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January 31, 2011

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2010-00449

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and seven copies of the responses of East Kentucky Power Cooperative, Inc. ("EKPC") to the Commission Staff's Supplemental Information Request, dated January 19, 2011.

Very truly yours,



Mark David Goss
Counsel

Enclosures

RECEIVED

JAN 31 2011

PUBLIC SERVICE
COMMISSION

RECEIVED

JAN 31 2011

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR AN ORDER APPROVING)	
THE ESTABLISHMENT OF A REGULATORY ASSET)	CASE NO.
FOR THE AMOUNT EXPENDED ON ITS SMITH 1)	2010-00449
GENERATING UNIT)	

**RESPONSES TO COMMISSION STAFF'S SUPPLEMENTAL
INFORMATION REQUEST
TO EAST KENTUCKY POWER COOPERATIVE, INC.
DATED JANUARY 19, 2011**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

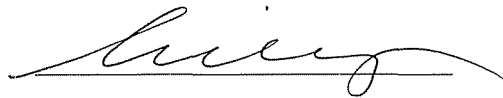
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THE APPLICATION OF EAST KENTUCKY POWER)	
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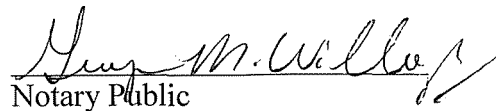
CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Michael A. McNalley, 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's Supplemental Information Request in the above-referenced case dated January 19, 2011, 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.



Subscribed and sworn before me on this 28 day of January, 2011.


 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE 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)

CASE NO.
2010-00449

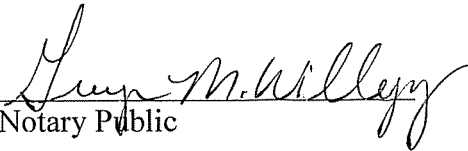
CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

David K. Mitchell, 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's Supplemental Information Request in the above-referenced case dated January 19, 2011, 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.



Subscribed and sworn before me on this 26 day of January, 2011.


Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
NOTARY ID #409352

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00449

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF'S SUPPLEMENTAL INFORMATION

REQUEST DATED JANUARY 19, 2011

REQUEST 1

RESPONSIBLE PERSON: Michael A. McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 1. Refer to the second paragraph of the response to Item 2.a. of Commission Staff's Initial Request for Information ("Staff's First Request"). The second sentence of the paragraph states that "[a] statement from the Commission noting that rate recovery will be authorized on the final regulatory asset balance, once all mitigation efforts are concluded and there has been appropriate review by the Commission, including any adjustments required as a result of that Commission review, would likely be satisfactory to EKPC's auditors."

a. Explain whether this statement is based solely on EKPC's opinion or if it reflects discussions EKPC has had with its auditors.

b. If the statement is based on EKPC's discussions with its auditors, explain why it says "[would *likely* be satisfactory to EKPC's auditors."

c. If the statement is based solely on EKPC's opinion, explain why this matter has not been discussed with its auditors.

Response 1a.-b. This matter has been discussed with the auditors. EKPC used the word "likely" because auditors never give firm guidance, opinions or conclusions before all of the facts are in, which in this matter would include the Commission's Order in this proceeding.

Response 1c. Please see the response to Request 1a. and b.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00449

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF'S SUPPLEMENTAL INFORMATION

REQUEST DATED JANUARY 19, 2011

REQUEST 2

RESPONSIBLE PERSON: Michael A. McNalley/David K. Mitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 2. Refer to the response to Item 3 of Staff's First Request, which reflects changes to the amount expended on Smith 1 as of November 30, 2010, compared to the amount as of September 30, 2010 that was included in EKPC's application.

Request 2a. In addition to deducting the amounts for Allowance for Funds Used During Construction and the cost of the equipment warehouse, the update reflects increases in the amounts for (1) the GE Turbine Generator of \$752,760, (2) the Smith I Boiler - Alstom of \$501,974, and (3) Smith 1 - Environmental of \$123,008. Explain why these amounts increased during this two-month period.

Response 2a. (1) The amount of \$752,760 is 10% of the value of the contract with General Electric ("GE") for installation of the Smith 1 steam turbine generator. The contract required this payment at the time of execution (June 15, 2005) but GE never invoiced and EKPC never remitted this scheduled payment. Upon cancellation of the contract, GE invoiced for this amount and EKPC agreed to make the payment with the agreement that payment of \$752,760 represented the complete and final payment of all liabilities and claims associated with Contract G1.

(2) EKPC paid the amount of \$501,974 per the payment terms of contract G201 with Alstom Power. The final settlement amount for cancellation of the contract with Alstom is under review.

(3) The Environmental charges represent an allocation of legal fees and EKPC employee labor and benefits associated with preparing and filing environmental permits.

Request 2b. In its application, EKPC requested authority to create a regulatory asset in the amount of \$163,448,904. Given the changes reflected in these responses, explain whether that request should be modified such that the amount is \$157,101,616.

Response 2b. The requested amount should now be \$157,388,715. Please see page 4 of this response.

Request 2c. If there has been any change to the amount expended on Smith 1 since the November 30, 2010 reporting date reflected in these responses, provide an update of the schedule shown in the response to Item 3.a. If there have been changes since November 30, 2010, explain why they occurred.

Response 2c. Page 3 of this response contains an update (as of December 31, 2010) of the schedule shown in the response to Request 3a in Commission Staff's Initial Data Request. Please see page 4 of this response for a reconciliation of the November 30, 2010 and December 31, 2010 balances.

Account	Bdgt Cd	Project	Descr	Sum Total Amt
107200	1000	SM100	Smith #1_EKP Labor & Expenses	14,975.00
107200	1400	SM100	Smith #1_EKP Labor & Expenses	2,685.95
107200	1800	SM100	Smith #1_EKP Labor & Expenses	7,341.37
107200	2200	SM100	Smith #1_EKP Labor & Expenses	6,816.38
107200	4801	SM100	Smith #1_EKP Labor & Expenses	591,219.71
107200	7400	SM100	Smith #1_EKP Labor & Expenses	118,157.25
107200	9000	SM100	Smith #1_EKP Labor & Expenses	101,655.43
107200	9100	SM100	Smith #1_EKP Labor & Expenses	186,552.07
			SM100 Total	1,029,403.16
107200	4801	SM101	Smith #1_Stanley-Engineering	7,811,476.82
			SM101 Total	7,811,476.82
107200	1000	SM102	Smith #1_Site Prep	267.49
107200	1800	SM102	Smith #1_Site Prep	80.41
107200	2200	SM102	Smith #1_Site Prep	7.96
107200	4801	SM102	Smith #1_Site Prep	692,515.77
107200	7400	SM102	Smith #1_Site Prep	28,230.00
107200	9000	SM102	Smith #1_Site Prep	346,109.38
			SM102 Total	1,067,211.01
107200	4801	SM103	Smith #1_GE-Turbine/Generator	510,000.00
107200	9000	SM103	Smith #1_GE-Turbine/Generator	26,838,225.04
107200	9100	SM103	Smith #1_GE-Turbine/Generator	752,760.00
			SM103 Total	28,100,985.04
107200	9000	SM104	Smith #1_Boiler_Alstom	100,477,323.01
107200	9100	SM104	Smith #1_Boiler_Alstom	138,254.79
			SM104 Total	100,615,577.80
107200	9000	SM105	Smith #1_Alloy Piping-Bend Tec	3,466,231.30
			SM105 Total	3,466,231.30
107200	1000	SM106	Smith #1_Environmental	89,317.02
107200	1400	SM106	Smith #1_Environmental	6,255.13
107200	1800	SM106	Smith #1_Environmental	38,974.66
107200	2200	SM106	Smith #1_Environmental	3,928.39
107200	4801	SM106	Smith #1_Environmental	1,373,413.88
107200	7400	SM106	Smith #1_Environmental	9,524.28
			SM106 Total	1,521,413.36
107200	9000	SM107	Smith #1_Boiler Feed Pumps	2,962,371.00
			SM107 Total	2,962,371.00
107200	9000	SM110	Smith #1_Feedwater Heaters	1,684,665.00
			SM110 Total	1,684,665.00
107200	9000	SM112	Smith #1_Condenser	2,661,835.00
			SM112 Total	2,661,835.00
107200	9000	SM135	Smith #1_Equipment Whse	2,645,321.10
			SM135 Total	2,645,321.10
107200	7400	SM136	Smith #1_Addt'l Land	46.00
107200	9200	SM136	Smith #1_Addt'l Land	67,500.00
			SM136 Total	67,546.00
			Subtotal	153,634,036.59
			Less: Equipment Warehouse	(2,645,321.10)
			Total Project Balance at 12/31/10	<u>150,988,715.49</u>

Smith Project Balances as of 11/30/10, before adjustments	\$ 154,829,300
Less: Equipment Warehouse	(2,645,321)
Less: AFUDC, Written-Off by EKPC in Dec. 2010	(1,482,362)
Plus: Contract Cancellation Charges; Professional Fees and EKPC Labor/Benefits Associated with Environmental Permit Cancellations	287,099
Smith Project Balances as of 12/31/10	<u>150,988,715</u>
Plus: Estimated Cancellation Charges	6,400,000
Amount of Requested Regulatory Asset	<u><u>\$ 157,388,715</u></u>

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00449

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF'S SUPPLEMENTAL INFORMATION

REQUEST DATED JANUARY 19, 2011

REQUEST 3

RESPONSIBLE PERSON: David K. Mitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to the response to Item 6 of Staffs First Request. Explain what is meant by the term applied to the change in the turbine maintenance strategy for the Gilbert 3 and Spurlock 4 units.

Response 3. In response to Item 6 of Staff's First Request, the term "drop and swap" was used to describe a change in maintenance strategy for Gilbert 3 and Spurlock 4. This term is industry jargon describing the use of capital spare parts in the maintenance of large pieces of equipment such as steam turbines. Among companies with generating fleets similar to EKPC's, the normal maintenance strategy for steam turbines is "open, clean, inspect, repair" which entails taking the equipment out of service on periodic intervals (typically every 5 to 10 years), disassembling it, assessing equipment wear, making appropriate repairs and then reassembling the machine. This strategy usually takes six to eight weeks, depending on the extent of repairs needed. This process is focused more on repairing components than on replacing them. The "drop and swap" approach is used when spare components are available. In this approach the turbine is removed from service, disassembled, components such as rotors and diaphragms are replaced (instead of repaired) and then the machine is reassembled. The components which were replaced are then repaired during low activity periods prior to the next maintenance interval. This approach may reduce the time required to maintain the steam turbine to as little as three to four weeks.

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REQUEST 4

RESPONSIBLE PERSON: Michael A. McNalley

COMPANY: East Kentucky Power Cooperative, Inc.

Request 4. Refer to EKPC's November 18, 2010 application, specifically, page eight of the Direct Testimony of Mike McNalley.

a. Mr. McNalley states that EKPC will have to secure permanent financing for the assets that are not eliminated from the regulatory asset through the mitigation process. Describe the type of financing EKPC plans to use for this purpose.

b. Mr. McNalley states that the financing has not yet been secured and that EKPC will need Commission approval for the financing. When does EKPC intend to file an application requesting such approval?

Response 4a. EKPC plans to secure long-term financing either from Rural Utilities Service ("RUS") or from the private placement market. EKPC will have a conference call with RUS in late January or early February to discuss this matter.

Response 4b. EKPC intends to file an Application under KRS 278.300 as soon as the source of the financing is known. This should be no later than April 2011.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2010-00449

INFORMATION REQUEST RESPONSE

PUBLIC SERVICE COMMISSION STAFF'S SUPPLEMENTAL INFORMATION

REQUEST DATED JANUARY 19, 2011

REQUEST 5

RESPONSIBLE PERSON: David K. Mitchell

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to the response to Item 2 of Commission Staffs Initial Request for Information in Case No. 2010-00238 and page 4 of the Testimony of David K. Mitchell in that case. Confirm that the \$14 million value of capital spares is meant to be included in the \$20 million assumed salvage value of Smith I but that this was not indicated in the testimony.

Response 5. In the Testimony of David K. Mitchell the statement regarding an assumed salvage value of \$20 million for Smith 1 included an estimated \$14 million value in parts that could be inventoried by East Kentucky Power Cooperative as capital spares. The other \$6 million of the estimated \$20 million represents the assumed net value of disposing all the remaining assets as scrap metal.