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PUBLIC SERVICE
COMMISSION

September 28, 2018

HAND DELIVERED

Ms. Gwen Pinson
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2010-00449 Post-Case Correspondence, 23rd Smith Unit 1 Asset
Cost Mitigation Status Report

Dear Ms. Pinson:

Please find enclosed for filing with the Commission in the post-case correspondence file of the above-referenced case, an original and ten copies of the 23rd Smith Unit 1 Asset Cost Mitigation Status Report of East Kentucky Power Cooperative, Inc. This Report is being filed pursuant to the Commission's Order of February 28, 2011.

Should you require further clarification of any part of the report, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Patrick C. Woods", is written over the typed name.

Patrick C. Woods
Director, Regulatory and Compliance Services

Enclosures

East Kentucky Power Cooperative, Inc.

Smith Unit 1 Asset Cost Mitigation Status Report

September 28, 2018 (Twenty-Third Mitigation Report)

In accordance with the Commission's Order dated February 28, 2011 in Case No. 2010-00449, and consistent with the July 1, 2015 correspondence from the Commission's Executive Director, East Kentucky Power Cooperative Inc. ("EKPC") tenders the following information to describe its mitigation efforts to reduce the balance of the regulatory asset through the sale of the Smith Unit 1 physical assets, as further authorized by a Commission Order on March 5, 2013 in Case No. 2013-00005.

- As of September 28, 2018, the regulatory asset balance relating to Smith Unit 1 was \$127,605,622, a decrease of \$6,005,933 compared to the last mitigation report filed on March 30, 2018. This change is comprised of additional costs of \$8,946 (material and other charges) associated with the inspection and cribbing of the assets located at the Smith Site less amortization of the regulatory asset of \$6,014,879, as authorized by the Commission in Case No. 2015-00358.

As specified in the Stipulation and Recommendation (Smith Solution) associated with Case No. 2015-00358, EKPC began amortizing the regulatory asset balance at January 1, 2017, net of estimated expected mitigation and salvage efforts of \$28,637,996, over a ten year period. The monthly amortization amount, currently at of \$1,002,515, is adjusted periodically to reflect additions to the regulatory asset balance associated with costs incurred to maintain the assets.

- For the past several years, EKPC has been diligent in marketing, for sale, the Smith assets. It has fielded hundreds of inquiries, made dozens of visits at the Smith site with prospective buyers, and entered into non-disclosure agreements and exclusivity agreements with a multitude of prospects. Unfortunately, it has not been successful in closing on a sale of the assets in bulk. EKPC management now has determined it would be in the best interests of EKPC that the Smith assets be sold in piecemeal transactions, for salvage or for any and all legitimate and lawful business purposes. With this in mind, EKPC plans to utilize a three-step approach to marketing the assets: redeploy the assets internally for use in EKPC operations, sell or return the assets as useable material in the marketplace, or scrap the material that has no interest as useable. EKPC has now initiated efforts to implement the foregoing plan of action and will update the Commission on these efforts in future status reports.