

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	)	

SUPPLEMENTAL 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 31, 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 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 "[w]ould *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.

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.

a. 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 1 Boiler – Alstom of \$501,974, and (3) Smith 1 – Environmental of \$123,008. Explain why these amounts increased during this two-month period.

b. 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.

c. 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.

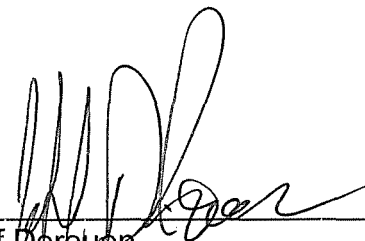
3. Refer to the response to Item 6 of Staff's First Request. Explain what is meant by the term applied to the change in the turbine maintenance strategy for the Gilbert 3 and Spurlock 4 units.

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?

5. Refer to the response to Item 2 of Commission Staff's Initial Request for Information in Case No. 2010-00238<sup>1</sup> 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 1 but that this was not indicated in the testimony.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
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DATED JAN 19 2011

cc: Parties of Record

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<sup>1</sup> Case No. 2010-00238, An Investigation of East Kentucky Power Cooperative, Inc.'s Need for the Smith 1 Generating Facility, opened June 22, 2010.

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