

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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 )

INITIAL INFORMATION REQUEST OF COMMISSION STAFF TO  
EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("EKPC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due no later than January 7, 2011. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

EKPC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

EKPC fails or refuses to furnish all or part of the requested information, EKPC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Testimony of Mike McNalley ("McNalley Testimony"), page 4, which indicates that, regarding the appropriate accounting treatment, EKPC will follow the guidance prescribed in Statements of Financial Accounting Standards ("Standards") 71 and 90. Provide references to specific sections in the Standards which cause EKPC to believe that it must record its investment in Smith 1 as a regulatory asset in its 2010 financial statements along with discussion of why these sections support EKPC's belief.

2. Refer to pages 6-7 of Exhibit F, Testimony of Mike McNalley.

a. Mr. McNalley states that EKPC needs to seek rate recovery of the amortization of the regulatory asset as soon as possible because "recovery assurance is a necessary component of the accounting treatment." He states that the amount of the regulatory asset will need to be finalized based on factors which, it appears, could take some time to finalize. Provide the estimated timelines of (1) the steps necessary to determine the final amount of the regulatory asset and (2) the request for rate recovery.

b. Mr. McNalley states that the Allowance for Funds Used During Construction of \$1.4 million that has accumulated on the project will be excluded from

the proposed regulatory asset. Confirm that this amount has been excluded from the requested \$163 million regulatory asset.

c. Mr. McNalley states that EKPC is having ongoing discussions with Deloitte & Touche LLP, its external auditor. Provide all correspondence, e-mails, notes from telephone calls, and any other communication between EKPC and its external auditor related to the accounting treatment for Smith 1.

d. Mr. McNalley states that EKPC needs Commission approval of the request to establish a regulatory asset by mid-February 2011. Explain whether there has been any change or revision in the date by which Commission approval is needed.

3. Refer to Exhibit G, Summary of Smith 1 Costs to September 30, 2010, including estimated contract unwinding costs and asset disposal costs.

a. Provide an update of the costs of Smith 1 based on the most recent information available using the same classifications as in Exhibit G. Include the date on which the updated costs are based.

b. Provide a detailed analysis of the components of the contract unwinding costs and asset disposal costs. Provide an update of the estimate for the contract unwinding costs and asset disposal costs based on the most recent information available. Include the date on which the updated costs are based.

c. Refer to Project lines SM135-Smith#1\_Equipment Whse and SM136-Smith#1\_Add'l Land. Explain why an equipment warehouse and additional land should be considered abandoned and included in the amount of the regulatory asset.

4. State whether EKPC carries any type of insurance to cover costs incurred related to early contract terminations and, if so, the amount it could expect to be reimbursed for payments of contract unwinding costs.

5. If EKPC has an estimate of the equipment and materials that it expects to retain as inventory for its other circulating fluidized bed units, provide a detailed listing and the cost of the identified items.

6. If EKPC has an estimate of the resale or salvage value of the items it will not retain, provide a detailed listing and the value that EKPC believes it might receive from the sale or scrapping of these items.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602-0615

DATED DEC 22 2010

cc: Parties of Record

Mark D Goss  
Frost Brown Todd LLC  
250 W Main Street Suite 2800  
Lexington, KY 40507-1749