



March 31, 2021

Ms. Linda Bridwell  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602-0615

Dear Ms. Bridwell:

Enclosed, please find the Annual Report of East Kentucky Power Cooperative, Inc. (EKPC) related to non-regulated activities pursuant to 807 KAR 5:080 Section 2.

Very truly yours,

*Ann Bridges*

Ann Bridges  
Executive Vice President & CFO

AFB/ts

Enclosures



East Kentucky  
Power Cooperative, Inc.

# COST ALLOCATION MANUAL

**East Kentucky Power Cooperative, Inc.**  
**Cost Allocation Manual**  
**Effective Date January 1, 2002**  
*(Amended March 31, 2021)*

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**Introduction**

The Commonwealth of Kentucky General Assembly enacted KRS 278.2205 during the 2000 regular session. The Kentucky Public Service Commission (PSC) requires that all utilities providing nonregulated activities, either directly or through an affiliate keep separate accounts and allocate costs to ensure that regulated ratepayers do not subsidize the nonregulated activities. This law requires utilities that meet certain revenue levels to file a Cost Allocation Manual (CAM) to identify the method for segregating costs between regulated and nonregulated activities. This manual is an indexed compilation of East Kentucky Power Cooperative, Inc.'s cost allocation policies and procedures.

## Definitions

**Affiliate** - a person that controls or is controlled by, or is under common control with, a utility.

**Arm's Length** - the standard of conduct under which unrelated parties, each party acting in its own best interest, would negotiate and carry out a particular transaction.

**Control** - the power to direct the management or policies of a person through ownership, by contract, or otherwise.

**Cost Allocation Manual (CAM)** - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

**Cost Allocations** - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (known as general allocators).

**Common Costs** - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.

**Cost Driver** - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

**Direct Costs** - costs which can be specifically identified with a particular service or product.

**Distribution Cooperative** - a utility formed under KRS Chapter 279 that provides retail service.

**Electric-Consuming Facilities** - everything that utilizes electric energy from a central station source.

**Facility** - includes all property, means, and instrumentalities owned, operated, leased, licensed, used, furnished, or supplied for, by, or in connection with the business of any utility.

**Fully Distributed Costs** - the sum of the direct costs plus an appropriate share of indirect costs.

**Generation and Transmission Cooperative (G&T)** - a utility formed under KRS Chapter 279 that provides electric generation and transmission service.

**Global Costs** - costs that do not have specific identifiable causal relationship with a particular activity but apply to all activities.

**Incidental Treatment** - a utility may report an incidental nonregulated activity as a regulated activity if (a) the revenue from the aggregate of the total of the utility's nonregulated incidental activities does not exceed the lesser of two percent (2%) of the utility's total revenue or one million dollars (\$1,000,000) annually and (b) the nonregulated activity is reasonably related to the utility's regulated activity.

**Indirect Costs** - costs that cannot be identified with a particular service or product. This includes but is not limited to overhead costs, administrative and general, and taxes.

**Kentucky Public Service Commission (PSC) (Commission)** - state regulatory body governing the rates and practices of utilities.

**Net Book Value** - the book cost, as defined by the uniform system of accounts, reduced by related provisions for accumulated depreciation, depletion, or amortization and adjusted for any unamortized plant acquisition adjustment related to the asset.

**Nonregulated Activity** - the provision of competitive retail gas or electric services or other products or services over which the Commission exerts no regulatory authority.

**Person** - includes natural persons, partnerships, corporations, and two (2) or more persons having a joint or common interest.

**Prevailing Market Pricing** - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

**Rate** - any individual or joint fare, toll, charge, rental, or other compensation for service rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof.

**Regulated Activity** - a service provided by a utility, the rates and charges of which are regulated by the Commission.

**Retail Electric Service** - electric service furnished to a consumer for ultimate consumption.

**Service** - any practice or requirement in any way relating to the service of any utility, including the voltage of electricity, the heat units and pressure of gas, the purity, pressure, and quantity of water, and in general the quality, quantity, and pressure of any commodity or product used for or in connection with the business of any utility.

**Shared Services** - those centrally-managed services that benefit both the utility and its affiliates/divisions.

**Solicit** - to engage in or offer for sale a good or service, either directly or indirectly and irrespective of place or audience.

**Subsidize** - the recovery of costs or the transfer of value from one class of customer, activity, or business unit that is attributable to another.

**USoA – Uniform System of Accounts** - a system of accounts for public utilities established by the Rural Utilities Service (RUS) of the United States Department of Agriculture and adopted by the Commission.

**Utility** - a natural person, partnership, or corporation (except a city) who owns, controls, operates or manages a facility in connection with the generation, production, transmission, or distribution of electricity to or for the public, for compensation, for lights, heat, power, or other uses.

**Utility Revenue** - operating electric revenue as reported on Page 1, line 4, of RUS Form 12a.

**Wholesale Electric Service** - electric service generated or purchased and furnished to a retail electric company or another wholesale electric company for further distribution.

## **Regulated and Nonregulated Divisions and Affiliates and Related Services & Products**

### **Regulated Division**

#### **East Kentucky Power Cooperative, Inc.**

East Kentucky Power Cooperative, Inc. is a regulated not-for-profit generation and transmission cooperative utility whose primary function is the delivery of wholesale electric service to its 16 member cooperatives. Additionally, EKPC provides other regulated support services such as research and development dealing with power generation and power delivery, load research, rate research, educational programs relating to efficient use of electricity, and economic development.

### **Nonregulated Affiliates**

#### **Alliance for Cooperative Energy Services Power Marketing (ACES)**

ACES was formed to provide wholesale energy risk management services and EKPC is one of the original owners. ACES provides energy trading and risk management services to its Owners and energy industry clients. Their focus is the power industry and power trading. ACES provides its services “as agent”; they represent their Owners and clients in the marketplace, working collaboratively to manage energy risk. ACES itself does not buy or sell energy, thus avoiding conflicts of interest. ACES offers the following services: Power Trading and Origination, Power Scheduling and Transmission, Structuring, Natural Gas Services, Trading Controls, Credit and Contracts, Settlements, Renewable Energy Services, Training and Consulting, Regulatory Services, and ISO/RTO Services. ACES invoices EKPC for all services rendered, which are necessary for EKPC's regulated operations.

#### **Envision Energy Services, LLC (Envision)**

Envision is a partnership of electric cooperatives in central and eastern Kentucky. Envision offers services to commercial and industrial customers that go beyond services offered by regulated utilities. These services include: infrared surveys, emergency power, power factor correction, energy bill analysis, energy management systems, power quality solutions, and performance contracting. EKPC shares employees, office space, fleet vehicles, telephone services, and office equipment with Envision.

EKPC has no revenues from nonregulated affiliates. Nonregulated affiliates only reimburse EKPC for the costs associated with shared services.

## **Nature of Transactions**

### **From the Utility to the Affiliate/Division**

Goods, services and use of assets provided by the regulated utility to the nonregulated affiliate/division shall be at the tariffed rate. Non-tariffed items shall be priced at the fully distributed cost or prevailing market price, if available, whichever is greater.

The transfer or sale of assets by the utility to the nonregulated affiliate shall be priced at the greater of the utility's net book value or prevailing market price, if available.

Goods or services provided by a regulated utility to an affiliated regulated utility shall be priced at fully distributed cost.

### **From the Affiliate/Division to the Utility**

Goods, services and use of assets provided by the nonregulated affiliate/division to the regulated utility shall be at the lower of the affiliate's fully distributed cost or prevailing market price, if available.

The transfer or sale of assets by the nonregulated affiliate to the regulated utility shall be priced at the lower of the affiliate's net book value or prevailing market price, if available.

The transfer or sale of assets between regulated affiliates shall be at the net book value.



## **Cost Allocation Methodologies**

Certain costs are shared by both regulated and nonregulated divisions and affiliates. The allocation methods of these shared costs are discussed below. Representative rates are developed to apply to a measurable unit and costs relating to nonregulated activities are transferred to nonregulated accounts. These rates are based on actual costs and reviewed at least annually.

### **Direct Labor Hours**

Costs will be allocated proportionally based on the number of direct labor hours recorded for each activity.

### **Direct Labor Dollars**

Costs will be allocated proportionally based on the amount of labor dollars recorded for each activity.

### **Occupancy**

Costs will be allocated proportionally based on the size of the workspace devoted to a particular activity.

### **Miles Driven**

Costs will be allocated proportionally based on miles driven.

### **Hours Used**

Costs will be allocated proportionally based on hours recorded for the use of machinery and equipment.

### **Number of Equipment Units**

Costs will be allocated proportionally based on number of equipment units devoted to a particular activity.

### **Global - Proportional on All Other Expenses**

Costs are allocated proportionally based on directly assigned expenses.

## **ADOPTION STATEMENT**

East Kentucky Power Cooperative, Inc. certifies that a Cost Allocation Manual ("CAM") has been developed, pursuant to KRS 278.2205 as required in House Bill 897. This CAM, originally effective on January 1, 2002, has been revised as detailed in this filing, effective April 1, 2021.

*Ann Bridges*

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Ann Bridges  
Executive Vice President & CFO

### Revenue and Expense Accounts

All revenues and expenses will be directly assigned where appropriate, otherwise, they will be allocated according to the cost allocation method identified below. **Any changes made since the March 31, 2020 Cost Allocation Manual update are indicated in red lettering.**

New Acct	Description	Regulated	Non-Regulated	Direct Labor Hrs	Direct Labor Dollars	Occupancy	Miles Driven	Hours Used	Number of Equip Units	Global Allocator
401000	Operation Expense	x								
402000	Maintenance Expense	x								
403100	Depr Exp Steam Prod Plnt	x								
403410	Depr Exp Oth Prod Plant - CT's	x								
403420	Depr Exp - Oth Prod Plant - Landfills	x								
403430	Depr Exp - Oth Prod Plant - Diesel Generator	x								
403440	Depr Exp - Oth Prod Plant - Solar	x								
403500	Depr Exp Transmission Plant	x								
403600	Depr Exp Distribution Plant	x								
403700	Depr Exp General Plant	x								
403702	Depr Exp General Plant-Nonreg.		x							
403800	Deprec Exp-Asset Retire Costs	x								
404000	Amortization Leased Elec Plant	x								
405000	Amortization Intangible Plant	x								
407000	Amortization Unrecovered Plant	x								
408110	Taxes Property-Regulated	x								
408112	Taxes Property--Nonregulated		x							
408200	Taxes Federal Unemployment	x	x		x					
408300	Taxes FICA	x	x		x					
408400	Taxes State Unemployment	x	x		x					
408700	Taxes Other	x								
409100	Income Taxes-Regulated	x								
409110	Income Taxes-Nonregulated		x							
409120	Taxes - Other States	x								
411100	Accretion Expense	x								
411600	Gain Disposition of Utility Plant	x								
411800	Gain Disposition of Allowance	x								
412000	Revenue from Electric Plant Leased to Others	x								
413100	Oper Exp - Plant Leased to Others - Excl Fuel	x								
413101	Oper Exp - Plant Leased to Others - Fuel	x								
413102	Oper Exp - Plant Leased to Others - Prop Tax	x								
413200	Maintenance Expense - Plant Leased to Others	x								
413300	Depr Exp - Plant Leased to Others	x								
413400	Amortization Exp - Plant Leased to Others	x								
417101	Expenses Nonutility Operations-Other/ACES		x	x	x	x				
417102	Expense from Nonutility Oper--Propane		x	x	x	x				
417103	Expense from Nonutility Oper--Envision		x	x	x	x				
419000	Interest and Dividend Income-Regulated	x								
419002	Interest Inc Inland Container	x								
419010	Interest and Dividend Income--Nonreg		x							
419100	Allowance Other Funds used Const	x								
421000	Misc Income Other Regulated	x								

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New Acct	Description	Regulated	Non-Regulated	Direct Labor Hrs	Direct Labor Dollars	Occupancy	Miles Driven	Hours Used	Number of Equip Units	Global Allocator
421001	Misc Income Interest--Reg	x								
421011	Misc Income Interest--Nonreg		x							
421100	Gain Disposition of Property--Reg	x								
421110	Gain Disposition of Property--Nonreg		x							
421200	Loss Disposition of Property--Reg	x								
421210	Loss Disposition of Property--Nonreg		x							
424000	Oth Cap Cred Patr Cap Alloc	x								
425000	Miscellaneous Amortization	x								
426100	Donations	x								
426200	Life Insurance	x								
426300	Penalties	x								
426400	Civic and Political Activities	x								
426500	Other Deductions-Regulated	x								
426501	Discount Lost	x								
426502	Oth Deductions - AR Sm Bal Tolerance	x								
426510	Other Deductions Nonregulated		x							
427000	Interest on Long Term Debt	x								
428001	Amrt Debt Disc/Exp - Priv. PI Bond	x								
428002	Amrt Dbt Disc Exp Spur PCB ISS	x								
428003	Amrt Dbt Disc Exp Smth PCB ISS	x								
428004	Amrt Debt Disc/Exp-Reprice Prm	x								
428005	Amrt Debt Disc/Exp-PCB-Cooper	x								
428006	Amrt Debt Disc/Exp-Sr Cr Facil	x								
428007	Amrt Debt Disc/Exp-CREB	x								
428008	Amrt Debt Disc/Exp - Priv. PI Bond 2019	x								
428101	Amrt Loss Reacquired Debt - RUS	x								
431010	Other Interest Exps-Regulated	x								
431020	Other Interest Exps-Nonreg		x							
431030	Other Interest Exps-Leased	x								
447100	Sales Resale RUS Borr Mbr Coop	x								
447103	Sales Resale Mbr Coop Green Power	x								
447142	Sales/Resale-MbrCoop-Accrd FAC	x								
447143	Sales/Resale-MbrCoop-Accrd ES	x								
447150	Sales Resale RUS Borr Off-System	x								
447250	Sales Resale Non-RUS Off-System	x								
447251	Misc Capacity Sales	x								
449100	Revenue Subject to Refund	x								
451001	Misc Service Revenues - Reg	x								
451011	Misc Service Revenues - Non-Reg		x							
454001	Rent From Electric Property - Reg	x								
454011	Rent From Electric Property - Non-Reg		x							
456000	Oth Elect Rev Misc	x								

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New Acct	Description	Regulated	Non-Regulated	Direct Labor Hrs	Direct Labor Dollars	Occupancy	Miles Driven	Hours Used	Number of Equip Units	Global Allocator
456003	Oth Elect Rev Sales Tax Compen	x								
456010	Oth Elect Rev Steam Inland Con	x								
456042	Oth Elec Rev-Steam-Accrd FAC	x								
456043	Oth Elec Rev-Steam-Accrd ES	x								
456050	Facility Chg - Other	x								
456051	Oth Elect Rev Bedford Sub	x								
456053	Oth Elect Rev Zula Sub Rent	x								
456054	Facility Charges Cagles	x								
456055	Oth Elect Rev Facility Chg Gal	x								
456057	Oth Elect Rev Big Sandy Inez69	x								
456058	Facility Charges FI Mason Cranston	x								
456080	Oth Elect Rev Solar Panel License	x								
456101	Oth Elect Rev Wheeling	x								
456102	Oth Elect Rev Wheeling Gallati	x								
456130	Oth Rev Oth Tran NonFirm Pt P	x								
456131	Oth Rev Oth Tran Anc Srv 3_1	x								
456132	Oth Rev Oth Tran Anc Svc 3_2	x								
456133	TS Revenue-Anc Svce 3.3	x								
456134	TS Revenue-Anc Svce 3.4	x								
457100	Regional Transmission Svce Rev	x								
457200	Misc Revenue	x								
459000	Rev/Sale of Renewable Energy Credit	x								
500000	Operation Supr Engr - Stm Gen	x								
501010	Fuel - Stm Generation - Coal	x								
501020	Fuel - Stm Generation - Oil	x								
501060	Fuel TDF Gilbert	x								
501080	Fuel - Other - Cooper	x								
502000	Steam Expenses - Stm Generation	x								
505000	Electric Expenses - Steam Generation	x								
506001	Misc Steam Power Expenses	x								
506002	Misc Steam Power Exp - Environmental	x								
509000	Emission Allowances	x								
510000	Main Superv Engr - Stm Generation	x								
511000	Maint Of Structures - Stm Generation	x								
512000	Maint of Boiler Plant - Stm Generation	x								
513000	Maint Of Electric Plant - Stm Generation	x								
514000	Maint Of Misc Steam Plant	x								
546000	Operation Superv Engr - Oth Power Generation	x								
547020	Fuel Oth Power Generation Oil	x								
547030	Fuel Other Power Generation - Natural Gas	x								
547040	Fuel - Other Power Generation - Methane Gas	x								
547041	Fuel - Other Power Gen - Methane Gas - Glasgow	x								

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547050	Fuel - Other Power Gen - Diesel Generator	x								
548000	Generation Expense - Other Power Generation	x								
549001	Misc Oth Pwr Generation Exp	x								
549002	Misc Other Power Gen Exp - Environmental	x								
550000	Rents Other Power Generation	x								
551000	Maint Super Engr Other Power Generation	x								
552000	Maintenance of Structures - Other Power Gen	x								
553000	Maint Gen Elect Equipment -Other Power Gen	x								
554000	Maint Misc Oth Pwr Gen Plant	x								
555000	Purchased Power	x								
555001	Purchased Power - Solar License	x								
556000	System Control Load Dispatch	x								
557001	Long-Term Power Supply Expenses	x								
557002	Oth Exp Load Forecasting	x								
557003	Other Expense - Broker Fees	x								
559000	Renewable Energy Cred Expenses	x								
560000	Oper Supv and Engineering	x								
561000	Trans Exp Load Dispatching	x								
561100	Trans Exp Load Dispatch - Reliability	x								
561200	Trans Exp Load Dispatch - Monitor/Op	x								
561300	Load Dispatch - Trans Svce & Scheduling	x								
561400	Sch, Sys Control, and Dispatch Services	x								
561500	Reliability, Plan and Stds Development	x								
561600	Transmission Service Studies	x								
561700	Generation Interconnect Studies	x								
561800	Reliability Pla/Stds Devel Svces	x								
562000	Station Expenses	x								
563000	Overhead Line Expenses	x								
565000	Trans Elect by Others	x								
566000	Misc Trans Expenses	x								
567000	Rents	x								
568000	Maint Supv and Engineering	x								
569100	Mtce of Computer Hardware - Trans	x								
569200	Mtce of Computer Software - Trans	x								
569300	Mtce of Communication Equip - Trans	x								
569400	Mtce of Misc Regional Trans Plt	x								
570000	Maint Station Equipment	x								
571000	Maint OH Lines Line Maint	x								
573000	Maint Misc Transmission Plant	x								
575700	Mrkt Admin Monitor/Compliance	x								
581000	Load Dispatch Distribution	x								
582000	Distribution Station Expenses	x								

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New Acct	Description	Regulated	Non-Regulated	Direct Labor Hrs	Direct Labor Dollars	Occupancy	Miles Driven	Hours Used	Number of Equip Units	Global Allocator
592000	Maint of Dist Station Eq	x								
904000	Uncollectible Accounts	x								
907000	Cust Svce & Info Exp - Supervision	x								
908000	Customer Assistance-Regulated	x								
909000	Info/Instruct Ad-Safety, Technology, Conservation	x								
910000	Info/Instruct Ad--Environmental Education - Reg	x								
913000	Advertising Expenses - Regulated	x								
920000	Administrative General Salaries	x		x	x	x				
921000	GA Office Supplies & Expenses	x		x	x	x				
923001	Outside Services - Regulated	x								
923011	Outside Services - Nonregulated		x							
924000	Property Insurance	x								x
925000	Injuries and Damages	x			x					
926000	Employee Pensions Benefits	x		x	x					
928000	PSC Annual Assessment	x								
929001	Dupl Chgs Cr Elect HD WH	x								
929030	Oth Rev EKPC Tran NonFrm Pt Pt	x								
929031	Oth Rev EKPC Tran Anc Svc 3_1	x								
929032	Oth Rev EKPC Tran Anc Svc 3_2	x								
929040	Oth Rev Internal Trans Reserv	x								
930100	General Advertising Expenses	x								
930200	Misc Gen Exp Directors Fees	x		x	x					
930201	Misc General Exp Dues-Reg.	x								x
930202	Misc Gen Exp Mbr Public Rel-Reg	x		x	x	x				
930203	Misc Gen Exp Tax Ins Alloc	x				x				
930204	Misc Gen Exp Labor Exp RD-Regulated	x		x	x					
930205	Misc Gen Exp RD-Wastewater Services - Reg	x				x				
935000	Maint General Plant Winchester	x				x				

## **Summary of Changes - EKPC Cost Allocation Manual (CAM)**

East Kentucky Power has not added any new non-regulated activities in the past year. EKPC has also not made any changes to the chart of accounts portion of the CAM as a result of its review of business and accounting practices.

All changes to the Cost Allocation Manual are listed below:

Page 5 - Added clarifying statements regarding nonregulated affiliates

Page 8 - Adoption Statement with current date

Beginning Page 9 - Chart of Accounts

There were no new accounts added since the last filing