?
4:18:23 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Then discount outer years back to present value determine what paid?
4:19:12 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Internally have policy/preference DSM programs align programs offered by PJM or use programs beneficial retail focused level may not necessarily pass through at wholesale level?
4:20:19 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Generally, winter-peaking utility in RTO focuses capacity value/benefit on 5 CP summer basis, able reduce winter peaks is benefit to utility avoiding costs having to buy energy meet own internal demand, may not monetize reducing winter peak, might if have to buy back for summer peak?
4:21:23 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Not necessarily selling into PJM program, reduce annual demand in summer, less capacity PJM make buy in future?
4:21:39 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	How evaluate programs would reduce winter peak if using only summer capacity benefit?
4:22:27 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Triggering event EKPC buy some firm PPA or build generation, risk is additional winter peak or demand in winter? (Restated) Crews saying earlier earlier, if demand in winter continues, EKPC way to satisfy demand, going to be actual reality if EKPC buy or build to make power, need meet additional winter demand?
4:24:33 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Driven by lack of availability of gas?
4:24:45 PM	Chairman Chandler - witness Drake Note: Sacre, Candace	Plus poor housing stock makes it worse?
4:24:57 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:25:00 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:25:10 PM	Chairman Chandler Note: Sacre, Candace	Another witness?
4:25:12 PM	Atty Honaker EKPC Note: Sacre, Candace	Denver York.

4:25:25 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:25:33 PM	Chairman Chandler - witness York Note: Sacre, Candace	Examination. Name and address?
4:25:47 PM	Atty Honaker EKPC - witness York Note: Sacre, Candace	Direct Examination. Cause testimony and responses filed in record?
4:25:52 PM	Atty Honaker EKPC - witness York Note: Sacre, Candace	Additions or corrections?
4:25:57 PM	Atty Honaker EKPC - witness York Note: Sacre, Candace	Same questions, same answers?
4:26:01 PM	Atty Honaker EKPC - witness York Note: Sacre, Candace	Desire and intent incorporate into record?
4:26:05 PM	Atty Honaker EKPC - witness York Note: Sacre, Candace	Bring any materials to stand?
4:26:10 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:26:24 PM	Chairman Chandler - witness York Note: Sacre, Candace	Examination. EKPC transmission expense different today than last rate case?
4:27:00 PM	Chairman Chandler - witness York Note: Sacre, Candace	Expenses allocated from PJM tariffs, significant increases?
4:27:21 PM	Chairman Chandler - witness York Note: Sacre, Candace	Of projects that EKPC built last couple years, drivers from PJM projects or EKPC and members demands, whether reliability, end of life aged systems/replacement, expanded growth, internal drivers or external drivers?
4:28:09 PM	Chairman Chandler - witness York Note: Sacre, Candace	Given age of EKPC and transmission system, about to enter hayday when transmission system need to be replaced more frequent basis?
4:29:10 PM	Chairman Chandler - witness York Note: Sacre, Candace	Take approach rebuild in place, or with aging system change in load, how take all into account how rebuild aging system?
4:30:13 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:30:20 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:30:28 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
4:30:29 PM	Atty Honaker EKPC Note: Sacre, Candace	Barry Lindeman.
4:30:46 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:30:56 PM	Chairman Chandler - witness Lindeman Note: Sacre, Candace	Examination. Name and address?
4:31:09 PM	Atty Honaker EKPC - witness Lindeman Note: Sacre, Candace	Direct Examination. Cause responses filed in record?
4:31:13 PM	Atty Honaker EKPC - witness Lindeman Note: Sacre, Candace	Additions or corrections?
4:31:17 PM	Atty Honaker EKPC - witness Lindeman Note: Sacre, Candace	Same questions, same answers?
4:31:20 PM	Atty Honaker EKPC - witness Lindeman Note: Sacre, Candace	Desire and intent incorporate into record?
4:31:26 PM	Atty Honaker EKPC - witness Lindeman Note: Sacre, Candace	Bring materials to stand?

4:31:31 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:31:49 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:31:51 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
4:31:55 PM	Atty Honaker EKPC Note: Sacre, Candace	Mark Horn.
4:32:24 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:32:34 PM	Chairman Chandler - witness Horn Note: Sacre, Candace	Examination. Name and address?
4:32:43 PM	Atty Honaker EKPC - witness Horn Note: Sacre, Candace	Direct Examination. Cause responses filed in record?
4:32:48 PM	Atty Honaker EKPC - witness Horn Note: Sacre, Candace	Additions or corrections?
4:32:53 PM	Atty Honaker EKPC - witness Horn Note: Sacre, Candace	Same questions, same answers?
4:32:57 PM	Atty Honaker EKPC - witness Horn Note: Sacre, Candace	Desire and intent incorporate into record?
4:33:01 PM	Atty Honaker EKPC - witness Horn Note: Sacre, Candace	Bring materials to stand?
4:33:13 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:33:26 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:33:31 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
4:33:43 PM	Atty Stamford EKPC Note: Sacre, Candace	David Meade.
4:33:47 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
4:33:57 PM	Chairman Chandler - witness Meade Note: Sacre, Candace	Examination. Name and address?
4:34:09 PM	Atty Stamford EKPC - witness Meade Note: Sacre, Candace	Direct Examination. Did not file testimony, adopting responses couple of other witnesses?
4:34:25 PM	Atty Stamford EKPC - witness Meade Note: Sacre, Candace	Who are those witnesses?
4:34:29 PM	Atty Samford EKPC - witness Meade Note: Sacre, Candace	Reviewed those responses?
4:34:33 PM	Atty Stamford EKPC - witness Meade Note: Sacre, Candace	Aware of edits or corrections?
4:34:37 PM	Atty Stamford EKPC - witness Meade Note: Sacre, Candace	Same questions, same answers?
4:34:41 PM	Atty Stamford EKPC - witness Meade Note: Sacre, Candace	Desire and intent incorporate into record?
4:34:48 PM	Atty Stamford EKPC - witness Meade Note: Sacre, Candace	Take materials to stand?
4:35:03 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:35:17 PM	Chairman Chandler Note: Sacre, Candace	Witness is excused.

4:35:21 PM	Chairman Chandler Note: Sacre, Candace	Housekeeping, witnesses left. (Click on link for further comments.)
4:36:35 PM	Chairman Chandler Note: Sacre, Candace	Recall Ms. Bridges?
4:36:39 PM	Atty Stamford EKPC Note: Sacre, Candace	Ann Bridges.
4:36:54 PM	Chairman Chandler Note: Sacre, Candace	Remain under oath.
4:37:02 PM	Atty Stamford EKPC Note: Sacre, Candace	No questions, tender witness.
4:37:13 PM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Recross Examination. Depreciation expense, actual depreciation included in test year and pro forma adjustments. Appears pro forma depreciation adjustments based on 2019 depreciation study by Spanos, confirm that pro forma adjustments depreciation expense based on 2019 depreciation study?
4:38:00 PM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	Actual depreciation expense included in test year, based on service lives or on 2006 depreciation study rates approved by Commission?
4:38:23 PM	General Counsel Vinsel PSC - witness Bridges Note: Sacre, Candace	If were to look, service lives laid out in 2006 depreciation study?
4:39:03 PM	Chairman Chandler Note: Sacre, Candace	Questions?
4:39:11 PM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Examination. Commission approved depreciation study but separately approved different depreciation rates for production plant not based on rates in study but based off service lives in study?
4:39:50 PM	Chairman Chandler - witness Bridges Note: Sacre, Candace	Know whether depreciation expense out of rates in study higher or lower than depreciation expense using service lives?
4:40:05 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
4:40:10 PM	Chairman Chandler Note: Sacre, Candace	Anything else from company?
4:40:13 PM	Atty Stamford EKPC Note: Sacre, Candace	That completes presentation of evidence.
4:41:22 PM	Chairman Chandler Note: Sacre, Candace	Short recess.
4:41:26 PM	Session Paused	
4:52:17 PM	Session Resumed	
4:52:32 PM	Chairman Chandler Note: Sacre, Candace	Back on record 2021-00103.
4:52:36 PM	Chairman Chandler Note: Sacre, Candace	Witness?
4:52:36 PM	Camera Lock Deactivated	
4:52:40 PM	Asst Atty General West Note: Sacre, Candace	Lane Kollen.
4:52:41 PM	Chariman Chandler Note: Sacre, Candace	Witness is sworn.
4:52:48 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	Examination. Name and address?
4:53:07 PM	Asst Atty General West - witness Kollen Note: Sacre, Candace	Direct Examination. Occupation?

4:53:18 PM Asst Atty General West - witness Kollen  
Note: Sacre, Candace Cause testimony be filed?

4:53:23 PM Asst Atty General West - witness Kollen  
Note: Sacre, Candace Additions or corrections?

4:53:43 PM Asst Atty General West - witness Kollen  
Note: Sacre, Candace Intention adopt written testimony as testimony this matter?

4:53:50 PM Asst Atty General West - witness Kollen  
Note: Sacre, Candace Sponsor responses to data requests?

4:53:54 PM Asst Atty General West - witness Kollen  
Note: Sacre, Candace Same questions, same answers?

4:54:00 PM Asst Atty General West - witness Kollen  
Note: Sacre, Candace Materials in front of you?

4:54:18 PM Chairman Chandler  
Note: Sacre, Candace Questions?

4:54:34 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Cross Examination. Watch earlier parts of hearing?

4:54:47 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Hear Scott response Smith 1 regulatory asset and how EKPC calculated it, how you recommended calculated versus settlement, able hear discussion?

4:55:26 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace His argument or EKPC position settlement agreement 2015 case set forth how reg asset amortized not address book amortization, why went with 63 month, when rates effective, any comments how EKPC calculated remaining term of the Smith 1 regulatory asset, 63 months versus 84 months?

4:58:46 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Hear Bridges recent testimony test year depreciation expenses, based on service lives and not depreciation rates 2006 rate case?

5:00:35 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Agree retirement dates coal plants occurring sooner than estimated?

5:01:20 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Direct recommended EKPC short-term investment interest expense/income be excluded for rate making purposes, none of short-term investments required or necessary to provide utility services or maintain investment grade credit rating?

5:02:39 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Expand upon recommendation short-term investments maintained by EKPC not necessary maintain liquidity?

5:03:54 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Settlement uses interest rate for credit facility associated initial funding environmental surcharge project basis for interest rate for interest expense for CWIP?

5:06:34 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace You support the settlement?

5:06:54 PM General Counsel Vinsel PSC - witness Kollen  
Note: Sacre, Candace Interest expense for environmental surcharge CWIP, agree adjustment made have effect on surcharge rate of return?

5:07:27 PM Chairman Chandler  
Note: Sacre, Candace Questions?

5:07:44 PM Chairman Chandler - witness Kollen  
Note: Sacre, Candace Examination. Smith 1 regulatory asset for rate making purposes versus book purposes?

5:08:08 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	Your understanding EKPC stopped realizing amortization expense at end 2019 Smith 1 regulatory asset?
5:09:05 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	Regulatory asset overall balance lower in May this year than was at book close December 2019?
5:10:12 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	ASC 980, realization offsetting revenue precondition to booking regulatory asset, expectation eventually recovering that for rate making purposes?
5:10:33 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	Saying when stopped realizing offsetting revenues, for rate making purposes, stopped amortizing regulatory asset?
5:11:14 PM	Chairman Chandler Note: Sacre, Candace	Questions?
5:11:26 PM	Atty Kurtz Nucor - witness Kollen Note: Sacre, Candace	Redirect Examination. \$7.1 million environmental surcharge rate reduction settlement larger than your recommended rate reduction?
5:11:42 PM	Atty Kurtz Nucor - witness Kollen Note: Sacre, Candace	Familiar with 1.4 TIER earnings mechanism?
5:11:51 PM	Atty Kurtz Nucor - witness Kollen Note: Sacre, Candace	Commission order that or only accomplish in settlement?
5:12:04 PM	Atty Kurtz Nucor - witness Kollen Note: Sacre, Candace	Good for consumers?
5:12:37 PM	Atty Kurtz Nucor - witness Kollen Note: Sacre, Candace	Earnings sharing mechanism, major reason settlement reasonable?
5:12:51 PM	Chairman Chandler Note: Sacre, Candace	Questions?
5:13:04 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
5:13:10 PM	Chairman Chandler Note: Sacre, Candace	Only witness?
5:13:12 PM	Asst Atty General West Note: Sacre, Candace	It is.
5:13:13 PM	Chairman Chandler Note: Sacre, Candace	Mr. Kurtz?
5:13:14 PM	Atty Kurtz Nucor Note: Sacre, Candace	Cathy Waddell.
5:13:42 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
5:13:57 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	Direct Examination. Name and address?
5:14:12 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	Position with Nucor?
5:14:17 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	What division controller do?
5:14:27 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	Fairly busy?
5:14:34 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	Prepare testimony and responses?
5:14:45 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	Same questions, same answers?
5:14:51 PM	Atty Kurtz Nucor - witness Waddell Note: Sacre, Candace	Corrections or additions?

5:15:00 PM	Chairman Chandler Note: Sacre, Candace	Questions?
5:15:07 PM	General Counsel Vinsel PSC - witness Waddell Note: Sacre, Candace	Cross Examination. Aware EKPC requested relief from reporting requirements pertaining to contract with Nucor interruptible service?
5:15:26 PM	General Counsel Vinsel PSC - witness Waddell Note: Sacre, Candace	May not be aware EKPC has reporting requirement, would say EKPC has followed interruptible tariff obligations?
5:15:54 PM	General Counsel Vinsel PSC - witness Waddell Note: Sacre, Candace	Objections if Commission grant EKPC request end reporting requirement?
5:16:15 PM	Chairman Chandler Note: Sacre, Candace	Questions?
5:16:28 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
5:16:36 PM	Chairman Chandler Note: Sacre, Candace	Another witness?
5:16:44 PM	Atty Kurtz Nucor Note: Sacre, Candace	Stephen Baron.
5:17:04 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
5:17:14 PM	Chairman Chandler - witness Baron Note: Sacre, Candace	Examination. Name and address?
5:17:33 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Direct Examination. Prepare testimony and responses?
5:17:40 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Corrections or additions?
5:17:44 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Same questions, same answers?
5:17:55 PM	Chairman Chandler Note: Sacre, Candace	Questions?
5:18:04 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	Cross Examination. Contract class ten-minute interruptible credit, recommended increased to \$7.57 per kW month?
5:18:30 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	Separate response, noted PJM 2022-23 delivery year net cone support \$6.60 kW month interruptible credit?
5:19:33 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	Absent settlement, which amount recommend?
5:20:27 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	If contract class 10-minute interruptible credit based on net cone, also agree contract class 90-minute interruptible credit and interruptible credits Rate D be based on net cone?
5:22:56 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	Commission found additional adjustments necessary settlement amount, if additional adjustments, recommendation about 2.6 percent rate increase Rates B, C, G, and special contract/steam, preferable to maintain 2.6 or adjust rates for all classes proportionately?
5:24:53 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	Any rate classes or components not be changed?
5:25:51 PM	General Counsel Vinsel PSC - witness Baron Note: Sacre, Candace	If Commission modify rate design proposed, would recommend Commission keep to basic distribution?

5:27:06 PM	Chairman Chandler Note: Sacre, Candace	Questions?
5:27:19 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Redirect Examination. Macke rebuttal, revised COS, contract rate Nucor paying essentially COS based upon Macke revised study?
5:29:24 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Table 6, identified full COS results, correcting three average-in-excess issues, allocating purchase power/fuel on-peak/off-peak basis, true Nucor paying above COS under settlement agreement?
5:30:47 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Full COS increase to Nucor \$424,000 at a \$49 million rate increase?
5:31:03 PM	Atty Kurtz Nucor - witness Baron Note: Sacre, Candace	Scale back to settlement \$400,000 becomes \$300,000 compared to \$1.1 Nucor will pay?
5:31:19 PM	Chairman Chandler Note: Sacre, Candace	All questions?
5:31:21 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
5:31:34 PM	Atty Kurtz Nucor Note: Sacre, Candace	Yes.
5:31:36 PM	Chairman Chandler Note: Sacre, Candace	All witnesses?
5:31:37 PM	Chairman Chandler Note: Sacre, Candace	Witness Kelly available 9 am in morning?
5:31:46 PM	Atty Gardner AppHarvest Note: Sacre, Candace	Yes.
5:32:01 PM	Chairman Chandler Note: Sacre, Candace	Procedural discussion. (Click on link for further comments.)
5:33:19 PM	Chairman Chandler Note: Sacre, Candace	Post-hearing data requests. (Click on link for further comments.)
5:34:18 PM	Chairman Chandler Note: Sacre, Candace	Anything else?
5:34:24 PM	Chairman Chandler Note: Sacre, Candace	Adjourn until 9 am tomorrow morning.
5:34:36 PM	Session Ended	



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<b>Name:</b>	<b>Description:</b>
EKPC EXHIBIT 1	CASE NO. 2021-00103 ELECTRONIC APPLICATION OF EKPC FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF
PSC EXHIBIT 1	EKPC COST JUSTIFICATION FOR INTERRUPTIBLE SERVICE CREDIT
PSC EXHIBIT 2	GOSS SAMFORD LETTER DATED AUGUST 6 2016 ENCLOSING CASE NO. 2015-00358 MOTION TO ACCEPT AND APPROVE STIPULATION AND RECOMMENDATION OF THE PARTIES
PSC EXHIBIT 3	CASE NO. 2015-00358 APPLICATION OF EKPC FOR DEVIATION FROM OBLIGATION RESULTING FROM CASE NO. 2012-00169
PSC EXHIBIT 4	EKPC ADJUSTMENT TO AMORTIZE SMITH 1 REGULATORY ASSET
PSC EXHIBIT 5	EKPC AMORTIZE SPURLOCK 2019 REGULATORY ASSET FOR MAJOR MAINTENANCE
PSC EXHIBIT 6	USDA RURAL DEVELOPMENT LETTER DATED JANUARY 30 2020 TO EKPC GIVING RUS APPROVAL TO IMPLEMENT SPURLOCK EXPENSE DEFERRAL PLAN
PSC EXHIBIT 7	CASE NO. 2019-00146 APPLICATION OF EKPC FOR AN ORDER APPROVING THE ESTABLISHMENT OF REGULATORY ASSETS FOR PRESENT AND FUTURE MAINTENANCE EXPENSES

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

**In the Matter of:**

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

**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 Application was accepted for filing on April 6, 2021. Motions for intervention by the Attorney General (“AG”), Nucor Steel Gallatin (“Nucor”) and AppHarvest Morehead Farm, LLC (“AppHarvest”) were granted on March 5, 2021, March 25, 2021 and April 27, 2021, respectively. EKPC, the AG, Nucor and AppHarvest are collectively referred to herein as the “Parties.” The Parties have filed testimony supporting their respective positions relating to EKPC’s Application. The Parties and the Commission Staff have also engaged in substantial discovery of the Parties’ respective positions by issuing numerous information requests to which the Parties have responded.

The Parties, representing diverse interests and viewpoints, have reached a complete settlement of all the issues raised in this proceeding and have executed this Joint Stipulation,

Settlement Agreement and Recommendation (“Stipulation”) for purposes of documenting and submitting their agreement to the Commission for consideration and approval. It is the intent and purpose of the Parties to express their agreement on a mutually satisfactory resolution of all issues in the instant proceeding.

The Parties understand that this Stipulation is not binding upon the Commission, but believe it is entitled to careful consideration by the Commission. The Parties agree that this Stipulation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding. The Parties request that the Commission issue an Order approving this Stipulation in its entirety pursuant to KRS 278.190, including the rate increase, rate structure, depreciation study, amortization of regulatory assets, relief from certain existing reporting obligations, approval of textual changes to tariffs and recovery of rate case expense as described herein. The request is based upon the belief that the Parties’ participation in settlement negotiations and the materials on file with the Commission adequately support this Stipulation. Adoption of this Stipulation will eliminate the need for the Commission and the Parties to expend significant resources in litigation of this proceeding and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission’s final Order herein.

NOW, THEREFORE, for and in consideration of the mutual premises set forth above and the terms and conditions set forth herein, the Parties agree as follows:

1. Revenue Increase: The Parties agree that EKPC’s adjusted base rate revenue requirement is \$481.565 million. This represents an increase of \$38.343 million over the test year revenue that would be collected at current rates. A summary of the adjustments agreed to by the Parties to arrive at this revenue increase are set forth in Exhibit A to this Stipulation.

2. Revenue Allocation. The Parties agree that that the foregoing revenue requirement will be allocated as follows:

Rate Class	Increase in Dollars	Percentage Increase
Rate E	\$34,314,065	5.20%
Rate B	\$1,548,673	2.60%
Rate C	\$452,238	2.60%
Rate G	\$663,320	2.60%
Contract Steam	\$278,674	2.60%
Large Special Contract	\$1,086,030	2.60%
Pumping Stations	\$0	0.00%
Total	\$38,343,000	

3. Base Rate Times Interest Earned Ratio (“TIER”) Ratio: The Parties agree that EKPC should be authorized to continue to earn a 1.50 TIER for base rates.

4. Environmental Surcharge: The Parties agree that EKPC’s TIER for its environmental surcharge should be reduced to 1.475. The Parties further agree that all changes for depreciation rates, interest expense for Construction Work in Progress (“CWIP”), and TIER would first be reflected in the monthly surcharge filing for the Expense Month of October 2021, which will be filed with the Commission on November 19, 2021. The Parties understand that the adjustments to CWIP and TIER will reduce revenues collected by EKPC through the environmental surcharge by \$7.1 million annually.

5. Generation Maintenance Regulatory Asset/Liability. The Parties agree that the normalized generation maintenance expense reflected in Exhibit A is \$81.067 million per year. Beginning with calendar year 2022, and in each year thereafter, EKPC will track its actual generation maintenance expense and record a regulatory asset for seventy-five percent (75%) of all expenses in excess of the normalized amount and, if the actual annual generation maintenance expense is less than the normalized generation maintenance expense, record a regulatory liability for seventy-five percent (75%) of the difference between the actual annual generation maintenance

expense and the normalized generation maintenance expense. EKPC agrees to make an annual filing with the Commission (on or before April 30<sup>th</sup> of each year) which sets forth its calculation of any regulatory asset or liability recorded for the prior year, and including a cumulative net calculation of all such assets or liabilities. In EKPC's next base rate case, the cumulative regulatory asset or regulatory liability shall be amortized and either recovered from, or returned to, EKPC's Owner-Members as appropriate over a reasonable period of time.

6. Earnings Mechanism: 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 30<sup>th</sup> 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.

7. AppHarvest Matters:

a. Demand Response: EKPC agrees to work in good faith with AppHarvest to develop a demand response program whereby AppHarvest will be able to participate in PJM Interconnection, LLC's ("PJM") demand response program with EKPC acting as its Curtailment Service Provider. EKPC shall charge a reasonable administrative fee to cover its costs for any such program. The use of the term "demand response" in this section includes, but is not limited

to, energy efficiency programs. Any program developed by AppHarvest and EKPC must be submitted to and approved by the Commission prior to being implemented.

b. AgriTech Tariff: EKPC agrees to work in good faith with AppHarvest to develop an AgriTech Tariff that considers the unique energy requirements of large scale indoor agricultural technology. In particular, but without limitation, the Parties will study whether a reasonable and cost-effective commercial and industrial energy efficient lighting program similar to the general commercial and industrial lighting demand side management program that was terminated by EKPC in 2019 may be reinstated in this context. Any AgriTech Tariff must be submitted to and approved by the Commission.

c. Pass-Through Rate Mechanism: Nothing in this Stipulation limits the ability of AppHarvest to litigate the issues it raised in the pass-through case filed by Fleming-Mason Energy Cooperative, Inc. and docketed by the Commission as Case No. 2021-00109.

8. TGP Special Contract: The Parties agree that EKPC shall inquire and consult with Fleming-Mason Energy Cooperative, Inc. and Taylor County Rural Electric Cooperative Corporation regarding the status and reasonableness of two Special Industrial Power Agreements with Tennessee Gas Pipeline Company.

9. Other Items: The Parties agree that, except as limited herein, all other requests in EKPC's Application should be approved, including, without limitation:

a. Depreciation Study: EKPC's depreciation study and related accounting treatments should be approved with an effective date for the new depreciation rates to be the same day that EKPC's new rates become effective.

b. Amortization of Certain Regulatory Assets: The four regulatory assets identified in EKPC's Application are acknowledged to be included within its revenue requirement and will be approved as proposed:

i. Cancellation of the Smith Unit 1 generation station authorized in Case No. 2010-00449, consistent with the provisions of the Stipulation Agreement approved in Case No. 2015-00358;

ii. Retirement of the William C. Dale Generation Station ("Dale Station"), specifically certain assets recovered through EKPC's environmental surcharge, pursuant to the Commission's Order in Case No. 2015-00302;

iii. Depreciation and accretion expense associated with the Dale Station asbestos abatement asset retirement obligation, pursuant to Case No. 2014-00432; and

iv. 2019 Major Maintenance expenses at the Spurlock generation station, as permitted by the Rural Utilities Service accounting treatment and consistent with the Commission's Order in Case No. 2019-00146.

c. Relief From Certain Existing Reporting Obligations: EKPC should no longer be required to make certain informational filings with the Commission that appear to be obsolete:

i. Monthly financial reporting relating to twelve (12) month margins, budgets, the calculation of twelve (12) month TIER and Debt Service Coverages ("DSC") and variable interest rates on outstanding loans;

ii. Semi-Annual reports summarizing the status of mitigation efforts to reduce the balance of the Smith 1 regulatory asset;

iii. Annual Report of Dale Station Projects 5 and 10 and Regulatory Asset Authority;

iv. Annual comprehensive report detailing transmission rights, hedging strategies, and PJM benefits and costs;

v. Annual report detailing the prior calendar year's interruptions or change in load of Nucor Gallatin Steel;

vi. Annual operating reports setting forth details of the performance of the Bluegrass Station;

vii. Annual report detailing the prior calendar year's interruption of AGC; and

viii. Annual report discussing the consideration given to price elasticity in the forecasted demand, energy and reserve margin information already provided in relation to the annual resource assessment filed in compliance with Administrative Case 387;

d. Tariff Changes: The Parties agree all proposed textual changes to EKPC's tariffs should be approved as set forth in the Application.

e. Rate Case Expense: The Parties agree that EKPC should be authorized to recover its reasonable rate case expense (final amount to be filed within fifteen days following the conclusion of any hearing on EKPC's Application) on an amortized basis over three (3) years.

10. Proof of Revenue: Attached to this Stipulation as Exhibit B are updated tariffs that reflect the revenue requirement and revenue allocation set forth herein. Attached to this Stipulation as Exhibit C are proof-of-revenue sheets, showing that the rates set forth in Attachment B, plus projected off-system sales, leased property income and other operating revenues, will generate the

revenue needed to recover the Company's test year revenue requirement to which the Parties have agreed.

11. Filing of Stipulation: Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission with a request to the Commission for consideration and approval of this Stipulation so that EKPC may begin billing under the approved adjusted rates for service rendered on and after October 1, 2021.

12. Commission Approval: The Parties to this Stipulation shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. Each Party hereto waives all cross-examination of the witnesses of the other Party hereto except in support of the Stipulation or unless the Commission fails to adopt this Stipulation in its entirety. Each Party further stipulates and recommends that the Notice of Intent, Notice, Application, direct testimony, rebuttal testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record. The Parties further agree and intend to support the reasonableness of this Stipulation before the Commission, and to cause their counsel to do the same in this proceeding and in any appeal from the Commission's adoption and/or enforcement of this Stipulation. If the Commission issues an order adopting this Stipulation in its entirety, each of the Parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

13. Effect of Non-Approval: If the Commission does not accept and approve this Stipulation in its entirety or imposes any additional conditions or requirements upon the signatory Parties, then: (a) any Party may elect, in writing docketed in this proceeding, within ten (10) days of such Commission Order, that this Stipulation shall be void and withdrawn by the Parties hereto from further consideration by the Commission and neither Party shall be bound by any of the

provisions herein; and (b) each Party shall have the right, within twenty (20) days of the Commission's Order, to file a petition for rehearing, including a notice of termination of and withdrawal from the Stipulation; and, (c) in the event of such termination and withdrawal of the Stipulation, neither the terms of this Stipulation nor any matters raised during the settlement negotiations shall be binding on any of the signatory Parties to this Stipulation or be construed against any of the signatory Parties. Should the Stipulation be voided or vacated for any reason after the Commission has approved the Stipulation and thereafter any implementation of the terms of the Stipulation has been made, then the Parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this Stipulation.

14. Commission Jurisdiction: This Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

15. Successors and Assigns: This Stipulation shall inure to the benefit of and be binding upon the Parties hereto, their successors and assigns.

16. Complete Agreement: This Stipulation constitutes the complete agreement and understanding among the Parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.

17. Implementation of Stipulation: For the purpose of this Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of EKPC are unknown and this Stipulation shall be implemented as written.

18. Admissibility and Non-Precedential Effect: Neither the Stipulation nor any of the terms set forth herein shall be admissible in any court or administrative agency, including the Commission, except insofar as such court or agency is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

19. No Admissions: Making and entering into this Stipulation shall not be deemed in any respect to constitute an admission by any Party that any computation, formula, allegation, assertion or contention made by any Party in these proceedings is true or valid. Nothing in this Stipulation shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of a Party.

20. Authorizations: The signatories hereto warrant that they have informed, advised, and consulted with the respective Parties hereto in regard to the contents of this Stipulation, and based upon the foregoing, are authorized to execute this Stipulation on behalf of the Parties hereto.

21. Commission Approval: This Stipulation is subject to the acceptance of and approval by the Commission.

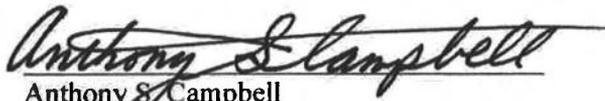
22. Interpretation of Stipulation: This Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

23. Counterparts: This Stipulation may be executed in multiple counterparts.

24. Future Proceedings: Nothing in this Stipulation shall preclude, prevent or prejudice any Party hereto from raising any argument/issue or challenging any adjustment in any future rate case proceeding of EKPC.

IN WITNESS WHEREOF, this Stipulation has been agreed to and is effective as of this 29<sup>th</sup> day of July, 2021. By affixing their signatures below, the undersigned Parties respectfully request the Commission to issues its Order approving and adopting this Stipulation the Parties hereto have hereunto affixed their signatures.

EAST KENTUCKY POWER COOPERATIVE, INC.

BY:   
Anthony S. Campbell  
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

NUCOR STEEL GALLATIN

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

APPHARVEST MOREHEAD FARM, LLC

BY: \_\_\_\_\_

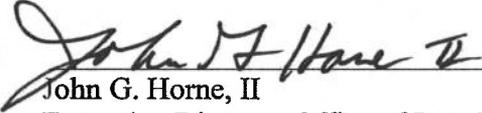
TITLE: \_\_\_\_\_

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EAST KENTUCKY POWER COOPERATIVE, INC.

BY: \_\_\_\_\_  
Anthony S. Campbell  
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY:  \_\_\_\_\_  
John G. Horne, II  
Executive Director, Office of Rate Intervention

NUCOR STEEL GALLATIN

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

APPHARVEST MOREHEAD FARM, LLC

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

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BY: \_\_\_\_\_  
Anthony S. Campbell  
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_

NUCOR STEEL GALLATIN

BY: Mill P. Kurt  
TITLE: Counsel for NUCOR

APPHARVEST MOREHEAD FARM, LLC

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_

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EAST KENTUCKY POWER COOPERATIVE, INC.

BY: \_\_\_\_\_  
Anthony S. Campbell  
President and Chief Executive Officer

ATTORNEY GENERAL DANIEL CAMERON

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_

NUCOR STEEL GALLATIN

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_

APPHARVEST MOREHEAD FARM, LLC

BY:  \_\_\_\_\_  
TITLE: Chief Financial Officer

## Exhibit A

### Summary of Revenue Adjustments

Amount (Millions)	Description
\$48.984	Original Revenue Requirement Calculated by EKPC
(\$6.592)	Normalize Generation Maintenance over Five Most Recent Years (2015-2019)
(\$1.914)	General Plant Reserve Surplus Amortized Over 5 Years
(\$2.315)	Reduce Interest Expense on Environmental Construction Work in Progress Currently Being Recovered for the Spurlock CCR/ELG in the Environmental Surcharge Mechanism
<hr/> \$38.343	Adjusted Revenue Requirement Calculation Agreed to by Parties

**Exhibit B**  
**Revised Tariff Sheets**

**Rate B**

**Applicability**

In all territories of owner-member cooperatives ("owner-members") of East Kentucky Power Cooperative, Inc. ("EKPC").

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**Availability**

Available to owner-members and end-use retail members ("retail members") willing to execute EKPC-approved contracts for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly contract demand shall be agreed between the owner-member and EKPC. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

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**Monthly Rate**

Demand Charge per kW of Contract Demand	\$7.49	T I
Demand Charge per kW of Billing Demand in Excess of Contract Demand	\$9.98	T
Energy Charge per kWh	\$.039884	I

**Billing Demand**

The billing demand shall be the contract demand plus any excess demand. Excess demand occurs when the retail member's highest demand during the current month, coincident with EKPC's system peak (coincident peak), exceeds the contract demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen(15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

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T

<u>Months</u>	<u>Hours Applicable for Demand Billing - EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

**Minimum Monthly Charge**

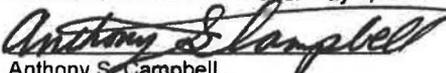
The minimum monthly charge shall not be less than the sum of (a) and (b) below:

- a. The product of the contract demand multiplied by the demand charge, plus
- b. The product of the contract demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh as established in the Fuel Adjustment Clause.

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DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY:   
 Anthony S. Campbell,  
 President and Chief Executive Officer

Rate C

Applicability

In all territories of owner-member of EKPC.

T

Availability

Available to owner-members and retail members willing to execute EKPC-approved contracts for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

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Monthly Rate

Demand Charge per kW of Billing Demand	\$7.49	
Energy Charge per kWh	\$.039884	

Billing Demand

The billing demand shall be the greater of (a) or (b) listed below:

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- a. The contract demand; or
- b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

T

<u>Months</u>	<u>Hours Applicable for Demand Billing - EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

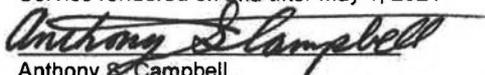
Minimum Monthly Charge

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

- a. The product of the billing demand multiplied by the demand charge, plus
- b. The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY:   
Anthony Campbell,  
President and Chief Executive Officer

Rate E

Applicability

In all territories of owner-member of EKPC.

T

Availability

Available to all owner-members of EKPC for all power usage at the load center not subject to the provisions of Rate B, Rate C, or Rate G of this tariff and special contract participants. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

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Monthly Rate - Per Load Center

An owner-member may select either Option 1 or Option 2 of this section of the tariff to apply to all load centers. The owner-member must remain on a selected option for at least one (1) year and may change options, no more often than every twelve (12) months, after giving a minimum notice of two (2) months advance notice of an election to change options.

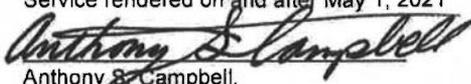
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	<u>Option 1</u>	<u>Option 2</u>	
Demand Charge per kW of Billing Demand	\$8.52	\$6.55	I
Energy Charge per kWh			
On-Peak kWh	\$ .042956	\$ .051527	I
Off-Peak kWh	\$ .042378	\$ .042802	I

On-peak and off-peak hours are provided below:

<u>Months</u>	<u>On-Peak Hours - EPT</u>	<u>Off-Peak Hours - EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.	12:00 noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m.
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.

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DATE OF ISSUE: April 1, 2021  
DATE EFFECTIVE: Service rendered on and after May 1, 2021  
ISSUED BY:   
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Rate E (continued)**

**Billing Demand**

The billing demand is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

T

<u>Months</u>	<u>Hours Applicable for Demand Billing – EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Billing demand applicable to this rate is equal to the load center's contribution to EKPC's system peak demand minus the actual demands of Rate B, Rate C, Rate G, and special contract participants coincident with EKPC's system peak demand.

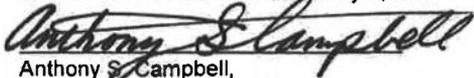
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**Billing Energy**

Billing energy applicable to this rate is equal to the total energy provided at the load center minus the actual energy provided to Rate B, Rate C, Rate G, and special contract participants.

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**DATE OF ISSUE:** April 1, 2021  
**DATE EFFECTIVE:** Service rendered on and after May 1, 2021  
**ISSUED BY:**   
 Anthony S. Campbell,  
 President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

Rate G

**SPECIAL ELECTRIC CONTRACT RATE**

Applicability

In all territories of owner-member of EKPC.

Availability

Available to all owner-members and retail members willing to execute EKPC-approved contracts for demands of 15,000 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

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Character of Service

Three-phase 60 Hertz alternating current as specified in the special contract for purchased power.

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Monthly Rate

Demand Charge per kW of Billing Demand	\$7.30
Energy Charge per kWh	\$ .037780

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Determination of Billing Demand

The billing demand shall be the greater of (a) or (b) listed below:

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- a. The contract demand; or
- b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

T

<u>Months</u>	<u>Hours Applicable for Demand Billing – EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY:

*Anthony S. Campbell*  
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Rate G (con't.)**

Notwithstanding the foregoing, a special contract for purchased power may waive a demand ratchet for any new or expanding load for the period in which the new or expanded load has not yet been fully brought on-line or reached full production status.

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**Minimum Monthly Charge**

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

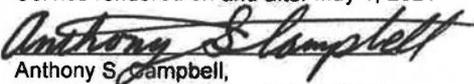
- (a) The metering and substation charge, plus
- (b) The product of the billing demand multiplied by the demand charge, plus
- (c) The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

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**DATE OF ISSUE:** April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after May 1, 2021

**ISSUED BY:**   
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Rate ES – Environmental Surcharge**

**Applicability**

In all territories of owner-members of EKPC.

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**Availability**

This rate schedule shall apply to EKPC Rates B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

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**Rate**

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$CESF = E(m) / R(m)$$

$$MESF = CESF - BESF$$

MESF = Monthly Environmental Surcharge Factor  
CESF = Current Environmental Surcharge Factor  
BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

**Definitions**

1.  $E(m) = [(RB/12)(RORB) + OE - BAS + (Over)Under Recovery$

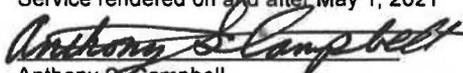
where:

- a. RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;
- b. RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.475;

R

DATE OF ISSUE: April 1, 2021

DATE EFFECTIVE: Service rendered on and after May 1, 2021

ISSUED BY:   
Anthony B. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Rate ES – Environmental Surcharge (continued)**

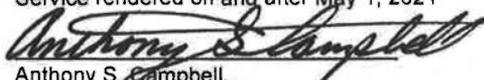
- c. OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;
  - d. BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
  - e. (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment.
- 2. Total E(m) is multiplied by the "Member System Allocation Ratio" to arrive at Net E(m). The "Member System Allocation Ratio" is based on the ratio of the twelve (12)-month total revenue from sales to owner-members to which the Surcharge will be applied, ending with the current expense month, divided by the twelve (12)-month total revenue from sales to owner-members and off-system sales.
  - 3. The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve (12)-months ending with the current expense month.
  - 4. The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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**DATE OF ISSUE:** April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after May 1, 2021

**ISSUED BY:**

  
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Rate B**

**Applicability**

In all territories of owner-member cooperatives ("owner-members") of East Kentucky Power Cooperative, Inc. ("EKPC").

**Availability**

Available to all cooperative associations which are or shall be owner-members of EKPC and end-use retail members ("retail members") willing to which execute EKPC-approved contracts with the end-use retail members (retail member) for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly contract demand shall be agreed between the owner-member and EKPC. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

**Applicability**

Applicable to owner members and retail members willing to contract for demands of 500 kW or greater and a monthly minimum energy usage equal to or greater than 400 hours per kW of contract demand. Wholesale monthly minimum demand shall be agreed between the owner member and EKPC.

**Monthly Rate**

Demand Charge per kW of <del>Contract Minimum</del> Demand	\$7.17 .49
Demand Charge per kW of Billing Demand in Excess of <del>Contract Minimum</del> Demand	\$9.98
Energy Charge per kWh	\$ .038982 39884

**Billing Demand**

The billing demand (~~kilowatt demand~~) shall be the ~~contract minimum~~ demand plus any excess demand. Excess demand occurs when the retail member's highest demand during the current month, coincident with EKPC's system peak (coincident peak), exceeds the ~~contract minimum~~ demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

**Minimum Monthly Charge**

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

- a. The product of the ~~contract minimum~~ demand multiplied by the demand charge, plus
- b. The product of the ~~contract minimum~~ demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh as established in the Fuel Adjustment Clause.

**DATE OF ISSUE:** ~~January 7, 2020~~ April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after ~~February 1, 2020~~ May 1, 2021

**ISSUED BY:** \_\_\_\_\_  
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission  
of Kentucky in Case No. 2019-00003 2021-00103 dated ~~December 26, 2019~~ \_\_\_\_\_, 2021.

**Rate C**

**Applicability**

In all territories of owner-members of EKPC.

**Availability**

Available to all cooperative associations which are or shall be owner-members and retail members willing to of EKPC and which execute EKPC-approved contracts with the retail members. for demands of 500 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

**Applicability**

Applicable to owner-members and retail members willing to contract for demand of 500 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand.

**Monthly Rate**

Demand Charge per kW of Billing Demand	\$7.17 .49
Energy Charge per kWh	\$.038982 39884

**Billing Demand**

The kilowatt billing demand shall be the greater of (a) or (b) listed below:

- a. The contract demand; or
- b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing - EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

**Minimum Monthly Charge**

The minimum monthly charge shall not be less than the sum of (a) and (b) below:

- a. The product of the billing demand multiplied by the demand charge, plus
- b. The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh.

DATE OF ISSUE: January 7, 2020 April 1, 2021

DATE EFFECTIVE: Service rendered on and after February 1, 2020 May 1, 2021

ISSUED BY: \_\_\_\_\_

Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission  
of Kentucky in Case No. 2019-00003 2021-00103 dated December 26, 2019 \_\_\_\_\_, 2021.

**Rate E**

**Applicability**

In all territories of owner-members of EKPC.

**Availability**

Available to all ~~cooperative associations which are or shall be~~ owner-members of EKPC for all power usage at the load center not subject to the provisions of Rate B, Rate C, or Rate G of this tariff and special contract participants. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

**Applicability**

Applicable to all power usage at the load center not subject to the provisions of Rate A, Rate B, Rate C, or Rate G of this tariff.

**Monthly Rate - Per Load Center**

An owner-member may select either Option 1 or Option 2 of this section of the tariff to apply to all load centers. The owner-member must remain on a selected option for at least one (1) year and may change options, no more often than every twelve (12) months, after giving a minimum notice of two (2) months advance notice of an election to change options.

	<u>Option 1</u>	<u>Option 2</u>
Demand Charge per kW of Billing Demand	\$7.99 8.52	\$6.02 55
Energy Charge per kWh		
On-Peak kWh	\$ .041232 2956	\$ .049379 51527
Off-Peak kWh	\$ .040654 2378	\$ .040654 2802

On-peak and off-peak hours are provided below:

<u>Months</u>	<u>On-Peak Hours - EPT</u>	<u>Off-Peak Hours – EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.	12:00 noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m.
May through September	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.

**DATE OF ISSUE:** January 7, 2020 April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after February 1, 2020 May 1, 2021

**ISSUED BY:** \_\_\_\_\_  
 Anthony S. Campbell,  
 President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2019-00003 2021-00103 dated December 26, 2019 \_\_\_\_\_, 2021.

**Rate E (continued)**

**Billing Demand**

The billing demand (kilowatt demand) is based on EKPC's system peak demand (coincident peak) which is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing – EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

Billing demand applicable to this rate is equal to the load center's contribution to EKPC's system peak demand minus the actual demands of Rate A, Rate B, and Rate C, Rate G, and special contract participants coincident with EKPC's system peak demand.

**Billing Energy**

Billing energy applicable to this rate is equal to the total energy provided at the load center minus the actual energy provided to Rate A, Rate B, and Rate C, Rate G, and special contract participants.

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**DATE OF ISSUE:** ~~October 2, 2017~~ April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after ~~November 2, 2017~~ May 1, 2021

**ISSUED BY:** \_\_\_\_\_  
Anthony S. Campbell,  
President and Chief Executive Officer

*Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.*

Rate G

SPECIAL ELECTRIC CONTRACT RATE

Applicability

In all territories of owner-members of EKPC.

Availability

Available to all owner-members and retail members willing to execute EKPC-approved contracts for demands of 15,000 kW or greater and a monthly energy usage equal to or greater than 400 hours per kW of billing demand. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

Character of Service

Three-phase 60 Hertz alternating current as specified in the special contract Agreement for Purchased Power.

Monthly Rate

Demand Charge per kW of Billing Demand kW	<del>\$6.98</del> 7.30
Energy Charge per ALL kWh	\$ .036947 7780

Determination of Billing Demand

The billing kilowatt demand shall be the greater of (a) or (b) listed below:

- a. The contract demand; or
- b. The retail member's highest demand during the current month or preceding eleven months coincident with EKPC's system peak demand. EKPC's system peak demand is the highest average rate at which energy is used during any fifteen (15)-minute interval in the below listed hours for each month and adjusted for power factor as provided herein:

<u>Months</u>	<u>Hours Applicable for Demand Billing – EPT</u>
October through April	7:00 a.m. to 12:00 noon 5:00 p.m. to 10:00 p.m.
May through September	10:00 a.m. to 10:00 p.m.

DATE OF ISSUE: ~~January 7, 2020~~ April 1, 2021

DATE EFFECTIVE: Service rendered on and after ~~February 1, 2020~~ May 1, 2021

ISSUED BY: \_\_\_\_\_  
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2019-00003 2021-00103 dated ~~December 26, 2019~~ \_\_\_\_\_, 2021.

**Rate G (con't.)**

*Notwithstanding the foregoing, a special contract for purchased power may waive a demand ratchet for any new or expanding load for the period in which the new or expanded load has not yet been fully brought on-line or reached full production status.*

**Minimum Monthly Charge**

The minimum monthly charge shall not be less than the sum of (a), (b), and (c) below:

- (a) The metering and substation charge, plus
- (b) The product of the billing demand multiplied by the demand charge, plus
- (c) *The product of the billing demand multiplied by 400 hours and the energy charge per kWh minus the fuel base per kWh. The result of: (Energy Rate minus EKPC's base fuel component in the Energy Rate) times Billing Demand times 400 hours.*

**Power Factor Adjustment**

~~Refer to EKPC General Wholesale Power Tariffs, Power Factor Adjustment.~~

**Fuel Adjustment Clause**

~~Refer to EKPC General Wholesale Power Tariffs, Fuel Adjustment.~~

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**DATE OF ISSUE:**            ~~October 2, 2017~~ April 1, 2021

**DATE EFFECTIVE:**        Service rendered on and after ~~November 2, 2017~~ May 1, 2021

**ISSUED BY:**                \_\_\_\_\_  
   Anthony S. Campbell,  
   President and Chief Executive Officer

*Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.*

**Rate ES – Environmental Surcharge**

**Applicability**

Applicable to all rates in this tariff. This rate schedule shall apply to each owner-member. In all territories of owner-members of EKPC.

**Availability**

This rate schedule shall apply to EKPC Rates A, B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

**Rate**

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$\text{CESF} = E(m) / R(m)$$

$$\text{MESF} = \text{CESF} - \text{BESF}$$

MESF = Monthly Environmental Surcharge Factor  
 CESF = Current Environmental Surcharge Factor  
 BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

**Definitions**

1.  $E(m) = [(RB/12)(RORB) + OE - BAS + (Over)Under Recovery$

where:

- a. RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;
- b. RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.50 .475;

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**DATE OF ISSUE:** ~~October 2, 2017~~ April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after ~~November 2, 2017~~ May 1, 2021

**ISSUED BY:** \_\_\_\_\_  
 Anthony S. Campbell,  
 President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Rate ES – Environmental Surcharge (continued)**

- c. OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;
  - d. BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
  - e. (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment.
2. Total E(m) is multiplied by the "Member System Allocation Ratio" to arrive at Net E(m). The "Member System Allocation Ratio" is based on the ratio of the twelve (12)-month total revenue from sales to owner-members to which the Surcharge will be applied, ending with the current expense month, divided by the twelve (12)-month total revenue from sales to owner-members and off-system sales.
  3. The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve (12)-months ending with the current expense month.
  4. The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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**DATE OF ISSUE:** ~~October 2, 2017~~ April 1, 2021

**DATE EFFECTIVE:** Service rendered on and after ~~November 2, 2017~~ May 1, 2021

**ISSUED BY:** \_\_\_\_\_  
Anthony S. Campbell,  
President and Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2021-00103 dated \_\_\_\_\_, 2021.

**Increase in Steam Service**

Effective for Service Rendered on and after May 1, 2021  
Pursuant to KPSC Order dated \_\_\_\_\_, 2021 in Case No. 2021-00103

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Rates

<u>Description</u>	<u>Prior Contract Rate</u>	<u>Current Approved Rate</u>	
Demand Charge	\$577.15/mmbtu/month	\$604.75/mmbtu/month	I
Energy Rate	\$4.166/mmbtu	\$4.266/mmbtu	I

**Increase in Contract**

Effective for Service Rendered on and after May 1, 2021  
Pursuant to KPSC Order dated \_\_\_\_\_, 2021 in Case No. 2021-00103

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Rates

<u>Description</u>	<u>Feb. 1, 2020 Contract Rate</u>	<u>Current Approved Rate</u>	
Demand Charge – Billing Demand at or below 180 MW In On-Peak Periods [Paragraph 3(b)]	\$ 6.92/kW/month	\$ 7.15/kW/month	I
Interruptible Credit – 10 Minute Interruptible Demand Service [Paragraph 4(a)]	\$ 6.22/kW/month	\$ 6.22/kW/month	
Interruptible Credit – 90 Minute Interruptible Demand Service [Paragraph 4(b)]	\$ 4.20/kW/month	\$ 4.20/kW/month	
Energy Rate – Off-Peak [Paragraph 12]	\$0.035477/kWh	\$0.036139/kWh	I
Energy Rate – On-Peak [Paragraph 12]	\$0.038905/kWh	\$0.039567/kWh	I

### Increase in Steam Service

Effective for Service Rendered on and after May 1, 2021  
Pursuant to KPSC Order dated \_\_\_\_\_, 2021 in Case No. 2021-00103

#### Rates

<u>Description</u>	<u>Prior Contract Rate</u>	<u>Current Approved Rate</u>
Demand Charge	\$577.15/mmbtu/month	<del>\$577.15</del> 604.75/mmbtu/month
Energy Rate	\$4.166/mmbtu	<del>\$4.166</del> 4.266/mmbtu

### Increase in Contract

Effective for Service Rendered on and after May 1, 2021  
Pursuant to KPSC Order dated \_\_\_\_\_, 2021 in Case No. 2021-00103

#### Rates

<u>Description</u>	<u>Feb. 1, 2020 Contract Rate</u>	<u>Current Approved Rate</u>
Demand Charge – Billing Demand at or below 180 MW In On-Peak Periods [Paragraph 3(b)]	\$ 6.92/kW/month	<del>\$ 6.92</del> 7.15 /kW/month
Interruptible Credit – 10 Minute Interruptible Demand Service [Paragraph 4(a)]	\$ 6.22/kW/month	\$ 6.22/kW/month
Interruptible Credit – 90 Minute Interruptible Demand Service [Paragraph 4(b)]	\$ 4.20/kW/month	\$ 4.20/kW/month
Energy Rate – Off-Peak [Paragraph 12]	\$0.035477/kWh	<del>\$0.035477</del> .036139 /kWh
Energy Rate – On-Peak [Paragraph 12]	\$0.038905/kWh	<del>\$0.038905</del> .039567 /kWh

**Exhibit C**  
**Proof of Revenues**

**East Kentucky Power Cooperative, Inc.**

**Revenue Summary by Rate Class  
Present and Settlement Rate Revenues**

Summary of Settlement Rate Change by Rate Schedule					
Line No.	Description	Present Rates	Settlement Rates		As Percent
		Amount	Amount	Increase	
1		\$	\$	\$	
2	<b><u>Totals Revenues by Rate</u></b>				
3	Rate B	59,815,719	61,364,392	1,548,673	2.6%
4	Rate C	17,153,311	17,605,550	452,238	2.6%
5	Rate E	664,081,280	698,395,345	34,314,065	5.2%
6	Rate G	25,516,274	26,179,595	663,320	2.6%
7	Contract	41,786,791	42,872,821	1,086,030	2.6%
8	Steam	10,716,264	10,994,937	278,674	2.6%
9	Rate TGP	6,349,849	6,349,849	-	0.0%
10	<b>Sub-Total COS Based Revenues</b>	<b>825,419,487</b>	<b>863,762,487</b>	<b>38,343,000</b>	<b>4.6%</b>
11	Rate H	49,170	49,170	-	0.0%
12	DSM Riders	(1,109,853)	(1,109,853)	-	0.0%
13	<b>Total Revenues by Rate</b>	<b>824,358,804</b>	<b>862,701,804</b>	<b>38,343,000</b>	<b>4.7%</b>

**East Kentucky Power Cooperative, Inc.  
Present and Settlement Rates**

Line No.	Description	Units	Present Rates		Settlement Rates		
			Rate	Amount	Rate	Amount	
1				\$		\$	
2	<b>Rate B</b>						
3	<i>Metering Charge</i>	Meters		\$0.00		\$0.00	
4	<i>Demand Charges</i>						
5	Demand Charge	CP kW	1,767,954	\$7.17	12,676,230	\$7.49	13,241,975
6	Excess Demand Charge	CP kW	59,568	\$9.98	594,489	\$9.98	594,489
7	Interruptible (400 Hrs)	CP kW	235,184	-\$5.60	(1,317,030)	-\$5.60	(1,317,030)
8	EDR Discount				(23,719)		(24,736)
9	<i>Energy Charges</i>				-		-
10	Energy Charge	kWh	1,090,848,453	\$0.038982	42,523,454	\$0.039884	43,507,400
11	Min kWh Adjustment	kWh	4,543,620	-\$0.026240	(119,225)	-\$0.026240	(119,225)
12	Sub-Total Base Rates				54,334,199		55,882,872
13	Net Buy Through Charge				77,890		77,890
14	Fuel Adjustment	kWh	1,086,304,833	-\$0.002702	(2,935,048)	-\$0.002702	(2,935,048)
15	Environmental Surcharge			16.200%	8,338,677	15.749%	8,338,677
16	<b>Total Rate B</b>				<u>59,815,719</u>		<u>61,364,392</u>
17							
18	<b>Rate C</b>						
19	<i>Metering Charge</i>	Meters		\$0.00			\$0
20	<i>Demand Charges</i>						
21	Demand Charge	CP kW	582,643	\$7.17	4,177,550	\$7.49	4,363,996
22	<i>Energy Charges</i>				-		-
23	Energy Charge	kWh	294,670,389	\$0.038982	11,486,841	\$0.039884	11,752,634
24	Min kWh Adjustment	kWh	4,208,946	-\$0.026240	(110,443)	-\$0.026240	(110,443)
25	Sub-Total Base Rates				15,553,949		16,006,187
26	Fuel Adjustment	kWh	290,461,443	-\$0.002684	(779,575)	-\$0.002684	(779,575)
27	Environmental Surcharge			16.100%	2,378,938	15.624%	2,378,938
28	<b>Total Rate C</b>				<u>17,153,311</u>		<u>17,605,550</u>

**East Kentucky Power Cooperative, Inc.  
Present and Settlement Rates**

Line No.	Description	Units	Present Rates		Settlement Rates		
			Rate	Amount	Rate	Amount	
29	<b>Rate E</b>						
30	<i>Demand Charges</i>						
31	Demand Charge	CP kW	23,934,636	\$6.02	144,086,507	\$6.55	156,771,864
32	Power Factor Penalty	CP kW	15,979	\$6.02	96,194	\$6.55	104,662
33	<i>Energy Charges</i>						
34	On-Peak Energy Charge	kWh	4,998,176,543	\$0.049379	246,804,960	\$0.051527	257,542,958
35	Off-Peak Energy Charge	kWh	4,732,348,143	\$0.040654	192,388,881	\$0.042802	202,555,778
36	<i>Metering Charge</i>	Meters	328	\$144.00	566,208	\$151.20	594,518
37	<i>Sub-Station Charges</i>						
38	1000-2999 kVa	Subs	3	\$1,088.00	39,168	\$1,142.40	41,126
39	3000-7499 kVa	Subs	39	\$2,737.00	1,280,916	\$2,873.85	1,344,962
40	7500-14999 kVa	Subs	224	\$3,292.00	8,848,896	\$3,456.60	9,291,341
41	15000 kVa and Up	Subs	57	\$5,310.00	3,632,040	\$5,575.50	3,813,642
42	Sub-Total Base Rates				597,743,770		632,060,852
43	Special Adjustments				(117,842)		(117,842)
44	Fuel Adjustment	kWh	9,730,524,686	-\$0.002698	(26,249,938)	-\$0.002698	(26,252,956)
45	Environmental Surcharge			16.225%	92,705,290	15.303%	92,705,290
46	<b>Total Rate E</b>				664,081,280		698,395,345
47							
48	<b>Rate G</b>						
49	<i>Metering Charge</i>	Meters	1	\$144.00	1,728	\$151.20	\$1,814.40
50	<i>Sub-Station Charges</i>	Subs	1	\$5,310.00	63,720	\$5,575.50	\$66,906.00
51	<i>Demand Charges</i>						
52	Demand Charge	CP kW	797,497	\$6.98	5,566,529	\$7.30	5,821,728
53	Interruptible (200 Hrs)	CP kW	83,048	-\$4.20	(348,802)	-\$4.20	(348,802)
54	<i>Energy Charges</i>						
55	Energy Charge	kWh	485,775,112	\$0.036947	17,947,933	\$0.037780	18,352,584
56	Sub-Total Base Rates				23,231,109		23,894,231
57	Net Buy Through Charge				24,178		24,178
58	Fuel Adjustment	kWh	485,775,112	-\$0.002710	(1,316,649)	-\$0.002710	(1,316,451)
59	Environmental Surcharge			16.310%	3,577,636	15.846%	3,577,636
60	<b>Total Rate G</b>				25,516,274		26,179,595

**East Kentucky Power Cooperative, Inc.**  
**Present and Settlement Rates**

Line No.	Description	Units	Present Rates		Settlement Rates		
			Rate	Amount	Rate	Amount	
61	<b>Contract</b>						
62	<i>Metering Charge</i>	Meters	1	\$0.00	\$0.00	\$0.00	
63	<i>Demand Charges</i>						
64	Demand Charge	CP kW	1,906,996	\$6.92	13,196,412	\$7.15	13,635,021
65	Interruptible (10 Min)	CP kW	1,440,000	-\$6.22	(8,956,800)	-\$6.22	(8,956,800)
66	Interruptible (90 Min)	CP kW	286,996	-\$4.20	(1,205,383)	-\$4.20	(1,205,383)
67	<i>Energy Charges</i>						
68	On-Peak Energy Charge	kWh	292,976,846	\$0.038905	11,398,264	\$0.039567	11,592,340
69	Off-Peak Energy Charge	kWh	684,368,004	\$0.035477	24,279,324	\$0.036139	24,732,668
70	Min kWh Adjustment	kWh	9,167,968	-\$0.026240	(240,567)	-\$0.026240	(240,567)
71	Sub-Total Base Rates				38,471,250		39,557,279
72	Load Following Charge				34,539		34,539
73	Net Buy Through Charge				148,228		148,228
74	Fuel Adjustment	kWh	968,176,882	-\$0.002731	(2,638,182)	-\$0.002731	(2,638,182)
75	Environmental Surcharge			16.130%	5,770,957	15.617%	5,770,957
76	<b>Total Gallatin</b>				41,786,791		42,872,821
77							
78	<b>Steam</b>						
79	<i>Metering Charge</i>	Meters	1	\$0.00	\$0.00	\$0.00	
80	<i>Demand Charges</i>						
81	Demand Charge	CP kW	397,389				
82	x MMBTU Conversion		0.00917				
83	x Steam Adjustment		1.01600	\$577.15	2,136,440	\$604.75	2,238,034
84	<i>Energy Charges</i>						
85	Energy Charge	kWh	195,836,964				
86	x MMBTU Conversion		0.00917				
87	x Steam Adjustment	kWh	1.01600	\$4.166	7,605,674	\$4.266	7,782,438
88	Sub-Total Base Rates				9,742,113		10,020,473
89	Fuel Adjustment	kWh	198,970,355	-\$0.002662	(529,973)	-\$0.002662	(529,659)
90	Environmental Surcharge			16.328%	1,504,124	15.848207%	1,504,124
91	<b>Total Steam</b>				10,716,264		10,994,937
92							
93	<b>Rate TGP</b>						
94	<i>Metering Charge</i>	Meters	-	\$0.00	\$0.00	\$0.00	
95	<i>Demand Charges</i>						
96	Demand Charge	CP kW	477,063	\$1.75	834,860	\$1.75	834,860
97	<i>Energy Charges (Averaged)</i>						
98	On-Peak Energy Charge	kWh	84,629,228	\$0.030160	2,552,749	\$0.030160	2,552,749
99	Off-Peak Energy Charge	kWh	98,387,617	\$0.022270	2,190,711	\$0.022270	2,190,711
100	Sub-Total Base Rates				5,578,320		5,578,320
101	Net Buy Through Charge				218,754		218,754
102	Fuel Adjustment	kWh	183,016,845	\$0.000000	-	\$0.000000	-
103	Environmental Surcharge			9.909%	552,775	9.909%	552,775
104	<b>Total Rate TGP</b>				6,349,849		6,349,849

**East Kentucky Power Cooperative, Inc.  
Present and Settlement Rates**

Line No.	Description	Units	Present Rates		Settlement Rates		
			Rate	Amount	Rate	Amount	
105	<b>Rate E1 - RATE DESIGN ONLY – THERE IS CURRENTLY NO LOAD ON THIS RATE</b>						
106	<i>Demand Charges</i>						
107	Demand Charge	CP kW	23,934,636	\$7.99	191,237,740	\$8.52	203,923,097
108	Power Factor Penalty	CP kW	15,979	\$7.99	127,672	\$8.52	136,141
109	<i>Energy Charges</i>						
110	On-Peak Energy Charge	kWh	4,998,176,543	\$0.041232	206,084,815	\$0.042956	214,701,930
111	Off-Peak Energy Charge	kWh	4,732,348,143	\$0.040654	192,388,881	\$0.042378	200,547,694
112	Metering Charge	Meters	328	\$144.00	566,214	\$151.20	594,524
113	<i>Sub-Station Charges</i>						
114	1000-2999 kVa	Subs	3	\$1,088.00	39,168	\$1,142.40	41,126
115	3000-7499 kVa	Subs	39	\$2,737.00	1,280,916	\$2,873.85	1,344,962
116	7500-14999 kVa	Subs	224	\$3,292.00	8,848,896	\$3,456.60	9,291,341
117	15000 kVa and Up	Subs	57	\$5,310.00	3,632,040	\$5,575.50	3,813,642
118	Sub-Total Base Rates				604,206,342		634,394,457
119	Special Adjustments		-		(117,842)		(117,842)
120	Fuel Adjustment	kWh	9,730,524,686	-\$0.002698	(26,252,956)	-\$0.002698	(26,252,956)
121	Environmental Surcharge		-		92,705,290	15.303%	92,705,290
122	<b>Total Rate E</b>				<u>670,540,835</u>		<u>700,728,950</u>

**East Kentucky Power Cooperative, Inc.  
 Cost Justification for Interruptible Service Credit**

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5 Avoided Cost Estimate of Interruptible Power:

8	Estimated Installed Cost of a Combustion Turbine		\$713	per kW
9	Single Cycle, GE 7FA, 237 MW			
11	Estimated Cost of Capital			
12	Interest Rate on Debt	3.25%		
13	TIER	1.50	4.88%	
15	Depreciation (40 year service life)		2.50%	
17	Average Term of Financing for Combustion Turbine		30	years
19	Annual Capacity Cost		\$34.79	per kW
21	Annual Property Taxes & Insurance Expenses		\$3.52	per kW
23	Annual Fixed O&M Expenses		\$7.00	per kW
25	Annual Depreciation		\$17.83	per kW
27	Total Annual Cost		\$63.14	per kW
29	Monthly Cost		\$5.26	per kW

32 Installed Cost and Annual Fixed O&M Expenses from EIA Annual Energy Outlook 2020, dated December 2019.  
 33 Interest rate assumed to be private financing, due to the ability to lock in the rate at time of debt issuance.  
 34 Fixed O&M Expenses from EIA Outlook, Section 6.

36	Total Cost of Combustion Turbine		\$165,790,000	EIA Outlook, Section 6
37	Estimated Property Tax & Insurance Expense:			
38	Estimated Property Tax Rate	0.004463		
39	Estimated Insurance Rate	0.000571		
40	Total Combined Expense Rate		<u>0.005034</u>	
41	Total Estimated Property Tax & Insurance Expense		<u>\$834,586.86</u>	
42	Total kW Capacity of Combustion Turbine		<u>237,000</u>	kW
43	Expense per kW		<u>\$3.52</u>	per kW

**Goss  
Samford**

ATTORNEYS AT LAW | PLLC

**Mark David Goss**  
mdgoss@gosssamfordlaw.com  
(859) 368-7740

August 8, 2016

RECEIVED

AUG 08 2016

PUBLIC SERVICE  
COMMISSION

*Via Hand-Delivery*

Talina R. Mathews, Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Re: In the Matter of: The Application of East Kentucky Power Cooperative, Inc.  
For Deviation from Obligation Resulting from Case No. 2012-00169  
**PSC Case No. 2015-00358**

Executive Director Mathews:

On behalf of East Kentucky Power Cooperative, Inc. ("EKPC"), please find enclosed for filing with the Commission in the above-referenced case an original and ten (10) copies of EKPC's Motion to Accept and Approve Stipulation and Recommendation of the Parties.

Please return a file-stamped copy of the Motion to me, and please do not hesitate to contact me if you have any questions or concerns.

Very truly yours,



Mark David Goss

Enclosures

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

**RECEIVED**  
AUG 08 2016  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR DEVIATION FROM ) Case No. 2015-00358  
OBLIGATION RESULTING FROM CASE NO. 2012-00169 )

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**MOTION TO ACCEPT AND APPROVE  
STIPULATION AND RECOMMENDATION OF THE PARTIES**

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Comes now East Kentucky Power Cooperative, Inc. ("EKPC"), by and through counsel, and hereby tenders for filing in the above-captioned proceeding the enclosed Stipulation and Recommendation entered into by and among EKPC, the Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and Kentucky Industrial Utility Customers, Inc. (collectively, the "Parties").<sup>1</sup> The Stipulation and Recommendation reflects the Parties' agreement as to the fair, just, and reasonable resolution of this matter, and EKPC requests that the Commission accept and approve same.

WHEREFORE, EKPC respectfully requests an Order from the Commission:

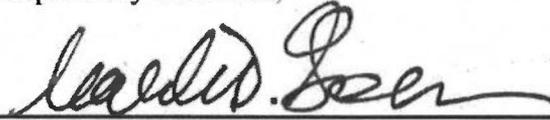
1. Accepting and approving the Stipulation and Recommendation as filed;
2. Providing for the conclusion of this matter as expeditiously as practicable; and
3. Granting to EKPC all other relief to which it may appear entitled.

---

<sup>1</sup> The fully-executed Stipulation and Recommendation is attached hereto as Exhibit A. Additionally, EKPC tenders as attached Exhibit B the Supplemental Direct Testimony of Michael McNalley in Support of the Stipulation and Recommendation.

This 8<sup>th</sup> day of August, 2016.

Respectfully submitted,



---

Mark David Goss  
David S. Samford  
M. Evan Buckley  
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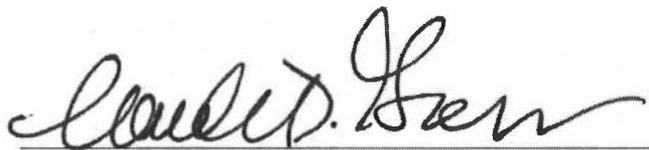
*Counsel for East Kentucky Power Cooperative, Inc.*

**CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the foregoing has been served, by delivering same to the custody and care of the U.S. Postal Service, postage pre-paid, this 8<sup>th</sup> day of August, 2016, addressed to the following:

Michael L. Kurtz  
Kurt J. Boehm  
Jody Kyler Cohn  
BOEHM, KURTZ & LOWRY  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

Rebecca Goodman  
Lawrence W. Cook  
Stefanie J. Kingsley  
Assistant Attorneys General  
1024 Capital Center Dr., Suite 200  
Frankfort, KY 40601-8204



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*Counsel for East Kentucky Power Cooperative, Inc.*

## STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation is entered into this 8<sup>th</sup> day of August, 2016, by and among East Kentucky Power Cooperative, Inc. ("EKPC"); the Office of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (the "AG"); and Kentucky Industrial Utility Customers, Inc. ("KIUC"), in the proceeding involving the above parties, which are the subject of this Stipulation and Recommendation, as set forth below. (EKPC, the AG, and KIUC may be referred to collectively herein as the "Parties.")

### WITNESSETH:

**WHEREAS**, EKPC filed on October 30, 2015, with the Kentucky Public Service Commission ("Commission") its Application in *In the Matter of: The Application of East Kentucky Power Cooperative, Inc. for Deviation from Obligation Resulting from Case No. 2012-00169*, and the Commission then established Case No. 2015-00358;

**WHEREAS**, the AG and KIUC have been granted intervention by the Commission in this proceeding;

**WHEREAS**, informal conferences, attended in person or by teleconference by representatives of the Parties and Commission Staff took place on November 20, 2015, December 22, 2015, January 29, 2016, March 17, 2016, and June 24, 2016, at the offices of the Commission, during which a number of procedural and substantive issues were discussed, including terms and conditions related to the issues pending before the Commission in this proceeding that might be considered by all parties to constitute reasonable means of addressing their concerns;

**WHEREAS**, EKPC submitted to the Commission on June 22, 2016, an Amended Application in this proceeding, which Amended Application reflects a plan, denoted therein and



herein as the “Smith Solution,”<sup>1</sup> designed to address and satisfy the directive of the Commission contained in the PJM Integration Order concerning the implementation of a CBS Mechanism;

**WHEREAS**, by Order in Case No. 2005-00053,<sup>2</sup> the Commission authorized EKPC’s construction of Smith 1;

**WHEREAS**, pursuant to the Smith 1 Settlement Agreement and Commission Order in Case No. 2010-00238,<sup>3</sup> EKPC voluntarily abandoned construction of Smith 1;

**WHEREAS**, the Smith 1 Settlement Agreement noted that Smith 1 was not primarily planned to serve the load of Gallatin Steel Company (now Nucor Steel Gallatin) (“Nucor”) and further recognized that the “appropriate allocation of [the Smith 1] cost to [Nucor] and the other rate classes is based upon the firm demand of each rate class including [Nucor];”

**WHEREAS**, by Order in Case No. 2010-00449,<sup>4</sup> the Commission authorized EKPC’s establishment of the Smith 1 Regulatory Asset for accounting purposes only;

**WHEREAS**, pursuant to the 2010 Rate Case Settlement Agreement and Commission Order in Case No. 2010-00167,<sup>5</sup> EKPC’s existing base rates reflect the Smith 1 Interest Expense;

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<sup>1</sup> Unless otherwise noted or indicated by context, terms that are capitalized and defined in EKPC’s Amended Application filed in this proceeding have the same meaning when referenced herein.

<sup>2</sup> *In the Matter of: Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Construction of a 278 MW (Nominal) Circulating Fluidized Bed Coal Fired Unit and Five 90 MW (Nominal) Combustion Turbines in Clark County, Kentucky* (Ky. P.S.C. Aug. 29, 2006).

<sup>3</sup> *In the Matter of: An Investigation of East Kentucky Power Cooperative, Inc.’s Need for the Smith 1 Generating Facility* (Ky. P.S.C. Feb. 28, 2011).

<sup>4</sup> *In the Matter of: Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Amount Expended on its Smith 1 Generating Unit* (Ky. P.S.C. Feb. 28, 2011).

<sup>5</sup> *In the Matter of: Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates* (Ky. P.S.C. Jan. 14, 2011).

**WHEREAS**, EKPC expects to realize certain PJM Capacity Market Benefits and incur certain PJM Capacity Market Costs during the PJM Delivery Years of 2016/17, 2017/18, and 2018/19 as a result of its membership and participation in PJM;

**WHEREAS**, in consultation with interested parties, EKPC has proposed the Smith Solution as a means to flow its Net PJM Capacity Market Benefits to its Owner-Members and their retail customers through the amortization of the Smith 1 Regulatory Asset, thereby eliminating the need for a Smith 1 surcharge, as further described in its Amended Application;

**WHEREAS**, EKPC has requested that the Commission approve the Smith Solution, as described in its Amended Application and outlined herein;

**WHEREAS**, the Parties desire to recommend to the Commission that it enter an Order granting EKPC's requested relief and setting the terms and conditions that the parties believe are reasonable as stated herein;

**WHEREAS**, it is understood by all Parties that this agreement is a stipulation among the Parties concerning all matters at issue in these proceedings pursuant to 807 KAR 5:001, Section 9(6);

**WHEREAS**, the Parties have expended significant time and effort to reach the stipulations and agreements that form the basis of this Stipulation and Recommendation;

**WHEREAS**, the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, is a fair, just and reasonable resolution of all the issues in this proceeding; and

**WHEREAS**, the Parties recognize that this agreement constitutes only an agreement among, and a recommendation by, themselves, and that all issues in this proceeding remain open

for consideration by the Commission at a formal hearing in this proceeding, should the Commission determine such a hearing is necessary.

**NOW, THEREFORE**, in consideration of the premises and conditions set forth herein, the Parties hereby stipulate, agree, and recommend as follows:

**ARTICLE I. Agreement in Support of the Smith Solution**

**Section 1.1.** EKPC's Amended Application details the provisions of the Smith Solution, and each of the Parties has read and understands the terms of the proposal.

**Section 1.2.** The Parties agree that EKPC should be permitted to proceed with the Smith Solution as described in its Amended Application. Specifically, the Parties agree that:

**Section 1.2.1.** EKPC shall continue to record as revenues during the appropriate accounting periods its PJM Capacity Market Benefits, including market bonuses associated with PJM's Capacity Performance market design. Correspondingly, EKPC shall record as expenses during the appropriate accounting periods its PJM Capacity Market Costs (inclusive of all mitigation insurance premiums, amounts paid (if any) for mitigation insurance deductibles, and amounts paid (if any) for market penalties associated with PJM's Capacity Performance market design that exceed the applicable mitigation insurance coverage). The Net PJM Capacity Market Benefit shall impact EKPC's margins in the appropriate accounting periods;

**Section 1.2.2.** EKPC shall begin amortizing the book balance of the Smith I Regulatory Asset, net of the expected mitigation and salvage efforts,

beginning January 1, 2017. This amortization shall be for accounting purposes only and will reflect an amortization schedule spanning a ten (10) year period. The amortization expenses shall impact EKPC's margins in the appropriate accounting periods;

**Section 1.2.3.** Beginning with the Commission's final Order in this proceeding and continuing until the effective date for new rates resulting from EKPC's next general base rate proceeding, Nucor shall receive from EKPC a temporary monthly bill credit in the amount of \$35,000.00;

**Section 1.2.4.** The Smith 1 Interest Expense shall remain in EKPC's base rates until its next general base rate proceeding and shall continue to impact EKPC's margins in the appropriate accounting periods. In its next general base rate proceeding, EKPC shall discontinue its specific identification of the Smith 1 Interest Expense and include this expense as part of the cost of service to be recovered along with other interest expense.

**Section 1.2.5.** As part of its next general base rate proceeding, EKPC shall request that its rates be adjusted to reflect the amortization expense of the Smith 1 Regulatory Asset. This amortization adjustment shall be spread over the remaining months of the 10-year amortization period that began on January 1, 2017, and shall be based on the Smith 1 Regulatory Asset balance as of January 1, 2017, reduced by: (i) the actual results of EKPC's mitigation and salvage efforts during the period of January 1, 2017, through the end of the test year

employed in the rate case; and (ii) the Net PJM Capacity Market Benefit earned by EKPC beginning with the 2016/17 PJM Delivery Year and concluding at either the end of the test year employed in the rate case or the end of calendar year 2019. This latter determination shall be made depending on whether, at the time of EKPC's next general base rate proceeding, the PJM Capacity Market Costs associated with calendar year 2019 are known and measurable. If they are, EKPC shall request an amortization adjustment that reflects the full Net PJM Capacity Market Benefit realized through 2019. If, however, the PJM Capacity Market Costs associated with calendar year 2019 are not known and measurable at the time of EKPC's next general base rate proceeding, EKPC shall request an amortization adjustment that reflects only the Net PJM Capacity Market Benefit realized through the end of the test year employed in the rate case. Should this second circumstance exist, EKPC shall request that the Net PJM Capacity Market Benefit realized after the end of the rate case test year be recognized as part of the determination of the amortization adjustment in a subsequent general base rate proceeding. For cost-of-service purposes, the amortization expense of the Smith 1 Regulatory Asset will be treated like other capacity related costs (e.g., power plant depreciation).

**Section 1.3.** The Parties agree that the Smith Solution is consistent with prudent utility management and is designed to both responsibly address EKPC's

outstanding obligations and promote a reasonable and equitable sharing of EKPC's PJM capacity benefits.

**Section 1.4.** The Parties recommend that the Commission enter an Order approving EKPC's Amended Application and the Smith Solution as proposed.

## **ARTICLE II. Miscellaneous Provisions**

**Section 2.1.** Except as specifically stated otherwise in this Stipulation and Recommendation, the Parties agree that making this Stipulation and Recommendation shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion, or contention made by any other Party in these proceedings is true or valid.

**Section 2.2.** The Parties agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein and are consistent with the public interest.

**Section 2.3.** The Parties agree that, following the execution of this Stipulation and Recommendation, the Parties shall cause the Stipulation and Recommendation to be filed with the Commission.

**Section 2.4.** Each Party waives all cross-examination of the other Parties' witnesses unless the Commission disapproves this Stipulation and Recommendation. The Parties stipulate that, after the date of this Stipulation and Recommendation, they will not contest EKPC's Amended Application in this proceeding or the relief requested therein, and they further stipulate that they will refrain from cross-examination of all witnesses during the hearing,

except insofar as such cross-examination supports the Stipulation and Recommendation or EKPC's Amended Application.

**Section 2.5.** The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation and Recommendation be accepted and fully incorporated into any Order approving EKPC's Amended Application in this proceeding.

**Section 2.6.** If the Commission issues an Order adopting all of the terms and conditions recommended herein, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

**Section 2.7.** The Parties agree that if the Commission does not implement all of the terms recommended herein in its final Order in this proceeding, or if the Commission in its final Order in this proceeding adds or imposes additional conditions or burdens upon any or all of the Parties that are unacceptable to any or all of the Parties, then: (a) this Stipulation and Recommendation shall be voidable and may be withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, provided that no Party is precluded from advocating any position contained in this Stipulation and Recommendation; and (b) neither the terms of this Stipulation and Recommendation nor any matters raised during the settlement negotiations shall be binding on any of the Parties to this Stipulation and Recommendation or be construed against any of the Parties.

- Section 2.8.** The Parties agree that this Stipulation and Recommendation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.
- Section 2.9.** The Parties agree that this Stipulation and Recommendation shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.
- Section 2.10.** The Parties agree that this Stipulation and Recommendation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith, shall be null and void, and shall be deemed to have been merged into this Stipulation and Recommendation.
- Section 2.11.** The Parties agree that, for the purpose of this Stipulation and Recommendation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.
- Section 2.12.** The Parties agree that neither the Stipulation and Recommendation nor any of the terms shall be admissible in any court or administrative agency except insofar as such court or administrative agency is addressing litigation arising out of the implementation of the terms herein. This Stipulation and Recommendation shall not have any precedential value in this or any other jurisdiction.
- Section 2.13.** The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in this proceeding in regard to the contents and significance of this Stipulation and Recommendation, and

based upon the foregoing are authorized to execute this Stipulation and Recommendation on behalf of the Parties they represent.

**Section 2.14.** The Parties agree that this Stipulation and Recommendation is a product of negotiation among all Parties, and that no provision of this Stipulation and Recommendation shall be strictly construed in favor of, or against, any Party.

**Section 2.15.** The Parties agree that this Stipulation and Recommendation may be executed in multiple counterparts.

**IN WITNESS WHEREOF**, the Parties have hereunto affixed their signatures.

East Kentucky Power Cooperative, Inc.

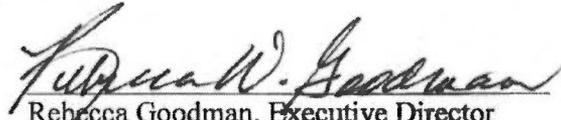
HAVE SEEN AND AGREED:

A handwritten signature in black ink, appearing to read "Mark David Goss", written over a horizontal line.

Mark David Goss, Counsel

Office of the Attorney General of the  
Commonwealth of Kentucky, by and through  
his Office of Rate Intervention

HAVE SEEN AND AGREED:

  
Rebecca Goodman, Executive Director

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

  
\_\_\_\_\_  
Michael L. Kurtz, Counsel

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

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. FOR DEVIATION FROM ) Case No. 2015-00358  
OBLIGATION RESULTING FROM CASE NO. 2012-00169 )

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**SUPPLEMENTAL TESTIMONY OF MICHAEL MCNALLEY  
ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.,  
IN SUPPORT OF STIPULATION AND RECOMMENDATION**

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Filed: August 8, 2016



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

2 A. My name is Mike McNalley and my business address is East Kentucky Power  
3 Cooperative, Inc. ("EKPC"), 4775 Lexington Road, Winchester, Kentucky 40391.  
4 I am Executive Vice President and Chief Financial Officer for EKPC.

5 **Q. HAVE YOU PREVIOUSLY OFFERED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, both in conjunction with EKPC's original Application filed herein on October  
8 30, 2015, and in conjunction with EKPC's Amended Application submitted herein  
9 on June 22, 2016.

10 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

11 A. The purpose of this supplemental testimony is to introduce and generally describe  
12 the Stipulation and Recommendation entered into on or about August 8, 2016 (the  
13 "Stipulation"), by and among EKPC, the Office of the Attorney General of the  
14 Commonwealth of Kentucky, by and through the Office of Rate Intervention (the  
15 "AG"), and Kentucky Industrial Utility Customers, Inc. ("KIUC") (EKPC, the AG,  
16 and KIUC may be referred to collectively herein as the "Parties"). I will also  
17 confirm that the Stipulation represents a fair, just, and reasonable resolution of the  
18 issues of this proceeding and is consistent with the public interest.

19 **Q. PLEASE BRIEFLY DESCRIBE HOW THE STIPULATION CAME**  
20 **ABOUT.**

21 A. The Stipulation is the product of much negotiation and compromise by EKPC, the  
22 AG, and KIUC, and it was achieved after extensive discussions involving the  
23 Parties and Commission Staff. EKPC is appreciative of the Parties' willingness to

1 view this case on its own facts and to fashion an agreement accordingly. EKPC is  
2 also appreciative of Commission Staff for accommodating the Parties by hosting  
3 no less than five (5) informal conferences and providing helpful comment and  
4 insight into various issues in this proceeding.

5 **Q. WHAT ARE THE BASIC TERMS OF THE STIPULATION?**

6 **A.** Through the Stipulation, the Parties agree that EKPC should be permitted to  
7 proceed with the "Smith Solution."<sup>1</sup> As I discussed in my previous supplemental  
8 testimony, EKPC has proposed the Smith Solution as a means to flow its Net PJM  
9 Capacity Market Benefits to its Owner-Members and their retail customers through  
10 the amortization of the Smith 1 Regulatory Asset. The Stipulation embraces the  
11 Smith Solution and details the actions EKPC will take both prior to and during its  
12 next general base rate adjustment proceeding to address the Smith 1 Regulatory  
13 Asset and the utilization of its Net PJM Capacity Market Benefits.

14 **Q. WHY HAVE THE PARTIES ENTERED INTO THE STIPULATION?**

15 **A.** There are a number of reasons why the Parties have entered into the Stipulation. In  
16 general terms, the Parties, who represent diverse interests and divergent viewpoints,  
17 agree that the Stipulation, viewed in its entirety, is a fair, just and reasonable  
18 resolution of all the issues in this proceeding. The Parties further agree that the  
19 Smith Solution, which eliminates the need for a Smith 1 surcharge, is consistent  
20 with prudent utility management and is designed to both responsibly address

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<sup>1</sup> Unless otherwise noted or indicated by context, terms that are capitalized and defined in EKPC's Amended Application filed in this proceeding have the same meaning when referenced herein.

1 EKPC's outstanding obligations and promote a reasonable and equitable sharing of

2 EKPC's PJM capacity benefits.

3 **Q. IS THE STIPULATION IN THE BEST INTEREST OF EKPC, ITS OWNER-**  
4 **MEMBERS, AND THE ULTIMATE CONSUMERS?**

5 **A. Yes.**

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A. Yes.**



COMMONWEALTH OF KENTUCKY  
 BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR	)	CASE NO.
DEVIATION FROM OBLIGATION	)	2015-00358
RESULTING FROM CASE NO.	)	
2012-00169	)	

ORDER

On October 30, 2015, EKPC filed an application requesting approval to deviate from a directive of the Commission’s final Order in Case No. 2012-00169 (“PJM Case”)<sup>1</sup> requiring EKPC to file an application no later than November 30, 2015, for approval of a rate mechanism to flow back to customers the capacity market benefits expected to accrue from EKPC’s full membership in PJM Interconnection, LLC (“PJM”). In the PJM Case, EKPC sought approval to transfer to PJM functional control of all of EKPC’s transmission lines and substations that operate at 100 kilovolts and above. This transfer of functional control was needed to effectuate EKPC’s full integration into the PJM system, effective June 1, 2013.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”), and Kentucky Industrial Utility Customers, Inc. (“KIUC”) are the intervenors in this matter. Pursuant to an Order dated November 30, 2015, the Commission granted EKPC’s request to have the matter placed in abeyance for a period of 90 days and to temporarily relieve EKPC from the requirement

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<sup>1</sup> Case No. 2012-00169, *Application of East Kentucky Power Cooperative, Inc. to Transfer Functional Control of Certain Transmission Facilities to PJM Interconnection, LLC* (Ky. PSC Dec. 20, 2012).

that it file an application for approval of a rate mechanism to flow back to customers certain benefits from its participation in the PJM capacity markets. At the request of EKPC, the initial abeyance period was subsequently extended for another 90 days by Order dated March 2, 2016, and an additional 30 days by Order dated June 10, 2016. During the abeyance period, the parties engaged in numerous informal conferences for the purposes of discussing the issues related to the instant matter and to allow the parties an opportunity to develop a mutually agreeable proposal related to the structure and implementation of a capacity benefits mechanism required by the final Order in the PJM Case. EKPC also submitted timely status reports, as required, during the pendency of the abeyance periods.

On June 22, 2016, EKPC filed a motion requesting leave to file an amended application which included a proposal establishing a framework for the handling of the Smith Unit 1 regulatory asset in conjunction with the sharing of the PJM capacity benefits. On August 8, 2016, EKPC filed a Stipulation and Recommendation ("Stipulation") entered into by and among EKPC, the AG, and KIUC and an accompanying motion requesting approval of the Stipulation. EKPC noted that the Stipulation reflects the parties' agreement as to the fair, just, and reasonable resolution of this matter. The matter now stands submitted for a decision based upon the existing evidentiary record. For the reasons mentioned below, the Commission will grant EKPC's motion for leave to file its amended application and will conditionally approve the Stipulation.

## PJM INTEGRATION CASE

PJM is a regional transmission organization that, among other things, coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. PJM also operates an energy market and a capacity market. The energy market sets a market price for electricity by matching supply and demand for both a day-ahead and a real-time market. The capacity market uses a three-year planning horizon to create a long-term price signal for the cost of capacity needed to reliably serve load within the PJM system. EKPC has been a member of PJM since 2005 for purposes of participating in PJM's energy market and to reserve transmission service within the PJM region. After conducting several independent economic studies, EKPC determined that it would be economically advantageous to fully integrate into PJM. Based on the economic analyses performed by Charles Rivers Associates, EKPC projected it could achieve a net expected economic benefit of \$131.9 million, on a ten-year present value basis, resulting from its full integration into PJM. The analysis concluded that EKPC could achieve three key benefits<sup>2</sup> from full membership in PJM:

- Trade benefits of \$40 million over the ten-year study period, consisting of more efficient commitment and dispatch of EKPC's generating resources leading to lower adjusted production costs for EKPC, i.e., fuel, variable operations and maintenance expenses, and emissions costs. By decreasing impediments to trade and fully participating in PJM's integrated regional energy market, EKPC will be able to purchase more power at lower costs to substitute for higher-cost generation on its own system;
- Capacity market benefits of \$137 million over the 10-year study period, reflecting impacts on PJM's capacity market resulting from EKPC's being a winter-peaking utility while PJM is a summer-peaking system, which creates advantageous peak-load diversity for EKPC relative to PJM as a whole. This peak-load diversity results in significantly less planning reserves needed by EKPC and produces cost

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<sup>2</sup> These three key benefits amount to approximately \$233.1 million. Factoring administrative and transmission costs of approximately \$101.3 million, EKPC projected it would receive a net benefit of \$131.9 million by fully integrating into PJM.

savings by maintaining a lower reserve margin. The ability to maintain a lower reserve margin is expected to produce additional revenue for EKPC because any generating capacity in excess of its load and reserve margin can be sold at the PJM capacity market price. EKPC will also be able to bid its customers' interruptible load into the PJM demand-response program to provide additional revenue; and

- Avoided long-term, firm point-to-point transmission charges of approximately \$7.5 million annually that EKPC is currently paying associated with the annual reservation of 400 megawatts ("MW") of transmission capacity on the PJM system. This transmission capacity was needed by EKPC to economically meet its load requirements during certain times of the year. As a member of PJM, EKPC will be entitled to receive transmission service without paying the \$7.5 million annual charge, resulting in estimated benefits of \$56.1 million over the ten-year study period.

By Order dated December 20, 2012, the Commission approved EKPC's request to transfer functional control of certain of its transmission facilities to PJM, finding, among other things, that full membership in PJM would not have an adverse impact on EKPC's rates or quality of service and that there will be substantial benefits from cost savings in each of the years covered by the study period. The Commission also found that although the bulk of the trade benefits that EKPC expects to accrue as a member of PJM will flow back to its 16 member cooperatives and their retail customers through the Fuel Adjustment Clause, EKPC had no mechanism outside of a base rate proceeding to flow back to customers the capacity market benefits. Accordingly, the Commission directed EKPC to file, no later than November 30, 2015, an application for approval of a rate mechanism to flow back to customers the capacity market benefits expected to accrue from membership in PJM.

INSTANT APPLICATION TO DEVIATE FROM CASE NO. 2012-00269

On October 30, 2015, EKPC filed an application seeking permission to deviate from the PJM Case's Final Order's directive regarding the implementation of a capacity benefits sharing mechanism and a suspension of the obligation for a period of 18 months, or until May 31, 2017. In support of the requests, EKPC stated that it would be

imprudent and unreasonable to implement a capacity benefits sharing mechanism at this time in light of a number of current and pending federal environmental regulations that would have a significant impact on EKPC's operations and its ability to provide reliable and affordable energy. EKPC noted that compliance with one or more of the Clean Power Plan, the Coal Combustion Residual Rule, the Effluent Limitations Guideline, and the Ozone National Ambient Air Quality Standards would require it to consider solutions that include upgrading its generating units, constructing new generation resources, exploring power purchase agreements or relying on market purchases. Due to the uncertainty associated with these more stringent federal environmental regulations, particularly with the Clean Power Plan, EKPC expressed its belief that it is prudent to request an extension of time to file the capacity benefits sharing mechanism. EKPC noted that the extension would grant EKPC an opportunity to better develop environmental compliance strategies and would allow EKPC and its member cooperatives to develop better-aligned rate structures that provide workable solutions to the equitable sharing of benefits and costs, consistent with EKPC strategic objectives. EKPC indicated that the PJM energy market has been more robust than originally anticipated, but that in most years the PJM capacity market has not produced the type of revenues that EKPC had projected. This market trend coupled with the early 2016 closure of the Dale Generating Station has caused EKPC to re-evaluate not only the type of mechanism, but also the timing of the implementation of any such mechanism.

EKPC, the AG and KIUC as intervenors, and Commission Staff participated in five informal conferences to discuss the issues relevant to the case and the various

methods available to flow the capacity benefits back to EKPC's customers. The informal conferences were held on November 20, 2015; December 22, 2015; January 29, 2016; March 17, 2016; and June 24, 2016. At the request of EKPC, the matter was placed in abeyance to allow the parties an opportunity to develop a mutually agreeable proposal related to the structure and implementation of the rate mechanism. EKPC and the parties explored a number of possibilities, including a base rate adjustment, direct surcredits to the member cooperatives, and a capital credit allocation methodology. In analyzing how to best flow the capacity revenues generated by its membership in PJM to its members, EKPC expressed two overriding guiding principles. First, EKPC stated, any margins it earns belong to its members because EKPC is a member-owned non-profit company. Second, the capacity benefits anticipated to be received by EKPC will be over a short period, i.e., one to two PJM planning years. EKPC provided information regarding the trade benefits that it has realized to date, the capacity benefits that it has received to date, and the capacity benefits that it expects to receive over the next several PJM planning years. EKPC stated that actual capacity revenues received for the 2016/2017 and the 2017/2018 PJM planning years would produce margins that could be returned to members, but that projected capacity revenues for the remaining years of the ten-year study period would not generate margins.

EKPC indicated that it has considered several methods to flow the capacity benefits back to its members, including: (1) a surcredit mechanism joined with a surcharge to amortize the regulatory asset and recover the costs related to the construction of Smith 1 (2) refunding via a rate change, and (3) capital credit rotation. EKPC stated that a refund would negatively impact its financial metrics such that EKPC

would need to seek a base rate increase by the end of 2016 to offset the financial impact. EKPC also ruled out a capital credit rotation, noting that the federal Rural Utilities Service would not approve of such a measure and that the EKPC distribution cooperatives were not supportive of this mechanism due to concerns about each of the distribution cooperatives' having differing capital credit payment methodologies. EKPC also cited the threat of litigation over capital credit payments that are occurring across the country. EKPC stated that the distribution cooperatives were supportive of using the capacity benefits to reduce the outstanding balance of the Smith 1 regulatory asset.

Ultimately, the parties to this matter were able to come to an agreement concerning the rate mechanism to flow back to EKPC's customers the capacity market benefits. The agreement proposes that EKPC should be permitted to implement the "Smith Solution," which will be described later in this Order, as the rate mechanism that would flow the capacity market benefits to EKPC's member cooperatives and their retail customers through the amortization of the Smith 1 regulatory asset.

In Case No. 2005-00053,<sup>3</sup> the Commission granted EKPC a Certificate of Public Convenience and Necessity ("CPCN") to construct Smith 1, a 278-MW coal-fired, base load generating unit, and five 90-MW combustion-turbine gas peaking units based in part on the anticipated load of the Warren Rural Electric Cooperative Corporation, which had decided to switch its power supplier from the Tennessee Valley Authority ("TVA") to EKPC. After Warren RECC subsequently elected to remain with the TVA, the Commission initiated an investigation in 2006 to determine EKPC's continued need for

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<sup>3</sup> Case No. 2005-00053, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Construction of a 278 MW (Nominal) Circulating Fluidized Bed Coal Fired Unit and Five 90 MW (Nominal) Combustion Turbines in Clark County, Kentucky* (Ky. PSC Aug. 29, 2006).

the additional generating facilities, including Smith 1, that had been approved in Case No. 2005-00053, but not yet constructed.<sup>4</sup> Among other things, the Commission ultimately found that Smith 1 was still needed to serve EKPC's growing native load, to ease demand for more expensive purchased power, and to improve the overall reliability of its system. By mid-2010, EKPC was unable to obtain the necessary permits to allow it to continue construction of Smith 1. Due to the resulting significant increases in the estimated cost of Smith 1 and changes in EKPC's forecasted load, the Commission initiated a second investigation of EKPC's continued need for Smith 1.<sup>5</sup> The parties to that investigation, EKPC, Gallatin Steel Company, the AG, and three retail customers, reached a unanimous settlement agreement that provided for, among other things, the voluntary abandonment by EKPC of the construction of Smith 1 and surrender of the CPCN for that generating plant. The settlement agreement also provided that EKPC would seek the establishment of a regulatory asset for the costs incurred in connection with the Smith 1 project. The unanimous settlement in Case No. 2010-00238 was approved by the Commission. EKPC subsequently filed an application seeking approval of the accounting treatment and the Commission authorized the establishment of the Smith 1 regulatory asset in the amount of \$157,399,715.<sup>6</sup>

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<sup>4</sup> Case No. 2006-00564, *An Investigation into East Kentucky Power Cooperative, Inc.'s Continued Need for Certificated Generation* (Ky. PSC May 11, 2007).

<sup>5</sup> Case No. 2010-00238, *An Investigation of East Kentucky Power Cooperative, Inc.'s Need for the Smith 1 Generating Facility* (Ky. PSC Feb. 28, 2011).

<sup>6</sup> Case No. 2010-00449, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Amount Expended on Its Smith 1 Generating Unit* (Ky. PSC Feb. 28, 2011).

Since the establishment of the Smith 1 regulatory asset, EKPC has undertaken mitigation and salvage efforts to reduce the value of the Smith 1 regulatory asset. As of August 31, 2016, the Smith 1 regulatory asset has been reduced to \$148,756,307.

PROPOSED MECHANISM TO FLOW THE CAPACITY BENEFITS TO EKPC'S  
RETAIL MEMBERS

As reflected in the Stipulation, the Smith Solution provides that, prior to EKPC's next base rate case, EKPC will continue to record the capacity benefit amounts actually realized during the appropriate accounting periods as revenues. Correspondingly, EKPC will record as expenses during the appropriate accounting periods its PJM capacity market costs. These revenues and expenses will impact EKPC's margins in the appropriate accounting periods. The Smith Solution also allows EKPC to begin amortizing the book balance of the Smith 1 regulatory asset, net of the expected mitigation and salvage efforts, beginning January 1, 2017. This amortization will be for accounting purposes only and, consistent with what was contemplated in the Smith 1 settlement agreement, will reflect a ten-year amortization period. The amortization will impact EKPC's margins in the appropriate accounting periods. Because the amortization of the Smith 1 regulatory asset is for accounting purposes only, and there being no immediate adjustment of EKPC's base rates to recover the amortization expense, the Smith 1 annual interest expense of \$9 million will remain in EKPC's base rates until its next general base rate proceeding. EKPC's recovery of the \$9 million Smith 1 annual interest expense in base rates was the product of the settlement agreement in EKPC's most recent base rate case, Case No. 2010-00167.<sup>7</sup> The rate

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<sup>7</sup> Case No. 2010-00167, *Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates* (Ky. PSC Jan. 14, 2011).

case settlement agreement also provided that when EKPC sought to recover the amortization of the Smith 1 regulatory asset through base rates, there would be a corresponding reduction in EKPC's base rates of \$9 million to prevent a double recovery of interest expense. The Smith Solution carries out the rate treatment of the Smith 1 interest expense as provided in the rate case settlement agreement.

Pursuant to the Smith Solution, EKPC agrees to provide Nucor with a temporary monthly bill credit of \$35,000 to preserve the benefits that Nucor, previously known as Gallatin Steel, negotiated as part of the Smith 1 settlement agreement.

Under the Smith Solution, EKPC will, as part of its next base rate proceeding, request that its rates be adjusted to reflect the amortization expense of the Smith 1 regulatory asset. This amortization adjustment will be based on the Smith 1 regulatory asset balance as of January 1, 2017, reduced by: (1) the actual results of EKPC's mitigation and salvage efforts; and (2) the Net PJM Capacity Market Benefit earned by EKPC beginning with the 2016/2017 PJM Delivery Year and concluding at the end of the test year employed in the rate case. The amortization adjustment will be spread over the remaining months of the ten-year amortization period that began on January 1, 2017. EKPC states that the Smith Solution provides for the recovery of the Smith 1 regulatory asset through three mechanisms: the actual results of EKPC's mitigation and salvage efforts; the Net PJM Capacity Market Benefits earned by EKPC; and amortization expense, included in base rates, for the balance.

As part of its next general base rate proceeding, EKPC will discontinue its specific identification of the Smith 1 interest expense and include this expense as part of the cost of service to be recovered along with other interest expense. The Smith 1

settlement agreement and the 2010 Rate Case settlement agreement were based on the assumption that the Smith 1 regulatory asset would be recovered through a separate surcharge mechanism. The specific identification of the Smith 1 interest expense was necessary to avoid a double recovery of interest expense by EKPC. The proposed treatment for the Smith 1 regulatory asset in EKPC's next general base rate proceeding will eliminate the need for the specific identification of the Smith 1 interest expense. Lastly, upon the effective date for the new rates resulting from EKPC's next general base rate proceeding, the temporary bill credit received by Nucor will cease.

#### DISCUSSION

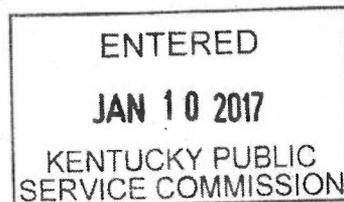
Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the Smith Solution is a reasonable proposal to effectuate a mechanism to flow the capacity benefits to EKPC's retail members. Amortizing the Smith 1 regulatory asset for accounting purposes beginning January 1, 2017, allows EKPC to start reducing the balance of the regulatory asset and to reflect the amortizations in its financial statements. Reflecting the amortization expense along with the actual PJM capacity market benefits eliminates what would have been EKPC's need to file an immediate base rate case if the PJM capacity market benefits were required to be passed through by reducing base rates as of January 1, 2017. Once EKPC files its next rate case, rate recovery will be requested for the amortization of the Smith 1 regulatory asset balance as of January 1, 2017, less the actual mitigation and salvage efforts and less the PJM capacity market benefits earned through the rate case test year. Crediting all of the PJM capacity market benefits earned through the test year, in lieu of the accounting amortizations booked, benefits EKPC's members and their

customers both by reducing the Smith 1 regulatory asset by all of the benefits earned and by eliminating the need for what would have been a sizeable Smith 1 surcharge, while not penalizing EKPC financially for beginning the amortizations without an equal amount of additional revenue. In addition, EKPC has agreed that if the PJM capacity market benefits anticipated to be earned after the test year in its next rate case are more than minimal, it will be open to discussion of a rate mechanism to credit those benefits to its members and their customers.<sup>8</sup>

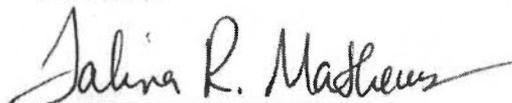
IT IS THEREFORE ORDERED that:

1. EKPC's motion for leave to file an amended application is granted.
2. EKPC's motion to accept and approve the Stipulation is granted and the Stipulation is approved.

By the Commission



ATTEST:

  
Executive Director

<sup>8</sup> PSC Informal Conference Memo dated December 27, 2016 at 2.

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## Schedule 1.20

**East Kentucky Power Cooperative, Inc.**  
**Adjustment to Amortize Smith 1 Regulatory Asset**

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5			
6	Adjustment to book amortization expense for the Smith 1 Regulatory Asset consistent with the		
7	Stipulation Agreement in Case No. 2015-00358.		
8			
9			
10	Beginning Balance of Regulatory Asset, January 1, 2017		\$148,833,975
11	Add: Account Adjustments		<u>\$139,756</u>
12	Adjusted Beginning Balance of Regulatory Asset		\$148,973,731
13	Less:		
14	Actual Salvage and Mitigation, 2017-2019		(\$22,454,611)
15	Actual Mitigation 2020 - Reclassify to Inventory		(\$11,982,486)
16	Other Credits and Reversed Accruals, 2017-2020		<u>(\$1,617,341)</u>
17	Regulatory Asset Balance before Net PJM Capacity Market Benefit		\$112,919,293
18	Less Net PJM Capacity Market Benefit:		
19	2016 PJM Capacity Market Benefits (June-December)	(\$22,774,334)	
20	2016 Mitigation - Capacity Performance Insurance Premiums	\$474,647	
21	2016 Mitigation Insurance Deductibles & Market Penalties	<u>\$0</u>	(\$22,299,687)
22			
23	2017 PJM Capacity Market Benefits	(\$20,744,725)	
24	2017 Mitigation - Capacity Performance Insurance Premiums	\$986,049	
25	2017 Mitigation Insurance Deductibles & Market Penalties	<u>\$0</u>	(\$19,758,676)
26			
27	2018 PJM Capacity Market Benefits	(\$1,603,871)	
28	2018 Mitigation - Capacity Performance Insurance Premiums	\$1,061,315	
29	2018 Mitigation Insurance Deductibles & Market Penalties	<u>\$0</u>	(\$542,556)
30			
31	2019 PJM Capacity Market Benefits	\$1,661,625	
32	2019 Mitigation - Capacity Performance Insurance Premiums	\$1,240,694	
33	2019 Mitigation Insurance Deductibles & Market Penalties	<u>\$0</u>	\$2,902,319
34			
35	Regulatory Asset Balance to be Amortized in Base Rates		<u>\$73,220,693</u>
36			
37	<u>Determination of Amortization Expense Adjustment</u>		
38			
39	Total Amortization Period	120 months	
40	Less Months of Amortization through 2019	36 months	
41	Less Months of additional Amortization through		
42	anticipated effective date of new rates, 10/01/2021	<u>21 months</u>	
43	Remaining Months to Amortize	<u>63 months</u>	
44			
45	Regulatory Asset Balance to be Amortized in Base Rates		\$73,220,693
46	Remaining Months to Amortize		<u>63</u>
47			
48	Monthly Amortization Expense through December 31, 2026		\$1,162,233
49	Monthly Amortization Expense in 2019 for Accounting Purposes		<u>\$1,002,960</u>
50			
51	Adjustment to Monthly Amortization Expense		<u>\$159,273</u>
52			
53	Annualized adjustment to Amortization Expense		<u>\$1,911,276</u>
54			

Schedule 1.26

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**East Kentucky Power Cooperative, Inc.**  
**Amortize Spurlock 2019 Regulatory Asset for Major Maintenance**

At the end of 2019 EKPC established a regulatory asset for major maintenance costs at the Spurlock generating station. This was consistent with a RUS accounting treatment. EKPC proposed to RUS to amortize this regulatory asset over a period of 8 years. This adjustment recognizes the first year of that amortization.

Other Regulatory Assets - 2019 Spurlock Major Maintenance and Minor Items of Property	\$7,244,184
Amortization Period	8 years
Annual Amortization	<u>\$905,523</u>
Proposed Adjustment	<u>\$905,523</u>



United States Department of Agriculture

**Rural Development**Electric Programs  
Rural Utilities Service

January 30, 2020

1400 Independence Ave SW  
Room 5165 – STOP 1560  
Washington, DC 20250Voice: 202.720.9545  
Fax: 202.720.1725Mr. Anthony Campbell  
General Manager  
East Kentucky Power Cooperative  
P. O. Box 707  
Winchester, Kentucky 40392-0707

Dear Mr. Campbell:

In response to a letter from Mr. Michael A. McNalley, dated January 22, 2020, we have reviewed the information submitted regarding East Kentucky Power Cooperative's (EKPC) expense deferral plan pertaining to major maintenance projects and the replacement of high cost minor items of property at Spurlock Station. EKPC plans to establish a regulatory asset for \$7,244,184 and recognize this amount over eight years beginning in 2020.

All of the required information was submitted in the letter; therefore, the Rural Utilities Service's (RUS) approval to implement the plan is given. It should be noted, however, that our approval is based upon the understanding that the Kentucky Public Service Commission authorizes the subsequent recovery of these costs. If the Commission does not allow the recovery of these costs, the deferred amount must be written off immediately in its entirety. Be advised, however, that you must obtain RUS' approval prior to making any changes to the approved plan.

Contact the Technical Accounting Review Branch at (202) 720-8775 if you have any questions or if we can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Victor T. Vu", written over a horizontal line.

VICTOR T. VU  
Deputy Assistant Administrator  
Office of Portfolio Management and Risk Assessment

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER )	
COOPERATIVE, INC. FOR AN ORDER )	CASE NO.
APPROVING THE ESTABLISHMENT OF )	2019-00146
REGULATORY ASSETS FOR PRESENT AND )	
FUTURE MAINTENANCE EXPENSES )	

ORDER

On May 13, 2019, East Kentucky Power Cooperative, Inc., (EKPC) filed an application seeking authority to (1) establish regulatory assets for present and future major maintenance expenses, including the replacement of high-cost, non-routine minor items of property, without the need to first obtain Commission approval and (2) amortize those regulatory assets over a reasonable period. EKPC stated that this proposal would allow EKPC to avoid spikes in operating expenses, which might trigger base rate increases and the costs associated with those base rate cases, while also diminishing the administrative burden currently resting upon the Commission. EKPC expressly limited its proposal to the establishment and amortization of the regulatory assets with the issue of recovery addressed in the conventional manner.

The procedural schedule established for this case allowed for discovery, intervenor testimony or comments, and rebuttal testimony or reply comments. The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) and Nucor Steel Gallatin (Nucor) requested and were granted intervention. EKPC responded to two requests for information from Commission Staff

and one request for information from each intervenor. The Attorney General and Nucor filed comments, and EKPC filed reply comments. EKPC and the Attorney General filed statements that the case record is complete, and this case may be submitted for decision on the current record without a hearing. The record is now complete, and the Commission will decide this case based on the evidence of record without a hearing.

### BACKGROUND

EKPC is an electric utility and generation and transmission cooperative that provides electric generation capacity and electricity to its 16 member distribution cooperatives, which, in turn, distribute and sell electricity at retail to approximately 535,000 customers in 87 counties in Kentucky.<sup>1</sup> EKPC owns and operates a total of approximately 2,965 megawatts (MW) of net summer generating capability and 3,267 MW of net winter generating capability, composed of coal-fired units, natural gas-fired units, landfill gas-to-energy facilities, and a community solar facility.<sup>2</sup> EKPC's coal-fired units are the John S. Cooper Generating Station (Cooper Station) and the Spurlock Station.

Pursuant to KRS 278.220, the Commission has adopted a uniform system of accounts (USoA) for EKPC, which was issued by the United States Department of Agriculture, Rural Utilities Service (RUS).<sup>3</sup> The RUS USoA establishes that all utility property consists of retirement units and minor items of property. Retirement units are considered major components that are separately identified on EKPC's books; minor

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<sup>1</sup> Application, at 3.

<sup>2</sup> *Id.*

<sup>3</sup> Codified as 7 CFR 1767. The current version of the RUS system of accounts became effective May 27, 2008, and is also published and referenced as RUS Bulletin 1767B-1.

items of property are the associated parts or items of which the retirement units are composed. With respect to the replacement of minor items of property, the RUS USoA states that when a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item.<sup>4</sup>

In December 1982, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, which was codified as Accounting Standards Codification (ASC) 980.<sup>5</sup> ASC 980-340-25-1 provides the criteria for recognition of a regulatory asset.<sup>6</sup> Supplemental to the requirements of ASC 980, Commission precedent obligates utilities to obtain

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<sup>4</sup> 7 CFR § 1767.16(j)(3)(iii). See EKPC's response to the Attorney General's Initial Request for Information (Attorney General's First Request), Item 1.

<sup>5</sup> See EKPC's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 3.c.

<sup>6</sup> See EKPC's response to Commission Staff's First Request for Information (Staff's First Request), Item 1. ASC 980-340-25-1 provides, in full, as follows:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

approval prior to establishing a regulatory asset.<sup>7</sup> The Commission has historically approved regulatory assets where a utility has incurred (1) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry-sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.<sup>8</sup>

#### EKPC'S PROPOSAL

EKPC asserts that as its power plants age, the costs to keep them operational are becoming higher and occurring more frequently than in the past, which could result in more frequent requests for regulatory asset treatment of maintenance expenses.<sup>9</sup> Additionally, EKPC claims that financial statement deadlines make year-end requests to establish regulatory assets inconvenient to both the Commission and EKPC and that the lag in timing between when costs are incurred and the subsequent issuance of an Order approving the establishment of a regulatory asset may result in financial statement volatility between reporting periods.<sup>10</sup> Therefore, EKPC requests authority to establish regulatory assets, without prior Commission approval of each deferral individually, for major maintenance costs, including the replacement of high-cost, non-routine minor items of property, which would otherwise be accounted for as maintenance expenses.<sup>11</sup> EKPC

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<sup>7</sup> Application at 4.

<sup>8</sup> Case No. 2008-00436, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008) at 4.

<sup>9</sup> Application at 8.

<sup>10</sup> *Id.* at 6.

<sup>11</sup> *Id.* at 8 and 9.

proposes that this treatment be applicable to: (1) the replacement of minor items of property in the amount of \$500,000 or greater due to unanticipated<sup>12</sup> equipment failures or obsolescence; and (2) major maintenance costs of at least \$1,500,000, which are not expected to recur for at least five years.<sup>13</sup> EKPC asserts that these costs most closely resemble an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning, but that any cost that would otherwise be charged to expense may be capitalized if it is probable that such costs will be considered allowable for rate-making purposes.<sup>14</sup> Contrary to standard procedure, EKPC requests authority to begin amortization of the regulatory assets immediately upon completion of the underlying maintenance activity.<sup>15</sup> EKPC expressly states that the cost recovery of any regulatory assets established under the provisions of this case would continue to require Commission approval through a separate case, most likely a base rate case.<sup>16</sup>

EKPC claims that it only seeks to defer expenses that are not currently included in base rates.<sup>17</sup> EKPC argues that without the requested relief, including these costs in base rates could result in significant increases or decreases in rates, depending on the

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<sup>12</sup> See EKPC's response to Staff's First Request, Item 9.b. EKPC defines "unanticipated" failures or obsolescence as those conditions that were not anticipated as of the establishment of the asset and the determination of its depreciable life.

<sup>13</sup> Application at 8 - 9 and Exhibit 1. EKPC asserts projects which qualify for recovery through the Environmental Surcharge would be excluded. Under these limitations, EKPC expects \$9.7 million of expenses to qualify for deferral in 2019, all of which relate to the Spurlock Station.

<sup>14</sup> *Id.* at 5.

<sup>15</sup> *Id.* at 9.

<sup>16</sup> *Id.* at 10.

<sup>17</sup> *Id.* at 8.

test year.<sup>18</sup> EKPC contends that the establishment of regulatory assets for these types of maintenance projects will enable it to defer these expenses and match them with future related revenues, thus eliminating adverse margin and rate impacts.<sup>19</sup> EKPC argues that, while immediate amortization will cause EKPC to forego recovery of some portion of the regulatory asset, this approach better matches the expense with the benefit derived from the underlying maintenance activities and results in a smaller mismatch of revenues and expenses than if regulatory asset treatment is not granted.<sup>20</sup> EKPC contends that its request complies with ASC 980 because, to the extent that the amortization of the regulatory assets does not trigger a base rate increase, the underlying costs are being recovered sufficiently in existing rates; similarly, if a combination of factors including amortization of the regulatory asset resulted in EKPC filing a base rate application, EKPC expects that the allowed rates would include the amortization expense.<sup>21</sup> EKPC further asserts that it may voluntarily forego future revenue without violating any accounting standards.<sup>22</sup>

To compensate for the lack of a formal application for each deferral, EKPC proposes to give the Commission written notice when it establishes a regulatory asset, which would include sufficient information to evaluate the nature, amount, and amortization period of the regulatory asset; EKPC also proposes to file an annual written

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<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> EKPC's response to Staff's First Request, Item 7.

<sup>21</sup> EKPC's response to Staff's Second Request, Item 3.d.

<sup>22</sup> EKPC's Comments at 10.

report with the Commission listing all existing regulatory assets established under the provisions of this case and including the accrued balances and amortization to date.<sup>23</sup>

### INTERVENOR COMMENTS

#### Nucor's Comments

According to Nucor, EKPC should be given the benefit of the doubt, because the impact of approving or denying EKPC's request is minimal. Nucor states that both the minimal forecasted effect on EKPC's financial metrics after 2021 and EKPC's intent to establish retirement units at a more granular level going forward point to the insignificant impact of granting EKPC's request.<sup>24</sup> Therefore, Nucor opines that EKPC's proposal should be approved, either outright or on a pilot basis until EKPC's next base rate case.<sup>25</sup>

#### The Attorney General's Comments

The Attorney General recommends that the Commission deny EKPC's application because the requested relief is unavailable under ASC 980, and the expenses that EKPC seeks to defer are outside the categories previously approved for regulatory asset treatment.<sup>26</sup> The Attorney General notes that, while EKPC is only precluded by Commission precedent from recognizing a regulatory asset without prior approval, the requirement that EKPC obtains Commission approval to amortize a regulatory asset is inherent to the criteria of ASC 980.<sup>27</sup>

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<sup>23</sup> Application at 2.

<sup>24</sup> Nucor's Comments at 2 - 3.

<sup>25</sup> *Id.* at 3.

<sup>26</sup> Attorney General's Comments, at 1.

<sup>27</sup> *Id.* at 2.

The Attorney General avers that EKPC's request to amortize the proposed regulatory assets immediately upon completion of the underlying maintenance activity is contrary to the basic requirements set forth in ASC 980-340-25-1, which provides that it must be "probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes."<sup>28</sup> The Attorney General argues that under EKPC's proposal, it is not probable that EKPC will recover revenue "in an amount at least equal to the capitalized cost" because if the regulatory asset is partially or fully amortized prior to inclusion for ratemaking purposes, then future revenues will unambiguously be less than the initially capitalized amount.<sup>29</sup> However, the Attorney General does not recommend that the Commission grant half of EKPC's proposal and simply permit regulatory asset treatment for these expenses with deferral until EKPC's next rate case.<sup>30</sup>

The Attorney General also contends that EKPC's request seeks to expand the categories of expense that may appropriately be granted regulatory asset treatment.<sup>31</sup> The Attorney General argues that "an extraordinary nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning" is not equivalent to an expense that was not anticipated or included in EKPC's base rates.<sup>32</sup> The Attorney General contends that these expenses are explicitly precluded from standard regulatory asset treatment by the fact that EKPC anticipates and plans for the replacement of minor

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<sup>28</sup> *Id.* at 2.

<sup>29</sup> *Id.* at 3.

<sup>30</sup> *Id.* at 4.

<sup>31</sup> *Id.* at 5.

<sup>32</sup> *Id.* at 6.

items of property and that the major maintenance expenses will periodically recur.<sup>33</sup> Nevertheless, the Attorney General states that the purpose and intent of EKPC's application is appreciated and that EKPC could request to change its accounting practices to capitalize these costs moving forward without the need to establish regulatory assets.<sup>34</sup>

### DISCUSSION

Based on EKPC's request to amortize the proposed regulatory assets without concurrent rate recovery, EKPC does not request regulatory asset treatment for the purpose of future recovery of a current expense. As we noted in Case No. 2008-00436:

A regulatory asset is created when a rate-regulated business is authorized by its regulatory authority to capitalize an expenditure that under traditional accounting rules would be recorded as a current expense. The reclassification of an expense to a capital item allows the regulated business the opportunity to request recovery in future rates of the amount capitalized.<sup>35</sup>

EKPC's current proposal is equivalent to normalization of expenses for financial reporting purposes, similar to that done for ratemaking purposes in a base rates case. While EKPC contends that it may lose the ability to properly reflect the underlying maintenance costs in base rates absent the proposed regulatory asset treatment, normalization of costs that have recurrence cycles of more than one year or that are irregular by their nature is a characteristic feature of ratemaking. Nothing precludes EKPC from including normalized maintenance expenses in either a historic or forecasted test year. Furthermore, granting EKPC's proposal for the purposes of correctly reflecting

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<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 7.

<sup>35</sup> Case No. 2008-00436, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008) at 3 - 4.

the benefit periods of the expenses in a rate case would further obscure the validity of the proposed accounting treatment because ASC 980 requires that the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. To the extent that EKPC would include regulatory asset amortization in its test year as a stand-in for normalized expenses, regulatory asset treatment would be all the more improper. Furthermore, while the exact timing of maintenance activities may not be within EKPC's ability to foresee, the general rhythmic nature of these costs and the immaterial difference of the costs as a whole compared to EKPC's historic costs<sup>36</sup> suggest that a base rate case is the more appropriate forum to address these costs.

While the Commission may authorize regulatory asset treatment for the future recovery of current expenses, RUS is the more appropriate regulatory authority to petition for departures of standard accounting practices. EKPC essentially requests modified regulatory asset treatment to effectuate a departure from the requirements of 7 CFR § 1767.16(j)(3)(iii) and to expense recurring but long-lived maintenance costs over multiple accounting periods. RUS has established procedures to request departures from accounting methods and principles.<sup>37</sup> Additionally, EKPC's goal of deferring rate cases can only be accomplished by influencing its financial performance metrics in relation to its debt covenants with RUS, which ostensibly requires RUS approval.<sup>38</sup> EKPC has not

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<sup>36</sup> See Application, Exhibit 1, and EKPC's response to Staff's First Request, Item 5.a.

<sup>37</sup> 7 CFR § 1767.13.

<sup>38</sup> See EKPC's response to Staff's Second Request, Item 3.e.

communicated with RUS regarding EKPC's proposal in this case but maintains that RUS will be amenable to requests of this nature.<sup>39</sup>

### CONCLUSION

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that EKPC's request to establish regulatory assets for present and future major maintenance expenses, including the replacement of high-cost, non-routine minor items of property, without the need to first obtain Commission approval and to amortize those regulatory assets should be denied.

IT IS THEREFORE ORDERED that:

1. EKPC's request for authorization to establish regulatory assets for present and future major maintenance expenses, including the replacement of high-cost, non-routine minor items of property, without the need to first obtain Commission approval and to amortize those regulatory assets is denied.

2. This case is closed and removed from the Commission's docket.

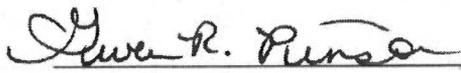
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<sup>39</sup> EKPC's response to Staff's First Request, Item 12 and Staff's Second Request, Items 3.a. and 3.b.

By the Commission

ENTERED  
DEC 20 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00146

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