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PUBLIC SERVICE
COMMISSION

June 12, 2008

HAND DELIVERED

Ms. Stephanie L. Stumbo
Executive Director
Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: Case No. 2008-00115

Dear Ms. Stumbo:

Please find enclosed for filing with the Commission in the above-referenced case an original and six copies of the responses of East Kentucky Power Cooperative, Inc., to the Commission Staff and the Kentucky Industrial Utility Customers, Inc., second data requests, dated May 29, 2008.

Very truly yours,



Charles A. Lile
Corporate Counsel

Enclosures

Cc: Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Lane Kollen

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC., FOR)
APPROVAL OF AN AMENDMENT TO ITS) CASE NO. 2008-00115
ENVIRONMENTAL COMPLIANCE PLAN)
AND ENVIRONMENTAL SURCHARGE)

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

James C. Lamb, Jr., being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff Second Data Request in the above-referenced case dated May 29, 2008, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Handwritten signature of James C. Lamb, Jr.

Subscribed and sworn before me on this 12th day of June, 2008.

Handwritten signature of Peggy S. Duffin
Notary Public

My Commission expires: December 8, 2009

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC., FOR) CASE NO. 2008-00115
APPROVAL OF AN AMENDMENT TO ITS)
ENVIRONMENTAL COMPLIANCE PLAN)
AND ENVIRONMENTAL SURCHARGE)**

**RESPONSES TO COMMISSION STAFF'S SECOND DATA REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED MAY 29, 2008**

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2008-00115

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 05/29/08

REQUEST 1

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to the response to the Commission Staff's First Data Request dated May 1, 2008 ("Staff's First Request"), Item 3(a). In this response, East Kentucky provided the total construction work in progress ("CWIP") balance for Spurlock Unit 4. *Identify the portion of each balance reported related to the pollution control facilities.*

Response 1. East Kentucky started construction on Spurlock 4 in June 2006. As of September 30, 2006, no pollution control equipment had been erected. Therefore, the pollution control portion of CWIP at September 30, 2006 is \$0.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2008-00115

SECOND DATA REQUEST RESPONSE

COMMISSION STAFF'S SECOND DATA REQUEST DATED 05/29/08

REQUEST 2

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to the response to the Staff's First Request, Item 3(b). In the response, East Kentucky states that while CWIP net of Allowance for Funds Used During Construction ("AFUDC") balances were on East Kentucky's books at September 30, 2006, no adjustment to the environmental surcharge mechanism is necessary, citing the fact that Case No. 2006-004721 was a "TIER-based case" rather than a "balance sheet (return) driven" case.

Request 2a. Would East Kentucky agree that the interest expense associated with the long-term debt that funded the CWIP net of AFUDC for the three listed Spurlock projects was included in the determination of East Kentucky's revenue requirements in Case No. 2006-00472? Explain the response.

Response 2a. No. There was no interest expense associated with the long-term debt that funded the CWIP net of AFUDC for the three listed Spurlock projects included in the determination of East Kentucky's revenue requirements in Case No. 2006-00472. Although the Commission included interest expense on its unsecured credit facility in the Order in Case No. 2006-00472, that interest expense was not and cannot be specifically tied to the three listed Spurlock projects. EKPC uses its unsecured credit facility for general operating needs as well as construction needs. Daily, EKPC assesses its cash needs and may draw on the credit facility to meet these cash needs.

Request 2b. Does East Kentucky contend that the cost associated with the CWIP net of AFUDC for these three Spurlock projects is not included in its existing rates? Explain the response.

Response 2b. Yes, for the reasons indicated in Response 2a, East Kentucky contends that the interest expense associated with the credit facility is not explicitly tied to the permanent financing for these three Spurlock projects.

Request 2c. Included in the Direct Testimony of William A. Bosta, Exhibit WAB-2, is the calculation of the proposed Base Environmental Surcharge Factor (“BESF”), which reflects the utility plant balance and operating expenses for the Spurlock Unit 2 scrubber. The amounts used are based on the test-year-end balances shown in Case No. 2006-00472. Would East Kentucky agree that the proposed BESF reflects the fact that the Spurlock Unit 2 scrubber is being recovered in its existing rates? Explain the response.

Response 2c. Yes. East Kentucky agrees that the utility plant balance and operating expenses for the existing Spurlock 2 scrubber, which was built in 1982, are included in test-year-end balances and are being recovered in existing rates.

Request 2d. If it is reasonable to reflect the Spurlock Unit 2 scrubber in the BESF as being recovered in existing rates, would East Kentucky agree similar treatment should be afforded to the CWIP net of AFUDC balances for the three Spurlock projects? Explain the response.

Response 2d. No. Please see the Responses 2a and 2b.

Request 2e. Provide a revised Exhibit WAB-2 that includes the Case No. 2006- 00472 test-year-end balances of CWIP net of AFUDC for the three Spurlock projects as part of the BESF. For the Spurlock Unit 4 project, only include that portion of the CWIP net of AFUDC associated with the pollution control facilities.

Response 2e. Please see page 4 of this response for the revised WAB-2. EKPC has recalculated the revised BESF using the Spurlock 1 and Spurlock 2 scrubber projects. The pollution control equipment associated with Spurlock 4 is excluded from this exhibit based on Response 1 to this data request.

Derivation of BESF Factor for Existing Spurlock Unit 2 Scrubber

	<u>\$ Amount</u>	<u>Total \$</u>	<u>Source</u>
1	Depreciation Expense	755,099	Exhibit AFW-2
2	Oper & Mtce	7,459	Exhibit AFW-2
3	Property Tax & Insurance	380,471	Exhibit AFW-2
Return on Rate Base			
4	Rate Base		
	Spurlock 2 Scrubber 26,994,800		Exhibit AFW-2
4A	CWIP Spurlock 1 Scrubber 1,372,495		Commission Staff First Data Request 3(a)
	CWIP Spurlock 1 Scrubber 20,567,539		Commission Staff First Data Request 3(a)
	CWIP Spurlock 4 -		Commission Staff Second Data Request 1
	48,934,834		
5	Cash Working Capital (1/8 of O&M)	932	Line 2 * 1/8
	Total Rate Base	48,935,766	
	Apply Rate of Return 7.76%		Exhibit AFW-2 (5.75% * 1.35 TIER)
6	Total Return on Rate Base	3,797,415	
7	Total Costs	4,940,444	Line 1+2+3+6
8	Calculation of % of Member System Revenues to total revenues including off-system sales		
	Member Sys Rev	597,766,544	99.13%
	Off System Sales Revenue	5,275,336	0.87%
		603,041,880	100.00%
	Total Costs Incl Rate of Return	4,940,444	
	Exclusion of Off-System Sales	99.13%	
	Revenue Requirement	4,897,226	
	Member Sys Revenue	597,766,544	September 2006 ES Filing Form 3.0, Excludes ES Revenues
9	Rev Req / Mbr Sys Revenues BESF for Existing Spurlock 2 Scrubber	0.82%	Line 7 / Line 8
10	Existing BESF	0.51%	Monthly ES Calculation
11	Revised BESF for Data Request	1.33%	Line 9 + Line 10